

ANNUAL REPORT

2021



PEOPLE MAKE PLACES



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Letter to our stakeholders

ISS delivered significant strategic, financial, and operational progress in 2021. Thanks to our more than 350,000 placemakers, and despite substantial headwinds, not least from the Covid-19 pandemic, ISS supported the needs of our customers as the global workplace was undergoing rapid change. Furthermore, we strengthened our efforts substantially towards a full-scope net zero business by 2040.

Led by our purpose of connecting people and places to make the world work better, we have focused on providing a clean and safe working environment for our customers' employees as well as our own employees – who we call placemakers. This remained a top priority to keep vital infrastructure and key production facilities open and operational in a year where the pandemic was yet again a dominating factor. At the same time, we supported a rapidly-changing global workplace with hybrid work becoming the new normal at many of our office-based customers. We want to thank all our employees for working tirelessly in ensuring this vital support to our customers.

2021 was another difficult year for the world as the Covid-19 pandemic continued to challenge societies and businesses. As a leading provider of services to the global workplace, this also affected ISS. The adverse impact on our revenue from Covid-19 restrictions and lockdowns continued to vary across our services, customer segments and geographies. However, we also saw a positive contribution from continued strong demand for deep-cleaning and disinfection solutions, which supported our revenue related to project work.

Solid financial developments

Despite the challenges posed by the pandemic and a volatile business environment with wage inflation and labour shortages in many regions,

ISS remained resilient and delivered significant financial and operational progress in 2021. This was not least due to the impact from our turnaround programme and restructuring initiatives across our business and a strong focus on servicing our key customer segments.

Organic growth was 2.0% in 2021, compared with (6.6)% in 2020, mainly due to improvements in the portfolio revenue despite continued subdued activity across many segments and regions. Growth remains a key focus area for us, and with the OneISS strategy we are investing further to develop our commercial processes and in delivering world-class customer solutions to attract and retain customers.

Our execution of the turnaround programme and restructuring initiatives and the implementation of the OneISS strategy led to a significant improvement of our operating margin as well as strong cash flow generation. As a result, we raised our financial guidance in the second half of 2021 and ended the full year with an operating margin of 2.5% and a free cash flow of DKK 1.7 billion, in line with our revised guidance.

Delivering on our strategic ambitions

The financial progress was a testament to our persistent focus on implementing the OneISS strategy, which sets out our dual priority of

// Looking back, 2021 was a year of fundamental change for ISS. We made significant progress both strategically, financially and operationally. However, we have only just embarked on this multi-year journey – and we are confident that we will provide further progress in 2022 and the years to come.



Niels Smedegaard
Chair

Jacob Aarup-Andersen
Group CEO

delivering a short-term turnaround while at the same time ensuring long-term improvements to the global operating model.

We launched our strategy refresh in December 2020 with the clear aim of sharpening our focus on key segments, accelerating technology investments, and introducing a new globally aligned operating model. With the refreshed strategy, we are taking advantage of our global scale to drive superior value for all stakeholders, to become the most respected global leader in integrated facility services and to strengthen our position as the global number one in cleaning.

During 2021, we made a number of organisational changes, introduced a new country blueprint and launched changes to the top management teams of ISS. All to ensure that ISS is fit for the future and that we can fulfil our strategic ambitions by delivering strong outcomes for all stakeholders. As a result, 40% of our top 400 leaders are new to their roles. Furthermore, we have significantly strengthened the Executive Group Management team with a good combination of executives recruited within ISS's own talent pool and external profiles with the right international expertise and experience.

Turnaround initiatives on track

We continued to execute on our turnaround programme for 2021-2022 focusing on profitability and cash generation. The turnaround plan entails a substantial improvement of underperforming contracts and countries, a recovery from the Covid-19 situation and a sharpened strategic focus through our divestment programme. During the year, we achieved important milestones on these priorities.

In June, we reached an agreement to gradually exit the underperforming partnership contract

with Danish Defence. Furthermore, the performance of the Deutsche Telekom contract, our largest contract globally, developed according to the recovery plan and we saw improvements in the performance of our operations in France and the UK.

On our divestment programme, we signed or completed a total of 14 divestments during the year (including in January 2022), taking us well ahead of our plan and securing net proceeds of DKK 1.8 billion out of the targeted DKK 2 billion by year-end 2022. In addition, we saw the early signs of recovery from the pandemic as customers gradually returned to offices in certain countries and despite the recent rise in infection rates. Overall, we delivered according to plan on the turnaround programme, and in some areas even ahead of our expectations.

High retention rate for key accounts

In line with our strategic focus on global key accounts, we maintained a high retention rate for key accounts of 94%. During the year, we further strengthened our position both within existing and new key accounts across several markets. In March, we agreed to extend the strategic partnership with Barclays until 2025. For the past nine years, ISS has delivered integrated facility and workplace services in more than 30 countries across the Barclays portfolio.

In June, we announced an agreement with energy company Equinor to deliver services to its office sites. The contract will run for five years, with a possible extension of five additional years. This is the largest contract of its kind on the Norwegian market. In Turkey, we strengthened our position in the strategically important healthcare sector with the acquisition of Rönensans Facility Management Company in September. The expansion in the Turkish healthcare sector will

advance our efforts to accelerate our leadership position within this key segment.

At the end of the year, we agreed to extend the long-standing partnership with Hewlett Packard Enterprise for another five years and generally, we managed to renew a number of other large key accounts with multi-year contracts throughout the year.

Continued focus on operational performance

To further strengthen the execution of our strategy and improve our global operating model, we have taken significant steps towards building a much more aligned organisation and implementing unified processes. OneISS is all about truly leveraging the power of being a large global enterprise and with that constantly providing the best of ISS to our customers. By doing so, we raise the efficiency, quality, and consistency of our operational performance.

One example was the introduction of sophisticated benchmarking tools for enhanced productivity of daily office cleaning in selected countries and contracts. The tool allows operators and specialists to identify improvement potential at customer sites as well as the required actions to achieve it. We also introduced a new strategy and structure for Global IT, Digitalisation & Services focusing on insourcing and centralisation of IT resources, delivering the right digital applications for our customers and employees, and building on scalable and cybersecure tech platforms.

In December, we officially opened our new headquarter hub in the Polish capital of Warsaw. The hub will – as a supplement to our main head office in Denmark – play an important role in fulfilling our strategic ambitions and ensuring that we have access to the best talent pool going forward.

Ensuring a safe, diverse, inclusive and sustainable workplace

As the world continues to recover from the pandemic, our focus remains on supporting our customers in their current and future needs. Not least when it comes to ensuring a safe and sustainable global workplace to the benefit of our planet and the people who live and work on it.

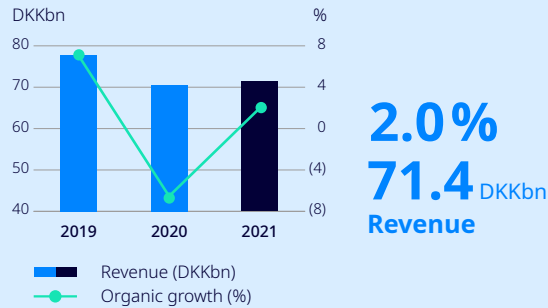
At ISS, we recognise the full scope of the ongoing climate and environmental crisis. And we are strongly committed to carrying out our operations and delivering our services in a sustainable way. For this reason, we have recently appointed a new Head of Sustainability and in January 2022, we launched our new sustainability targets, including an ambitious target of reaching full-scope net zero greenhouse gas emissions by 2040.

Social sustainability, which has always been in our DNA, was also further strengthened in 2021. ISS is built on a foundation of equity, inclusion, fairness and respect for all individuals. With the appointment of a new Head of Diversity & Inclusion and the launch of a new D&I strategy, we are committed to taking a proactive responsibility towards our surrounding communities, our customers, and society by reflecting diversity and reinforcing an inclusive culture where everyone can be their authentic self and feel that they belong.

Looking back, 2021 was a year of fundamental change for ISS. We made significant progress strategically, financially and operationally. However, we have only just embarked on this multi-year journey that will create a stronger, simpler and closer ISS. With a solid foundation, a clear strategy and not least the support of our dedicated placemakers who every day connect people and places to make the world work better, we are confident that we will provide further progress in 2022 and the years to come.

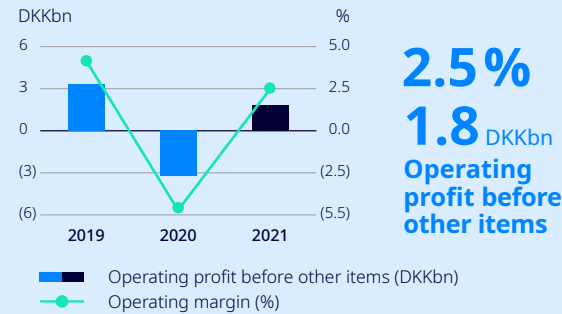
Performance highlights

Organic growth



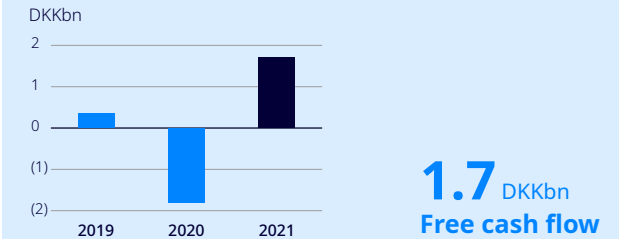
Initial recovery from Covid-19 of portfolio revenue, particularly in H2, when customers started to return to their offices, led to positive organic growth in 2021.

Operating margin



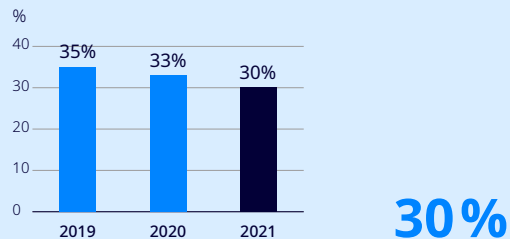
Progress on underperforming contracts and countries, impact from ongoing restructuring initiatives and initial recovery from Covid-19 were the main drivers of the significant improvement in 2021.

Free cash flow



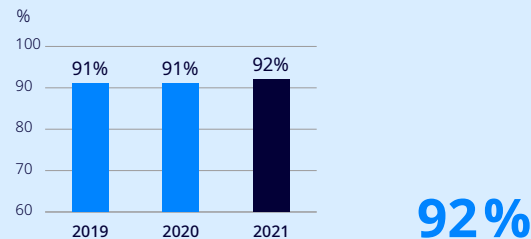
The solid free cash flow in 2021 was driven by significant improvement in our operational performance, continued strong working capital performance and strict investment discipline.

Employee turnover



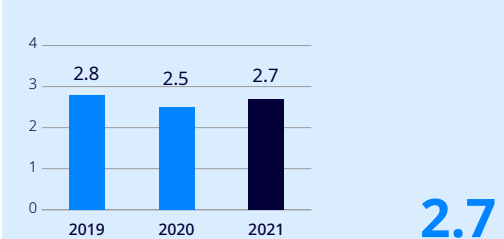
We continued to see a positive trend in employee turnover driven by our key account focus, including discontinuation of high-churn non-key account contracts, divestments and persistent push for retention initiatives in countries.

Customer retention



Our strong focus on customer satisfaction and proactive work with customers to seek renewals ahead of expiry led to improvement in 2021.

Lost Time Injury Frequency



We continued to focus on HSE risks across the organisation, e.g. through campaigns to reinforce safety behaviour at sites. In the past decade we have reduced our LTIF by more than 80% from the baseline of 13.

Our story

We are placemakers

From strategy through to operations, we partner with customers to deliver places that work, think and give. They choose us because we create, manage and maintain environments that make life easier, more productive and enjoyable.

Our **people** care about the people they support, always adding a human touch to create places that deliver and delight. Every ISS person in every customer facility is one of us – trained, equipped, motivated and working to **high standards**.

Working with customers day by day, side by side, we come to understand every aspect of the user experience. We deploy data, insights and knowledge to develop innovative strategies and **intelligent solutions** to meet the intricate

realities of service delivery. This helps us manage risk, reduce cost and ensure consistency.

As a global company with a heritage of fairness, equality and inclusion, we empower all of our people to deal with problems and opportunities when they arise. We see it as our job to help our customers achieve their purpose. Whether it is hospitals healing patients, businesses boosting productivity, airports transferring passengers or manufacturing sites producing goods, we are there to help.

People make places and places make people. We know that when we get things right, it enhances lives and makes the world work better – and that is what drives us.

Our purpose

Connecting **people and places** to make the world work better

Our promise

A sustainable business model that supports the world we live in

Caring for people, places and the planet

Making the world work better starts with our belief in creating a fair and inclusive society.

We take care of, and provide opportunity for **people**, helping them to develop themselves. We do this because we know our people can and do make a difference. We believe that people make places and places make people.

ISS helps to protect and maintain **places** – buildings and the assets inside them. We help our customers minimise their impact on the **planet** by reducing their consumption of energy, carbon and water and cutting their production of waste, including food.

We bring all of this to life through a unique combination of data, insight and service excellence.

Strategic update

OneISS

In December 2020, we launched our refreshed strategy, OneISS, confirming our key account strategy and our Integrated Facility Services (IFS) delivery model. We continue to focus on self-delivery of our core services by experienced placemakers, who care.

Acknowledging that historic execution was unsatisfactory, OneISS focuses on delivering a short-term turnaround of our underperforming contracts and countries, recovery from Covid-19 and a sharpened focus through our divestment programme. At the same time, we are investing in a long-term improvement of the global operating model to enable us to deliver consistent high-quality outcomes to our customers.

Execution on track

During 2021, we made significant progress. Our turnaround programme is on track, and we have laid the foundation for a strengthened global operating model. We also saw a positive impact from the restructuring initiatives initiated in 2021 across the business in response to Covid-19 as well as initial signs of recovery appearing towards the end of 2021. We will continue this journey in the coming years to create OneISS – Stronger, Simpler, Closer.

Given the significant progress we have made in 2021, we have updated our strategic priorities going into 2022, see Our strategy, p. 29. This will enable us to achieve our 2025 ambition and deliver strong outcomes for all our stakeholders – Customers, Society, Colleagues, and Shareholders.

