

Identifying, mitigating and managing risks is part of our culture. Furthermore, our risk management process is used to identify business opportunities, to improve our services for clients and associates and to increase the value of the Adecco Group.

# Risk management

**The process** The risk management process at the Adecco Group has strategic and organisational dimensions. Besides analysing, managing and mitigating risks, the aim is also to identify business opportunities. The risk assessment process includes an estimation of the likelihood of risk occurrence, potential impact on the financial results and an assessment of the effectiveness of existing internal controls. When existing controls need further improvements, action plans are established and implemented to mitigate the risk to an acceptable level. All countries perform risk assessments on a regular basis and report their results to Group Management. The results are discussed in the Risk Management Steering Committee to determine whether the countries' assessments are plausible also from a Group perspective. Risks identified at country and corporate level are treated as opportunities for improvement. In this sense, the risk management process is a vital part of daily activities within the organisation. The Group's financial risk management activities are also covered on page 104 in the Financial Review. This section focuses on describing where key risks emerge and the actions Adecco takes to manage and mitigate those risks.

## Key business risks

**Economic environment** As a general rule, demand for HR services is sensitive to changes in the level of economic activity. When the global economy accelerates, demand for temporary and permanent placement services increases; when the economy slows down, so does demand. On the other hand, the impact of the level of economic activity on the career transition (outplacement) business is counter-cyclical in nature. Demand for career transition services rises in difficult economic times and decreases when the economy improves. In all our businesses, fluctuations in revenue and profitability need to be managed through tight cost control in order to ensure financially sound results.

**How do we handle changes in economic activity?** Given the low level of visibility for the staffing business, it is important that management at country level is constantly aware of economic developments in order to adapt the cost base to revenue trends. Corporate and regional management need to maintain an active dialogue so that capacity can be adjusted as and when necessary. Close monitoring of monthly results and updated forecasts ensure a rapid response to business developments. Our focus on EVA supports this approach.

**Client attraction and retention** The Adecco Group's business potential and long-term prospects depend on attracting and retaining clients. Client satisfaction, as a result of our services rendered, is a key indicator for client retention and therefore needs to be monitored closely.

**How do we ensure client attraction and retention?** The active use of the client Global Satisfaction Survey, which is carried out twice a year, is a valuable tool to monitor client satisfaction within countries and regions. The Adecco Group uses the results to train and support salespeople, to draft and execute sales action plans, and to further enhance services to meet client needs. In parallel, we continue to improve our delivery channels and to optimise sales processes, leading to enhanced client attraction, greater client satisfaction and ultimately to increased revenue growth prospects.

**Associate attraction and retention** We depend on our ability to attract and retain associates who possess the skills and experience to meet clients' staffing needs. With talent shortages in certain sectors and intense competition for skilled individuals, providing suitably qualified associates is a challenge. Our continued success depends on our ability to offer associates attractive assignments and conditions in order to attract and retain them.

**How do we address associate attraction and retention?** Key to retaining associates is being able to offer consecutive assignments with attractive wages and training modules to

improve their skills and qualifications. Our Global Satisfaction Survey also addresses associates and is designed to help us identify their needs. The findings are continually evaluated and implemented in our solutions of servicing qualified people to keep up with changing client needs and emerging technologies.

**Employee attraction and retention** The effectiveness of our operations depends on the commitment of key corporate personnel, local managers and field staff. Local relationships and the quality of services are vital to our ability to attract and retain business. The loss of top personnel, with valuable operational experience in the global HR services industry or with strong customer relationships, may cause significant disruption to our business.

**How do we respond?** Retaining and hiring the right people and placing them in the right job can significantly influence Adecco's business prospects. The annual Great Place to Work® survey gauges employees' satisfaction with their workplace. Compensation packages need to be competitive and closely aligned with Company targets. EVA, as a performance-based incentive concept, is applied at almost all levels and regions of the organisation. Adecco endorses the view that frequent, honest and transparent communication, as well as a clear strategy from top management, is essential in ensuring employee satisfaction.

**Information technology** IT plays a pivotal role in today's business operations. The growing dependency on IT makes the potential impact of disruptions even greater. Key IT-related risks include failure of the IT infrastructure, leading to loss of service or a leakage of confidential business information, among others.

**What mitigating measures do we take?** We continue to improve our existing IT process risk management, including monitoring, security and compliance, coupled with continual assessment of our global security and IT infrastructure (network, database, application). Furthermore, we have a contingency plan based on a detailed, country-by-country assessment of our exposure to a severe IT disruption. A review of agreements with IT service providers and enhancement of service-level and contract management are embedded in the IT processes, as is the steady improvement of user security awareness. Continuous investments in our IT platform further increase the efficiency and quality of our services.

### **Change in regulatory/legal and political environment**

The private employment services industry requires appropriate regulation with the ultimate goal of enhanced quality standards. The triangular relationship (Private Employment Agency, Associate & Client) is a widely accepted employment form and officially recognised by the EU in its directive (2008/104/EC) on temporary agency work, as well as by the ILO with its convention on private employment agencies (n° 181).

### **What can Adecco do to avoid inappropriate or unbalanced regulation?**

Adecco is a founding member of Ciett, the International Confederation of Private Employment Agencies and the authoritative voice representing the interests of affiliated agency work businesses. We play an active role in Ciett's approach to take the staffing industry forward through informed and influential dialogue with key stakeholders. At regional and local level we are involved either via our own company representatives or through associations and federations. We are also a Strategic Partner of the World Economic Forum. The ultimate goal of our initiatives is to improve working and employability conditions whilst ensuring the competitiveness and growth of businesses and economies.