THE ADECCO GROUP

Tax Transparency Report 2021

Contents

A message from the Group CFO

At the Adecco Group, we want nothing less but to make the future work for everyone. By enabling the sustainable and lifelong employability of people and helping businesses optimise their talent needs and organisational models, we strive to contribute to a better world of work for all.

We believe that contributing to public finances through paying taxes responsibly is an integral part of this ambition. For most countries, tax contributions are the main source of funding. By seeking to comply with both the letter and spirit of applicable tax laws, we ensure we pay our share so that governments can fund critical public services such as education, infrastructure, or health care.

To build trust and accountability with our stakeholders and strengthen their understanding of how we create value through the taxes we contribute, and the underlying approach we take, we want to be transparent in our efforts. The result is what you have in front of you: the Adecco Group's first tax transparency report.

This report explains our tax principles and actions to remain tax compliant in the markets we operate in. We disclose our tax guidelines and pricing policies for intra-Group transactions and how we manage our tax risks, tax compliance and tax audits. You will also learn about our tax contributions to the economies of our markets worldwide.

Over the last three years, these tax contributions have been approximately EUR 16bn in total.

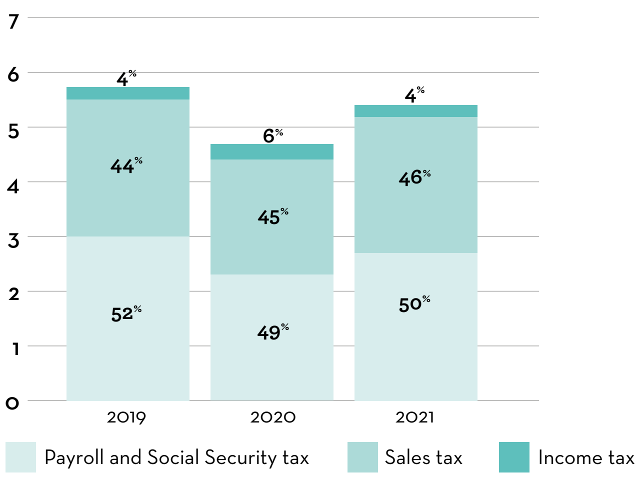
As you can see from the chart below, in line with our business activities as a talent solutions and advisory company with a large flexible placement service line, payroll & social security tax as well as sales tax are by far the most significant tax contributions by our organisation.

We believe that responsible tax practices are a key contribution that businesses can make towards helping achieve the UN Sustainable Development Agenda. At the Adecco Group, we remain committed as ever to playing our part, ensuring that the future indeed works for everyone.

We hope you will find this insightful.

Coram Williams
Group Chief Financial Officer

Tax paid (Bn'EUR)



Tax paid (Bn'EUR)

EUR 5.4bn
2021

EUR 4.7bn
2020

EUR 5.8bn
2019

The Adecco Group: who we are

THE GROUP

In this report, the Adecco Group is defined as Adecco Group AG and its consolidated subsidiaries, consistent with the definition used in our Annual Report 2021.

The Adecco Group is the world's leading talent solutions and advisory company, driven by a powerful purpose – to make the future work for everyone. Every year, we support approximately 100,000 organisations in sourcing the talent they need to thrive, across almost 60 countries and territories. We have the most comprehensive portfolio of services in the industry, spanning flexible and permanent placement, career transitions, training and up/reskilling, as well as outsourcing, consulting and other services.

In 2021, the Group had:

33,000 full time equivalent employees (approx.)	**EUR 20,949m** revenue
EUR 4,281m gross profit	**EUR 780m** operating income
EUR 753m income before income taxes	**EUR 5.4bn** total tax contributions

Global Business Units ('GBUs') and service lines

The Group operates three distinct Global Business Units:

1. Adecco

We are the world's leading workforce solutions company, offering flexible placement, permanent placement, outsourcing and managed services across all sectors.

In 2021, the Adecco GBU contributed 81% of Group revenues and 74% of Earnings Before Interest, Tax and Amortisation (EBITA). Its largest segments are France and Southern Europe & EEMENA[1].

Service lines – FP / PP / OC / TR

2. LHH

We help future-proof organisations and careers by building the right capabilities and enabling workforce transformation.

We offer personalised and integrated organisational and talent advisory services to businesses and people all over the world.

In 2021, LHH represented 9% of Group revenues and 13% of EBITA.

Service lines – CT / TR / PP / FP

3. Modis

We power digital transformation and accelerate innovation with our cross-industry technology and digital engineering consulting, talent services and skilling.

Modis contributed approximately 10% of Group revenues and 13% of gross profit in 2021. Modis has nearly 3,000 internal employees. This will significantly increase with the acquisition of the AKKA Technologies in 2022.

Service lines – OC / FP / TR

1 Eastern Europe, Middle East & North Africa

We report our performance by service line, summarised below:

FP - Flexible Placement

We place associates with organisations on a temporary basis, providing flexibility to employers and new opportunities to candidates. We manage the entire recruitment process from candidate search and screening, through onboarding and training, to payroll and administration. Associates are employed by the Group while on assignments, which often run consecutively to provide continuous employment. In some countries, associates are employed by the Adecco Group on a permanent basis and seconded to clients.

PP - Permanent Placement

We help employers to recruit talent for permanent roles, securing the skills needed for an organisation's ongoing success. We source candidates, screen CVs, conduct interviews and assessments, and advise hiring managers. We have access to a wide range of talent, including hard-to-reach professionals who are not actively looking for a new job.

CT - Career Transition

We support organisations and their employees through changes that require individuals to transition out of their existing roles. Through our expert coaching and training, we help individuals find new opportunities both within and outside their existing company, ensuring positive outcomes for all. Our LHH brand is the world's leading career transition and talent development company.

OC - Outsourcing, Consulting & Other Services

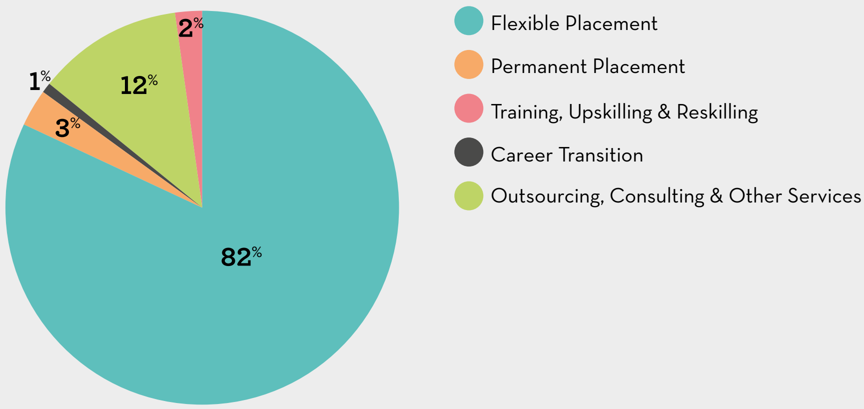
We also offer a full spectrum of complementary HR solutions, including:
Outsourcing – staffing and managing the entirety of a labour-intensive activity, such as warehouse logistics or IT support;
Consulting – providing technical experts for project-related work;
Managed Service Programmes (MSPs) – managing all parts of the flexible workforce at organisations using a large number of contingent workers; and
Recruitment Process Outsourcing (RPO) – handling the entire hiring process for employers recruiting large numbers of permanent employees.

TR - Training, Upskilling & Reskilling

We offer training, upskilling and reskilling both as stand-alone services and in combination with other solutions, such as placements or as a part of a broader workforce transformation offering. Adecco is a leading provider of work-based training. Our General Assembly brand is a leader in upskilling and reskilling in high-demand digital skills, while our Modis Tech Academy offers candidates the opportunity to upskill in technology and digital-engineering related fields to increase their employability and to create a supply of in-demand candidates for our clients.

Group revenue by service line

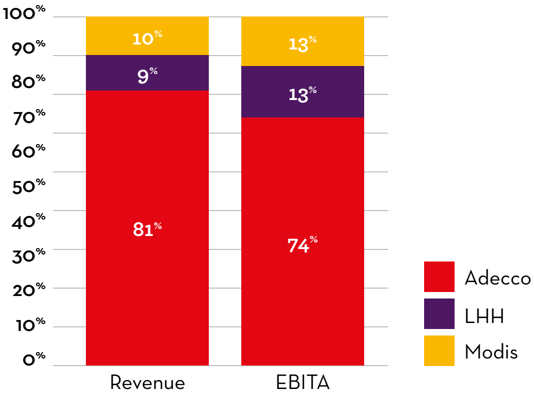
In our Annual Report 2021, revenues are reported by service line. The flexible placement service line makes up more than 80% of our revenue.