Progress 2021

Turnaround 2021-2022

- Agreement reached to exit Danish Defence gradually until May 2022
- Good progress on remaining underperforming contracts and countries
- Initial recovery from Covid-19 with customers slowly returning to office in some countries

Divestment programme

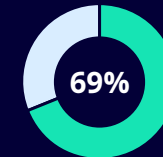
- Secured net proceeds of DKK 1.8bn (target of DKK 2bn in 2021-2022)
- Chile reclassified to continuing operations
- Rescoped in January 2022 to only include the remaining three countries and two business units

Global operating model

- New country blueprint organisation with distinct focus on key accounts and single-service customers
- New Operations Performance function established, including roll-out of benchmarking tool for enhanced productivity of daily office cleaning in selected countries and contracts
- New global product management team and governance, tightly linked with technology
- New global commercial team and strengthened bid process
- New technology strategy led by new EGM member responsible for Technology and Digital
- New Head of Sustainability hired and commitment to net zero emissions by 2040 announced in January 2022

Our strategic choices

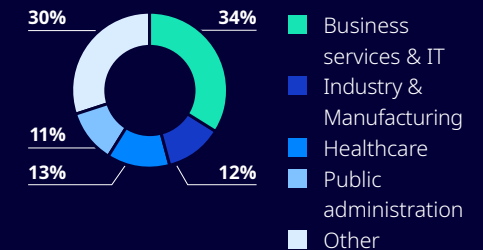
Key account share



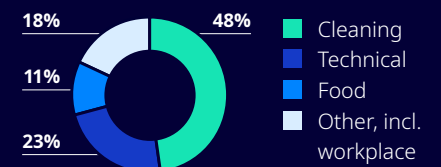
IFS revenue share



Customer segments

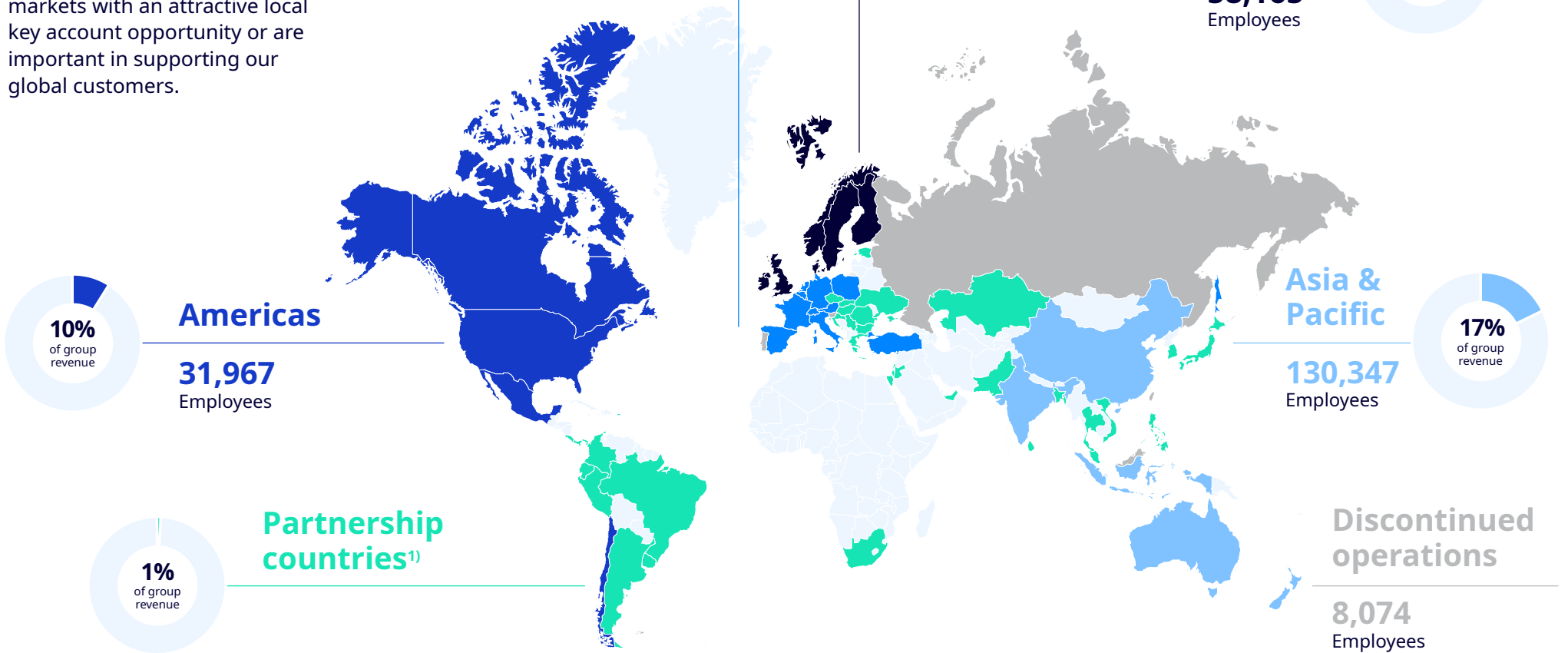


Core services



Our global footprint

We operate in 30+ countries with 40,500+ customers. Our geographic footprint reflects markets with an attractive local key account opportunity or are important in supporting our global customers.



¹⁾ See p. 109.

The ISS investment case

ISS is a leading, global provider of workplace and facility service solutions and the absolute leader within cleaning services. Following a year of significant progress on our OneISS journey, we are well positioned to gain market share in a growing market underpinned by increased outsourcing and continuing demand for higher quality services.

Industry leadership

We serve our customers across the globe in locations that account for the vast majority of the world's GDP. Our leadership position has been established over more than a century – a position that has allowed us to win some of the largest workplace and facility management contracts in the market. Both private and public sector organisations outsource these services to us because we bring insights, consistency and excellence – driving intelligent solutions, greater efficiency and allowing them to focus on their own purpose.

Attractive market dynamics

The global facility services market has an estimated value of USD 1 trillion of which key accounts comprise around 40%. This highly fragmented market holds consolidation potential and continues to grow driven by increased outsourcing, convergence towards Integrated Facility Services (IFS) and a continuing shift in demand towards higher quality services.

Large customers are shifting from input-based relationships to outcome-focused strategic partnerships, where cleaning and workplace management services are seen as pivotal drivers of corporate culture and employee health and engagement.

Post-Covid trends

With the impact of Covid-19 on workplaces, this trend is further reinforced. Customers are not just looking for world-class service delivery, but for a partner to serve as key strategic adviser in how to bring their real estate strategies and workplace cultures to life. Large corporates are re-assessing their workspace environment and the management of facilities has become a key strategic decision in ensuring a productive and healthy working environment in the long-term. Working-from-home trends will allow some companies to rationalise their real estate footprint, while increasing demand is expected for higher quality and more frequent offerings, including deep-cleaning and disinfection.

The continuing globalisation allows large global FM players to grow faster than local players as global companies increasingly require consistent and seamless service delivery across sites, countries, and regions. ISS is among the few global companies with this service offering and with our modest market share of around 2%, we see plenty of room to grow.

Turnaround and enhanced long-term performance

Historically, ISS has delivered stable margins and attractive cash conversion, which was temporarily disrupted in 2020 by Covid-19, a malware attack and a few but significant operational challenges.

In response, the new management team launched OneISS, which is outlining a clear plan to return to healthy margins (above 4%) and leverage (net debt below 3x EBITDA) by the end of 2022. Simultaneously, a new operating model is being established to enhance execution for strengthened long-term performance.

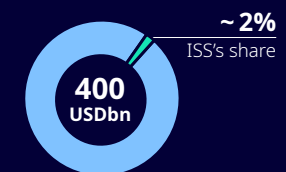
The turnaround targets will be achieved through the recovery of our underperforming contracts (Danish Defence and Deutsche Telekom) and countries (France and the UK) while recovering from Covid-19 through restructuring initiatives as well as the trimming and renegotiation of contracts.

The new operating model is founded in a cultural transformation, including a new leadership team, amended incentive structures and a stronger global function to support local execution. The enhancements will enforce a standardised approach across ISS and enable consistent delivery of high-quality outcomes to our key account customers.

In 2021, we made significant progress on the turnaround as well as the long-term enhancements of the operating model. This is further described in Our strategy, p. 26, along with our priorities for 2022.

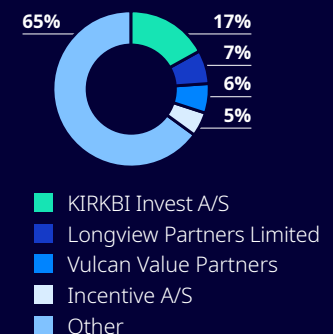
Our market

Attractive key account market with significant room to grow



Major shareholders

Latest major shareholdings reported by investors to ISS



Outlook 2022

In 2022, the execution of the OneISS strategy and the ongoing turnaround will continue. The operational and financial improvements achieved in 2021 provide a solid foundation for continued progress in 2022, and the turnaround targets are confirmed.

The outlook for 2022 assumes a continued return to the workplace and Covid-19 recovery. The revenue recovery is expected to be gradual over the year as large global companies have delayed large-scale mandatory return-to-office due to the spreading of Covid-19 (the omicron variant).

Organic growth

Organic growth is expected to be above 2% for 2022 (2021: 2.0%). Growth is driven by the continued gradual recovery from Covid-19, positive effects from management of inflation and impact from contract wins and expansions achieved during 2021. However, we are also mindful of the sustained global uncertainties from Covid-19, where the spreading of the omicron variant has led to some reinforcement of restrictions, particularly in Asia & Pacific. A negative impact is expected from a lower level of projects and above-base work as well as the planned exit of the Danish Defence contract.

Operating margin

Operating margin is expected to be above 3.5% (2021: 2.5%). The main drivers of the increase are continued improvement of the underperforming contracts and countries, predominantly Deutsche Telekom, a positive impact from Covid-19 revenue recovery and continued improvement across the business from ongoing restructuring initiatives.

Delivery on 2021 outlook

	Annual report 2020	Interim report H1 2021	Trading update Q3 2021	Actual 2021
Organic growth	Positive	Positive	Positive	2.0%
Operating margin¹⁾	Above 2%	Above 2%	Around 2.5%	2.5%
Free cash flow	Slightly positive	Above DKK 1bn	Around DKK 1.5bn	DKK 1.7bn

Free cash flow

Free cash flow is expected to be above DKK 1.3 billion (2021: DKK 1.7 billion). The expected higher operating profit before other items compared to 2021 will have a positive effect on free cash flow. Inflow from changes in working capital is expected to be neutral to slightly positive following the positive impact in 2021. Payments related to restructuring projects initiated in 2020, including the exit fee to Danish Defence, are expected to reduce free cash flow by around DKK 0.5 billion.

Expected revenue impact from divestments, acquisitions and foreign exchange rates in 2022

Divestments and acquisitions completed by 14 February 2022 (including in 2021) are expected to have a negative impact on revenue growth in 2022 of 1.5-2.5%-points. Countries to be divested continue to be reported as discontinued operations and will not impact revenue growth upon divestment. Based on the current

exchange rates, a negative impact on revenue growth of 0-1%-point is expected in 2022 from the development of foreign exchange rates.

Turnaround targets

As part of the launch of the OneISS strategy in December 2020, ISS announced turnaround targets to focus on the short-term recovery of the business. Today, the turnaround targets – which are outlining a healthy recovery with a focus on profitability and cash generation – are confirmed. The target related to free cash flow is replaced by the 2022 outlook for free cash flow of above DKK 1.3 billion.

- Operating margin above 4% as run-rate when entering 2023
- Net Debt / Pro Forma Adjusted EBITDA to be reduced to below 3x by the end of 2022

Outlook 2022²⁾

Organic growth	Above 2%
Operating margin¹⁾	Above 3.5%
Free cash flow	Above DKK 1.3bn

Turnaround targets by 2022

Operating margin¹⁾	Above 4% as run-rate entering 2023
Financial leverage	Below 3x in 2022

¹⁾ Based on Operating profit before other items.

²⁾ Excluding any impact from acquisitions and divestments completed subsequent to 14 February 2022 as well as currency translation effects.

Delivery on 2021 outlook

As a result of the significant financial progress in 2021, we raised our outlook twice and ended the full year in line with our revised guidance, as shown in the table above.

The outlook should be read in conjunction with “Forward-looking statements”, p. 108 and Our business risks, pp. 32–34.

Five-year summary

Financials	2021 ¹⁾	2020	2019 ²⁾	2018	2017
Results (DKKm)					
Revenue	71,363	70,752	77,698	73,592	73,577
Operating profit before other items	1,776	(3,203)	3,252	3,698	3,995
Operating profit	1,701	(4,707)	2,522	2,386	3,247
Pro forma adjusted EBITDA	3,568	(1,349)	4,838	4,539	4,964
Financial expenses, net	(656)	(549)	(703)	(590)	(498)
Net profit from continuing operations	536	(5,220)	1,153	1,223	2,130
Net profit from discontinued operations ³⁾	101	25	218	(932)	(123)
Net profit	637	(5,195)	1,371	291	2,007
Cash flow (DKKm)					
Cash flow from operating activities	3,221	(361)	2,064	3,347	3,613
Acquisition of intangible assets and property, plant and equipment, net	(586)	(681)	(1,095)	(968)	(907)
Free cash flow	1,735	(1,794)	366	2,359	2,699
Financial position (DKKm)					
Total assets	43,655	43,605	50,061	49,811	50,835
Goodwill	19,753	19,662	21,257	20,911	22,894
Additions to property, plant and equipment	335	389	673	882	742
Equity	7,789	6,545	12,547	12,472	13,814
Net debt	13,451	15,802	14,730	10,757	11,325
Shares ('000)					
Number of shares issued	185,668	185,668	185,668	185,668	185,668
Number of treasury shares	970	970	970	1,001	1,509
Average number of shares (basic)	184,698	184,698	184,692	184,558	184,027
Average number of shares (diluted)	186,003	185,136	186,000	185,420	185,299

¹⁾ In 2021, Chile was reclassified as held for use and continuing operations. Comparative figures were restated accordingly.

²⁾ As of 1 January 2019, the Group implemented IFRS 16 using the retrospective approach. Comparative figures were not restated.

³⁾ In 2021, Brunei, the Czech Republic, Hungary, the Philippines, Portugal, Romania, Russia, Slovenia, Slovakia and Taiwan were treated as discontinued operations. In 2020, Brazil, Brunei, the Czech Republic, Hungary, Malaysia, the Philippines, Portugal, Romania, Russia, Slovenia, Slovakia, Taiwan and Thailand were treated as discontinued operations. In 2019, 2018 and 2017, Argentina, Brazil, Brunei, Chile, the Czech Republic, Estonia, Hungary, Israel, Malaysia, the Philippines, Romania, Slovenia, Slovakia, Thailand and Uruguay were treated as discontinued operations.

⁴⁾ Based on Operating profit before other items.

⁵⁾ Selected Environmental, Social and Governance data (ESG). For all ESG data, see the 2021 Corporate Responsibility report.

⁶⁾ Members elected at the annual general meeting.

⁷⁾ Required from 2019.

Ratios	2021	2020	2019	2018	2017
Financial ratios (% , unless otherwise stated)					
Organic growth	2.0	(6.6)	7.1	3.9	2.9
Acquisitions and divestments, net	(0.5)	(0.2)	(2.2)	(0.5)	(6.9)
Currency adjustments	(0.6)	(2.1)	0.7	(3.4)	(2.5)
Total revenue growth	0.9	(8.9)	5.6	0.0	(6.5)
Operating margin ⁴⁾	2.5	(4.5)	4.2	5.0	5.4
Equity ratio	17.8	15.0	25.1	25.0	27.2
Net debt/Pro forma adjusted EBITDA	3.8x	(11.7)x	3.0x	2.4x	2.3x
Share ratios (DKK)					
Basic earnings per share (EPS)	3.3	(28.2)	7.3	1.5	10.9
Diluted EPS	3.3	(28.2)	7.3	1.5	10.8
Basic EPS (continuing operations)	2.8	(28.3)	6.1	6.6	11.6
Diluted EPS (continuing operations)	2.8	(28.3)	6.1	6.5	11.5
Proposed dividend per share	-	-	-	7.70	7.70
ESG⁵⁾					
Environmental (tonnes CO₂ eq.)					
Vehicle emissions (Scope 1)	71,159	78,704	89,334	91,199	96,664
Electricity emissions (Scope 2)	5,180	7,390	12,009	14,804	16,498
Business Travel emissions (Scope 3)	6,128	5,814	21,263	22,285	18,217
Social (% , unless otherwise stated)					
Full-time employees	76	75	77	76	76
Employees (end of period), number	354,636	378,946	471,056	485,908	488,946
Employees (average), number	362,789	434,896	483,539	485,902	491,126
Employee turnover	30	33	35	42	44
Customer retention	92	91	91	90	90
Lost Time Injury Frequency (LTIF), number	2.7	2.5	2.8	2.9	3.5
Fatalities, number	5	3	3	1	6
Governance (%)					
Gender diversity, Board ⁶⁾	50	43	33	33	33
Board meeting attendance ⁷⁾	95	96	94	n/a	n/a

 **Definitions**, p. 108

CLEANING

Meeting new standards for hygiene

Throughout the Covid-19 pandemic, one of our Global Banking Customers has kept critical offices and operations running smoothly with the help of PURE SPACE, an advanced hygiene management solution from ISS. Now, as part of its drive to be the leading employer in the banking industry, the bank is expanding the solution to ensure its employees feel safe as they return to shared workspaces across the globe.

As one of the world's leading banks, the services are essential to millions of people, businesses and institutions across the globe. The key to success is its employees, the people around the world who deliver its services every day.

It is mission critical


At the start of the Covid-19 pandemic, when governments and local authorities began introducing lockdowns to slow the spread of the virus, our customer had to act fast. The company has over a dozen

mission-critical sites across the world. If any of these closed, the disruption to customers could be significant – so it was essential that they stayed open.

As part of the solution, our customer decided to increase focus on hygiene and cleaning by implementing PURE SPACE.

Developed by ISS to ensure higher levels of hygiene in light of the Covid-19 pandemic, PURE SPACE targets high-touch areas, such as elevator buttons, door handles and taps, using hospital-grade cleaning. This has reduced the risk of infection at our customers' mission-critical sites, protecting employees and lowering the risk of disruption to customers.

Following this success, our Global Banking Customer is rolling out the solution to 44 more sites in over 19 countries.



"ISS has shown tremendous resilience throughout the pandemic. By offering additional innovative solutions such as PURE SPACE, we provide a hygienic environment that ensures well-being, maintains hygiene and delivers confidence to our people and customers", says the Customer.



**Our
performance**

Group results

Despite continued challenges from Covid-19 and a volatile business environment, ISS delivered significant financial and operational progress in 2021. This was not least due to improvements in our underperforming contracts and countries, the impact from restructuring initiatives across our business and a strong focus on serving our key customer segments.

Group revenue

Group revenue was DKK 71.4 billion, an increase of 0.9% compared with 2020. Organic growth was 2.0%, while currency effects as well as divestments and acquisitions, net reduced revenue by 0.6% and 0.5%, respectively.

