

# **KELLY SERVICES, INC.**

## **CORPORATE GOVERNANCE PRINCIPLES**

**November 6, 2018**

### **Board of Directors**

The Board of Directors (the “Board”) is responsible for overseeing the management of the business of Kelly Services, Inc. (the “Corporation” or “Company”). The Board’s primary responsibility is to provide effective governance over the affairs of the Company for the benefit of its stockholders by acting in good faith, on an informed basis, and with the honest belief that their decisions are in the best interests of the Company. At no time shall a director when acting in his or her capacity as a director of the Company allow personal interests to prevail over the interests of the Corporation and its stockholders. In discharging their obligations, directors may rely on, among other things, the honesty and integrity of the Company’s management, outside auditors, and advisors.

The following principles have been approved by the Board and, along with the charters of the Board committees, provide the framework for the governance of the Company. The Board recognizes the importance of effective governance practices, and regularly reviews these principles and other aspects of governance.

### **Responsibilities**

In addition to overseeing the Corporation’s business and monitoring its management, the Board’s responsibilities include, but are not limited to the following:

- review and, where appropriate, approve major financial and strategic objectives, business plans and actions, and monitor performance relative to achievement of those plans;
- consider long-range strategic issues and risks to the Company, including management’s actions to address and mitigate risks and including overseeing the operation of information and reporting systems or controls designed to inform of material risks;
- select, oversee, evaluate the performance of, and determine compensation of the Chief Executive Officer and oversee management succession planning;
- with the advice of the Chief Executive Officer, appoint, assess and determine compensation of senior management, and oversee their development;

- approve corporate policies and processes that promote and maintain the integrity of the Corporation; and
- the Board shall exercise reasonable oversight with respect to implementation and effectiveness of these policies and processes to include: accurate financial reporting, compliance with laws, rules, and regulations affecting the business of the Corporation, honest and ethical behavior, commitment to quality and customer satisfaction, dedication to service and personal responsiveness, professional excellence and high performance, innovation, creativity and open-mindedness, employee participation, contribution and teamwork, diversity, individual dignity and mutual respect and growth, profitability, and industry leadership.

### **Status as a Controlled Company**

The Nasdaq Global Market (“Nasdaq”) has established specific exemptions from its governance requirements for controlled companies. The Company is a “controlled company” by virtue of the fact that more than fifty percent of the voting power to elect the Company’s directors is controlled by a single entity (an irrevocable trust created by our late Chairman, Mr. Terence E. Adderley).

A controlled company is not required to have a majority of its Board comprised of independent directors. Director nominees are not required to be selected or recommended for the Board’s selection by a majority of independent directors or a nominations committee comprised solely of independent directors, nor does Nasdaq require a controlled company to certify the adoption of a formal written charter or board resolution, as applicable, addressing the nominations process. A controlled company is also exempt from Nasdaq’s requirements regarding the determination of officer compensation by a majority of independent directors or a compensation committee comprised solely of independent directors.

A controlled company is required to have an Audit Committee composed of at least three directors, who are independent as defined under the rules of both the Securities and Exchange Commission (“SEC”) and Nasdaq. Nasdaq further requires that all members of the Audit Committee have the ability to read and understand fundamental financial statements and that at least one member of the Committee possess financial sophistication. The independent directors must also meet at least twice a year in meetings at which only they are present.

The Corporation complies voluntarily with the listing standards of Nasdaq that otherwise do not apply to controlled companies, except that the Corporate Governance and Nominating Committee is not composed entirely of independent directors.

## **Governance and Leadership Structure**

The Company's leadership is vested in the separate roles of a Chairman of the Board, who is independent of management, and the Chief Executive Officer.