Group revenue and EBITA by segment

The Group reports revenues and Earnings Before Interest, Taxes & Amortisation (EBITA) for Adecco, LHH and Modis. Adecco is the largest segment, making up 81% of the Group revenue and 74% of group EBITA.

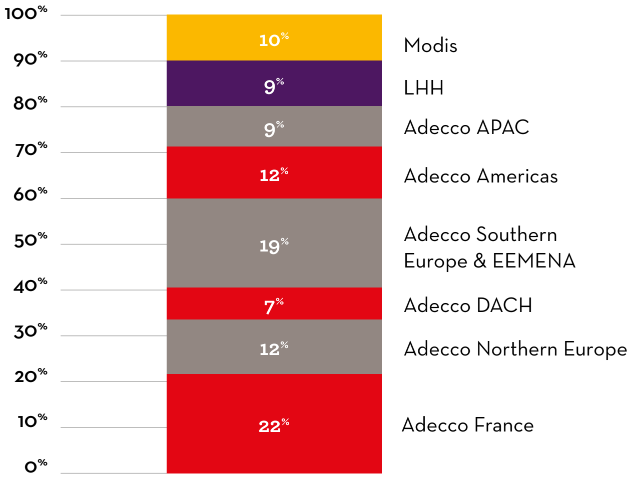
Group revenue and EBITA by segment



Our geographical presence

The Group reports revenues and pays tax in the countries where we operate and value is created. This chart shows the revenue that is disclosed by segment in our 2021 annual accounts. The Adecco segments in Europe make up around 60% of our revenue together. Adecco France is our largest stand-alone segment by revenue.

Revenue by segment



Based on US GAAP revenue reported in the 2021 Adecco Group Annual Report

Our history

Adecco Group AG is the parent company and head office of the Adecco Group. It is a stock corporation (Aktiengesellschaft) organised under the laws of Switzerland with its registered office in Zürich, Switzerland. Adecco Group AG is listed on the SIX Swiss Exchange (symbol ADEN).

We can trace our roots back to the original Adia business, which was founded in Lausanne, Switzerland, in 1957. Adia expanded throughout Europe during the 1960's through acquisitions, and in the 1970's took a first step overseas.

Today we continue to have significant operations in Switzerland generating unrelated party revenue of around EUR 0.5bn [(1)] and with more than 1,100 full-time equivalent employees.

The Ecco Group began in 1964 as a single operation in Lyon, France. By 1995, Ecco had become an international company with branches in 32 countries offering temporary placement, permanent recruitment, limited tenure, fixed-term contracts and the provision of payroll-related services. Ecco was a major personnel service company in Europe and Latin America. It was also the market leader in France.

In August 1996, the Adia Group merged with the Ecco Group, with Adia S.A. being the surviving company. In connection with the merger, Adia S.A. changed its name to Adecco S.A. (now known as Adecco Group AG).

With the merger of these two multinational providers of staffing services, the Adecco Group became the world's largest staffing services company, operating in 60 countries with leading position in Europe, North America, Asia/Pacific and Latin America.

Starting in January 1997, all offices previously operating under the names Adia or Ecco were renamed Adecco. The rebranding was completed by March 1997.

2021 marked the first year of the Group's new strategy, Future@Work. This vision to transform the business will enable the Adecco Group to meet the demands of a changing world and support the purpose of making the future work for everyone.

Head office services

As our head office, Adecco Group AG plays a pivotal role in the success of the Group.

As well as the typical functions provided by a listed parent company, such as governance, strategy and investor relations, the key services provided by the head office includes the following:

(1). Unrelated party revenue defined by OECD for Country By Country Reporting

Management services

To be successful in highly competitive markets, our local businesses must focus on their core competencies, i.e. provision of the highest level of services at competitive prices.

To reach this goal, our local businesses outsource corporate functions to the head office. Our head office employs highly specialised personnel, develops more efficient organisation models and optimises the allocation of resources.

Trademark development, enhancement, maintenance, protection and exploitation

Branding is important for clients and candidates in the staffing business. Strong trademarks have a competitive advantage and signify better quality standards and procedures.

Having well-known brands with a global network allows us to establish sales agreements and alliances with large national and global clients. Clients appreciate a single point of contact with a Group whose global footprint is able to coordinate and implement their projects in all countries.

Uniformity of service provision and standardised work procedures are valuable for the Adecco Group. This concept is understood and appreciated by clients. It stands for a guaranteed level of service provision, served globally.

The continued success of our business and branding also depends in part on our ability to offer attractive conditions and consecutive assignments to attract and retain skilled and qualified candidates.

IT strategy and governance

Our IT strategy model enables the Group to be more responsive and better serve business priorities in the markets. There is clear accountability for meeting business needs and at the same time ensuring strong global IT governance. The global solutions and services are managed efficiently from the head office.

Digital ventures

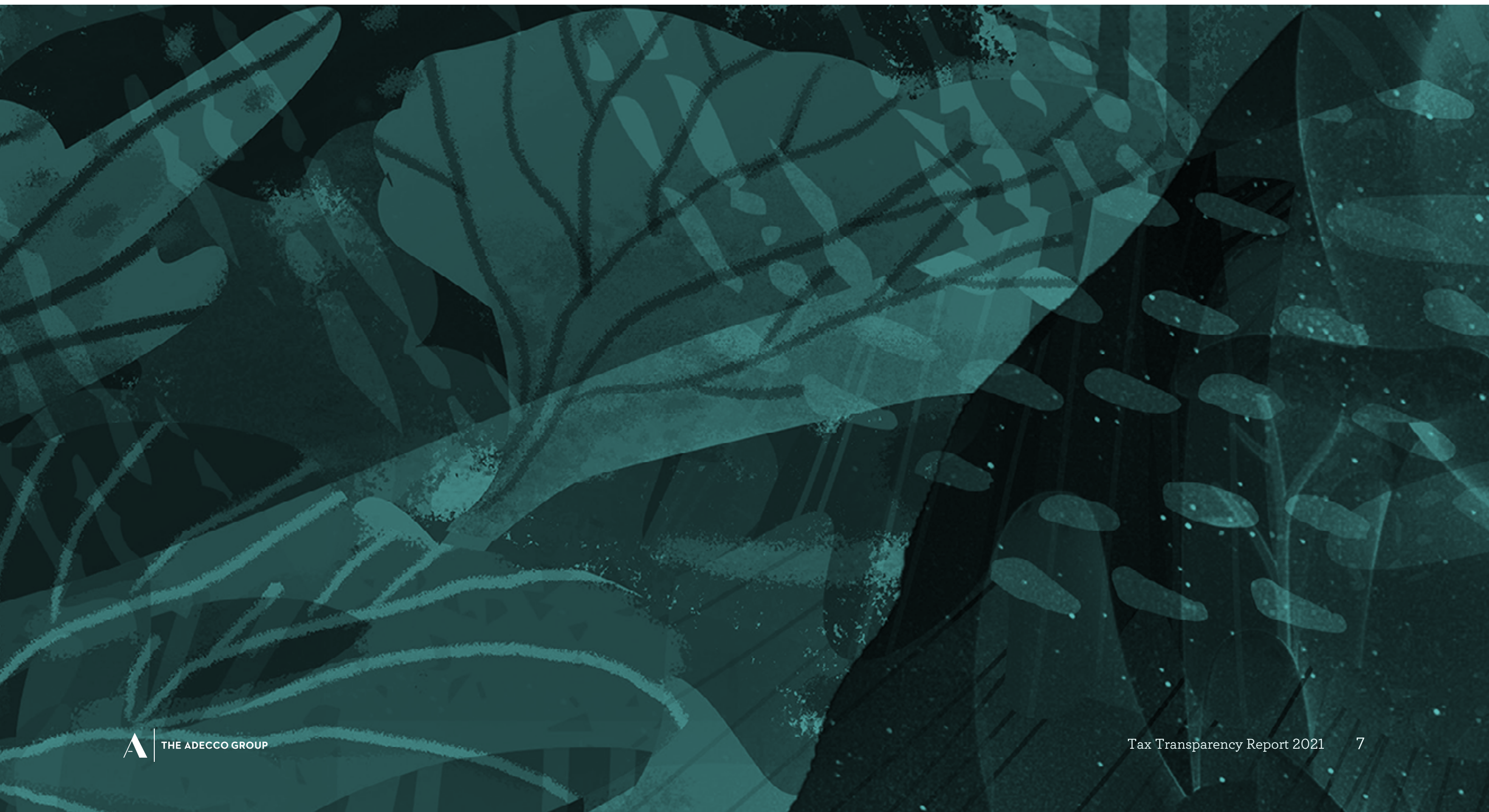
The Adecco Group believes in the potential of digital. Our head office digital team scours the HR tech landscape for promising ideas and partners. Through a combination of internal ventures, partnerships and targeted M&A, the Group has built a portfolio of digital ventures that leverage the best of HR solutions and the best of tech. They can drive productivity and create innovative new tools that allow us to upgrade existing solutions, expand addressable market and create more value for both companies and individuals.

