

Risk Factors Comparison 2025-02-13 to 2024-02-20 Form: 10-K

Legend: **New Text** ~~Removed Text~~ Unchanged Text **Moved Text Section**

Risks Related to Macroeconomic Conditions Our business is significantly affected by fluctuations in general economic conditions. **Historically, the general level of economic activity and employment in the United States and the other countries in which we operate has significantly affected the** Demand-demand for staffing services. **In periods is** significantly affected by the general level of economic **growth activity and employment in the United States and the other countries in which we operate.** When economic activity increases, **companies employers** often add temporary employees before hiring full- time employees. As **However, when** economic activity **declines slows, however,** many **companies employers** reduce their use of temporary employees before laying off full- time employees. Customer responses to real or perceived economic conditions, including perceptions related to market conditions, labor supply and inflation, could negatively impact customer behavior. **Historically, Significant significant swings changes** in economic activity ~~historically have had a disproportionate disproportionately impact impacted~~ on staffing industry volumes. We may not fully benefit from times of increased economic activity should we experience shortages in the supply of **workers temporary employees.** We may also experience more competitive pricing pressure and slower customer payments during periods of economic **downturn decline.** A substantial portion of our revenues and earnings are generated by our business operations in the United States. Any significant economic downturn in the United States or certain other countries in which we operate could have a material adverse effect on our business, financial condition and results of operations. Our stock price may be subject to significant volatility and could suffer a decline in value. The market price of our common stock may be subject to significant volatility. We believe that many factors, including several which are beyond our control, have a significant effect on the market price of our common stock. These include: • actual or anticipated variations in our quarterly operating results; • announcements of new services by us or our competitors; • announcements relating to strategic relationships, acquisitions or divestitures; • changes in financial estimates by securities analysts; • changes in general economic conditions; • actual or anticipated changes in laws and government regulations; • commencement of, or involvement in, litigation; • any major change in our board or management; • changes in industry trends or conditions; and • sales of significant amounts of our common stock or other securities in the market. In addition, the stock market in general, and the **NASDAQ Nasdaq** Global Market in particular, **often** experiences significant price and volume fluctuations that **frequently are** have often been unrelated or disproportionate to the operating performance of listed companies. These broad market and industry factors may seriously harm the market price of our common stock, regardless of our operating performance. A securities class action suit against us arising out of stock volatility or other investor claims, could result in substantial costs, potential liabilities and the diversion of our management' s attention and resources. Further, our operating results may be below the expectations of securities analysts or investors. In such event, the price of our common stock may decline.

Risks Related to our Industry Segment We operate in a highly competitive industry with low barriers to entry and may be unable to compete successfully against existing or new competitors. The worldwide staffing services market is highly competitive with limited barriers to entry. We compete in global, national, regional and local markets with full- service and specialized temporary staffing and consulting companies. **Some competitors Randstad, Adecco Group, ManpowerGroup Inc. and Allegis Group** are considerably larger than we are and have more substantial marketing and financial resources. Additionally, the emergence of online staffing platforms, **talent sourcing models,** or other forms of disintermediation may pose a competitive threat to our services ~~that, which~~ operate under a more traditional staffing business model. Price competition in the staffing industry is intense, particularly for the provision of office clerical, light industrial and education personnel. We expect that the level of competition will remain high, which could limit our ability to maintain or increase our market share or profitability. The number of customers distributing their staffing service purchases among a broader group of competitors continues to increase which, in some cases, may make it more difficult for us to obtain new customers, or to retain or maintain our current share of business, with existing customers. We also face the risk that our current or prospective customers may decide to provide similar services internally. As a result, there can be no assurance that we will not encounter increased competition in the future. Technological advances, **including advances in artificial intelligence,** may significantly disrupt the labor market and weaken demand for human capital. Our success is directly dependent on our customers' demand for talent. As technology continues to evolve, **more an increasing number of** tasks currently performed by people may be replaced by automation, robotics, machine learning, artificial intelligence, and other ~~technological~~ **technology** advances outside of our control. **These changes could result in a decreased demand for human labor.** This trend poses a risk to the staffing industry, particularly in lower- skill job categories ~~that may be more susceptible to such replacement~~ and to creative, administrative, customer support, and clerical roles ~~due~~ **vulnerable** to advances in ~~generative~~ artificial intelligence. If we are unsuccessful in responding to this potential shift in customer demand due to advancing technology, it could have a material adverse effect on our results of operations and financial condition. Competition rules arising from government legislation, litigation or regulatory activity may limit how we structure and market our services. As a leading staffing and recruiting company, we are closely scrutinized by government agencies under U. S. and foreign competition laws. An increasing number of governments are ~~regulating~~ **enforcing** competition ~~law laws~~ **activities and regulations,** leading to increased scrutiny. Some jurisdictions also allow competitors or consumers to assert claims of anti- competitive conduct. The European Commission and its various competition authorities have targeted industry trade associations in which we participate, **which could resulting --- result** in the assessment of fines against our business ~~in the past.~~ Although we have safeguards in place to comply with competition laws, there can be no guarantee that such safeguards will be successful. Any government regulatory actions may result in fines and

penalties or hamper our ability to provide cost-effective benefits to consumers and businesses, reducing the attractiveness of our services and the revenues that come from them. New competition law actions could be initiated. The outcome of such actions, or steps taken to avoid them, could adversely affect us in a variety of ways, including:

- We may have to choose between withdrawing certain services from certain geographies to avoid fines or designing and developing alternative versions of those services to comply with government rulings, which may entail a delay in a service delivery.
- Adverse rulings may act as precedent in other competition law proceedings. Our business is subject to extensive government regulation, which may restrict the types of ~~employment~~ services we are permitted to offer or result in additional ~~or increased taxes~~ **tax or licensing requirements**, including payroll taxes or other costs that reduce our revenues and earnings. The temporary employment industry is heavily regulated in many of the countries in which we operate. Changes in laws or government regulations may result in prohibition or restriction of certain types of ~~employment~~ services we can offer, **increased delivery and operating complexity costs**, or the imposition of new or additional pay, benefit, licensing or tax requirements that could reduce our revenues and earnings. In particular, we are subject to state unemployment taxes in the U. S., which typically increase during periods of increased levels of unemployment. **Increased government regulation of the workplace, such as enhanced wage or labor protections, laws or regulations restricting the use of artificial intelligence in the employment lifecycle, or expansion of employee privacy rights, could adversely impact our business. Changes in the immigration policy in the United States could adversely impact our ability to recruit or retain non-citizen workers, including individuals employed by us on work visas, primarily H-1B, or eligible to work under temporary protected status, deferred enforcement decisions, or similar work authorizations.** We also receive benefits, such as the work opportunity income tax credit in the U. S., that regularly expire and may not be reinstated. There can be no assurance that we will be able to increase the fees charged to our customers in a timely manner and in a sufficient amount to fully cover increased costs as a result of any changes in laws or government regulations. Any future changes in laws or government regulations, or interpretations **or enforcement** thereof, including additional laws and regulations enacted at a **state or** local level may make it more difficult or expensive for us to provide ~~staffing~~ services and could have a material adverse effect on our business, financial condition and results of operations. **In addition, as state and local jurisdictions expand their regulation of the workplace, we may be unable to adequately monitor or timely respond to changes in state and local regulations, which could result in significant fines and penalties, criminal sanctions against us, our officers or our employees, prohibitions on the conduct of our business, damage to our reputation, and other adverse consequences.** Unexpected changes in claim trends on our workers' compensation, unemployment, disability and medical benefit plans may negatively impact our financial condition. We self-insure, or otherwise bear financial responsibility for, a significant portion of expected losses under our workers' compensation program, disability and medical benefits claims. Unexpected changes in claim trends, including the severity and frequency of claims, actuarial estimates and medical cost inflation, could result in costs that are significantly different than initially reported. If future claims-related liabilities increase due to unforeseen circumstances, or if we must make unfavorable adjustments to accruals for prior accident years, our costs could increase significantly. In addition, unemployment insurance costs are dependent on benefit claims experience from employees which may vary from current levels and result in increased costs. There can be no assurance that we will be able to increase the fees charged to our customers in a timely manner and in a sufficient amount to cover increased costs as a result of any changes in claims-related liabilities. We may have additional tax liabilities that exceed our estimates. We are subject to multiple federal, state, local, and foreign taxes in the jurisdictions in which we operate. Our tax expense could be materially impacted by changes in tax laws in these jurisdictions, changes in the valuation of deferred tax assets and liabilities or changes in the mix of income by country. The overall size of our workforce and visibility of our industry may make it more likely we become a target of government investigations, and we are regularly subject to audit by tax authorities. Although we believe our tax estimates are reasonable, the final determination of audits and any related litigation could be materially different from our historical tax provisions and accruals. The results of an audit or litigation could materially harm our business.