The Chairman of the Board's principal duties are to ensure the Board functions independent of management, to serve as liaison among the Chief Executive Officer and the independent Directors, to establish the schedule for Board meetings (in consultation with our Chief Executive Officer), to assist in the development of and to approve the agendas for Board meetings, to approve the information sent to the Board for meetings, to preside at meetings of the Board, to establish the schedule and agendas for and to preside over meetings of the independent directors in executive session, to provide feedback to the Chief Executive Officer on those executive sessions, to facilitate discussion among independent directors on key issues outside Board meetings, and to be available for consultation with the Chief Executive Officer.

The Chief Executive Officer is responsible for managing the business and affairs of the Company, subject to the oversight of the Board. The Chief Executive Officer's duties include leading the Company's management team, representing the Company externally, consulting with the Chairman of the Board about developments in the Company to keep the Board reasonably informed and communicating with all directors about key issues outside Board meetings.

This leadership approach is intended to serve the interests of all stockholders of this controlled Company, which has historically recognized the importance of an independent majority of its Board.

## **Director Qualifications**

The Board has established certain competencies, personal attributes, and considerations that are designed to provide the Corporate Governance and Nominating Committee with specific criteria to aid in the identification and screening of director candidates. Recommendations made by the Corporate Governance and Nominating Committee of candidates for consideration as director nominees are based upon the criteria set forth in these Principles as well as any other relevant factors that the Committee may from time to time deem appropriate, including the current composition of the Board, the balance of independent and non-independent directors, the need for financial experts on the Audit Committee, and the evaluation of all prospective nominees.

Director candidates should possess the following competencies and personal attributes:

- the highest personal and professional ethics, integrity and values;

- a reputation, both personal and professional, for maturity, strength of character, and sound judgment;
- the ability to comply with the Company's Code of Business Conduct and Ethics;
- highly accomplished in their respective fields;
- an understanding of the complexities of business organizations and demonstrated leadership skills;
- demonstrated leadership and other relevant experience with complex organizations of similar size and global scope;
- independence of thought and leadership, with the ability to state independent opinions in a constructive manner;
- financial acumen and the ability to read and understand fundamental financial statements;
- independent director candidates must meet the independence requirements established by Nasdaq, the Securities Act of 1934 and SEC rules and regulations, and also review with the Corporate Governance and Nominating Committee, any relationships of the director or director nominee with competitors, suppliers, customers, or service providers to the Company that might be construed as an actual or potential conflict of interest;
- a willingness to devote sufficient time to become knowledgeable about the Company's business and to carry out his or her duties and responsibilities effectively, taking into consideration directorships with other public companies; and
- have an intention to serve a sufficient time to make a meaningful contribution to the Board.

In addition, the selection of director nominees shall include the following considerations:

- the Board has sought active and former chief executive officers, chief operating officers, or substantially equivalent level executive officers of a complex organization such as a corporation, university, or major unit of government, or a professional who regularly advises such organizations;
- in recognition of the nature of the Company's business, the Board has also sought to have some directors with relevant experience in the business services industry or human resources and workforce solutions field;

- the resulting Board is a diverse body, with diversity reflecting gender, age, ethnic background, and professional experience; and
- in light of the Company's status as a controlled company, the Board has given consideration to the representation of the founding family.

### **Board Selection**

The Corporate Governance and Nominating Committee is responsible for determining the competencies and personal attributes required of director nominees in the context of prevailing business conditions, and for making recommendations to the Board.

The Board has not adopted a policy by which stockholders may recommend nominees to the Board because of the Company's status as a "controlled company."

### **Director Independence**

The Corporate Governance and Nominating Committee shall follow the independence requirements in the Nasdaq listing rules in making independence determinations with respect to each director and director nominee recommended for election at the annual meeting of stockholders. Each director shall keep the Governance and Nominating Committee fully and promptly informed as to any development that might affect the director's independence.

### **Service on Outside Boards**

While there is no specified limit on the number of other public boards on which a director may serve, the number of board memberships shall be a consideration, along with any other time commitments a director or nominee may have, in determining his or her ability to serve effectively. Directors must be willing and able to devote sufficient time to carrying out their duties and responsibilities effectively and have an intention to serve a sufficient time to make a meaningful contribution to the Board and the Company. A director should engage in discussion with the Chair of the Corporate Governance and Nominating Committee prior to accepting an invitation to serve on an additional public company board or accepting an invitation to chair a committee of a public board they currently serve on.