Adecco Group AG is responsible for the strategic vision in developing and maintaining these digital ventures for the Group.

Financing

The head office has a centralised treasury function that undertakes various activities including the provision of funding for the local businesses.

Adecco Group AG uses its economic power and strength to raise financing from external sources, which is then provided to its subsidiaries to fund working capital requirements, acquisition projects and other corporate requirements.



Our Tax Principles

We recognise the important role that businesses play in contributing to public finances through paying taxes, helping to finance vital public infrastructure and services and thus to achieve the UN Sustainable Development Goals.

As a global business, we have established the following tax principles to consistently apply our approach to taxation matters across our organisation.

These principles apply to payroll & social security tax, transaction tax (which includes sales tax) and income tax, as defined on the next page.

1. We comply with all relevant tax laws, regulations and tax reporting requirements in all jurisdictions in which we operate and at a Group level. We file local tax returns on time (or within granted extension deadlines) and remit tax payments on time in accordance with local law.
2. We report revenue and pay taxes on profits in the countries where we operate and where value is created, with related party transactions priced in accordance with arm's length principles.
3. We do not engage in artificial tax-driven structures and transactions, but instead seek to comply with both the letter and spirit of applicable tax laws.
4. We seek to achieve favourable tax outcomes for us where a legitimate choice exists.
5. Our relationships with tax authorities are based on trust, mutual respect, transparency, collaboration and compliance.
6. Our tax professionals or external advisors are appropriately qualified, trained and/or experienced.

Definitions of Taxes and Tax Contributions

PAYROLL & SOCIAL SECURITY TAX

We define payroll tax as any tax levied directly on the pay of colleagues and associates, for which a Group company has deduction at source (withholding) or reporting obligations.

Social security tax is defined as separate levies applied to the pay of colleagues and associates, to cover payments in respect of national insurance, welfare, health, social policies and alike, and for which a Group company has employer contributions, deduction at source (withholding) or reporting obligations.

Payroll & social security tax contributions

Our payroll & social security tax contributions are defined as amounts recorded in the income statement, whether paid to the government or directly to the non-government insurance company. The income statement amount is not materially different to the actual amounts paid in the year, though there may be some small differences as a result of payments falling due after the year end.

Amounts are net of any government subsidies or credits.

Our tax contributions exclude deductions at source (withholding) that we paid on behalf of our employees.

TRANSACTION TAX

We define transaction tax as taxes levied directly on transactions undertaken by an Adecco Group company, for which it has reporting obligations.

Examples would include but are not limited to VAT, GST, sales/use tax, stamp duties and capital taxes. There may be also other transaction taxes particular to individual jurisdictions which are also covered by this.

Sales tax contributions

Our sales tax contributions are defined as sales tax, VAT and GST paid by us during the year to the tax authorities.

Stamp duties or capital taxes are excluded as they are not material to the overall tax contributions.

INCOME TAX

We define income tax (also known as direct tax) as domestic and foreign federal (national), state and local (including franchise) taxes based on income. Minimum taxes and withholding taxes are considered income taxes.

Income tax contributions

Our income tax contributions are defined as income taxes paid by us during the year to the tax authorities.

Tax Governance and Risk Management

OUR APPROACH

Our approach to tax is embedded throughout our organisation.

Tax governance and risk is considered at the highest level of our Group. The Audit Committee of the Board (Audit Committee) receives quarterly tax updates from the Group Head of Tax and tax matters are a regular agenda item at their meetings.

Under our tax governance framework, we operate a Group-wide tax compliance policy covering transaction tax, payroll & social security tax and income tax. This policy is approved by the Board of Directors. Responsibility for adherence to the policy lies with the Head of Finance of each reporting unit.

Processes for identifying, measuring, managing and reporting key risks are in place throughout the Group and are assessed and monitored under our Group internal control and audit procedures. The Group Internal Audit function's authority is granted by the Board of Directors. Their responsibilities are defined by the Audit Committee. These include determining whether the network of risk management, control and governance processes is adequate and functioning in an effective and efficient manner.

Group Internal Audit report significant issues related to tax processes to the Audit Committee. The Audit Committee receives reports on the status of significant findings, recommendations as well as management's responses and their implementation status. The Audit Committee meets regularly (14 times in 2021).

In addition, as part of the annual closure of our US GAAP consolidated accounts, we ensure all taxes are identified and accounted for properly.

Our Group Tax team has regular scheduled calls with our reporting unit Heads of Finance and / or Regional Tax Managers, embedding adherence to our tax principles and governance into the culture of our organisation. This includes identification, management and monitoring of tax risks. We have structured agendas to collaboratively discuss the latest developments, share knowledge and best practice and provide training / coaching. These discussions ensure our actions are consistent with our tax principles.

Maintaining the highest standards of ethical conduct and ensuring we meet our legal obligations are central to the Group's sustainable success. Concerns can be raised through management, our global network of integrity and compliance officers, or our 24-hour reporting tools (hotline and website), without fear of retaliation. For further details, please see the 'Operating Responsibly' section of our Annual Report 2021.

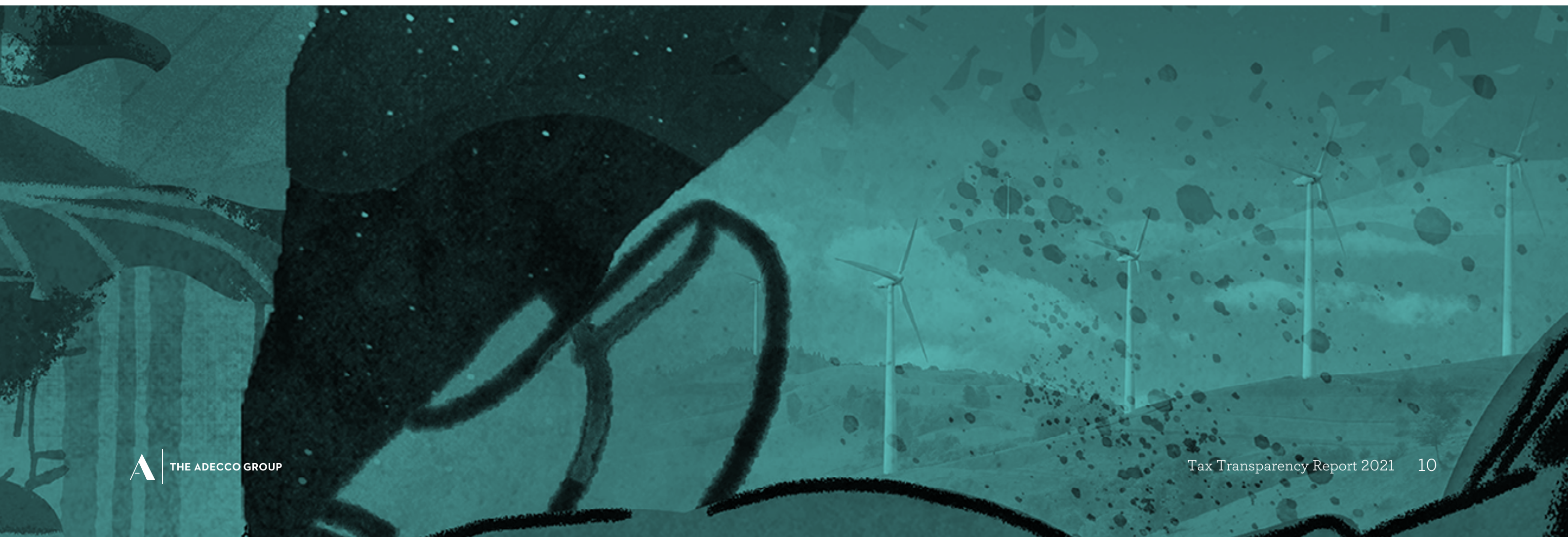
Relations with audit, tax and law firms

Our teams have a deep knowledge and expertise in the tax arena. For a better understanding of new tax regulation, complex tax compliance, important projects with a potentially significant tax impact and tax audit / litigation, we may also engage external tax advisors.