In 2021, ISS continued to be adversely impacted by Covid-19 lockdowns and revenue reductions. Organic growth was negative in Q1 but turned positive from Q2 due to the annualisation effects of Covid-19, and the initial signs of recovery. The positive developments continued in Q3, as customers in some geographies started to return to their offices, especially from September, and the year ended with positive organic growth of 5.8% in Q4. As a result, organic growth for the year was positive 2.0%.

Revenue from key accounts continued to show resilience in 2021 with organic growth of 3.0% compared to organic growth of (0.2)% for non-key accounts. Projects and above-base work

Revenue

(DKKbn)	2021	2020	Organic	Acq./div.	FX	Growth 2021
Continental Europe	27,846	27,634	4 %	(1)%	(2)%	1 %
Northern Europe	23,424	22,642	1 %	(0)%	2 %	3 %
Asia & Pacific	12,381	12,385	0 %	(0)%	0 %	(0)%
Americas	7,141	7,565	(2)%	(1)%	(3)%	(6)%
Other countries	612	561	12 %	-	(3)%	9 %
Corporate/eliminations	(41)	(35)	-	-	-	-
Total	71,363	70,752	2.0 %	(0.5)%	(0.6)%	0.9 %

grew organically by around 9%, especially due to continued solid demand for deep cleaning and disinfection, albeit slowing down in some countries in the later part of the year. Portfolio revenue on the other hand showed signs of recovery towards the end of the year to offset the significant negative growth in Q1, ending flat for the full year of 2021 compared to 2020.

The adverse impact on revenue from Covid-19 continued to vary across service types, customer segments and geographies. The services suffering the most were generally those depending on our customers' employees being on site, such as food services. In the first six months of 2021, revenue from food services declined 26% compared to the same period last year. However, the initial signs of recovery in Q3 and Q4 in some countries contributed to reducing the majority of the decline in H1 2021, causing food services revenue for the full year of 2021 to decline 6%. As a result, revenue from food services accounted for 11% of the Group's 2021 revenue (2020: 11%). ISS's largest service line, cleaning services, has been stable throughout the pandemic and comprised around half of the Group's revenue in 2021, which was in line with 2020.

All regions, except for the Americas, reported positive organic growth in 2021, supported by Covid-19-related projects and above-base work as well as initial portfolio recovery, as tight Covid-19 restrictions were eased across Europe towards the end of the year.

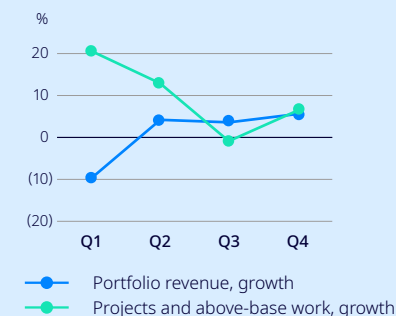
In Continental Europe, growth was driven by strong key account performance especially in Turkey, Spain, Switzerland, Italy and Austria as well as high cost inflation in Turkey being successfully passed on to customers. In Northern Europe, projects and above-base work in Finland, Denmark and Norway contributed the most to growth. Asia & Pacific was mainly supported by strong performance in Australia and Hong Kong, whereas growth was negative or flat in the remaining countries. In the Americas, growth was supported by initial recovery in food services in the USA in the late part of 2021 and the gradual start-up of the five-year contract with a large international manufacturing customer. However, growth was slightly negative for the full year due to the significant Covid-19-related revenue reduction in food services and the Aviation segment in the first half of the year.

Quarters 2021

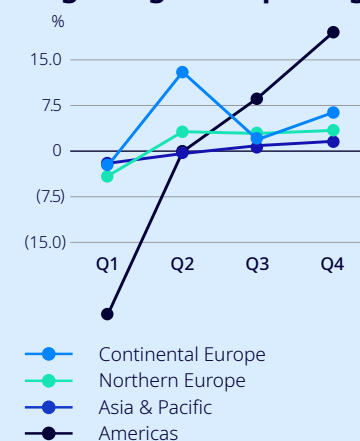
Revenue and growth



Portfolio and above-base



Organic growth per region



Operating profit before other items

Operating profit before other items amounted to DKK 1,776 million for an operating margin of 2.5% (2020: (4.5)% or around 0.5% excluding restructuring costs and one-offs).

The operating margin increased significantly in 2021, mainly due to improvements in underperforming contracts and countries as well as the impact from the ongoing restructuring initiatives across the business, including contract exits and cost reductions. Also, the continuing demand for higher margin projects and above-base work and the initial recovery of portfolio revenue had a positive impact on margins.

All regions reported positive margins in 2021 with Northern and Continental Europe contributing the most to the improvement compared to 2020. Improvements were seen in all countries of the two regions in 2021, but most significantly in Denmark, the UK and Germany.

In Denmark, ISS reached an agreement with Danish Defence to exit the partnership gradually from November 2021 to the end of May 2022. Danish Defence will take over all services currently being handled by ISS. The transition was initiated in November 2021 and is progressing according to plan.

The turnaround initiatives in the UK led to good progress in 2021. The Country Manager, who joined in 2021, has through a number of management changes been driving the restructuring initiatives, including making cost reductions, portfolio trimming and improving the contract performance of key accounts.

In Germany, the execution programme for the Deutsche Telekom contract developed in line

with the plan to improve contract performance in one of the largest and most refined contracts in the Facility Management industry. This included significant milestones being reached in relation to certain tailor-made IT developments.

The large restructuring plan in France progressed with cost savings starting to materialise, independently of Covid-19 recovery. The French business has been heavily impacted by Covid-19 restrictions, and the pace of revenue recovery in the most severely impacted customer segments remains slow.

In the Americas, the margin increase was mainly driven by the USA due to restructuring initiatives initiated in 2020, renegotiation of food services contracts and continued cost control. Furthermore, the initial recovery of food services towards the end of the year also supported the margin progression.

For Asia & Pacific, Australia and Hong Kong were the main drivers of the improved margin due to a focus on operational efficiencies and the impact of margin-accretive projects and above-base work.

Corporate costs amounted to DKK 1,241 million (2020: DKK 901 million). In line with the OneISS strategy, we are investing in our operating model, including in technology, where certain investments have been accelerated in 2021, commercial resources and centralisation of functions.

Other income and expenses, net

Other income and expenses, net was an income of DKK 439 million (2020: expense of DKK 983 million), mainly due to a gain on the divestment of Kanal Services in Switzerland and Specialized Service in the USA, partly offset by depreciation and amortisation in Chile for the years 2019 and 2020 triggered by

Operating profit before other items

(DKKm)	2021		2020	
Continental Europe	773	2.8 %	(2,030)	(7.3)%
Northern Europe	1,097	4.7 %	(1,200)	(5.3)%
Asia & Pacific	735	5.9 %	646	5.2 %
Americas	393	5.5 %	262	3.5 %
Other countries	19	3.1 %	20	3.6 %
Corporate/eliminations	(1,241)	-	(901)	-
Total	1,776	2.5 %	(3,203)	(4.5)%

the decision to cease the country's classification as discontinued operations. In 2020, the net expense was mainly the result of costs related to the IT security incident in February 2020.

Goodwill impairment

Goodwill impairment was DKK 450 million (2020: DKK 432 million) which related to France. Turn-around initiatives in France progressed slowly. However, rising interest rates and growing uncertainty as to the pace of market recovery from Covid-19 within the most impacted customer segments, led to an increase in the applied WACC and thus recognition of a goodwill impairment of DKK 450 million in June 2021.

Operating profit

Operating profit was DKK 1,701 million (2020: DKK (4,707) million).

Financial income and expenses, net

Financial income and expenses, net was an expense of DKK 656 million (2020: DKK 549 million). The increase was mainly due to a premium of DKK 90 million related to the repurchase of EUR 200 million of the total of EUR 500 million outstanding EMTN bonds maturing in 2024.

Income tax

The effective tax rate was 48.7% (2020: 0.7%) calculated as Income tax of DKK 509 million divided by Profit before tax of DKK 1,045 million. The effective tax rate was adversely impacted by non-tax-deductible impairment in France and valuation allowances on deferred tax assets, mainly in France and Germany. Furthermore, non-tax-deductible costs, including interest limitation, impacted negatively.

Net profit from discontinued operations

Net profit from discontinued operations was DKK 101 million (2020: DKK 25 million), including a net gain of DKK 80 million mainly relating to the six countries divested in 2021, most significantly Slovakia and the Czech Republic.

In December 2021, management decided to cease the held for sale classification of Chile. As a result, Chile was reported as part of the continuing operations for the full year of 2021. Comparative figures have been restated accordingly.

Net profit

Net profit was DKK 637 million (2020: DKK (5,195) million).

Cash generation and free cash flow

Cash flow from operating activities

Cash flow from operating activities was DKK 3,221 million (2020: DKK (361) million), an increase of DKK 3,582 million, predominantly stemming from increased operating profit before other items. This was mainly the result of improvements in underperforming contracts and countries, the impact of ongoing restructuring initiatives and initial Covid-19 recovery in certain countries.

Changes in working capital were an inflow of DKK 1,056 million (2020: DKK 951 million) mainly due to a strong focus on working capital management. Additionally, employee-related accruals increased following the pick-up in activity as a result of the initial Covid-19 recovery. Further, working capital was supported by improved payment terms for ISS and increased customer prepayments following the extension of a global key account contract. Utilisation of factoring increased slightly to DKK 1.1 billion (2020: DKK 1.0 billion).

Changes in provisions was an outflow of DKK 435 million, mainly due to payments related to restructuring projects initiated in 2020.

Income tax paid was DKK 528 million (2020: DKK 666 million) mainly resulting from payment on account for 2021 and final payments related to 2020. Payments were positively impacted by utilisation of tax losses carried forward from prior years, including 2020.

Cash flow from investing activities

Cash flow from investing activities was a net inflow of DKK 73 million (2020: net outflow of DKK 326 million).

The successful execution of our divestment programme in 2021, led to an inflow of DKK 1,191 million from divestment of businesses, most significantly related to the divestment of Kanal Services in Switzerland and Specialized Services in US.

Acquisition of businesses was an outflow of DKK 526 million for the acquisition of Rónesans Facility Management Company in the healthcare segment in Turkey, where we will be providing services to four newly built hospitals.

Investments in intangible assets and property, plant and equipment, net, of DKK 586 million (2020: DKK 681 million), represented 0.8% (2020: 1.0%) of total revenue (including discontinued operations), and mainly reflected continued strict investment discipline during Covid-19 and fewer new contracts being transitioned.

Cash flow from financing activities

Cash flow from financing activities was a net outflow of DKK 2,832 million (2020: inflow of DKK 1,103 million).

Repayment of bonds led to a cash outflow of DKK 1,577 million due to the repurchase of EUR 200 million of the total outstanding EUR 500 million EMTN bonds maturing in 2024. The early redemption was enabled by the strong liquidity position in 2021 resulting from the solid operational improvement and successful execution of the strategic divestment programme.

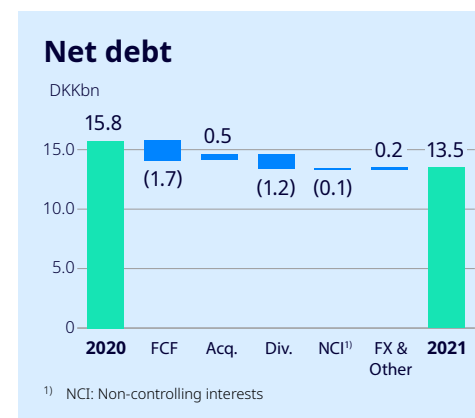
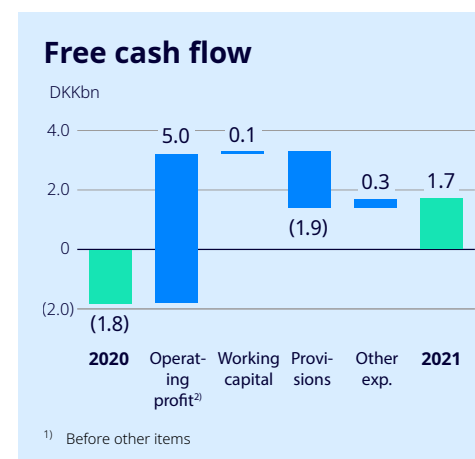
Repayment of lease liabilities of DKK 947 million was broadly in line with last year (2020: DKK 1,019 million).

Other financial payments, net was an outflow of DKK 472 million stemming from working capital facilities, though reduced by loan proceeds of approximately DKK 450 million from a local facility established for the purpose of the acquisition in Turkey.

Transactions with non-controlling interests was an inflow of DKK 164 million stemming from the sale of a minority share in ISS Turkey to Actera and the Turkish management team as an integrated part of the acquisition of Rónesans in Turkey.

Free cash flow

Free cash flow amounted to DKK 1,735 million (2020: DKK (1,794) million), an increase of DKK 3,529 million compared to 2020. The significant improvement was driven by operating profit before other items and strong working capital



performance. Lease additions amounted to DKK 870 million, which was broadly in line with 2020.

Capital structure

It is our primary capital allocation priority to ensure that we maintain a strong and efficient balance sheet and that our liquidity position supports our operational needs and our continued strategy execution.

In 2021, ISS delivered solid improvements in operational performance and strong execution of the divestment programme. Based on the strong liquidity position, ISS cancelled the EUR 700 million backup credit facility in May 2021. The facility was established in Q2 2020 in response to Covid-19 related uncertainties. Further, in December 2021, we repurchased EUR 200 million of the total of EUR 500 million outstanding EMTN bonds maturing 2024, thereby reducing gross debt levels. The Group's liquidity reserves at 31 December 2021 are described in note 4.6 to the consolidated financial statements.

ISS has no unaddressed material debt maturities until 2024 onwards. We are committed to our Financial Policy of maintaining an investment grade profile and ISS currently holds corporate credit ratings of BBB-/ Negative outlook assigned by S&P and Baa3/ Stable outlook assigned by Moody's.

At 31 December 2021, net debt had decreased to DKK 13.5 billion (2020: DKK 15.8 billion) due to the strong free cash flow performance and the divestment programme generating significant proceeds. Financial leverage was 3.8x (2020: 7.1x excluding restructuring and one-off costs).

Leverage is expected to reduce further in 2022 as operating performance and free cash flow continue to improve. As such, we are on track to meeting our target of deleveraging below 3.0x to be achieved by 31 December 2022.

As previously announced, dividend payments will not be reinstated, and no share buybacks will be made, before the leverage target has been achieved. As a result, the Board of Directors will not propose dividends for 2021 at the annual general meeting to be held on 7 April 2022.

Equity

At 31 December 2021, equity was DKK 7,789 million (2020: DKK 6,545 million), equivalent to an equity ratio of 17.8% (2020: 15.0%). The increase was mainly a result of net profit of DKK 637 million and currency adjustments of foreign entities (net of hedges) of DKK 106 million. Transactions with non-controlling interests added DKK 350 million due to the sale of a minority share of ISS Turkey to Actera and the Turkish management team.

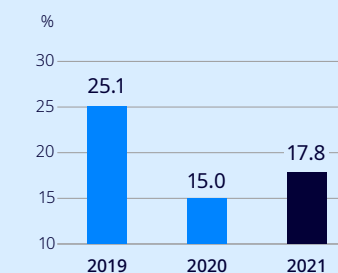
Furthermore, actuarial gains amounted to DKK 1,145 million due to strong asset returns on plan assets, generally increasing interest rates and updated mortality assumptions, mainly in Switzerland. This was offset by the change in asset ceiling of DKK 1,080 million related to surplus restrictions in Switzerland. For further details, see note 5.4 to the consolidated financial statements.

Financial leverage



¹⁾ Excluding restructuring and one-off costs

Equity ratio



Key account development

Key account revenue accounted for 69% of Group revenue (2020: 67%) and generated organic growth of 3.0%, which was slightly better than the Group's organic growth. As such, demand from key accounts showed resilience, despite Covid-19 lockdowns and restrictions, with continued high demand for projects and above-base work, mainly deep cleaning and disinfection. In the second half of 2021, growth was also supported by some recovery of our portfolio revenue, as several countries experienced gradual, albeit slow, signs of recovery linked to gradual normalisation of occupancy rates at our customers' office sites.

The launch of a few large contracts also contributed to the organic growth in 2021, most significantly the commencement of Iberdrola in Spain, the launch of a Hospital Authority contract in Hong Kong and the gradual start-up of the IFS contract with a large international manufacturing customer in the Americas. Further, in Norway the below-mentioned contract with Equinor commenced in Q4.

