



# Audit Committee Charter

Revised August 4, 2020

## **Purpose**

The purpose of the Audit Committee (the "Committee") is to assist the Board of Directors (the "Board") of Kelly Services, Inc. (the "Company") in its oversight of the quality and integrity of the Company's financial statements, accounting and financial reporting processes, and financial statement audits, including internal control over financial reporting; the registered public accounting firm's (independent auditor's) qualifications and independence; the performance of the Company's internal audit function and of the independent auditor; the Company's compliance with legal and regulatory requirements; and the Company's Enterprise Risk Management program that includes systems of disclosure controls and procedures, and compliance with ethical standards adopted by the Company.

The Committee will serve as the Company's Qualified Legal Compliance Committee (the "QLCC").

The Committee shall encourage continuous improvement of, and promote adherence to the Company's policies, procedures, and practices at all levels for corporate accountability, transparency, and integrity. The Committee shall also foster open communication among the independent auditor, financial and senior management, the internal audit function, and the Board.

## **Organization, Authority, and Resources**

The Board, upon the recommendation of the Corporate Governance and Nominating Committee, shall appoint annually no fewer than three of its members to serve as members of the Committee and shall designate the Chairman of the Committee from among the members of the Committee. All members of the Committee shall meet the independence and financial literacy requirements set forth in the Nasdaq Global Market ("Nasdaq") listing standards, the Sarbanes-Oxley Act of 2002, as amended ("SOX"), and the rules and regulations of the Securities and Exchange Commission (the "SEC").

At least one member of the Committee shall be an "audit committee financial expert" as such term is defined under applicable SEC rules and determined by the Board.

In fulfilling its obligations, the Committee will rely on management for the preparation, presentation, and accuracy of the Company's financial statements, for the appropriateness of the accounting principles and reporting policies that are used by the Company, on management and the Company's internal audit function for establishing and monitoring the effectiveness of the Company's internal control over financial reporting, and on the Company's independent auditor for the audit of the Company's financial statements and the effectiveness of the Company's internal control over financial reporting.

No member of the Committee shall simultaneously serve on the audit committees of more than two other public companies without the prior approval of the Board.

The Committee, in carrying out its responsibilities, believes its policies and procedures should remain flexible in order to best react to changing conditions and circumstances. The Committee will take appropriate actions to monitor the overall corporate "tone" for quality financial reporting, sound business risk practices, and ethical behavior.

Members of the Committee shall serve until their successors are duly elected and qualified or their earlier resignation or removal. The Board may remove or replace any member from the Committee at any time with or without cause.



The Committee may request any officer or employee of the Company or the Company's outside counsel to attend a Committee meeting or to meet with any members of, or consultants to, the Committee. The Committee shall have the authority to retain and terminate any independent legal, accounting, or specialized consultants used in matters related to audit or risk oversight. The Company must provide appropriate funding for the payment of reasonable compensation, as determined by the Committee, to retain advisors.

## **Procedural Matters**

The Committee shall meet at such times as the Committee shall consider appropriate to fulfill its duties, but not less frequently than four times a year. A majority of the Committee shall constitute a quorum for the transaction of business and a vote of a majority of the members present at any meeting at which a quorum is present shall constitute the action of the Committee. Annually, the Committee will establish a calendar of agenda topics to be discussed during the year (to the extent these can be foreseen).

Each regularly scheduled meeting will conclude with an executive session of the Committee absent members of management. As part of its responsibility to foster open communication, the Committee will meet periodically with management, the head of the internal audit function, and the independent auditor in separate executive sessions.

The Committee shall engage in continuing education, which will involve Committee presentations on business, financial, accounting, legal, and other subjects relative to the Committee's areas of responsibility and will encourage individual Committee member participation in external programs related to the responsibilities of Audit Committee members generally.

The Committee will keep a record of its meetings and report on them to the Board of Directors. The Committee may meet by telephone or videoconference and may take action by unanimous written consent in lieu of meeting.

The Committee may delegate any of its responsibilities to (i) its Chairman or a subcommittee comprised of one or more members of the Committee or (ii) the Chief Financial Officer in each case as it deems appropriate; provided, however, that the Committee shall not delegate any power or authority required by law, regulation or listing standard to be exercised by the Committee as a whole.