We ensure that external tax advisors are independent from our external financial auditors.

Relations with investors

We focus on providing transparent and consistent information and interactive communication to our investors. We listen to their views concerning taxes, such as transparency and governance, and factor their expectations into our approach. We reply promptly to any specific correspondence from investors to provide them with additional insight into our approach to tax.



Relationship with tax and other public authorities

Our relationships with tax and other public authorities are based on the principles of trust, mutual respect, transparency, collaboration and compliance. Our approach to tax matters, including strategy, governance and transparency takes into account the latest views of these organisations.

By communicating in a transparent way, we work towards fostering mutually constructive and open relationships with public authorities and also with the purpose of reducing the risk of challenge and dispute.

We are dedicated to accurate and timely responses to requests from public authorities. We also seek to remove uncertainty and financial risk by entering into contemporaneous tax audit programmes or advanced agreements with tax authorities where necessary.

We may provide our opinion when given the opportunity in public consultations in respect to taxation, typically to assist in developing clear effective tax law.

Details of our approach to advocacy are included in the 'Operating Responsibly' section of our Annual Report 2021. We do not specifically advocate on taxation.

Tax audits and litigation

Tax audits are a common standard procedure that occur periodically. Our local business units communicate internally to the Group Tax department any official communication they receive for the initiation of tax audits by local tax authorities. We collaboratively compile information, drawing on both internal and external expertise, to support our position.

We act in good faith, in a spirit of mutual respect to facilitate the process of tax audits by responding to questions raised and providing information via our local businesses in line with our interpretation of local legislation. We value compliance and transparency while ensuring security and confidentiality of shared documentation.

Defending our interpretation of tax laws may eventually lead to litigation to uphold the best interests of our stakeholders. Litigation is the last resort should a dispute arise between us and the tax authorities. It usually arises from law ambiguity in terms of content or intent, differences in tax law interpretation and / or developments in case law.

In these cases, country specific judicial systems and their corresponding steps for tax litigation are carefully consulted and adhered to. We prepare detailed documentation coupled with supporting evidence that will enable us to defend our position, drawing on our internal knowledge and external expertise for the whole duration of the judicial process.

Transfer Pricing for Intra-Group Services

To ensure our tax contributions are appropriate, all intra-Group services must be performed at arm's length prices. Our arm's length pricing methodologies are under constant review and follow the recommendations of the OECD transfer pricing guidelines.

Intra-Group services
An intra-group service is between Group affiliates. For the Adecco Group, it consists mainly of services, financing arrangements and rights to intellectual property (hereinafter referred together as 'services').

The Group arranges for a wide scope of services to be available to its businesses around the world, in particular administrative, technical, and financial services. The cost of providing such services may be pooled initially at the parent level, at designated Group members ('service centre'), or other Group members. It is in the interests of the Group to provide intra-Group services efficiently, minimising costs and leveraging knowledge where possible.

Arm's length pricing
Group pricing is in line with the arm's length principle, meaning price charged between two related parties should be the same as the price charged between two unrelated parties.

Pricing methodology
The two key transfer pricing methods widely applied are:

- Comparable Uncontrolled Price (CUP) method - compares price for services between affiliates to price charged with or between unrelated parties; and

- Transactional Net Margin Method (TNMM) - compares net profit margin (relative to costs) of an affiliate with net profit margins realised by unrelated parties from similar arrangements.

Economic analysis
The service provider must be able to demonstrate that intercompany services are correctly priced by providing support to the transfer pricing method applied:

- CUP – internal and/or external comparable benchmarks.

- TNMM – cost basis, allocation key, mark-up percentage (comparable benchmarks to support mark-up).

Substantiation
Both service provider and recipient must be able to demonstrate that intercompany services have been rendered by the service provider and used and received for the benefit of the service recipient.

Documentation
Our transfer pricing documentation provides details of intra-Group services, which are documents required for compliance and/or tax audit/litigation. Our documentation:

- describes the Group's activities and intra-Group pricing policy;
- describes the local entity's activities;
- describes functions performed, assets used/owned, and risks undertaken;
- provides a list of intra-Group services;
- sets out economic analysis to demonstrate that pricing is arm's length (local benchmarking studies are carried out at local level if required by local rules);
- includes additional supportive documentation to evidence the substance and benefit of the relevant intra-Group services; and
- includes legal agreements which formalise intra-Group services.

Our Tax Contributions

2021 TOTAL TAX CONTRIBUTION OF EUR 5.4BN

The previously outlined tax principles and governance ensure we make the appropriate tax contributions to the respective governments.

The composition of a business' tax contributions varies from business to business depending on the industry the business operates in and its particular fact pattern. At the Adecco Group, our tax contributions are comprised of different categories of tax: payroll & social security tax, sales tax and income tax.

Over the past three years we contributed approximately EUR 16bn in payroll & social security tax, sales tax and income tax. In 2021, our contribution was EUR 5.4bn, higher than in 2020 which was negatively impacted by the effects of the Covid-19 pandemic on business activity.

On the following pages, we have identified the key drivers of tax contributions for our business as a talent solutions and advisory company for each tax category.

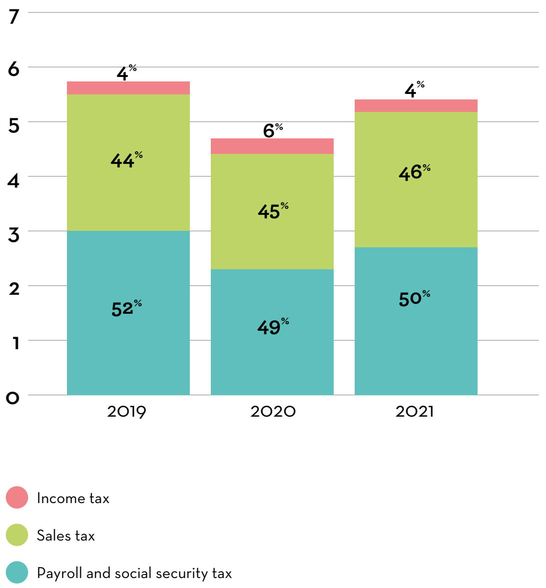
Total annual tax contribution 2019-2021

EUR 5.4bn
2021

EUR 4.7bn
2020

EUR 5.8bn
2019

Total tax contributions (Bn'EUR)



Sales tax includes VAT. The data is derived from cash flow information in local currencies, translated to Euro using the average foreign exchange rate for the year.

Payroll and social security tax includes statutory employer social insurance payments, whether paid to the government or directly to the non-government insurance company. The amount is net of any government subsidies or credits. It is calculated based on the annual costs recorded in the income statement. This is not materially different to the actual amounts paid in the year, though there may be some small differences as a result of payments falling due after the year end. Deductions at source (withholdings) that are paid on behalf of employees are excluded from our contributions amount.

Income tax data represents the actual income tax paid in the year.

Key Drivers

Payroll & social security tax

1,400,000
associates on assignment daily (approximately) incl. joint ventures

500,000
associates on assignment daily (approximately) excl. joint ventures

33,000
(approximately) full-time equivalent employees

Salary payments are our most significant cost because our flexible placement service line is our largest business, generating 82% of revenue in 2021.

Payroll and social security tax due from the employer (excluding deductions at source that are paid on behalf of employees and associates) are typically based on the salary of each employee/associate on assignment.

As a result of the number of associates and employees, and the total salary costs, our largest category of tax contribution is payroll & social security tax. The amount contributed in 2021, excluding the contributions from our joint ventures, is EUR 2.7bn.