Covid-19 continued to impact the number of contracts won in 2021, though with activity picking up towards the end of the year. ISS secured a few significant contract wins and continued to proactively work with customers to ensure renewals. This led to several extensions and expansions in 2021.

In Norway, ISS won a five-year contract with Equinor, with a possible five-year extension option. ISS also extended the global contract with Barclays by five years and the Rolls Royce

Developments in 2021 ¹⁾	Country	Segment	Term	From
Wins				
Equinor	Norway	Energy & Resources	5 years	Q4 2021
Extensions/expansions				
Rolls Royce	8 countries	Industry & Manufact.	2 years	Q1 2021
Barclays	Global	Business Services & IT	5 years	Q2 2021
Victorian Department of Education and Training	Australia	Public Administration	1 year	Q2 2021
Retail & Wholesale customer	UK	Retail & Wholesale	3 years	Q3 2021
DSB	Denmark	Transport. & Infrastruct.	5 years	Q4 2021
Airport customer	Australia	Transport. & Infrastruct.	4 years	Q4 2021
Industry & Manufacturing customer	Global	Industry & Manufact.	2 years	Q4 2021
Transportation customer	UK	Transport. & Infrastruct.	1.5 year	Q4 2021
International technology customer	Americas	Business Services & IT	1 year	Q1 2022
Philip Morris	Global	Industry & Manufact.	5 years	Q1 2022
Pharmaceutical customer	Austria	Pharmaceutical	3 years	Q2 2022
HPE	Global	Business Services & IT	5 years	Q3 2022
Exits/losses				
Transportation customer	Australia	Transport. & Infrastruct.	-	Q4 2021
Danish Defence	Denmark	Public Administration	-	Q2 2022

¹⁾ Annual revenue above DKK 100 million.

contract by two years. Additionally, we expanded the global contract with Philip Morris to include workplace services in 31 countries from Q1 2022. In the UK, contract extensions were signed with a retail and wholesale customer and a customer in the transportation and infrastructure segment. We also extended the long-standing partnership with HPE, our first-ever global key account, for another five years. ISS will continue to deliver a wide range of IFS to HPE's offices and production sites

until August 2027. Finally, in February 2022 we renewed the existing contract with a global pharmaceutical customer for five years. The annual revenue of the contract is above 1% of Group revenue.

In terms of contract exits in 2021, ISS entered into an agreement with Danish Defence to exit the partnership agreement gradually from November 2021 to the end of May 2022.

Contract maturity

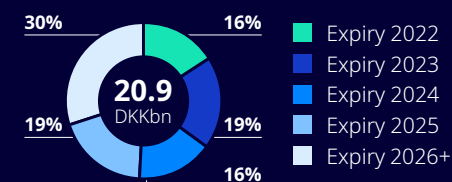
The majority of our key account contracts have initial terms of three to five years. A significant share of revenue is therefore up for renewal every year. To mitigate this risk, we have a strong focus on customer satisfaction and proactively work with our customers to seek renewals. In 2021, despite Covid-19-related revenue reductions, our key account retention rate increased slightly to 94% (2020: 93%).

Retention rate

Overall: 92% (2020: 91%)
Key accounts: 94% (2020: 93%)

Maturity – large key accounts

In 2021, revenue from large key accounts (> DKK 200 million) was DKK 20.9 billion, or 29% of Group revenue. Going into 2022, no large key accounts have been lost, but customer contracts representing revenue of DKK 3.4 billion (5% of Group) are up for renewal in 2022 (excluding signed renewals up until February 2022).



Strategic divestment programme

Our strategic divestment programme enjoyed strong momentum in 2021 with six countries and six business units being divested.

Countries divested in 2021 were Slovakia, the Czech Republic, Romania, Hungary, the Philippines and Slovenia. In terms of business units, the most significant divestments in 2021 were Specialized Services in the USA and Kanal Services in Switzerland. Subsequently, the Waste Management business in Hong Kong was also divested in January 2022.

By the end of 2021, 13 out of 18 countries in scope for the programme had been divested. Additionally, in January 2022 we signed an agreement to divest our activities in Taiwan with expected completion in Q1 2022.

In 2021, Chile (being one of the 18 countries in scope) developed positively, both financially and strategically, as demonstrated by the wins of a few large key account contracts. Based on the positive developments and improved strategic fit, management decided to take Chile off the divestment programme and cease the classification as a discontinued operation in December 2021.

Rescoping of the programme

With the significant progress made in 2021, the divestments signed or completed in January 2022, and Chile being reclassified to continuing operations, the divestment programme is nearing completion.

As a result, ISS announced in January 2022 that the programme scope had been updated to comprise the remaining three countries, i.e. Brunei, Portugal and Russia, and only two additional business units for which sales processes have not yet been initiated.

Divestment proceeds

In 2021, total net proceeds secured from the divestment programme amounted to approximately DKK 1.8 billion (including divestments signed or completed in January 2022). Despite the rescoping of the programme, ISS continues to target around DKK 2 billion in total net proceeds for 2021 and 2022.

Financial impact in 2021















At 31 December 2021, five businesses (2020: 14 businesses) were classified as held for sale, which comprised the discontinued operations in Brunei, Portugal, Russia and Taiwan as well as the Waste Management business in Hong Kong (divested in January 2022). Assets and liabilities held for sale amounted to DKK 515 million (2020: DKK 1,861 million) and DKK 280 million (2020: DKK 838 million), respectively.

In 2021, completed divestments and fair value remeasurements resulted in a net gain before tax of DKK 591 million (2020: loss of DKK 89 million) of which DKK 80 million was recognised in Net profit from discontinued operations, see note 3.2 to the consolidated financial statements.

As a result of the reclassification of Chile to continuing operations, depreciation and amortisation amounting to DKK 59 million for the years 2019 and 2020 were recognised in Other income and expenses, net in 2021.

Status on countries¹⁾

13 out of 18 countries divested

- | | |
|--|---|
|  Argentina |  Philippines |
|  Brazil |  Romania |
|  Czech republic |  Slovakia |
|  Estonia |  Slovenia |
|  Hungary |  Thailand |
|  Israel |  Uruguay |
|  Malaysia |  Chile → reclassified to continuing operations |

Ongoing

- Taiwan → signed in January 2022
- Brunei
- Portugal
- Russia

Status on business units

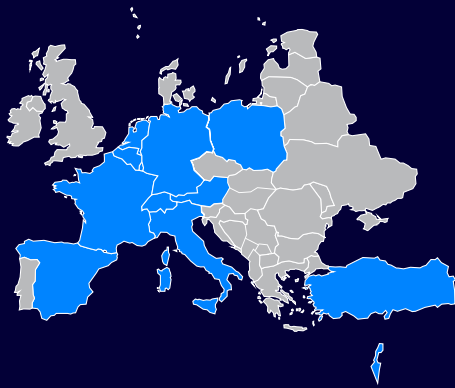
- 6 business units divested in 2021
- 2 business units remain in scope for the programme

Divestment proceeds



¹⁾ Discontinued operations.

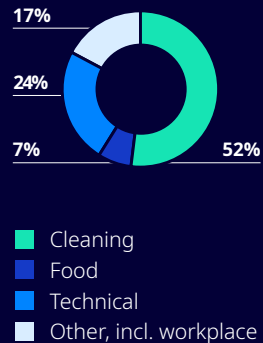
Continental Europe



39%
of Group revenue

63%
Key accounts

Core services



The market

Continental Europe is our largest region, comprising a number of key markets, where we hold leading market positions, including Switzerland, Germany and Spain. Most of the 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 increased to DKK 27,846 million in 2021 (2020: DKK 27,634 million). Organic growth was 4.4%, while divestments and acquisitions, net and currency effects reduced revenue by 0.8% and 2.9%, respectively.

In 2021, the region remained impacted by Covid-19 lockdowns and revenue reductions, resulting in negative organic growth in Q1, especially in Belgium and the Netherlands due to broad exposure to food services. With the annualisation of the year-over-year impact, growth turned positive from Q2, further supported by slowly improving business fundamentals over the rest of 2021.

For the full year, the positive growth was driven by strong performance in Turkey, Spain, Switzerland, Italy and Austria, albeit from a low comparison base in 2020. In Turkey, growth was supported by price increases from significant cost inflation successfully passed on to customers, and continued growth from new hospital contracts launched in H2 2020. In Spain and Italy, growth was mainly driven by contract launches and expansions with key accounts along with high demand for projects and above-base work, especially deep cleaning and disinfection, which also lifted growth in Switzerland and Austria.

Projects and above-base work grew organically by 12.9% to account for 18% of revenue for 2021 (2020: 17%). Despite selective contract exits in Germany and the Netherlands, and a negative year-over-year impact from lockdowns in Q1 2021, portfolio revenue grew organically by 2.7% in 2021. During Q2-Q4 2021, most countries experienced signs of recovery, albeit slow, linked to gradual normalisation of occupancy rates at our customers' office sites.

Commercially, our key account focus secured new wins and several extensions resulting in a strong retention rate of 96% (2020: 93%).

Operating profit before other items was DKK 773 million (2020: (2,030) million) for an operating margin of 2.8% (2020: (7.3)% or around 0.5% adjusted for restructuring and one-off costs). Most countries contributed to the improvement, led by Spain and Switzerland. Across the region, restructuring initiatives, portfolio trimming, focus on Covid-19 recovery, together with strong demand for projects and above-base work, impacted the margins positively.

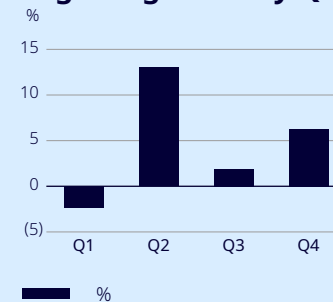
In Germany, the execution programme for the Deutsche Telekom contract developed in line with the plan to improve contract performance in one of the largest and most refined contracts in the Facility Management industry.

The restructuring plan in France progressed with cost savings slowly materialising. However, the French business was heavily impacted by Covid-19 restrictions and the pace of revenue recovery within the most affected customer segments remains slow. The related uncertainties led to a goodwill impairment of DKK 450 million in H1 2021. Despite improvements compared to 2021, operating margin for the region was below Group margin due to operational challenges in France and on the Deutsche Telekom contract.

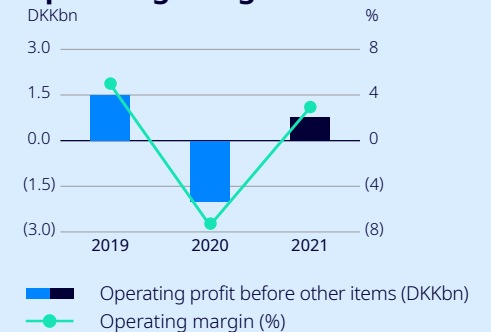
Organic growth



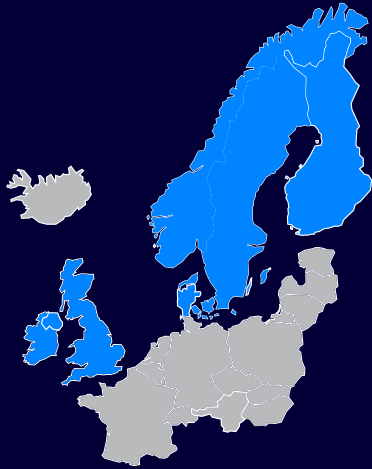
Organic growth by QTR



Operating margin

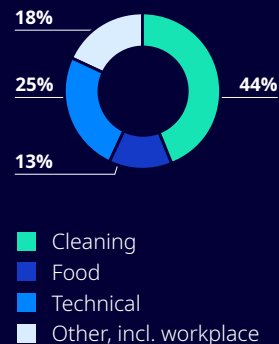


Northern Europe



33% of Group revenue
75% Key accounts

Core services



The market

ISS holds a market-leading position across the region where markets are generally mature, competitive and with a relatively high outsourcing rate. The region holds the Group's highest key account share of 75%. The largest country in the region is the UK, contributing around 45% of revenue. Key segments are Business Services & IT, Healthcare and Public Administration.

Financial update

Revenue increased to DKK 23,424 million in 2021 (2020: DKK 22,642 million). Organic growth was 1.3% and currency effects increased revenue by 2.4%.

In 2021, the region remained impacted by Covid-19 lockdowns and revenue reductions, among others due to a relatively large exposure to food services. In Q1, organic growth was negative with Norway and the UK the most significantly impacted. Organic growth turned positive from Q2, when signs of recovery began to appear and as a result of the annualisation of the year-over-year impact. This was supported by improved performance in most countries, due to Covid-19 recovery and contract start-ups in Q4.

For the full year, the positive organic growth across the region was driven by a partial Covid-19 recovery, despite some delays in the commercial pipeline, and high demand for projects and above-base work, mainly deep-cleaning and disinfection. All countries contributed to the positive organic growth. In Denmark and Norway, growth was mainly driven by projects and above-base work, though Norway was also supported by the start-up of Equinor in Q4. In the UK, food recovery and projects and above-base work, mainly in the healthcare segment, were the main drivers.

Portfolio revenue declined by 0.5%, negatively impacted by Covid-19 restrictions, partly due to the relatively large exposure to food services. Revenue from projects and above-base work increased organically by 7.6% (2020: 22%), reaching 24% of revenue for the region in 2021.

Commercially, our key account focus secured both new sales and extensions resulting in a key account retention rate of 93% (2020: 94%). In Norway, ISS won a five-year contract with Equinor with a five-year extension option.

Operating profit before other items was DKK 1,097 million (2020: DKK (1,200) million), for an operating margin of 4.7% (2020: (5.3)% or around (0.5)% adjusted for restructuring and one-off costs).

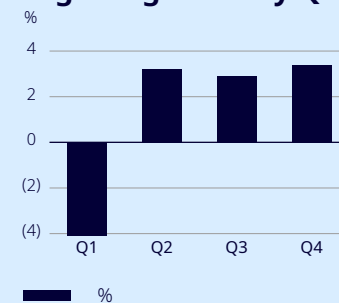
All countries contributed to the margin improvement through a continued focus on cost control and initial recovery from Covid-19. The turnaround initiatives in the UK have been very effective, and good progress was seen in 2021. The Country Manager, who joined in 2021, has been driving a restructuring of the organisation in accordance with the OneISS blueprint, eliminating overhead costs, portfolio trimming and improving the contract performance of key accounts.

In Denmark, ISS entered into an agreement with Danish Defence to exit the partnership gradually from November 2021 to the end of May 2022. The transition is progressing according to plan.

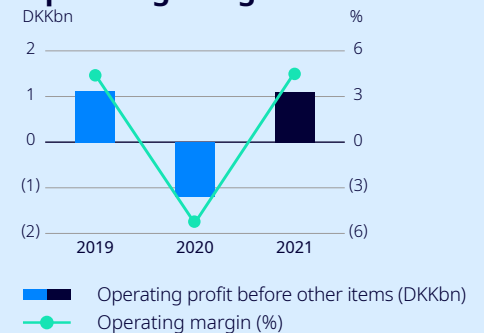
Organic growth



Organic growth by QTR



Operating margin



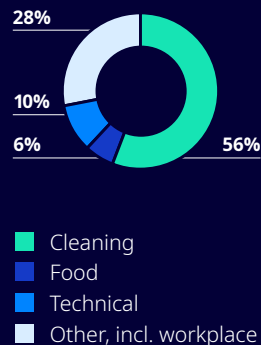
Asia & Pacific



17%
of Group revenue

67%
Key accounts

Core services



The market

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

Financial update

Revenue amounted to DKK 12,381 million in 2021 (2020: DKK 12,385 million). Organic growth was flat, while divestments and acquisitions, net and currency effects reduced revenue by 0% and 0%, respectively.

In 2021, Covid-19 continued to impact the region both positively and negatively given its diverse effects across the portfolio. Generally, a sequential improvement was seen throughout the year, as organic growth started out in negative territory, improved each quarter, and ended the year in positive territory at 1.6% in Q4.

Return to work has been volatile and highly dependent on many of the countries in the region enforcing tougher restrictions (compared to Europe) around office work throughout the year. Many countries remain at reduced office work capacity and most countries only began reopening their borders in November and December.

India, Indonesia and Singapore were most significantly affected by lockdowns resulting in negative organic growth in both portfolio and non-portfolio revenue. On the other hand, despite challenging Covid-19 lockdowns, Australia and Hong Kong were favourably impacted by strong demand for projects and above-base work, including deep cleaning and disinfection. In Australia, growth was further supported by several smaller key account contract launches offsetting the negative impact from Covid-19 in the Aviation segment.

