

Annual report 2020

ISS Global A/S

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Annual report
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Chairman of the annual general meeting

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Corporate Responsibility Report

Our CR report of ISS A/S Group as per section 99a of the Danish Financial Statements Act is available at:

<https://brand.issworld.com/web/24f976f13bb57357/corporate-responsibility-reports/>

The report also serves as ISS's communication on progress in implementing the ten principles of the Global Compact.

Remuneration Report

<https://inv.issworld.com/iss-remuneration-reports>

ISS Global A/S

– an integral part of the ISS A/S Group

ISS Global A/S is an indirectly, wholly owned subsidiary of ISS A/S, a leading, global provider of workplace and facility service solutions, listed on Nasdaq Copenhagen. ISS Global A/S owns – directly or indirectly – the ISS Group's operating companies (together referred to as "ISS", "the Group" or "the ISS Global Group"). ISS Global A/S operates as the ISS Group's internal bank and therefore holds the majority of the ISS Group's external funding.

ISS Global A/S is an integral part of the ISS A/S Group. Thus, operating, financing and investing activities are managed for the ISS A/S Group as a whole, rather than specifically for the ISS Global Group.

The management team of the ISS Global Group formally consists of the Board of Directors and the Managing Director of ISS Global A/S. Since ISS Global A/S has no operating activities independently of the ISS A/S Group, the ISS Global Group relies on the management team of ISS A/S, which is considered the ISS Global Group's key management personnel.

Due to this structure, the sections "Our business" and "Governance" of the Management review, pp. 15–25, are described in the context of the ISS A/S Group.

Key figures

Financials	2020	2019	2018	2017	2016
Results (DKKm)					
Revenue	69,838	77,715	73,623	73,617	78,699
Operating profit before other items	(2,525)	3,829	4,260	4,545	4,968
Operating profit	(4,904)	2,059	1,998	2,911	3,058
Financial expenses, net	(542)	(695)	(583)	(489)	(451)
Net profit from continuing operations	(5,261)	798	980	1,839	1,832
Net profit from discontinued operations ¹⁾	45	(46)	(886)	(201)	(8)
Net profit	(5,216)	752	94	1,638	1,824
Cash flow (DKKm)					
Cash flow from operating activities	(886)	1,275	2,653	2,752	2,956
Acquisition of intangible assets and property, plant and equipment, net	(552)	(897)	(813)	(770)	(695)
Free cash flow	(2,143)	(264)	1,818	1,975	2,287
Financial position (DKKm)					
Total assets	40,134	42,945	42,719	45,906	43,441
Goodwill	15,093	16,513	16,237	18,196	17,537
Additions to property, plant and equipment	382	673	881	738	647
Equity	3,195	2,711	3,403	1,956	2,088
Net debt	12,345	17,274	12,701	15,676	14,863
Ratios					
Financial ratios					
Operating margin ²⁾	(3.6)%	4.9%	5.8%	6.2%	6.3%
Equity ratio	8.0%	6.3%	8.0%	4.3%	4.8%
Organic growth	(6.5)%	7.1 %	3.9%	2.9%	3.4%
Acquisitions and divestments, net	(1.8)%	(2.2)%	(0.5)%	(6.9)%	(1.3)%
Currency adjustments	(1.8)%	0.7 %	(3.4)%	(2.5)%	(3.2)%
Total revenue growth	(10.1)%	5.6 %	0.0 %	(6.5)%	(1.2)%
Non-financials					
Social data ³⁾					
Full-time employees	75%	77%	76%	76%	74%
Employees end of period, number	378,724	470,806	485,676	488,722	494,038

¹⁾ In 2020, additional three countries were presented as discontinued operations; Portugal, Russia and Taiwan. Comparatives for 2019 are restated. In 2019, 2018 and 2017, Argentina, Brazil, Brunei, Chile, the Czech Republic, Estonia, Hungary, Israel, Malaysia, the Philippines, Romania, Slovenia, Slovakia, Thailand and Uruguay are treated as discontinued operations. In 2016, only Argentina and Uruguay were discontinued operations.

²⁾ Based on Operating profit before other items.

³⁾ Selected Environmental, Social and Governance data (ESG). For all ESG data for the ISS A/S Group, see the 2020 Corporate Responsibility Report for the ISS A/S Group.

Outlook

Outlook 2021

ISS Global A/S is an indirectly, wholly owned subsidiary of ISS A/S and an integrated part of the ISS A/S Group.

On 16 December 2020, we launched our refreshed strategy, OneISS, and our preliminary Outlook 2021. Based on the development since the launch, including the ongoing recovery of our four key operational challenges (specific underperforming contracts and countries), the preliminary guidance is confirmed.

Global uncertainties remain significant as governments across the globe continue to either ease or tighten workplace restrictions and lockdowns in the fight against Covid-19. Consequently, activity levels within our core services continue to be impacted. The Outlook is consequently communicated in open-ended ranges reflecting the elevated uncertainty.

Organic growth is expected to be positive (2020: (6.5%)) but with high uncertainty related to the impact from Covid-19. Revenue in Q1 2021, is expected to be significantly impacted by restrictions and lockdowns, leading to negative growth in line with H2 2020. We expect to gradually recover part of our lost Covid-19 revenue over some years starting from Q2 2021. As part of the Covid-19 restructuring efforts, ISS has trimmed the customer portfolio, which is expected to negatively impact organic growth by around 1%-point.

Operating margin is expected to be above 2.5% (2020: (3.6%)). The main drivers of the improvement are a significant reduction in restructuring and one-off costs, the ongoing recovery of the underperforming contracts and countries (our key operational challenges) and, finally, improved operational results on the back of the restructurings initiated in 2020 in response to Covid-19.

Outlook 2021 ¹⁾

Organic growth	Operating margin ²⁾	Free cash flow
Positive	Above 2.5%	DKK 0 – (1.0)bn

¹⁾ Excluding any impact from acquisitions and divestments completed subsequent to 28 February 2021 as well as currency translation effects.

²⁾ Based on Operating profit before other items.

Free cash flow is expected to be in the range DKK 0 – (1.0) billion (2020: DKK (2.1) billion) impacted by material cash payments related to restructuring costs recognised in 2020. The factoring level is expected to increase slightly related to the launch of the IFS contract with the large customer across Americas in early 2021. The factoring level is still expected to end at a level lower than the level realised by the end of 2019.

The outlook should be read in conjunction with “Forward-looking statements” on p. 112 and our exposure to risk, see Our business risks on pp. 21-22.

Delivery on 2020 outlook

For the three key financial objectives, organic growth, operating margin and free cash flow, 2020 ended as shown in the table below compared to the outlook announced in connection with the H1 Interim report 2020.

The spread of Covid-19 in early 2020 and resulting elevated global uncertainties led to withdrawal of our initial Outlook on 20 March 2020. The escalation of Covid-19 coincided with a serious malware attack on ISS, making the initial management of the pandemic and its implications particularly challenging. An updated Outlook was reinstated in connection with the H1 Interim Report 2020, which was confirmed with the Q3 Trading Update and again with the announcement on 16 December 2020 of the refreshed strategy, OneISS.

Delivery on 2020 outlook

	Organic growth	Operating margin ¹⁾	Free cash flow
H1 Interim report 2020	(2)% – (10)%	Marginally positive ²⁾	DKK (1.0) – (4.0)bn
Realised 2020	(6.5)%	1.5% (excluding restructuring and one-off costs)	DKK (2.1)bn

¹⁾ Based on Operating profit before other items.

²⁾ Excluding restructuring and one-off costs.

Group performance

2020 proved to be one of the most challenging years in the 119-year history of ISS.

Our financial performance was severely impacted by external events in the form of the global Covid-19 pandemic and the IT security incident in February, but also by significant operational challenges in four countries.

In response, we initiated certain actions in the late part of the year leading to significant restructuring and one-off costs to position us for a profitable post-covid recovery as it comes through.

Operating results

Group revenue for 2020 was DKK 69.8 billion, a decrease of 10.1% compared with 2019. Organic growth was (6.5)%, currency effects were (1.8)% and divestments and acquisitions, net reduced revenue by 1.8%.

Organic growth was negatively impacted by Covid-19 from the second half of March 2020 due to lockdowns and other measures to contain the pandemic.

Additionally, the expiry of the Novartis contract on 31 December 2019 reduced Group revenue significantly, though partly offset by growth from the launch of Deutsche Telekom on 1 July 2019.

Our key accounts showed some resilience with organic growth of (4.3)% vs. organic growth of (10.8)% for non-key accounts. Projects and above-base work grew organically by 9.9%, driven by strong demand for deep-cleaning and disinfection.

The scale of the decline in revenue, has varied across service type, customer segment and geography. The services suffering most from reduced demand due to Covid-19 were those depending on our customers' employees being on site. Consequently, revenue from food services decreased 34% in 2020 to account for 11% of Group revenue (2019: 15%). All other services were less impacted.

In terms of customer segments, the most significant impact was within Hotels, Leisure & Entertainment, and Aviation (part of the Transportation segment) with a combined revenue reduction of 25% in 2020 to account for 9% of Group revenue (2019: 11%).

All regions reported negative organic growth in 2020 due to Covid-19, though with significant variations from region to region, largely depending on service mix and exposure to industry segments.

Revenue and organic growth

DKK million	2019	2020	Organic	Acq./div.	Currency adjustment	Growth 2020
Continental Europe	30,068	27,634	(3)%	(4)%	(1)%	(8)%
Northern Europe	25,037	22,642	(8)%	0 %	(2)%	(10)%
Asia & Pacific	13,235	12,385	(3)%	(1)%	(2)%	(6)%
Americas	8,459	6,635	(19)%	-	(3)%	(22)%
Other countries	948	562	(32)%	(21)%	0 %	(53)%
Corporate/eliminations	(32)	(20)	-	-	-	-
Total	77,715	69,838	(6.5)%	(1.8)%	(1.8)%	(10.1)%

Operating profit¹⁾ and margin

DKK million	2019		2020		Restructuring and one-offs	2020 (adjusted)
Continental Europe	1,503	5.0 %	(2,030)	(7.3)%	7.8%	0.5 %
Northern Europe	1,119	4.5 %	(1,200)	(5.3)%	4.8%	(0.5)%
Asia & Pacific	724	5.5 %	646	5.2 %	1.7%	6.9 %
Americas	448	5.3 %	237	3.6 %	0.1%	3.7 %
Other countries	60	6.3 %	21	3.7 %	-	3.7 %
Corporate/eliminations	(25)	(0.0)%	(199)	(0.3)%	0.1%	(0.2)%
Total	3,829	4.9 %	(2,525)	(3.6)%	5.1%	1.5%

¹⁾ Before other items.

Americas was most severely impacted with organic growth of (19)% due to the food services business and large customers within Aviation (within the Transportation & Infrastructure segment). Northern Europe was also relatively hard hit with organic growth of (8)% mainly due to food services in Denmark and Norway and additionally due to Hotels in Norway. The UK was also significantly impacted due to these services and segments as well as across the private sector and in Hospitals due to reductions in retail sales. Continental Europe and Asia & Pacific were both less impacted with organic growth of (3)%, however, with large variations between countries within the regions. In Continental Europe, especially France, Belgium and Spain were negatively impacted and reported double digit negative growth rates, which was also the case for India in Asia & Pacific.

Operating profit before other items was DKK (2,525) million in 2020 for an operating margin of (3.6)% (2019: 4.9%). The significant decrease compared to last year was largely due to restructuring and one-off costs of DKK 3.5 billion. Adjusted for these, operating margin was around 1.5%.

Where customer activity has been significantly reduced or stopped and demand for our services has been impacted, we have been forced to react to protect our financial health. We have made use of various government furlough schemes where possible, but unfortunately, we have also had to permanently let employees go which was the driver of a significant part of the decrease in number of employees in 2020.

Operating margin decreased significantly due to Covid-19-related revenue reductions, though with significant variations from region to region depending on service mix, exposure to industry segments and differences in the level of support schemes offered by individual governments. As such, we received employee-related Covid-19 grants of DKK 1.3 billion. Depending on the specific commercial model, our customers were appropriately and accordingly compensated.

In Northern Europe, the most severe impacts were seen in the UK and Denmark, which were both severely impacted by Covid-19-related revenue reductions, e.g. within food services. In Continental Europe, Spain was materially affected due to limited availability of government support schemes. Americas reported a sharp decline in margins, mainly due to food services and in Asia & Pacific, Indonesia was negatively affected following complete lockdown in large periods.

In addition, operating margin was impacted by significant operational challenges in four countries. In Germany, on the Deutsche Telekom contract, significant delay of the IT migration as well as operational challenges led to a material cost overrun. In Denmark, the Danish Defence contract has been operating at a loss-making level in 2020. Additionally, in the UK and France operational challenges continued. In France, the benefits from the ongoing reorganisation was further delayed due to the impact from Covid-19. These challenges are being addressed through action plans and as a result significant restructuring and one-off costs have been incurred in 2020 as explained below.

Restructuring and one-off costs We are continuously reviewing our business platform to ensure the right basis for execution of our strategy. In response to the significant impact from Covid-19 and our four key operational challenges, certain actions and restructurings were initiated, which resulted in restructuring and one-off costs of around DKK 3.5 billion in 2020.

Restructurings were initiated in a number of countries to adjust our cost structure to the lower activity level following Covid-19. The initiatives include contract exits, termination of redundant employees and various reductions of overhead costs, mainly in countries, services and customer segments that were heavily impacted by Covid-19. In 2020, restructuring costs amounted to DKK 1.2 billion (2019: DKK 0.3 billion) and related predominantly to Germany, France, Spain, and the UK.

In addition, one-off costs of DKK 2.3 billion were incurred predominantly in Germany, the UK and Denmark. Due to operational challenges related to certain contracts in these countries we reassessed the value of capitalised transition costs and recognised write-downs amounting to approximately DKK 600 million. Further, we recognised one-off costs amounting to DKK 1.7 billion covering other contract-related risks and claims primarily in Germany, the UK and Denmark. These included a provision for an onerous contract in Denmark and one-off costs following the detailed review of the business platform in the UK on the back of risks identified in 2019, which led to changes in the management structure in the UK as already communicated at H1 2020.

Other income and expenses, net was an expense of DKK 626 million (2019: net expense of DKK 91 million), predominantly due to incremental costs related to the IT security incident in February, as also communicated in detail at H1 2020. Total costs were DKK 516 million, including a non-cash write-down of DKK 133 million.

We have regained control of our IT infrastructure and relaunched business critical systems. Rebuild of certain IT assets will continue into 2021 and will lead to a significantly stronger and more secure platform going forward. Generally, we will accelerate our IT investments in the coming years as a key element of our OneISS strategy.

Goodwill impairment was DKK 535 million (2019: DKK 304 million) of which DKK 500 million related to an impairment loss in France identified in the impairment test performed at 30 June 2020. The loss was due to a reassessment of business plans following Covid-19 leading to lowered expectations for the future. The remaining impairment loss of DKK 35 million was related to the divestment of Parking Management in Indonesia, Healthcare Catering in Poland and Pest Control in Singapore.

Operating profit was DKK (4,904) million (2019: DKK 2,059 million). The decrease was mainly due to restructuring and one-off costs, IT security incident costs and the adverse impact from Covid-19.





Financial income and expenses, net was an expense of DKK 542 million (2019: DKK 695 million). The decrease was mainly a result of lower costs related to intercompany hedging, driven by the decrease in USD interest rates.

The effective tax rate for 2020 was 3.4% (2019: 41.5%) calculated as Income tax of DKK (185) million divided by Profit before tax of DKK (5,446) million. The effective tax rate was negatively impacted by significant valuation allowances on deferred tax assets in Germany, France, Spain and the Netherlands. Furthermore, non-tax deductible costs had an impact on the effective tax rate due to the negative profit before tax.

Net profit from discontinued operations was DKK 45 million (2019: DKK (46) million), including a net gain of DKK 234 million on countries divested in 2020, consisting of Thailand (gain of DKK 376 million), Brazil (loss of DKK 129 million) and Malaysia (loss of DKK 13 million). This was partly offset by negative fair value remeasurements of DKK 138 million on countries being classified as discontinued operations and held for sale at 31 December 2020, mainly Taiwan, and Russia.

Net profit was DKK (5,216) million (2019: DKK 752 million), primarily due to the Covid-19 impact, restructuring and one-off costs, IT security incident costs and goodwill impairment in France.

Key operational challenges

 Deutsche Telekom	<ul style="list-style-type: none"> • Delayed IT migration and operational challenges • Significant one-off costs in 2020, including write-down of transition costs • Execution programme towards stabilisation on track • Initiated restructuring projects ongoing
 Danish Defence	<ul style="list-style-type: none"> • Operational challenges and ongoing dialogue with customer about a possible exit • Onerous contract provision recognised in 2020
 UK	<ul style="list-style-type: none"> • Significant revenue and operating margin reduction due to Covid-19 • Detailed review of the business platform led to changes in the management structure and one-off costs
 France	<ul style="list-style-type: none"> • Significant revenue and operating margin reduction due to Covid-19 • Major reorganisation ongoing but delayed due to Covid-19 and nationwide lockdowns • Large restructuring plan being executed

Key account development

Key account revenue was 67% of Group revenue in 2020 (2019: 63%), and generated organic growth of (4.3)%, which was slightly better than the Group's organic growth. As such, the demand from key accounts showed some resilience despite the Covid-19 pandemic and lockdowns.

Growth was supported by the launch of the Deutsche Telekom contract in July 2019, partly offset by the expiry of the Novartis contract on 31 December 2019. The net impact was around 0.1%-point on Group organic growth in 2020. Furthermore, we experienced strong key account growth in a number of countries, especially Turkey, Australia and Italy. These positives were offset by the negative impact from Covid-19.

In 2020, the general bidding environment slowed down materially across the globe as a result of Covid-19, also reflected in the low level of new wins. However, we managed to maintain a high key account retention rate of 93%. In the late part of 2020, we did see signs of the bidding activity slowly picking up again.

Despite the slow-down, a number of significant key account contracts were secured in 2020. We signed a five-year IFS contract with a large international manufacturing customer across the Americas corresponding to approximately 1% of Group revenue with a gradual start-up from Q1 2021. In Turkey, we signed three new key account contracts. Additionally, we signed a seven-year contract with a hospital in the UK and a five-year contract with Iberdrola in Spain.

Furthermore, a large number of contracts were extended and expanded, see the overview below, the most significant being a five-year extension of a financial services customer in the Business Services & IT segment across 14 countries and a one-year extension until end of 2022 with a global key account customer in the Business Services & IT segment.

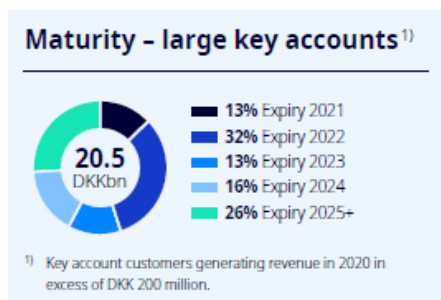
Customer ¹⁾	Countries	Segment	Term	Effective
Wins				
Vestel City	Turkey	Industry & Manufacturing	5 years	Q1 2020
Başakşehir İktisadi Entegre Sağlık Kampüsü	Turkey	Healthcare	1 year	Q2 2020
Konya Şehir Hastanesi	Turkey	Healthcare	1 year	Q3 2020
International manufacturing company	Americas	Industry & Manufacturing	5 years	Q1 2021
Hospital customer	UK	Healthcare	7 years	Q1 2021
Iberdrola S.A.	Spain	Energy & Resources	5 years	Q1 2021
Extensions/expansions				
The Co-operative Group	UK	Retail & Wholesale	5 years	Q1 2020
Financial Services customer	14 countries	Business Services & IT	5 years	Q1 2020
Hotel customer	Norway	Hotels, Leisure & Entertainment	4 years	Q2 2020
Software and IT customer	USA	Business Services & IT	1.5 years	Q2 2020
Hospital Authority (Kowloon West Cluster)	Hong Kong	Healthcare	3 years	Q2 2020
UBS	23 countries	Business Services & IT	5 years	Q3 2020
Homerton University Hospital	UK	Healthcare	2 years	Q4 2020
Retail and Wholesale customer	Norway	Retail & Wholesale	3 years	Q4 2020
International beverage manufacturer	Netherlands	Food & Beverage	3 years	Q1 2021
Senaatti	Finland	Business Services & IT	6 years	Q1 2021
Airport customer	Australia	Transportation & Infrastructure	1 year	Q1 2021
Sportswear manufacturer	USA	Industry & Manufacturing	2 years	Q1 2021
Technology company	14 countries	Industry & Manufacturing	2 years	Q1 2021
Airport customer	UK	Transportation & Infrastructure	1 year	Q1 2021
Technology company	UK	Business Services & IT	1 year	Q1 2021
Technology company	Global	Business Services & IT	1 year	Q4 2021
Losses/reductions				
Belgian Railways	Belgium	Transportation & Infrastructure	-	Q2 2020
GLH Hotels	UK	Hotels, Leisure & Entertainment	-	Q2 2020
DSB	Denmark	Transportation & Infrastructure	-	Q3 2020
U.S. Bank	USA	Business Services & IT	-	Q4 2020
Denver International Airport	USA	Transportation & Infrastructure	-	Q1 2021
Post Nord	Scandinavia	Transportation & Infrastructure	-	Q1 2021
Public Administration organisation	Spain	Healthcare	-	Q1 2021
Public Administration organisation	7 countries	Business Services & IT	-	Q2 2021

¹⁾ Annual revenue above DKK 75 million.

Contract maturity

The majority of our customer contracts have an initial term of three to five years. A significant share of our revenue is therefore up for renewal every year. To mitigate this inherent risk, we have a strong focus on customer satisfaction and proactively work with our customers to seek renewals in advance of expiry. In 2020, despite Covid-19-related revenue reductions, our retention rate was maintained at 91% (2019: 91%) and 93% for key accounts (2019: 94%), both negatively impacted by 1%-point due to the expiry of the Novartis contract.

In 2020, large key accounts (annual revenue above DKK 200 million) generated revenue of DKK 20.5 billion, or 29.4% of Group revenue. Going into 2021, no large key accounts have been lost but customer contracts representing annual revenue of DKK 2.8 billion (4.0% of Group revenue) are up for renewal in 2021, see chart below.



Cash generation and free cash flow

Our ability to manage the capital intensity required to operate, grow and improve our business is paramount and driving strong cash flows remain a key priority for ISS.

In 2020, we generated nominal **free cash flow** of DKK (2,143) million (2019: DKK (264) million), which was highly impacted by Covid-19-related impacts on operating performance, our four key operational challenges, the IT security incident, restructuring and one-off costs. This was partly offset by positive changes in working capital and provisions as well as reduced investment spend due to strict capital discipline.

Despite the unprecedented challenging environment we faced in 2020, our priority throughout the year has been on maintaining a tight control of our cash flows.

During the year, various governments offered support schemes to strengthen liquidity available to businesses, e.g. possibility to postpone payment of VAT and social charges. At 30 June 2020, such postponements amounted to approximately DKK 1.7 billion.

However, at 31 December 2020 we have fully repaid such support.

Cash flow from operating activities was DKK (886) million (2019: DKK 1,275 million). The decrease was mainly due to Covid-19-related impacts on operating performance, our four key operational challenges and payment of incremental costs related to the IT security incident. This was partly offset by positive changes in working capital and provisions.

The positive changes in working capital was due to strong focus on collections and the general reduction in activity caused by Covid-19. Further, we saw a significant reduction in other receivables, mainly due to write-down of transition costs relating to certain contracts in Germany, Denmark and the UK. Utilisation of factoring was reduced from DKK 1.4 billion in 2019 to DKK 1.0 billion in 2020 as a result of the Covid-19-related revenue reductions and the expiry of the Novartis contract on 31 December 2019.

This was partly offset by a reduction in payables, including employee-related payables, resulting from Covid-19. Additionally, we saw an increase in the share of self-delivered services in 2020 leading to reduced subcontractor payables. Furthermore, in some countries statutory requirements on payment terms led to a slight acceleration of payments.

The positive changes in provisions related to the significant restructuring and one-off costs, as only a minor part was paid in 2020.

Income tax paid was DKK 389 million (2019: DKK 617 million) mainly resulting from payment on account for 2020, and final payments related to 2019 and tax audits in a few countries. 2019 was positively impacted by significant tax refunds.

Cash flow from investing activities was a net outflow of DKK 197 million (2019: net outflow of DKK 332 million). Investments in intangible assets and property, plant and equipment, net, of DKK 552 million (2019: DKK 897 million), represented 0.7% (2019: 1.1%) of total revenue (including discontinued operations). The reduction was a result of strict investment discipline to manage cash flows during the Covid-19 pandemic as well as increased investment levels in 2019 due to start-up of the Deutsche Telekom contract.

Cash flow from divestment of activities was an inflow of DKK 505 million, most significantly related to the divestment of our business in Thailand.

Cash flow from financing activities was a net inflow of DKK 1,499 million (2019: outflow of DKK

5,273 million). Proceeds from the issuance of the 5-year EMTN bonds for a principal amount of EUR 500 million amounted to DKK 3,694 million, which – together with cash proceeds – were used to early repay the EUR 300 million EMTN bonds maturing January 2021 amounting to DKK 2,234 million.

Repayment of lease liabilities was DKK 1,005 million (2019: DKK 1,066 million).

In 2020, the Group received a capital increase of DKK 5,000 million from ISS World Services A/S (cash inflow) and disbursed a similar amount to ISS A/S (cash outflow) in a combination of loan repayment and new loan.

Capital structure

The ISS Global Group is indirectly wholly owned by ISS A/S and is therefore part of the ISS A/S Group. Group Treasury manages financing activities and capital structure centrally for the ISS A/S Group as a whole. The ISS Global Group's financing activities and capital structure are not assessed independently of the ISS A/S Group.

In 2020, the Group has received capital contributions totaling DKK 6,300 million from ISS World Services A/S in a combination of cash contribution and debt conversion.

As a result of the Covid-19 pandemic, strong focus on our liquidity position was necessary throughout 2020. Total readily available liquidity at 31 December 2020 was DKK 14 billion supported by additional credit facilities of EUR 700 million maturing 31 March 2022 secured from a club of five banks earlier in the year. The facility remained undrawn at 31 December 2020.

Additionally, on 30 June 2020, ISS Finance B.V., a wholly owned subsidiary of ISS Global A/S, successfully issued a 5-year EMTN bond for a principal amount of EUR 500 million with a fixed rate coupon of 1.250%. The net proceeds were used for the early repayment in November of EUR 300 million EMTNs maturing in January 2021 and to further strengthen the Group's liquidity position.

We have no unaddressed material debt maturities until 2024 onwards. In addition, we have no financial covenants in our capital structure.

We are committed to our Financial Policy of maintaining an investment grade profile and ISS A/S currently holds corporate credit ratings of BBB- / Negative outlook assigned by S&P and Baa3 / Stable outlook assigned by Moody's.

Statement of financial position

At 31 December 2020, our statement of financial position was significantly impacted by Covid-19, the IT security incident, our four key operational challenges and the actions initiated to position us for recovery in the future.

Total assets amounted to DKK 40,134 million at 31 December 2020 (2019: 42,945 million), a reduction of DKK 2,811 million compared to last year.

Intangible assets of DKK 15,910 million decreased DKK 1,637 million mainly due to the reassessment of business plans in France following Covid-19 leading to an impairment loss of DKK 500 million. In addition, the IT security incident led to damage to certain software and a write-down of DKK 133 million. Finally, our divestment programme contributed to the decrease as fair value remeasurement of businesses classified as held for sale led to impairment losses of DKK 138 million.

Property, plant and equipment and leases

amounted to DKK 3,456 million or a decrease of DKK 953 million due to strict investment discipline across the Group to manage our cash flows during the Covid-19 pandemic.

Trade receivables was DKK 9,861 million, down DKK 2,224 million from last year. The main driver was Covid-19-related revenue reductions as well as strong focus on collections to ensure tight control of our cash flows.

Other receivables of DKK 1,436 million decreased DKK 1,562 million, the main driver being write-down of capitalised transition costs relating to certain contracts in Germany, Denmark and the UK amounting to approximately DKK 600 million. In addition, in the UK, we saw a reduction in certain receivables following changed systems. Finally, lower activity levels as a result of Covid-19 led to lower receivable rebates and prepayments to suppliers.

Equity at 31 December 2020, equity was DKK 3,195 million, equivalent to an equity ratio of 8.0% (2019: 6.3%). The increase of DKK 484 million was mainly due to a capital increase of DKK 6,300 million partly offset by Net profit of DKK (5,216) million and negative currency adjustments of DKK 622 million relating to investments in foreign subsidiaries, mainly the USA, the UK, Turkey and Singapore.

Total liabilities amounted to DKK 36,939 million at 31 December 2020 (2019: 40,234 million), a reduction of DKK 3,295 million compared to last year.

Provisions of DKK 1,926 million increased DKK 1,360 million primarily due to restructurings initiated following Covid-19 of DKK 1,174 million of which DKK 787 million were unpaid at 31 December 2020. Furthermore, a loss related to the onerous contract with Danish Defence in Denmark was recognised and an additional amount was provided in relation to the onerous contract in Hong Kong. Finally, costs were recognised for contract-related risks and claims in Germany, Denmark and the UK.

Loans and borrowings amounted to DKK 18,500, a decrease of DKK 1,539 million. The decrease was mainly due repayment of debt to ISS A/S of DKK 2,044 million and conversion of an intercompany loan from ISS World Services A/S of DKK 1,300 million. This was offset by the net effect of issuing EUR 500 million EMTN bonds maturing in 2025 and the early redemption of EUR 300 million bonds maturing in 2021.

Trade and other payables and **Other liabilities** was DKK 13,747 million or a decrease of DKK 2,882 million. The main driver was Covid-19 leading to a decrease in activities and employees and consequently various payables. Furthermore, in some countries statutory requirements on payment terms led to a slight acceleration of payments.

Strategic divestment programme

We have been on a journey to sharpen our strategic focus since 2018, when we announced our intention to divest 15 countries and a number of business units. In December 2020, additional three countries and several business units were added to the divestment programme following the announced strategy refresh.

Our divestment activities in 2020 were significantly impacted by Covid-19, which effectively put most negotiations on hold in Q2. However, in the second half of the year, negotiations were reinitiated, which led to

the divestment of Brazil, Malaysia and Thailand. As such, by the end of 2020 we had divested seven countries out of the total 18 countries to be divested. Furthermore, in November we reached an agreement to divest Slovenia with expected completion in Q1 2021.

In terms of business units, we divested some minor non-core activities in 2020 in Austria, Singapore, Poland, Bulgaria and Sri Lanka as well as the Parking Management business in Indonesia, which was classified as held for sale at 31 December 2019.

The combined net consideration received since the initiation of the divestment programme was DKK 1,452 million (approximately 65% of the expected total) – consisting of net cash proceeds of DKK 1,196 million and loans and borrowings of DKK 256 million divested as part of the transactions. The remaining combined net proceeds from the divestment programme (including countries and businesses added in 2020) are expected to be up to DKK 2 billion.

At 31 December 2020, 14 businesses (2019: 13 businesses) were classified as held for sale comprising 11 countries and three business units; one business in Continental Europe, one business in Asia & Pacific and one business in Americas. Assets and liabilities held for sale amounted to DKK 1,816 million and DKK 838 million, respectively.

In 2020, divestments and fair value remeasurement of businesses classified as held for sale (including discontinued operations) resulted in a net loss before tax of DKK 59 million (2019: loss of DKK 456 million), see note 3.2 to the consolidated financial statements.

Subsequent events

Other than set out elsewhere in this Annual Report, we are not aware of events subsequent to 31 December 2020, which are expected to have a material impact on the Group's financial position.

Regional performance

Continental Europe

The market

Continental Europe is our largest region and includes a number of key markets, where we hold leading market positions, such as Switzerland, Germany, France and Spain. Most markets are developed, but with significant differences in IFS market maturity and macroeconomic environment. Key customer segments are Business Services & IT, Industry & Manufacturing, Public Administration, Healthcare and Pharmaceuticals.

Financial update

Revenue decreased to DKK 27,634 million in 2020 (2019: DKK 30,068 million). Organic growth was (3)%, divestments and acquisitions, net and the impact from currency effects reduced revenue by 4% and 1%, respectively.

Covid-19 lockdowns contributed significantly to the negative organic growth from March 2020 and throughout the year in the majority of countries, most significantly in France, Belgium and Spain. Organic growth was 10% in Q1 and (7)% in the 9 month-period from April to December 2020.

The adverse impact on certain customer segments, e.g. Automotive in France and Aviation in Austria and Switzerland, and lower occupancy of buildings in general led to negative organic growth of more than 5% in the portfolio business, which was partly offset by projects and above-base work, particularly increased demand for deep cleaning and disinfection. Projects and above-base work grew organically by 11% and comprised 17% (2019: 15%) of revenue.