Sales tax

EUR 20,949m
of revenue

c. 100,000
clients

Most of our sales are to other businesses in the same respective country. We report revenue and costs in all the countries where we operate and, in countries where sales tax is applicable, it is applied to our revenue when we invoice our customers for the services we have provided.

In most sales tax regimes, such as for value added tax (VAT), the sales tax payable to the respective government is determined as the net amount of sales tax charged on customer revenue and sales tax paid on supplier costs. As we do not incur sales tax on our most significant cost, salaries, our sales tax on revenue is much more than the sales tax we pay on our costs, resulting in a high net payment.

Sales tax is one of our largest tax contributions, almost as large as our payroll and social security tax contribution. We contributed EUR 2.5bn in 2021.

Income tax

EUR 753m
income before taxes

Our gross profit is significantly less than our revenue once the salary costs from the flexible placement service line are taken into account. We then deduct other costs of doing business and arrive at our income before tax amount. This figure is the basis on which taxable profits are determined by applying the relevant tax laws and rates.

Our income tax contribution is therefore significantly less than our other tax contributions.

Income tax contributions make up just 4% of total contributions in 2021.
This is because the tax rate is applied to a smaller taxable base amount than the payroll & social security tax and sales tax. We contributed EUR 0.2bn of income tax in 2021.

Income Tax ETR

Income tax has been a prominent topic in the news. Global initiatives, such as the OECD/G20 Inclusive Framework on Base Erosion and Profit Shifting, are designed to ensure large multinational businesses pay their fair share of income tax in the appropriate countries where they operate.

Effective tax rate (ETR) is a measure of the income tax expense relative to income before taxes, using the figures from the income statement in the annual accounts. This can be used as a way of comparing the tax contributions between businesses, industries and periods of time.

Our global effective tax rate[1] including discrete items is 22% in 2021, 38% in 2020 and 32% in 2019. The ETR is affected by discrete items which may occur in any given year but are not consistent from year to year. The most significant impact in 2021 is from reductions to valuation allowances on deferred tax assets in respect to net operating losses. The impact is a reduction to the ETR because the benefit of being able to offset profits with these losses is included.

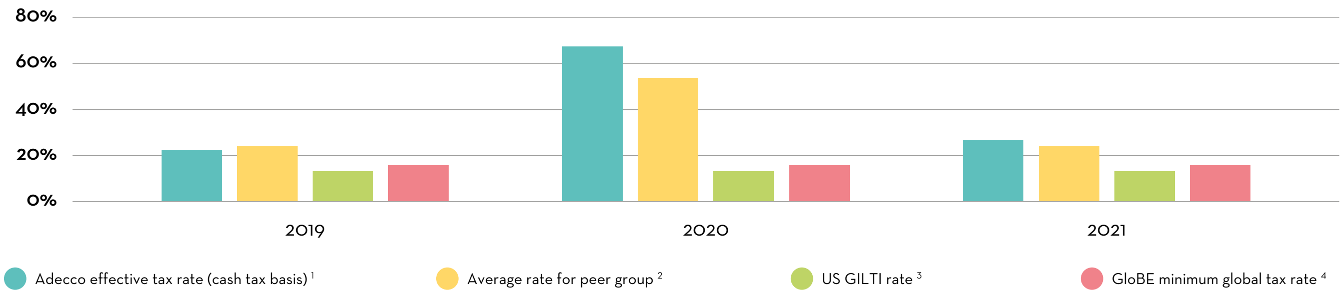
Our ETR excluding discrete items is 28% in 2021, 37% in 2020 and 35% in 2019. The ETR excluding discrete items is impacted by the Covid-19 pandemic. This resulted in changes to the earnings mix in 2021 from relatively higher taxed jurisdictions overall and a decrease in the relative weight of the French business tax which is mainly based on revenue and not on net income. The French business tax rate was reduced by the French government for 2021 onwards.

1 – To calculate the ETR, the income before taxes in 2020 are adjusted for impairments of goodwill in our income statement. These impairments reduce the income before tax amounts and therefore increase the ETR unless they are adjusted.

ETR (cash tax basis)

We have also calculated our ETR using income tax contributed in the year (ETR (cash tax basis)). We prefer this as it directly relates to the actual contributions received by the respective governments rather than the amount expensed in the income statement of the annual accounts. Our ETR (cash tax basis) is consistent with our industry peer group and above the most commonly recognised minimum tax rates (see following chart).

The ETR (cash tax basis) in 2021 is 26% (2020: 67%, 2019: 24%). The high rate in 2020 is a result of tax payments made in 2020 being based on 2019 profits. 2020 profits were significantly lower as a result of the economic impact of Covid-19, which has the effect of increasing the ETR (cash tax basis). This trend reverses in 2021. The payment of tax in 2020 in the US on the sale of a business in 2019 also increased the 2020 ETR (cash tax basis).



1 – Adjustments to income before tax
In our ETR calculation, we adjust the income before taxes in 2020 for impairments of goodwill in our income statement. These impairments reduce the income before tax amounts and therefore increase the ETR unless they are adjusted to remove their impact on the ETR calculation. We also adjust the income before tax figures for our peers on the same basis.

2 – Peer group
We used Randstad and Manpower as a peer group.

3 – US GILTI rate
The US GILTI tax is a tax on global intangible low-taxed income. It is intended to prevent erosion of the U.S. tax base by discouraging multinational companies from shifting their profits from the U.S. to foreign jurisdictions with tax rates below U.S. rates. We have used the current rate of up to 13.125% for our comparison.

4 – Minimum global tax rate
The OECD has published the Global Anti-Base Erosion Model Rules (the "GloBE rules"). The new rules require large multinational groups to pay a minimum level of tax and are expected to be implemented from 2023. We have shown the agreed 15% minimum tax rate in the ETR chart for reference purposes. However, the GloBE ETR calculation requires a unique set of adjustments to the accounting figures reported and is not directly comparable as it deviates from the standard ETR methodology.

Contributions by Region

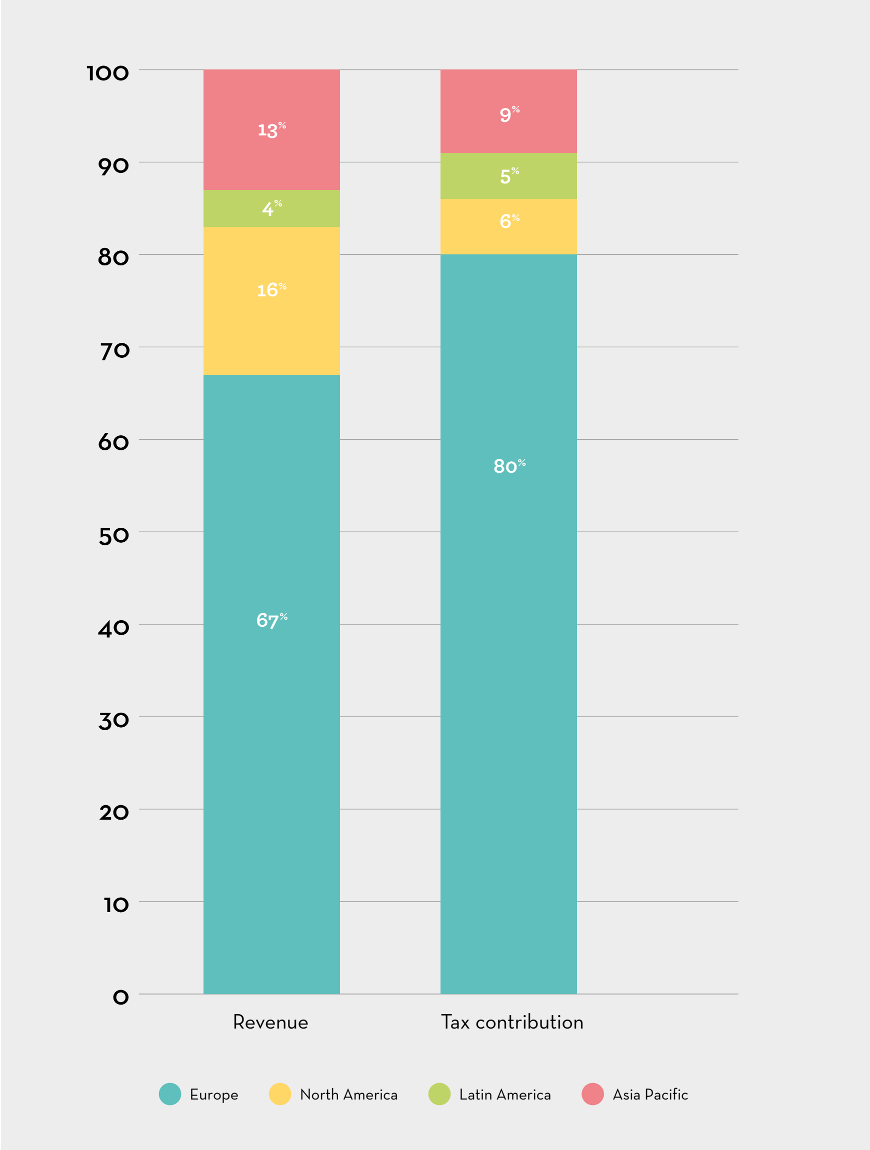
Total tax contribution by region
Our total 2021 tax contribution is comprised 50% from payroll and social security tax, 46% from sales tax, and 4% from income tax.