### **Size**

The number of directors constituting the whole Board shall be no fewer than five and no more than eleven, which number shall be fixed, and may be modified from time to time,

by resolution of the Board. The size of the Board should not exceed a number that, as determined by the Board, will permit it to function efficiently in discharging its duties.

## **Tenure**

Term limits are not established. The perceived value of term limits are outweighed by the contributions of directors who have been able to develop, over a period of time, increasing insight into the Company's operations and strategic direction, and, therefore, provide an increasing contribution to the effectiveness of the Board as a whole.

A director shall promptly notify the Company's Corporate Secretary in the event of (i) a material change in occupation or duties, resignation, termination, or retirement from his or her current occupation or (ii) another event or circumstance that might reasonably be considered to adversely affect the director's reputation or ability to continue to serve as a director of the Company (any of the foregoing, a "Change"). The notice shall include a description of the Change. Following receipt of such notice, the Corporate Secretary shall notify the Corporate Governance and Nominating Committee Chairman and Vice Chairman, who, in turn, shall notify the Corporate Governance and Nominating Committee. The Corporate Governance and Nominating Committee shall determine whether, in light of the potential for the Change to have a material adverse effect on the director's Board service, the director should submit his or her resignation to the Board for consideration. If the Corporate Governance and Nominating Committee makes such a determination, it shall request that such director tender his or her resignation from the Board and the director shall comply with such request. The Corporate Governance and Nominating Committee shall then make a recommendation to the Board regarding whether the Board should accept such resignation.

A director who is an officer of the Company shall tender his or her resignation from the Board at the time of resignation, retirement, or termination as an officer of the Company.

Directors who have reached the age of 70 shall not be eligible for re-election, absent approval of the Board.

The Board, upon recommendation of the Corporate Governance and Nominating Committee, retains sole discretion to determine whether to accept or reject any director resignation. On the recommendation of the Corporate Governance and Nominating Committee, the Board may waive these requirements on an annual basis as to any Board member, if it deems such waiver to be in the best interests of the Company and its stockholders.

Until the Board determines whether to accept or reject a director's resignation, the director shall continue to serve as a director; provided, however, no director who has tendered his or her resignation shall participate in the deliberations to determine whether their own resignation shall be accepted or rejected.

## **Director Orientation and Continuing Education**

An understanding of the Company's business is required to enable a director to make a substantial contribution to the Board. New Board members will participate in an orientation program to become familiar with the Company's business, including its history, vision, strategic direction, core values, ethics, corporate governance practices, financial statements including other financial matters, key policies, key issues, and senior leadership. The program may include review of written materials, personal briefings by the senior management, and visits to Company facilities as appropriate. Directors can gain and maintain an understanding of the industry and environment in which the Company operates through briefings from management, reviewing industry publications and press and analyst reports, and participating in educational programs. To assist the directors in discharging their duties, directors are encouraged to participate in continuing director education programs that include internal and external presentations on business, financial, accounting, legal, and other subjects affecting the Company's business. Reasonable costs and expenses incurred for continuing education will be reimbursed by the Company.

## **Meetings**

The Chairman of the Board, in consultation with the Chief Executive Officer, shall establish the annual schedule of Board meetings. In general, regular meetings following the close of each calendar quarter and a separate meeting dedicated primarily to strategic planning for the Company are desirable for the Board to properly discharge its duties. Each of the Chairman of the Board, the Chief Executive Officer, and a majority of directors then in office may call special meetings in accordance with the notice provision set forth in the Company's By-Laws.

The Chairman of the Board has the authority to call meetings of the independent directors, shall determine the schedule and agenda for such meetings, and shall preside at such meetings. The independent directors shall meet in executive session in conjunction with every regular meeting of the Board.