Contract exits and impacts from the IT security incident also contributed to negative growth, particularly in Belgium, France and Spain. Further, the expiry of the Novartis contract on 31 December 2019 led to negative organic growth in Switzerland and Austria.

These negatives were partly offset by the launch of the Deutsche Telekom contract on 1 July 2019. Furthermore, Turkey reported positive growth supported by price increases due to high inflation and the launch of a large hospital contract and a new contract with a customer in the Industry & Manufacturing segment.

Commercially, our key account focus secured a few new wins to the region as well as several extensions. Our key account retention rate remained high at 93% (2019: 94%), due to a 1%-point negative impact from the expiry of the Novartis contract.

Operating profit before other items was DKK (2,030) million for an operating margin of (7.3)%, impacted by restructuring costs, mainly in France, Spain and Germany, and one-off costs primarily in Germany and Spain. Adjusted for restructuring and one-off costs of DKK 2.2 billion, operating profit before other items was DKK 129 million, for an adjusted operating margin of 0.5%.

All major countries contributed to the margin decline, with Covid-19, restructuring and one-off costs being the main drivers. Spain was adversely impacted by limited availability of government support schemes. France was impacted by lower activity in the Automotive and Aviation segments. Germany was, similarly to France, suffering from declining activities within Automotive, but the main impact came from the contract with Deutsche Telekom. Due to the delayed IT migration and operational challenges, we reassessed the value of capitalised transition costs and recognised a write-down. In addition, we provided for other contract-related risks and claims. Finally, margins in Switzerland and Austria were negatively impacted by the expiry of the Novartis contract.

Northern Europe

The market

ISS holds a market-leading position across the region where markets are generally mature, developed, competitive and with a relatively high outsourcing rate. The largest country in the region is the UK contributing to around 40% of revenue. Key customer segments are Business Services & IT, Healthcare and Public Administration and the region is characterised by the Group's highest key account share of 74%.

Financial update

Revenue decreased to DKK 22,642 million in 2020 (2019: 25,037 million). Organic growth was (8)% and the impact from currency effects reduced revenue by 2%.

Covid-19 lockdowns across the region contributed significantly to the negative organic growth in all countries, most significantly in Norway where the business has a relatively high exposure to customers in segments like Hotels and Aviation, which were severely impacted by lockdowns. Likewise, the UK was significantly impacted by customers in these segments and lockdowns in general across the private sector as well as by reductions in retail sales in Hospitals.

Organic growth in the region was (1)% in Q1 and (10)% in the 9 month-period from April to December 2020. The region has a relatively large share of revenue from food services (14% of revenue in 2020) and other portfolio services, which were particularly impacted by lower occupancy levels during lockdowns. As a result, portfolio revenue declined in all countries in the region while weaker demand for projects and above-base work in Denmark, Norway and Sweden was more than offset by additional demand for projects and above-base work from key account customers in the UK and Finland.

The general bidding environment slowed down materially as a result of Covid-19, resulting in a low level of new wins but nevertheless we managed to secure a number of extensions and expansions across the region. Our key account retention rate remained high at 94% (2019: 95%).

Operating profit before other items was DKK (1,200) million (2019: DKK 1,119 million), resulting in an operating margin of (5.3)% (2019: 4.5%). The operating profit before other items was adversely impacted by restructuring costs as we adjusted our organisations across the region and by one-off costs, mainly related to the UK and Denmark. Adjusted for restructuring and one-off costs of DKK 1.1 billion, operating profit before other items was DKK (102) million, for an adjusted operating margin of (0.5)%.

In the UK, we performed a detailed review of the business platform in 2020 on the back of the risks identified in 2019. The review led to changes in the management structure and one-off costs. Further, we recognised significant one-off costs in Denmark, including in relation to the Danish Defence contract following a reassessment of the expected future profitability of the contract. Dialogue is ongoing, including about a possible exit.

All countries contributed to the margin decline, though most significantly the UK and Denmark, which were both severely impacted by Covid-19-related revenue reductions, e.g. within food services. Margin in Denmark was also affected by the Danish

Defence contract operating at a loss-making level. All other countries reported positive operating margin, albeit lower than in 2019.

Asia & Pacific

The market

The region comprises a mix of large and established markets, such as Australia, Hong Kong and Singapore, as well as several developing outsourcing markets, such as China, India and Indonesia. ISS has a strong presence in the region and holds a market-leading position in a number of countries. Key customer segments are Business Services & IT, Industry & Manufacturing, Healthcare and Public Administration.

Financial update

Revenue decreased to DKK 12,385 million in 2020 (2019: 13,235 million). Organic growth was (3)%, divestments and acquisitions, net and the impact from currency effects reduced revenue by 1% and 2%, respectively.

Covid-19 lockdowns across the region contributed significantly to the negative organic growth in most countries. Organic growth in the region was 3% in Q1 and (5)% in the 9 month-period from April to December 2020. India had the highest impact from lockdowns while also Hong Kong, Indonesia and Singapore recorded negative organic growth in 2020. Growth in Indonesia and Australia was adversely impacted by high exposure to the Aviation industry. In Australia and China, negative organic portfolio growth was more than offset by strong demand for projects and above-base work, including deep-cleaning and disinfection due to Covid-19. Across the region, projects and above-base work increased around 26% organically.

In 2020, the key account retention rate was 94% (2019: 93%) as we managed to extend two large key account contracts in the region, one in Australia and one in Hong Kong.

Operating profit before other items decreased to DKK 646 million, for an operating margin of 5.2% (2019: 5.5%). Adjusted for restructuring and one-off costs, operating profit before other items was DKK 853 million, for an operating margin of 6.9%.

China, Hong Kong and Singapore increased their operating margins in 2020 as a result of governments offering support schemes to businesses as

well as stronger demand for higher margin projects and above-base work. In Hong Kong, the margin increase was partly offset by an increase in the provision for a loss-making contract due to the customer exercising an extension option. Other countries in the region were adversely impacted on margins, most significantly India and Indonesia following complete Covid-19 related lockdowns in large periods of 2020.

Americas

The market

Americas consists of two different markets – a mature North American market and a developing market in Mexico. North America is the world's largest FM market, accounting for approximately 27% of the global outsourced FM market. Given ISS's historically limited presence in North America, our market share remains limited but with the acquisition of Guckenheimer in 2017, we have enhanced the platform to build on our global key account strategy. As a consequence, food services in Americas account for a significantly higher share of revenue than in other regions. Key customer segments are Business Services & IT, Transportation & Infrastructure, Pharmaceuticals, and Industry & Manufacturing.

Financial update

Revenue decreased to DKK 6,635 million in 2020 (2019: DKK 8,459 million). Organic growth was (19)% and the impact from currency effects decreased revenue additionally by 3%.

Due to high exposure to food services and the Aviation segment, the Americas region reported the largest revenue decline in the Group as Covid-19 restrictions were imposed in the USA. Food services represented almost 30% (2019: 40%) of revenue compared to 11% for the Group. Organic

growth in the region was 2% in Q1 and (26)% in the 9 month-period from April to December 2020.

Key account customers with IFS contracts had significantly more robust demand and consequently less negative organic growth in 2020. The revenue drop was partly offset by demand from key accounts for projects and above-base work, mainly within technical services, deep cleaning and disinfections.

Mexico recorded organic growth of 3% in 2020 due to strong demand from key accounts for projects and above-base work.

In 2020, we secured commercial momentum with the win of a significant contract with a large international manufacturing customer across the Americas, with gradual start-up from Q1 2021. The expected revenue from the contract is 11% of total revenue in the Americas region and 1% of Group revenue. The key account retention rate in Americas was 94% (2019: 96%).

Operating profit before other items was DKK 237 million (2019: DKK 448 million) for an operating margin of 3.6% (2019: 5.3%). Adjusted for restructuring and one-off costs, operating profit before other items was DKK 247 million, for an operating margin of 3.7%.

Despite the significant revenue decline, the region generated a positive operating margin based on fast renegotiation of contracts and trimming of the portfolio. The turnaround initiatives implemented over 2018-2019, focused on exiting specialised services contracts, continued to improve underlying margins and was a healthy platform to ensure relatively robust operating margins during a very challenging year.

The margin in Mexico was 6.1% as one-off income from projects and above-base work partly offset the negative impact from Covid-19 and restructuring costs.

Our strategy

In December 2020, we launched our refreshed strategy, OneISS. The strategy will reshape the business to make ISS stronger, simpler and closer – strengthening our leadership in cleaning and Integrated Facilities Services, driving excellence across the business, and bringing us closer within functions and countries through a new operating model.

Introducing OneISS – stronger, simpler, closer

In December 2020, we announced the findings of an extensive strategy review. This review confirmed the long-term attraction of key accounts and integrated facility services (IFS) but acknowledged that execution in recent years had proven unsatisfactory.

Having performed the review in the midst of the Covid-19 pandemic has highlighted some trends in the market; we see a likely reduction in office space (cost savings) going forward with a structural increase in work-from-home. On the other hand, we expect that the importance of the workplace as a vehicle to enhance corporate culture, employee collaboration and innovation will become even more apparent. Furthermore, focus on hygiene and cleaning has increased to a new level.

In response, we launched OneISS – a strategy with a clear ambition to become the most respected global leader in IFS and strengthen our position as number one in cleaning, globally. OneISS embraces a sharper focus around prioritised customers and segments and a new, globally aligned operating model. OneISS will allow us to achieve our purpose – connecting people and places to make the world work better.

OneISS determines the choices we must take – the customers we choose to work with, the services we offer, our delivery model and our geographic footprint. We have been on a journey for some time, simplifying our business, sharpening our focus and reallocating capital and resource to support our core. OneISS will see us complete this journey.

Why ISS?

Customers choose to partner with ISS for a multitude of reasons, but our key differentiation can be summarised as follows.

First and foremost are our **people**. We care about our people. In turn, they care about the places they maintain, the people they serve and the planet they seek to protect. We invest in our people through extensive training and development through work experience. We give them opportunity to better their lives so they can come closer to their career and life aspirations. We do that because we know that they make a difference. That is why we are passionate about our self-delivery credentials, taking responsibility and ownership for the outcomes our customers demand.

Second is the **high standards** we commit to in all aspects of delivery. This commitment is part of our DNA. It is cemented in our heritage. We exist to make a difference. We go the extra mile to ensure expectations are exceeded.

Third is our ability to deliver **intelligent solutions**. Our people, our experience and our insights allow us to add value to customers' operational, tactical and strategic issues, including supporting customers in bringing down costs. Importantly, it is our ownership of all these issues that makes a difference. We gain unique operational insights from our own people, day in, day out. Combined with growing use of technology and data, this allows us to make smarter strategic recommendations, which we can then bring to life, back on the ground, via our own committed, trained and empowered workforce.

People make places and places make people

Our delivery can be matched against a spectrum of customer needs. In its most extreme form, the world of work is a functional place – a place that simply needs to operate. Places need to be clean and the lights kept on. Users need to be safe and secure and allowed to go about their business. However, the boundary between work and life is blurring. Customers want more than functional. They want experience. Taking a more emotive perspective requires us to create places that think. Places that are more personal. Services that are

more tailored to individuals to create experiences they can enjoy. If we go further still, customers require places that give. These are the places where people are at the core. These are places that must enhance lives because there is no discernible boundary between work and life. ISS helps create places that work, think and give.

Our strategic choices

Our customers

We have chosen to be a key account focused organisation, believing it is with these customers that our purpose will be brought to life, allowing us to deliver compelling value for all stakeholders. It is with key account customers that our value proposition resonates most strongly.

Key account customers also provide better opportunities for our people. Full-time work with better training, development and career progression. Key accounts allow us to create more value for our shareholders in the form of stronger growth, higher margins and greater free cash flow generation. Finally, key accounts also place a high importance on CR (corporate responsibility) and this allows us to create more value for society through our impact on people, places and planet.

We create greatest value for our stakeholders when we are able to secure long-term relationships with these key accounts, through multiple extensions of the original contract term. Key account customers are more likely to bundle service solutions, providing attractive long-term growth for ISS via increasing share of wallet, through our IFS offering. Making the right customer choices at the outset and delivering excellence – quality, efficiency and compliance – are fundamental to the successful execution of our strategy.

Our core services

- Cleaning
- Technical
- Food
- Workplace
(including office-based support services)

These services are key to the consistent delivery of our value proposition. They balance the needs and wishes of our key account customers with our ability to deliver excellence, largely with our own people and through our self-delivery focus. We will also take responsibility for the successful delivery of additional services, subject to specific customers' needs. However, outside of our core services, we are more likely to work with specialist partners who

are better able to perform these tasks under our stewardship.

Delivery to our key account customers can be via single-service, multi-service or IFS solutions. Our ambition is to secure wallet share gains via IFS whenever possible.

Outside of key accounts, our prime focus is on cleaning. Cleaning is our heritage and our ambition is nothing less than being recognised as the global leader. It is here that we can build scale and synergy benefits outside of our key account focus, but in a manner that compliments or actually supports execution for key accounts.

Our global footprint

Over time, we have chosen to exit a number of countries. This is because our choice of geographic footprint must support our strategy – markets that have an attractive local key account opportunity or are important in supporting our global customers. The countries we choose to operate in should also be sizable enough so that they create meaningful value to our enterprise. Finally, the in-country risks we face must be acceptable.

In December 2020, as part of our conclusions from the strategy review process, we chose to sharpen our focus even further by exiting three countries – Portugal, Russia and Taiwan – together with a number of business units that are viewed as non-core. Total annual revenue from these planned exits amounts to approximately DKK 4 billion. They are in addition to the exits and divestments of 15 countries and several non-core business units announced in 2018.

Currently, we have divested seven of the 15 countries and two business units during this two-year period.

Our operating model

ISS is a country-centric organisation and rightly so. The vast majority of our business is originated locally. All business is executed locally, and all of our people are hired locally.

The strategy review process highlighted five key pain points that had undermined execution in prior years.

OneISS will deliver a new, globally aligned operating model that will prove more effective at supporting countries and unleashing the full potential of ISS's global scale. OneISS will yield a stronger, simpler, closer organisation and specifically address the key pain points identified.

OneISS represents a new approach – explicit in its ambition to capture the best of what we do and enabling us to make it happen. Where we all work in support of each other, delivering excellence with our group functions and countries driving change together.

OneISS will ensure we can live up to our purpose, to connect people and places to make the world work better.

Unleashed potential	Our response	
 <p>Leveraging global scale</p>	<p>We are aligning our business more strongly around our key account customers and prioritised industry segments. We are investing in a new corporate hub in Warsaw to drive global tools and processes for</p>	<p>the benefits of the entire organisation. As such, we will leverage best practice across the organisation, strengthening the quality of what we deliver for customers and the efficiency and compliance of how we do it.</p>
 <p>Commercial discipline</p>	<p>We are revamping our commercial function, strengthening our expertise around prioritised industry segments. We are optimising the allocation of our commercial resource whilst investing in innovation and the creation of standardised</p>	<p>products that will strengthen our value propositions for key account customers. We are also introducing tighter processes – with strong support from other functions – to ensure we can deliver on our future customer promises.</p>
 <p>Operational excellence</p>	<p>We are creating a brand new, operations performance function with significantly strengthened central resource developing improved groupwide standards and best practice. We are standardising</p>	<p>KPIs and benchmarking and will ensure a dynamic allocation of resource across the enterprise to deliver the strongest business outcomes.</p>
 <p>Technology</p>	<p>We are introducing a new technology operating model to create enhanced scale and efficiency across ISS under the leadership of a newly appointed Chief Information and Digital Officer. We have taken steps in the right direction, including building a facility management system (FMS@ISS) and starting to embrace IoT and sensor technology. However, to make technology a real source of competitive</p>	<p>advantage in the future, we need to invest significantly. We will increase our central IT resources by 50% by 2022 and implement systems to enable operational performance benchmarking of our key accounts, including roll-out of end-user digital applications in our so-called ISS Suite. This entails that our customers benefit from our access to unique data and insights in addition to a robust and secure platform.</p>
 <p>Culture</p>	<p>We are driving far greater levels of cross-company collaboration, openness and transparency. We will clearly define ac-</p>	<p>countabilities and incentivise and reward those actions and behaviours that support execution of our strategy.</p>

Our people

People are at the very heart of ISS's strategy and business model. From the company's origins in 1901, ISS has been a people organisation, working with a strong belief that great people can and do make a difference.

We have a proud heritage of fairness, equality and inclusion, providing opportunity through developing and engaging our nearly 400,000 colleagues across the globe. This is central to our customer value proposition. We provide a skilled, empowered and motivated workforce who seek to deliver high standards at our customers' premises. **We believe that people make places and places make people.**

With the launch of OneISS, we aim to build a stronger culture of trust and collaboration to support the journey that we have embarked on. The role of People & Culture is to drive profitable growth by ensuring ISS has the leadership, talent, capabilities, and culture required for excellent execution of our strategy.

We deploy our leadership model and develop global processes and common standards to ensure efficiency and compliance for our customers. At the same time, we help the organisation get closer to our customers by driving and developing the capabilities needed to successfully deliver our value proposition to customers.

Looking into 2021, our people-related strategic priorities are to:

- Drive talent development and leadership capabilities throughout the organisation
- Support development of key account capabilities
- Support key capability building within strategic focus areas
- Ensure compliance and efficiency through standardised people processes, systems and tools
- Drive efficiency and transparency in workforce planning through data-driven analysis
- Drive a purpose-led service culture that is diverse, inclusive and collaborative through our focus on diversity and inclusion, social mobility and dignity.

Whilst our belief in people is an important part of our culture, bringing this story to life does not happen by chance. We ensure a rigorous process of people management from recruitment and selection through to onboarding and training. We have created numerous programmes which are deployed across our organisation to support this process. Above all, great leadership is the ingredient most essential for successful implementation of our strategy. Our leaders are key to the subsequent development and engagement of all our people, no matter where they sit in our organisation, and the consistent delivery of our customer value proposition.

Leadership, development and engagement

We develop our leaders through Group-wide ISS programmes that are focused on driving:

1. Leadership
2. Business excellence
3. Service culture
4. Effective on-boarding.

We have an intensive 12-month course designed for our future leaders called Leadership Mastery, which provides them with the platform to step into senior leadership positions as the business develops and grows. Our Leading the ISS Way programme, targeted more broadly at senior leaders and key account managers, facilitates clear and structured feedback, which allows leaders to gain insights into their personal leadership style, strengths and development areas.

In 2020 we invested our efforts in providing our leaders with further knowledge about their strengths and development areas in the context of the ISS Leadership Competency Framework. Our senior leaders took part in Leadership Strengths Assessment which outcomes will be the basis of further enhancing their development and ensuring right set of competencies to drive OneISS strategy and full engagement of our people. On the organisational level it provided us with capability insights that will evolve our people development solutions in the years to come.

Our strategy is all about key accounts, and their continued growth is essential. Our key account

managers hold complex general management positions with financial and customer accountability, and are taken responsibility for leading large and diverse teams, often across multiple customer sites. They play a vital operational role and we place great importance on their development via our Key Account Management Certification programme. Similarly, our site managers play an important role in the day-to-day operation of our key accounts. To support their development, we run a Site Manager Programme, which equips our leaders managing sites with business acumen and leadership skills that help them manage customers effectively and build engaged teams. This suite of programmes ensures a standardised and comprehensive approach to managing our customers experience.

Our Service with a Human Touch programme, which focuses on our frontline employees is our service culture programme, which communicates our purpose and translates customer value propositions into concrete service behaviours for thousands of service professionals. The programme has been deployed across the ISS world in 47 countries, with more than 200,000 employees taking an active part in developing their own service behaviours and finding their purpose. We reinforce this service culture through the Apple Award Programme – our reward and recognition programme celebrating employees, who go the extra mile, creating memorable service moments that truly make a difference for our customers. Each ISS country celebrates an Apple of the Year, and from this a Global Apple of the Year winner is selected and recognised at a global event.

We continue to develop our global Learning Management System – at ISS called MyLearning. It is a multi-function platform, which supports the deployment and tracking of over 1,700 global and country-specific e-learning modules along with almost 800 training videos available in 27 languages. It is accessible to all ISS employees – from country leaders and executives to frontline staff in all service lines. Since its formal launch in 2015, MyLearning's use across the organisation has continued to grow. In 2017, approximately 100,000 e-learning modules were completed; this figure now stands at over 4.5 million to date, with over 1.7 million completions in 2020 alone.

Process standardisation

We have focused on standardising our onboarding approach and engaging with our new joiners in a more powerful, motivational and effective way. We take great pride in how we introduce new people to the ISS world, ensuring that they are empowered to

make the world work better. Our onboarding framework supports every new colleague that joins us and it is a holistic journey which takes place over three months, right from the moment that the individual is hired.

To capitalise on the power of one enterprise in 2020, we embarked on the journey of implementing People@ISS - human experience management system in partnership with SAP Success Factors. Thanks to this initiative, we are introducing our people to new digital ways of performance management, development and career planning.

Diversity and inclusion

As a global company and one of the world's largest private employers, we strive to create a truly inclusive culture where everyone feels valued, engaged and respected, and where everyone is treated fairly and equally. Yet, our diversity and inclusion aspiration goes beyond the boundaries of ISS.

ISS is a catalyst for social integration – we provide many people with their first job, help them settle in a new country, support their lifelong learning and ambitions. We are passionate about providing people the dignity and respect to contribute to the society in which they live, to support their families and dependents and to help them navigate their life journey. We understand that we have a unique opportunity to change the lives of our employees for the better, during their years at ISS.

We believe that education is the enabler of that change, which is why we strive to offer industry-leading training to our nearly 400,000 employees. By educating our employees and suggesting concrete ways in which they can act, we create a positive ripple effect, not just within ISS, but also to the people that they touch and their families. Before 2025, all employees will be offered training to upgrade their skills in languages, internet and computer skills, arming them with the tools to begin their journey.

In 2020, we strengthened our Diversity & Inclusion (D&I) requirements in our Global People Standards to ensure we take concrete actions for a balanced mix of diversity, for the development and advancement of ethnic minority employees and for mentoring programmes.

We also increased our focus on diversity and inclusion including awareness training, best practices sharing, global alignment and implementation. Additionally, a global D&I target has been defined concerning achieving at least 40% of gender balance

within all leadership roles by 2025 – a goal approved by the Executive Group Management and the Board of Directors. Whilst gender will, initially, be our primary focus, our ambitions go beyond gender and we will implement various initiatives emphasising the three dimensions:

- Fairness & Equality of work
- Diversity of Thought
- Places that foster inclusiveness

Retention

We operate in a marketplace where levels of employee churn are inherently high. This is unlikely to change. However, we are targeting a structural improvement in our employee retention rates.

In the last few years, we have focused on reducing the turnover and this showed with the improvement in our turnover rate in 2019. Some of the initiatives included placing employees closer to their residences so they did not need to travel long distances, and increased opportunity for training so they could have the opportunity to seek other jobs within ISS.

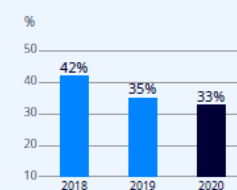
During 2020, our turnover was impacted by Covid-19; however, we continue to target a structural improvement in our employee retention rate and see the benefits for our customers as two-fold. Higher employee retention:

- underpins a more consistent, higher quality of service; and
- reduces the costs associated with attracting, recruiting and onboarding new colleagues.

We believe that the initiatives detailed above provide a return on our investment and serve as a strong differentiator for ISS.

We are pleased that our global employee turnover continued to improve in 2020 to 33% and reflecting among others, our persistent push for retention initiatives in countries, e.g. improved labour conditions relative to the market in certain countries. The positive trend is also driven by our key account focus, including discontinuation of high-churn non-key account customer contracts.

Employee turnover



Our business risks

Our purpose is about connecting people and places to make the world work better. We rely on our people to support the core business purpose of our customers by applying strong processes to ensure quality standards and effective risk management. We protect and maintain places – buildings and the assets inside them. Two significant risk events in 2020 seriously tested our ability to continuously perform uninterrupted services in rapidly changing circumstances. Our response to Covid-19 and an IT security incident in the form of a malware attack was a testimony to our business model and risk management approach.

Risk management

2020 saw significant risk events materialising and it will be a year to remember and take direction from. While combatting risk events such as Covid-19 and a malware attack, our focus on strengthening the risk management foundation continued. We further aligned our risk framework across the organisation to manage our own internal risks as well as the risks which our customers trust us to manage, as we deliver on our value proposition.

With our new operating model, we have taken decisive steps towards enhancing our ability to make decisions on a stronger foundation balancing risk and opportunity appropriately. Our commercial process was further strengthened by the implementation of stronger reviews and governance procedures. Our ability to prevent and contain operational and commercial risks and challenges has been upgraded.

Covid-19

The threat from Covid-19 materialised in December 2019 and as a global organisation we were alerted by our operations in China. As the reality of a global pandemic became clear we mobilised our global and country-based emergency response organisations to oversee and coordinate local and global responses to the pandemic. With the well-being of employees and end-users being of key concern we

provided advice, guidance and training on best practice hygiene and precautionary standards directly to frontline employees. We have continuously coordinated with our customers at account and site level to ensure availability of Personal Protective Equipment, alignment of response programmes, and that we leverage global knowledge around measures taken for the benefit and safety of our customers.

IT security incident

On 17 February 2020, we were hit by a ransomware attack. It affected many of ISS core IT systems and as a precaution all ISS systems were turned off. On 20 March 2020, control of critical business applications was regained and a major exercise started to clean up and harden the IT infrastructure leading to full recovery of all systems by end November 2020 with no indication of customer data having been compromised. The security posture has been strengthened and a programme launched in September 2020, is set out to further strengthen IT security and build a robust, centrally managed IT infrastructure to further mitigate risk of future attacks. We never made any attempt to contact the attackers; we do not know who they were, and we did not pay any ransom money.

Group key risks

As part of the strategy refresh process we reviewed and refined the identified Group key risks to reflect the main exposures and risks in achieving our strategic objectives. The key risks and mitigation measures are described on the following pages.

While the majority of key risks are of an inherent nature to the business, industry and our strategic choices, we believe that our transformation journey, including transformation of our operating model, divestment of non-strategic businesses and our significant IT agenda, drive execution risk that must be kept front and center. We have therefore invested in strong project management resources and have established a PMO to drive and monitor successful execution.

We are also exposed to financial risks related to our operating, investing and financing activities. Financial risk management is described in note 4.4 to the consolidated financial statements.

Operational and transformation execution	People risks (formerly: Employee risks)	Contract risk and governance	Regulatory compliance	Information security & cyber risk
<p>ISS must perform profitable services in accordance with contractual requirements. By not meeting our standards, or failing to meet our transformation plan, there is a potential that customer business and operations and reputation would be damaged or disrupted.</p>	<p>Our people are our most important assets. ISS must attract and retain the right people, at the right time and at the right place in order to maintain operations and meet our customer obligations. As part of our operations, the safety of our people may be challenged potentially resulting in injuries or death.</p>	<p>Failing to understand, assess and reflect risks and opportunities in our contracts, thus incurring regulatory, operational, and reputational losses.</p>	<p>Failure to demonstrate our ability to comply with applicable laws and regulations may lead ISS to incur regulatory, operational, and reputational losses.</p>	<p>Unauthorised activity that disrupts ISS's operations and service delivery and may lead to leakage of ISS's business secrets and/or ISS's and customer's data.</p>
<p>⚠ Risk drivers</p> <ul style="list-style-type: none"> • Complexity in our service delivery • Operational standards and procedures are not known or are not followed due to a lack of knowledge or human error. 	<p>⚠ Risk drivers</p> <ul style="list-style-type: none"> • Global epidemics (e.g. Covid-19) • Customers' Health, Safety and Environment (HSE) and compliance requirements • Decentralised structure • "War for talent" 	<p>⚠ Risk drivers</p> <ul style="list-style-type: none"> • Commercial discipline • Complexity in contracts, services, choice of commercial models and financial reporting • Larger portfolio of complex contracts with increasing sensitivity to the magnitude of oversights within the contract 	<p>⚠ Risk drivers</p> <ul style="list-style-type: none"> • Changes in local regulations and stepped-up enforcement • Customers outsourcing compliance and risk management to ISS • Data privacy regulations 	<p>⚠ Risk drivers</p> <ul style="list-style-type: none"> • Third party breach • Network breach • Accidental leakage • Vendor outage • Adversarial ISS employee • Risk of cyber attacks
<p>✅ Mitigation measures</p> <ul style="list-style-type: none"> • Standardised commercial offering • Risk & Compliance tools implemented to support the automation of operating processes and ensure that services are delivered and managed according to our process frameworks • Continuous reviews on selected contracts as a part of the global risk management framework 	<p>✅ Mitigation measures</p> <ul style="list-style-type: none"> • Standardisation of people processes and HSE policies • HSE management system, site compliance plans and risk registers • Global and local emergency response organisations and activation procedures • Development and training • Global diversity and inclusion strategy 	<p>✅ Mitigation measures</p> <ul style="list-style-type: none"> • Choice of customers: Segmentation and cultural fit and customer impact assessment • People: Collaboration across the Group and country organisations • Process: Newly implemented operating model, updated bid approval process and IT tool for contract risk management (CRAM) 	<p>✅ Mitigation measures</p> <ul style="list-style-type: none"> • Group Corporate Governance Policy • Code of Conduct, Anti-Corruption Policy, Competition Law Policy, Escalation Policy and Speak Up Policy, including ongoing training for selected employees • GDPR procedures, including training 	<p>✅ Mitigation measures</p> <ul style="list-style-type: none"> • "Modernise IT" and Cyber Security Programme initiatives incl. further strengthening of the IT infrastructure • Information Security Policy and other Group IT policies and procedures

IT and digital roadmap execution (new)	Financial reporting fraud, fraud & corruption	Subcontractors	Corporate Social Responsibility (new)	Cost leadership (new)
<p>Failure to develop and utilize our IT and digital technologies, such as the ISS Suite, may lead to not meeting relevant customer and stakeholder expectations.</p>	<p>Risk of fraudulent behaviour may impact fair and accurate reporting of our financial performance.</p>	<p>Increased reliance on subcontractors and failure to manage the inherent risk related to such suppliers may result in operational, financial, regulatory, and reputational damage.</p>	<p>Failure to meet expectations as a "responsible corporate citizen" through our environmental, social, and corporate governance process.</p>	<p>Inability to effectively monitor and manage operational costs and capital allocations may lead to operational losses and failure to obtain new business.</p>
<p>⚠ Risk drivers</p> <ul style="list-style-type: none"> • Suboptimal implementation of new IT systems • IT services not meeting customer needs • Fragmented applications and data structures 	<p>⚠ Risk drivers</p> <ul style="list-style-type: none"> • Decentralised financial IT systems and inconsistent control structures • Step-up in extraterritorial regulations and enforcement • Exposure in emerging markets 	<p>⚠ Risk drivers</p> <ul style="list-style-type: none"> • Growth in IFS • Growth in key accounts • Local IFS capabilities • Complexity of subcontracted services • Increasing use of subcontractors • Customer preferences in subcontractors • Lack of real-time transparency on procurement patterns 	<p>⚠ Risk drivers</p> <ul style="list-style-type: none"> • Misalignment of social strategy and operations • Operations leading to environmental or societal issues 	<p>⚠ Risk drivers</p> <ul style="list-style-type: none"> • Failure to appropriately cost contracts • Uncontrolled operational costs, investments and capital allocations • Inefficient response to changes in underlying cost drivers • Not leveraging global scale
<p>✅ Mitigation measures</p> <ul style="list-style-type: none"> • Strategic alignment of business and IT goals • Roll-out of the ISS Suite by 2023 to ensure alignment across the organisation • System Development Lifecycle Controls • New operating model • Strengthened PMO capabilities, footprint & tools • Stringent selection and due diligence performed on third party suppliers 	<p>✅ Mitigation measures</p> <ul style="list-style-type: none"> • Streamlining and standardisation of finance organization and structure, master data, systems and key finance processes • Monitoring and testing the implementation of key controls through the system of Control Self-Assessment and Self-Testing • Mandatory e-learning modules • Automated interface between local ERP platforms and the Group's standardised financial reporting tool • Standard period-end close and control (PECC) process and application 	<p>✅ Mitigation measures</p> <ul style="list-style-type: none"> • Strengthened procure-to-pay processes • Continued roll-out of global risk-based vendor vetting system (ProcurePASS) • Roll-out of Supplier Code of Conduct and back-to-back supplier agreements • Performance-managing and auditing of suppliers • On-site subcontractor training re. site-/customer-specific compliance requirements • Partnership model in countries with no ISS presence 	<p>✅ Mitigation measures</p> <ul style="list-style-type: none"> • Corporate Responsibility Policy and Strategy • Diversity & Inclusion Policy and Strategy • Policies and training within Code of Conduct and Corporate Governance • Learning and development programmes for upskilling 	<p>✅ Mitigation measures</p> <ul style="list-style-type: none"> • Roll-out of standard framework for baseline validation of new contracts • Roll-out of standard practices for cost allocation and cost benchmarking • Monthly business and performance review cycle • Portfolio planning with focus on productivity and profitability improvement

Corporate governance

Transparency, constructive stakeholder dialogue, sound decision-making processes and controls are key aspects of our corporate governance for the benefit of ISS and our stakeholders.