The chart shows revenue and the total tax contribution by region.[1]

We are committed to paying tax in the jurisdiction in which value is created in accordance with the arm's length principle. Most of our tax contributions were in Europe, our largest market, and are aligned with the relative size of our geographical footprint.

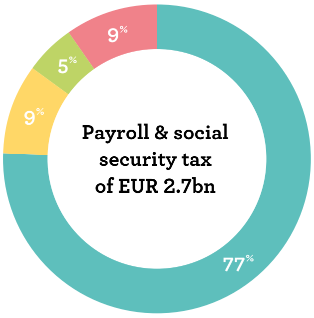
An exception is France, which is responsible for nearly 25% of global sales but accounts for 35% of our total tax contribution. France has a large flexible placement service line which, taken together with the French tax rates for sales tax and payroll & social security tax, results in a high portion of total tax contributions relative to other regions.

In the US, sales tax varies by State. Most US States do not apply sales tax on services. Therefore, the total tax contribution in North America is relatively lower than in Europe.

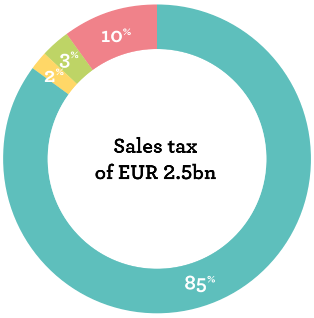


1 - Figures for Europe also include Middle East and Africa due to the small relative business footprint in these regions.

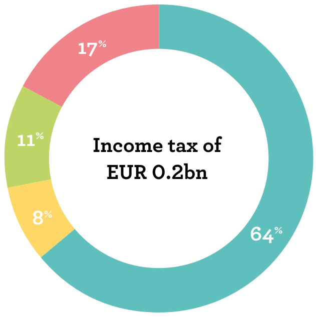
Payroll & social security tax contribution by region[1]



Sales tax contribution by region[1]



Income tax contribution by region[1]



Europe is the largest contributor overall of payroll & social security tax, aligned with the relative size of our geographical footprint.

France is the single largest contributor, which is consistent with Adecco France being our largest segment by revenue and having a large flexible placement service line.

Sales tax in the US is enacted at a State level. Most US States do not apply sales tax on services. Therefore, North America makes up a relatively small portion of the total sales tax.

Similar to payroll and social security tax, France is the single largest contributor due to its large flexible placement service line.

Europe is the largest contributor overall of income tax, aligned with the relative size of our geographical footprint.

Europe | North America | Latin America | Asia Pacific

1 - Figures for Europe also include Middle East and Africa due to the comparatively small business footprint in these regions.

Other Relevant Tax Developments

Global minimum tax

On 20 December 2021, the OECD published the Global Anti-Base Erosion Model Rules (the "GloBE rules") to define the scope, mechanics and administration of the global minimum tax. This is effectively a new global tax system with a distinct set of rules that will co-exist with current local tax systems.

The new rules require large multinational groups to pay a minimum level of tax in each country where they operate either directly, as a result of the country's tax regime, or via a top-up tax paid by the ultimate parent company. The minimum rate is set at 15%.

The GloBE rules require implementation of a new methodology to determine the GloBE effective tax rate (GloBE ETR) by country. Where the GloBE ETR is less than 15%, the top-up tax applies. The additional amount to be paid will be reduced to reflect the substance we have in the country, measured by the level of payroll and tangible assets.

Each country must adopt the GloBE rules into their local legislation. The global implementation dates set by the OECD start from 1 January 2023.

The draft EU Directive to implement the GloBE rules requires member state implementation by 31 December 2023, applying in respect of the fiscal years beginning as from this date.

The OECD have said they will consider whether the US minimum tax rules (known as the GILTI rules) are compatible with the GloBE rules.

We are monitoring developments and preparing for implementation of this new global tax system. The impact to our income tax contributions will become clearer once further details of the individual country implementation become available. However, we do not expect the impact to significantly increase our total tax contributions.

Reallocation of taxing rights — OECD

There are also OECD draft model rules to reallocate and tax part of the profits of the "largest and most profitable multinational enterprises" in the countries where they are selling, even if there is no physical presence. This is intended to bring the tax system up to date for the digital age. The portion to be taxed in other countries has been agreed at 25% of the profit exceeding a 10% margin.

We do not expect this proposal to be relevant to our Group as we have significant presence in the markets we operate, we recognise revenue and pay tax in these countries, and our margins do not exceed the 10% threshold.

Swiss tax reform

Following a long-running dispute between the EU and Switzerland about some of the Swiss cantonal tax regimes, Switzerland undertook a tax reform to align with OECD standards. The reformed regime took effect from 1 January 2020. Some of the key aims of the tax reform were to secure the long-term fiscal attractiveness of Switzerland, guarantee international acceptance and raise sufficient tax revenues.

Our businesses in Switzerland are ordinarily taxed at the Swiss federal, cantonal and communal tax rates. Adecco Group AG is taxed as an ordinary company, subject to the transition rules of the tax reform.

US tax reform

To reconcile the budget in the US, the proposed Build Back Better Act includes several tax reforms. Senate Democrats were unable to reach consensus on the contents of this act and the tax reforms remain on hold. The most significant was an increase to the US federal tax rate. However, the latest draft excludes this proposal. It is unclear how the tax and non-tax provisions might be modified so as to secure the votes of all 50 Senate Democrats. We are monitoring the situation closely.

Our Activities in Low Income Tax Jurisdictions

We are a global business with operations in almost 60 countries. We pay tax at various rates, determined by the respective local governments. In some cases, these governments have decided to provide exemptions or set income tax rates at zero or close to zero to attract investment. We are present in two countries that fall into this category. Our activities in these jurisdictions are for business purposes.

As set out in our tax principles on page 11, we do not engage in artificial tax-driven structures and transactions, but instead seek to comply with both the letter and spirit of applicable tax laws. We report revenues and pay taxes in the countries where we operate and where value is created according to arm's length principles.

Philippines

In the Philippines, our revenue[1] is EUR 4.5m, income before tax[1] is EUR 0.8m and there are 230 full-time equivalent employees in 2021. Our activities in the Philippines are mainly process outsourcing services.

The Philippines Economic Zones Authority (PEZA) is the Philippine government agency responsible, amongst other things, for promoting investments and granting incentives to service facilities inside selected geographical areas throughout the country proclaimed by the President of the Philippines as PEZA Special Economic Zones, legislated for in the Philippines Special Economic Zone Act of 1995.

Our business qualified under the PEZA registration for a corporate income tax holiday (full exemption) subject to compliance with certain criteria. Upon expiry of the holiday period in 2020, a 5% special tax on Gross Income applied.

In response to the impact of the Covid-19 pandemic, the Corporate Recovery and Tax Incentives for Enterprises (CREATE) Act was created by the Philippine Congress. As a result, the 5% special tax on Gross Income is extended for a 10-year period.

United Arab Emirates ("UAE")

In 2021, we have revenue[1] of EUR 38.9m, income before tax[1] of EUR 0.9m and 47 full-time equivalent employees in our UAE business. The activities of the Adecco Group in the UAE are mainly:

- Temporary employee services which comprise general and professional staffing; and
- Other activities which comprise recruitment and selection, and outsourcing.