Risks Related to Strategy and Execution Our future performance depends on the Company's effective execution of our business strategy. The performance of the Company's business is dependent on our ability to effectively execute our growth strategy. Our strategy includes targeted investments in select specialty areas, focusing on growth platforms and implementation of a cost-effective operating model to bridge our strategy to execution. If we are unsuccessful in executing our strategy, we may not achieve either our stated goal of revenue growth or the intended productivity improvements, which could negatively impact profitability. Even if effectively executed, our strategy may be insufficient considering changes in market conditions, technology, changes in customer buying behavior, competitive pressures or other external factors. If we fail to successfully **improve or** develop new service offerings, we may be unable to retain and acquire customers, resulting in a decline in revenues. The Company's successful execution of our growth strategy requires that we match evolving customer expectations with evolving service offerings. The development of new **or improved** service offerings requires accurate anticipation of customer needs and emerging technology and workforce trends. We must make long-term investments in our information technology infrastructure and commit resources to development efforts ~~before knowing whether~~ **without certainty that** these investments will result in service offerings that achieve customer acceptance and generate the revenues required to provide desired returns. If we fail to accurately anticipate and meet our customers' needs through the development of new **or improved** service offerings or do not successfully deliver ~~new these~~ service offerings, our competitive position could weaken, causing a material adverse effect on our results of operations and financial condition. A loss of major customers or a change in such customers' buying behavior or economic strength could have a material adverse effect on our business. We serve many large corporate customers through high volume service agreements. While we intend to maintain or increase our revenues and earnings from our major corporate customers, we are exposed to risks arising from the possible loss of major customer accounts. A change in labor strategy or **labor disruptions, including work stoppages or** the deterioration of the financial condition or business prospects of these customers could reduce their need for our services and result in a significant decrease in the revenues

and earnings we derive from these customers. Such change could occur due to economic, social, climate, or political factors outside of our customers' control. Inability to meet customer demands in response to these factors could result in the decline in use of our service or outright loss of customers. Our customers are also exposed to third- party risk through their use of vendors and suppliers which, in the event of a third- party incident at a customer, could result in a deterioration in their financial condition. Continuing merger and acquisition activity involving our large corporate customers could put existing business at risk or impose additional pricing pressures. Since receipts from customers generally lag payroll to temporary employees, the bankruptcy of a major customer could have a material adverse impact on our ability to meet our working capital requirements. The expansion of payment terms may extend our working capital requirements and reduce available capital for investment. Additionally, most of our customer contracts can be terminated by the customer on short notice without penalty. This creates uncertainty with respect to the revenues and earnings we may recognize with respect to our customer contracts. Our business with large customer accounts reflects a market- driven shift in buying behaviors in which reliance on a small number of staffing partners has shifted to reliance upon a network of talent providers. The movement from single- sourced to competitively sourced staffing contracts may also substantially reduce our future revenues from such customers. While Kelly has sought to address this trend, including providing **supplier and vendor management services as a customer's MSP services** within our OCG segment, we may not be selected or retained as the MSP by our large customers **, or if we are the MSP, we may not be one of the underlying staffing providers**. This may result in a material decrease in the revenue we derive from providing staffing services to such customers. In addition, revenues may be materially impacted **from our decision if we decide** to exit customers due to pricing pressure or other business factors. Our business with the federal government and government contractors presents additional risk considerations. We must comply with laws and regulations relating to the formation, administration and performance of federal government contracts. Failure to meet these obligations could result in civil penalties, fines, suspension of payments, reputational damage, disqualification from doing business with government agencies and other sanctions or adverse consequences. Government procurement practices may change in ways that impose additional costs or risks upon us or pose a competitive disadvantage. Our employees may be unable to obtain or retain the security clearances necessary to conduct business under certain contracts, or we could lose **,** or be unable to secure or retain **,** a necessary facility clearance. **In the event of a security incident by us or our personnel, we may not be able to conduct future business for certain federal Government government clients. In addition, government agencies may temporarily or permanently lose funding for awarded contracts , reduce spending, or deprioritize future spending on contracts on which we participate** , or there could be delays in the start- up of projects already awarded and funded. We are at risk of damage to our brands, which are important to our success. Our success depends, in part, on the value associated with our brands. Because we assign employees to work under the direction and supervision of our customer at work locations not under Kelly' s control, we are at risk of our employees engaging in unauthorized conduct that could harm our reputation. Our Education segment is particularly susceptible to this exposure. **Our brand reputation could also be damaged by the actions of unrelated third parties with diverse or unclear motives. Political activists, social media posts, or traditional news media could reference the Kelly brand as part of a broader communication unrelated to our business, which could result in backlash against our business practices. In addition, undesirable actions by our competitors could adversely impact the reputation of the staffing industry as a whole, negatively impacting our brand. As we increasingly use artificial intelligence in our services, incidents of bias, hallucination, or error by artificial intelligence we use, or ethical objections to our use of artificial intelligence, could negatively impact our brand.** Any incident, act or omission that damages Kelly' s reputation could cause the loss of current and future customers, additional regulatory scrutiny and liability to third parties, which could negatively impact profitability. As we increasingly offer services outside the realm of traditional staffing, including **outcome- based services,** business process outsourcing **,** **vendor and supplier management,** and services intended to connect **independent** talent to independent work, we are exposed to additional risks which could have a material adverse effect on our business. Our business strategy focuses on driving profitable growth in key specialty areas, including through business process outsourcing arrangements, where we provide operational management of our customers' non- core functions or departments. **We also plan to expand the outcome- based services we provide, which increases our risk associated with product delivery.** This could expose us to certain risks unique to that business, including **civil liability,** product liability **,** or product recalls. As the nature of work changes, we deliver services that connect **independent** talent to independent work with our customers **and which could** expose the Company to risks of misclassifying workers, which could result in regulatory audits and penalties. Although we have internal vetting processes intended to control such risks, there is no assurance that these processes will be effective or that we will be able to identify these potential risks in a timely manner. Our specialties also include professional services where errors or omissions by employees or independent contractors can result in substantial injury or damages. We attempt to mitigate and transfer such risks through contractual arrangements with our customers and suppliers; however, these services may give rise to liability claims and litigation. While we maintain insurance in types and amounts we believe are appropriate for the contemplated risks, there is no assurance that such insurance coverage will remain available on reasonable terms or be sufficient in amount or scope. We are increasingly dependent on third parties for the execution of critical functions and could be liable for their inability to **perform or** adhere to global compliance standards. We rely on third parties to support critical functions within our operations, including portions of our technology infrastructure, vendor management, customer relationship management, applicant tracking systems and in- country staffing services. If we are unable to contract with third parties having the specialized skills needed to support our growth strategies or integrate their products and services with our business, or if they fail to meet our performance requirements, the results of operations could be adversely impacted. We also rely on supplier partnerships to deliver **our certain services to customers in certain territories**. If our suppliers fail to meet our standards and expectations **,** or are unfavorably regarded by our customers, our ability to discontinue the relationship may be limited **and, which** could result in reputational damage, customer loss, and adversely affect our results of operations. The failure or inability to **adequately** perform on the part