The management team of the Group formally consists of the Board of Directors and the Managing Director of ISS Global A/S. Since ISS Global A/S has no operating activities of its own, the Group relies on the management team of ISS A/S, the ultimate parent company in Denmark. As a subsidiary of ISS A/S, ISS Global A/S is subject to the same corporate governance policies applicable in ISS A/S. Corporate governance of the ISS Global Group is therefore built on corporate governance of the ISS A/S Group, including the management team, and descriptions in this chapter should be seen in this context.

Framework

The Board of Directors (Board) regularly reviews the Group's corporate governance framework and policies in relation to the Group's activities, business environment, corporate governance recommendations and statutory requirements; and continuously assesses the need for adjustments.

The Board reviews the Group's capital structure on an ongoing basis. The Board believes the present capital and share structure serves the best interests of both the shareholders and ISS as it gives ISS the flexibility to pursue strategic goals, thus supporting long-term shareholder value combined with short-term shareholder value by way of ISS's dividend policy.

Governance structure

The shareholders of ISS A/S exercise their rights at the general meeting, which is the supreme governing body of ISS.

Management powers are distributed between our Board and our Executive Group Management Board (EGMB). No person serves as a member of both of these corporate bodies. Our EGMB carries out the day-to-day management, while our Board supervises the work of our EGMB and is responsible for the overall management and strategic direction.

The primary responsibilities of the **Board** and committees established by the Board are outlined in our governance structure on p. 25.

Corporate governance reporting

The 2020 Statutory report on Corporate Governance, prepared pursuant to section 107b of the Danish Financial Statements Act, includes a description of our governance structure and the main elements of our internal controls related to financial reporting as well as an overview of our position on the Danish Corporate Governance Recommendations (Recommendations).

At the end of 2020, we complied with all of the Recommendations except 1.1.3 regarding the publication of quarterly reports. We publish full-year and half-year financial results and trading updates in Q1 and Q3 in line with international industry practice. This reporting format is selected to balance focus between short-term performance and long-term value creation. Investor presentations continue to be held quarterly via live webcast/telephone conference.

The 2020 Remuneration Report prepared pursuant to the Shareholder Rights Directive includes a description of our remuneration policy and remuneration of the Board and the EGMB in accordance with 4.2.3 of the Recommendations.

Remuneration of the Board and the EGM is disclosed in note 5.1 to the consolidated financial statements.

In 2020, the Board performed an internal evaluation of the Board's performance led by the Chair of the Board, which included the performance of individual Board members and an evaluation of the performance of the EGMB and of the cooperation between the Board and the EGMB. For further details, please see response to recommendation 3.5.1 of the 2020 Statutory report on Corporate Governance.

Board members elected by the general meeting stand for election each year. The current Chair of the Board Lord Allen of Kensington will not seek re-election at the 2021 Annual General Meeting. Niels Smedegaard is nominated as new Chair. Claire Chiang has also decided not to seek re-election at the 2021 Annual General Meeting. The remaining members are seeking re-election.

Three employee representatives serve on the Board. They are elected on the basis of a voluntary arrangement regarding Group representation for employees of ISS World Services A/S as further described in the Articles of Association. Employee representatives serve for terms of four years. The current employee representatives joined the Board after the annual general meeting held in April 2019.

The members of the Executive Group Management Board (EGMB) are the Group CEO, the Group CFO and the CEO Europe. Together, they form the management registered with the Danish Business Authority. The Group has a wider Executive Group Management (EGM), whose members are seven Corporate Senior Officers in addition to the EGMB. The primary responsibilities of the EGM are outlined in our governance structure on p. 25.

The EGM has a number of committees including a Sustainability Committee addressing ESG-related matters which are reported and reviewed by the EGM and the Board as required.

Competencies and diversity

The Board and the EGM recognise the importance of promoting diversity at management levels and have implemented policies regarding competencies and diversity in respect of Board and EGMB nominations according to which we are committed to selecting the best candidate while aspiring to have diversity in gender as well as in broader terms. Emphasis is placed on:

- experience and expertise (such as industry, strategy and value creation, leadership of large international companies, transformational change, people development and succession, sales and marketing, IT and technology, finance, risk management, and corporate responsibility);
- diversity (incl. age, gender, new talent and international experience) and diversity of perspectives; and
- personal characteristics matching ISS's values and leadership principles.

The Board's gender diversity target of having at least 40% women elected by the general meeting on the Board by 2020¹ was met with 43% of these Board members being women and including employee representatives, 50% of our Board is women.

To improve the gender balance in management positions at ISS's global head office, we continue leveraging our Diversity Policy, which defines a number of initiatives, including our recruitment policy, requiring us to short-list at least one female candidate in all searches for vacant positions. We also continuously develop our succession planning aiming at identifying female successors and tabling the matter of women in leadership at ISS for discussion at least once a year at EGM level. Furthermore, it is our policy to ensure strong representation of women in various ISS leadership development and graduate programmes across the Group and at the global head office in Co-

penhagen, and in the future, also in our Hub in Warsaw, Poland. This principle is also applied in our two main talent initiatives: In the Global Management Trainee Programme we have ensured a 50/50 gender split in every yearly cohort since its launch in 2014. And in our talent development programme for senior executives – the Leadership Mastery programme – where we currently have 35% female participation.

The representation of women at management level at the global head office is currently at 28% and have increased slightly in 2020 compared to 2019. At our EGM, the female representation has increased from 10% last year to currently 20%. Gender diversity at all leadership layers remains a focus area in 2021.

Assurance

The Group's external financial reporting is audited by the independent auditors.

Group Internal Audit (GIA) is responsible for providing an objective and independent assessment of the effectiveness and quality of the internal controls in accordance with the internal audit plan approved by the Audit and Risk Committee (ARC). GIA operates under a charter approved by the Board.

Although the activities of GIA were impacted by Covid-19, audit programmes were adjusted to accommodate remote testing allowing for GIA to continue to provide assurance over the operating effectiveness of internal controls.

In 2020, focus has been on:

- continued implementation of a structured and formalised Internal Control Framework for Financial Reporting (ICOFR). The status of selected controls and on the implementation of key processes and systems is reported separately for each country as part of a Group initiative on Top 10 Control Areas; and
- period-end close & controls project – rolled out to selected countries according to a plan for 2020 – 2021. The project sets the rules and procedures in support of ICOFR to ensure a global, standardised approach to period-end close management and account reconciliations.

Speak up (whistleblower)

The Group's Speak Up Policy is implemented through a reporting tool operated by GotEthics, which is available in 21 languages via ISS's website and local ISS country websites enabling employees of ISS,

¹ In respect of the specific target for ISS Global A/S, the target to increase the number of women on the Board of Directors (Board) to at least one member by the annual general meeting in 2021 has been reached as the Board of ISS Global A/S currently consists of one woman and four men. The Board has set a new target to further increase the number of female

board members to at least one third by the annual general meeting in 2025 although ISS remains committed to always selecting the best candidate for the Board based on competencies, experience and diversity. As ISS Global A/S does not have any employees, a policy promoting gender diversity at other management levels has not been adopted.

business partners and other stakeholders to report serious and sensitive concerns anonymously. All business integrity and ethics issues identified through Speak Up or other sources are handled by the Business Integrity Committee (BIC) that is composed of the Group CFO, the Group General Counsel, the Group People and Culture Officer and the Head of Group Internal Audit. The BIC reports to the ARC on all matters that have been subject to investigation.

Our governance structure

Board of Directors

Responsible for the overall management and strategic direction of the Group, including:

- strategy plan and annual budget
- appointing EGMB members
- supervising the activities of the Group
- reviewing the financial position and capital resources to ensure that these are adequate

The Board receives a monthly financial reporting package and is briefed on important matters in between board meetings.

Board bios:

<https://www.issworld.com/en/about/global-management-and-organisation/board-of-directors>

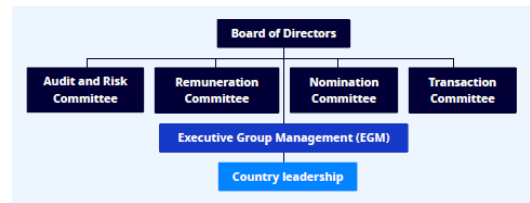
Board committees

Audit and Risk Committee

- Evaluates the external financial reporting, significant accounting policies as well as significant accounting estimates and judgements related to items such as impairment tests, divestments, deferred tax as well as revenue and related customer receivables
- Reviews and monitors the Group's risk management, internal controls, and business integrity matters
- Monitors the Group internal audit function
- Evaluates the Financial Policy, the Dividend Policy and the Group Tax Policy
- Monitors and considers the relationship with the independent auditors, reviews the audit process and the auditors' long-form audit report, and recommends auditors

Remuneration Committee

- Assists in reviewing the remuneration policy
- Recommends the remuneration of Board and EGMB members, approves remuneration of EGM



Nomination Committee

- Assists in ensuring that appropriate plans and processes are in place for the nomination of candidates to the Board and the EGMB
- Evaluates the composition of the Board and the EGMB
- Recommends nomination or appointment of Board, EGMB and board committee members

Transaction Committee

- Considers ISS's procedures for large transactions
- Reviews the transaction pipeline
- Makes recommendations in respect of certain large acquisitions, divestments and customer contracts
- Evaluates selected effected transactions

Executive Group Management

Responsible for the day-to-day management of the Group, including:

- developing and implementing strategic initiatives and Group policies
- designing and developing the organisational structure
- monitoring Group performance
- evaluating and executing investments, acquisitions, divestments and large customer contracts
- assessing on an ongoing basis whether the Group has adequate capital resources and liquidity to meet its existing and future liabilities
- establishing procedures for accounting, IT organisation, risk management and internal controls

EGM has established a number of committees, including Sustainability, Remuneration and Transaction Committee.

EGM bios:

<https://www.issworld.com/en/about/global-management-and-organisation/leadership-and-structure>

Country leadership

Responsible for the implementation of the OneISS strategy and business model on country level and managing the business in accordance with Group policies and procedures as well as local legislation and practice of each country, including managing operations in their market.

Country leadership teams are set out under each relevant country at www.issworld.com.

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Consolidated statement of profit or loss

1 January – 31 December

DKK million	Note	2020	2019
Revenue	1.1, 1.2	69,838	77,715
Staff costs	5.3, 6.2	(45,512)	(48,421)
Consumables		(5,671)	(7,553)
Other operating expenses		(19,491)	(16,366)
Depreciation and amortisation ¹⁾	2.1, 3.5	(1,689)	(1,546)
Operating profit before other items		(2,525)	3,829
Other income and expenses, net	1.4	(626)	(91)
Royalty		(1,129)	(1,267)
Goodwill impairment	3.6	(535)	(304)
Amortisation/impairment of brands and customer contracts	3.5	(89)	(108)
Operating profit	1.1	(4,904)	2,059
Financial income	4.3	64	48
Financial expenses	4.3	(606)	(743)
Profit before tax		(5,446)	1,364
Income tax	1.5, 1.6	185	(566)
Net profit from continuing operations		(5,261)	798
Net profit from discontinued operations	3.1	45	(46)
Net profit		(5,216)	752
Attributable to:			
The owner of ISS Global A/S		(5,226)	731
Non-controlling interests		10	21
Net profit		(5,216)	752

¹⁾ Excluding Goodwill impairment and Amortisation/impairment of brands and customer contracts.

Consolidated statement of comprehensive income

1 January – 31 December

DKK million	Note	2020	2019
Net profit		(5,216)	752
Other comprehensive income			
Actuarial gains/(losses)	5.3	(127)	84
Impact from asset ceiling regarding pensions	5.3	(21)	(49)
Tax	1.6	29	(3)
Net total, that will not be reclassified to profit or loss in subsequent periods		(119)	32
Foreign exchange adjustments of subsidiaries and non-controlling interests	4.1	(622)	292
Fair value adjustments of net investment hedges	4.1	180	(143)
Recycling of accumulated foreign exchange adjustments on country exits	4.1	1	(115)
Tax		(40)	-
Net total, that may be reclassified to profit or loss in subsequent periods		(481)	34
Other comprehensive income		(600)	66
Comprehensive income		(5,816)	818
Attributable to:			
The owner of ISS Global A/S		(5,821)	798
Non-controlling interests		5	20
Comprehensive income		(5,816)	818

Consolidated statement of cash flows

1 January – 31 December

DKK million	Note	2020	2019
Operating profit before other items		(2,525)	3,829
Operating profit before other items from discontinued operations	3.1	110	163
Depreciation and amortisation	2.1, 3.5	1,704	1,562
Share-based payments		11	16
Changes in working capital	2.6	1,007	(2,031)
Changes in provisions, pensions and similar obligations		1,494	225
Other expenses paid		(325)	(16)
Interest received from companies within the ISS Group		13	8
Interest received, external		71	56
Interest paid to companies within the ISS Group		(8)	(5)
Interest paid, external		(513)	(680)
Income tax paid	1.5	(389)	(617)
Payments related to royalties		(1,536)	(1,235)
Cash flow from operating activities		(886)	1,275
Acquisition of businesses		(102)	(75)
Divestment of businesses	3.3	505	691
Acquisition of intangible assets and property, plant and equipment		(583)	(935)
Disposal of intangible assets and property, plant and equipment		31	38
Acquisition of financial assets, net		(48)	(51)
Cash flow from investing activities		(197)	(332)
Proceeds from bonds	4.2	3,694	3,695
Repayment of bonds	4.2	(2,234)	(6,717)
Repayment of lease liabilities	4.2	(1,005)	(1,066)
Other financial payments, net	4.2	709	(308)
Capital increase from ISS World Services A/S		5,000	-
Dividends paid to shareholders		-	(1,500)
Payments (to)/from companies within the ISS Group, net		(4,665)	633
Dividends paid to non-controlling interests		-	(10)
Cash flow from financing activities		1,499	(5,273)
Total cash flow		416	(4,330)
Cash and cash equivalents at 1 January		2,669	6,826
Total cash flow		416	(4,330)
Foreign exchange adjustments		(344)	173
Cash and cash equivalents at 31 December	4.2	2,741	2,669
Free cash flow	2.7	(2,143)	(264)

Consolidated statement of financial position

At 31 December

DKK million	Note	2020	2019
Assets			
Intangible assets	3.5, 3.7	15,910	17,547
Property, plant and equipment and leases	2.1	3,456	4,409
Receivables from companies within the ISS Group		3,116	-
Deferred tax assets	1.6	818	662
Other financial assets		351	320
Non-current assets		23,651	22,938
Inventories		175	275
Trade receivables	2.2	9,861	12,085
Tax receivables		163	87
Receivables from companies within the ISS Group		291	120
Other receivables	2.3	1,436	2,998
Cash and cash equivalents	4.6	2,741	2,669
Assets held for sale	3.2	1,816	1,773
Current assets		16,483	20,007
Total assets		40,134	42,945
Equity and liability			
Equity attributable to the owner of ISS Global A/S		3,166	2,687
Non-controlling interests		29	24
Total equity	4.1	3,195	2,711
Loans and borrowings	4.2	17,236	16,198
Pensions and similar obligations	5.3	1,480	1,249
Deferred tax liabilities	1.6	345	573
Provisions	2.5	624	258
Non-current liabilities		19,685	18,278
Loans and borrowings	4.2	1,264	3,841
Trade and other payables		4,839	6,759
Tax payables		103	273
Other liabilities	2.4	8,908	9,870
Provisions	2.5	1,302	308
Liabilities held for sale	3.2	838	905
Current liabilities		17,254	21,956
Total liabilities		36,939	40,234
Total equity and liabilities		40,134	42,945

Consolidated statement of changes in equity

1 January – 31 December

DKK million	Note	Attributable to the owner of ISS Global A/S			Total	Non-controlling interests	Total equity
		Share capital	Retained earnings	Translation reserve ¹⁾			
2020							
Equity at 1 January		180	3,043	(536)	2,687	24	2,711
Net profit		-	(5,226)	-	(5,226)	10	(5,216)
Other comprehensive income		-	(119)	(476)	(595)	(5)	(600)
Comprehensive income		-	(5,345)	(476)	(5,821)	5	(5,816)
Capital increase		0	6,300	-	6,300	-	6,300
Transactions with the owner		0	6,300	-	6,300	-	6,300
Changes in equity		0	955	(476)	479	5	484
Equity at 31 December		180	3,998	(1,012)	3,166	29	3,195
2019							
Equity at 1 January		180	3,780	(571)	3,389	14	3,403
Net profit		-	731	-	731	21	752
Other comprehensive income		-	32	35	67	(1)	66
Comprehensive income		-	763	35	798	20	818
Dividends paid to shareholders	4.1	-	(1,500)	-	(1,500)	-	(1,500)
Dividends paid to non-controlling interests		-	-	-	-	(10)	(10)
Transactions with the owner		-	(1,500)	-	(1,500)	(10)	(1,510)
Changes in equity		-	(737)	35	(702)	10	(692)
Equity at 31 December		180	3,043	(536)	2,687	24	2,711

¹⁾ At 31 December 2020, DKK 16 million (2019: losses of DKK 34 million) of accumulated foreign exchange losses related to discontinued operations.

Operating profit and tax

SECTION 1

1.1 Segment information

ISS is a leading, global provider of workplace and facility service solutions operating in 60 countries. Operations are generally managed based on a geographical structure in which countries are grouped into regions. The regions have been identified based on a key principle of grouping countries that share market conditions and cultures. Countries where we do not have a full country support structure, which are managed by Global Operations, are combined in a separate segment "Other countries". An overview of the grouping of countries into regions is presented in 7.5, Group companies.

DKK million	Continental Europe	Northern Europe	Asia & Pacific	Americas	Other countries	Total segments	Unallocated ⁴⁾	Eliminations ⁵⁾	Total Group
2020									
Revenue¹⁾	27,634	22,642	12,385	6,635	562	69,858	-	(20)	69,838
Depreciation and amortisation ²⁾	(781)	(618)	(188)	(101)	(1)	(1,689)	-	-	(1,689)
Operating profit before other items	(2,030)	(1,200)	646	237	21	(2,326)	(199)	-	(2,525)
Operating margin	(7.3)%	(5.3)%	5.2 %	3.6 %	3.7 %	(3.3)%	-	-	(3.6)%
Other income and expenses, net	(430)	(120)	(53)	(0)	(1)	(604)	(22)	-	(626)
Royalty	(456)	(379)	(207)	(83)	(4)	(1,129)	-	-	(1,129)
Goodwill impairment	(517)	-	(18)	-	-	(535)	-	-	(535)
Amortisation/impairment of brands and customer contracts	(11)	(27)	(25)	(26)	-	(89)	-	-	(89)
Operating profit	(3,444)	(1,726)	343	128	16	(4,683)	(221)	-	(4,904)
Total assets	15,109	13,813	7,059	3,709	1,642	41,332	21,241	(22,439)	40,134
Hereof assets held for sale	336	-	114	350	1,016	1,816	-	-	1,816
Additions to non-current assets ³⁾	641	536	138	40	13	1,368	-	-	1,368
Total liabilities	9,326	10,255	3,272	2,758	950	26,561	32,806	(22,428)	36,939
Hereof liabilities held for sale	150	-	32	63	593	838	-	-	838

¹⁾ Including internal revenue which due to the nature of the business is insignificant and therefore not disclosed.

²⁾ Excluding Goodwill impairment and Amortisation/impairment of brands and customer contracts.

³⁾ Comprise additions to Intangible assets and Property, plant and equipment and leases, including from Acquisitions.

⁴⁾ Unallocated assets and liabilities relate to the Group's holding companies and comprise internal and external loans and borrowings, cash and cash equivalents and intra-group balances.

⁵⁾ Eliminations relate to intra-group balances.

1.1 Segment information (continued)

DKK million	Continental Europe ⁴⁾	Northern Europe	Asia & Pacific ⁴⁾	Americas	Other countries ⁴⁾	Total segments	Unallo- cated ⁵⁾	Elimi- nation ⁶⁾	Total Group
2019									
Revenue ¹⁾	30,068	25,037	13,235	8,459	948	77,747	-	(32)	77,715
Depreciation and amortisation ²⁾	(705)	(526)	(216)	(99)	-	(1,546)	-	-	(1,546)
Operating profit before other iter	1,503	1,119	724	448	60	3,854	(25)	-	3,829
Operating margin	5.0%	4.5%	5.5%	5.3%	6.3%	5.0%	-	-	4.9%
Other income and expenses, net	(60)	(23)	(7)	(1)	-	(91)	-	-	(91)
Royalty	(513)	(431)	(219)	(102)	(2)	(1,267)	-	-	(1,267)
Goodwill impairment	(304)	-	-	-	-	(304)	-	-	(304)
Amortisation/impairment of brands and customer contracts	(19)	(36)	(26)	(27)	-	(108)	-	-	(108)
Operating profit	607	629	472	318	58	2,084	(25)	-	2,059
Total assets	17,928	15,596	7,448	4,780	2,978	48,730	13,534	(19,319)	42,945
Hereof assets held for sale	-	78	53	-	1,642	1,773	-	-	1,773
Additions to non-current assets ³⁾	852	500	163	102	108	1,725	-	-	1,725
Total liabilities	10,276	10,731	3,469	3,724	1,894	30,094	29,448	(19,308)	40,234
Hereof liabilities held for sale	-	3	14	-	888	905	-	-	905

¹⁾ Including internal revenue which due to the nature of the business is insignificant and therefore not disclosed.

²⁾ Excluding Goodwill impairment and Amortisation/impairment of brands and customer contracts.

³⁾ Comprise additions to Intangible assets and Property, plant and equipment, including from Acquisitions.

⁴⁾ In 2020, Portugal, Russia and Taiwan were classified as held for sale and discontinued operations. Thus, assets and liabilities for these countries were reclassified from Continental Europe (Portugal and Russia) and Asia & Pacific (Taiwan) to Other countries. Comparative figures are restated accordingly.

⁵⁾ Unallocated assets and liabilities relate to the Group's holding companies and comprise internal and external loans and borrowings, cash and cash equivalents and intra-group balances.

⁶⁾ Eliminations relate to intra-group balances.

1.1 Segment information (continued)

Revenue by country – more than 5% of Group revenue

DKK million	2020	2019
UK & Ireland	10,290	11,205
USA & Canada	5,882	7,629
Germany	5,493	4,891
Switzerland	5,286	5,507
Spain	4,221	4,487
Australia & New Zealand	3,968	3,973
Denmark (country of domicile)	3,593	3,789
Other countries ¹⁾	31,105	36,234
Total	69,838	77,715

¹⁾ Including unallocated items and eliminations.

Non-current assets ¹⁾ by country – more than 5% of Group revenue

DKK million	2020	2019
UK & Ireland	2,265	2,439
USA & Canada	2,203	2,752
Switzerland	1,575	1,952
Australia & New Zealand	1,440	1,540
Spain	1,219	1,278
Germany	1,101	1,162
Denmark (country of domicile)	955	1,013
Other countries ²⁾	12,075	10,140
Total	22,833	22,276

¹⁾ Excluding deferred tax assets.

²⁾ Including unallocated items and eliminations.

Accounting policy

The accounting policies of the reportable segments are the same as the Group's accounting policies described throughout the notes. Segment revenue, costs, assets and liabilities comprise items that can be directly referred to the individual segments. Unallocated items mainly consist of revenue, costs, assets and liabilities relating to the Group's Corporate functions (including internal and external loans and borrowings, cash and cash equivalents and intra-group balances) as well as Financial income, Financial expenses and Income tax.

The segment reporting is prepared in a manner consistent with the Group's internal management and reporting structure and excludes discontinued operations.

For the purpose of segment reporting, segment profit has been identified as Operating profit. Segment assets and segment liabilities have been identified as Total assets and Total liabilities, respectively.

When presenting geographical information, segment revenue and non-current assets are based on the geographical location of the individual subsidiary from which the sales transaction originates.

Transactions between reportable segments are made on market terms.

1.2 Revenue

Performance obligations

Revenue is generated from rendering of workplace and facility service solutions. Our services are provided to the customer on a daily basis continuously over the term of the contract. The customer simultaneously receives and consumes the benefits provided by the Group. Thus, the performance obligations are satisfied over time.

We group our customers into key accounts, large and medium, and small and route-based customers, which reflects the different needs and requirements of the different customer categories.

Disaggregation of revenue

We disaggregate revenue based on customer type and geographical region as we believe that these best depict how the nature, amount, timing and uncertainty of our revenue and cash flows are affected by economic factors. Disaggregation of revenue based on geographical region is disclosed in 1.1, Segment information.

DKK million	2020	2019
Key accounts	46,484	48,836
Large and medium	19,279	24,014
Small and route-based	4,075	4,865
Total	69,838	77,715

Revenue backlog

Our revenue base consists of a mix of yearly contracts, which are renewed tacitly, and thousands of multi-year contracts, the majority of which have an initial term of three to five years. Depending on the size and complexity of the contract, the transition and mobilisation period is normally between six and twelve months for our key accounts. Contracts regularly include options for the customer to terminate for convenience within three to nine months, however, our customer retention rate, which is around 91% overall, and 93% for our key accounts, supports that these options are rarely exercised.

The majority of our revenue (approx. 82%) is portfolio revenue, i.e. revenue related to services that we are obligated to deliver on a recurring basis over the term of the contract. The remaining part of our revenue is non-recurring in the form of above-base work, e.g. capital projects. Since above-base work is not committed as part of the main customer contract it is excluded from the transaction price to be allocated to the remaining performance obligation (revenue backlog). At 31 December, the revenue backlog (including contracts won but not yet started) was as follows:

DKK million	Key account customers	Large and medium customers	Total
2020			
< 1 year	14,083	5,399	19,482
1-2 years	9,003	3,103	12,106
2-3 years	6,013	1,598	7,611
3-4 years	3,763	927	4,690
4-5 years	2,989	648	3,637
> 5 years	10,871	841	11,712
Total	46,722	12,516	59,238
2019			
< 1 year	14,131	5,638	19,769
1-2 years	10,520	3,304	13,824
2-3 years	6,780	1,495	8,275
3-4 years	5,353	766	6,119
4-5 years	3,517	625	4,142
> 5 years	13,542	694	14,236
Total	53,843	12,522	66,365

1.2 Revenue (continued)

In estimating the revenue backlog, the Group has applied the exemptions of IFRS 15 and does not disclose revenue backlog for contracts:

- with an original duration of less than 12 months; and
- invoiced based on time incurred, i.e. contracts where the Group invoices a fixed amount for each hour of service provided.

Committed savings glidepaths are taken into consideration whereas future inflation is excluded from the estimates.

For our **key accounts** and **large and medium customers**, a significant number of contracts in terms of value are descope based on a term of less than 12 months (due to termination for convenience clauses) and some contracts are descope on the basis that they are invoiced based on time incurred.

In terms of our **small and route-based customers**, the vast majority is descope based on either of the two exemptions. The remaining customers in scope comprise less than 1% of Group revenue and due to immateriality revenue backlog is therefore not disclosed.

In conclusion, the amounts disclosed in the maturity profile above are significantly lower than reported revenue and will likely not reflect the degree of certainty in future revenue (and cash inflows) to the Group – both due to the exemptions and due to non-portfolio revenue not being considered part of the revenue backlog. Please refer to Contract maturity, p. 9 for further information.

Significant accounting judgements

Covid-19 In 2020, the Group's revenue was significantly impacted by Covid-19 as authorities imposed lockdowns and other restrictions, which caused customers across the globe to reduce building occupancy and reduce their request for services accordingly. The impacts on geographies, customer segments and our core services are described in the Management's Review pp. 5-14.

In this unprecedented crisis, we have recalibrated service solutions to the needs and interests of customers and ISS and to support our employees to the extent possible. This has resulted in increased uncertainty and in management making various judgements, estimates and assumptions in relation to recognition and measurement of the Group's revenue, that could result in outcomes that require adjustments to recognised revenue in future periods.

Judgements, estimates and assumptions mainly related to assessment of the impact on revenue from:

1. customers reducing their demand for services (contract modifications);
2. utilisation of government support schemes;
3. variable consideration, e.g. revenue contingent on the achievement of certain contractual KPIs; and
4. continuing service delivery to customers despite collectibility concerns.

Contract modifications are generally agreed with the customer in accordance with contractually agreed change management procedures and accounted for going forward. However, the current situation has necessitated flexibility from both sides and required continuous assessments by management, among others in relation to how quickly ISS would be able to implement service changes. Likewise, when certain government support schemes have been utilised, management has assessed the extent to which such support should be passed on to customers and reduce revenue accordingly.

Finally, for variable consideration, assessments have been made as to Covid-19 impacting achievement of contractual KPIs and thus reducing revenue.

Furthermore, the impact from the IT security incident has been assessed in relation to possibly making fulfilment of certain contractual KPIs or obligations.

Gross or net presentation of revenue In some instances, ISS does not self-deliver all services under a contract, either because the service is outside our selected strategic services or geographies or because we do not have the capabilities ourselves. In those cases, ISS delivers services through selected partners or subcontractors. This requires an assessment of whether revenue should be presented gross, i.e. based on the gross amount billed to the customer (ISS is the principal) or based on the net amount retained (the amount billed to the customer less the amount paid to the subcontractor) because ISS has only earned a commission fee (ISS is the agent).

Management considers whether the nature of its promise is to provide the specified services, i.e. ISS is the principal, or its role is to arrange for another party to provide the services, i.e. ISS is acting as an agent. This is based on an evaluation of whether ISS controls the specified services before transfer to the customer. Control is considered transferred if ISS is the primary responsible for fulfilment and acceptability of the services or has discretion in setting prices.

1.2 Revenue (continued)

Accounting policy

Revenue from contracts with customers is recognised when control of the services is transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those services. Control is transferred over time as the customer simultaneously receives and consumes the benefits provided by the Group. Services are invoiced on a monthly basis.

Revenue excludes amounts collected on behalf of third parties, e.g. VAT and duties.

The input method is used to measure progress towards complete satisfaction of the service due to the direct relationship between labour hours and costs incurred, and the transfer of services to the customer. The Group recognises revenue on the basis of the labour hours and costs expended relative to the total expected labour hours and costs to complete the service.

For key accounts and other large contracts, the transaction price may include variable consideration based on achievement of certain key performance indicators. Management estimates variable consideration based on the most likely amount to which it expects to be entitled on a contract by contract basis. Management makes a detailed assessment of the amount of revenue expected to be received and the probability of success in each case. Variable consideration is included in revenue as services are performed to the extent that it is highly probable that the amount will not be subject to significant reversal.

Key account contracts are often modified in respect of service requirements. Generally, modifications are agreed with the customer in accordance with a specified change management procedure and accounted for going forward with no impact on recognised revenue up to the date of modifications.

1.3 Translation and operational currency risk

The Group's exposure to currency risk on transaction level is low since services are produced, delivered and invoiced in the same local currency as the functional currency of the entity delivering the services. The Group is, however, exposed to risk related to translation into DKK of profit or loss and net assets of foreign subsidiaries, including intercompany items such as loans, royalties, management fees and interest payments between entities with different functional currencies, since a significant portion of the Group's revenue and operating profit is generated in foreign entities. The exposure to translation of net assets of foreign subsidiaries is described in 4.7, Currency risk.

Foreign currency sensitivity

A 10%-change (EUR: 1%-change) in relevant currencies, with all other variables held constant, would have impacted revenue and operating profit before other items with the amounts below.

DKK million	Operating profit before		Royalty
	Revenue	other items	
GBP	973	(113)	17
USD	573	15	7
CHF	529	32	9
NOK	297	9	5
AUD	376	14	8
TRY	269	22	5
SEK	273	9	5
EUR	231	(25)	4
Other	1,035	55	17
Total	4,556	18	77

Impact on profit or loss

In 2020, changes in weighted average exchange rates resulted in a decrease in Group revenue of DKK 1,390 million or 1.9% (2019: increase of 0.8%) and an increase of the Group's operating profit before other items of DKK 110 million or 3.8% (2019: increase of 0.6%).

	Change in avg. FX rates ¹⁾	
	2019 to 2020	2018 to 2019
GBP	(1.5)%	1.0 %
USD	2.0 %	5.6 %
CHF	3.7 %	4.0 %
NOK	(8.1)%	(2.4)%
AUD	(2.8)%	(1.8)%
TRY	(20.0)%	(11.9)%
SEK	0.8%	(3.0)%
EUR	(0.2%)	0.2%

¹⁾ () = Weakened against DKK

1.4 Other income and expenses, net

DKK million	2020	2019
Gain on divestments	22	-
Other income	22	-
IT security incident	(516)	-
Loss on divestments	(107)	(82)
Winding up of businesses	(18)	-
Acquisition and integration costs	(6)	(9)
Other	(1)	-
Other expenses	(648)	(91)
Other income and expenses, net	(626)	(91)

Gain on divestments mainly related to an adjustment to prior year divestment, i.e. the landscaping business in the UK.