The Committee shall evaluate its performance on an annual basis, based on the responsibilities defined in its Charter or other criteria developed by the Corporate Governance and Nominating Committee.

## **Duties and Responsibilities**

The Committee shall carry out the duties and responsibilities set forth below:

### *Independent Auditor*

1. The Committee is directly responsible for the appointment, compensation, retention, and oversight of the work performed by the independent auditor engaged for the purpose of preparing or issuing the annual audit report on the consolidated financial statements of the Company or performing other audit, review, or attest services for the Company. The Committee has direct oversight of the independent auditor's evaluation of the Company's internal control over financial reporting. The Committee will oversee the resolution of disagreements between management and the independent auditor, if they arise. The independent auditor shall report directly to the Committee. The Committee shall review the qualifications, independence, and performance of the independent auditor, including the lead audit partner, at least annually, recommending either reengagement or replacement. The Committee is responsible for recommending that the Board



submit the appointment of the independent auditor for stockholder ratification at the annual meeting.

2. Approve all audit, audit related, internal control related, tax, and permitted non-audit services of the independent auditor prior to engagement by the Company. Pre-approval is delegated to the Chair of the Audit Committee and, for fee adjustments on pre-approved services for amounts less than \$25,000, to the Chief Financial Officer. The Chief Financial Officer, the Chief Accounting Officer, or their respective designee shall promptly disclose and seek pre-approval from the Audit Chair for services not otherwise approved. All changes to services and related fees shall be communicated to the full Committee at the next regularly scheduled meeting.
3. Consider in consultation with the independent auditor and the head of Internal Audit, the audit scope and plan of external and internal audits, the involvement of the internal auditors in the audit process, and the independent auditor's responsibility under generally accepted auditing standards.
4. At least annually obtain, review, and discuss a written report by the Company's independent auditor that describes: (i) the firm's independence and quality of its internal control procedures, (ii) any material issues raised by the most recent internal quality control review, peer review, Public Company Accounting Oversight Board (the "PCAOB") review or inspection of the firm, or by any inquiry or investigation by governmental or professional authorities within the preceding 5 years, respecting one or more independent audits carried out by the firm and steps taken to deal with any such issues, and (iii) all relationships and services, including non-audit, between the firm and the Company that may impact the objectivity and independence of the auditor in accordance with PCAOB Ethics and Independence Rule 3525, and take appropriate actions to oversee the independence of the auditor.
5. Discuss with the independent auditor and management any significant matters regarding internal control over financial reporting that have come to its attention during the conduct of the audit or quality reviews. This includes review of the independent auditor's report on the effectiveness of internal control over financial reporting prior to the filing of the Company's Form 10-K.
6. Discuss with the independent auditor and management the annual and quarterly financial statements and the results of the audit or review of the financial statements and its associated report, including any opinions rendered in connection with the financial statements and other material written communications between the independent auditor and management, including, but not limited to, the schedule of unadjusted differences. Also discuss the Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A") to be included in the Company's annual and quarterly reports on the Forms 10-K and 10-Q.
7. Discuss with the independent auditor the matters to be discussed by PCAOB Auditing Standard No. 2410 and other related auditing standards, including information regarding the Company's relationships with related parties, significant unusual transactions, and transactions with executive officers.
8. Discuss with the independent auditor all critical accounting policies and practices, and all alternative treatments of financial information within generally accepted accounting principles related to material items that have been discussed with management, ramifications of the use of such alternative disclosures and treatments, and the treatment preferred by the independent auditor.
9. Review with the independent auditor and the Company's General Counsel any legal matter that could have a significant impact on the Company's financial statements.



10. Review with the independent auditor, in conjunction with its annual audit and quarterly reviews of the Company's financial statements, any problems or difficulties encountered in the course of its work, including any restrictions on the scope of the firm's activities, its access to requested information, or any significant disagreements with management and management's response to such matters. In addition, review with the independent auditor any Critical Audit Matters ("CAMs") and related CAM disclosures to be included in the auditor's report.