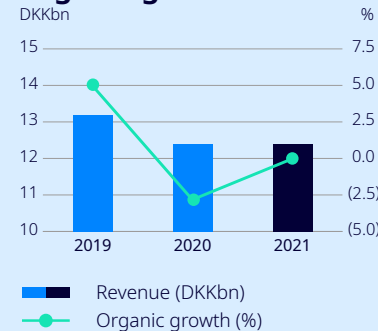
Across the region, projects and above-base work grew 9% organically, largely due to demand for deep cleaning and disinfection, to account for 18% of revenue. This mitigated the impact of negative portfolio growth.

Commercially, Covid-19 continued to influence the number of contracts won in 2021. Although contracts won declined compared to previous years, we still managed to secure a number of important new contracts and extend one large key account contract with an airport customer in Australia. As such, our key account retention rate was 93% (2020: 94%).

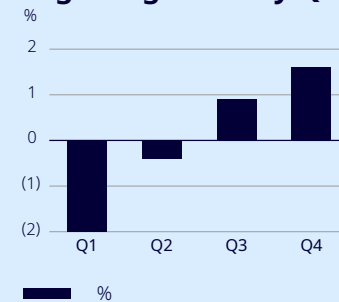
Operating profit before other items

increased to DKK 735 million (2020: DKK 646 million), for an operating margin of 5.9% (2020: 5.2%). The region thereby continued to show resilient and stable margin levels above group margins, reflecting the strong operational platform in the region. Australia and Hong Kong increased their operating margins in 2021 due to improved operational efficiency and strong demand for margin-accretive projects and above-base work. In India, the improvement compared to last year was mainly due to global key account project work. On the other hand, Singapore was adversely affected by a few large contract losses and reduced government support schemes. In Indonesia, the operating margin was negatively impacted by one-off labour-related costs.

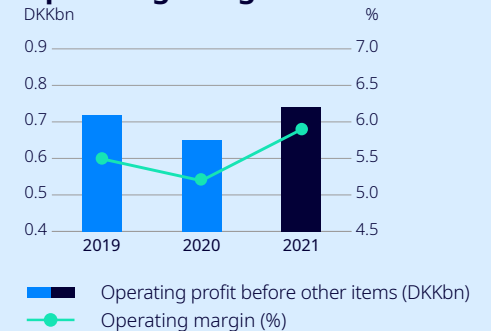
Organic growth



Organic growth by QTR



Operating margin

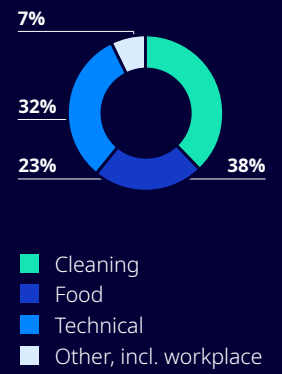


Americas



10% of Group revenue
73% Key accounts

Core services



The market

The Americas consists of the mature North American market as well as Mexico and Chile. North America is the world's largest FM market, accounting for around 30% of the global outsourced FM market. Food services account for a significantly larger share of revenue than in other regions. Key customer segments are Business Services & IT, Industry & Manufacturing, Pharmaceuticals, Transportation & Infrastructure and Food & Beverage.

Financial update

Revenue decreased to DKK 7,141 million in 2021 (2020: DKK 7,565 million). Organic growth was (1.6)% and currency effects as well as divestments and acquisitions, net, reduced revenue by 2.6% and 1.4%, respectively.

In 2021, organic growth continued to be highly impacted by Covid-19 due to large exposure to food services and the Aviation segment. Revenue from food services declined 17% to account for 23% of the region's revenue (2020: 26%) compared to 11% for the Group (2020: 11%).

Organic growth was negative in Q1, but with the annualisation of the Covid-19 impact and signs of recovery, growth improved during the year and turned positive in Q3 and ended as high as 19.4% for Q4.

For the full year, the negative organic growth was driven entirely by the USA due to Covid-19 related revenue reductions in food services and the Aviation segment at the beginning of the year. The negative impact was, significantly reduced by the partial recovery and growth in Q3 and Q4, where revenue from food services increased as customers gradually returned to office. The gradual transition of the five-year IFS contract with a large international manufacturing customer also helped to mitigate the negative impact from Covid-19.

Mexico recorded strong growth in 2021, primarily due to new sales to key accounts. In December 2021, Chile was reclassified to continuing operations and thus returned to being reported as part of the Americas. Chile generated revenue of DKK 1,003 million in 2021 (2020: DKK 930 million).

Across the region, demand from key accounts was more robust and resilient than from other

customers. As such, organic growth from key accounts was positive at 6.2% in 2021 (2020: (8.1%)) and the retention rate was 91% (2020: 94%).

Commercially, Covid-19 affected contract wins mainly due to delayed commercial processes. However, several smaller contracts were won. Additionally, we extended the long-standing partnership with our first ever global key account HPE.

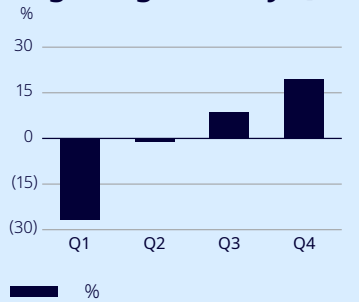
As part of the strategic divestment programme, the USA divested its Single Service Cleaning business. The divestment will secure a sharper focus on key accounts in our strategic customer segments and IFS opportunities.

Operating profit before other items was DKK 393 million (2020: 262 DKK million) for an operating margin of 5.5% (2020: 3.5%). The increase was mainly driven by restructuring initiatives in the USA initiated in 2020, renegotiation of food services contracts to "cost-plus" contracts to stabilise margins at reduced volumes, continued cost control and initial revenue recovery. Mexico and Chile delivered solid operating margins supported by new sales to key account customers.

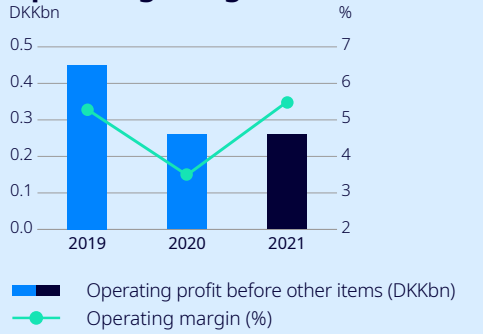
Organic growth



Organic growth by QTR



Operating margin



SUSTAINABILITY

Nestlé eliminates waste to landfill with ISS

When Nestlé committed to zero environmental impact in its operations by 2030, eliminating waste to landfill was a key goal. This has been achieved at its Gympie coffee factory in Australia through a five-year project that shows the value of teamwork and cross-departmental collaboration.

Today, every last bit of waste from the Nestlé Gympie coffee factory is carefully separated at source and sent for disposal in a managed and environmentally friendly way. Much is turned into compost or renewable fuel, and more still is recycled for reuse in other products. Plastic milk bottle tops, for example, are sent to a manufacturer of prosthetic limbs, while spent coffee grounds go to the site's boiler for use as a renewable energy source. Not one single gram of waste goes to landfill.

Small changes make a big difference


It was not always this way. In 2015, the factory produced 56 tons of landfill waste. But over the next five years, this was gradually reduced to zero. As Gary Thompson, ISS Facility Manager at Nestlé Gympie explains, this was achieved through a collaborative project that involved everyone at the site – from ISS service staff to Nestlé Gympie's line operators and engineers.

At the start of the project, Nestlé Gympie and ISS formed a project team made up of staff from both companies. The team began by analysing exactly how much waste was produced at the Gympie site. This was then broken down into waste types. Armed with this knowledge, the ISS team scoured the local area to find other factories and companies that could put the waste to good use. At the same time, staff at Nestlé Gympie began analysing the production process to see how much waste could be eliminated at source. The answer was: A surprisingly large amount.

A significant step on Nestlé's sustainability journey

The waste project has been a huge success. Since the first quarter of 2021, the Nestlé Gympie coffee factory has been a zero waste to landfill site. This shows the power of teamwork and collaboration and is a significant step on Nestlé's sustainability journey.

Nestlé's ambition remains to have zero environmental impact in its operations by 2030. ISS manages over 80 sites for Nestlé around the world and hence, have a significant role to play in helping Nestlé achieve these goals, not just at Gympie, but beyond.



"When it comes to waste management, Nestlé ensures that waste is sorted into formats we can handle; ISS's job is to collect it and send it on for safe disposal or recycling. This works very smoothly today, but getting to this stage required a dedicated effort and a huge amount of collaboration between everyone at the site."

Gary Thompson

ISS Regional Facility Manager at Nestlé



**Our
business**

Our strategy

In December 2020, we launched our refreshed strategy, OneISS. The strategy confirms the long-term attraction of key accounts and our IFS business model.

Acknowledging that our execution in recent years had proven unsatisfactory, OneISS outlines the strategic direction with dual priorities of delivering short-term turnaround, while at the same time ensuring long-term improvement of the global operating model.

The turnaround includes recovery of our four underperforming contracts (Deutsche Telekom and Danish Defence) and countries (the UK and France) and sharpening our strategic focus through our divestment programme.

Our new global operating model will further strengthen our ability to be a strategic workplace partner to our customers and consistently deliver high quality outcomes. With OneISS, we are building the right foundation to become global leader in IFS and #1 globally in cleaning.

We have made significant steps in 2021 and will build on that foundation as we continue the execution in 2022 and towards achievement of our 2025 ambition.

Divestment programme

Our divestment programme had strong momentum in 2021 with seven countries and seven business units being divested (including the divestments signed or completed in January 2022).

Since programme inception we have divested operations in 14 out of the 18 countries in the programme scope (up until January 2022) – in addition to divesting several non-core business units. Furthermore, Chile was descoped from the divestment programme in December 2021 following encouraging strategic and financial development.

With the significant progress made in 2021, and Chile being descoped, the divestment programme is nearing its completion, which is expected in 2022. For further details, see Strategic divestment programme, p. 19.

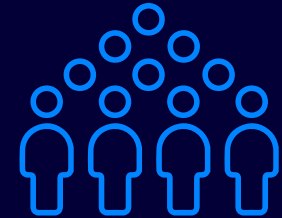
Our ambition

-  **Global leader** in IFS
-  **Globally in cleaning**

Our 2025 ambition



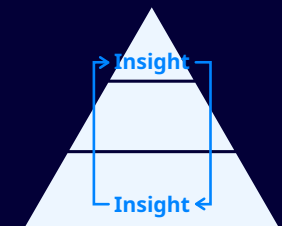
Our value proposition



People who go the extra mile and care about the people and places they support



Our commitment to **high standards** in all aspects of delivery



Intelligent solutions based on our knowledge of every aspect of the workplace experience

Turnaround 2021-2022

Our turnaround programme 2021-2022 is outlining a healthy recovery of our business with focus on profitability and cash generation. Initiatives in the short-term focus on the recovery of our four underperforming contracts and countries, recovery from Covid-19 in addition to the divestment programme.

Although there is still significant work to be done in 2022, we made good progress in 2021 with financial run-rate improvements compared to 2020, see status to the right. As such, we reached our turnaround target for 2022 already by the end of 2021 for Danish Defence, where we will exit the contract gradually.

In terms of recovery from Covid-19, we saw initial signs of recovery in our portfolio revenue as customers started to return to office in some geographies, especially from Q3 2021. This also led to an encouraging pick-up in food services revenue in the second half of 2021, especially in the USA and the UK.

We also saw a positive impact from the restructuring initiatives initiated in 2020 across the business in response to Covid-19, see Group results, p. 15.

Underperforming contracts and countries






	Challenges identified in 2020	Progress 2021
 Deutsche Telekom	<ul style="list-style-type: none"> • Delayed IT migration and operational challenges • Significant transition and mobilisation costs leading to write-downs and one-off costs in 2020 	<ul style="list-style-type: none"> • Execution programme developed in line with plan to improve contract performance in one of the largest and most refined contracts in the Facility Management industry • Significant milestones reached in relation to certain tailor-made IT developments
 Danish Defence	<ul style="list-style-type: none"> • Contract loss-making due to baseline and scope being materially different than assumed in the tender • Onerous contract provision recognised in 2020 	<ul style="list-style-type: none"> • Agreement reached to gradually exit the partnership from November 2021 to May 2022 • Provision recognised in 2020 will be sufficient to cover exit-related costs and operation until full exit • Turnaround target for 2022 reached by the end of 2021
 UK	<ul style="list-style-type: none"> • Organisational structure too decentralised to ensure satisfactory control environment • Significant revenue and operating margin reduction due to Covid-19 	<ul style="list-style-type: none"> • New country leadership team in place focusing on streamlining the organisation • Commercial team in place to support growth • Improved financial performance and positive run-rate margin by the end of 2021
 France	<ul style="list-style-type: none"> • Complex and fragmented organisational and governance structure • Significant revenue and operating margin reduction due to Covid-19 	<ul style="list-style-type: none"> • The large restructuring plan progressed with planned FTE reductions and cost savings starting to materialise • Country Management focusing on operational efficiencies and commercial momentum • The French market continued to be heavily impacted by Covid-19 with slow recovery pace within the most impacted customer segments

Strengthened global operating model

OneISS will deliver a new, globally aligned operating model with shared structured processes that will prove more effective at supporting countries and unleashing the full potential of ISS's global scale. Our new operating model will further strengthen our ability to be a strategic workplace partner to our customers and consistently deliver high quality outcomes.

Being the global leader in IFS for key accounts is a challenging ambition – hence we need to build the best customer offering and internal operating model as ONE enterprise – OneISS. With our new operating model, we will develop our services and underlying tech-enabled platform required to operate thousands of customer sites across the world in a consistent manner. Also, we will strengthen our commercial capabilities and build the right culture to support the execution of our strategy.

In 2021, we initiated the journey towards a significantly improved global operating model and made good progress, particularly by establishing the core foundation of the future model.

Priorities	Objectives	Progress 2021
 <p>Leveraging global scale</p>	<ul style="list-style-type: none"> • Fit for delivering IFS to key accounts • Effective Group-country collaboration 	<ul style="list-style-type: none"> • Required Group resources put in place • Countries, business units and functions aligned to global blueprint, including Operations Performance function focusing on operational excellence in each country and at Group level • Second HQ location established in Warsaw (increased talent pool)
 <p>Commercial discipline</p>	<ul style="list-style-type: none"> • Strategic workplace partner to key accounts • Disciplined bid-to-operations process to mitigate risk of significant underperforming contracts and countries 	<ul style="list-style-type: none"> • Global customer segment leads hired • New bid and transition process implemented, including stronger governance • Segment strategies and win plans developed in collaboration between Group and countries
 <p>Operations Performance & Products</p>	<ul style="list-style-type: none"> • Strong time management and cost control • Innovative service offering for prioritised customer segments • Sustainability and D&I at the core 	<ul style="list-style-type: none"> • Global product management and performance teams established • Roll-out of benchmarking tool for enhanced productivity of daily office cleaning initiated in selected countries and contracts – so far piloted in 60+ accounts in 6 countries • Re-design of Food service products and contract models to reposition risk profile post-pandemic • New Head of Sustainability hired and commitment to net zero emissions by 2040 announced in January 2022
 <p>Technology</p>	<ul style="list-style-type: none"> • Technology backbone required to improve commercial discipline (#2) and operational excellence (#3) (cloud, cybersec, enterprise systems) • In-house code development capabilities • Modernisation of legacy IT 	<ul style="list-style-type: none"> • Approved global IT&D strategy • Global tech team build-up, including full-line reporting for country IT teams • Cybersecurity capabilities strengthened • Cloud migration accelerated
 <p>Culture</p>	<ul style="list-style-type: none"> • Build on ISS's long heritage of fairness, equality, and inclusion to develop the next generation company of belonging • Improved effectiveness and unity • Diverse and inclusive leadership 	<ul style="list-style-type: none"> • New culture blueprint defined, including adding the new value "Unity" • New Diversity & Inclusion (D&I) strategy developed • Commitment to 40% females in corporate leadership by 2025 • Top 400 leadership assessment completed

Strategic priorities for 2022

Given the significant progress we made in 2021 in relation to our global operating model, going into 2022 we have updated our strategic priorities to support and strengthen the next stage in our OneISS journey.

We will focus on five key areas, where we believe, that we will achieve a lasting impact on the business and which will bring us closer to our 2025 ambition and realising our vision. The five updated strategic priorities will provide our key accounts with a market-leading service offering and delivery globally:

1 Commercial momentum and segment leadership

We will plan in advance the customer relationships we want to build, developing the right customer knowledge and segment focus to maintain long-term strategic relationships. We are continually improving and strengthening our bid-process, leveraging cross-country community support to bring the very best reference cases and expertise to new bids and renewals.