The UAE income tax regime only applies to oil companies and foreign banks. It is not currently applicable to our activities. However, to bring the regime in line with the new global minimum tax rate, the Ministry of Finance has announced a future 15 percent CIT (corporate income tax) rate for large multinationals. This would apply to our business from 2024.

1 - Revenue and income before tax defined by OECD for Country-By-Country Reporting

2021 Country-by-Country Report

Background

Country-by-Country Reporting (CbCR) is part of the OECD's Base Erosion and Profit Shifting (BEPS) Action Plan 13. Large multinational groups provide an annual report to the tax authorities of the key elements of the financial statements by jurisdiction.

Taxes are important sources of government revenue and are central to the fiscal policy and macroeconomic stability of countries. They are acknowledged by the UN to play a vital role in achieving the Sustainable Development Goals. They are also a key mechanism by which organisations contribute to the economies of the countries in which they operate, as government revenues support public infrastructure and services.

Publicly reporting on the Group's Country-by-Country tax contributions is thus an important step for us in increasing transparency and promoting trust in our tax practices by enabling stakeholders to make more informed judgements about our tax positions.

The full data set required for our CbCR Table 1 is included on the following pages. The basis for this financial information is governed by the OECD BEPS Action Plan 13. In some cases this leads to differences to the data reported under US GAAP. The notes following Table 1 explain the basis for the Table 1 data in more detail.

Sales tax and payroll & social security tax are by far the most significant tax contributions for our business as discussed earlier. We have therefore also included these as additional data in the table.

Our businesses in Denmark, Croatia and the Slovakia ceased to be part of the consolidated Group part way through the year following our divestment. Only the relevant portion of their results as part of the consolidated Group are included. We did not have data for their sales tax contributions and these are therefore shown as nil.

Payroll & social security tax contributions are shown net of subsidies and incentives, such as government Covid-19 support schemes relating to payroll or social security. This has led to our businesses in New Zealand and Hong Kong having net receipts from the respective governments.

1 - Revenue and income before tax defined by OECD for Country-By-Country Reporting

Tax Jurisdiction	Total Unrelated party revenue	Total Related Party Revenue	Total Revenue	Profit (Loss) Before Income Tax	Income Tax Paid (On Cash Basis)	Income Tax Accrued - Current Year	Payroll & Social Security Tax Contribution	Sales Tax Contribution	Stated Capital	Accumulated Earnings	Number of Employees	Tangible Assets Other Than Cash And Cash Equivalents
ARGENTINA	120 054 922	4 117	120 059 039	4 581 398	3 430 910	1 638 901	16 125 716	12 660 075	26 921 343	50 594 244	265	2 861 863
AUSTRALIA	422 638 269	575 653	423 213 922	5 085 172	1 858	0	21 063 970	35 111 400	221 555 600	(189 624 898)	464	4 578 585
AUSTRIA	69 770 281	207 604	69 977 885	1 355 574	19 411	24 095	13 418 501	13 489 834	2 985 517	(6 915 600)	66	759 601
BELGIUM	431 096 786	801 264	431 898 050	8 537 834	5 041 082	4 725 871	70 551 413	83 472 541	26 742 390	583 363 949	550	3 430 076
BRAZIL	66 409 427	778 410	67 187 837	2 288 238	1 721 462	608 192	11 612 760	4 689 059	7 328 301	(46 349 975)	306	1 268 372
BULGARIA	65 244 070	1 855 925	67 099 995	2 131 891	253 042	287 278	4 825 385	5 090 430	109 748	2 706 173	87	1 621 523
CANADA	315 220 843	4 967 961	320 188 804	15 231 644	12 727 834	4 292 180	2 511 426	50 720 858	74 221 777	10 888 114	624	1 222 525
CHILE	117 623 911	0	117 623 911	169 950	1 133 635	1 481 966	9 786 099	20 233 164	3 560 470	12 016 084	360	2 394 762
CHINA	9 207 132	693 277	9 900 409	(713 787)	130 521	582 372	908 248	340 487	12 584 679	(16 193 821)	88	291 168
COLOMBIA	178 401 948	0	178 401 948	3 763 175	8 507 632	1 521 186	38 099 649	6 481 802	112 448	12 416 463	412	1 327 409
CROATIA	6 290 176	8 021	6 298 197	13 724	36 266	0	576 453	0	0	0	11	0
CZECH REPUBLIC	43 070 335	29 954 109	73 024 444	764 052	183 357	201 134	12 592 153	8 710 161	111 234	2 921 546	276	1 048 825
DENMARK	25 557 527	3 179 764	28 737 291	(503 093)	0	0	383 354	0	0	(8 581)	26	0
ECUADOR	11 427 463	0	11 427 463	45 175	332 257	203 812	2 026 914	108 569	116 201	277 229	31	73 088
FINLAND	83 431 615	0	83 431 615	(386 671)	809 219	(63 290)	2 484 785	16 480 474	66 755	7 653 068	133	1 493 699
FRANCE	5 039 350 338	80 394 118	5 119 744 456	194 281 579	41 263 803	55 367 690	909 648 287	936 781 349	631 167 182	(470 311 698)	6 004	98 098 247
GERMANY	1 217 633 739	15 150 642	1 232 784 381	(11 321 733)	20 090 383	2 350 846	149 887 593	229 730 907	12 475 564	(2 034 822 197)	1 854	15 182 885
GREECE	79 527 758	0	79 527 758	1 884 224	490 618	589 527	13 212 234	12 261 938	2 026 766	6 932 609	65	261 842
HONG KONG	58 885 543	1 101 024	59 986 567	27 135 888	78 881	1 573 444	(1 178 119)	0	24 582 114	75 917 866	135	693 920
HUNGARY	23 610 143	378 858	23 989 001	(15 258)	209 477	572 504	2 784 679	3 693 113	202 192	(2 209 364)	69	227 647
INDIA	146 905 135	3 030 085	149 935 220	2 176 710	253 613	(229 995)	1 491 125	23 635 337	380 846	2 940 909	975	1 538 955
INDONESIA	277 639	138 053	415 692	98 659	0	(10 840)	1 098	0	147 059	151 396	3	3 819
IRELAND	35 053 828	712 532	35 766 360	2 171 207	(939)	213 541	2 069 410	4 369 083	8 075 360	(157 708)	49	144 949
ITALY	2 322 182 086	1 217 500	2 323 399 586	110 791 418	15 982 387	33 136 485	422 485 649	83 421 516	2 127 028	589 412 838	2 413	19 525 710
JAPAN	1 537 520 694	411 366	1 537 932 060	76 981 425	30 887 085	26 088 438	190 446 554	147 638 752	49 785 589	86 202 417	2 104	25 397 876
KOREA, REPUBLIC OF	62 436 981	4 683	62 441 664	738 482	130 234	101 290	3 889 841	4 890 543	7 065 830	(563 458)	75	324 128
LUXEMBOURG	67 024 657	32 514	67 057 171	95 978	823 178	453 887	5 763 331	11 391 572	240 767	3 432 764	85	923 104
MALAYSIA	19 923 381	2 539 707	22 463 088	51 545	221 414	69 480	2 030 231	1 023 419	7 439 331	(2 998 364)	128	330 730
MEXICO	236 393 184	5 244 308	241 637 492	4 355 018	4 410 299	2 741 003	43 004 319	25 347 452	8 583 427	13 457 157	489	2 836 580
NETHERLANDS	380 676 331	40 011 978	420 688 309	18 877 533	147 281	445 640	27 517 216	71 601 619	25 229 405	780 741 202	568	5 491 633
NEW ZEALAND	50 583 560	223 507	50 807 067	(4 685 088)	207 790	0	(1 089 912)	74 262	54 483	(2 705 274)	91	740 380
NORWAY	289 764 354	0	289 764 354	(19 103 578)	0	0	30 458 231	55 948 638	33 036 275	(31 216 355)	343	2 337 771
PERU	91 833 678	9 241	91 842 919	511 609	1 173 127	298 379	9 779 614	15 076 661	1 182 125	6 687 404	147	1 770 425
PHILIPPINES	152 954	4 375 385	4 528 339	756 688	47 726	74 377	135 386	0	147 123	664 078	230	106 392
POLAND	225 258 439	2 035 225	227 293 664	4 573 213	4 374 753	2 526 402	29 612 364	47 679 600	1 732 588	20 221 091	464	2 365 112
PORTUGAL	122 927 601	2 637 656	125 565 257	5 895 824	923 235	1 601 268	20 833 358	29 206 938	1 925 000	16 412 383	193	1 028 147
PUERTO RICO	40 593 769	0	40 593 769	(283 307)	920 480	605	6 714 464	410 782	1 687	(12 270 224)	43	230 942
ROMANIA	75 774 467	1 357 824	77 132 291	1 350 459	240 550	306 651	1 840 346	13 209 346	205 736	5 127 375	140	850 649
SAUDI ARABIA	1 351 380	0	1 351 380	702 408	114 302	146 905	2 669	283 572	122 306	566 795	6	677
SERBIA	21 991 494	3 499	21 994 993	(127 657)	0	67 124	1 840 391	3 502 655	574 756	2 918 862	50	212 249
SINGAPORE	111 715 875	5 950 784	117 666 659	6 587 565	1 428 547	926 950	4 822 177	7 139 864	132 540	4 623 844	249	2 315 328
SLOVAKIA	10 811 437	16 556	10 827 993	(7 767)	4 961	0	2 787 164	0	0	0	26	0
SLOVENIA	45 570 862	223 923	45 794 785	1 636 647	(69 973)	320 352	4 647 885	9 626 493	379 736	4 809 110	64	394 770
SPAIN	1 009 540 839	6 082 349	1 015 623 188	25 847 269	6 331 534	5 548 632	221 553 245	195 786 082	12 126 122	171 729 615	1 568	14 502 720
SWEDEN	216 102 245	0	216 102 245	8 026 713	(49 666)	0	40 910 345	22 448 567	322 943	22 860 744	219	989 378
SWITZERLAND	477 663 971	588 851 360	1 066 515 331	324 754 285	32 609 020	32 108 911	43 376 308	58 099 807	17 719 074	7 020 469 161	1 116	32 783 932
TAIWAN	84 132 518	32 590	84 165 108	3 169 715	1 351 424	786 686	3 448 992	4 072 842	810 466	2 392 110	180	918 018
THAILAND	133 860 830	120 075	133 980 905	2 016 128	729 180	645 663	2 658 370	8 975 310	598 335	22 889 084	165	818 642
TUNISIA	13 837 790	182 053	14 019 843	914 394	250 079	154 154	2 096 556	1 429 742	530 767	2 806 693	26	131 034
TURKEY	56 306 459	274 807	56 581 266	1 102 115	651 754	473 703	6 324 717	1 541 458	58 550	9 014 846	109	300 599
UNITED ARAB EMIRATES	38 893 728	0	38 893 728	873 499	(592)	0	79 455	1 792 962	18 168	(8 146 351)	47	137 655
UNITED KINGDOM	1 606 934 004	9 427 390	1 616 361 394	(6 451 360)	1 848 755	61 554	62 040 165	177 798 452	46 665 314	40 253 568	2 261	21 356 948
UNITED STATES	3 133 842 487	170 352 312	3 304 194 799	(75 777 661)	3 365 311	11 655 936	250 627 442	17 206 895	31 897 351	3 542 919 222	6 113	51 874 293
URUGUAY	4 273 418	0	4 273 418	8 621	(10 621)	13 471	384 372	924 460	226 320	1 413 252	9	29 922
VIETNAM	15 445 368	372 832	15 818 200	385 943	63 216	32 743	1 201 024	1 401 024	2 881 338	(1 405 860)	55	102 288

