

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 around 700,000<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 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. The Adecco Group 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. The Adecco Group 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, the Adecco Group strives to provide an HR solution.

## What makes us unique

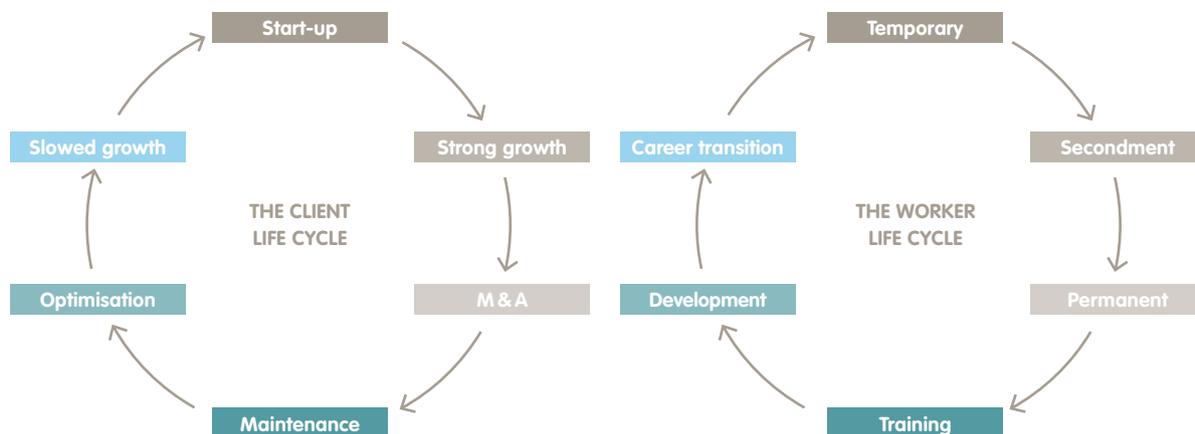
The Adecco Group offers a complete range of HR solutions and services along the life cycles of clients and workers in more than 60 countries and territories around the world. This means we provide solutions to enterprises and individuals globally. We are the largest provider of general and professional skills and through our network we place around 700,000<sup>1</sup> associates at work every day. We are a major global player in both Managed Service Programmes and Recruitment Process Outsourcing, allowing customers to outsource the management of their contingent workforce and large-scale hiring programmes. Furthermore, Lee Hecht Harrison is the 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.

## Strategic priorities

In January 2016, the Adecco Group presented its evolved strategic priorities. Reflecting emerging trends in the world of work, we have introduced new priorities that are critical components of our future success, while reaffirming existing priorities that remain highly relevant across our business. The leadership team is very focused on implementing all of the priorities across the organisation.

<sup>1</sup> Average 2015.

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



**Segmentation**

Segmentation means tailoring our go-to-market approaches and delivery models according to client size and needs, allowing us to maximise our value and service proposition to different client profiles. This approach deepens our relationships with our large clients and increases our penetration of the small- and medium-size enterprises (SME) segment, driving growth and profitability. In 2016, we will continue to roll out our specific operating models for different client segments, such as Onsite solutions and our tailored SME approach, into further countries.

**Permanent Placement**

The global market for permanent placement is estimated to be worth approximately EUR 44 billion<sup>2</sup> per annum. The Adecco Group has a sizeable permanent placement business in several countries, but our global market share accounts for around 1%<sup>2</sup>. Permanent placement represents only 2% of Group revenues but 10% of gross profit. Our ambition is to grow this business significantly, increasing our geographical scope and building a global critical mass to become the clear leader in this profitable market. In recent years, we have invested significantly to establish a strong base of experienced permanent placement teams with a culture of excellence, providing a firm foundation for accelerated growth in the coming years.

**Professional Staffing & Solutions**

The Adecco Group is a global leader in professional staffing worldwide. An essential part of the Group's strategy is to increase the share of revenues generated from Professional Staffing, driving growth, profitability, and resilience through-the-cycle. This segment, with above-average growth and margin potential, accounts for approximately 31%<sup>2</sup> of the global staffing market but only 23% of the Adecco Group's 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.

<sup>2</sup> Adecco Group estimate.

In order to capture these trends, we will continue to roll out our key Professional Staffing brands, such as Modis and Badenoch & Clark, in our major markets.

The Adecco Group offers outsourcing solutions to clients who want to move beyond the traditional use of temporary staffing. In such outsourcing, we deliver value to clients not only by providing flexibility in their workforces but also by managing and optimising the whole of a particular labour-intensive activity. We have a leading offering in the outsourcing of processes such as logistics, call centres, and field sales and marketing.