IT security incident comprised unavoidable incremental costs incurred as a consequence of the IT security incident, including write-down of impaired assets, non-chargeable costs due to lack of documentation and certain customer claims and penalties. Of the total amount, DKK 133 million related to a non-cash write-down of impaired assets, see 3.5, Intangible assets and 2.1, Property, plant and equipment and leases. Furthermore, around half of the remaining costs related to claims and penalties, including DKK 190 million related to a specific customer claim triggered by the incident and ongoing failure to meet certain contractually determined KPIs. The remaining costs are mainly related to external consultants, hardware, software and licences as well as employee-related costs.

Loss on divestments mainly comprised adjustments to prior years' divestments, most significantly the Hygiene & Prevention business in France. In 2019, the loss mainly comprised additional divestment and settlement costs related to prior-year divestments in the UK and the Netherlands. Furthermore, divestment costs were recognised in relation to a business in Northern Europe and the Parking Management business in Indonesia.

Winding up of businesses related to the Open Space business in Australia.

Significant accounting judgements

On 17 February 2020, ISS was the target of an IT malware attack entailing significant incremental costs. Management has evaluated the costs to identify items with a high degree of abnormality, of a non-recurring nature and unrelated to the ordinary activities of ISS. Costs meeting the criteria are presented as other expenses.

Accounting policy

Other income and expenses, net consists of recurring and non-recurring items that management does not consider to be part of the Group's ordinary operations, i.e. gains and losses on divestments, remeasurement of disposal groups classified as held for sale, the winding-up of operations, disposal of property and acquisition and integration costs.

1.5 Income tax

Our approach to tax and tax risks

We are committed to comply with applicable tax rules and regulations in the countries where we operate. We also have an obligation to optimise the return for our shareholders by managing and planning tax payments effectively. As a good corporate citizen, we will pay applicable taxes, and at the same time ensure a competitive effective tax rate and strive to limit double taxation to the extent possible.

We do not tolerate avoidance of taxes, social charges or payroll taxes. For the benefit of society, our employees and customers, we support governmental and industry specific initiatives that introduce tighter controls and sanctions to ensure that companies in our industry play by the rules.

Cross-border and intercompany transactions mainly comprise royalty payments, management fees and financing. Such transactions are conducted based on arm's length principles and in accordance with current OECD principles in setting internal transfer prices.

For further details:

ISS Tax Policy, see <http://inv.issworld.com/policies-and-guidelines>

2020 Corporate Responsibility Report: <https://brand.issworld.com/web/24f976f13bb57357/corporate-responsibility-reports/>

DKK million	2020	2019
Current tax	243	494
Deferred tax	(426)	113
Prior year adjustments, net	(2)	(41)
Income tax	(185)	566
Effective tax rate		
In %	2020	2019
Statutory income tax rate, Denmark	22.0 %	22.0 %
Foreign tax rate differential, net	5.8 %	(1.3)%
Total	27.8 %	20.7 %
Non-tax deductible expenses less non-taxable income	0.3%	2.5 %
Non-tax deductible impairment	(3.1)%	5.2%
Prior year adjustments, net	-	(3.2)%
Change in valuation of tax assets, net	(20.4)%	7.3 %
Effect of changes in tax rates	(0.1)%	3.1 %
Other taxes	(1.1)%	5.9 %
Effective tax rate	3.4%	41.5 %

Foreign tax rate differential, net was impacted by significant tax losses in countries with a higher corporate income tax rate than 22%, primarily France, Spain and Germany.

Non-tax deductible expenses less non-taxable income comprised various income and expenses, including the impact from interest limitation tax rules and the French tax credit CICE and Covid-19 subsidies.

Non-tax deductible impairment related to goodwill impairment not subject to taxation.

Prior year adjustments, net mainly related to adjustments of tax deductions in the final tax returns and impact from a finalised tax audit in Germany.

Change in valuation of tax assets, net mainly related to valuation allowances on deferred tax assets in Germany, France, Spain and the Netherlands. In 2019, the change mainly related to a valuation allowance on deferred tax assets in France.

Effect of changes in tax rates in 2020 and 2019 related to a reduction of the corporate tax rate in France from 33% to 25% over the period 2018-2022. In addition, in 2020 the changes related to an increase of the deferred tax rate in the UK from 17% to 19%.

Other taxes mainly comprised withholding tax and the French Cotisation sur la Valeur Ajoutée des Entreprises (CVAE).

1.5 Income tax (continued)

Accounting policy

Income tax comprise current tax and changes in deferred tax, including changes due to a change in the tax rate, and is recognised in profit or loss or other comprehensive income.

Tax receivables and payables are recognised in the statement of financial position as tax computed on the taxable income for the year, adjusted for tax on the taxable income prior years and tax paid on account.

1.6 Deferred tax

Development in deferred tax

DKK million	2020	2019
Deferred tax liabilities/(assets), net at 1 January	(89)	(148)
Prior year adjustments, net	41	10
Foreign exchange adjustments	23	(10)
Acquisitions and divestments, net	-	(21)
Other comprehensive income	(29)	3
Reclassification to Assets/(Liabilities) held for sale	7	(17)
Tax on profit before tax ¹⁾	(426)	94
Deferred tax liabilities/(assets), net at 31 December	(473)	(89)

¹⁾ 2019 is not restated for discontinued operations.

Prior year adjustments, net in 2020 and 2019 were mainly related to adjustment of tax deductions (temporary differences) in the final tax returns.

Acquisitions and divestments, net in 2019 mainly related to the divestment of the Hygiene & Prevention business in France.

Other comprehensive income comprised tax on actuarial losses on pensions.

Deferred tax specification

DKK million	Deferred tax assets		Deferred tax liabilities	
	2020	2019	2020	2019
Tax losses carried forward	466	692	-	-
Goodwill	4	4	372	375
Brands	-	-	3	6
Customer contracts	13	15	69	89
Property, plant and equipment	86	76	378	564
Provisions and other liabilities	861	816	312	635
Pensions	177	155	-	-
Set-off within legal tax units and jurisdictions	(789)	(1,096)	(789)	(1,096)
Total	818	662	345	573

Unrecognised deferred tax assets

At 31 December 2020, the Group had unrecognised deferred tax assets which comprised tax losses carried forward and other deductible temporary differences of DKK 1,688 million (2019: DKK 582 million) for continuing operations primarily relating to Germany, France, the Netherlands and Spain. The increase compared to 2019, was mainly due to valuation allowances of recognised tax assets following a reassessment of expected future taxable income.

At 31 December 2020, DKK 15 million (2019: DKK 175 million) of the total unrecognised deferred tax assets related to discontinued operations.

1.6 Deferred tax (continued)

Unrecognised tax losses can be carried forward indefinitely in the individual countries, except for the Netherlands, where tax losses can be carried forward for 9 years. Deferred tax assets have not been recognised in respect of the above tax losses as it is not deemed probable that future taxable profit will be available in the foreseeable future against which the Group can utilise these.

Uncertain tax positions

Uncertain tax positions include ongoing disputes with tax authorities in certain jurisdictions and have been provided for in accordance with the accounting policies. Management believes that the provisions made are adequate. However, the actual obligations may deviate as they depend on the result of litigations and settlements with the relevant tax authorities. The final outcome of some of the ongoing disputes is expected to be determined during 2021.

Significant accounting estimates

Deferred tax assets relating to tax losses carried forward are recognised, when management assesses that these can be offset against positive taxable income in the foreseeable future. The assessment is made at the reporting date taking into account the impact from limitation in interest deductibility and local tax restrictions in utilisation of tax losses. The assessment of future taxable income is based on financial budgets approved by management and expectations on the operational development, mainly in terms of organic growth and operating margin in the following five years as well as planned adjustments to capital structure in each country.

Covid-19 had a significant adverse effect on the Group's performance in 2020 and led to a significant increase in uncertainties in general, and in particular in relation to future expectations and prospects for recovery. Consequently, management made significant estimates, judgements and assumptions in relation to recognition and measurement of income tax and deferred tax, particularly with regards to:

- 1) Tax losses (current year); and
- 2) Tax losses carried forward from prior years valuation allowance).

Management made a reassessment of the probability that future taxable profit will be available in the foreseeable future (5 years) against which the Group can utilise tax losses. The assessment is based on the cash flow projections made for the purpose of the Group's impairment tests, see 3.7, Impairment tests, and represents management's best estimate, but is naturally associated with significant uncertainty.

Uncertain tax positions As part of operating a global business, disputes with tax authorities around the world may occur. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and considers whether it is probable that a tax authority will accept an uncertain tax treatment. The possible outcome of uncertain tax positions are measured based on management's best estimate of the amount required to settle the obligation and recognised in deferred tax or income tax depending on the tax position.

Accounting policy

Deferred tax is provided using the liability method on temporary differences between tax bases of assets and liabilities and their carrying amounts. Deferred tax is not recognised on temporary differences relating to goodwill which is not deductible for tax purposes and other items where temporary differences, apart from in business combinations, arose at the time of acquisition without affecting either Net profit or taxable income. Where alternative taxation rules can be applied to determine the tax base, deferred tax is measured according to management's intended use of the asset or settlement of the liability. Deferred tax is measured according to the taxation rules and tax rates in the respective countries applicable at the reporting date when the deferred tax becomes current tax.

Deferred tax assets, including the tax base of tax loss carryforwards, are recognised in non-current assets at the expected value of their utilisation: either as a set-off against tax on future income or as a set-off against deferred tax liabilities in the same legal tax entity and jurisdiction.

Deferred tax assets and liabilities are offset if the Group has a legal right to offset these, intends to settle these on a net basis or to realise the assets and settle the liabilities, simultaneously.

Operating assets, liabilities and free cash flow

SECTION 2

2.1 Property, plant and equipment and leases

DKK million	Leases (right-of-use assets)				Property, plant and equipment	Total
	Properties	Vehicles	Other	Total		
2020						
Cost at 1 January	2,239	1,157	641	4,037	4,363	8,400
Foreign exchange adjustments	(44)	(32)	(57)	(133)	(160)	(293)
Additions	298	314	126	738	382	1,120
Divestments	(0)	(5)	(0)	(5)	(11)	(16)
Disposals	(73)	(24)	(19)	(116)	(551)	(667)
Reclassifications	-	(10)	(6)	(16)	4	(12)
Reclassification to Assets held for sale	(107)	(99)	(12)	(218)	(459)	(677)
Cost at 31 December	2,313	1,301	673	4,287	3,568	7,855
Depreciation at 1 January	(444)	(374)	(234)	(1,052)	(2,939)	(3,991)
Foreign exchange adjustments	16	13	21	50	114	164
Impairment	(2)	(0)	-	(2)	(74)	(76)
Depreciation	(432)	(374)	(154)	(960)	(488)	(1,448)
Divestments	-	3	0	3	8	11
Disposals	16	8	13	37	524	561
Reclassifications	-	5	(2)	3	(1)	2
Reclassification to Assets held for sale	27	37	3	67	311	378
Depreciation at 31 December	(819)	(682)	(353)	(1,854)	(2,545)	(4,399)
Carrying amount at 31 December	1,494	619	320	2,433	1,023	3,456

2.1 Property, plant and equipment and leases (continued)

DKK million	Leases (right-of-use assets)				Property, plant and equipment	Total
	Properties	Vehicles	Other	Total		
2019						
Cost at 1 January	-	-	-	-	4,477	4,477
Adoption of IFRS 16	2,301	750	385	3,436	-	3,436
Transfer of finance leases	-	90	270	360	(360)	-
Foreign exchange adjustments	40	8	(3)	45	80	125
Acquisitions	-	-	-	-	5	5
Additions	137	446	115	698	673	1,371
Divestments	(132)	(76)	(57)	(265)	(16)	(281)
Disposals	(54)	(15)	(25)	(94)	(461)	(555)
Reclassifications	-	-	-	-	3	3
Reclassification to Assets held for sale	(53)	(46)	(44)	(143)	(38)	(181)
Cost at 31 December	2,239	1,157	641	4,037	4,363	8,400
Depreciation at 1 January	-	-	-	-	(2,935)	(2,935)
Transfer of finance leases	-	(30)	(83)	(113)	113	-
Foreign exchange adjustments	(3)	(7)	11	1	(66)	(65)
Impairment	-	-	-	-	(16)	(16)
Depreciation	(442)	(344)	(186)	(972)	(445)	(1,417)
Divestments	0	-	5	5	13	18
Disposals	1	7	19	27	427	454
Reclassifications	-	-	-	-	(11)	(11)
Reclassification to Assets held for sale	-	-	-	-	(19)	(19)
Depreciation at 31 December	(444)	(374)	(234)	(1,052)	(2,939)	(3,991)
Carrying amount at 31 December	1,795	783	407	2,985	1,424	4,409

Leases (right-of-use assets) In 2019, additions were reduced by DKK 300 million related to reassessment of extension options of certain properties as a result of major contract developments in the year (including major key account wins and losses) as well as the Group's efficiency programme launched in November 2019.

Property plant and equipment In 2019, additions were impacted by significant investments related to the start-up of the Deutsche Telekom contract.

Lease liability

The carrying amount of lease liabilities and the movements in the year are disclosed in 4.2, Loans and borrowings. The maturity profile is disclosed in 4.6, Liquidity risk.

Lease-related costs recognised in profit or loss

DKK million	2020	2019
Depreciation of right-of-use assets	959	972
Interest expenses on lease liabilities	77	94
Short-term leases	166	180
Leases of low value assets	91	127
Variable lease payments	11	10
Total	1,304	1,383

2.1 Property, plant and equipment and leases (continued)

Significant accounting judgement

Lease term Several of ISS's office buildings have no contractual fixed lease term or contains an extension option. Management exercises significant judgement in determining whether these extension options are reasonably certain to be exercised. Management considers all relevant facts and circumstances that create an economic incentive to exercise the extension option.

The lease term for contracts without an end date is set to ten years for head office and accessory buildings, whereas all other leases with no definite end date are set to five years.

Accounting policy

Right-of-use assets are recognised at the commencement date of the lease. Right-of-use assets are measured at cost less accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities, including extension options.

Cost comprises the amount of lease liabilities recognised, initial direct costs and dismantling and restoration cost incurred and lease payments made at or before the commencement date less any lease incentives received.

Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful life of the asset.

Estimated useful life

Properties	5-10 years
Cars	3-5 years
Other equipment	2-5 years

Certain leases have lease terms of 12 months or less or are leases of low-value assets, such as smaller cleaning equipment, IT equipment and office furniture. The "short-term lease" and "lease of low-value assets" recognition exemptions are applied for these leases, i.e. lease payments are recognised in Other operating expenses on a straight-line basis over the lease term.

Property, plant and equipment is measured at cost, less accumulated depreciation and impairment losses.

Cost comprises the purchase price and costs directly attributable to the acquisition until the date when the asset is ready for use. The net present value of estimated liabilities related to dismantling and removing the asset and restoring the site on which the asset is located is added to the cost.

Subsequent costs, e.g. for replacing part of an item, are recognised in the cost of the asset if it is probable that the future economic benefits embodied by the item will flow to the Group. The carrying amount of the item is derecognised when replaced and transferred to profit or loss. All other costs for common repairs and maintenance are recognised in profit or loss when incurred.

Depreciation is based on the cost of an asset less its residual value. When parts of an item of property, plant and equipment have different useful lives, they are accounted for separately. The estimated useful life and residual value are determined at the acquisition date. If the residual value exceeds the carrying amount depreciation is discontinued.

Depreciation methods, useful lives and residual values are reassessed at each reporting date and adjusted prospectively, if appropriate.

Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets.

Estimated useful life

Plant and equipment	3-10 years
Leasehold improvements	(the lease term) 3-10 years
Buildings	20-40 years

Land is not depreciated.

Gains and losses arising on the disposal or retirement of property, plant and equipment are measured as the difference between the selling price less direct sales costs and the carrying amount, and are recognised in Other operating expenses in the year of sale, except gains and losses arising on disposal of property, which are recognised in Other income and expenses, net.

2.2 Trade receivables and credit risk

DKK million	2020			2019		
	Gross	Loss allowance	Carrying amount	Gross	Loss allowance	Carrying amount
Continental Europe ¹⁾	5,097	(141)	4,956	5,392	(78)	5,314
Northern Europe	2,816	(57)	2,759	3,548	(30)	3,518
Asia & Pacific ¹⁾	1,688	(83)	1,605	1,998	(46)	1,952
Americas	496	(18)	478	1,110	(15)	1,095
Other countries ¹⁾	63	-	63	219	(13)	206
Total	10,160	(299)	9,861	12,267	(182)	12,085

¹⁾ In 2020, Portugal, Russia and Taiwan were classified as held for sale and discontinued operations. Thus, comparatives for 2019 for these countries were reclassified from Continental Europe (Portugal and Russia) and Asia & Pacific (Taiwan) to Other countries.

DKK million	2020			2019		
	Gross	Loss allowance	Carrying amount	Gross	Loss allowance	Carrying amount
Not past due	8,827	(5)	8,822	10,340	(0)	10,340
Past due 1 to 60 days	889	(5)	884	1,281	(6)	1,275
Past due 61 to 180 days	176	(36)	140	309	(5)	304
Past due 181 to 360 days	118	(111)	7	106	(26)	80
More than 360 days	150	(142)	8	231	(145)	86
Total	10,160	(299)	9,861	12,267	(182)	12,085

In 2020, trade receivables decreased DKK 2,224 million to DKK 9,861 million (2019: DKK 12,085 million). Covid-19 and following lockdowns leading to a decline in revenue was the main driver for the decrease as well as strong focus on collections to ensure tight control of our cash flows. At 31 December 2020, utilisation of factoring was DKK 1.0 billion (31 December 2019: DKK 1.4 billion) impacted by Covid-19-related revenue reductions and the expiry of the Novartis contract.

Exposure to credit risk

Generally, we assess the Group's exposure to credit risk as low, mainly due to our diversified customer portfolio, both in terms of geography, industry sector, customer size and service types. In addition, divestments in recent years, including our strategic divestment programme, are aiming at simplification and risk reduction and have further contributed to the low risk assessment.

The maximum credit risk exposure at the reporting date by reportable segments is shown above.

As a result of the Covid-19 pandemic and the resulting deterioration in the economic environment and increased uncertainty, the Group has considered the impact of Covid-19 on credit risk in general and the resulting impact on expected credit losses on its trade receivables, including an assessment of current and forward-looking reasonable and supportable information.

Based on the assessment, management concluded, that the Group's exposure to credit risk on trade receivables had increased in 2020. As a result, provisions for expected credit losses of DKK 244 million (2019: DKK 77 million) were recognised in profit or loss mainly related to Spain, France, Indonesia and the USA. In addition, write-off of trade receivables of DKK 77 million (2019: DKK 44 million) was recognised in profit or loss mainly due to changed customer agreements and insolvent customers.

Generally, the Group does not hold collateral as security for trade receivables.

2.2 Trade receivables and credit risk (continued)

Allowance for expected credit losses

DKK million	2020	2019
Loss allowance at 1 January	(182)	(162)
Foreign exchange adjustments	17	(1)
Divestments	1	0
Provision for expected credit losses	(244)	(77)
Expected credit losses reversed	0	14
Write-off	77	44
Reclassification to Assets held for sale	32	0
Loss allowance at 31 December	(299)	(182)

Significant accounting estimates

As a result of the **Covid-19** pandemic and the resulting deterioration in the economic environment and increased uncertainty, management has considered the impact of Covid-19 on credit risk in general and the resulting impact on expected credit losses on its trade receivables, including assessment of current and forward-looking reasonable and supportable information.

Accounting policy

Trade receivables comprise invoiced and unbilled revenue and are recognised initially corresponding to the transaction price and subsequently measured at amortised cost. Generally, due to the short-term nature of trade receivables, amortised cost will equal the invoiced amount less loss allowance for expected credit losses.

Exposure to credit risk on trade receivables and expected credit losses are managed locally in the operating entities and credit limits are set as deemed appropriate taking into account the customer's financial position and the current market conditions.

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns, i.e. by geographical region and customer type and rating. The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

The provision matrix is initially based on the Group's historical observed default rates. At every reporting date, the historical observations are updated and changes in the forward-looking estimates are analysed. For instance, if forecast economic conditions are expected to deteriorate over the next year, e.g. as a result of the Covid-19 pandemic, this is taken into consideration.

Generally, trade receivables are written off if they are past due for more than 180 days or when there is no reasonable expectation of recovery. Impairment losses on trade receivables are presented as net impairment losses within operating profit before other items. Subsequent recovery of amounts previously written off are credited against the same line item.

2.3 Other receivables

DKK million	2020	2019
Prepayments to suppliers	262	637
Supplier rebates and bonuses	287	607
Sign-on fees	133	190
Transition and mobilisation costs	115	861
Pass-through costs	72	75
Securities	76	55
Currency swaps	5	41
Receivable divestment proceeds	19	71
Other	467	461
Other receivables	1,436	2,998

In 2020, other receivables decreased DKK 1,562 million to DKK 1,436 million. Due to operational challenges related to certain contracts in Germany, Denmark and the UK, we reassessed the value of capitalised transition costs and recognised write-downs of approximately DKK 600 million. In addition, in the UK, we saw a reduction in certain receivables following changed systems. Furthermore, lower activity levels following Covid-19, led to lower rebates and bonuses earned across the Group.

Prepayments to suppliers comprised various upfront supplier payments related to ongoing projects and above-base work (where revenue has not yet been recognised) as well as utilities, insurance and licenses. The majority related to the UK and Switzerland. The decrease in 2020, related mainly to lower activity levels following Covid-19, mainly in the UK and Turkey as well as a reduction following changed systems in the UK.

Supplier rebates and bonuses comprised upfront payments and volume-related discounts obtained from suppliers and reflects the Group's efforts in recent years to consolidate the number of suppliers and drive synergies and cost savings. The most significant receivables were in the UK, Denmark and Finland. The decrease in 2020 related mainly to lower activity levels following Covid-19, which led to lower rebates in the UK, Germany, France and the USA as well as timing of settlement of such rebates and bonuses.

Sign-on fees comprised upfront discounts to certain large customers, incurred in the ordinary course of business, most significantly in the UK and on certain global key accounts. The decrease in 2020 related mainly to ordinary annual amortisation.

Transition and mobilisation costs comprised directly related costs incurred in order for ISS to fulfil the performance obligations under certain large contracts. The decrease in 2020, was mainly related to Germany, the UK and Denmark. Due to operational challenges on certain contracts in these countries, we reassessed the value of capitalised transition costs and recognised write-downs of approximately DKK 600 million.

Other comprised refunds from customers, VAT, accrued interests, other recoverable amounts including Covid-19-related government subsidies.

Significant accounting judgement

Capitalisation of transition and mobilisation costs involves management's judgement to assess if the criteria for capitalisation are fulfilled. Management uses judgement to determine if the costs relate directly to the contract and are incurred in order for ISS to be able to fulfil the contract. In addition, management determines if the costs generate resources that will be used in satisfying the performance obligation and are expected to be recovered, i.e. reflected in the pricing of the contract.

Accounting policy

Other receivables are recognised initially at cost and subsequently at amortised cost. Due to the short-term nature of other receivables, amortised cost will equal the cost. Costs relating to sales work and securing contracts are recognised in profit and loss as incurred.

Transition and mobilisation costs (costs to fulfil a contract) comprise costs directly related to launching certain large contracts such as transfer of employees from previous suppliers, site due diligence, planning and developing service plans. The cost includes internal direct costs and external costs e.g. to consultants.

Transition and mobilisation costs as well as **sign-on fees** are capitalised and amortised over the initial secured contract term consistent with ISS's transfer of the related services to the customer. Bid-related costs are expensed as incurred.

2.4 Other liabilities

DKK million	2020	2019
Accrued wages, pensions and holiday allowances	4,050	4,259
Tax withholdings, VAT etc.	2,118	2,914
Debt to companies within the ISS Group	1,149	1,388
Prepayments from customers	560	454
Contingent consideration and deferred payments	133	149
Other	898	706
Other liabilities	8,908	9,870

In 2020, other liabilities decreased DKK 962 million primarily due to Denmark, the USA, France and Belgium. The decrease was mainly driven by the lower activity level following Covid-19 lockdowns, leading to a decrease in both activity and employees with a resulting reduction in tax withholdings, VAT, accrued wages and related social costs.

Other comprised customer discounts, accrued interests, etc.

2.5 Provisions

DKK million	Legal and labour- related cases	Self- insurance	Restruc- turings	Onerous contracts	Other	Total
2020						
Provisions at 1 January	71	239	1	31	224	566
Foreign exchange adjustments	(6)	(13)	(0)	(3)	(6)	(28)
Additions	86	204	1,174	265	385	2,114
Used during the year	(10)	(147)	(383)	(6)	(136)	(682)
Unused amounts reversed	(9)	(22)	-	(2)	(3)	(36)
Reclassifications	1	0	(5)	-	(4)	(8)
Provisions at 31 December	133	261	787	285	460	1,926
Non-current	19	122	199	219	65	624
Current	114	139	588	66	395	1,302
2019						
Provisions at 1 January	60	191	11	13	82	357
Foreign exchange adjustments	(1)	5	0	0	2	6
Additions	59	190	-	25	155	429
Used during the year	(59)	(148)	(3)	(5)	(12)	(227)
Unused amounts reversed	(6)	-	(7)	(2)	(3)	(18)
Reclassifications	18	1	-	-	0	19
Provisions at 31 December	71	239	1	31	224	566
Non-current	28	155	-	8	67	258
Current	43	84	1	23	157	308

Legal and labour-related cases comprised various cases, mainly redundancy-related disputes in France and Spain.

Self-insurance The Group carries insurance provisions on employers' liability and/or workers compensation in the countries listed below. Generally, the provisions for self-insurance are based on valuations from external actuaries. The countries are self-insured up to the following limits:

- **Hong Kong** – DKK 23.4 million (2019: DKK 25.7 million) yearly
- **UK** – DKK 24.7 million (2019: DKK 26.3 million) yearly aggregated limit and DKK 4.1 million (2019: DKK 4 million) per claim
- **Australia** – DKK 5.8 million (2019: DKK 3.5 million) per claim
- **USA** – DKK 3.3 million (2019: DKK 3.3 million) per claim

Furthermore, the provision included liability not insured under the global general liability insurance with a self-insured level of DKK 7.5 million (2019: DKK 7.5 million) worldwide, except for the USA where the self-insurance level is DKK 6.1 million (2019: DKK 6.7 million) per claim. Obligations and legal costs in relation to various insurance cases, if not covered by the insurance, were also included in the provision.

Restructurings We are continuously reviewing our business platform to ensure the right basis for execution of our strategy. Restructurings were initiated in a number of countries to adjust our cost structure to the lower activity level following Covid-19. The initiatives include contract exits, termination of redundant employees and various reductions of overhead costs, mainly in countries, services and customer segments that were heavily impacted by Covid-19. In 2020, a provision for restructuring costs of DKK 1,174 million was recognised and related predominantly to Germany, France, Spain, and the UK.

Onerous contracts In 2020, a provision was recognised in relation to the Danish Defence contract in Denmark following a reassessment of the expected future profitability of the contract. In addition, management made a reassessment of the underlying assumptions of the onerous contract in Hong Kong due to an expected extension by the customer leading to an increase in the provision from 2019.

Other comprised various obligations such as contract-related risks, guarantee reserves, dismantling costs and closure of contracts. In 2020, the addition mainly related to contract-related risks and claims in Germany, Denmark and the UK. In the UK, a detailed review of the business platform was performed in H1 2020 on the back of the risks identified in 2019. The review led to full utilisation of the amount provided in 2019 and identification of certain additional one-off costs, some of which had not been provided for in prior years.

2.5 Provisions (continued)

Significant accounting estimates and judgement

Onerous contracts Our strategy to focus on large key accounts will increasingly lead to a customer base comprising large, more complex contracts. The size and complexity of such contracts will often require us to incur significant transition and mobilisation costs before service delivery commences in order to fulfill the performance obligations under the contract.

Management assesses whether contracts may be onerous by estimating the expected future profitability. This involves estimating total contract revenue and the unavoidable costs of meeting the performance obligations under the contract, including any transition and mobilisation costs incurred. In estimating the expected future profitability management makes judgements. Certain contracts are complex facility management partnerships. In estimating unavoidable costs in relation to such contracts, management applies assumptions as to future realisation of costs driven by efficiencies and optimisations to be gained over the contract term as well as the effect of performance improvement initiatives. While ISS has inherent risk in this respect, ISS is by nature also dependent on aligning interest with the customer within the framework of the agreement for the benefit of both parties. Further, management makes judgements related to the contract term, taking any termination and extension options into consideration.

For large and complex contracts, the outcome may vary significantly should the assumptions and judgements applied not be realised as expected by management in their assessment of onerous contracts.

Management makes judgements related to **other provisions** for various other matters and obligations, including related to which assumptions to apply under the relevant scenarios for an expected outcome. In assessing the likely outcome of lawsuits, tax disputes etc., management bases its assessment on external legal assistance and established precedents.

Accounting policy

Provisions are recognised if the Group, as a result of a past event, has a present legal or constructive obligation, and it is probable that an outflow of economic benefits will be required to settle the obligation. The costs required to settle the obligation are discounted using the entity's average borrowing rate, if this significantly impacts the measurement of the liability.

Restructuring costs are recognised in Provisions when a detailed, formal restructuring plan is announced to the affected parties on or before the reporting date.

Onerous contracts A provision is recognised when the expected benefits to be derived by the Group from a contract are lower than the unavoidable costs of meeting the obligations under the contract.

Asset retirement obligation If the Group has a legal obligation to dismantle or remove an asset or restore a site or leased facilities when vacated, a provision is recognised corresponding to the present value of expected future costs. The present value of the obligation is included in the cost of the relevant tangible or right-of-use asset and depreciated accordingly.

2.6 Changes in working capital

DKK million	2020	2019
Changes in inventories	89	(27)
Changes in receivables	2,784	(2,529)
Changes in payables	(1,866)	525
Changes in working capital	1,007	(2,031)

Changes in receivables The positive impact was driven by strong focus on collections of trade receivables and the general reduction in activity caused by Covid-19. Further, other receivables decreased, mainly due to write-down of certain capitalised transition costs in Germany, Denmark and the UK and a reduction in certain receivables following changed systems in the UK.

Utilisation of factoring was reduced from DKK 1.4 billion in 2019 to DKK 1.0 billion in 2020 due to the Covid-19-related revenue reductions and the expiry of the Novartis contract on 31 December 2019.

Changes in payables The negative impact was mainly driven by Covid-19 leading to a decrease in both activities and employees with a resulting reduction in trade and other payables as well as tax withholdings, VAT, accrued wages and related social charges.

Furthermore, we saw an increase in the share of self-delivered services in 2020 leading to reduced payables relating to subcontractors. Finally, in some countries statutory requirements on payment terms led to a slight acceleration of payments.

2.7 Free cash flow

Free cash flow as defined by management, cf. p. 112, is summarised below. Free cash flow is not a financial performance measure established by IFRS. Accordingly, the measure and its calculation is solely presented as it is used by management as an alternative performance measure in managing the business.

The free cash flow measure should not be considered a substitute for those measures required by IFRS and may not be calculated by other companies in the same manner. As such, reference is made to the IFRS measures included in the consolidated statement of cash flows of the consolidated financial statements.

DKK million	2020	2019
Cash flow from operating activities	(886)	1,275
Acquisition of intangible assets and property, plant and equipment	(583)	(935)
Disposal of intangible assets and property, plant and equipment	31	38
Acquisition of financial assets, net ¹⁾	(19)	(10)
Addition of right-of-use assets, net ²⁾	(686)	(632)
Free cash flow	(2,143)	(264)

¹⁾ Excluding investments in equity-accounted investees which in 2020 was DKK 28 million (2019: DKK 40 million).

²⁾ Including DKK 27 million related to discontinued operations, see 2.1, Property plant and equipment and leases.

Strategic divestments and acquisitions

SECTION 3

3.1 Discontinued operations

At 31 December 2020, 11 countries (2019: 11 countries) were classified as discontinued operations and assets held for sale.

Our divestment activities in 2020 were significantly impacted by Covid-19, which effectively put most negotiations on hold in Q2. However, in the second half of the year, negotiations were reinitiated which led to the divestment of Brazil in October, Malaysia in November and Thailand in December. Furthermore, in November we reached an agreement to divest our activities in Slovenia with expected completion in Q1 2021.

In December 2020, additional three countries were added to our divestment programme following the announced strategy refresh. As a result, these countries have been classified as held for sale and discontinued operations.

Gains/losses related to the divestments and countries being held for sale at 31 December 2020 are specified in 3.2, Assets and liabilities held for sale.