of one or more of these critical vendors, suppliers, or partners could cause significant disruptions and increased costs. Moreover, these third parties are often subject to international laws and regulations regarding their conduct, including compliance with anti-bribery, anti-corruption, human trafficking, forced or child labor, trade sanctions, sustainability, and other compliance obligations ("Global Compliance Obligations"). While we maintain processes to monitor these third-parties for compliance to these standards, failure of these third-parties to adhere to Global Compliance Obligations could result in significant fines and penalties, criminal sanctions against us, our officers or our employees, prohibitions on the conduct of our business, and damage to our reputation. Our information technology strategy may not yield its intended results. Our information technology strategy ~~includes~~ **focuses on** improvements to **our technology stack across the company, including synergies in our applicant onboarding and tracking systems, order management system, and improvements to financial processes such as billing and accounts payable through system consolidation and upgrades**. We do not **currently** use a single enterprise resource planning ("ERP") system, which limits our ability to react to evolving technology and customer expectations and increases the amount of investment and effort necessary to provide global service integration to our customers. **Although we carefully plan for intelligent integration of our acquisitions with our legacy businesses, there is no assurance that we will adequately resolve the issues presented by lack of a single ERP, or that we will successfully integrate technology across the Company**. Although the technology strategy is intended to increase productivity and operating efficiencies, these initiatives may not yield their intended results. Any delays in completing, or an inability to successfully complete, these technology initiatives, or an inability to achieve the anticipated efficiencies, could adversely affect our operations, liquidity and financial condition. Some of the initiatives are dependent on the products and services of third-party vendors. If our vendors are unable to provide these services, or fail to meet our standards and expectations, we could experience business interruptions or data loss which could have a material adverse effect on our business, financial condition and results of operations. Past and future acquisitions may not be successful. As a part of our growth strategy, we continue to monitor the market for acquisition targets to bolster our inorganic growth aspirations. Acquisitions involve a number of risks, including the diversion of management's attention from its existing operations, the failure to retain key personnel or customers of an acquired business, the failure to realize anticipated benefits such as cost savings and revenue enhancements, potential substantial transaction costs associated with acquisitions, the assumption of unknown liabilities of the acquired business and the inability to successfully integrate the business into our operations. There can be no assurance that any past or future acquired businesses will generate anticipated revenues or earnings. Further, acquisitions result in goodwill and intangible assets which have the risk of impairment if the future operating results and cash flows of such acquisitions are lower than our initial estimates. In the event of an impairment determination, we may be required to record a significant non-cash charge to earnings that could adversely affect our results of operations.