We are the global leader in career transition and talent development through our Lee Hecht Harrison 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 Lee Hecht Harrison to achieve double-digit EBITA margins throughout the cycle.

Large multinational clients increasingly seek to outsource their HR processes. With a global footprint and extensive knowledge of local labour markets, the Adecco Group is ideally positioned to take advantage of this trend. Our comprehensive solutions offerings are market-leading. They operate under the brand names Pontoon and Beeline.

**Digital**

Our new priority of Digital builds on our previous focus on Information Technology. The world of technology continues to evolve rapidly, and we will drive the digitisation of our current business and processes further and faster. The ambition of our new priority is to become a true digital innovator and to create new markets for us. Our efforts are aimed at enhancing our cost leadership position, but also at maximising our revenue-generation opportunities. For instance, we aim to develop online staffing to address new customer segments and their specific needs, as well as using big data to predict the future demands of our customers.

## How we reach our targets



### Engagement

We define Engagement as a combination of employee satisfaction and retention. Attracting, developing, and retaining our employees is essential to building successful long-term relationships with clients and associates. Engagement propels individuals' motivation and continued high performance. 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.

Working practices are evolving and we need to keep up in order to retain and develop our people. Under the umbrella of the Adecco Academy, we provide a wide range of learning and development opportunities for our employees throughout the Group. The regularly conducted Great Place to Work<sup>®</sup> survey on the job satisfaction of our own employees gives insight into how we can continuously improve our working environment. More information can be found in the chapter 'Our people' on pages 21–24.

### Thought Leadership

Thanks to our global scale and unrivalled breadth of HR services, we are uniquely positioned to provide valuable insights into the world of work. Our goal is to be perceived as the leading labour market expert. For society as a whole, we advocate for better regulation and bringing new perspectives to the labour market in areas such as talent competitiveness, training, and apprenticeships. We strive to use our global reach, insights, and brand voice to give guidance in the world of work to governments, organisations, and individuals globally. By leveraging our insights and expertise, we create superior value and experiences for our clients, associates, and candidates.

## Our financial targets

In January 2016, alongside the evolved strategic priorities and following extensive shareholder consultation, the Adecco Group announced new financial targets. In order to drive long-term value creation, the Group will focus on a balanced set of targets to be achieved on average through-the-cycle.

- **Organic revenue growth:** grow revenues organically at least in line with our main peers, at Group level and in each major market.
- **EBITA margin leadership:** improve EBITA margin to 4.5–5.0% on average through-the-cycle, excluding one-offs, achieving a higher peak and higher trough margin than in the prior cycle.
- **Cash conversion:** deliver operating cash flow conversion of above 90% on average through-the-cycle (defined as Free Cash Flow (FCF)<sup>4</sup> before interest and income tax paid as a percentage of EBITA excluding one-offs).

Each of these targets represents an improved level of financial performance compared to that achieved by the Group in recent years.

## How we monitor our operations

Management carries out frequent operational and financial reviews 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) approach continues to be a core pillar of our day-to-day operations and strategy. This approach combines discipline with respect to evaluating business opportunities, pricing contracts, driving productivity and efficiency, and generating strong cash flow.

<sup>3</sup> On average through-the-cycle.

<sup>4</sup> Free Cash Flow is calculated as cash flow from operations minus capital expenditures.

### The Economic Value Added (EVA) approach

To ensure alignment of the Adecco Group’s overall strategy throughout the 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 approach we also take the use of capital into consideration, gearing our decision-making towards value generation and enabling us to maximise shareholder returns. According to this approach, 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). EVA is embedded in our operations, fostering consistent 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 approach in incentive plans, contract pricing, and acquisitions.

- **Incentive plans:** from 2016 onwards, annual bonuses will be linked to the achievement of key value drivers of EVA: revenues, EBITA, and days sales outstanding (DSO).
- **Contract pricing:** we use EVA to measure the value generation of new and existing clients. 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 approach 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 approach helps us to avoid overpaying.



## 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. In line with the strategic priority of engagement, we review the retention rate quarterly and use the Great Place to Work® survey to further improve our attractiveness as an employer. In addition, we conduct our 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 create business value.

## 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. In 2015, reporting segments were as follows:

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

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 regulation. The heads of each region or country thus have operational responsibility for both General and Professional Staffing business lines. We are convinced that, for the staffing business, a global staffing organisation should promote local entrepreneurship, while encouraging and facilitating best practice sharing around the globe. Our Career Transition and Talent Development business Lee Hecht Harrison 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 Chief Executive Officer, Chief Financial Officer, Chief Sales & Innovation Officer, Chief Human Resources Officer, Chief Marketing & Communications Officer, and Regional Heads.