

We partner with our associates and our clients, serving individuals and enterprises with our full range of services globally and locally. This is what makes us unique.

# Our strategy

The strategy of the Adecco Group is to be alongside our associates and clients at each phase in their life cycles. As the world's leading provider of HR solutions in over 60 countries and territories, we offer all HR services to clients and every day we place more than 650,000<sup>1</sup> associates at work.

## Candidates and associates

We support job seekers from their very first career steps, giving them an opportunity to start to build up valuable skills and to gain the work experience required by the job market. We help people identify roles that will allow them to re-enter the working world and provide them with the training to do so. A temporary job can often lead to permanent employment. Adecco offers talent development services, including training, coaching, and counselling, to enable all our associates to reach their professional potential and goals. Our Career Transition services help individuals move into new roles in cases of redundancy, by preparing and guiding them during the phase of career change. They are assisted with the preparation of their CV, in job market orientation, in setting up interviews, and during the final placement. We aim to accompany our associates throughout every phase in the worker life cycle.

## Clients

When a great idea is ready to be turned into a business, we support our clients through the start-up and growth phases. We find the right people, with the right skill sets, to join companies on a temporary or permanent basis and contribute to their success. Growth and expansion can also mean mergers and acquisitions, human resources need to be carefully managed and maintained, and changes may need to be made to the organisation. Adecco has the services and skills to support clients through all of these phases and more. Once the client's company structure matures, we help to manage the attrition of people or to optimise business processes through outsourcing solutions. Should circumstances require a client to downsize operations, we help by deploying staff to increase business efficiency and effectiveness. Whatever the phase in the client life cycle, Adecco strives to provide an HR solution.

## How we monitor our operations

Top management carries out frequent operational and financial reviews with the regional and country heads of Adecco's business segments to ensure that the Group's strategy is embedded in the local operations and that execution remains on track. We selectively invest in high-growth segments and markets, while at the same time continuing to practise stringent cost management to ensure a sustainable improvement in profitability. In addition, the application of the Economic Value Added (EVA) concept continues to be a core pillar of our day-to-day operations and strategy, ensuring discipline with respect to client contract pricing, cost containment, and evaluating business opportunities.

### The Economic Value Added (EVA) concept

To ensure alignment of the Adecco Group's overall strategy throughout the decentralised organisation, firm central control and effective management tools are required. The Adecco Group's value-based management approach has moved beyond profitability based on pure accounting criteria as a measure of value creation. By applying the EVA concept we also take the use of capital into consideration, gearing our decision-making towards value generation and enabling us to maximise shareholder returns. EVA is embedded in our operations, fostering consistent and dependable pricing policies, ensuring the use of the most efficient delivery channels, and serving as a basis for performance-related incentives.

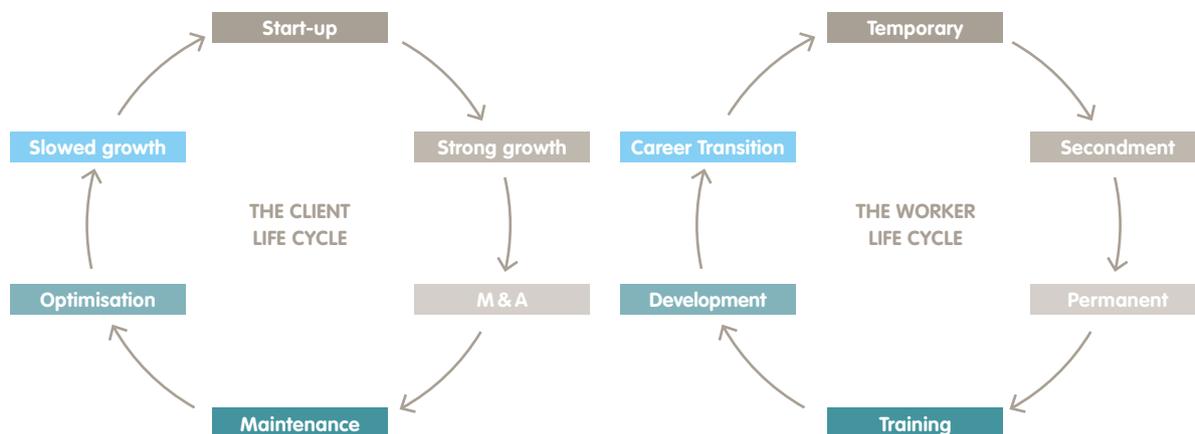
### Where we apply EVA

We apply the EVA concept in incentive plans, contract pricing, and acquisitions.

- Incentive plans: performance-related pay is calculated on an EVA basis and applied at almost all levels and regions of the organisation. At branch level, we apply a simplified ver-

<sup>1</sup> Average 2014.