Risks Related to Operating a Global Enterprise We conduct a portion of our operations outside of the United States and we are subject to risks relating to our international business activities, including fluctuations in currency exchange rates and numerous legal and regulatory requirements. We conduct our business in major ~~staffing~~ markets throughout the world. Our operations outside the United States are subject to risks inherent in international business activities, including:

- fluctuations in currency exchange rates;
- restrictions or limitations on the transfer of funds;
- government intrusions including asset seizures, expropriations or de facto control;
- varying economic and geopolitical conditions;
- differences in cultures and business practices;
- differences in employment and tax laws and regulations;
- differences in accounting and reporting requirements;
- differences in labor and market conditions;
- compliance with trade sanctions;
- changing and, in some cases, complex or ambiguous laws and regulations; and
- litigation, investigations and claims.

Our operations outside the United States are reported in the applicable local currencies and then translated into U. S. dollars at the applicable currency exchange rates for inclusion in our consolidated financial statements. Exchange rates for currencies of these countries may fluctuate in relation to the U. S. dollar and these fluctuations may have an adverse or favorable effect on our operating results when translating foreign currencies into U. S. dollars. Our international operations subject us to potential liability under anti-bribery, anti-corruption, anti-trafficking, supply chain, trade protection, and other laws and regulations. The Foreign Corrupt Practices Act and other anti-bribery and anti-corruption laws and regulations ("Anti-Corruption Laws") prohibit corrupt payments by our employees, vendors, or agents. Other international laws and compacts hold companies liable for human rights violations that occur within their supply chain, and impose obligations on companies to prohibit human trafficking, forced labor, and child labor ("Human Rights and Supply Chain Laws"). While we devote substantial resources to our global compliance programs and have implemented policies, training, and internal controls designed to reduce the risk of corrupt payments and ensure compliance with human rights standards, our employees, **directors, officers,** vendors, or agents may violate our policies. Our failure to comply with Anti-Corruption Laws or Human Rights and Supply Chain Laws could result in significant fines and penalties, criminal sanctions against us, our **directors, officers, or our employees, agents, or our vendors,** prohibitions on the conduct of our business, and damage to our reputation. Operations outside the **United States U.S.** may be affected by changes in trade protection laws, policies and measures, and other regulatory requirements affecting trade and investment. As a result, we may be subject to legal liability and reputational damage. **Events such as natural disasters, severe weather, terrorist attacks, war, pandemics, and other catastrophic events could decrease demand for our services in impacted areas. Because we conduct our business in major markets throughout the world, we face risks in those environments that are beyond our control. Natural disasters, severe weather, climate change, disease, pandemics, war, terrorist acts, or other similar unforeseen events could materially adversely affect our operations or financial condition. Even where the event does not directly impact our operations, its impact on regional business could adversely impact our business through decreased customer demand or inability to perform services due to the event. Historically, large-scale events have resulted in a temporary economic downturn in areas impacted by such catastrophic events. Even where we are able to provide services in relief and support operations, there is no assurance that we will be able to offset the adverse impacts of the catastrophic event. We are subject to substantial pressure to meet external stakeholder's sustainability and ESG**

requirements. Influential investors, regulators, and advocacy groups have increasingly focused on evaluating environmental, social, and governance (" ESG") commitments of companies in which they invest. While we have made public sustainability commitments, our customers often require us to comply with their ESG requirements as part of their own practices. These enhanced expectations from our customers around ESG practices can increase operating costs and require incremental resources to satisfy. Our inability to meet customer ESG or sustainability requirements could also result in the possible loss of major customer accounts. Although we maintain a sustainability program that we believe currently matches or exceeds our customer demands, there can be no guarantee that our program will be able to adequately meet future regulatory or customer requirements or that we will meet our established commitments.