Discontinued operations

Argentina, Brazil, Brunei, Chile, the Czech Republic, Estonia, Hungary, Israel, Malaysia, Portugal, the Philippines, Romania, Russia, Slovakia, Slovenia, Taiwan, Thailand and Uruguay.

Net profit/(loss) from discontinued operations

DKK million	2020	2019
Revenue	4,217	6,597
Expenses ¹⁾	(4,107)	(6,434)
Operating profit before other items	110	163
Other income and expenses, net ²⁾	176	87
Royalty	(89)	(138)
Goodwill impairment ²⁾	(116)	(157)
Operating profit	81	(45)
Financial income/(expenses), net	(17)	(8)
Net profit before tax	64	(53)
Income tax	(19)	7
Net profit from discontinued operations	45	(46)

¹⁾ Including depreciation and amortisation of DKK 15 million (2019: DKK 0 million).

²⁾ Including the combined net gain of DKK 61 million from divestments and fair value remeasurements, including recycling of accumulated foreign exchange adjustments.

Cash flow from discontinued operations

DKK million	2020	2019
Cash flow from operating activities	63	(61)
Cash flow from investing activities	(161)	201
Cash flow from financing activities	(223)	(56)

Impact on profit or loss

Gains/losses related to the divestments and countries being held for sale at 31 December 2020 are specified in 3.2, Assets and liabilities held for sale.

3.1 Discontinued operations (continued)

Accounting policy

The accounting policies for discontinued operations are described together with accounting policies for assets held for sale in 3.2, Assets and liabilities held for sale.

3.2 Assets and liabilities held for sale

Businesses classified as held for sale

At 31 December 2020, 14 businesses (2019: 13 businesses) were classified as held for sale comprising 11 countries (discontinued operations) and three business units in Continental Europe, Asia & Pacific and Americas, respectively.

In 2020, we divested three countries (discontinued operations), the activities in Bulgaria and the Parking Management business in Indonesia. Furthermore, a business in Northern Europe was reclassified as held for use in Q1 2020.

Additionally, as part of the strategy refresh announced in December 2020, three countries were classified as held for sale and discontinued operations, see 3.1, Discontinued operations, as well as two new businesses in Continental Europe and Americas.

Profit or loss effect

In 2020, divestments and fair value remeasurements of discontinued operations and businesses classified as held for sale resulted in recognition of a net loss of DKK 59 million in the profit or loss. The net loss is specified in the table below and was recognised in:

- Other income and expenses, net, DKK 85 million (loss)
- Goodwill impairment, DKK 35 million (loss)
- Net profit from discontinued operations, DKK 61 million (gain)

DKK million	2020
Parking Management, Indonesia ¹⁾	14
Brazil	129
Malaysia	13
Thailand	(376)
Remeasurement of businesses and countries that were held for sale 31 December 2020	153
Prior year divestments, continuing	107
Prior year divestments, discontinued	19
Total net loss	59

¹⁾ Continuing operations.

Recycling of accumulated foreign exchange adjustments recognised in equity had a negative impact on the net loss of DKK 1 million, related to Brazil, Malaysia and Thailand.

Statement of financial position

DKK million	2020	2019
Goodwill	547	358
Customer contracts	14	40
Other non-current assets	574	383
Current assets	681	992
Assets held for sale	1,816	1,773
Non-current liabilities	164	167
Current liabilities	674	738
Liabilities held for sale	838	905

3.2 Assets and liabilities held for sale (continued)

Significant accounting estimates and judgement

Non-current assets and disposal groups are classified as held for sale when management assesses that their carrying amounts will be recovered through a sale rather than continuing use within one year. Management assesses whether the sale is highly probable and the asset or disposal group is available for immediate sale in its current condition. Actions required to complete the sale should indicate that it is unlikely that significant changes to the sale will be made or that the decision to sell will be withdrawn.

If a sale has not been concluded within one year, the period is extended if management assesses that the above criteria continue to be fulfilled. In 2020, ongoing sales processes have been affected by **Covid-19** as countries around the world have been locked down and economic conditions have been unstable. These circumstances beyond our control have caused a delay in sales processes and negotiations. Management is committed to the divestments and assesses that they continue to be highly probable and expected to be concluded in 2021.

On classification management estimates the fair value (the final sales price and expected costs to sell). Depending on the nature of the non-current assets and the disposal group's activity, assets and liabilities, the estimated fair value may be associated with uncertainty. Measurement of the fair value is categorised as Level 3 in the fair value hierarchy as it is not based on observable market data.

Management considers intangible assets relating to the disposal groups, taking into consideration how to separate the net assets (including intangible assets) relating to the disposal group from the Group's assets in the continuing business. Impairment of these intangibles, both on initial classification as held for sale and subsequently, is considered. The estimation uncertainty relating to impairment of intangibles is described in 3.7, Impairment tests.

Accounting policy

Assets held for sale comprise non-current assets and disposal groups held for sale. Liabilities held for sale are those directly associated with the assets held for sale and disposal groups. Immediately before classification as held for sale, they are remeasured in accordance with the Group's accounting policies. Thereafter, they are measured at the lower of their carrying amount and fair value less costs to sell. Any impairment loss is first allocated to goodwill, and then pro rata to remaining assets, except that no loss is allocated to inventories, financial assets, deferred tax assets or employee benefit assets, which continue to be measured in accordance with the Group's accounting policies. Once classified as held for sale, assets are not amortised or depreciated.

Impairment losses on initial classification as held for sale, and subsequent gains and losses on remeasurement are recognised in profit or loss and disclosed in the notes.

Assets held for sale are presented in separate lines of the statement of financial position and specified in the notes. Comparatives are not restated.

A disposal group is presented as **discontinued operations** if it is a geographical area, i.e. a CGU (country exits), that either has been disposed of, or is classified as held for sale.

Discontinued operations are presented separately as Net profit from discontinued operations and specified in the notes. Comparatives are restated.

Cash flows from discontinued operations are included in cash flow from operating, investing and financing activities together with cash flows from continuing operations, but specified in 3.1, Discontinued operations.

Assets and liabilities of discontinued operations are presented similar to other assets held for sale. Comparative figures are not restated.

3.3 Divestments

The Group completed eight divestments in 2020 (2019: eight):

Company/ activity	Country	Service type	Excluded from profit or loss	Interest	Annual revenue ¹⁾ (DKK million)	Number of employees ¹⁾
Compact West	Austria	Cleaning	January	Activities	24	184
Parking Management	Indonesia	Property	March	100%	68	1,661
Pest control	Singapore	Property	March	100%	21	88
Healthcare Catering	Poland	Food	August	100%	27	130
ISS Brazil	Brazil	Country exit	October	100%	330	5,596
Facility Services Bulgaria	Bulgaria	Cleaning	October	100%	16	61
ISS Malaysia	Malaysia	Country exit	November	100%	75	1,431
ISS Thailand	Thailand	Country exit	December	100%	1,405	29,196
Total					1,966	38,347

¹⁾ Unaudited.

Divestment impact

DKK million	2020	2019
Goodwill	118	425
Customer contracts	11	-
Other non-current assets	79	582
Current assets	569	1,051
Non-current liabilities	(66)	(178)
Loans and borrowings	(29)	(227)
Current liabilities	(272)	(741)
Net assets disposed	410	912
Gain/(loss) on divestment, net	224	(121)
Divestment costs	144	250
Consideration received	778	1,041
Cash in divested businesses	(154)	(194)
Cash consideration received	624	847
Contingent and deferred consideration	54	(20)
Divestment costs paid	(173)	(136)
Divestment of businesses (cash flow)	505	691

Divestments subsequent to 31 December 2020

The Group completed no divestments from 1 January to 28 February 2021.

Accounting policy

Gain or loss on disposal of an operation that is part of a CGU, includes a portion of the related goodwill allocated to that CGU. Goodwill related to the disposed operation is measured based on the fair value of the disposed operation relative to the fair value of the entire CGU.

3.4 Pro forma revenue and operating profit

Assuming all acquisitions and divestments in the year were included/excluded as of 1 January, the effect on recognised revenue and operating profit before other items is estimated as follows:

DKK million	2020	2019
Revenue	69,838	77,715
Acquisitions	-	36
Divestments	(29)	(1,117)
Pro forma revenue	69,809	76,634
Operating profit before other items	(2,525)	3,829
Acquisitions	-	3
Divestments	1	(82)
Pro forma operating profit before other items	(2,524)	3,750

Pro forma revenue and operating profit before other items include adjustments relating to acquisitions and divestments estimated by local ISS management at the time of acquisition and divestment or actual results where available. The estimates are based on unaudited financial information.

Pro forma revenue and operating profit before other items are presented for informational purposes and does not represent the results the Group would have achieved had the acquisitions and divestments during the year occurred on 1 January. The information should therefore not be used as the basis for or prediction of any annualised calculation.

3.5 Intangible assets

DKK million	Goodwill	Brands	Customer contracts	Software and other	Total
2020					
Cost at 1 January	18,007	55	3,870	1,604	23,536
Foreign exchange adjustments	(551)	(6)	(161)	(43)	(761)
Acquisitions	87	-	-	-	87
Additions	-	-	-	160	160
Divestments	(41)	-	(11)	(0)	(52)
Disposals	-	-	-	(225)	(225)
Reclassification (to)/from Property, plant and equipment	-	-	-	12	12
Reclassification to Assets held for sale	(437)	-	(29)	(13)	(479)
Cost at 31 December	17,065	49	3,669	1,495	22,278
Amortisation and impairment losses at 1 January	(1,494)	(30)	(3,453)	(1,012)	(5,989)
Foreign exchange adjustments	18	4	133	24	179
Amortisation	-	(10)	(79)	(162)	(251)
Impairment	(631)	-	-	(98)	(729)
Divestments	22	-	11	0	33
Disposals	-	-	-	222	222
Reclassification to/(from) Property, plant and equipment	-	-	-	(2)	(2)
Reclassification to Assets held for sale	113	-	43	13	169
Amortisation and impairment losses at 31 December	(1,972)	(36)	(3,345)	(1,015)	(6,368)
Carrying amount at 31 December	15,093	13	324	480	15,910
2019					
Cost at 1 January	17,728	54	3,875	1,453	23,110
Foreign exchange adjustments	221	1	19	14	255
Acquisitions	106	-	-	-	106
Additions	-	-	-	248	248
Divestments	(11)	-	-	(32)	(43)
Disposals	-	-	-	(76)	(76)
Reclassification (to)/from Property, plant and equipment	-	-	-	(3)	(3)
Reclassification to Assets held for sale	(37)	-	(24)	(0)	(61)
Cost at 31 December	18,007	55	3,870	1,604	23,536
Amortisation and impairment losses at 1 January	(1,491)	(18)	(3,363)	(944)	(5,816)
Foreign exchange adjustments	(4)	(1)	(2)	(7)	(14)
Amortisation	-	(11)	(97)	(145)	(253)
Impairment	(461)	-	-	(7)	(468)
Divestments	479	-	-	16	495
Disposals	-	-	-	72	72
Reclassification to/(from) Property, plant and equipment	-	-	-	11	11
Reclassification to Assets held for sale	(17)	-	9	(8)	(16)
Amortisation and impairment losses at 31 December	(1,494)	(30)	(3,453)	(1,012)	(5,989)
Carrying amount at 31 December	16,513	25	417	592	17,547

Impairment losses on goodwill comprised losses identified in impairment tests related to France of DKK 500 million, see 3.6, Goodwill impairment, as well as remeasurements related to assets held for sale.

Impairment losses on software mainly related to a non-cash write-down of impaired assets following the IT security incident, see 1.4, Other income and expenses, net.

3.5 Intangible assets (continued)

Accounting policy

Goodwill is initially recognised at cost and subsequently at cost less accumulated impairment losses, see 3.7, Impairment tests. Goodwill is not amortised. Goodwill relates mainly to assembled workforce, technical expertise and technological knowhow.

Acquisition-related **brands** and **customer contracts** are recognised at fair value at the acquisition date. Subsequently, brands with indefinite useful lives are measured at cost less accumulated impairment losses. Brands with finite useful lives and customer contracts are measured at cost less accumulated amortisation and impairment losses.

Acquired **software and other intangible assets** are measured at cost less accumulated amortisation and impairment losses. The cost of software developed for internal use includes external costs to consultants and software as well as internal direct and indirect costs related to the development. Other development costs for which it cannot be rendered probable that future economic benefits will flow to the Group are recognised in profit or loss as and when incurred.

Amortisation methods and useful lives are reassessed at the reporting date and adjusted prospectively, if appropriate. Amortisation is calculated on a straight-line basis over the estimated useful lives of the assets.

Estimated useful life

Brands (finite useful life)	2-5 years
Customer contracts	11-15 years
Software and other intangible assets	5-10 years

3.6 Goodwill impairment

DKK million	2020	2019
Identified in impairment test	500	-
Derived from divestment of businesses	35	304
Goodwill impairment	535	304

Identified in impairment tests related to goodwill impairment in France as described in 3.7, Impairment tests.

Derived from divestment related to Parking Management in Indonesia and the Healthcare Catering Business in Poland. In 2019, the loss mainly related to the Hygiene & Prevention business in France (DKK 297 million).

3.7 Impairment tests

Cash-generating units (CGUs)

Impairment tests are generally carried out per country as this represents the lowest level of CGUs to which the carrying amount of intangibles, i.e. goodwill and customer contracts, can be allocated and monitored with any reasonable certainty. This level of allocation and monitoring of intangibles should be seen in light of the Group's strategy to integrate acquired companies as quickly as possible in order to benefit from synergies. Management of certain countries has been combined to take advantage of similarities in terms of markets, shared customers and cost synergies. In such exceptional cases, the countries are regarded as one CGU when performing the impairment tests.

Measuring recoverable amounts (general assumptions)

The recoverable amount of each CGU is determined on the basis of its value-in-use, calculated using certain key assumptions per CGU, i.e. revenue growth, operating margin and discount rate.

Value-in-use cash flow projections for the individual CGUs are based on financial budgets for the following year as approved by management. Assumptions applied in the short to medium term (forecasting period of five years) generally reflect management's expectations considering all relevant factors, including the Group's strategic initiatives, local initiatives, past experience and external sources of information, where possible and relevant.

In 2020, management has ensured that financial budgets, forecasts and underlying assumptions applied in the impairment tests have been updated to reflect the expected impact from Covid-19, including the increased level of uncertainty in terms of future recovery. Furthermore, expected impacts from our refreshed strategy, OneISS, have been considered, especially around sharpened focus on key accounts and the divestment programme as well as accelerated technology investments and changes to the global operating model. Our four key operational challenges (Deutsche Telekom, Danish Defence, the UK and France) have also been considered in determining key assumptions for the specific CGUs. Where relevant, initiated restructurings and other actions in response to Covid-19 and our key operational challenges have been taken into consideration when estimating the expected future performance and cash flows.

Covid-19 impact on risk assessment

In 2020, Covid-19 had a significant adverse effect on the Group's performance and cash flows, which led to substantial deviations from financial budgets and forecasts in several countries. The severity of the impact varied from country to country depending on service mix and exposure to industry segments. These are also factors impacting the prospects for and timing of future recovery – in addition to several other factors, like the general macroeconomic environment and our own initiatives and actions.

During 2020, Covid-19 had a significant impact on market fluctuations, including interest rates. By the end of the year, fluctuations have to some degree stabilised with interest rates being below the 2019 level and thus largely offsetting the Covid-19 premium.

Most of our CGUs expect a gradual recovery during 2021, and for some countries, continuing into 2022. However, in general the level of uncertainty is significantly increased. To account for the increased estimation uncertainty, management has included a separate risk premium in the 2020 impairment test based on the identified risks and uncertainties of the individual CGUs. The new risk premium is added to the country specific discount rate.

3.7 Impairment tests (continued)

Key assumptions per CGU	Description
Revenue growth (forecasting period)	<ul style="list-style-type: none"> Budgeted growth for the following year Subsequent years based on expected market development taking market maturity and general macroeconomic environment into consideration Impacts from local and Group strategic initiatives are considered, including sharpened focus on key accounts and the divestment programme
Revenue growth (terminal period)	<ul style="list-style-type: none"> Does not exceed the expected long-term average growth rate for the country including inflation
Operating margin	<ul style="list-style-type: none"> Budgeted margin for the following year Impacts from local and Group strategic initiatives are considered, including sharpened focus on key accounts, the divestment programme and changes to the operating model Initiated restructurings and other actions in response to Covid-19 and operational challenges are considered, when relevant
Discount rates (net of tax)	<ul style="list-style-type: none"> Based on a country-specific 10-year government bond, but adjusted as per below: Premium added to adjust for the inconsistency of applying government bonds with a short-term maturity when discounting cash flows with infinite maturity Premium added to reflect the specific risk associated with each CGU, reflecting uncertainties regarding past performance and possible variations in the amount or timing of the projected cash flows Premium added to reflect the increased uncertainty from Covid-19 Adjustment to reflect the inclusion of right-of-use assets in net assets (in other non-current assets) to be tested Equity risk premium: 6.5% (2019: 6.5%) Debt/equity target ratio (market values): 25/75 (2019: 25/75)

Result of the impairment tests

In 2020, an impairment loss of DKK 500 million was recognised in France at 30 June 2020 as described below. Based on the impairment tests performed at 31 December 2020, it is managements opinion that excess values are fairly resilient to any likely and reasonable deteriorations in the key assumptions applied. As a result, no further impairment losses were recognised in 2020.

France At 30 June 2020, the impairment test for France resulted in recognition of an impairment loss on goodwill of DKK 500 million. The loss was due to a reassessment of the business plans following Covid-19 leading to lowered margin expectations for the terminal period as a result of expected long-term reduction of activity levels and profitability of certain customers. Additionally, delay of expected realisation of benefits from the ongoing reorganisation had a negative impact. Carrying amount of goodwill, applied assumptions as well as sensitivities are illustrated below. The impairment test performed for France at 31 December 2020 did not result in further impairment losses.

3.7 Impairment tests (continued)

Carrying amounts and key assumptions

The carrying amount of intangibles and key assumptions¹⁾ for CGUs representing more than 5% of intangibles, or CGUs considered to be at high risk of impairment or having incurred recent impairment losses, are disclosed below.

DKK million	Carrying amount			Forecasting period		Terminal period		Applied discount rate	
	Goodwill	Customer contracts	Total	Growth (avg.)	Margin (avg.) ²⁾	Growth	Margin ²⁾	Net of tax	Pre-tax
2020									
USA & Canada ³⁾	1,865	163	2,028	13.4 %	5.9 %	3.0 %	6.0 %	9.4 %	11.9 %
UK & Ireland	1,687	132	1,819	4.7 %	4.4 %	2.5 %	6.0 %	8.4 %	10.0 %
Finland	1,653	-	1,653	2.4 %	5.7 %	2.0 %	6.5 %	7.0 %	8.5 %
France	1,396	-	1,396	3.1 %	3.1 %	2.0 %	5.0 %	7.3 %	10.4 %
Australia & New Zealand	1,289	8	1,297	0.9 %	4.6 %	2.5 %	4.6 %	8.3 %	11.7 %
Switzerland	1,147	-	1,147	2.3 %	7.0 %	1.5 %	7.2 %	6.0 %	7.3 %
Spain	1,021	11	1,032	3.8 %	6.0 %	2.0 %	6.5 %	7.7 %	10.1 %
Belgium & Luxembourg	788	-	788	3.9 %	5.2 %	2.0 %	6.0 %	7.2 %	9.3 %
Other	4,247	10	4,257	-	-	-	-	-	-
Total	15,093	324	15,417						
2019									
USA & Canada ³⁾	2,283	196	2,479	4.0 %	5.9 %	3.0 %	5.9 %	9.3 %	13.9 %
France	1,902	-	1,902	1.2 %	2.3 %	2.5 %	6.5 %	7.4 %	10.3 %
UK & Ireland	1,793	167	1,960	1.5 %	5.7 %	2.5 %	5.7 %	8.0 %	9.3 %
Finland	1,660	-	1,660	2.5 %	7.1 %	2.0 %	7.1 %	7.1 %	8.5 %
Australia & New Zealand	1,298	27	1,325	3.5 %	5.2 %	3.0 %	5.2 %	8.3 %	11.0 %
Switzerland	1,214	1	1,215	0.9 %	6.8 %	2.0 %	6.8 %	5.7 %	6.9 %
Spain & Portugal	1,065	17	1,082	1.9 %	5.9 %	2.5 %	5.9 %	7.5 %	9.4 %
Other	5,298	9	5,307	-	-	-	-	-	-
Total	16,513	417	16,930						

¹⁾ The key assumptions applied in the impairment tests are used for accounting purposes and should not be considered a forward-looking statement within the meaning of the US Private Securities Litigation Act of 1995 and similar laws in other countries regarding expectations to the future development.

²⁾ Excluding allocated corporate costs and royalty.

³⁾ Excluding brands of DKK 13 million (2019: DKK 25 million).

Significant accounting estimates

In performing the impairment test management assesses whether the CGU to which the intangibles relate will be able to generate positive net cash flows sufficient to support the value of intangibles and other net assets. This assessment is based on estimates of

In 2020, **Covid-19** led to a significant increase in uncertainties in general, and particularly in relation to future expectations and prospects for recovery. The impact on the Group's performance and cash flows is described under "Covid-19 impact on risk assessment".

3.7 Impairment tests (continued)

Sensitivity analysis

A sensitivity analysis on the key assumptions in the impairment testing is presented below. The allowed change represents the percentage points by which the value assigned to the key assumption can change, all other things being equal, before the CGU's recoverable amount equals its carrying amount.

	Forecasting period				Terminal period				Discount rate, net of tax	
	Growth		Margin ¹⁾		Growth		Margin ¹⁾		Applied rate	Allowed increase
	Applied avg. rate	Allowed decrease	Applied avg. rate	Allowed decrease	Applied long-term rate	Allowed decrease	Applied long-term rate	Allowed decrease		
2020										
USA & Canada	13.4%	>13.4%	5.9%	>3.0%	3.0%	>3.0%	6.0%	>3.0%	9.4%	>3.0%
UK & Ireland	4.7%	>4.7%	4.4%	>3.0%	2.5%	>2.5%	6.0%	>3.0%	8.4%	>3.0%
Finland	2.4%	>2.4%	5.7%	>3.0%	2.0%	>2.0%	6.5%	>3.0%	7.0%	>3.0%
France	3.1%	2.0%	3.1%	2.0%	2.0%	0.6%	5.0%	0.5%	7.3%	0.5%
Australia & New Zealand	0.9%	>0.9%	4.6%	>3.0%	2.5%	>2.5%	4.6%	1.4%	8.3%	2.1%
Switzerland	2.3%	>2.3%	7.0%	>3.0%	1.5%	>1.5%	7.2%	>3.0%	6.0%	>3.0%
Spain	3.8%	>3.8%	6.0%	>3.0%	2.0%	>2.0%	6.5%	>3.0%	7.7%	>3.0%
Belgium & Luxembourg	3.9%	>3.9%	5.2%	>3.0%	2.0%	>2.0%	6.0%	>3.0%	7.2%	>3.0%
2019										
USA & Canada	4.0%	>4.0%	5.9%	>3.0%	3.0%	>3.0%	5.9%	>3.0%	9.3%	>3.0%
France	1.2%	>1.2%	2.3%	>3.0%	2.5%	0.9%	6.5%	1.1%	7.4%	0.8%
UK & Ireland	1.5%	>1.5%	5.7%	>3.0%	2.5%	>2.5%	5.7%	>3.0%	8.0%	>3.0%
Finland	2.5%	>2.5%	7.1%	>3.0%	2.0%	>2.0%	7.1%	>3.0%	7.1%	>3.0%
Australia & New Zealand	3.5%	>3.5%	5.2%	>3.0%	3.0%	>3.0%	5.2%	>3.0%	8.3%	>3.0%
Switzerland	0.9%	>0.9%	6.8%	>3.0%	2.0%	>2.0%	6.8%	>3.0%	5.7%	>3.0%
Spain & Portugal	1.9%	>1.9%	5.9%	>3.0%	2.5%	>2.5%	5.9%	>3.0%	7.5%	>3.0%

¹⁾ Excluding allocated corporate costs and royalty.

Accounting policy

Intangible assets with an indefinite useful life, i.e. goodwill, are subject to impairment testing annually or when circumstances indicate that the carrying amount may be impaired. The carrying amount of other non-current assets is tested annually for indications of impairment.

If an indication of impairment exists, the recoverable amount of the asset is determined, i.e. the higher of the fair value of the asset less anticipated costs of disposal and its value-in-use. The value-in-use is calculated as the present value of expected future cash flows from the asset or the CGU to which the asset belongs.

The carrying amount of goodwill is tested for impairment together with the other non-current assets in the CGU to which goodwill is allocated.

An impairment loss is recognised in the statement of profit or loss in a separate line if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses are only reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation and amortisation, if no impairment loss had been recognised.

Capital structure

SECTION 4

4.1 Equity

Capital management

The ISS Global Group is indirectly wholly owned by ISS A/S and is therefore part of the ISS A/S Group. Group Treasury manages financing activities and capital structure centrally for the ISS A/S Group as a whole. The ISS Global Group's financing activities and capital structure are not assessed independently of the ISS A/S Group.

The Group monitors the capital structure and evaluates the need for adjustments on an ongoing basis. The Group's objectives for managing capital and what is managed as capital are described in note 4.6, Liquidity risk. The dividend policy and payment of dividend is made subject to the necessary consolidation of equity and the Group's continuing expansion and profitability.

ISS Global A/S (the Group's parent) is a holding company, and its primary assets are shares in subsidiaries, receivables from its subsidiaries and cash in its bank accounts. ISS Global A/S has no revenue generating operations of its own, and therefore ISS Global A/S's cash flow and ability to service interdebt, will primarily depend on the operating performance and financial condition of its operating subsidiaries, and the receipt by ISS Global A/S of funds from its subsidiaries.

Share capital

In 2020, the share capital was increased by nominally DKK 100,000 by a conversion of an intercompany loan, net of DKK 1,300 million from ISS World Services A/S. Furthermore, a capital injection of DKK 5,000 million was made. The total amount of DKK 6,300 million was recognised in retained earnings.

At 31 December 2020, ISS Global A/S's share capital comprised a total of DKK 180,200 shares (2019: 180,100) with a nominal value of DKK 1 thousand each. All shares were fully paid and freely transferable.

ISS Global A/S has one class of shares, and no shares carry special rights. Each share gives the holder the right to one vote at our general meetings.

Dividend

In 2020, no dividend (2019: DKK 1,500 million) to ISS World Services A/S (ultimately ISS A/S) were approved.

Translation reserve

DKK million	Net investment hedges	Subsidiaries and non- controlling interests	Total
Translation reserve at 1 January 2020	(143)	(393)	(536)
Foreign exchange adjustments of subsidiaries (ISS Global's share)	-	(617)	(617)
Recycling of accumulated foreign exchange adjustments on country exits	-	1	1
Fair value adjustments of net investment hedges, net of tax	140	-	140
Translation reserve at 31 December 2020	(3)	(1,009)	(1,012)

Accounting policy

Retained earnings is the Group's free reserves, which includes share premium. Share premium comprises amounts above the nominal share capital paid by shareholders when shares are issued by ISS Global A/S.

Translation reserve comprises foreign exchange differences arising from the translation of financial statements of foreign entities with a functional currency other than DKK as well as from the translation of non-current balances which are considered part of the investment in foreign entities and fair value adjustments of net investment hedges.

On full realisation of a foreign entity where control is lost the accumulated foreign exchange adjustments are transferred to profit or loss in the same line item as the gain or loss.

Dividends are recognised as a liability at the date when they are adopted at the annual general meeting (declaration date). Dividends proposed for the year are shown in a separate reserve under Equity. Interim dividends are recognised as a liability at the date when the decision to pay the dividend is made.

4.2 Loans and borrowings

DKK million	2020	2019
Issued bonds	15,537	14,123
Lease liabilities ¹⁾	2,481	2,982
Debt to companies within the ISS Group	2	2,686
Bank loans	474	247
Derivatives	6	1
Total	18,500	20,039
Non-current liabilities	17,236	16,198
Current liabilities	1,264	3,841
Loans and borrowings	18,500	20,039
Cash and cash equivalents and other financial items ²⁾	(6,155)	(2,765)
Net debt	12,345	17,274

¹⁾ Right-of-use assets are presented in 2.1, Property, plant and equipment and leases.

²⁾ Includes securities of DKK 76 million (2019: DKK 55 million), certain receivables from companies within the ISS Group of DKK 3,333 million (2019: none) as well as positive value of currency swaps and net investment hedges of DKK 2 million and DKK 3 million (2019: DKK 12 million/ DKK 29 million), respectively. The average interest rate related to receivables from companies within the ISS Group was 2.0% (2019: none).

Refinancing

In 2020, ISS Finance B.V., a 100% owned subsidiary of ISS Global A/S successfully issued EMTN bonds for a principal amount of EUR 500 million maturing in 2025. The notes were issued under ISS Global A/S's EUR 3 billion EMTN programme. The net proceeds were used for early repayment in November 2020 of the remaining EUR 300 million EMTNs maturing in January 2021.

Financing fees

In 2020, financing fees amounting to DKK 33 million (2019: DKK 41 million) have been recognised in loans and borrowings while financing fees of DKK 22 million (2019: DKK 27 million) have been amortised and recognised in financial expenses. Accumulated financing fees recognised in loans and borrowings at 31 December 2020 amounted to DKK 104 million (2019: DKK 93 million).

Fair value

The fair value of loans and borrowings was DKK 18,884 million (2019: DKK 20,460 million). The fair value of bonds is based on the quoted market price on the Luxembourg Stock Exchange and measurement is categorised as Level 1 in the fair value hierarchy. For the remaining loans and borrowings, fair value is equal to the nominal value as illustrated in 4.5, Interest rate risk.

4.2 Loans and borrowings (continued)

Changes in loans and borrowings

DKK million	1 January	FX	Cash flow	Divest- ments	Lease addition ¹⁾	FV adj.	Other ²⁾	31 December
2020								
Issued bonds	14,123	(63)	1,460	-	-	-	17	15,537
Lease liabilities	2,982	(78)	(1,005)	(19)	738	-	(137)	2,481
Debt to companies within the ISS Group ³⁾	2,686	-	(1,322)	-	-	-	(1,362)	2
Bank loans	247	(50)	709	(10)	-	(221)	(201)	474
Derivatives	1	-	-	-	-	5	-	6
Total	20,039	(191)	(158)	(29)	738	(216)	(1,683)	18,500
2019								
Issued bonds	17,121	7	(3,022)	-	-	-	17	14,123
Lease liabilities	232	(49)	(1,066)	(198)	4,054	-	9	2,982
Debt to companies within the ISS Group	2,047	-	633	-	-	-	6	2,686
Bank loans	179	5	(308)	(29)	-	164	236	247
Derivatives	-	-	-	-	-	1	-	1
Total	19,579	(37)	(3,763)	(227)	4,054	165	268	20,039

¹⁾ In 2019, DKK 3,436 million related to adoption of IFRS 16.

²⁾ Includes lease liabilities and bank loans reclassified to liabilities held for sale of DKK (125) million/DKK 0 million (2019: DKK (95) million/DKK (8) million).

³⁾ Other includes conversion of intercompany loan from ISS World Services A/S of DKK 1,300 million.

Accounting policy

Issued bonds and **bank loans** are recognised initially at fair value net of directly attributable transaction costs and subsequently at amortised cost using the effective interest method. Any difference between the proceeds initially received and the nominal value is recognised in Financial expenses over the term of the loan.

Amortisation of financing fees At the date of borrowing financing fees are recognised as part of loans and borrowings. Subsequently, financing fees are amortised over the term of the loan and recognised in Financial expenses.

Lease liabilities At the commencement date, the Group recognises lease liabilities at the present value of the lease payments to be made over the lease term. Lease payments include fixed payments less any incentive payments, variable lease payments that depend on an index or rate, e.g. when a minimum indexation is applied, and amounts expected to be paid under residual value guarantees. Lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payment of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate. The present value is calculated using the Group's incremental borrowing rate if the interest rate implicit in the lease is not readily determinable.

Subsequently the lease liability is measured at amortised cost using the effective interest method. The liability is increased to reflect the accretion of interest and reduced for the lease payments made. The liability is remeasured due to a modification, a change in lease term or a change in the assessment to purchase the underlying asset. Also, the liability is remeasured due to a change in future lease payments (e.g. a change in an index or rate) or due to a change in the Group's estimate of the amount expected to be payable under a residual guarantee.