The Chairman of the Board shall regularly attend and preside at meetings of the Board and, together with the Chief Executive Officer, at stockholder meetings.

The Chairman of the Board shall assist the Chief Executive Officer in developing, and shall approve, the agenda for each Board meeting. All directors may suggest the inclusion of items on the agenda, request the presence of or a report by any member of the Corporation's senior management or, at any meeting, raise subjects that are not on the agenda for that meeting.

Absent unusual circumstances, directors are expected to attend all meetings of the stockholders, all meetings of the Board, and all meetings of the committees on which

the directors individually serve and to familiarize themselves with the materials distributed prior to each Board or committee meeting. The Chairman of the Board and Chief Executive Officer shall work together to ensure information flows to the Board to facilitate understanding of, and discussion regarding, matters of interest to or concern to the Board. The Chairman of the Board shall review and approve the Board package as prepared by management, in advance of distribution of these materials to the Board. Meeting materials are generally distributed at least five business days prior to a meeting in order to allow directors the opportunity to prepare. Highly confidential or sensitive matters, and matters that arise shortly before a Board meeting, may be presented and discussed without prior distribution of background material. Meetings should include sufficient time for full and open discussion.

Minutes of each meeting shall be prepared under the direction of the Corporate Secretary and circulated to each member of the Board for review and approval.

The Corporate Secretary and the General Counsel shall have responsibility for the preparation of proxy materials for meetings of the stockholders, subject to the oversight of and approval by the Board.

### **Director Access to Management and Independent Advisors**

The Board has complete access to the employees of the Company. Any meeting or contact requested by a director may be arranged by the Chairman of the Board, the Chief Executive Officer, the General Counsel, the Corporate Secretary, or directly by the director. It is assumed that Board members will use their judgment to ensure that any contact with Company employees is not disruptive to the business operations of the Company and when appropriate they are expected to copy the Chief Executive Officer on any written communications resulting from such contact.

The Board has the authority to retain the legal, financial, and other expert advisors that it deems appropriate to assist the directors in the discharge of their duties. Management will cooperate with any such engagement and will ensure that the Company provides adequate funding.

In discharging his or her responsibilities, a director is entitled to rely in good faith on reports or other information provided by management, independent directors, and other persons as to matters the director reasonably believes to be within such other person's professional or expert competence and who has been selected with reasonable care by, or on behalf of, the Corporation.

### **Management Evaluation and Succession Planning**

The Compensation Committee shall oversee the development of appropriate performance objectives for the Chief Executive Officer annually, monitor and evaluate



the Chief Executive Officer's performance against these objectives, and present the Compensation Committee's performance evaluation to the Chief Executive Officer.

At least annually, the Chief Executive Officer shall meet with the Compensation Committee to review the performance of the members of senior management and other critical positions, including potential succession plans. In light of the importance of executive leadership to the success of the Company, the Board will also work with senior management to ensure that effective plans are in place for management succession. The Board will evaluate potential successors to the Chief Executive Officer and certain other senior management positions.

### **Board Committees**

The standing Board Committees are the Audit, Compensation, and Corporate Governance and Nominating Committee. Each Committee shall have a written charter of responsibilities, duties, and authorities, which shall be reviewed at least annually by the Board. Each Committee shall report to the full Board with respect to its activities, findings, and recommendations after each meeting held. The Board has the authority to form additional committees for such purposes as it deems necessary.

The Corporate Governance and Nominating Committee shall recommend to the Board assignments of Board members to standing and temporary Committees and the appointment of Committee chairs and vice chairs, subject to the provisions of each Committee's charter.

Each Committee shall be composed of independent directors, except that a director representing the Adderley family interests may serve as a member of the Corporate Governance and Nominating Committee.

Each Committee shall have the full power and authority to retain, at the Company's expense, consultants, legal counsel, or others, as the Committee deems necessary or appropriate with respect to specific matters in its purview.

