Shareholder letter

AGM 2023 | Remuneration Report | 29 March 2023

Dear shareholders,

Certain elements of the Adecco Group's 2022 Remuneration Report have been questioned in proxy advisor reports published ahead of the 2023 AGM. We would like to take this opportunity to provide additional context for some of our remuneration decisions made in the 2022 financial year.

1. AKKA INTEGRATION INCENTIVE

Strategic relevance of AKKA integration

The successful integration of AKKA is of upmost strategic and financial importance to the Adecco Group. The acquisition was the largest made in the Group's history, transforming Modis into the Global number-2 player in the higher growth, higher margin ER&D services business. The acquisition further enhanced the Group's positioning as a strategic talent partner for customers, providing talent with most sought-after digital engineering and high-tech skills.

The targets of driving value creation from the acquisition, delivering on transaction promises in terms of synergies, margin and EPS accretion, and EVA accretion, have been clearly and appropriately prioritised by management.

Since the acquisition has closed, the Adecco Group has accordingly updated investors on progress made with the integration project and in terms of synergies in its published result materials.

- The Group announced the EUR 20 mn synergy target for 2022/Year 1 in Q1 2022 results (please refer to the Q1 2022 Results presentation, slide twelve, published 5 May 2022).
- In the Q4 results, the Group announced it had secured an above target EUR 25 mn of synergies (please refer to the Q4 2022 Results Press Release, p1 and p7 & Q4 2022 Results presentation, slide ten, published 28 February 2023).
- In the Q4 results, the Group announced a 2023/Year 2 target of EUR 50-55 mn (please refer to the Q4 2022 Results Press Release, p1 and p7 & Q4 2022 Results presentation, slide ten, published 28 February 2023).

LINK to all investor results announcements.

Incentives driving integration success

Reflecting the high strategic relevance of a successful integration, our standard STI framework measured synergies from the transaction, in terms of realised cost savings and incremental revenue growth, which would not have been possible on a standalone basis for Modis and AKKA. Several members of the Executive Committee have an Akkodis integration KPI in their 2022 STI balanced scorecard to foster group-wide contribution to the success of the integration. The weight of this KPI varies by executive function between 0% and 20%.

However, the board wanted to put additional emphasis on twenty-two employees across the newly created Akkodis organisation who are considered crucial for the success of the integration, including the Akkodis President, who is an Executive Committee member.

We recognised that the standard STI framework would not be sufficiently weighted for all those implementing the AKKA integration, so this precise and focused incentivisation was made applicable to the twenty-two employees concerned.

We further highlight:

- Considering the crucial impact of realising targets in a limited timeframe, the **performance-based incentive only rewards performance above and beyond ordinarily expected integration success measured over 12 and 24 months. There will be no vesting below target performance for the Akkodis President.**
- **The targets for receiving the performance-based incentive are 100% aligned with our guidance for a successful transaction as disclosed in the aforementioned investor results announcements. Actual performance targets are clear, quantified and publicly disclosed in absolute terms.**
- The incentive is consistently weighted in relation to existing pay packages from 70% to 100% of their annual base salary.
- Furthermore, the pay-out threshold for the Akkodis President is more stretching than for other affected employees, at 100% versus 80%.

Performance Incentive Summary[1]

	Year 1 *Pay-out Feb 2023*		Year 2 *Pay-out Feb 2024*		Assessment	
	Threshold	Target	Threshold	Target	Performance metric	Pay-out calculation
Akkodis President	100%	EUR 20 mn	100%	EUR 52 mn	Cost and revenue synergies	Linear 1:1 from threshold to 200% max.

We are confident that this one-off performance-based incentive is fully aligned with the interest of shareholders, as well as reflecting best practice for the management team during post-acquisition integration efforts.

To provide additional reassurance, we have committed to full ex-post disclosure on absolute achievements and targets of the one-time performance-based incentive in our remuneration report going forward.

2. NEW CEO COMPENSATION

To further stress our commitment to pay-for-performance alignment, our Remuneration Report details how we rebalanced our CEO pay, in alignment with shareholder interests, lowering the base salary and absolute pay at target, while increasing variable, performance-driven incentives.

- The new CEO has a significantly decreased fixed salary of CHF 1,300,000, versus the former-CEO with a fixed salary of CHF 1,500,000.
- In addition, the new CEO has 72% variable remuneration at target (82% at max.), while the former-CEO had 69% variable remuneration at target (80% at max.).

Consequently, the new CEO has a reduced absolute pay at target of CHF 120,000 (CHF 80,000 at max. performance).

[1] Incentive table as originally established in early 2022, fully documented and distributed to the incumbents at the time.

3. TRACK RECORD OF RESPONSIBLE DECISION MAKING

Additionally outlined in our Remuneration Report, we delivered solid improvements in Adecco Group's growth trajectory across all business units. Nevertheless, EBITA margin and other functional and strategic KPIs were behind expectations. The compensation committee found that modest incentive plan outcomes for 2022 were a fair reflection of the overall business performance in challenging market conditions, particularly in view of our shareholders' experience. The compensation committee **did not exercise any discretion in measuring performance outcomes and did not adjust the incentive pay-outs for individual performance for any Executive Committee member.** The 2022 STI pay-out ranged from 48.7% to 114.5% of target for the Executive Committee. We would like to reassure our shareholders that we will apply the same prudent approach in any future remuneration decisions.

Thank you in advance for your support. We remain available for any further clarification.

Yours faithfully,

Didier Lamouche
Chair of the Compensation Committee

LINK to [Annual Report 2022]
LINK to [AGM invitation]