**Alongside the life cycles of our clients, candidates and associates**



sion of the concept, while the remuneration of senior management is measured using the most detailed form of the calculation, covering all elements of the concept, including goodwill and other intangible assets.

- Contract pricing: we use EVA to measure the value generation of new and existing clients. First and foremost, this approach ensures that the pricing of our client contracts is consistent and dependable, giving us a clearer picture of the cost structure and capital needs of our business relationship with individual clients.
- Acquisitions: we apply the EVA concept in order to evaluate the attractiveness of potential acquisitions. As goodwill and other intangible assets are a substantial part of the invested capital which directly affect EVA, the concept helps us to avoid overpaying.

**How we calculate EVA**

EVA is a measure of a company’s financial performance based on residual income. According to this concept, value is created only if EBITA after the deduction of taxes is greater than the minimum required rate of return on the invested capital. Our calculation takes the Adecco Group’s net operating profit after taxes (NOPAT) and deducts a charge for the use of capital in the business, based on the Group’s invested capital and weighted-average cost of capital (WACC). Invested capital is defined as total assets, excluding cash and including gross acquired goodwill and other gross acquired intangibles since the introduction of the EVA concept, minus non-interest-bearing liabilities. We apply a 10% WACC across all our entities, although the actual WACC in the reporting period was below 10%. Put simply, using this concept allows us to find the right balance between revenue growth, market share, pricing, cost structure, and invested capital. It enhances our ability to make the right choices with respect to client relationships, acquisitions, strategies, incentive schemes, and targets.



**Our above 5.5% EBITA margin target**

We aim to reach an EBITA margin of above 5.5% in 2015 – a new peak for Adecco. The target level was initially set at the beginning of 2010, after our share of the higher-margin Professional Staffing business increased to above 20% of total revenues. In 2014, the EBITA margin excluding restructuring costs was 4.8%, up 40 bps compared with 2013. The slow recovery in Europe and the accelerating growth in North America helped revenues to increase 4% in constant currency compared to 2013. Gross profit increased by 5% in constant currency and gross margin improved by a further 20 bps to 18.5% driven by price discipline, a better business and country mix, and the positive impact from the increase in the rate of French CICE (tax credit for competitiveness and employment). SG&A excluding restructuring costs increased by 3% in constant currency, below the rate of revenue growth. Along with the higher gross margin, this operating leverage also contributed to the improved EBITA margin excluding restructuring costs in 2014 compared to 2013.

We continue to be very focused on reaching our EBITA margin target of above 5.5% in 2015. Economic growth slowed in the second half of 2014, but a pick-up of GDP growth is expected for 2015 and the start of the year suggests this is already beginning to happen. Given this outlook and based on the good progress on our six strategic priorities and our continued price and cost discipline, we remain convinced we will achieve our target.

## How we reach our target



## Strategic mid-term priorities

The strategic focus of the Adecco Group's management is on Engagement, Information Technology (IT), Professional Staffing & Services, Segmentation, Business Process Outsourcing solutions, and the Emerging Markets.

- **Engagement:** attracting, developing, and retaining our employees is essential to building successful long-term relationships with both clients and associates. A better, longer-lasting relationship with our clients and associates protects our business and is a competitive advantage both from a revenue and from a cost perspective. The regularly conducted Great Place to Work® survey on the job satisfaction of our own employees gives insight into how we can continuously improve our working environment.
- **Information Technology:** an important strategic priority for the Adecco Group is the better use of IT to maximise business opportunities and to improve efficiency. In 2012 we began a project to move from a collection of local IT functions to a global IT organisation with a common platform in all countries. This project with its various workstreams – including Candidate Management, Client Management, Search & Match, and Business Intelligence – will help us to give a unique experience to candidates, associates, clients and colleagues. Our investments in IT are aimed at enhancing our cost leadership position, but also at maximising our revenue-generation opportunities, such as by using Big Data to predict the future demands of our customers and to model the effectiveness of our own commercial actions. Major milestones in 2014 were the successful small-scale implementations of the applications we have developed over the last two years, and the beginning of our first major roll-out in Japan.
- **Professional Staffing & Services:** Adecco is the global leader in professional staffing worldwide. It remains an essential part of the Group's strategy to increase the share of

revenues generated from Professional Staffing. This segment, with higher growth and margin potential, accounts for approximately 30%<sup>2</sup> of the global staffing market but only 23% of Adecco revenues. In professional staffing, where penetration rates are still significantly lower than in general staffing, growth will be driven by scarcity of talent, evolving working practices, and higher wage inflation for qualified personnel. We will also benefit from the roll-over the last few years of our key Professional Staffing brands in our major markets. We have also launched several initiatives to expand our Permanent Placement business, which are starting to pay off. In 2014, Permanent Placement grew in constant currency by 5% in Q1 and by 14% in Q4. We are also the global leader in career transition and talent development through our Lee Hecht Harrison (LHH) business. The counter-cyclical nature of career transition is a good hedge during economically difficult times, as this business peaks during recessions. Our large scale and flexible approach to cost management enables LHH to achieve double-digit EBITA margins throughout the cycle.