### *Financial Reporting*

11. (a) Review the integrity of the Company's internal and external financial reporting processes with management and where noted above, the independent auditor:
  - Prior to any release or filing:
    - the Company's quarterly and annual earnings press releases and supplemental financial presentation material, with emphasis on financial information and earnings guidance provided to analysts, and use of Non-GAAP measures. Such discussion may be done generally;
    - the Company's quarterly and annual financial statements including the quarterly reports on Form 10-Q and the annual report on Form 10-K, including the disclosure under the MD&A, filed with the SEC;
    - any disclosure from the CEO and CFO made in connection with the certification of the Company's quarterly and annual reports filed with the SEC of: a) significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting that are reasonably likely to adversely affect the Company's ability to record, process, summarize, and report financial data; and b) any fraud, whether or not material, that involves management or other employees who have a significant role in the Company's internal controls; and
    - consider the risk of management's ability to override the Company's internal controls.
  - the Company's disclosure controls and procedures utilized to gather information and report results;
  - the Company's critical accounting policies as disclosed in its Form 10-K annual report, including major issues regarding accounting principles or any significant changes in the Company's selection or application of accounting principles. Consideration of the judgment of both management and the independent auditor about the quality, not just the acceptability of accounting principles;
  - the independent auditor's audit of the financial statements and its associated report, including any significant judgments or opinions rendered in connection with the financial statements and disclosure of CAMs. This includes any related management letter and management's response to the recommendations;
  - any serious difficulties encountered in the conduct of the audit or disagreements with management during the audit;
  - any major issues as to the adequacy and effectiveness of the Company's internal controls over financial reporting, any special steps or remediation plan adopted in light of material control deficiencies and the adequacy of disclosures about changes in internal control over financial reporting;



- management's report on the effectiveness of internal control over financial reporting and the independent auditor's attestation of the report prior to the filing of the Company's Form 10-K;
- consideration of the effect of regulatory and accounting initiatives, as well as off-balance sheet structures, on the financial statements; and
- the completeness and clarity of the disclosures in the financial statements.

(b) Recommend to the Board that the audited financial statements and MD&A be included in the Company's Form 10-K Annual Report.

#### *Internal Audit*

12. Review with management and the head of Internal Audit:

- significant findings during the year and management's responses;
- the Internal Audit Department's scope and responsibilities, budget and staffing, internal audit plan, planned allocation of Internal Audit resources among its various areas of responsibilities, and recommended changes in the planned scope of the internal audit;
- the progress and results of executing the internal audit plan including review of reports of material violations of the Company's Code of Business Conduct and Ethics (the "Code") or any other Company policy;
- review the Internal Audit Charter, reporting relationship, activities, staffing, and organizational structure of the internal audit function, as well as the qualifications of its personnel; and
- annually review the performance of the Internal Audit function.

Review and approve, after consultation with management, the appointment, evaluation, compensation, replacement, reassignment, or dismissal of the head of Internal Audit.

Periodically review with the head of Internal Audit, any significant difficulties, disagreements with management, or scope restrictions encountered in the course of the function's work.

#### *Ethical and Legal Compliance*

13. Establish and oversee procedures for the receipt, retention, and treatment of complaints received by the Company including confidential, anonymous submissions by the Company's employees, regarding potential fraud, accounting, internal accounting control or auditing matters, and alleged violations of the Code, including procedures for confidential, anonymous submissions by Company employees regarding questionable accounting or auditing matters.
14. Review the effectiveness of the process for monitoring compliance with state and federal laws affecting the Company and the results of investigations and follow-up (including disciplinary action) of instances of non-compliance. Review quarterly with the General Counsel legal compliance and regulatory matters. Obtain updates, as appropriate, regarding legal compliance.
15. Review all related person transactions and, where the Committee determines that such transactions are in the best interests of the Company, approve such transactions in advance of such transaction being given effect (subject to a delegation of review and approval authority in such cases as determined by the Committee and as permitted by the terms of the Company's



Related Person Transaction Policy (the “ RPT Policy”)). Ensure that any determinations made pursuant to such delegated authority are presented to the full Committee for review not later than the next regular meeting of the Committee and that the General Counsel and/or Corporate Secretary notifies the Board on a quarterly basis of all related party transactions approved or ratified by the Committee. Review annually, any previously approved or ratified related person transaction that is continuing and determine based on existing facts and circumstances, if it is in the best interests of the Company to continue, modify or terminate the transaction. Monitor compliance with the Policy for the review, approval, or ratification of related party transactions as defined by Regulation S-K under the federal securities laws and Nasdaq Corporate Governance Rule 5630. Monitor the Company’s required public disclosure of related party transactions to the extent and manner required by applicable legal requirements and listing standards, or as the Committee may determine to be in the best interests of the Company and its shareholders. Discuss with the independent auditor its evaluation of the Company’s identification of, accounting for, and disclosure of its relationships with related parties as set forth under the standards of the PCAOB. Review any potential conflict of interest between a director or executive officer and the Company and any other potential violation of the Code and make appropriate recommendations to the Board including as to requests for waivers of the Code.