Risks Related to Human Capital We depend on our ability to attract, develop and retain qualified permanent full- time employees. As we aim to expand the number of clients utilizing our higher margin specialty solutions in support of our growth strategy, we are highly reliant on individuals who possess specialized knowledge and skills to lead related specialty solutions and operations. Social, political and financial conditions can negatively impact the availability of qualified personnel. Competition for individuals with proven specialized knowledge and skills is intense, and demand for these individuals is expected to remain strong in the foreseeable future. Our success is dependent on our ability to attract, develop and retain these employees. We depend on ~~our the~~ **ability to attract of Kelly** and ~~retain qualified temporary personnel (employed directly by us or through third-party talent suppliers)~~ **to attract and retain qualified personnel to provide our services**. We depend on our ~~and our suppliers'~~ **ability to attract qualified temporary personnel who possess the skills and experience necessary to meet the staffing requirements-workforce demands** of our customers. We must continually evaluate our base of available qualified personnel ~~and suppliers~~ **to keep pace with changing customer needs. Competition for individuals with proven-established professional skills is intense-fierce**, and demand for these individuals is ~~expected-anticipated~~ **to remain strong-robust** for the foreseeable future. Rapid evolution of technology may ~~worsen this-widen the~~ **skills gap**, where the demand for expertise outpaces the availability of suitably skilled professionals. Low unemployment, as well as social, political and financial conditions can negatively impact the amount of qualified personnel available to meet the ~~staffing-talent~~ **requirements** of our customers. There can be no assurance that qualified personnel will continue to be available in sufficient numbers and on terms of employment acceptable to us and our customers. ~~Our success is substantially dependent on our ability to recruit and retain qualified temporary personnel.~~ We may be exposed to employment- related claims and losses, including class action lawsuits and collective actions, which could have a material adverse effect on our business. We employ and assign personnel in the workplaces of other businesses. The risks of these activities include possible claims relating to: • discrimination and harassment; • wrongful termination or retaliation; • violations of employment rights related to employment screening or privacy issues; • apportionment between us and our customer of legal obligations as an employer of temporary employees; • classification of workers as employees or independent contractors; • employment of unauthorized workers; • violations of wage and hour requirements; • entitlement to employee benefits, including health insurance and retroactive benefits; • failure to comply with leave policy and other labor requirements; and • errors and omissions by our temporary employees, particularly for the actions of professionals such as engineers, therapists, accountants, **doctors**, teachers and scientists. We are also subject to potential risks relating to misuse of customer proprietary information, misappropriation of funds, death or injury to our employees, damage to customer facilities due to negligence of temporary employees, criminal activity and other similar occurrences. We may incur fines and other losses or negative publicity with respect to these risks. In addition, these occurrences may give rise to litigation, which could be time-consuming and expensive. In the U. S. and certain other countries in which we operate, new employment and labor laws and regulations have been proposed or adopted that may increase the potential exposure of employers to employment- related claims and litigation. In addition, such laws and regulations are arising with increasing frequency at the state and local level in the U. S. and the resulting inconsistency in such laws and regulations results in additional complexity. There can be no assurance that the corporate policies and practices we have in place to help reduce our exposure to these risks will be effective or that we will not experience losses as a result of these risks. Although we maintain insurance in types and amounts we believe are appropriate in light of the aforementioned exposures, there can also be no assurance that such insurance policies will remain available on reasonable terms or be sufficient in amount or scope of coverage. Additionally, should we have a material inability to produce records as a consequence of litigation or a government investigation, the cost or consequences of such matters could become much greater. **Risks Related to Cyber Security and Data Privacy** Damage to our ~~key-data centers-facilities~~ **could affect our ability to sustain critical business applications. Many business processes critical to our continued operation are hosted in outsourced facilities in America, Europe and Asia, -Certain other processes are **increasingly**, occur in cloud- based computer environments. These critical processes include, but are not limited to, payroll, customer reporting, and order management. Although we have taken steps to protect such instances by establishing data backup and disaster recovery capabilities, the loss ~~or inability to access~~ **of these-this data centers-or access to the cloud -based environment-environment** could create a substantial risk of business interruption which could have a material adverse effect on our business, financial condition and results of operations. A failure to maintain the privacy of ~~information-personal data~~ **entrusted to us could have significant adverse consequences. In the normal course of business we control, process, or have access to personal information-data regarding candidates and persons employed our- or own-engaged by us, our customers, certain customer employees or employment candidates, as well as that of employees of our customers and managed suppliers. Information concerning these individuals may also reside in systems controlled by third parties for purposes such as employee benefits, assignment information,** and payroll administration. The legal and regulatory environment concerning data privacy is becoming more complex and challenging, and the potential consequences of non- compliance have become more severe. The European Union' s General Data Protection Regulation, the California Consumer Privacy Act, **the Health Insurance Portability and Accountability Act of 1996 (" HIPAA")**, and similar laws impose additional compliance requirements related to the collection, use, processing, transfer, disclosure, **security,** and retention of personal **or protected health** information ("**