- **Segmentation:** optimising the segmentation of our client base allows us to capture additional market and margin opportunities as we target to increase business with small and medium-sized clients. In 2015 we will continue to roll out specific operating models for different client segments into further countries.
- **Business Process Outsourcing solutions:** Adecco considers the continuing trend towards Business Process Outsourcing (BPO) solutions, including Managed Service Programmes (MSP), Recruitment Process Outsourcing (RPO), and Vendor Management System (VMS) a major opportunity to differentiate our service offering. Large multinational clients increasingly seek to outsource their HR processes. With a global footprint and extensive know-how of local labour markets, Adecco is ideally positioned to take advantage of this trend. Our comprehensive Solutions offering is market-leading and a key competitive advantage. In 2014, we further enhanced our BPO offering with the acquisition of OnForce. OnForce's Freelancer Management System (FMS) provides cloud-based solutions for companies to manage

<sup>2</sup> Adecco estimate.

their use of freelancers/independent contractors. These solutions complement the Vendor Management System (VMS) provided by Adecco's Beeline business. The merger of these two offerings creates a unique integrated solution for companies to source talent through multiple channels.

- **Emerging Markets:** the emerging markets offer immense untapped growth potential for the staffing industry. Penetration rates of temporary staffing services are still at very low levels. The highly dynamic economic activity, the shift of production, and growing investments in the emerging markets by multinational corporations are the main growth drivers for our business in these markets.

## How we are organised

The set-up of our organisation is a key success factor for our business. We are organised in a geographical structure plus the global business Lee Hecht Harrison (LHH):

- France
- North America
- UK & Ireland
- Germany & Austria
- Japan
- Italy
- Benelux
- Nordics
- Iberia
- Australia & New Zealand
- Switzerland
- Emerging Markets
- LHH

Our staffing business is a local business since HR markets are local markets. Every country has its own characteristics in terms of client needs, client structure, demographics, culture, and regulations. The heads of each region or country have operational responsibility for both General and Professional Staffing business lines. We are convinced that, for the staffing business, decentralisation is the right way to manage a global staffing organisation and to promote local entrepreneurship. Our Career Transition and Talent Development business LHH globally benefits clients with its unparalleled service offering. Clients increasingly require these services in multiple countries and our organisation structure perfectly fits this need.

The Board of Directors determines the overall strategy of the Adecco Group and supervises Management. The Chief Executive Officer is responsible for the implementation of the strategic and financial plans as approved by the Board of Directors and represents the overall interests of the Adecco Group. The Executive Committee consists of the Group CEO, Chief Financial Officer, Chief Sales Officer, Chief Human Resources Officer, and Regional Heads.

## Our key performance indicators

To measure the effectiveness of our strategy from a financial perspective, we closely monitor the following key performance indicators (KPIs):

- Revenue growth
- Gross profit growth and gross margin development
- Selling, general, and administrative expenses (SG&A) development
- EBITA growth and EBITA margin development
- Conversion ratio (EBITA as a percentage of gross profit)
- Days sales outstanding (DSO)
- Economic Value Added (EVA)

We also measure non-financial goals. Engaging with our own employees is a strategic priority of Management. We review the retention rate quarterly and use the Great Place to Work® survey to further improve our attractiveness as an employer. We conduct the Global Satisfaction Survey among clients and associates on a regular basis – a dialogue with those people who determine our success. It provides us with feedback on our brand promise, brand voice, processes, and KPIs, and allows us to constantly improve. By increasing client, associate, and employee satisfaction we enhance the creation of value.

## What makes us unique

Adecco offers a complete range of HR solutions and services along the life cycles of clients and workers in more than 60 countries and territories around the world. This means we provide solutions to enterprises and individuals globally. We are the largest provider of general and professional skills and through our network we place more than 650,000' people at work every day. We are the only global player offering both Managed Service Programmes and our own Vendor Management System (Beeline) in a bundled solution to those customers looking to outsource the management of their contingent workforce. Furthermore, LHH is the uncontested global leader in Career Transition and Talent Development. We partner with our associates and our clients, finding the best fit for the skills and aspirations of talents to the evolving needs of enterprises. Coupled with our global reach and decentralised management approach, which fosters entrepreneurship and enables adaptation to local market conditions, we are a trusted and reliable partner for all stakeholders. What makes us unique is our global reach and our broad, comprehensive range of leading services and solutions.