4.3 Financial income and financial expenses

DKK million	2020	2019
Interest income on cash and cash equivalents	31	38
Interest income from companies within the ISS Group	5	10
Foreign exchange gains	28	-
Financial income	64	48
Interest expenses on loans and borrowings	(405)	(406)
Interest expenses on lease liabilities	(77)	(94)
Bank fees	(49)	(43)
Amortisation of financing fees (non-cash)	(22)	(27)
Net interest on defined benefit obligations	(17)	(25)
Forward premiums, currency swaps	(15)	(93)
Interest on factoring ¹⁾	(5)	(20)
Foreign exchange losses	-	(2)
Interest expenses to companies within the ISS Group	(10)	(5)
Other	(6)	(28)
Financial expenses	(606)	(743)

¹⁾ The Group uses non-recourse factoring with certain large blue-chip customers and participates in certain customers' supply chain finance arrangements. ISS does not use reverse factoring or supply chain financing of own payables.

Foreign exchange gains and losses mainly related to gain on external loans and borrowings denominated in EUR partly offset by losses on intercompany loans from the parent company. In addition, fair value adjustments of currency swaps were included.

Interest expenses on loans and borrowings were impacted by commitment fees relating to the new undrawn EUR 700 million revolving credit facility. These additional costs were partly offset by lower interest expenses on bonds leaving the interest expense at the same level as 2019.

Forward premiums on currency swaps ISS uses currency swaps to hedge the exposure to currency risk on intercompany loans. The cost of hedging in 2020 decreased significantly compared to 2019, primarily driven by reduced interest rate spreads and a lower amount of EUR/USD swaps during 2020.

4.4 Financial risk management

The Group is exposed to a number of financial risks arising from its operating and financing activities, mainly interest rate risk, liquidity risk, currency risk and credit risk.

Financial risks are managed centrally by Group Treasury based on the Financial Policy, which is reviewed and approved annually by the Board of Directors of ISS A/S. It is considered on an ongoing basis if the financial risk management approach appropriately addresses the risk exposures.

It is the Group's policy to mitigate risk exposure derived from its business activities. Group policy does not allow taking speculative positions in the financial markets.

The Group's objectives and policies for measuring and managing risk exposure are explained in:

- 4.5, Interest rate risk;
- 4.6, Liquidity risk; and
- 4.7, Currency risk.

Credit risk on trade receivables and currency risk (operational) are described in:

- 2.2, Trade receivables and credit risk; and
- 1.3, Translation and operational currency risk.

At 31 December 2020, the exposure to credit risk related to cash and cash equivalents and other financial items was DKK 6,155 million (2019: DKK 2,765 million). It is the Group's policy to transact only with financial institutions with at least A-1/P-1 credit ratings. Group Treasury monitors credit ratings on an ongoing basis and approves exceptions to credit rating requirements.

The Group has not identified additional financial risk exposures in 2020 compared to 2019.

In 2020, **Covid-19** has affected the liquidity and the credit risk. ISS has monitored the risks through the initiatives described in the relevant notes.

4.5 Interest rate risk

Exposure

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair value of financial instruments. Exposure relates to bank loans with floating interest rates.

Low risk

- 97% of the Group's bank loans and bonds carried fixed interest rates at 31 December 2020 (2019: 83%)
- Duration of gross debt (fixed-rate period) of 5.1 years at 31 December 2020 (2019: 5.5 years)
- Exposure primarily related to EUR denominated bank loans with floating rates and DKK denominated debt to companies within the ISS Group

Risk management policy

- At least 50% of the Group's bank loans and issued bonds must carry fixed interest rates directly or through derivatives
- Duration of gross debt (fixed-rate period) shall be 2-6 years
- Currently, the Group does not use interest rate swaps

Mitigation

- The balance between fixed and variable interest rates and gross debt duration (fixed-rate period) is measured on a monthly basis

Exposure towards interest rates

DKK million				2020	2019	
	Nominal interest rate	Currency	Maturity	Nominal value	Carrying amount	Carrying amount
Issued bonds (fixed interest rate)						
EMTNs (EUR 500 million)	1.125%	EUR	2021	-	-	2,238
EMTNs (EUR 500 million)	2.125%	EUR	2024	3,720	3,709	3,721
EMTNs (EUR 500 million)	1.250%	EUR	2025	3,720	3,690	-
EMTNs (EUR 500 million)	0.875%	EUR	2026	3,720	3,690	3,701
EMTNs (EUR 600 million)	1.500%	EUR	2027	4,463	4,448	4,463
				15,623	15,537	14,123
Bank loans (floating interest rate)						
Revolving Credit Facility (EUR 1,000 million) ¹⁾	Libor + 1.750%	Multi	2024	-	-	49
Bank loans and overdrafts	-	Multi	-	492	474	198
				492	474	247
Intra-group (floating interest rates)						
Debt to companies within the ISS Group ²⁾	Cibor + 0.5%	DKK	2024	2	2	2,686
				2	2	2,686

¹⁾ In addition, a utilisation fee applies based on the actual level of utilisation.

²⁾ The loans are committed until 2024, but classified as current as they are used in the ISS Global Group's normal operating cycle.

Interest rate sensitivity

An increase in relevant interest rates of 1%-point would have decreased net profit by DKK 5 million (2019: decreased by DKK 28 million).

The estimate was based on the Group's floating rate loans and borrowings, i.e. disregarding cash and cash equivalents, as the level at 31 December is typically the highest in the year and not a representative level for the purpose of this analysis. The analysis assumes that all other variables remain constant.

In addition, at 31 December 2020, the net forward position of intercompany loan hedges (excluding EUR/DKK hedges) was DKK 1.9 billion (2019: DKK 2.1 billion) of which USD represents DKK 1.8 billion (2019: DKK 1.8 billion). An increase of 1%-point in relevant interest rates versus EUR/DKK interest rates would have increased the annual cost (forward premium) by DKK 19 million (2019: increased DKK 21 million) and consequently decreased net profit and equity with the same amount.

4.6 Liquidity risk

Exposure

The Group monitors its risk of insufficient liquidity centrally in Group Treasury. Liquidity risk results from the Group's potential inability or difficulty in meeting the contractual obligations associated with its financial liabilities due to insufficient liquidity.

Low risk

- No short-term maturities
- No financial covenants
- Diversified funding; bonds, bank loans and intercompany loans
- Additional credit lines secured due to Covid-19

Risk management policy

- Maintain an appropriate level of short- and long-term liquidity reserves (liquid funds and committed credit facilities)
- Maintain a smooth maturity profile in terms of different maturities
- Maintain access to diversified funding sources

Mitigation

- Raising capital is managed centrally in Group Treasury to ensure efficient liquidity management
- Liquidity is transferred to/from ISS Global A/S, which operates as the Group's internal bank
- For day-to-day liquidity management cash pools have been established in the majority of the local entities

Liquidity reserves

To manage the effect of Covid-19 on liquidity risk, Management has taken several initiatives to ensure sufficiently available liquidity, including securing new credit facilities. As a result, readily available liquidity at 31 December 2020 increased significantly to DKK 14,058 million (2019: DKK 8,404 million).

DKK million	2020	2019
Cash and cash equivalents	2,741	2,669
Restricted cash	(37)	(32)
Unused revolving credit facilities	12,380	7,104
Liquidity reserves	15,084	9,741
Not readily available	1,026	1,337
Readily available liquidity	14,058	8,404

Cash and cash equivalent at DKK 2,741 million reflects the strong liquidity position of the Group. The level is typically highest at 31 December and not a representative level for the rest of the year.

Restricted cash DKK 37 million of the total cash and cash equivalents at 31 December 2020 was placed on blocked or restricted bank accounts due to legal cases and tax-related circumstances

Unused revolving credit facilities The Group has a EUR 1 billion revolving credit facility maturing in November 2024. In addition, in 2020 the Group has secured additional credit facilities of EUR 700 million from a club of five banks that were undrawn at 31 December 2020. The EUR 700 million facility matures on 31 March 2022.

Furthermore, the Group has other local credit facilities, which are not part of the senior unsecured facilities. At 31 December 2020, other local credit facilities amounted to DKK 0.9 billion of which DKK 0.4 billion was unused (31 December 2019: DKK 1.0 billion of which DKK 0.8 billion was unused).

Not readily available Cash is considered readily available if it is available for upstreaming to the parent company (ISS Global A/S) within five days. In a number of countries, it is assessed that transfer to ISS Global A/S would take more than five days due to local administrative processes, and thus cash in these countries are not deemed readily available.

4.6 Liquidity risk (continued)

Contractual maturities

The contractual maturities of financial liabilities, based on undiscounted contractual cash flows, are shown in the table. The undiscounted contractual cash flows include expected interest payments, estimated based on market expectations at 31 December. The risk implied from the values reflects the one-sided scenario of cash outflows only. Trade payables and other financial liabilities are mainly used to finance assets such as trade receivables and property, plant and equipment.

DKK million	Carrying amount	Contractual cash flows	< 1 year	1-2 years	2-3 years	3-4 years	4-5 years	> 5 years
2020								
Loans and borrowings, excl. lease ¹⁾	16,017	17,270	691	232	234	3,956	3,845	8,312
Lease liabilities	2,481	2,592	830	641	442	268	179	232
Debt to companies within the ISS Group	2	2	2	-	-	-	-	-
Trade payables and other ²⁾	3,737	3,737	3,628	21	88	-	-	-
Total financial liabilities	22,237	23,601	5,151	894	764	4,224	4,024	8,544
2019								
Loans and borrowings, excl. lease ¹⁾	14,371	15,621	484	2,421	179	182	3,908	8,447
Lease liabilities	2,982	3,133	914	720	539	347	218	395
Debt to companies within the ISS Group	2,686	2,693	2,693	-	-	-	-	-
Trade payables and other ²⁾	6,702	6,739	6,594	34	111	-	-	-
Total financial liabilities	26,741	28,186	10,685	3,175	829	529	4,126	8,842

¹⁾ Excluding debt to companies within the ISS Group.

²⁾ Including payable royalties and management fees to ISS World Services A/S.

4.7 Currency risk

Exposure

Currency risk is the risk that arises from changes in exchange rates, and affects the Group's result, investments or value of financial instruments.

Low risk

The Group generally benefits from a natural hedge in having costs, investments and income in the same functional currency country by country. Currency risk therefore predominantly arises from funding and investments in subsidiaries.

- 97.2% of the Group's loans and borrowings (external) were denominated in EUR/DKK at 31 December 2020 (2019: 98.5%)
- Including the impact of net investment hedges, 80.9% (2019: 76.4%) of the Group's external borrowings were denominated in EUR

Risk management policy

- It is Group policy to pool funding activities centrally and fund investments in subsidiaries through a combination of intercompany loans and equity
- Currency risk on intercompany loans is as a main policy hedged against DKK or EUR when exposure exceeds DKK 5 million. Some currencies cannot be hedged within a reasonable price range in which case correlation to a proxy currency is considered and, if deemed appropriate, proxy hedging is applied
- Currency risk on net investments are as a main policy hedged against DKK or EUR when annual EBITDA of the relevant functional currency corresponds to 5% or more of Group EBITDA up to an amount of 3-5x EBITDA in the relevant functional currency and adjusted as appropriate to relevant market entry and exit risk
- Exposure to EUR is monitored but not hedged due to the fixed rate exchange policy between DKK/EUR
- Our currency hedging exposes us to interest spread risk, see sensitivity analysis in note 4.5, Interest rate risk

Mitigation

- Currency swaps are used to hedge the exposure to currency risk on loans and borrowings (external) and intercompany balances. As changes in the fair value of both the hedged item and the currency swap are recognised in profit or loss, hedge accounting is not applied
- Exposure on loans and borrowings, intercompany balances and cash and cash equivalents are measured at least on a weekly basis to evaluate the need for hedging currency positions
- Currency swaps (net investment hedges) or debt is used to hedge the currency exposure to investments in subsidiaries. As hedge accounting is applied (other than for EUR) changes in fair value impact equity

Loans and borrowings – foreign currency sensitivity

A change in relevant currencies, with all other variables held constant, would have impacted profit or loss with the amounts below. The analysis is based on the Group's internal monitoring of currency exposure on loans and borrowings, intercompany loans, cash and cash equivalents as well as accrued royalties (Group internal).

4.7 Currency risk (continued)

	Currency exposure (nominal value)	Currency swaps (contractual value)	Total exposure, net	Sensitivity	
				Increase in foreign exchange rates	Profit or loss
2020					
EUR/DKK	(18,415)	6,854	(11,561)	1%	(116)
USD/DKK	1,561	(1,636)	(75)	10%	(8)
Other/DKK	(184)	(246)	(430)	10%	(43)
Total	(17,038)	4,972	(12,066)		
2019					
EUR/DKK	(13,799)	6,545	(7,254)	1%	(73)
USD/DKK	1,711	(1,839)	(128)	10%	(13)
Other/DKK	(306)	507	201	10%	20
Total	(12,394)	5,213	(7,181)		

Net investment hedges – foreign currency sensitivity

A 10%-change in currencies, with all other variables held constant, would have changed the fair value recognised in Other comprehensive income of GBP with DKK 7 million, of USD with DKK 14 million and of CHF with DKK 58 million.

The effect of translation of net assets in foreign subsidiaries before the effect of net investment hedges decreased equity by DKK 622 million (2019: an increase of DKK 292 million) primarily related to the USA, the UK, Turkey and Singapore.

DKK million	Net investment	Hedging of investment	Total exposure, net	Average price	Change in fair value recognised in Other comprehensive income	Fair value	Maturity
2020							
GBP	1,302	1,236	66	8	119	(9)	March 2021
USD	804	666	138	6	58	6	March 2021
CHF	1,265	685	580	7	3	6	March 2021
Total	3,371	2,587	784	-	180	3	
2019							
GBP	2,604	2,455	149	9	(136)	26	March 2020
USD	881	734	147	7	(3)	6	March 2020
CHF	1,333	687	646	7	(4)	(3)	March 2020
Total	4,818	3,876	942	-	(143)	29	

The lower level of net investment hedges in 2020 compared to 2019 is mainly driven by the operational challenges, restructuring and one-off costs in the UK as described throughout this Annual Report.

Accounting policy

Derivative financial instruments are initially recognised at fair value at the trade date and subsequently remeasured at fair value.

The fair value of derivative financial instruments is calculated on the basis of current market data and in accordance with generally accepted valuation methods. Measurement is categorised as Level 2 in the fair value hierarchy as it is not based on observable market data.

For derivative financial instruments used as net investment hedges, changes in the effective portion of the fair value are recognised in other comprehensive income and presented in the translation reserve in equity until the hedged transaction is realised. Gains or losses relating to the ineffective portion are recognised in profit or loss in financial income or financial expenses. On disposal of the foreign operation, the cumulative value of any such gains or losses recognised in equity is transferred to profit or loss.

The fair value of derivative financial instruments is presented in Other receivables or Loans and borrowings.

Remuneration

SECTION 5

5.1 Remuneration to the Board of Directors and the Executive Group Management

The management team of the ISS Global Group formally consists of the Managing Directors and the Board of Directors. Members of the management team are not separately remunerated for their duties performed in the ISS Global Group.

As the ISS Global Group has no significant operating activities independently of the ISS A/S Group, it relies on the management team of the ISS A/S Group who has the authority and responsibility for planning, implementing and controlling the ISS Global Group's activities. Consequently, key management personnel of the ISS A/S Group is also considered key management personnel of ISS Global Group.

Remuneration to key management personnel of the ISS A/S Group is specified below:

DKK thousand	2020			2019		
	EGM			EGM		
	Board	EGMB	Corporate Senior Officers	Board	EGMB	Corporate Senior Officers
Base salary and non-monetary benefits	8,008	16,678	34,637	8,751	17,543	36,879
Annual bonus (STIP)	-	7,461	12,163	-	2,997	10,898
Retention bonus	-	-	-	-	2,722	-
Share-based payments	-	8,349	2,649	-	4,038	4,786
Severance pay	-	17,799	14,629	-	-	-
Total remuneration	8,008	50,287	64,078	8,751	27,300	52,563

Remuneration policy is described in the Remuneration report which is available at <http://inv.issworld.com/iss-remuneration-reports>.

5.2 Share-based payments

To drive delivery of short- and long-term financial results, retention of leaders and alignment to shareholder value creation, the Group has implemented two types of equity-settled sharebased incentive programmes:

- a long-term incentive programme (LTIP); and
- a special incentive programme (SIP).

The latter was introduced to selected leaders in December 2020 – specifically to motivate the implementation of the OneISS strategy and behavior consistent with the ISS values and leadership competency framework.

In 2020, share-based payment costs amounted to DKK 27 million of which DKK 8 million were recognised in ISS A/S and DKK 8 million were recognised in ISS World Services A/S.

Long-term incentive programme

Members of the EGM (EGMB and Corporate Senior Officers of the Group), and other senior officers of the Group, are granted a number of performance share units (PSUs).

Upon vesting, each PSU entitles the holder to receive one share at no cost. Participants are compensated for any dividend distributed between time of grant and time of vesting.

Subject to certain criteria, the PSUs will vest after three years. The vesting criteria are total shareholder return (TSR) and earnings per share (EPS), equally weighted. TSR peers are the Nasdaq Copenhagen OMX C25 and a peer group of comparable international service companies.

Threshold	Vesting	TSR	EPS annual growth ¹⁾		
			LTIP 2018	LTIP 2019 ²⁾	LTIP 2020 ^{2),3)}
Below threshold	0%	Below median of peers	< 3%	< 4%	< 10%
Threshold	25%	At median of peers	3%	4%	10%
Maximum	100%	At upper quartile of peers or better	9%	12%	14%

TSR peers

International service companies
 ABM Industries, Adecco, Aramark, Bunzl, Compass Group, Capita, Elis (only 2019 and 2020), G4S, Mitie Group, Randstad, Rentokil Initial, Securitas, Serco, Sodexo, Spie (only 2020).

OMX C25
 A.P. Møller – Mærsk A, A.P. Møller – Mærsk B, Ambu (2019 and 2020 only), Bavarian Nordic (2018 only), Carlsberg, Chr. Hansen Holding, Coloplast, Danske Bank, Demant, DSV, FLSmidth & Co., Genmab, GN Store Nord, Jyske Bank, Lundbeck, NKT (2018 only), Nordea Bank (2018 only), Novo Nordisk, Novozymes, Pandora, Rockwool International (2019 and 2020 only), Royal Unibrew (2019 and 2020 only), SimCorp (2019 and 2020 only), Sydbank (2019 and 2020 only), Topdanmark (2020 only), Tryg, Vestas Wind Systems, Ørsted.

¹⁾ Adjusted earnings per share excluding Other income and expenses, net. EPS growth is measured as compound annual growth rate (CAGR).
²⁾ Adjusted for discontinued operations.
³⁾ EPS target for LTIP 2020 is set in two parts: a one-year target for 2020 and a two-year target for 2021-2022. The latter will be set in March 2021.

Accounting policy

The value of services received in exchange for granted performance-based share units (PSUs) and restricted share units (RSUs) are measured at fair value at the grant date and recognised in staff costs over the vesting period with a corresponding increase in debt to ISS A/S.

The fair value of granted PSUs under the long-term incentive programme is measured using a generally accepted valuation model taking into consideration the terms and conditions upon which the PSUs were granted including market-based vesting conditions (TSR condition).

On initial recognition, an estimate is made of the number of PSUs and RSUs expected to vest. The estimated number is subsequently revised for changes in the number of PSUs and RSUs expected to vest due to non-market based vesting conditions.

5.2 Share-based payments (continued)

Fair value and profit or loss impact	LTIP 2017	LTIP 2018	LTIP 2019	LTIP 2020
Total PSUs granted, number	753,538	869,112	928,367	1,785,896
Participants, number	155	152	142	120
Fair value of PSUs expected to vest at grant date, DKKm	102	100	101	74
Fair value at 31 December 2020 of PSUs expected to vest, DKKm	-	28	26	62
Recognised in profit or loss in 2020, DKKm	2	9	(8)	18
Not yet recognised (PSUs expected to vest), DKKm	-	2	10	44

Assumptions at the time of grant	LTIP 2017	LTIP 2018	LTIP 2019	LTIP 2020
Share price, DKK	270	228	207	98
Expected volatility ¹⁾	27.9 %	29.0 %	26.6 %	29.1%
Expected life of grant, years	3	3	3	3
Risk-free interest rate ¹⁾	(0.2)%-2.4%	0.5%-2.4%	(0.3)%-2.7%	(0.4)%-1.9%

¹⁾ Based on observable market data for peer groups.

LTIP – vested programmes

In March 2020, the **LTIP 2017** programme vested. Based on the annual EPS and TSR performances for 2017, 2018 and 2019, 0% of the granted PSUs vested. After this vesting, no further PSUs are outstanding under the LTIP 2017 and the programme has lapsed.

Furthermore, in March 2021, the PSUs granted under **LTIP 2018** will vest with 0% based on the annual EPS and TSR performances for 2018, 2019 and 2020.

5.2 Share-based payments (continued)

LTIP – outstanding PSUs

	EGM			Total
	EGMB	Corporate Senior Officers	Other senior officers	
LTIP 2017 (vested)				
Outstanding at 1 January 2019	60,248	75,083	444,574	579,905
Granted	2,182	2,715	15,653	20,550
Cancelled	-	-	(21,930)	(21,930)
Outstanding at 31 December 2019	62,430	77,798	438,297	578,525
Forfeited	(62,430)	(77,798)	(438,297)	(578,525)
Outstanding at 31 December 2020	-	-	-	-
LTIP 2018				
Outstanding at 1 January 2019	85,410	84,358	512,896	682,664
Granted	3,093	3,052	18,075	24,220
Cancelled	-	-	(41,590)	(41,590)
Outstanding at 31 December 2019	88,503	87,410	489,381	665,294
Transferred	(50,033)	(18,817)	68,850	-
Cancelled	-	-	(41,435)	(41,435)
Outstanding at 31 December 2020	38,470	68,593	516,796	623,859
LTIP 2019				
Granted	109,369	115,075	703,923	928,367
Cancelled	-	-	(163,749)	(163,749)
Outstanding at 31 December 2019	109,369	115,075	540,174	764,618
Transferred	(66,786)	(32,060)	98,846	-
Cancelled	-	-	(78,569)	(78,569)
Outstanding at 31 December 2020	42,583	83,015	560,451	686,049
LTIP 2020				
Granted	218,564	202,738	1,364,594	1,785,896
Transferred	(85,931)	(46,232)	132,163	-
Cancelled	-	-	(358,523)	(358,523)
Outstanding at 31 December 2020	132,633	156,506	1,138,234	1,427,373

5.2 Share-based payments (continued)

Special incentive programmes

The new scheme entails three different incentive plans with duration between two and three years. Restricted share units (RSUs) granted under the programmes in 2020 will vest in either 2022 or 2023, subject to achievement of individual service or performance criteria. Upon vesting, each RSU entitles the holder to receive one share at no cost.

In addition, the Group had an Accelerated Growth Award (AGA 2019) that vested in March 2020. Based on the annual performance criteria, 0% of the granted PSUs vested. After this vesting, no further PSUs are outstanding and the programme has lapsed.

Fair value and profit or loss impact	AGA 2019	Retention 2020	Incentive 2020-2022	Incentive 2020-2023
Total RSUs granted, number	327,893	145,729	64,159	246,767
Participants, number	103	1	6	33
Fair value of RSUs expected to vest at grant date, DKKm	59	14	6	24
Fair value at 31 December 2020 of RSUs expected to vest, DKKm	-	14	5	21
Recognised in profit or loss in 2020, DKKm	-	5	0	1
Not yet recognised (RSUs expected to vest), DKKm	-	9	5	20

Assumptions at the time of grant	Retention 2020	Incentive 2020-2022	Incentive 2020-2023
Share price, DKK	98	101	101
Expected life of grant, years	2	2	3

Special programmes – outstanding RSUs

Number of RSUs	EGM			Total
	EGMB	Corporate Senior Officers	Other senior officers	
Retention 2020				
Granted	145,729	-	-	145,729
Cancelled	-	-	-	-
Outstanding at 31 December 2020	145,729	-	-	145,729
Special incentive 2020-2022				
Granted	-	-	64,159	64,159
Cancelled	-	-	(41,863)	(41,863)
Outstanding at 31 December 2020	-	-	22,296	22,296
Special incentive 2020-2023				
Granted	-	-	246,767	246,767
Cancelled	-	-	(42,544)	(42,544)
Outstanding at 31 December 2020	-	-	204,223	204,223

5.3 Pensions and similar obligations

Defined contribution plans

The majority of the Group's pension schemes are defined contribution plans where contributions are paid to publicly or privately administered pension plans. The Group has no further payment obligations once the contributions have been paid. In 2020, contributions amounted to DKK 1,203 million (2019: DKK 1,511 million), corresponding to 84% of the Group's pension costs (2019: 92%). The lower percentage of defined contribution costs to the total pension costs is mainly due to changed actuarial assumptions in Switzerland in 2019 with a positive impact on the defined benefit costs.

Defined benefit plans

The Group has a number of defined benefit plans where the responsibility for the pension obligation towards the employees rests with the Group. The largest plans are in Switzerland and the UK accounting for 86% (2019: 85%) of the Group's obligation (gross) and 97% (2019: 96%) of its plan assets.

The plans are primarily based on years of service, and benefits are generally determined on the basis of salary and rank. The Group assumes the risk associated with future developments in salary, interest rates, inflation, mortality and disability etc.

The majority of the obligations are funded with assets placed in independent pension funds. In some countries, primarily Sweden, France and Hong Kong, the obligation is unfunded. For these unfunded plans the retirement benefit obligations amounted to DKK 843 million or 10% of the present value of the gross obligation (2019: DKK 892 million or 11%).

Switzerland Participants are insured against the financial consequences of retirement, disability and death. The pension plans guarantee a minimum interest credit and fixed conversion rates at retirement. Contributions are paid by both the employee and the employer. The plans must be fully funded. In case of underfunding, recovery measures must be taken, such as additional financing from the employer or from the employer and employees, reduction of benefits or a combination of both. The pension plans include a risk-sharing element between ISS and the plan participants.

The UK Participants are insured against the financial consequences of retirement and death. The schemes do not provide any insured disability benefits. The pension plans are plans guaranteeing defined benefit pension at retirement on a final salary basis. The majority of the pension plans does not include a risk-sharing element between ISS and the plan participants.

Contribution to defined benefit plans

The Group expects to contribute DKK 250 million in 2021 (2020: DKK 243 million).

Significant accounting estimates

The present value of defined benefit obligations is determined on the basis of assumptions about the future development in variables such as salary levels, interest rates, inflation and mortality. All assumptions are assessed at the reporting date. Changes in these assumptions may significantly affect the liabilities and pension costs under defined benefit plans. The range and weighted average of these assumptions as well as sensitivities on key assumptions are disclosed in this note.

The discount rates used for calculating the present value of expected future cash flows are based on the market yield of high quality corporate bonds or government bonds with a maturity approximating to the terms of the defined benefit obligations.

ISS participates in multi-employer pension schemes that by nature are defined benefit plans. Some funds are not able to provide the necessary information in order for the Group to account for the schemes as defined benefit plans and these schemes are therefore accounted for as defined contribution plans. There is a risk that the plans are not sufficiently funded. However, information on surplus or deficit in the schemes is not available.

5.3 Pensions and similar obligations (continued)

Accounting policy

Contributions to **defined contribution plans** are recognised in Staff costs when the related service is provided. Any contributions outstanding are recognised in Other liabilities.

Defined benefit plans The Group's net obligation is calculated annually by a qualified actuary using the projected unit credit method, separately for each plan by estimating the amount of future benefits that employees have earned in return for their service in the current and prior periods. The present value less the fair value of any plan assets is recognised in Pensions and similar obligations.

When the calculation results in a potential asset, recognition is limited to the present value of economic benefits available in the form of future refunds from or reductions in future contributions to the plan. To calculate the present value, consideration is given to applicable minimum funding requirements.

Pension costs are calculated based on actuarial estimates and financial expectations at the beginning of the year. Service costs are recognised in Staff costs and net interest is recognised in Financial expenses. Differences between the expected development in pension assets and liabilities and the realised amounts at the reporting date are designated actuarial gains or losses and recognised in other comprehensive income.

When the benefits are changed or a plan is curtailed, the resulting change in benefits that relates to past service or the gain or loss on curtailment is recognised in Staff costs. Gains and losses on settlement is recognised upon the settlement.

Other long-term employee benefits are recognised as defined pension plans, except that actuarial gains and losses are recognised in Staff costs. Other long-term employee benefits comprise jubilee benefits, long-service or sabbatical leave etc.

5.3 Pensions and similar obligations (continued)

Actuarial assumptions

Actuarial calculations and valuations are performed annually for all major plans. The actuarial assumptions vary from country to country due to local conditions. Discount rates at 31 December are based on the market yield of high quality corporate bonds or government bonds with a maturity approximating to the terms of the obligations.

	2020				2019			
	CHF	GBP	EUR	Other currencies	CHF	GBP	EUR	Other currencies
Discount rates	0.1%	1.5 %	0.35-0.75%	0.2-15.4%	0.3%	2.0%	0.5-1.6%	1.0-16.8%
Salary increase	1.0%	0.0-2.19%	0.0-3.5%	0.0-10.0%	1.0%	0.0-1.63%	1.5-2.3%	0.0-8.6%
Pension increase	0.0%	2.2-3.0%	0.0-2.0%	0.0-1.75%	0.0%	1.90-3.00%	0.0-1.4%	0.0-2.0%

Sensitivity analysis

The table below illustrates the sensitivity related to significant actuarial assumptions used in the calculation of the defined benefit obligation recognised at the reporting date. The analysis is based on changes in assumptions that the Group considered to be reasonably possible at the reporting date. It is estimated that the relevant changes in assumptions would have increased/(decreased) the defined benefit obligation by the amounts shown below:

DKK million	2020		2019	
	+0.5%	-0.5%	+0.5%	-0.5%
Discount rate	(535)	598	(525)	568
Price inflation	121	(103)	116	(101)
Salary increase	74	(69)	75	(74)
Pension increase	314	(78)	174	(93)
	+1 year	-1 year	+1 year	-1 year
Life expectancy	203	(197)	172	(201)

The estimated weighted average duration of the defined benefit obligation was 13 years (2019: 13 years) and is split into:

Years	2020	2019
Active employees	13	12
Retired employees	15	13
Deferred vested ¹⁾	14	21
Total employees	13	13

¹⁾ The impact from deferred vested on total estimated weighted average duration is minor due to the fact that deferred vested make up less than 2% of the participants, and do not exist in many of the shorter duration plans.

5.3 Pensions and similar obligations (continued)

DKK million	2020			2019		
	Present value of obligation	Fair value of plan assets	Obligation, net	Present value of obligation	Fair value of plan assets	Obligation, net
Carrying amount at 1 January	8,394	7,542	852	7,528	6,594	934
Current service costs	174	-	174	182	-	182
Interest on obligation/plan assets	61	44	17	100	75	25
Past service costs	59	-	59	(21)	-	(21)
Recognised in profit or loss	294	44	250	261	75	186
Actuarial (gain)/loss, demographic assumptions	(10)	-	(10)	(123)	-	(123)
Actuarial (gain)/loss, financial assumptions	290	-	290	644	-	644
Actuarial (gain)/loss, experience adjustments	27	-	27	71	-	71
Return on plan assets excl. interest income	-	180	(180)	-	676	(676)
Impact from asset ceiling	-	(21)	21	-	(49)	49
Recognised in other comprehensive income	307	159	148	592	627	(35)
Foreign exchange adjustments	(115)	(93)	(22)	255	244	11
Reclassifications	-	-	-	5	-	5
Acquisitions and divestments, net	(3)	(0)	(3)	(1)	0	(1)
Additions from new contracts, net	-	35	(35)	131	7	124
Employee contributions	135	135	-	142	142	-
Employer contributions	-	195	(195)	-	188	(188)
Benefits paid	(313)	(234)	(79)	(479)	(384)	(95)
Impact from asset ceiling	-	21	(21)	-	49	(49)
Reclassification to Liabilities held for sale	(15)	(8)	(7)	(40)	-	(40)
Other changes	(311)	51	(362)	13	246	(233)
Carrying amount at 31 December	8,684	7,796	888	8,394	7,542	852
Other long-term employee benefits			429			255
Accumulated impact from asset ceiling			163			142
Pensions and similar obligations at 31 December			1,480			1,249

Past service costs mainly related to a plan amendment caused by a court decision in Germany for employees transferred in connection with a large contract win in prior years. A substantial part of the increased obligation was offset by new plan assets received from the previous pension fund. In 2019, the negative costs mainly related to a decrease of benefits in Switzerland due to a plan amendment. This was partly offset by a change in assessment of the number of employees covered by a pension plan in Thailand.

Actuarial gains and losses Actuarial calculations were prepared at 31 December 2020 resulting in actuarial loss for the year (including impact from asset ceiling) of DKK 148 million (2019: gain of DKK 35 million). The loss was mainly due to lower return on plan assets, and to a lesser extent due to changed discount rates.

In 2020, Covid-19 had a significant impact on market fluctuations mainly regarding asset values and interest rates, which led to recognition of an actuarial loss of DKK 257 million at 30 June 2020. Market fluctuations have to some degree stabilised by the end of the year resulting in the total actuarial loss for the year being reduced at 31 December 2020.