16. Meet quarterly with the head of Internal Audit and the independent auditor in separate executive sessions. The Committee may also call into executive session any officer, employee, director, or external party.

#### *Reports*

17. Include in the Company’s proxy statement the Report of the Audit Committee, as required by the SEC, that based on the review and discussion of the audited financial statements with management and the independent auditor, the Audit Committee recommended to the Board that the audited financial statements be included in the Company’s Annual Report on Form 10-K for filing with the Commission. In addition, the report must state whether:
  - the Audit Committee discussed with the independent auditor those matters required to be discussed by PCAOB Auditing Standard No. 1301 (Communications with Audit Committees);
  - the Audit Committee has received from the outside auditor certain disclosures regarding the auditor’s independence required by PCAOB Rule 3526;
  - the Board has adopted a written Charter for the Audit Committee (the Company’s proxy disclosure must state whether the current Audit Committee Charter is available on the Company’s website.
  - the Audit Committee members are “independent” as defined by Nasdaq, SOX Section 301, and Exchange Act Rule 10A-3(b)(1) requirements; and
  - the report may also address such other matters as the Committee considers appropriate.

#### *Risk Management*

18. On a regular basis, review and discuss with management the Company’s Enterprise Risk Management Program, including management’s risk assessment and risk management guidelines and processes, including policies to govern the processes. The Committee shall discuss the Company’s major financial risk exposures and the steps management has taken to monitor and control such exposures. The Committee shall also discuss cybersecurity risk and risk management at least annually with the Company’s Information Technology and Internal Audit groups.



### *General*

19. The Committee will have such additional duties and responsibilities as may be provided in applicable Nasdaq rules and the rules and regulations of the SEC, as in effect from time to time.
20. The Committee shall be responsible for any other matters consistent with this Charter, the Company's bylaws, or as expressly delegated to the Committee by the Board from time to time.

### *Qualified Legal Compliance Committee*

21. When functioning as the Company's QLCC, the Committee shall have the duty and authority to:
  - receive reports of potential material violations by the Company or any of its officers, directors, employees, or agents, of applicable U.S. federal or state law or of a fiduciary duty arising under such law, and of the Company's policies including the Code;
  - inform the Company's Chairman of the Board, Chief Executive Officer, and General Counsel of any such report;
  - determine whether an investigation into any matters within its scope of responsibility is necessary, and if so, to notify the Board, initiate an investigation, receive full access to all Company records and employees, and obtain advice and assistance from outside legal, accounting, or other advisors, as necessary to perform its duties and responsibilities;
  - handle reported matters according to written procedures;
  - at the conclusion of any such investigation, recommend implementation of an "appropriate response" (as defined by rule or regulation of the SEC) and inform the Board, Chief Executive Officer and General Counsel of the results of such investigation and the appropriate remedial measures to be adopted; and
  - take all other appropriate action, including, as required by law, notifying the SEC if the Company fails to implement an appropriate response recommended by the Committee.
22. The Committee shall report to the Board at least annually of its activities as the Company's QLCC.

### **Limitation of Audit Committee's Role**

While the Committee has the responsibilities and powers set forth in this Charter, it is not the duty of the Committee to plan or conduct audits or to determine that the Company's financial statements and disclosures are complete and accurate and are in accordance with generally accepted accounting principles and applicable rules and regulations. The Company's financial statements are the responsibility of management. The independent auditor is responsible for planning and conducting audits to determine whether the financial statements present fairly in all material respects the financial condition and results of operations of the Company.

### **Reliance on Others**

Nothing in this Charter is intended to preclude or impair the protection provided in Section 141(e) of the Delaware General Corporation Law for good faith reliance by members of the Committee on reports and other information provided by others.