

Identifying, mitigating and managing risks is central to our culture. Our enterprise 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.

Enterprise risk management

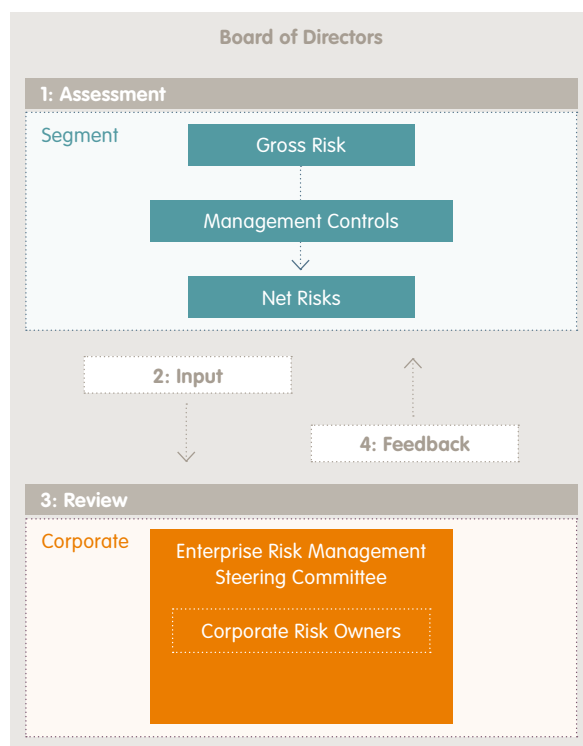
An objective, quantitative and integrated approach

The process

The enterprise risk management process at the Adecco Group has strategic and operational dimensions. Whilst the focus is on analysing, managing and mitigating risks, we also aim to identify opportunities for business development. The process is overseen and approved by the Board of Directors. The enterprise risk management process comprises two interacting and integrated levels: segment and corporate. All segments perform regular risk assessments on the risk categories that can have a significant impact on their operations, quantifying both Gross Risk and Net Risk. Gross Risk is an estimate of the likelihood of risk occurrence and the potential impact on the financial results in the worst-case scenario. Net Risk is an estimate of the likelihood of risk occurrence and the potential impact on the financial results taking into account the risk mitigation effect of Management Controls. If these controls do not reduce risk to an acceptable level, action plans are established and implemented.

The segment assessments are reported to Group Management and discussed with the Corporate Risk Owner for each risk category. The Enterprise Risk Management Steering Committee (made up of all Corporate Risk Owners) then determines whether the segment assessments are plausible from a Group perspective. The Steering Committee also assesses risk interactions, taking into account both mutually amplifying risks and the presence of natural hedges.

This hybrid top-down and bottom-up approach achieves consistency and comprehensive coverage while embedding accountability and leveraging expertise of the people in the organisation close to the risk. Risks identified at segment and corporate level are treated as opportunities for improvement. In this sense, the enterprise 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 110 in the Financial Review. This section focuses on describing where the key risks could arise and the actions Adecco takes to manage and mitigate these risks.

Key business risks

Economic environment

Demand for HR services is highly sensitive to changes in economic activity. When the economy accelerates, demand for temporary staffing and permanent placement services increases; when the economy decelerates, so does demand. On the other hand, Career Transition (outplacement) is counter-cyclical

in nature: demand for these services rises during economic downturns and decreases during upturns. Staffing companies must adjust their capacity to fluctuations in demand, over which they have limited visibility and which can occur rapidly. Failure to anticipate and respond to changes in economic conditions can adversely impact financial performance.

How do we handle changes in the economic environment?

Adecco has leading positions in most major geographical markets and HR service lines, with clients across many different industries. The diversity of our exposures provides some natural hedge to the risk of changing economic conditions. Nonetheless, we place a high priority on closely monitoring economic data and our own weekly and monthly results and forecasts. Supported by an active dialogue between corporate and regional management, this allows us to stay abreast of any business developments and swiftly adjust our capacity levels.

Client attraction and retention

Adecco's results and 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? We emphasise the importance of acting as a partner to clients to help them satisfy their HR needs. On a regular basis we conduct a client Global Satisfaction Survey. The results are used to train and support salespeople, to draft and execute sales action plans, and to further enhance the services delivered. At the same time, we continuously strive to improve our delivery channels and to optimise sales processes, leading to enhanced client attraction.

Associate attraction and retention

We depend on our ability to attract and retain associates who possess the skills and experience to meet clients' needs. With talent shortages in some high skill sets, providing suitably qualified associates can be a challenge.

How do we address associate attraction and retention?

Candidates are attracted through a variety of channels, from the traditional physical branch to on-line technologies. Key to retention is being able to offer associates consecutive assignments at attractive wages and with training to improve their skills. Our Global Satisfaction Survey, which also addresses associates, is designed to help us identify and listen to their needs.

Employee attraction and retention

The success of our operations depends on the talent and motivation of key corporate personnel, local managers and field staff. Hiring and retaining the right people in the right job can significantly influence Adecco's business prospects. The loss of

key 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? Frequent, honest and transparent communication and a clear strategy from top management are essential in ensuring employee satisfaction. We actively promote a way of working that is open, fair, efficient and collaborative. Compensation packages are competitive, closely aligned with Company targets and consistent with the EVA methodology. We invest in mentoring and talent development, including comprehensive performance and development review processes. The annual Great Place to Work® survey gauges employees' satisfaction with their workplace.

Information Technology

IT plays a pivotal role in today's business operations. Key business processes, such as client and candidate management and search and match between roles and candidates, are dependent on IT systems and infrastructures. Among others, a significant system interruption, loss or leakage of confidential business information could result in material disruptions to our business.

What mitigating measures do we take? We undertake ongoing assessment of our global security and IT infrastructure and continue to improve our existing IT process risk management, including monitoring, security and compliance. We have country-by-country contingency plans that would be implemented in the event of 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 and a move to a centralised organisation 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 to the benefit of the societies, workers, private employment agencies and their clients. A changing political environment might lead to inappropriate or unbalanced regulation which may impair our business model.

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 of several national associations, which comprise the primary bodies for participation in current public debates. Adecco monitors and evaluates, at regional and local level, the changes in the regulatory/legal environment, promoting actions and initiatives directed at improving working and employability conditions, whilst ensuring the competitiveness and growth of economies.