NOTES ON INFORMATION SHOWN IN OUR TABLE

Entities, countries and activities
A list of the major consolidated subsidiaries of the Group, their type (Holding, Operating, Services or Financial) and their respective countries are included in our Annual Report 2021, available on our website.

General description of data sources
The major data sources used are the Annual Report 2021 and the Monthly Financial Reporting Packages (MFRP). MFRP is the tool used for financial reporting purposes.

Currency
The reporting currency of our Group is Euro (EUR) and the financial data shown in this report are in EUR unless otherwise indicated.

The operations of the Group are conducted in various countries around the world and are reported in the applicable foreign currencies (functional currency). Financial information is translated from the applicable functional currency to the Euro. Income expenses and cash flows are translated at average exchange rates prevailing during the fiscal year or at transaction exchange rates. Assets and liabilities are translated at fiscal year-end exchange rates.

General description of data sources
The MFRP is the main data carrier for constituent entities of the Adecco Group to report their financial data on a monthly basis. The financial statements are consolidated and prepared in accordance with US Generally Accepted Accounting Principles (US GAAP).

The Tax package is the tool implemented by the Group for tax accounting reporting purposes. Constituent entities of the Group submit their tax related information using this tool, after validated tax amounts are booked into the MFRP.

Total unrelated party revenue
The revenue reported is the sum of sales, operating and non-operating income, other financial income and external interest income of all constituent entities of the Group resident for tax purposes in the relevant tax jurisdiction. The source of this information is the MFRP. Only positive amounts by MFRP are considered.

Total related party revenue
The revenue reported is the sum of inter-company operating income, interest income, financial income, royalties and corporate cost of all constituent entities resident for tax purposes in the relevant tax jurisdiction. The source of this information is the MFRP. MFRPs are used to collate the information for the Group consolidated Annual Report. Where we have more than one entity reporting in a single MFRP, the revenue for these entities is reported on a consolidated basis. Only net positive amounts by MFRP are included.

Profit (Loss) before income tax
The amount reported is the sum of the profit (loss) before income tax of all constituent entities resident for tax purposes in the relevant tax jurisdiction. Dividends received from other constituent entities are not included in the profit (loss) before income tax. The source of this information is the MFRP. Where we have more than one entity reporting in a single MFRP, the profit (loss) before income tax is reported by these entities on a consolidated basis.

Income tax paid (on cash basis)
The amount reported is the sum of cash paid for income and withholding taxes of all constituent entities resident for tax purposes in the relevant tax jurisdiction. The source of this information is the tax package. The cash paid relates to cash movement in the current year such as payments, refunds, taxes withheld by customers and payments relating to risk reserves. The withholding taxes include cash payments relating to intercompany charges such as trademark royalties and management services etc.

Income tax accrued (current year)
The amount reported is the sum of tax provisions (accrued tax expenses) of all constituent entities resident for tax purposes in the relevant tax jurisdiction. Deferred taxes and provisions for uncertain tax liabilities such as risk reserves, discrete events and prior year adjustments are excluded, thus the amount reported only reflects tax expenses in the current year. The source of this information is the tax package.

Sales tax contribution

See page 9 for the relevant definitions.

Payroll & social security tax contribution

See page 9 for the relevant definitions.

Stated capital

The amount reported is the sum of the par value or stated value of preferred and common stocks of the company issued and outstanding capital of all constituent entities resident for tax purposes in the relevant tax jurisdiction. The source of this information is the MFRP.

Accumulated earnings

The amount reported is the sum of retained earnings of prior years, dividends paid for the current year and net income attributed to shareholders of all constituent entities resident for tax purposes in the relevant tax jurisdiction. The source of this information is the MFRP. Where we have more than one entity reporting in a single MFRP, earnings are reported by these entities on a consolidated basis.

Number of employees

The amount represents the total number of employees on a full-time equivalent (FTE) basis of all constituent entities resident for tax purpose in the relevant tax jurisdiction at year end. Independent contractors participating in the ordinary operating activities of a constituent entity are not considered. Since the proportionate share of the net profit or loss of the external party of majority investments of constituent entities (ownerships of 50% to less than 100%) is included, the number of employees shown in Table 1 also includes the proportionate share of the number of employees of the majority investments in external parties. The source of this information is the MFRP.

Tangible assets other than cash and cash equivalents

The amount represents the sum of net book values of tangible assets such as land, buildings, furniture, fixtures and office equipment, leasehold improvements, computer and other equipment and accumulated depreciation of all constituent entities resident for tax purposes in the relevant tax jurisdiction. The source of this information is the MFRP.

Addresses and Publisher

Registered office
Adecco Group AG
Bellerivestrasse 30
CH-8008 Zürich

Contact details

Adecco Group AG
Bellerivestrasse 30
CH-8008 Zürich
T +41 44 878 88 88

The Adecco Group Investor Relations

T +41 44 878 88 88
investor.relations@adeccogroup.com
adeccogroup.com/investors

The Adecco Group Press Office

T +41 44 878 87 87
media@adeccogroup.com

The Adecco Group on the web:

adeccogroup.com
facebook.com/theadeccogroup
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