2 Brilliant operating basics

Process efficiency and controls is at the very core of our success. With Brilliant Operating Basics, we will drive the next wave of process efficiency enabled by technology and with a focus on the core, high-volume processes.

3 Service products built on leading technology platforms

We will offer standard service products underpinned by best practices to ensure high quality, consistent delivery, coupled with the latest innovations in technology. This will unlock not only greater efficiencies, but also improve the customer experience and enhance sustainability practices.

4 Environmental sustainability

Our ambition is to have a positive impact on the planet, people and communities we operate in. Further, we have an ambition of making a significant positive impact on our customers' sustainability efforts, which represents a significant business opportunity. To show our commitments, in January 2022, we announced our target of Net Zero emissions by 2040 in all 3 scopes, and will set and approve our Science-Based Targets in 2022.

5 Safe, diverse and inclusive workplaces (social sustainability)

We have a 120-year legacy as a people company – social sustainability has always been in our DNA – with safety for our people being the first priority. ISS is built on a foundation of equity, inclusion, fairness, and respect for all individuals. We have a strong drive to act as social incubators and make a true difference for our employees, our customers and the communities in which we operate. Also we will continue to strengthen learning opportunities to promote social mobility for all placemakers.

Our people

Investing in our people will be essential to our 2025 ambition of achieving industry-leading customer and employee engagement. Our people will play a key role by demonstrating the right behaviours, the right values and by embracing the unified mindset required to deliver on our strategy and achieve our purpose.

Our leadership is essential to shaping a culture that will allow us to deliver on our strategy. We deploy our leadership model, develop and align global training processes and implement common standards to drive the capabilities needed to consistently deliver on our customer value proposition.

Our five ISS values, which are the cultural drivers behind OneISS, guide our people to be great service professionals and responsible citizens. Alongside the values of Honesty, Responsibility, Entrepreneurship and Quality, we launched Unity in 2021. Unity is closely linked to our strategic focus on promoting diversity, inclusion and belonging and highlights the sense of trust and empowerment that diverse teams feel within ISS. As a result we also strengthened our diversity agenda further in 2021, see Diversity, inclusion & belonging, p. 38.

Developing strong leaders

We launched our new Leadership Model to develop our leaders in 2021. We have updated our learning offering to ensure that we equip our leaders with capabilities to deliver on the leadership behaviours supporting our culture. By the end of Q1 2022, all our Country Leadership Teams will have completed leadership workshops in our new leadership model and will have clear plans for the way they will embed our new leadership behaviours.

At the same time, we will launch our renewed flagship leadership development programme which will facilitate clear and structured feedback allowing leaders to gain insights into their personal leadership style, strengths, and development areas – in line with the core behaviours central to delivering OneISS. We will deliver this to our senior leaders and mid-management across countries. Our ambition is that all direct reports to Country Leadership Team members will have graduated from the programme by the end of 2022.

Key accounts continue to be key to our strategy. The Key Account Manager Certification (KAMC) programme is therefore crucial to ensuring that we develop leaders able to retain and grow our key account customers. The programme contains detailed training sessions in account operation, retention, and growth. Our Key Account Managers are certified when they have demonstrated the necessary understanding of customer needs and priorities to engage with them in a way that will lead to higher customer satisfaction and profitable growth.

In 2021, we updated the KAMC programme in line with OneISS. Deployment will begin in Q1 2022 and our aim is to deploy the programme across all of our global key accounts and more than 550 local key accounts by the end of 2022.

Similarly, our site managers play an important role in the day-to-day operation of our key accounts. We run a Site Manager Programme, which equips our site-managing leaders with business acumen and leadership skills that help them manage effective customer relationships and build engaged teams.

We are also focused on standardising our onboarding approach and on engaging with our new joiners in the most effective way. Our onboarding framework supports every new colleague through a holistic journey covering a three-month period. The purpose is to provide support and learning, aligned with our values, which delivers excellence in customer experience, increases compliance and boosts employee engagement and retention.

Our service culture

Service with a human touch (SWAHT) is the programme which for years has translated our culture into concrete service behaviours bringing our value proposition to life. This year, we launched the Placemaker's Path, our updated service culture programme replacing SWAHT. For our customer-facing employees – who we call our placemakers – the Placemaker's Path is a career-long learning and development programme. Deployment of the programme began in 2021

Our values



Unity



Honesty



Responsibility



Entrepreneurship



Quality

and our target is to deploy the Placemaker's Path in all global key accounts and more than 450 local key accounts by the end of 2022.

Our gratitude to our placemakers for their dedication throughout the turbulence of Covid-19 cannot be overstated. Every year, at our annual Global Leadership Conference, we give the "Employee of the year" award also called the Apple Award of the Year, to one of our colleagues who has gone above and beyond to serve our customers. However, in 2021, we did not hand out any individual awards simply because it would have been impossible to do in a fair and respectful way. Instead, we decided to recognise every placemaker by organising a concert by a legendary British musician in tribute to all our placemakers.

Digitalisation

We acknowledge that technology is a key enabler for delivering on our strategy – also in our people processes. In 2021, we continued the implementation of People@ISS – our global people system. Thanks to this initiative, we are enabling a data-driven approach to our people and compliance agenda.

We have also identified the potential to use IT to automate our recruitment process. For example, through IRIS – a virtual hiring assistant able to

answer common candidate questions in over 100 languages, 24 hours a day. We are piloting IRIS in the USA to explore opportunities to improve efficiency for new hires and hiring managers.

This year, we have taken the decision to invest in a global employee platform to amplify our ability to listen to and engage with our placemakers, as part of a digital place providing access to 'quality of life' functionalities (expected to include integrations with local rostering, payroll and leave request systems where possible). Integrated listening capabilities will provide our employees with the opportunity to make their voices heard, while accessing business and self-service tools, to make their working lives easier. This will give ISS stronger insights into employee engagement and the ability to recognise improvement opportunities in an agile and proactive way.

We continued to develop our global learning management system, MyLearning. It is a multi-function platform, which supports the deployment and tracking of over 2,000 global and country-specific e-learning modules along with over 800 training videos available in 27 languages and is accessible to all ISS employees. Since its formal launch in 2015, the use of MyLearning across the organisation has continued to grow. In 2017, approximately 100,000 e-learning modules were completed; this figure now stands at over 5.3 million to date, with over 800,000 completions in 2021.

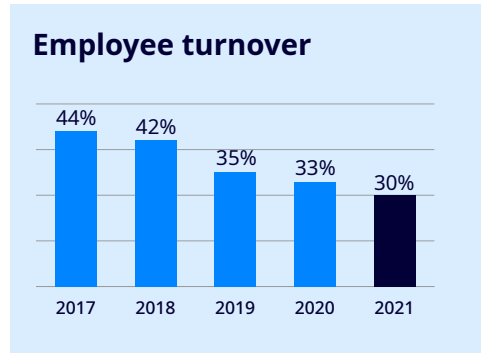
Employee retention

We operate in a marketplace where levels of employee churn are inherently high. To reach our 2025 ambition of achieving industry-leading employee engagement, we are targeting a structural improvement in our employee retention. Higher employee retention underpins a more consistent, higher quality of service and reduces the costs associated with attracting, recruiting and onboarding new colleagues.

During 2021, Covid-19 continued to impact our employee turnover, especially in Asia. However, our persistent push for retention initiatives in countries, e.g. improved labour conditions relative to the market in certain countries resulted in a global employee turnover of 30% in 2021, continuing the positive trend from previous years. The trend is also driven by our key account focus, including the discontinuation of high-churn, non-key account contracts and not least divestment of businesses in countries with relatively high employee turnover.

2022 people priorities

Looking ahead to 2022, we will work towards our 2025 ambitions through focusing on the deployment of our updated leadership development and service culture programmes, supporting OneISS.



We will continue to roll out People@ISS to support compliance in our people processes and begin the pilot deployment of the global employee platform to amplify our ability to engage with our employees in a number of additional countries in 2022.

As per our core values, we will also explore opportunities to continuously integrate Diversity, Inclusion and Belonging into our learning and development programmes.

Our business risks

Risk management is an integral part of our service performance and value creation. We do, however, experience incidents. Therefore, our main focus is to build a business resilience to both existing operational risks and external events, including market changes.

Risk management in 2021

In 2020, we saw two significant risk events, Covid-19 and the IT security incident. These events and the launch of the OneISS strategy in December 2020, set the tone for our risk management activities in 2021 through three areas.

1 Stronger governance

Our risk governance centres around bi-annual risk assessment procedures that provide bottom-up risk assessments country-by-country to support our top-down risk assessment anchored with the Executive Group Management (the EGM) and the Board of Directors (the Board). Functional risk committees (chaired by EGM members) serve as the integration point where bottom-up and top-down perspectives meet.

2 Simpler processes

The two major risk events in 2020 clearly indicated a too optimistic view on the probability of such events occurring. As a result, we have simplified our approach by moving away from a probability-based risk assessment towards a more holistic vulnerability measure. This, we believe, is more operational and action orientated, and thus simpler to work with on a daily basis.

3 Closer community

We also established a new and strengthened risk management function in our second Group HQ location in Warsaw. Our risk management activities are now operated by this team in close cooperation with local country risk management resources. Further, we have strengthened our finance blueprint organisation by defining Risk Management as a mandatory function and built a stronger cooperation between risk management and our operational functions. With these initiatives, we are enabling a strong collaboration with risk owners across customer accounts and functions.

Group risk review

As part of our bi-annual process, we reviewed the Group's key risks to reflect the main exposures in achieving our strategic objectives. The key risks and mitigation measures identified in 2021 are described on the following pages. We do not consider macro-economic risks as company specific risks that can impact our competitive advantage or market relevance. Nevertheless, we monitor market developments on an ongoing basis, and mitigate any adverse impacts to the extent possible.

Market developments 2021

In 2020, the facility management industry experienced an unprecedented disruption as Covid-19 impacted ways of working and workplace environments globally. The impact on our business was material. While cleaning services have been stable since the outbreak of the pandemic, other services have been materially impacted, especially food services. The impact of the pandemic has continued to be significant in 2021, and

our food service revenue is still subdued with a large recovery potential from a broader return to office, particularly in the USA.

The long-term implications are uncertain – with both risks and opportunities. Covid-19 has likely accelerated working-from-home trends, and some office-based customers may therefore pursue a reduction of their real estate footprint. This could have a negative impact on our offerings to office-based customers. At the same time, ISS is benefitting from customers requesting higher quality offerings, including increased frequency of cleaning, additional deep cleaning and higher quality food service solutions.

Other macro-economic risks have also played a large role in 2021 and the beginning of 2022. In our key markets, inflation has been rising putting pressure on wages and cost of goods. We have a structured approach to inflation risk, as even low inflation scenarios can impact margin significantly, if not appropriately managed. On the customer side, we generally include pass-on clauses in our contracts. Also, our scale and broad service scope often allows us to drive efficiencies through scope changes that can limit inflation impact for the customer. In terms of cost of goods, our efforts to centralise spend with fewer suppliers allows the same benefit of leveraging supplier scale to manage cost increases. Wage inflation is to a large extent a result of collective bargaining agreements or legislation and as such difficult to impact directly.

Demand for labour is high and in several countries we have in 2021 experienced hiring challenges. In some cases, we incentivise new joiners through

Group key risks 2021

- Operational and transformation execution
- People risks
- IT and digital roadmap execution
- Information security and cyber risk
- Contract management
- Finance and reporting
- Compliance
- Subcontractors
- Corporate responsibility

Our exposure to financial risks is disclosed in note 4.4 to the consolidated financial statements.

cash benefits, but generally we rely on our large network and solid employer reputation.

2022 risk priorities

A key priority for 2022, is to make sure that we have technology in place which will further enhance risk management and compliance. In 2022, we will finalise the implementation of a new IT platform across risk management, information security and data privacy (GDPR) that will drive better transparency and insight into risk and compliance areas.

Corporate responsibility, including Environmental, Social and Governance (ESG), will also continue to be a priority – both as a risk and a strong opportunity for making a real impact directly through our business performance and indirectly through engagement with our stakeholders. We acknowledge that this agenda is only continuing to grow in importance which is also why two of our five strategic priorities for 2022 are within ESG.

Operational and transformation execution	People risks	IT and digital roadmap execution	Information security and cyber risk	Contract management
<p>Failure to properly meet our operational and transformation execution goals, including, most importantly, the implementation of OneISS.</p>	<p>Risk that ISS will not be able to attract and retain the right people in order to maintain operations and meet our customer obligations. Especially important in a pandemic environment with overheated labour market.</p>	<p>Failure to execute our IT strategy envisioning a global IT approach with more streamlined software and globally managed infrastructure, better data quality and products that will address our customers' expectations and needs.</p>	<p>ISS being target of cyberattacks leading to business disruption and/or disclosure of ISS's and/or our customer's data.</p>	<p>Failure to fully identify, assess and manage key risks and opportunities in customer contracts thus adversely impacting profitability, leading to operational or regulatory non-compliance or suffering financial loss or reputational damage.</p>
<p>! Risk drivers</p> <ul style="list-style-type: none"> • Scale of transformation (complexity and number of initiatives) 	<p>! Risk drivers</p> <ul style="list-style-type: none"> • Scarcity of labour, e.g. due to Covid-19 driving unavailability of staff • Wage inflation • "War for talent" • Increasing employee expectations towards employers 	<p>! Risk drivers</p> <ul style="list-style-type: none"> • Scale of IT transformation (complexity and number of initiatives) • Complex IT landscape with fragmented applications and data structures • Cultural change 	<p>! Risk drivers</p> <ul style="list-style-type: none"> • Lack of awareness of full cyber risk/threat landscape • Insufficient employee and third party cyber security awareness 	<p>! Risk drivers</p> <ul style="list-style-type: none"> • Commercial discipline • Complexity in contracts, services, choice of commercial models • Large portfolio of complex contracts with increasing level of oversight within the contract
<p>✓ Mitigation measures</p> <ul style="list-style-type: none"> • Clear roadmap for implementation with adequate oversight and assigned responsibilities • Prioritisation of initiatives and roll-out • Well-defined success measures • Robust change management process, including communication strategy and information flow 	<p>✓ Mitigation measures</p> <ul style="list-style-type: none"> • Standardisation of people processes, including integration of our purpose and values • Tailored learning and development programmes at all levels of the organisation • Internal development opportunities • Ongoing realisation of our global Diversity & Inclusion strategy 	<p>✓ Mitigation measures</p> <ul style="list-style-type: none"> • Strategic alignment of business and IT goals • Ongoing implementation of new IT operating model • Clear roadmap for implementation with adequate oversight and assigned responsibilities • Prioritisation of initiatives and roll-out • Well-defined success measures • Robust change management process, including communication strategy and information flow 	<p>✓ Mitigation measures</p> <ul style="list-style-type: none"> • Standardisation of policies and procedures • Enhancement of cyber security skillset • Establishment of fully operational Security Operations Centre as part of cyber security programme • Closer cooperation between cyber risk experts and business • Awareness campaigns 	<p>✓ Mitigation measures</p> <ul style="list-style-type: none"> • Standardised policies for delivery of services, people management, HSE requirements and contractual obligations • Updated standard for commercial bid processes, including involvement of subject matter experts and operational solution directors • New contract transition model, including certification of transition experts being mandatory for leading transition of new contracts • Segmentation of customers and focus on key segments • Strengthening of partnership country organisation • Closer cooperation between countries on global key account delivery

Finance and reporting	Compliance	Subcontractors	Corporate responsibility
<p>Failure to execute the ongoing finance transformation aiming for stronger, more consistent finance processes, improved data quality and controls.</p>	<p>Failure to comply with applicable laws and regulations, including required licenses and permits which may lead to regulatory, operational, and reputational losses.</p>	<p>Risk that ISS will not be able to properly service its customers as a result of failure of its subcontractors, including subcontractor vetting and performance monitoring.</p>	<p>Risk and untapped opportunity resulting from ISS not being able to meet expectations as a “responsible corporate citizen” through environmental, social, and corporate governance processes, including realisation and communication of our ESG strategy and our climate-related initiatives.</p>
<p>! Risk drivers</p> <ul style="list-style-type: none"> • Scale of transformation (complexity and number of initiatives) • Decentralised financial IT systems and inconsistent control structures 	<p>! Risk drivers</p> <ul style="list-style-type: none"> • Complexity and volatility of regulatory framework, including diversity of regulatory regimes • Complexity of ISS services and choice of customer segments • Multitude of geographies with varying regulatory frameworks 	<p>! Risk drivers</p> <ul style="list-style-type: none"> • Increasing complexity and scope of services required by customers, including non-standard services • Insufficient country capabilities to self-deliver full scope of services required by customers 	<p>! Risk drivers</p> <ul style="list-style-type: none"> • Complexity of regulatory requirements related to ESG • Increasing focus on climate-related risks • Customers' requirements regarding support in driving their ESG agendas
<p>✓ Mitigation measures</p> <ul style="list-style-type: none"> • Clear road map for implementation of global processes with adequate oversight and assigned responsibilities • Prioritisation of initiatives and rollout • Well-defined success measures • Robust change management process, including communication strategy and information flow 	<p>✓ Mitigation measures</p> <ul style="list-style-type: none"> • Closer cooperation between countries and HQ to foster a stronger culture that ensures compliance with applicable laws and regulations • Standardised global approach towards monitoring and ensuring compliance with global laws and regulations, including potential support of dedicated tools • Standardised global approach towards maintaining required licenses and permits, including potential support of dedicated tools 	<p>✓ Mitigation measures</p> <ul style="list-style-type: none"> • Standardised risk-based vendor management process supported by procurement tool delivering vendor vetting data • Implementation of Supplier Code of Conduct • List of subcontractors cooperating with ISS with focus on bigger, more reliant business partners • Performance of supplier audits and strict performance supervision processes • Strengthening of partnership country organisation with more stringent governance model 	<p>✓ Mitigation measures</p> <ul style="list-style-type: none"> • Ongoing implementation of ESG strategy • ESG initiatives built into operations and service delivery • Robust communication and training programme for ESG-related initiatives across ISS • Ongoing implementation of our global Diversity & Inclusion strategy

Corporate responsibility

Caring for people, places and the planet

From the company's origins in 1901, ISS has been a people organisation. Social sustainability has always been in our DNA – with safety for our people being the priority first and foremost. ISS is built on a foundation of equity, inclusion and fairness and respect for all individuals.