Major categories of plan assets	2020	2019
Listed shares	35%	36%
Corporate bonds	24%	24%
Property	15%	14%
Government bonds	4%	3%
Cash and cash equivalents	3%	4%
Other	19%	19%
Total	100%	100%

Other required disclosures

SECTION 6

6.1 Contingent liabilities

Guarantee commitments

Indemnity and guarantee commitments (mainly towards public authorities and insurance companies) at 31 December 2020 amounted to DKK 426 million (2019: DKK 480 million).

Performance guarantees

The Group has issued performance guarantee bonds for service contracts amounting to DKK 3,305 million (2019: DKK 3,372 million) of which DKK 1,454 million (2019: DKK 1,463 million) were bank-guaranteed. Such performance bonds are issued in the ordinary course of business to guarantee towards specific customers satisfactory completion of work according to contracts.

Divestments

The Group makes provisions for claims from purchasers or other parties in connection with divestments and representations and warranties given in relation to such divestments. Management believes that provisions made at 31 December 2020 are adequate. However, there can be no assurance that major claims will not arise out of the Group's divestment and adversely affect the Group's profit or loss and financial position.

Legal proceedings

The Group is party to certain legal proceedings. Management believes that these proceedings (many of which are disputes with customers and labour-related cases incidental to the business) will not have a material impact on the Group's financial position beyond the assets and liabilities already recognised in the statement of financial position at 31 December 2020.

Restructuring projects

Restructuring projects are being undertaken on an ongoing basis across different geographies and service areas, currently mainly in Germany, France, Spain and the UK. Labour laws especially in Europe include restrictions on dismissals and procedural rules to be followed. The procedures applied by ISS could be challenged in certain jurisdictions resulting in liabilities. Management believes that this would not have a material impact on the Group's financial position beyond the assets and liabilities already recognised in the statement of financial position at 31 December 2020.

6.2 Government grants

The Group received government grants in the form of wage subventions, which have been recognised as a reduction of staff costs. The grants compensate the Group for staff costs primarily related to social security and wage increases as well as hiring certain categories of employees such as trainees, disabled persons, long-term unemployed and employees in certain age groups.

Covid-19 related-grants and assistance

Employee related grants Governments in several countries, most significantly Singapore, the UK, Australia, Hong Kong, Switzerland, France, Austria and Denmark have offered support schemes in the form of wage compensation. The schemes are temporary, subject to certain conditions, and compensate costs related to e.g. employees on furlough, social security contribution and sick pay compensation.

In 2020, the Group was entitled to receive DKK 1,348 million in employee-related grants, which is specified below. As the grants compensate costs already incurred they are recognised in profit or loss as a reduction of staff costs. Depending on the specific commercial model, customers were appropriately and accordingly compensated.

DKK million	2020
Wage subvention	1,321
Sick pay compensation	15
Social security contribution	12
Other	0
Recognised in Staff costs	1,348
Hereof included in Other receivables	118

Postponements of VAT, social contribution etc. Governments in several countries have offered support schemes in the form of temporary prolongation of payment terms for certain payments, e.g. VAT, withholding tax and social contribution. Some countries within the Group have utilised these schemes. At 30 June 2020, such postponements amounted to approximately DKK 1.7 billion. However, at 31 December 2020, we had fully repaid such support.

6.3 Related parties

Parent and ultimate controlling party

The sole shareholder of ISS Global A/S, ISS World Services A/S, has controlling influence in the Group and is wholly owned by ISS A/S (the ultimate parent).

Key management personnel

The Board of Directors of ISS A/S and the Executive Group Management of ISS A/S are considered the Group's key management personnel as defined in 5.1, Remuneration to the Board of Directors and the Executive Group Management.

Apart from remuneration, including share-based incentive programmes, there were no significant transactions with members of the Board and the EGM in 2020.

Other related party transactions

In 2020, the Group had the following transactions with other related parties, which were all made on market terms:

- The Group was charged royalty and management fee from ISS World Services A/S amounting to DKK 1,218 million (2019: DKK 1,405 million) of which DKK 89 million (2019: DKK 138 million related to discontinued operations);
- The Group received/paid interest from/to companies within the ISS Group, see 4.3, Financial income and expenses;
- The Group's receivable from ISS A/S amounted to DKK 3,116 million (2019: debt of DKK 2,044 million) at 31 December 2020;
- The Group's net receivable from ISS World Services A/S amounted to DKK 211 million (2019: debt of DKK 651 million) at 31 December 2020;
- The Group did not pay dividends to ISS World Services A/S in 2020 (2019: DKK 1,500 million).

6.3 Related parties (continued)

Directorship and external executive positions of management at 31 December 2020

Board of Directors	Board Member
Jacob-Aarup Andersen	Member of the Confederation of Danish Industry's (DI) Permanent Committee on Business Policies. In addition, chairman of the board of directors of certain ISS Group companies.
Kasper Fangel	Member of the board of directors of certain ISS Group companies.
Corinna Refsgaard	Member of the board of directors of certain ISS Group companies.
Pierre-François Riolacci	Member of the board of directors of KLM (Koninklijke Luchtvaart Maatschappij N.V.). In addition, member of the board of directors of certain ISS Group companies.
Bjørn Raasteen	Member of the board of directors of certain ISS Group companies.
Managing Director	Board Member
Kristoffer Lykke-Olesen	Member of the board of directors of certain ISS Group companies.

6.4 Average number of employees

At 31 December 2020, total number of employees was 378,724 (31 December 2019: 470,806) with an average number of employees in 2020 of 434,664 (2019: 483,296). Number of employees includes both the continuing and discontinued operations.

The decrease in 2020 was mainly the result of divestments completed in 2020. Customers reducing their demand for services as a result of Covid-19 contributed further to the reduction.

The number of employees will gradually reduce further as our strategic divestment programme progresses. Once the programme is fully completed, the number of employees is expected to be around 350,000.

6.5 Fee to auditors

DKK million	2020	2019
Statutory audit	51	51
Tax and VAT advisory services	6	7
Other services	10	9
Total	67	67

Tax and VAT advisory services mainly related to tax compliance services.

Other services comprised among other things work related to acquisitions and divestments, such as financial and tax due diligence.

6.6 Subsequent events

Other than set out elsewhere in these consolidated financial statements, we are not aware of events subsequent to 31 December 2020, which are expected to have a material impact on the Group's financial position.

Basis of preparation

SECTION 7

7.1 Significant accounting estimates and judgements

In preparing these consolidated financial statements, management made various judgements, estimates and assumptions concerning future events that affected the application of the Group's accounting policies and the reported amounts of assets, liabilities, income and expenses, the accompanying disclosures, including contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities in future periods.

As explained throughout this Annual Report, Covid-19 had a significant adverse impact on our business, including the Group's operating performance and cash flows in 2020 and our financial position at 31 December 2020. Furthermore, the Covid-19 pandemic has had a significant impact on the global economy and thus the general level of uncertainty has significantly increased. In addition, our four key operational challenges (as illustrated on p. 7) as well as actions initiated in the late part of 2020 led to significant restructuring and one-off costs. Consequently, certain items were – in addition to estimates and judgements in the normal course of business – impacted by further estimates and judgements due to the increased uncertainty.

Items being subject to significant estimates and judgements are listed below. Items being subject to increased uncertainty due to the special circumstances, i.e. Covid-19, the IT security incident, our four key operational challenges and actions initiated in the late part of 2020, are listed separately:

Note	Item	Special circumstances	Estimates	Judgements
1.2	Revenue	x	x	x
1.4	Other income and expenses, net	x		x
1.6	Deferred tax	x	x	x
2.1	Right-of-use assets			x
2.2	Trade receivables and credit risk	x	x	
2.3	Other receivables	x	x	x
2.5	Provisions	x	x	x
3.1	Discontinued operations	x	x	x
3.2	Assets and liabilities held for sale		x	x
3.5	Intangible assets		x	x
3.7	Impairment tests	x	x	
5.3	Pensions and similar obligations		x	

Given the evolving nature of Covid-19 and the limited recent experience of the economic and financial impacts of such a pandemic, changes to estimates in the measurement of the Group's assets and liabilities may arise in the future.

Estimates and assumptions are reviewed on an ongoing basis and have been prepared taking macroeconomic developments into consideration, but still ensuring that one-off effects which are not expected to exist in the long term do not affect estimation and determination of these key factors, including discount rates and expectations for the future.

7.2 Change in accounting policies

Except for the changes below, the accounting policies have been applied consistently in respect of the financial year and comparative figures.

From 1 January 2020, the Group has adopted the below standards and interpretations with no significant impact on recognition and measurement:

- Amendments to IFRS 7, IFRS 9 and IAS 39 Financial Instruments: Interest Rate Benchmark Reform; and
- Amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors: Definition of Material.

7.3 General accounting policies

The consolidated financial statements of ISS Global A/S for the year ended 31 December 2020 comprise ISS Global A/S and its subsidiaries (collectively, the Group). Significant subsidiaries are listed in 7.5, Group companies.

The Annual Report for ISS Global A/S for 2020 was discussed and approved by the Managing Director and the Board of Directors (Board) on 22 March 2021 and issued for approval at the subsequent annual general meeting on 22 April 2021.

Basis of preparation

The consolidated financial statements have been prepared in accordance with IFRS as adopted by the EU and additional requirements of the Danish Financial Statements Act. In addition, the consolidated financial statements have been prepared in compliance with the IFRSs issued by the IASB.

The Group's significant accounting policies and accounting policies related to IAS 1 minimum presentation items are described in the relevant notes to the consolidated financial statements or otherwise stated below. A list of the notes is shown on p. 26.

All amounts have been rounded to nearest DKK million, unless otherwise stated.

Going concern

ISS Global A/S is indirectly wholly owned by ISS A/S and is therefore part of the ISS A/S Group. ISS Global A/S has no operating activities independently of ISS A/S and the ISS Global Group's financing activities and capital structure are not assessed independently of the ISS A/S Group, but managed centrally for the ISS A/S Group as a whole by Group Treasury. Due to this structure, going concern is assessed for the ISS Group as a whole by the Board of Directors (Board) and Executive Group Management (EGMB) of ISS A/S.

The Board and the EGMB have during the preparation of the consolidated financial statements of the Group assessed the going concern assumption. The Board and the EGMB believe that no events or conditions give rise to doubt about the Group's ability to continue as a going concern (within the next reporting period).

In reaching this conclusion, the Board and the EGMB have specifically considered the consequences of Covid-19, which has negatively affected the Group's operating performance and cash flows in 2020 as well as the financial position at 31 December 2020. The currently known negative impacts are described in the Management's review.

In making the assessment, the Board and the EGMB have considered all available information, including existing and anticipated impacts of Covid-19 and other relevant events and conditions, up until the date on which the consolidated financial statements are issued.

The conclusion is made based on knowledge of the Group, the estimated economic outlook and identified risks and uncertainties in relation hereto. Further, the conclusion is based on review of budgets, including expected development in available liquidity and capital, current credit facilities and their contractual and expected maturities. Consequently, it has been concluded that it is reasonable to apply the going concern concept as underlying assumption for the consolidated financial statements of the Group.

Defining materiality

The consolidated financial statements separately present items that are considered individually significant, or are required under the minimum presentation requirements of IAS 1. In addition, information that is considered material, either individually or in combination with other information, is disclosed.

In determining whether an item is individually significant or information is material, ISS considers both quantitative and qualitative factors. If the presentation or disclosure could reasonably be expected to influence economic decisions made by primary users, the information is considered material.

Explanatory disclosure notes related to the consolidated financial statements are presented for individually significant items. Where separate presentation of a line item is made solely due to the minimum presentation requirements in IAS 1, no further disclosures are provided in respect of that line item.

Change in presentation of the consolidated statement of profit or loss

In the past, ISS has built its business platform, and grown its business, through a large number of acquisitions, which added a substantial amount of intangibles to the consolidated statement of financial position. Consequently, large amounts of non-cash amortisation/impairment of intangibles have been recognised in our consolidated statement of profit or loss every year.

To enable readers to understand the impact of our growth strategy in previous years our consolidated statement of profit or loss was presented in a three-column format, where acquisition-related items were presented separately.

By the end of 2019, a large part of our acquired customer contracts have been fully amortised. Separating these acquisition-related items in profit or loss are therefore no longer material to the understanding of our business. Consequently, we have changed the presentation of our consolidated statement of profit or loss to a one-column format.

7.3 General accounting policies (continued)

Basis of consolidation

The consolidated financial statements comprise ISS Global A/S and entities controlled by ISS Global A/S. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

On consolidation intra-group transactions, balances, income and expenses are eliminated. Unrealised gains arising from transactions with equity-accounted investees are eliminated against the investment to the extent of the Group's interest in the investment. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

The non-controlling interest's share of net profit and equity of subsidiaries, which are not wholly-owned, are included in the Group's net profit and equity, respectively, but disclosed separately. By virtue of agreement certain non-controlling shareholders are only eligible of receiving benefits from their non-controlling interest when ISS as controlling shareholder has received their initial investment and compound interest on such. In such instances the subsidiaries' result and equity are fully allocated to ISS until the point in time where ISS has recognised amounts exceeding their investment including compound interest on such.

A change in ownership interest of a subsidiary, without loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, non-controlling interest and other components of equity, while any resultant gain or loss is recognised in Other income and expenses, net. Any investment retained is recognised at fair value on initial recognition.

Foreign currency

The consolidated financial statements are presented in Danish kroner (DKK), which is ISS Global A/S's functional currency. Transactions in currencies other than the functional currency of the respective Group companies are considered transactions denominated in foreign currencies.

On initial recognition, these are translated to the respective functional currencies of the Group companies at the exchange rates at the transaction date. Foreign exchange adjustments arising between the exchange rates at the transaction date and at the date of payment are recognised in Financial income or Financial expenses.

Receivables, payables and other monetary items denominated in foreign currencies are translated at the exchange rates at the reporting date. The difference between the exchange rates at the reporting date and at the date of transaction or the exchange rate in the latest financial statements is recognised in Financial income or Financial expenses.

On recognition in the consolidated financial statements of Group companies with a functional currency other than DKK, the statements of profit or loss and statements of cash flows are translated at the exchange rates at the transaction date and the statements of financial position are translated at the exchange rates at the reporting date. An average exchange rate for the month is used as the exchange rate at the transaction date to the extent that this does not significantly deviate from the exchange rate at the transaction date. Foreign exchange adjustments arising on translation of the opening balance of equity of foreign entities at the exchange rates at the reporting date and on translation of the profit or loss statements from the exchange rates at the transaction date to the exchange rates at the reporting date are recognised in other comprehensive income and presented in equity under a separate translation reserve. However, if the foreign entity is a non-wholly owned subsidiary, the relevant proportion of the translation difference is allocated to the non-controlling interest.

Foreign exchange adjustments of balances with foreign entities which are considered part of the investment in the entity are recognised in other comprehensive income and presented in equity under a separate translation reserve.

7.4 New standards and interpretations not yet implemented

IASB has published certain new standards, amendments to existing standards and interpretations that are not yet mandatory for the preparation of the consolidated financial statements of the Group at 31 December 2020.

- Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current;
- Amendments to IFRS 7, IFRS 9 and IAS 39 (Financial Instruments) and IFRS 16 (Leases): Interest Rate Benchmark Reform – Phase 2;
- Amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets: Onerous Contracts – Costs of Fulfilling a Contract; and
- Annual improvements to IFRSs 2018-2020 Cycle: Fees in the 10 per cent test for derecognition of financial liabilities.

None of these new standards, amendments to existing standards and interpretations are adopted by the EU at 31 December 2020.

The Group expects to adopt the new standards and interpretations when they become mandatory. The standards and interpretations that are approved with different effective dates in the EU than the corresponding effective dates under IASB will be early adopted so that the implementation follows the effective dates under IASB.

Based on the current business setup and level of activities, none of these standards and interpretations are expected to have a material impact on the recognition and measurement in the consolidated financial statements.

7.5 Group companies

Below the Group's significant subsidiaries, associates and joint ventures are presented per region. Together these are referred to as "Companies within the ISS Group".

Continental Europe

Austria

ISS Austria Holding GmbH	100%
ISS Facility Services GmbH	100%
ISS Ground Services GmbH	51%

Belgium & Luxembourg

ISS Catering N.V.	100%
ISS Facility Services N.V.	100%
ISS Facility Services S.A.	100%

France

GIE ISS Services	100%
ISS Facility Management SAS	100%
ISS Holding Paris SAS	100%
ISS Logistique et Production SAS	100%
ISS Propreté SAS	100%

Germany

ISS Automotive Services GmbH	100%
ISS Energy Services GmbH	100%
ISS Facility Services Holding GmbH	100%
ISS Integrated Facility Services GmbH	100%
ISS IT & Business Services GmbH	100%
ISS Pharma Services GmbH	100%
ISS Communication Services GmbH	100%

Italy

ISS Facility Services S.r.l.	100%
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Netherlands

ISS Catering Services B.V.	100%
ISS Holding Nederland B.V.	100%
ISS Integrated Facility Services B.V.	100%
ISS Nederland B.V.	100%
ISS Security & Services B.V.	100%

Poland

ISS Facility Services Sp. Z o.o.	100%
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Spain

Integrated Service Solutions, S.L.	100%
ISS Facility Services, S.A.	100%
ISS Soluciones De Seguridad, S.L.	100%
UTE-HOSPITALES S.A.S	65% ¹⁾

Switzerland

ISS Facility Services AG	100%
ISS Kanal Services AG	100%
ISS Schweiz AG	100%

Turkey

ISS Hazir Yemek Üretim ve Hizmet A.Ş.	90% ²⁾
ISS Proser Koruma ve Güvenlik Hizmetleri A.Ş.	90% ²⁾
ISS Tesis Yönetim Hizmetleri A.Ş.	90% ²⁾

Northern Europe

Denmark (ISS Global A/S's country of domicile)

ISS Facility Services A/S	100%
ISS Finance B.V.	100%
ISS Global Management A/S	100%
ISS Holding France A/S	100%
ISS Lending A/S	100%

Finland

ISS Palvelut Holding Oy	100%
ISS Palvelut Oy	100%
Opset Oy	76% ³⁾

Norway

ISS Holding AS	100%
ISS Management AS	100%
ISS Facility Services AS	100%
ISS Serveringspartner AS	100%
ISS Service Management AS	100%

Sweden

ISS Facility Services Holding AB	100%
ISS Facility Services AB	100%
ISS Palvelut Holding AB	100%

UK & Ireland

ISS UK Holding Limited	100%
ISS UK Limited	100%
ISS Facility Services Ltd.	100%
ISS Mediclean Limited	100%
ISS Damage Control (Scotland) Limited	100%
Spectrum Franchising Ltd.	100%
ISS Ireland Ltd.	100%

Americas

Mexico

ISS Centro América, S. de R.L. de C.V.	100%
ISS Facility Services, S.A. de C.V.	100%
ISS Servicios Integrales, S. de R.L. de C.V.	100%

USA & Canada

ISS Facility Services Holding, Inc	100%
ISS Management and Finance Co, Inc	100%
ISS Facility Services, Inc	100%
Guckenheimer Enterprises Inc	100%
ISS C&S Building Maintenance Corporation	100%
ISS Facility Services California, Inc	100%
ISS Holding Inc	100%
ISS TMC Services, Inc	100%

7.5 Group companies (continued)

Asia & Pacific

Australia & New Zealand

ISS Catering Services Pty Ltd.	100%
ISS Facility Management Pty Limited	100%
ISS Facility Services Australia Ltd.	100%
ISS Facility Services Pty Ltd.	100%
ISS Health Services Pty Ltd.	100%
ISS Holdings Pty Ltd.	100%
ISS Hospitality Pty Limited	100%
ISS Integrated Services Pty Ltd.	100%
ISS Property Services Pty Ltd.	100%
ISS Security Pty Ltd.	100%
Pacific Invest December 2004 Pty Ltd.	100%
Pacific Service Solutions Pty Ltd.	100%
ISS Facilities Services Ltd.	100%
ISS Holdings NZ Ltd.	100%

China

ISS Facility Services (Shanghai) Ltd.	100%
ISS Hongrun (Shanghai) Cleaning Services Limited	100%
Shanghai B&A Security Co., Ltd.	100%
Shanghai ISS Catering Management Ltd.	100%

Hong Kong

Hung Fat Cleaning Transportation Co., Ltd.	100%
ISS Adams Secuforce Ltd.	100%
ISS China Holdings Ltd.	100%
ISS China Holdings I Ltd.	100%
ISS EastPoint Properties Ltd.	100%
ISS EastPoint Property Management Ltd.	100%
ISS Environmental Services (HK) Ltd.	100%
ISS Facility Services Ltd.	100%
ISS Facility Services China Ltd.	100%
ISS Greater China Ltd.	100%
ISS Mediclean (HK) Ltd.	100%
ISS Pan Asia Security Services Ltd.	100%
JSL Ltd.	100%
Silvertech E&M Engineering Co., Ltd.	100%

India

Innovative and Payroll Advisory Services Pvt. Ltd.	46% ⁴⁾
ISS Facility Services India Pvt. Ltd.	100%
ISS SDB Security Services Pvt. Ltd.	46% ⁴⁾
Modern Protection & Investigations Pvt. Ltd.	46% ⁴⁾
ISS Support Services Pvt. Ltd.	100%

Indonesia

PT ISS Facility Services	49% ⁴⁾
PT ISS Indonesia	100%
PT ISS Jasa Fasilitas	0% ⁴⁾

Singapore

ISS Catering Services Pte. Ltd.	100%
ISS Facility Services Pte. Ltd.	100%
ISS Hydroculture Pte. Ltd.	100%
ISS M&E Pte. Ltd.	100%

Discontinued operations

Brunei

ISS Facility Services Sdn. Bhd.	50% ⁴⁾
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Czech Republic

ISS Facility Services s.r.o	100%
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Chile

Apunto Servicios de Alimentacion S.A.	100%
ISS Chile S.A.	100%
ISS Facility Services S.A.	100%
ISS Servicios Generales Ltda.	100%
ISS Servicios Integrales Ltda.	100%

Hungary

ISS Facility Services Kft.	100%
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Philippines

ISS Facility Services Phils., Inc.	100%
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Portugal

ISS Facility Services G. eM de E., Lda	100%
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Romania

ISS Facility Services S.R.L.	100%
ISS Romania Group S.R.L.	100%

Russia

Facility Services RUS LLC	100%
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Slovakia

ISS Facility Services spol. s.r.o.	100%
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Slovenia

ISS Facility Services d.o.o.	100%
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Taiwan

ISS Facility Services Ltd.	100%
ISS Security Ltd.	100%

Notes

¹⁾ Joint venture

²⁾ The non-controlling shareholder holds a put option which is accounted for as if the put option has already been exercised. Accordingly, the subsidiary is consolidated with no non-controlling interest.

³⁾ Associate.

⁴⁾ By virtue of the governance structure, the Group has the power to govern the financial and operating policies of the company. Consequently, the company is consolidated as a subsidiary.

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Statement of profit or loss

1 January – 31 December

DKK million	Note	2020	2019
Other operating income and expenses, net	3, 4	35	113
Operating profit before other items		35	113
Other income and expenses, net	5	(5)	(104)
Operating profit		30	9
Income from subsidiaries and joint ventures	8	(1,762)	340
Financial income	6	911	629
Financial expenses	6	(932)	(974)
Profit before tax		(1,753)	5
Income tax	7	10	(8)
Net profit		(1,743)	(3)

Statement of comprehensive income

1 January – 31 December

DKK million	2020	2019
Net profit	(1,743)	(3)
Comprehensive income	(1,743)	(3)

Statement of cash flows

1 January – 31 December

DKK million	Note	2020	2019
Operating profit before other items		35	113
Changes in working capital		(43)	(5)
Changes in provisions		-	(165)
Other expenses paid		(5)	(14)
Interest received from companies within the ISS Group		206	303
Interest received, external		0	5
Interest paid to companies within the ISS Group		(43)	(40)
Interest paid, external		(356)	(474)
Income tax and joint taxation contribution received/(paid), net		10	(48)
Cash flow from operating activities		(196)	(325)
Payment of earn-out		(99)	(21)
Capital increase in subsidiaries and joint ventures	8	(3,107)	(507)
Acquisition of subsidiaries and joint ventures	8	-	(23)
Divestment and liquidation of subsidiaries and joint ventures	8	623	15
Dividends received from subsidiaries and joint ventures	8	611	1,763
Cash flow from investing activities		(1,972)	1,227
Proceeds from bonds	10	-	3,695
Repayment of bonds	10	(2,234)	(6,717)
Other financial payments, net	10	118	(176)
Dividends paid to the shareholder		-	(1,500)
Capital increase		5,000	-
Payments (to)/from companies within the ISS Group, net		(53)	753
Cash flow from financing activities		2,831	(3,945)
Total cash flow		663	(3,043)
Cash and cash equivalents at 1 January		133	3,176
Total cash flow		663	(3,043)
Foreign exchange adjustments		-	0
Cash and cash equivalents at 31 December		796	133

Statement of financial position

At 31 December

DKK million	Note	2020	2019
Assets			
Investments in subsidiaries and joint ventures	8	22,188	21,829
Receivables from companies within the ISS Group		8,521	5,968
Deferred tax assets	9	10	0
Non-current assets		30,719	27,797
Receivables from companies within the ISS Group		3,181	2,472
Other receivables		163	198
Cash and cash equivalents		796	133
Investments in subsidiaries and joint ventures held for sale	8	459	604
Current assets		4,599	3,407
Total assets		35,318	31,204
Equity and liability			
Equity		9,696	5,139
Loans and borrowings	10	15,537	14,135
Deferred tax liabilities	9	-	15
Non-current liabilities		15,537	14,150
Loans and borrowings	10	9,694	11,478
Other liabilities		391	437
Current liabilities		10,085	11,915
Total liabilities		25,622	26,065
Total equity and liabilities		35,318	31,204

Statement of changes in equity

1 January – 31 December

DKK million	Note	Share capital	Retained earnings	Total
2020				
Equity at 1 January		180	4,959	5,139
Net profit		-	(1,743)	(1,743)
Comprehensive income		-	(1,743)	(1,743)
Capital increase		0	6,300	6,300
Transactions with the owner		0	6,300	6,300
Changes in equity		0	4,557	4,557
Equity at 31 december		180	9,516	9,696
2019				
Equity at 1 January		180	6,462	6,642
Net profit		-	(3)	(3)
Comprehensive income		-	(3)	(3)
Dividends paid to the shareholder		-	(1,500)	(1,500)
Transactions with the owner		-	(1,500)	(1,500)
Changes in equity		-	(1,503)	(1,503)
Equity at 31 December		180	4,959	5,139

1 Significant accounting policies

Basis of preparation

The financial statements of ISS Global A/S have been prepared in accordance with IFRS as adopted by the EU and additional requirements of the Danish Financial Statements Act. In addition, the financial statements have been prepared in compliance with the IFRSs issued by the IASB.

Changes in accounting policies

Changes in accounting policies are described in 7.2 to the consolidated financial statements.

Accounting policies

With the exception of the items described below, the accounting policies for ISS Global A/S are identical to the Group's accounting policies, which are described in the notes to the consolidated financial statements.

Income from subsidiaries and joint ventures comprises dividends, impairment losses, reversal of prior years' impairment losses and gains and losses on divestment and liquidation of subsidiaries and joint ventures. Dividends are recognised in the income statement in the financial year in which the dividend is declared. If dividends declared exceed the total comprehensive income for the year, an impairment test is performed.

Investments in subsidiaries and joint ventures are measured at cost, which comprises consideration transferred measured at fair value and any directly attributable transaction costs. If there is indication of impairment, an impairment test is performed as described in the accounting policies in 3.8 to the consolidated financial statements. Where the recoverable amount is lower than the cost, investments are written down to this lower value. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount, but only to the extent that the recoverable amount does not exceed the original cost.

Tax As required by Danish legislation ISS Global A/S is jointly taxed with all Danish resident subsidiaries. Joint taxation contributions to/from jointly taxed companies are recognised in the income statement in Income tax and in the statement of financial position in Receivables from or Debt to companies within the ISS Group.

Companies which utilise tax losses in other companies pay joint taxation contribution to ISS A/S (the administration company) equivalent to the tax base of the tax losses utilised. Companies whose tax losses are utilised by other companies receive joint taxation contributions from ISS A/S equivalent to the tax base of the tax losses utilised (full absorption).

Derivative financial instruments are initially recognised at fair value at the trade date and subsequently remeasured at fair value.

The fair value of derivative financial instruments is calculated on the basis of current market data and in accordance with generally accepted valuation methods. Measurement is categorised as Level 2 in the fair value hierarchy as it is not based on observable market data.

For derivative financial instruments used as net investment hedges at Group level, changes in the fair value are recognised in Financial income or Financial expenses.

The fair value of derivative financial instruments is presented in Other receivables or Loans and borrowings.

2 Significant accounting estimates and judgements

Significant accounting estimates and judgements relating to the applied accounting policies for ISS Global A/S are the same as for the Group to the extent of similar accounting items, see 7.1 to the consolidated financial statements for a description. The specific risks for ISS Global A/S are described in the notes to the financial statements of the parent company.

Investments in subsidiaries and joint ventures are tested for impairment when there is an indication that the investments may be impaired. The assessment of whether there is an indication of impairment is based on both external and internal sources of information such as performance of the subsidiaries and joint ventures, significant decline in market values etc.

3 Other operating income and expenses, net

Other operating income and expenses, net mainly comprise procurement bonuses and revaluation of receivables from companies within the ISS Group. In 2019, Other operating income and expenses was positively impacted by reversal of a provision of DKK 165 million related to a guarantee issued by ISS Global A/S to cover ISS Brazil's net debt.

4 Fees to auditors

DKK million	2020	2019
Statutory audit	0	0
Other assurance services	1	0
Total	1	0

Other assurance services comprised work related to interim financial statements and other assurance services.

5 Other income and expenses, net

DKK million	2020	2019
Other	(5)	(104)
Other expenses	(5)	(104)

Other comprised divestment-related costs and impairment loss on an intercompany receivable in connection with the divestment of the indirectly hold subsidiary in Israel.

6 Financial income and expenses

DKK million	2020	2019
Interest income on cash and cash equivalents	0	3
Interest income from companies within the ISS Group	200	300
Fair value adjustments of net investment hedges	180	-
Foreign exchange gains	531	326
Financial income	911	629
Interest expenses on loans and borrowings	(336)	(335)
Forward premiums, currency swaps	(15)	(93)
Fair value adjustments of net investment hedges	-	(143)
Interest expenses to companies within the ISS Group	(63)	(40)
Amortisation of financing fees (non-cash)	(22)	(27)
Bank fees	(11)	(5)
Foreign exchange losses	(485)	(331)
Financial expenses	(932)	(974)

Interest expenses on loans and borrowings were impacted by commitment fees relating to the new undrawn EUR 700 million revolving credit facility. These additional costs were partly offset by lower interest expenses on bonds leaving the interest expense at the same level as 2019.

Forward premiums on currency swaps ISS uses currency swaps to hedge the exposure to currency risk on intercompany loans. The cost of hedging in 2020 decreased significantly compared to 2019, primarily driven by reduced interest rate spreads and a lower amount of EUR/USD swaps during 2020.

Foreign exchange gains and losses mainly related to exchange rate movements on intercompany loans with foreign subsidiaries as well as on external loans and borrowings denominated in currencies other than DKK. In addition, fair value adjustments of currency swaps were included.

7 Income tax

DKK million	2020	2019
Current tax	9	5
Deferred tax	(2)	29
Prior year adjustments, net	(17)	(26)
Income tax	(10)	8
Effective tax rate		
In %	2020	2019
Statutory income tax rate in Denmark	22.0 %	22.0 %
Income from subsidiaries and joint ventures	(24.9)%	(1,466.7)%
Non-tax deductible expenses less non-taxable income	2.5 %	2,111.3 %
Prior year adjustments, net	1.0 %	(509.8)%
Effective tax rate	0.6 %	156.8 %

8 Investments in subsidiaries and joint ventures

DKK million	2020		2019	
	Continuing operations	Assets held for sale	Continuing operations	Assets held for sale
Cost at 1 January	27,815	2,137	27,378	2,498
Additions ¹⁾	2,989	221	482	154
Acquisitions	-	-	23	-
Disposals	(0)	(1,574)	-	(583)
Reclassification to assets held for sale	(170)	170	(68)	68
Cost at 31 December	30,634	954	27,815	2,137
Revaluation at 1 January	(5,986)	(1,533)	(4,663)	(1,943)
Impairment losses	(2,596)	(181)	(1,384)	(154)
Reversal of prior years' impairment losses	-	15	45	-
Disposals	-	1,340	-	580
Reclassification to assets held for sale	136	(136)	16	(16)
Revaluation at 31 December	(8,446)	(495)	(5,986)	(1,533)
Carrying amount at 31 December	22,188	459	21,829	604

¹⁾ In 2020, DKK 103 million was related to non-cash transactions (2019: DKK 129 million).