PHI") , which can increase operating costs and resources to accomplish. **The further expansion of privacy laws, and litigation for violations of those laws, including at a state- level in the United States, could make it more difficult or expensive for us to provide services and could have a material adverse effect on our business, financial condition and results of operations.** Any failure to abide by these regulations or to protect such personal information **or PHI** from inappropriate access or disclosure, whether through social engineering or by accident or other cause, could have severe consequences including fines, litigation, regulatory sanctions, reputational damage, and loss of customers or employees. Although we have a **privacy compliance** program designed to preserve the privacy **and** rights of the **individuals whose** personal data ~~that~~ we control or process, as well as personal data that we entrust to third parties, there can be no assurance that our program will meet all current and future regulatory requirements, anticipate all potential methods of unauthorized access, or prevent all inappropriate disclosures. Our insurance coverage may not be sufficient to cover all such costs or consequences, and there can be no assurance that any insurance that we now maintain will remain available under acceptable terms. **Cyberattacks , damage or disruption to ~~or our other~~ technology systems and services,** breaches of network or information technology security **, or other serious security incidents** could have an adverse effect on our systems, services, reputation and financial results. We rely upon multiple information technology systems and networks, some of which are web- based or managed by third parties **or open source**, to process, transmit, and store electronic information and to manage or support a variety of critical business processes and activities. Our networks and applications are increasingly accessed from locations and by devices not within our physical control, and the specifics of our technology systems and networks may vary by geographic region. In the course of ordinary business, we may store or process proprietary or confidential information concerning our business and financial performance and current, past or prospective employees, customers, vendors and managed suppliers. The secure and consistent operation of these systems, networks and processes is critical to our business operations. Moreover, our **workers** ~~temporary employees~~ may be exposed to, or have access to, similar information in the course of their customer assignments. We routinely experience cyberattacks, which may include the use or attempted use of malware, ransomware, computer viruses, phishing, social engineering schemes and other means of attempted disruption or unauthorized access . **Advanced social engineering and impersonation techniques by criminal organizations and nation- state adversaries for the purposes of espionage, data theft, or system disruption have sought to exploit information technology job opportunities at many companies. Although we have not experienced a material attack of this nature, because our services involve providing talent solutions for these roles, we are at increased risk for this advanced type of attack, whether directly or through a supplier in our MSP services** . Additionally, the rapid pace of change in information security and cyber security threats could result in a heightened threat level for us or companies in our industry ~~without~~ ~~with little~~ notice . **The potential risk increases as we expand and publicize new services. In addition to cyberattacks, our systems and services are vulnerable to damage or disruption from technology or software failures, errors by our employees or our vendors, power outages, natural disasters, extreme weather, conflicts, or other unforeseen events, which could disrupt our business operations** . Our relationships with third parties, including suppliers we manage, customers, and vendors , ~~creates~~ ~~create~~ potential avenues for malicious actors to initiate a supply chain attack. Even in instances where we are not a target of a malicious actor, we could be exposed to risk due to our relationships and business processes with these third parties. The actions we take to reduce the risk of impairments to our operations or systems and breaches of confidential or proprietary data may not be sufficient to prevent or repel future cyber events or other impairments of our networks or information technologies , **especially as cyberattacks become more sophisticated with advances in artificial intelligence** . An event involving the destruction, modification, accidental or unauthorized release, or theft of sensitive information from systems related to our business, or an attack that results in damage to or unavailability of our key technology systems or those of critical vendors (e. g., ransomware), could result in damage to our reputation, fines, regulatory sanctions or interventions, contractual or financial liabilities, additional compliance and remediation costs, loss of employees or customers, loss of payment card network privileges, operational disruptions and other forms of costs, losses or reimbursements, any of which could materially adversely affect our operations or financial condition. Our cyber security and business continuity plans, and those of our third parties with whom we do business, may not be effective in anticipating, preventing and effectively responding to all potential cyber risk exposures . **Cyberattacks, even if unsuccessful, may damage or disrupt our systems and services or require us to take actions to protect our systems that could have a material adverse effect on our business, financial condition and results of operations** . Our insurance coverage may not be sufficient to cover all such costs or consequences, and there can be no assurance that any insurance that we now maintain will remain available under acceptable terms.

Risks Related to Our Capital Structure Our controlling stockholder exercises voting control over our company and has the ability to elect or remove from office all of our directors. The Terence E. Adderley Revocable Trust K ("**Trust K**"), which became irrevocable upon the death of Terence E. Adderley on October 9, 2018, is our controlling stockholder. In accordance with the provisions of Trust K, William U. Parfet, David M. Hempstead and Andrew H. Curoe were appointed as successor trustees of the trust. Mr. Parfet is the brother of Donald R. Parfet, a member of the board of directors of the Company. The trustees, acting by majority vote, have sole investment and voting power over the shares of **our** Class B common stock held by Trust K, which represent approximately ~~93-95~~ ~~.5-3~~ % of the outstanding Class B shares. The voting rights of our Class B common stock are perpetual, and our Class B common stock is not subject to transfer restrictions or mandatory conversion obligations under our certificate of incorporation or bylaws. Our Class B common stock is the only class of our common stock entitled to voting rights. The trustees of Trust K are therefore able to exercise voting control with respect to all matters requiring stockholder approval, including the election or removal from office of all members of the Company' s board of directors. We are not subject to certain of the listing standards that normally apply to companies whose shares are quoted on the **NASDAQ-Nasdaq** Global Market. Our Class A and Class B common stock are quoted on the **NASDAQ-Nasdaq** Global Market. Under the listing standards of the **NASDAQ-Nasdaq** Global Market, we are deemed to be a " controlled company " due to Trust K having voting power with respect to more than fifty percent of our outstanding voting