As one of the global leaders in integrated facility services and workplace management with more than 350,000 employees and over 40,000 customers in more than 30 countries worldwide, ISS has a significant impact on societies and the environment, and we have an important role to play in solving some of the world's most pressing sustainability challenges.

This is why we are strongly committed to making a positive difference for people and the planet through ambitious sustainability efforts within our Environment, Social and Governance (ESG) scope – both in our own enterprise and in close cooperation with our customers.

The world is rapidly changing

Climate change, resource scarcity and waste overload are rapidly affecting our planet and the environment. It affects all of us, in terms of our weather, health, safety, economy and general quality of life. The need for decisive change is clear and urgent. At the same time, the Covid-19 pandemic has accelerated the social awakening and

the already ongoing shift of priorities of people and organisations around the world, prompting them to rethink how to protect the environment, structure our societies and govern operations. People are demanding extensive change from companies on ESG. At ISS, we believe it is our responsibility to champion this change.

Our approach to sustainability

Sustainability is a key component in the OneISS strategy for the entire ESG scope, in fact two out of five strategic priorities for 2022 focus on sustainability. Our key competitive advantage lies within Social (S) and our placemakers and self-delivery model offer a unique basis for Governance (G) and compliance. It has always been incumbent on ISS, and a central part of our beliefs and identity, to ensure health & safety, diversity & inclusion and social mobility in our workforce. Going forward, social sustainability will still be our primary source of differentiation. However, Environment (E) has quickly become a license to operate; employees, customers and investors expect and demand greater transparency, engagement and evidence of environmental action and initiatives.

At ISS, we recognise the full scope of the ongoing climate and environmental crisis, and we are fully committed to carrying out our operations and delivering our services in a sustainable way. We believe that it is our societal responsibility, our license to operate and ultimately the key driver for future growth and success.

Accelerating our ESG efforts

In 2021, we accelerated our efforts across the entire ESG scope, not least in relation to the environment. First of all, we worked on setting ambitious targets for reaching full-scope net zero CO₂ emissions by 2040, as announced in January 2022. The roadmap to getting there will be led by our new Head of Sustainability, who joined ISS on 1 January 2022.

On Task Force on Climate-related Financial Disclosures (TCFD), which ISS committed to in late 2020, we carried out a comprehensive assessment and developed a three-year roadmap for implementation.

Finally, we implemented the EU Taxonomy Regulation, which came into force for the financial year 2021. The Taxonomy seeks to provide clarity for companies, capital markets and policy makers, on which economic activities are sustainable and thereby support investment flows into these activities.

In 2021, we also enhanced our activities within Diversity & Inclusion when we hired a new Head of Diversity & Inclusion and launched a new strategy addressing five dimensions of diversity.

Read more about our 2021 initiatives on the following pages.

2025 ambition



Society

To be a **sustainability leader** on the DJSI Europe Index

Deeply committed to SDGs



Corporate responsibility report



Read more in our CR report as per section 99a and 99b of the Danish Financial Statements Act [here](#)

Our journey to net zero

In 2021, we initiated our journey towards reaching full-scope net zero CO₂ emissions. Our targets are ambitious as we are determined to be recognised as being among the best environmental leaders in our industry and a catalyst of real change.

At ISS, we recognise the full scope of the ongoing climate and environmental crisis, and we are strongly committed to carrying out our operations and delivering our services in a sustainable fashion. ISS has been engaged in sustainability efforts within climate and environment for many years. With the announcement in January 2022 of our commitment to reaching full-scope net zero CO₂ emissions by 2040, we are accelerating our climate and environmental efforts even further. Our commitment encompasses all activity across the business, including the full scope of our supply chain. For 2022, environment is also defined as one of our five strategic priorities.

Scope 1 + 2 emissions	Scope 3 emissions	Food served (emissions)	Food waste	Other initiatives
Net zero by 2030	Net zero by 2040	Emissions ↓ 25% by 2030	Waste ↓ 50% by 2027	Examples: • Electrification of vehicles • Water reduction • Renewable energy

Our overall targets

Our commitment encompasses all activity across the business, including the full scope of our supply chain. As such, we have set the target to:

- Reach net zero CO₂ emissions within scope 1 and 2 by 2030
- Reach net zero CO₂ emissions within scope 3 by 2040

Furthermore, we are committed to offering full-scope reporting of our environmental footprint.

Reduction of food footprint

As a key element of our roadmap to net zero, we will enhance our food sustainability programme and reduce CO₂ emissions associated with the food we serve globally by 25% by 2030 and halve the amount of food waste by 2027.

Reducing water and electricity consumption

Our roadmap to net zero also includes initiatives in several other areas like electrification of our global fleet of approximately 20,000 vehicles, increasing the renewable energy share in our own buildings, and reducing water in cleaning services.

The journey ahead

In the coming months and years, numerous global activities within food sustainability, water and waste reductions and energy management will be initiated – both within ISS’s organisation and not least, in close cooperation with customers and suppliers.

We are currently in the process of establishing our specific science-based targets based on our full-scope baseline of 2019 in alignment with our commitment to the Science Based Targets initiative (SBTi). This will enable us to develop reduction strategies, working in partnerships with our more than 40,000 customers and 80,000 suppliers worldwide.

Climate-related risks

We recognise the importance of assessing the impact of climate change on our business and late 2020, ISS committed to follow the TCFD recommendations.

In 2021, we carried out a comprehensive assessment to identify and understand the climate-related risks and opportunities ISS is exposed to and how we can mitigate the impact.

We have developed a three-year roadmap for implementing the Task Force on Climate-Related Financial Disclosures (TCFD) recommendations in 2021. These include disclosures about climate-related risks and opportunities on our governance, business strategy, risk management and metrics.

As part of our role in addressing climate change, ISS has committed to a number of climate-related targets, which aim to develop sustainable business strategies, promote best practices in emissions reductions, and mitigate the risks of climate change.

For details on the recommendations in our context, see the overview to the right.

Recommendations	Our response	Read more
<p>Governance Disclose the organisation's governance around climate-related risks and opportunities</p>	<ul style="list-style-type: none"> The Board of Directors is responsible for risk, including climate-related risks The Executive Group Management is responsible for sustainability and has established a Sustainability Committee addressing ESG-related matters, including climate-related risks 	<p>Annual report:</p> <ul style="list-style-type: none"> Corporate governance, p. 43 <p>CR report:</p> <ul style="list-style-type: none"> Our framework for Corporate Responsibility, p. 11
<p>Strategy Disclose the actual and potential impacts of climate-related risks and opportunities on the organisation's businesses, strategy and financial planning where such information is material</p>	<ul style="list-style-type: none"> Our strategic ambition is to be recognised as an environmental leader, advocating for more sustainable actions, measures and goals Our focus on reducing the impact on the environment and climate contributes to solving the global challenge of climate change and creating a sustainable world for future generations 	<p>CR report:</p> <ul style="list-style-type: none"> Strategy, p. 29
<p>Risk management Disclose how the organisation identifies, assesses and manages climate-related risks</p>	<ul style="list-style-type: none"> Our initiatives and activities are carried out through a systematic approach, whereby we identify potential for more efficient use of resources, lower emissions and cost optimisation. We proactively mitigate environmental risk and anticipate our customers' needs 	<p>CR report:</p> <ul style="list-style-type: none"> Mitigating risks and challenges, p. 12 <p>Annual report:</p> <ul style="list-style-type: none"> Our business risks, p. 32
<p>Metrics and targets Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material</p>	<ul style="list-style-type: none"> Targets (%) for electricity and water consumptions as well as car emissions Science-based targets initiative (scope 1-3) emissions Net zero 2040 target Commitment to SDG 13 – we take urgent action to combat climate change and its impact UN Global Compact commitment 	<p>CR report:</p> <ul style="list-style-type: none"> Targets, p. 32 Climate-related disclosures, p. 32 SDGs, p. 10 <p>Annual report:</p> <ul style="list-style-type: none"> Our journey to net zero, p. 36

Diversity, inclusion & belonging

ISS is built on a foundation of equity, inclusion, fairness, and respect for all individuals. With our 120-year legacy as a people company, diversity has always been in our DNA. We have taken significant steps in 2021 to strengthen this agenda even further.

We recognise our diverse workforce as a key competitive advantage and a vital asset in our long-term sustainable business success. Our inclusive culture empowers our people, and helps to make us more creative, productive, and attractive as a workplace.

Diversity is about the unique characteristics, life experience and perspectives that makes us who we are. Inclusion means valuing and respecting differences and seeing those as essential for success. Belonging is when employees feel they can bring their authentic selves to work, when differences are embraced and valued. To come to a stage of true belonging is our ultimate goal.

In 2021, we strengthened our Diversity & Inclusion (D&I) focus with the appointment of a

new Head of Diversity & Inclusion to implement our new strategic approach. We know that to reap the real benefits of our differences we need plans and concrete actions, which is also why D&I is one of our five strategic priorities for 2022.

Our strategic approach

Our strategy is driven through five dimensions of diversity, shown in the overview to the right, representing the current needs of our business. We are aware that there are many more dimensions of diversity and we will broaden our focus in the longer term.

We have defined a global target to increase underrepresented minorities, with the first one being to achieve 40% gender balance in corporate leadership by 2025. Gender balance is just one of our dimensions of diversity, but we believe that improving representations of underrepresented minorities will truly be the change we want to see. In 2022, we will continue to work on targets for our additional dimensions.

In 2021, we also signed the UN Women's Empowerment principles, which are designed to help

advance and empower women in the workplace, marketplace and community. By signing up to these principles, we are actively demonstrating our commitment to our global gender balance target.

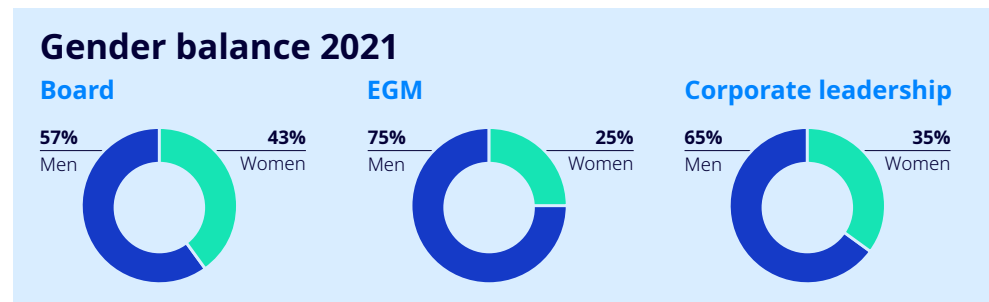
Status on gender balance

We believe that the advancement of women will lead to greater innovation, improved organisational performance and better service to our customers, enabling us to connect people and places to make to world work better.

The representation of women at management level at the global head office reached approximately 35% in 2021, up from 28% in 2020. To improve the gender balance, we continue to leverage our Diversity policy, requiring us to identify at least one female candidate in searches for vacant positions. We actively identify female candidates for our leadership programmes. We also continuously develop our succession planning aiming at identifying female successors, and table the matter of women in leadership at ISS for discussion, both at our talent board, and at least once a year at Executive Group Management (EGM) level.

At our EGM, the female representation increased to 25% in 2021 (2020: 20%) following the changes to the management team in 2021 to support and strengthen the next stage in our OneISS journey.

At the Board of Directors (Board), the target of having at least 40% women elected at the general meeting was met with 43% of these Board members being women as also described in Corporate Governance on p. 42.



Our five dimensions of diversity



Generation & Age



Cultures, Race & Ethnicity



Pride



Abilities



Gender balance

PEOPLE

Fostering an inclusive learning culture at ISS Austria

With a workforce as diverse as ours, we know the value of adapting learning and development to the needs of our people. At ISS, everyone has the right to learn – and gain the skills they need to succeed and stay safe. During the past year, ISS Austria has become a testament to this commitment by rolling out inclusive learning initiatives for frontline workers, with particular focus on non-native workers, the digitally illiterate and an ageing workforce.

Committed to a strong learning culture

“We wanted to help our frontline staff develop the necessary skills in a safe and simple way,” says Petra Bisanovic, Team Leader of Learning & Development at ISS Austria. “There is a huge need for different channels of learning. Each and every employee deserves to know about ISS’s high standards – not only to do their job, but also to protect their health.”

Petra and her team collaborated with the Austrian Chamber of Commerce to launch three solutions:

- **An ergonomics course** helping reduce body strain on the ageing workforce and ensuring correct posture while cleaning. Participants wore body sensors while cleaning, while a team of ergonomics

specialists studied the findings, leading to instructional videos demonstrating optimal cleaning techniques.

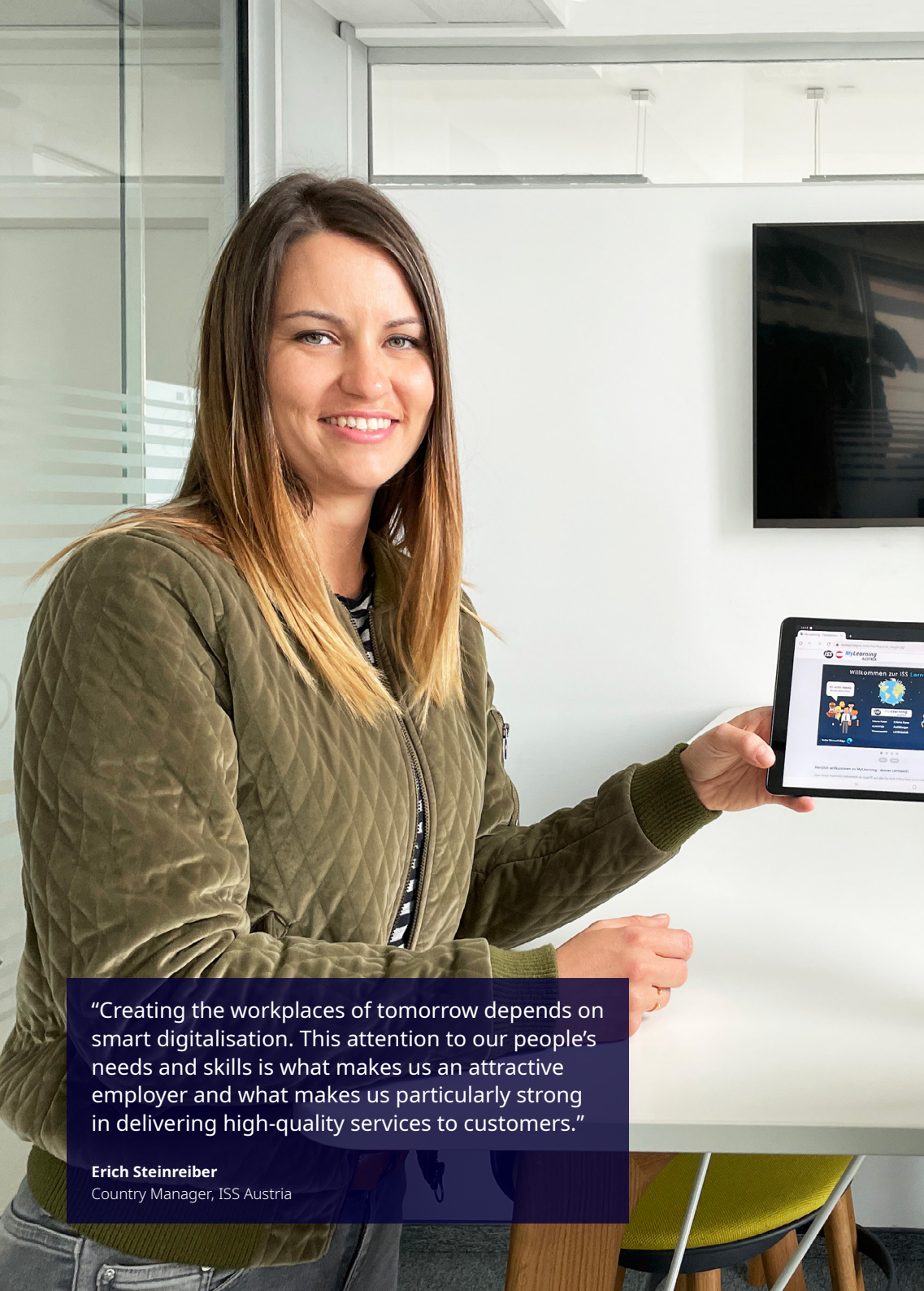
- A series of **interactive e-learning courses** teaching staff key work skills, leveraging videos, quizzes and live streaming and providing easy access to education during Covid-19 restrictions. To cater for non-native speakers and the digitally illiterate, text was replaced with images and colours to simplify the learning process.
- **An audio learning tool** providing an alternative to digital learning for the digitally illiterate. The tool, called the *tiptoi*[®] in German, was designed with the game producer Ravensburger and uses images and audio on the user’s native language to teach key work skills, such as new cleaning techniques.