Each Committee Chair, in consultation with other Committee members and management, shall establish agendas and set meetings at the frequency and length appropriate and necessary to carry out its responsibilities. Vice Chairs provide assistance to the Committee Chair as needed, and in their absence serve as Committee Chair. Each committee shall meet in executive sessions from time to time as required or requested by any member.

The Chairman of the Board shall participate in meetings of the standing committees as the Chairman of the Board deems appropriate and convenient.

## **Board and Committee Evaluation**

The Board will conduct an annual evaluation of the respective performance of the full Board, as well as individual Committees. The Corporate Governance and Nominating Committee shall organize and oversee the evaluation of the effectiveness of the Board and its Committees. The evaluation process shall include an assessment of Board and Committee effectiveness and independence, access to and review of information from management, responsiveness to stockholder concerns, maintenance of standards of business conduct and ethics, and maintenance of these Guidelines. The purpose of the evaluation is to increase the effectiveness of the Board as a whole. The evaluation is intended to facilitate an examination and discussion by the entire Board and each Committee of its effectiveness as a group in fulfilling its Charter requirements and other responsibilities, its performance as measured against these principles, and areas for improvement. The results of this evaluation process will also be used to assess critical skills required of candidates for election to the Board and make recommendations to the Board with respect to assignments of Board members to the various committees.

## **Stockholder Communications with the Board**

Stockholders may communicate with the Board. Such communications must be in writing, addressed to the Board of Directors and mailed to the Corporate Secretary, c/o Kelly Services, Inc., 999 West Big Beaver Road, Troy, MI 48084. All written stockholder communications will be reported to the Board at its regularly scheduled meetings.

## **Code of Business Conduct and Ethics**

The Board has adopted a Code of Business Conduct and Ethics (“the Code”) that applies to all directors, officers, and employees to help them recognize and deal with ethical issues, deter wrongdoing, provide mechanisms to report and prevent dishonest or unethical conduct, and help foster a culture of honesty and accountability. The Code addresses conflicts of interest, anti-bribery/anti-corruption, insider trading, corporate opportunities, confidentiality and privacy, protection and proper use of company assets, fair dealing, behavior in the workplace, compliance with laws, rules and regulations and company policies, risk tolerance, anti-human trafficking, reporting dishonest or unethical behavior, public company reporting requirements, and provides an enforcement mechanism.

## **Risk Oversight**

The Board is responsible for understanding the principal risks associated with the Corporation's business on an on-going basis and it is the responsibility of management to ensure that the Board and its Committees are kept informed of these risks on a timely basis.

### **Director Compensation**

The Compensation Committee annually reviews director compensation practices to ensure the Company's directors are fairly compensated in relation to other publicly traded companies of comparable scope and size, and that compensation is designed to align directors' interest with the long-term interests of stockholders. Changes in director compensation, if any, are recommended by the Compensation Committee and considered by the full Board. Independent and other non-employee directors receive an annual retainer for Board service; independent and other non-employee directors who serve as Chair of a standing committee may also receive an annual retainer for such service. Directors who are employees of the Company (currently, the Chief Executive Officer) shall not receive further compensation for their services as directors. Additionally, the director who is the designated representative of Persol Holdings Co. Ltd. (formerly known as Temp Holdings Co. Ltd.) shall not receive compensation for his service as a director.

### **Director and Executive Management Stock Ownership**

The Company and its stockholders are best served by operating under a long-term strategy that encourages the achievement of superior performance results. Stock ownership is an important tool to strengthen the alignment of interests of stockholders, directors, and Company management. As such, the Company has established stock ownership guidelines for non-employee directors and also executive stock ownership requirements for senior officers.

### **Annual Review**

The Corporate Governance and Nominating Committee will annually consider whether these guidelines continue to reflect the goals, functions, and needs of the Company, the Board and the stockholders, and recommend changes, if appropriate, to the full Board.