Additions In 2020, ISS Global A/S made capital increases in the subsidiaries in Germany of DKK 2,232 million, Denmark of DKK 494 million, the Philippines of DKK 150 million, the Netherlands of DKK 138 million, Turkey of DKK 103 million and Brazil of DKK 86 million (assets held for sale). Furthermore, two new subsidiaries were founded, in Czech Republic (share capital of DKK 7 million) and in the Netherlands (share capital of DKK 15 million).

Disposals In 2020, ISS Global A/S sold their subsidiaries (assets held for sale) in Brazil, Malaysia and Thailand. Furthermore, Parkering Management in Indonesia and Healthcare Catering in Poland were divested. The divestments resulted in a total net gain of DKK 389 million.

8 Investments in subsidiaries and joint ventures (continued)

Reclassification to assets held for sale In 2020, it was decided to classify additional three of the Group's countries as discontinued operations and assets held for sale. Two of these countries (Portugal and Russia) are owned directly by ISS Global A/S and consequently these subsidiaries have been reclassified to assets held for sale. The classification resulted in total impairment losses of DKK 105 million.

Impairment losses The recoverable amount of investments in subsidiaries and joint ventures is determined on the basis of the value-in-use adjusted for net debt. Value-in-use applied in the impairment test is equal to value-in-use established for the Group, see 3.8 to the consolidated financial statements. Subsidiaries classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Impairment losses recognised in 2020, see below.

DKK million	Impairment losses 2020	Recoverable amount	Applied discount rate, net of tax
Investments in subsidiaries and joint ventures			
France ¹⁾	501	(245)	-
Netherlands	35	553	7.6%
Germany	1,955	2,473	7.3%
Assets held for sale			
Brazil	86		
Philippines	95		
Portugal	79		
Russia	26		
Impairment losses	2,777		

¹⁾ The French activities are owned through a holding company, ISS Holding France A/S. The recoverable amount is based on the equity at 31 December 2020 in this holding company.

The investment in France was impaired by DKK 501 million mainly driven by a decrease in the recoverable amount of the French activities due to a reassessment of the business plans following Covid-19 leading to lowered margin expectations for the terminal period as a result of expected long-term reductions of activity levels and profitability of certain customers. Additionally, delay of expected realisation of benefits from the ongoing reorganisation had a negative impact. In Germany, the impairment loss was driven by the combined impact from an increase in the investment following a capital increase of DKK 2,232 million and a decrease in the recoverable amount due to operational challenges on the Deutsche Telekom contract.

Income from subsidiaries and joint ventures

DKK million	2020	2019
Received dividends ¹⁾	611	1,830
Proceeds from divestment and liquidation of subsidiaries and joint ventures	623	6
Carrying amount of disposed subsidiaries and joint ventures	(234)	(3)
Impairment losses	(2,777)	(1,538)
Reversal of prior years' impairment losses	15	45
Income from subsidiaries and joint ventures	(1,762)	340

¹⁾ In 2020, dividends of DKK 64 million were received from subsidiaries classified as held for sale. In 2019, DKK 67 million was related to non-cash transactions.

Reversal of prior years' impairment losses In 2020, losses of DKK 15 million were reversed in Hungary in connection with repayment of their capital.

Subsidiaries and joint ventures

For a list of significant directly owned subsidiaries and joint ventures, see note 19, Subsidiaries and joint ventures.

9 Deferred tax

Development in deferred tax

DKK million	2020	2019
Deferred tax assets at 1 January	(15)	14
Prior year adjustments, net	23	-
Tax on profit before tax	2	(29)
Deferred tax (liabilities)/assets at 31 December	10	(15)

Deferred tax liabilities include provisions for uncertain tax positions. ISS Global A/S has no recognised or unrecognised deferred tax assets regarding tax losses carried forward.

10 Loans and borrowings

DKK million	2020	2019
Issued bonds	11,847	14,123
Bank loans	(17)	(7)
Debt to companies within the ISS Group	13,401	11,497
Total	25,231	25,613
Non-current liabilities	15,537	14,135
Current liabilities	9,694	11,478
Loans and borrowings	25,231	25,613
Cash and cash equivalents and other financial items ¹⁾	(12,513)	(8,619)
Net debt	12,718	16,994

¹⁾ Includes certain receivables from companies within the ISS Group of DKK 11,712 million (2019: DKK 8,444 million) and positive value of currency swaps of DKK 5 million (2019: DKK 41 million). The average interest rate related to receivables from companies within the ISS Group was 1.90% (2019: 2.25%).

Changes in loans and borrowings

DKK million	1 January	FX	Cash flow	FV adj.	Other	31 December
2020						
Issued bonds	14,123	(56)	(2,234)	-	14	11,847
Debt to companies within the ISS Group ¹⁾	11,497	(156)	3,390	-	(1,330)	13,401
Bank loans	(7)	-	118	(216)	88	(17)
Total	25,613	(212)	1,274	(216)	(1,228)	25,231
2019						
Issued bonds	17,121	7	(3,022)	-	17	14,123
Debt to companies within the ISS Group	10,396	80	1,021	-	-	11,497
Bank loans	(25)	-	(176)	174	20	(7)
Total	27,492	87	(2,177)	174	37	25,613

¹⁾ Other includes conversion of intercompany loan from ISS World Services A/S of DKK 1,300 million.

10 Loans and borrowings (continued)

Fair value

The fair value of loans and borrowings amounted to DKK 25,538 million (2019: DKK 26,034 million). The fair value of bonds is based on the quoted market price on the Luxembourg Stock Exchange and measurement is categorised as Level 1 in the fair value hierarchy. For the remaining part of the loans and borrowings fair value is equal to the nominal value as illustrated in note 13, Financial risk management.

Financing fees

In 2020, financing fees amounting to DKK 33 million (2019: DKK 41 million) have been recognised in loans and borrowings while financing fees of DKK 22 million (2019: DKK 27 million) have been amortised and recognised in financial expenses. Accumulated financing fees recognised in loans and borrowings on 31 December 2020 amounted to DKK 104 million (2019: DKK 93 million).

11 Remuneration to the Board of Directors and the Executive Group Management

Key management personnel of the Group as defined in 5.1 to the consolidated financial statements are also considered key management personnel of the parent.

Remuneration to key management personnel is specified in 5.1 to the consolidated financial statements.

12 Contingent liabilities

Senior facility agreement

ISS Global A/S guarantees the borrowings under the unsecured senior facility agreement.

EMTNs (EUR 500 million) maturing in 2025

ISS Global A/S guarantees the EMTN bonds for a principal amount of EUR 500 million maturing in 2025 issued by ISS Finance B.V., a 100% owned subsidiary.

Parent company guarantees

ISS Global A/S has credit facilities in place totalling DKK 300 million (2019: DKK 300 million) which can be used to issue guarantees for subsidiaries' local bank overdrafts. As per 31 December 2020, DKK 50 million was utilised (2019: DKK 185 million). Furthermore, ISS Global A/S has issued parent guarantees and performance bonds for various subsidiaries' current and future financial liabilities and obligations under customer contracts amounting to DKK 8.0 billion (2019: DKK 8.2 billion). These financial liabilities are primarily local bank overdrafts, bank guarantee lines and pension liabilities.

Withholding taxes

ISS Global A/S is jointly taxed with all Danish resident subsidiaries. ISS Global A/S and the companies within the joint taxation have a joint and unlimited liability of Danish corporate and withholding taxes related to dividends, interests and royalties. As per 31 December 2020 Danish corporate and withholding taxes within the joint taxation amounted to DKK 0 million (2019: DKK 0 million). Any subsequent adjustments to Danish withholding taxes may change this joint and unlimited liability.

VAT

ISS Global A/S and certain Danish Group companies are jointly registered for VAT and are jointly liable for the payment hereof.

13 Financial risk management

ISS Global A/S's financial risks are managed centrally by Group Treasury based on the treasury policy approved by the Board of Directors of ISS A/S. The objectives and policies for measuring and managing exposure to financial risks is described in 4.4 to the consolidated financial statements. The risks specific to ISS Global A/S related to interest rate risk, liquidity risk and currency risks are described below in note 14, 15 and 16, respectively.

Credit risk

At 31 December 2020, the exposure to credit risk related to cash and cash equivalents, loans to companies within the ISS Group and other financial items was DKK 12,513 million (2019: DKK 8,619 million), see note 10, Loans and borrowings. Exposure to credit risk on loans to companies within the ISS Group is managed at Group level. As these loans are controlled by the Group and part of the Group's capital management, expected credit losses are considered to be insignificant.

14 Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair value of financial instruments. Exposure relates to bank loans with floating interest rates. ISS Global A/S's exposure towards interest rates is illustrated below, where a breakdown of ISS Global A/S's loans and borrowings in floating and fixed rates is provided. The interest rate exposure to floating interest rates is primarily in EUR.

DKK million	Nominal interest rate	Currency	Year of maturity	Nominal value	2020	2019
					Carrying amount	Carrying amount
Issued bonds (fixed interest rate)						
EMTNs (EUR 500 million)	1.125%	EUR	2021	-	-	2,238
EMTNs (EUR 500 million)	2.125%	EUR	2024	3,720	3,709	3,721
EMTNs (EUR 500 million)	0.875%	EUR	2026	3,720	3,690	3,701
EMTNs (EUR 600 million)	1.500%	EUR	2027	4,463	4,448	4,463
				11,903	11,847	14,123
Bank loans (floating interest rate)						
Revolving Credit Facility (EUR 1,000 million)	Libor + 1.750% ¹⁾	Multi	2024	-	(17)	(7)
				-	(17)	(7)
Intra-group (floating interest rate)						
Debt to companies within the ISS Group	-	Multi	2019	13,431	13,401	11,497
				13,431	13,401	11,497

¹⁾ In addition, a utilisation fee applies based on the actual level of utilisation.

Interest rate sensitivity

The interest rate risk is measured by the duration of the gross debt (fixed-rate period). As at 31 December 2020, the duration of gross debt was approximately 2.6 years (2019: 3.1 years).

An increase in relevant interest rates of 1%-point would have decreased net profit by DKK 16 million (2019: decreased by DKK 29 million).

The estimate was based on ISS Global A/S's floating rate loans and borrowings, i.e. disregarding cash and cash equivalents, as the level at 31 December is typically the highest in the year and not a representative level for the purpose of this analysis. The analysis assumes that all other variables remain constant.

15 Liquidity risk

Liquidity risk results from ISS Global A/S's potential inability or difficulty in meeting the contractual obligations associated with its financial liabilities due to insufficient liquidity.

Liquidity reserves

ISS Global A/S's liquidity reserves mainly consist of funds (cash and cash equivalents less not readily available or restricted cash) and unused credit facilities. The level of cash and cash equivalents is typically highest at 31 December and not a representative level for the rest of the year. As at 31 December 2020, ISS Global A/S's liquid reserves consisted of readily available liquid funds of DKK 796 million (2019: DKK 133 million) and unused revolving credit facilities of DKK 12,380 million (2019: DKK 7,125 million) where the majority is available for drawing until 3 November 2024.

Contractual maturities of financial liabilities

The contractual maturities of financial liabilities, based on undiscounted contractual cash flows, are shown in the table. The undiscounted contractual cash flows include expected interest payments, estimated based on market expectations at 31 December. The risk implied from the values in the maturity table below reflects the one-sided scenario of cash outflows only.

DKK million	Carrying amount Contractual cash flows							
		< 1 year	1-2 years	2-3 years	3-4 years	4-5 years	> 5 years	
2020								
Issued bonds and bank loans	11,830	12,841	179	179	179	3,892	100	8,312
Debt to companies within the ISS Group	13,401	13,825	9,943	46	46	46	3,744	-
Other financial liabilities	263	263	154	21	88	-	-	-
Total financial liabilities	25,494	26,929	10,276	246	313	3,938	3,844	8,312
2019								
Issued bonds and bank loans	14,116	15,355	221	2,421	179	179	3,908	8,447
Debt to companies within the ISS Group	11,497	11,568	11,568	-	-	-	-	-
Other financial liabilities	309	347	208	31	108	-	-	-
Total financial liabilities	25,922	27,270	11,997	2,452	287	179	3,908	8,447

16 Currency risk

Currency risk is the risk that arises from changes in exchange rates and affects ISS Global A/S's result, investment or value of financial instruments.

To a limited extent ISS Global A/S is exposed to currency risk on loans and borrowings (external) that are denominated in currencies other than DKK as well as intercompany loans to foreign subsidiaries as these are typically denominated in the functional currency of the subsidiary.

At 31 December 2020, 96.8% (2019: 87%) of ISS Global A/S's loans and borrowings were denominated in EUR or DKK.

Loans and borrowings – foreign currency sensitivity

A change in relevant currencies, with all other variables held constant, would have impacted net profit with the amounts below. The analysis is based on the ISS Group's internal monitoring of currency exposure on loans and borrowings, intercompany loans and cash and cash equivalents.

DKK million	Currency exposure (nominal value)	Currency swaps (contractual value)	Total exposure, net	Sensitivity	
				Increase in foreign exchange rates	Net profit
2020					
EUR/DKK	(15,752)	6,854	(8,898)	1%	(89)
GBP/DKK	291	(1,516)	(1,225)	10%	(123)
USD/DKK	1,561	(2,314)	(753)	10%	(75)
CHF/DKK	(294)	(389)	(683)	10%	(68)
Other/DKK	(493)	695	202	10%	20
Total	(14,687)	3,330	(11,357)		
2019					
EUR/DKK	(13,984)	6,545	(7,439)	1%	(74)
GBP/DKK	293	(2,740)	(2,447)	10%	(245)
USD/DKK	1,711	(2,437)	(726)	10%	(73)
CHF/DKK	(436)	(247)	(683)	10%	(68)
Other/DKK	(761)	774	13	10%	1
Total	(13,177)	1,895	(11,282)		

Net investment hedges

Net investment hedges at Group level are disclosed in 4.7 to the consolidated financial statements. At Group level changes in the fair value of derivative financial instruments designated as net investment hedges are recognised in Other comprehensive income. In ISS Global A/S the change in fair value is recognised in the income statement.

17 Related parties

In addition to the description in note 6.3 to the consolidated financial statements of related parties and transactions with these, related parties of ISS Global A/S comprise ISS World Services A/S and its subsidiaries, associates and joint ventures, see 7.5 to the consolidated financial statements.

In 2020, ISS Global A/S had the following transactions with other related parties, which were all made on market terms:

- ISS Global A/S received/paid interest from/to companies within the ISS Group, see note 6, Financial income and expenses.
- Debt to companies within the ISS Group is disclosed in note 10, Loans and Borrowings.
- ISS Global A/S's short-term receivable from subsidiaries was DKK 3,181 million (2019: DKK 2,472 million).
- ISS Global A/S paid joint taxation contribution equal to 22% of taxable income to jointly taxed Danish resident subsidiaries.
- ISS Global A/S received dividends in total of DKK 611 million (2019: DKK 1,830 million) from companies within the ISS Group, see note 8, Investments in subsidiaries and joint ventures.
- ISS Global A/S increased the share capital in five subsidiaries by DKK 2,967 million (2019: DKK 636 million in five subsidiaries) and founded three new subsidiaries for DKK 22 million (2019: acquired two subsidiaries for DKK 23 million), see note 8, Investments in subsidiaries and joint ventures.

18 New standards and interpretations not yet implemented

New standards and interpretations not yet implemented are described in 7.4 to the consolidated financial statements.

19 Subsidiaries and joint ventures

Directly owned subsidiaries and joint ventures

ISS Facility Services Australia Ltd.	Australia	100%
Pacific Invest December 2004 Pty Ltd.	Australia	100%
ISS Austria Holding GmbH	Austria	100%
ISS Facility Services N.V.	Belgium	100%
ISS Greater China Ltd.	China	100%
ISS International Czech Republic s.r.o.	Czech Republic	100%
ISS Facility Services A/S	Denmark	100%
ISS Global Management A/S	Denmark	100%
ISS Holding France A/S	Denmark	100%
ISS Lending A/S	Denmark	100%
Signal Arkitektter ApS	Denmark	84%
ISS Palvelut Holding Oy	Finland	100%
ISS Facility Services Holding GmbH	Germany	100%
ISS International Hungary Kft.	Hungary	100%
ISS Facility Services India Pvt. Ltd.	India	100%
PT. ISS Indonesia	Indonesia	100%
PT. ISS Facility Services	Indonesia	49%
ISS Ireland Holding Limited	Ireland	100%
ISS Facility Services S.r.l.	Italy	100%
Nihon ISS KK	Japan	100%
ISS Latvia SIA	Latvia	100%
ISS Lietuva UAB	Lithuania	100%
ISS Centro América, S. de R.L. de C.V.	Mexico	99%
ISS Holding Nederland B.V.	Netherlands	100%
ISS Finance B.V.	Netherlands	100%
ISS Holdings NZ Ltd.	New Zealand	100%
ISS Holding AS	Norway	100%
ISS Facility Services Sp. z o.o.	Poland	100%
ISS OS Sp. z o.o.	Poland	100%
ISS Romania Group S.R.L.	Romania	100%
ISS Asia Pacific Pte. Ltd.	Singapore	100%
ISS Facility Services Pte. Ltd.	Singapore	100%
ISS Facility Services (Pty) Limited	South Africa	100%
Integrated Service Solutions S.L.	Spain	100%
ISS Facility Services Holding AB	Sweden	100%
ISS Schweiz AG	Switzerland	100%
ISS Tesis Yönetim Hizmetleri A.Ş.	Turkey	90%
ISS UK Holding Limited	United Kingdom	100%

Directly owned subsidiaries and joint ventures classified as held for sale

ISS Facility Services Sdn. Bhd.	Brunei	100%
ISS Chile S.A.	Chile	100%
ISS Facility Services S.A.	Chile	97%
ISS Facility Services s.r.o.	Czech Republic	100%
ISS Facility Services Kft.	Hungary	97%
ISS Facility Services Phils., Inc.	Philippines	100%
ISS Facility Services spol s r.o.	Slovakia	100%
ISS Facility Services d.o.o.	Slovenia	100%
ISS Facility Services, Lda.	Portugal	100%
FS East Oy	Russia	100%

Management statement

Copenhagen, 22 March 2021

The Board of Directors and the Managing Director have today discussed and approved the annual report of ISS Global A/S for the financial year 2020.

The annual report has been prepared in accordance with International Financial Reporting Standards as adopted by the EU and additional requirements of the Danish Financial Statements Act.

It is our opinion that the consolidated financial statements and the Parent company financial statements give a true and fair view of the Group's and the Parent company's financial position at 31 December 2020 and of the results of the Group's and the Parent company's operations and cash flows for the financial year 1 January – 31 December 2020.

In our opinion, the Management review includes a fair review of the development in the Group's and the Parent company's operations and financial conditions, the results for the year, cash flows and financial position as well as a description of the most significant risks and uncertainty factors that the Group and the parent company face.

We recommend that the annual report be approved at the annual general meeting.

Managing Director



Kristoffer Lykke-Olesen

Board of Directors



Jacob Aarup-Andersen
Chair



Kasper Fangel



Corinna Refsgaard



Pierre-François Riolacci



Bjørn Raasteen

Independent auditors' report

To the shareholder of ISS Global A/S

Opinion

We have audited the consolidated financial statements and the parent company financial statements of ISS Global A/S for the financial year 1 January – 31 December 2020, pp. 26–90 and pp. 91–105, which comprise statement of profit or loss, statement of comprehensive income, statement of cash flows, statement of financial position, statement of changes in equity and notes, including accounting policies for the Group and the Parent Company. The consolidated financial statements and the parent company financial statements are prepared in accordance with International Financial Reporting Standards as adopted by the EU and additional requirements of the Danish Financial Statements Act.

In our opinion, the consolidated financial statements and the parent company financial statements give a true and fair view of the financial position of the Group and the Parent Company at 31 December 2020 and of the results of the Group's and the Parent Company's operations and cash flows for the financial year 1 January – 31 December 2020 in accordance with International Financial Reporting Standards as adopted by the EU and additional requirements of the Danish Financial Statements Act.

Our opinion is consistent with our long-form audit report to the Audit and Risk Committee and the Board of Directors.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the "Auditor's responsibilities for the audit of the consolidated financial statements and the parent company financial statements" (hereinafter collectively referred to as "the financial statements") section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants

(IESBA Code) and additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these rules and requirements.

To the best of our knowledge, we have not provided any prohibited non-audit services as described in article 5(1) of Regulation (EU) no. 537/2014.

Appointment of auditor

Subsequent to ISS Global A/S being listed on Bourse de Luxembourg, we were initially appointed as auditor of ISS Global A/S on 1 April 2003. We have been reappointed annually by resolution of the general meeting for a total consecutive period of seventeen years up until the financial year 2020.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements for the financial year 2020. These matters were addressed during our audit of the financial statements as a whole, and in forming our opinion thereon. We do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled our responsibilities described in the "Auditor's responsibilities for the audit of the financial statements" section of our report, including in relation to the key audit matters. Accordingly, our audit included the design and performance of procedures to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the financial statements.

Revenue from contracts with customers, including cut-off and accrual of revenue and onerous contracts

Revenue from contracts is recognised as the services are rendered to the customers. Some contracts require the Group to incur significant transition and mobilisation costs at contract inception which are capitalised and amortised over a multi-annual contract term. Accordingly, appropriate cut-off and accrual of revenue and capitalisation and amortisation

of transition and mobilisation costs is critical and involve management judgement, especially in relation to the more integrated and complex facility service contracts. Further, the assessment of whether a contract may be considered onerous involves management judgement in making accounting estimates about future contract profitability, including the determination of the total contract revenue, contract period and the unavoidable costs of meeting the obligations under the contract.

Due to the inherent uncertainty involved in the cut off and accrual of revenue, the assessment of whether transition and mobilisation costs meet the criteria to be capitalised and the determination of the contract period and the future contract profitability, including the uncertainty relating to estimating the impact from Covid-19, we considered the accounting for revenue from contracts with customers, including cut-off and accrual of revenue and onerous contracts, to be a key audit matter.

For details on revenue from contracts with customers, transition and mobilisation costs and provisions for onerous contracts, reference is made to notes 1.2, 2.2, 2.3 and 2.5 in the consolidated financial statements.

In response to the identified risks, our audit procedures included, among others:

- Test on a sample basis of accrued revenue (unbilled receivables) to supporting documentation, including procedures such as: Inspection of proof of work done, review of contracts with customers, comparison of amounts accrued to subsequent invoices and cash receipts.
- Test on a sample basis of capitalised transition and mobilisation costs, including procedures such as: Inspection of proof of costs incurred, review of contracts with customers, evaluation of management's assessment of costs meeting the criteria to be recognised.
- Evaluation of management's process to identify and quantify onerous contracts. Our evaluation included inquiries to local management responsible for carrying out the identification process at country level, review of documentation of management's analysis as well as our own analytical procedures over contract margins.
- Test on a sample of provisions for onerous contracts, including procedures such as: Review of the relevant contract and management's estimate of the future contract revenue and unavoidable cost, assessment of the assumptions applied by management to estimate the future contract revenue, including the expected Covid-19 impact, con-

tract term including termination and extension options and unavoidable cost, comparison of the revenue assumptions used to the services and fees specified in the contract, comparison of unavoidable cost assumptions used to underlying cost projections and actual costs incurred historically as well as testing the completeness and accuracy of the underlying cost projections.

Valuation of intangible assets

The carrying amounts of goodwill and customer contracts related to prior years' acquisitions comprise a significant part of the consolidated statement of financial position. The cash-generating units in which goodwill and customer contracts are included are impairment tested by Management on an annual basis. The impairment tests are based on Management's estimates of among others future profitability, long-term growth and discount rate. Due to the inherent uncertainty involved in determining the net present value of future cash flows, including the uncertainty relating to estimating the impact from Covid-19, we considered these impairment tests to be a key audit matter. For details on the impairment tests performed by Management reference is made to notes 3.5, 3.6 and 3.7 in the consolidated financial statements.

In response to the identified risks, our audit procedures included, among others, testing the mathematical accuracy of the discounted cash flow model and comparing forecasted profitability to board approved budgets. We evaluated the assumptions and methodologies used in the discounted cash flow model, in particular those relating to the forecasted revenue growth and operating margin, including comparing with historical growth rates and assessed impact of Covid-19. We compared the assumptions applied to externally derived data as well as our own assessments in relation to key inputs such as projected economic growth and discount rates. Further, we evaluated the sensitivity analysis on the key assumptions applied. Our audit procedures primarily focused on cash generating units where likely changes in key assumptions could result in impairment. We further evaluated the adequacy of disclosures provided by Management in the financial statements compared to applicable accounting standards.

Assets and liabilities held for sale and discontinued operations

When classifying businesses as held for sale and as discontinued operations in the consolidated financial statements, Management makes judgments and estimates, including assessment of impairment of the net assets. Due to the materiality of Management's disposal plans and inherent uncertainty involved in classifying and assessing assets and liabilities held for

sale and discontinued operations, we considered these judgments and estimates as a key audit matter. For details on the assets and liabilities held for sale and discontinued operations reference is made to note 3.1 and note 3.2 in the consolidated financial statements.

In response to the identified risks, our audit procedures included, among others, agreeing the carrying amounts of the assets and liabilities held for sale to underlying accounting records, considered Management's criteria for classification of businesses as held for sale and discontinued operations and reading draft agreements where relevant, including reviewing minutes and other relevant documentation of the sales processes and board decisions. We considered the impairment assessment made by Management, including assessment of key assumptions applied and evaluation of the explanations provided by comparing key assumptions to market data, where available. We further evaluated the adequacy of disclosures provided by Management in the financial statements compared to applicable accounting standards.

Income tax and deferred tax balances

The Group's operations are subject to income taxes in various jurisdictions having different tax legislation. Management makes judgments and estimates in determining the recognition of income taxes and deferred taxes. Given the inherent uncertainty involved in assessing and estimating the income tax and deferred tax balances, including tax exposures and write-down of deferred tax assets and given the uncertainty estimating the impact from Covid-19 on future taxable income, we considered these balances as a key audit matter.

For details on the income tax and deferred tax balances reference is made to notes 1.5 and 1.6 in the consolidated financial statements and notes 7 and 9 in the Parent company financial statements.

In response to the identified risks, our audit procedures included review of tax computations in order to assess the completeness and accuracy of the amounts recognised as income taxes and deferred taxes, as well as assessment of correspondence with tax authorities and evaluation of tax exposures as well as write-down of deferred tax assets. In respect of the deferred tax assets recognised in the statement of financial position, we assessed Management's assumptions as to the probability of recovering the assets through taxable income in future years and available tax planning strategies. We further evaluated the adequacy of disclosures provided by Management compared to applicable accounting standards.

Valuation of investments in subsidiaries

The investments in subsidiaries comprise a significant part of the statement of financial position of the parent company. The valuation of investments in subsidiaries is based on Management's assessment of whether indications or objective evidence of impairment exists. This assessment is based on an assessment of the net present value of the expected future cash flows generated by the subsidiaries which is determined on the basis of, among others, the expected future profitability, long-term growth and discount rate for each subsidiary. Due to the inherent uncertainty involved in determining the net present value of expected future cash flows, we considered the valuation of investments in subsidiaries to be a key audit matter. For details on the valuation of investments in subsidiaries reference is made to note 8 in the parent company financial statements.

In response to the identified risks, our audit procedures included, among others, testing the mathematical accuracy of the discounted cash flow model and comparing forecasted profitability to board approved budgets. We evaluated the assumptions and methodologies used in the discounted cash flow model, in particular those relating to the forecasted revenue growth and operating margin, including comparing with historical growth rates and results as well as assessed impact of Covid-19. We compared the assumptions applied to externally derived data as well as our own assessments in relation to key inputs such as projected economic growth and discount rates. Further, we evaluated the sensitivity analysis on the key assumptions applied. Our audit procedures primarily focused on investments, where likely changes in key assumptions could result in impairment. We further evaluated the adequacy of disclosures provided by Management in the parent company financial statements compared to applicable accounting standards.

Statement on the Management's review

Management is responsible for the Management's review, pp. 2-25.

Our opinion on the financial statements does not cover the Management's review, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the Management's review and, in doing so, consider whether the Management's review is materially inconsistent with the financial statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether the Management's review provides the information required under the Danish Financial Statements Act.

Based on the work we have performed, we conclude that the Management's review is in accordance with the financial statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement of the Management's review.

Management's responsibilities for the financial statements

Management is responsible for the preparation of consolidated financial statements and parent company financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the EU and additional requirements of the Danish Financial Statements Act and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, Management is responsible for assessing the Group's and the Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting in preparing the financial statements unless Management either intends to liquidate the Group or the Parent Company or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance as to whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit conducted in accordance with ISAs and additional requirements applicable in Denmark, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Parent Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the financial statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Parent Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and the Parent Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and contents of the financial statements, including the note disclosures, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements and the parent company financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Copenhagen, 22 March 2021

EY Godkendt Revisionspartnerselskab

CVR no. 30 70 02 28



Torben Bender
State Authorised
Public Accountant
mne21332



Claus Kronbak
State Authorised
Public Accountant
mne28675

Definitions

ISS uses various key figures, financial ratios (including alternative performance measures (APMs)) and non-financial ratios, all of which provide our stakeholders with useful and necessary information about the Group's financial position, performance, cash flows and development in a consistent way. In relation to managing the business, achieving our strategic goals and ultimately creating value for our shareholders, these measures are considered essential.

Financial ratios

Acquisitions, %

$$= \frac{\text{Revenue from acquisitions}^1 \times 100}{\text{Revenue prior year}}$$

Currency adjustments

$$= \text{Total revenue growth} - \text{Organic growth} - \text{Acquisition/divestment growth, net}^2$$

Divestments, %

$$= \frac{\text{Revenue from divestments}^3 \times 100}{\text{Revenue prior year}}$$

EBITDA before other items

$$= \text{Operating profit before other items} + \text{Depreciation and amortisation}$$

Equity ratio, %

$$= \frac{\text{Total equity} \times 100}{\text{Total assets}}$$

Free cash flow

$$= \text{Cash flow from operating activities} - \text{Acquisition of intangible assets and property, plant and equipment, net} - \text{Acquisition of financial assets, net (excluding equity-accounted investees)} - \text{Addition of right-of-use assets, net}$$

Net debt

$$= \text{Loans and borrowings} - \text{Securities} - \text{Cash and cash equivalents} - \text{Positive fair value of derivatives}$$

Operating margin, %

$$= \frac{\text{Operating profit before other items} \times 100}{\text{Revenue}}$$

Organic growth, %

$$= \frac{(\text{Revenue current year} - \text{Comparable revenue}^4 \text{ prior year}) \times 100}{\text{Comparable revenue}^4 \text{ prior year}}$$

Total revenue growth, %

$$= \frac{(\text{Revenue current year} - \text{Revenue prior year}) \times 100}{\text{Revenue prior year}}$$

Non-financial ratios

Customer retention, %

$$= \frac{\text{Portfolio revenue (annual) retained at year-end}}{\text{Portfolio revenue (annual) retained at the beginning of the year}}$$

Employee turnover, %

$$= \frac{\text{Number of employees who left in the year} \times 100}{\text{Average number of employees for the year}}$$

¹⁾ Based on management's expectations at the acquisition date.

²⁾ Includes the effect stemming from exclusion of currency effects from the calculation of organic growth and acquisition/divestment growth, net.

³⁾ Based on estimated or actual revenue where available at the divestment date.

⁴⁾ Implies the exclusion of changes in revenue attributable to acquisitions/divestments, net and the effect of changes in foreign exchange rates. In order to present comparable revenue and thereby organic growth excluding any effect from changes in foreign currency exchange rates, comparable revenue in the prior year is calculated at the current year's foreign currency exchange rates. Acquisitions are treated as having been integrated into ISS upon acquisition, and ISS's calculation of organic growth includes changes in revenue of these acquisitions compared with revenue expectations at the date of acquisition.

Forward-looking statements

This Annual Report contains forward-looking statements, including, but not limited to, the guidance and expectations in Outlook on p. 4. Statements herein, other than statements of historical fact, regarding future events or prospects, are forward-looking statements. The words may, will, should, expect, anticipate, believe, estimate, plan, predict, intend or variations of such words, and other statements on matters that are not historical fact or regarding future events or prospects, are forward-looking statements. ISS has based these statements on its current views with respect to future events and financial performance. These views involve risks and uncertainties that could cause actual results to differ materially from those predicted in the

forward-looking statements and from the past performance of ISS. Although ISS believes that the estimates and projections reflected in the forward-looking statements are reasonable, they may prove materially incorrect, and actual results may materially differ, e.g. as the result of risks related to the facility service industry in general or ISS in particular including those described in this report and other information made available by ISS. As a result, you should not rely on these forward-looking statements. ISS undertakes no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except to the extent required by law.