stock. A controlled company is not required to have a majority of its board of directors comprised of independent directors. Director nominees are not required to be selected or recommended for the board's selection by a majority of independent directors or a nominations committee comprised solely of independent directors, nor do the ~~NASDAQ~~ **Nasdaq** Global Market listing standards require a controlled company to certify the adoption of a formal written charter or board resolution, as applicable, addressing the nominations process. A controlled company is also exempt from ~~NASDAQ~~ **Nasdaq** Global Market's requirements regarding the determination of officer compensation by a majority of independent directors or a compensation committee comprised solely of independent directors. A controlled company is required to have an audit committee composed of at least three directors who are independent as defined under the rules of both the SEC and the ~~NASDAQ~~ **Nasdaq** Global Market. The ~~NASDAQ~~ **Nasdaq** Global Market further requires that all members of the audit committee have the ability to read and understand fundamental financial statements and that at least one member of the audit committee possess financial sophistication. The independent directors must also meet at least twice a year in meetings at which only they are present. We currently comply with the listing standards of the ~~NASDAQ~~ **Nasdaq** Global Market that do not apply to controlled companies. Our compliance is voluntary, however, and there can be no assurance that we will continue to comply with these standards in the future. Provisions in our certificate of incorporation and bylaws and Delaware law may delay or prevent an acquisition of our Company. Our certificate of incorporation and bylaws contain provisions that could make it harder for a third party to acquire us without the consent of our board of directors. For example, if a potential acquirer were to make a hostile bid for us, the acquirer would not be able to call a special meeting of stockholders to remove our board of directors or act by written consent without a meeting. The acquirer would also be required to provide advance notice of its proposal to replace directors at any annual meeting and would not be able to cumulate votes at a meeting, which would require the acquirer to hold more shares to gain representation on the board of directors than if cumulative voting were permitted. Our board of directors also has the ability to issue additional shares of common stock which could significantly dilute the ownership of a hostile acquirer. In addition, Section 203 of the Delaware General Corporation Law limits mergers and other business combination transactions involving 15 percent or greater stockholders of Delaware corporations unless certain board or stockholder approval requirements are satisfied. These provisions and other similar provisions make it more difficult for a third party to acquire us without negotiation. Our board of directors could choose not to negotiate with an acquirer that it did not believe was in our strategic interests. If an acquirer is discouraged from offering to acquire us or prevented from successfully completing a hostile acquisition by these or other measures, our shareholders could lose the opportunity to sell their shares at a favorable price. The holders of shares of our Class A common stock are not entitled to voting rights. Under our certificate of incorporation, the holders of shares of our Class A common stock are not entitled to voting rights, except as otherwise required by Delaware law. As a result, Class A common stockholders do not have the right to vote for the election of directors or in connection with most other matters submitted for the vote of our stockholders, including mergers and certain other business combination transactions involving the Company. We may not be able to realize value from, or otherwise preserve and utilize, our tax credit and net operating loss carryforwards. Provisions in U. S. and foreign tax law could limit the use of tax credit and net operating loss carryforwards in the event of an ownership change. In general, an ownership change occurs under U. S. tax law if there is a change in the corporation's equity ownership that exceeds 50 % over a rolling three- year period. If we experience an ownership change, inclusive of our Class A and Class B common stock, our tax credit and net operating loss carryforwards generated prior to the ownership change may be subject to annual limitations that could reduce, eliminate or defer their utilization. Such limitation could materially impact our financial condition and results of operations. Failure to maintain specified financial covenants in our bank credit facilities, or credit market events beyond our control, could adversely restrict our financial and operating flexibility and subject us to other risks, including risk of loss of access to capital markets. Our bank credit facilities contain covenants that require us to maintain specified financial ratios and satisfy other financial conditions. During ~~2023-2024~~, we met all of the covenant requirements. Our ability to continue to meet these financial covenants, particularly with respect to interest coverage (see Debt footnote in the notes to our consolidated financial statements), cannot be assured. If we default under this or any other of these requirements, the lenders could declare all outstanding borrowings, accrued interest and fees to be due and payable or significantly increase the cost of the facility. Additionally, our credit facilities contain cross- default provisions. In these circumstances, there can be no assurance that we would have sufficient liquidity to repay or refinance this indebtedness at favorable rates or at all. Events beyond our control could result in the failure of one or more of our banks, reducing our access to liquidity and potentially resulting in reduced financial and operating flexibility. If broader credit markets were to experience dislocation, our potential access to other funding sources would be limited.