Building the workplaces of tomorrow

The initiatives were rolled out in five languages – English, Serbo-Croatian, Turkish, Romanian and Hungarian – to over 500 ISS placemakers, with the audio learning tool being a particular success. In 2022, ISS Austria plans to expand the initiatives to its entire 6,500 frontline workforce.

“Creating the workplaces of tomorrow depends on smart digitalisation. This attention to our people’s needs and skills is what makes us an attractive employer and what makes us particularly strong in delivering high-quality services to customers.”

Erich Steinreiber
Country Manager, ISS Austria





**Our
Governance**

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.

Framework

The Board of Directors (the 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 rules on the governance of ISS A/S, including share capital, general meetings, shareholder decisions, election of members to the Board, etc., is described in the Articles of Association which are available [here](#).

The Board reviews the Group's share and capital structure on an ongoing basis. The Board believes the present share and capital 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

Shareholders

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

Management

Management powers are distributed between our Board and our Executive Group Management Board (the 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 members of the EGMB are the Group CEO and the Group CFO. Together, they form the management registered with the Danish Business Authority. The Group has a wider Executive Group Management (the EGM), whose members are ten Corporate Senior Officers in addition to the EGMB. 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.

In the review of our governance structure on p. 44, we have outlined the primary responsibilities of the Board and the EGM as well as 2021 activity by Board committees.

Strengthening the EGM

In 2021, we strengthened our EGM and made necessary organisational changes to support our execution of the OneISS strategy even more.

On 1 May 2021, Liz Benizon took up the position as Country Manager of ISS UK & Ireland and joined the Executive Group Management.

On 1 June 2021, Markus Sontheimer took up the position as Chief Information and Digital Officer and joined the Executive Group Management.

On 1 January 2022, Carl-Fredrik Langard-Bjor took up the position as CEO Northern Europe and Celia Liu the position as CEO Central & Southern Europe.

On 31 December 2021, Pierre-François Riolacci stepped down as Group CEO Europe.

Full bios for the EGM are available [here](#)

Composition of the Board

The Board consists of ten members, seven elected by the general meeting and three elected by and among the employees. Board members elected by the general meeting stand for election each year. Niels Smedegaard and Kelly Kuhn were appointed as new members of the Board at the annual general meeting on 13 April 2021

Governance report



The report 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 not being fulfilled:

- 1.1.3 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 are held quarterly via live webcast/telephone conference.

Remuneration report



The report includes a description of our remuneration policy and remuneration of the Board and the EGMB, see also note 5.1 to the consolidated financial statements.

where the previous Chair of the Board Lord Allen of Kensington and board member Claire Chiang stepped down. The Board constituted itself by electing Niels Smedegaard as Chair and Henrik Poulsen as Deputy Chair.

Employee representatives 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.

Board evaluation

In 2021, the Board performed its annual evaluation of the Board's performance with assistance by an external advisor. The evaluation included Board composition, individual performance at meetings and preparation, cooperation between the Board and the EGMB, the leadership of the Board Chair, committee structure and work as well as the organisation of work and quality of Board material. All members of the Board, CEO, CFO and the General Counsel answered bespoke online questionnaires and participated in in-depth personal interviews. The result of the Board evaluation was subsequently presented and discussed at a Board meeting.

Overall, the Board was evaluated by the external advisor to be well-functioning and with a diverse composition. Under challenging circumstances, with new members and few opportunities to meet in person, the board had worked well together. The evaluation identified a few focus areas to improve the Board's performance and value-add during 2022: i) ensuring the right balance between reviewing progress on turnaround plans and ensuring long-term, profitable growth, ii) reviewing integration of

and follow-up on environmental and social goals in general and leveraging the opportunity to become a societal role model in particular and iii) strengthening the Board as a team.

For further details, please see response to recommendation 3.5.1 of the 2021 Statutory report on Corporate Governance.

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. Emphasis is placed on:

- experience and expertise;
- diversity of gender and in broader terms; and
- personal characteristics matching ISS's values and leadership principles.

In 2021, we launched our global Diversity & Inclusion (D&I) strategy. As part of the strategy, we have defined a target of achieving at least 40% gender balance at all corporate leadership levels by 2025. The strategy and our initiatives to improve gender balance is further described on p. 38. Gender balance at all leadership levels remains a focus area in 2022.

Board gender balance

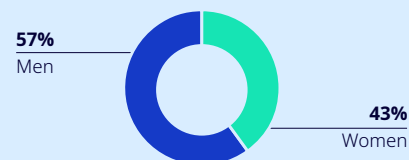
The Board's gender target of having at least 40% women elected by the general meeting on the Board by 2020 was met with 43%. Including employee representatives, 50% of our Board is women.

Board diversity

- members elected at the annual general meeting

Gender balance

- for women, target: 40%



Nationalities



Independence



Special competencies

- 100% Strategy and value creation
- 86% Leadership of large international companies
- 71% Corporate responsibility
- 71% Transformational change
- 57% Finance accounting and tax
- 57% IT, technology and digitalisation
- 57% Investors and capital markets
- 43% Risk management
- 43% Sales and marketing
- 43% People and remuneration
- 43% International service industry

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 travel ability of GIA continued to be impacted by Covid-19, audit programmes have been adjusted to accommodate remote testing allowing for GIA to continue to provide assurance over the operating effectiveness of internal controls.

In 2021, focus has been on:

- establishment of regional based GIA in Asia & Pacific and the strengthening of the GIA team through recruitment of new members in the newly established corporate hub in Warsaw;
- development of new audit working programme to provide assurance around effectiveness of internal controls in our Partnership countries;
- 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 Controls; and
- reducing the number of open audit recommendations and ensuring timely closure of audit recommendations.

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, 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.

Over 2021, the accessibility and awareness of Speak Up has been strengthened through the ongoing implementation of a manned phone hotline to supplement the reporting tool and updates of the ISS website with a new section on Responsible Business Conduct & Speak Up.

Data ethics

ISS's focus on safe and ethical processing of data has been strengthened by the adoption of the ISS Data Ethics Policy. The purpose of the policy is to ensure transparency and accountability in ISS's management and processing of data. The policy is based on the principles of the Charter of Fundamental Rights of the European Union and emphasises ISS's commitment to responsible, fair and progressive data handling as well as ISS's dedication to diversity and inclusion. The Data Ethics Policy as per section 99d in the Danish Financial Statements Act has been adopted by the EGM and the Board and is subject to annual review in line with ISS's policy standards. The policy is available [here](#)

Key matters transacted by the Board


2021 specific matters

- OneISS strategy execution
- Turnaround of underperforming contracts (Deutsche Telekom and Danish Defence) and countries (the UK and France)
- Divestment programme execution
- Financial performance turnaround targets
- Covid-19 impact on the business and performance
- Embedding new Bid to Operation processes
- IT and Digitalisation strategy
- Sustainability targets, including full net zero CO₂ emissions
- New D&I strategy
- Data Ethics Policy

Recurring matters

- Overall strategy, business and action plan
- Annual budget
- Capital and share structure, and financing
- Financial Policy and Dividend Policy
- External financial reporting, Remuneration and CR reports
- Key risks and risk management reporting
- Internal controls and risks related to financial reporting
- IT and information security
- Corporate governance
- Competencies, composition and independence of the Board
- Succession planning
- Evaluation of performance of the Board, individual board members, performance of the EGMB and cooperation between the Board and the EGMB
- Diversity
- Sustainability
- Speak Up Policy and system
- Remuneration policy and guidelines on incentive pay
- Recommendation of auditors for election at the annual general meeting

Our governance structure

Board of Directors	Executive Group Management	Country leadership
<p>Responsible for the overall management and strategic direction of the Group, including:</p> <ul style="list-style-type: none"> • 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 	<p>Responsible for the day-to-day management of the Group, including:</p> <ul style="list-style-type: none"> • 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 <p>EGM has established a number of committees, including Sustainability, Remuneration, IT & Digitalisation, Business Integrity and Transaction Committees.</p>	<p>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.</p> <p>Country leadership teams are set out under each relevant country at www.issworld.com</p>
<p>2021 Committee activity</p> <p>Audit and Risk Committee</p> <p>The Audit and Risk Committee held seven meetings in 2021 and continued its focus on:</p> <ul style="list-style-type: none"> • Evaluating 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 • Reviewing and monitoring the Group's risk management, internal controls, Speak Up (whistleblower) system and business integrity matters • Monitoring the Group internal audit function • Evaluating the Financial Policy, the Dividend Policy and the Group Tax Policy • Monitoring and considering the relationship with the independent auditors, reviewing the audit process and the auditors' long form audit report, and recommending on appointment of auditors 	<p>Board biographies, pp. 45-46</p> <p>Remuneration Committee</p> <p>The Remuneration Committee held nine meetings in 2021 and continued its focus on:</p> <ul style="list-style-type: none"> • Assisting in reviewing the remuneration policy and guidelines on incentive pay • Recommending the remuneration of Board and EGMB members and approving remuneration of EGM <p>Nomination Committee</p> <p>The Nomination Committee held ten meetings in 2021 and continued its focus on:</p> <ul style="list-style-type: none"> • Assisting in ensuring that appropriate plans and processes are in place for the nomination of candidates to the Board and the EGMB • Evaluating the composition of the Board and the EGMB • Recommending nomination or appointment of Board, EGMB and board committee members <p>Transaction Committee</p> <p>The Transaction Committee held four meetings in 2021 and continued its focus on:</p> <ul style="list-style-type: none"> • Reviewing and making recommendations on certain large acquisitions, divestments and customer contracts • Following and considering large transactions, including reviewing pipeline and ISS's procedures • Reviewing material new financing, refinancing or material variation of existing financing and proposals for equity or debt issuance <p>EGM biographies, p. 47</p>	 <pre> graph TD Board[Board of Directors] --- ARCA[Audit and Risk Committee] Board --- Rem[Remuneration Committee] Board --- Nom[Nomination Committee] Board --- Tran[Transaction Committee] Board --- EGMB[Executive Group Management Board (EGMB)] EGMB --- EGM[Executive Group Management (EGM)] EGM --- CL[Country leadership] </pre>

MEET THE

Board of Directors

**Niels Smedegaard** (1962)**Chair**

Gender: Male

First elected (until): April 2021 (2022)

ISS committees

- Nomination committee (C)
- Remuneration committee
- Transaction committee

Board and management positions

- Molslinjen A/S (C)
- Bikubenfonden (C)
- Abacus Medicine A/S (C, RCM, NCM)
- Falck A/S (C, ACM)
- DSV Panalpina A/S (BM, ACM)
- TT Club Mutual Insurance Ltd. (BM)
- UK P&I Club (BM)
- Frederiksbergfonden (BM)
- EQT (Industrial advisor)

Special competencies

- International service industry
- Strategy and value creation
- Leadership of large international companies
- Transformational change
- IT, technology and digitisation
- Finance, accounting and tax
- Investors and capital markets

**Henrik Poulsen** (1967)**Deputy Chair**

Gender: Male

First elected (until): August 2013 (2022)

ISS committees

- Transaction committee

Board and management positions

- Faerch A/S (C, NRCC)
- Faerch Group Holding A/S (C)
- Carlsberg A/S (DC (and DC in one subsidiary), NCM, RCM, ACM)
- Ørsted A/S (BM)
- Novo Nordisk A/S (BM, ACM)
- Novo Holdings A/S (BM)
- Bertelsmann SE & CO. KGaA (SBM)
- A.P. Møller Holding A/S (Senior advisor)

Special competencies

- Strategy and value creation
- Leadership of large international companies
- Transformational change
- Finance, accounting and tax
- Investors and capital markets
- Risk management
- Corporate responsibility

**Valerie Beaulieu** (1967)**Board member**

Gender: Female

First elected (until): April 2020 (2022)

ISS committees

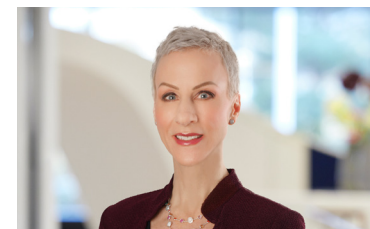
- Audit and risk committee
- Transaction committee

Board and management positions

- Adecco Group, Chief Sales & Marketing Officer

Special competencies

- International service industry
- Strategy and value creation
- Leadership of large international companies
- Transformational change
- Sales and marketing
- IT, technology and digitisation
- Corporate responsibility

**Kelly Kuhn** (1965)**Board member**

Gender: Female

First elected (until): April 2021 (2022)

ISS committees

- Nomination committee
- Remuneration committee

Board and management positions

- CWT (Special advisor)
- McChrystal Group (Strategic advisor)
- SSP Group plc (BM, ACM, NCM)

Special competencies

- International service industry
- Strategy and value creation
- Leadership of large international companies
- Transformational change
- People and remuneration
- Sales and marketing
- Corporate responsibility

**Søren Thorup Sørensen** (1965)**Board member**

Gender: Male

First elected (until): April 2020 (2022)

ISS committees

- Audit and risk committee


Board and management positions

- KIRKBI A/S, (CEO, BM and/or management in 9 subsidiaries)
- Boston Holding A/S (C)
- LEGO A/S (DC, ACC)
- Landis+Gyr AG (BM)
- Koldingvej 2, Billund A/S (BM)
- Merlin Entertainments Limited (BM, ACC, RCM (and BM of 4 affiliated companies))
- Ole Kirk's Foundation (BM)
- ATTA Foundation (BM)

Special competencies

- Strategy and value creation
- People and remuneration
- Finance, accounting and tax
- Investors and capital markets
- Risk management
- Corporate responsibility



Ben Stevens (1959) 
Board member
 Gender: Male
 First elected (until): April 2016 (2022)

ISS committees

- Audit and risk committee (C)
- Transaction committee (C)


Board and management positions

- PageGroup plc. (BM, ACC)

Special competencies

- Strategy and value creation
- Leadership of large international companies
- IT, technology and digitisation
- Finance, accounting and tax
- Investors and capital markets
- Risk management



Cynthia Mary Trudell (1953) 
Board member
 Gender: Female
 First elected (until): April 2015 (2022)

ISS committees

- Nomination committee
- Remuneration committee (C)

Board and management positions

- Canadian Tire Corporation Limited (BM and chair of the management resources, CCC, GCM)
- RenaissanceRe Holdings Ltd. (BM and member of the compensation and corporate governance Committee)

Special competencies

- Strategy and value creation
- Leadership of large international companies
- Transformational change
- People and remuneration
- Sales and marketing
- IT, technology and digitisation
- Corporate responsibility



Nada Elboayadi (1982) 
Employee representative
 Gender: Female
 First joined the Board (until): April 2019 (2023)

ISS position


Head of Global Big Data, Global Support Solutions since 2018.

Joined the ISS Group in 2006.

Special competencies

- International service industry
- IT, technology and digitisation



Joseph Nazareth (1960) 
Employee representative
 Gender: Male
 First joined the Board (until): March 2011 (2023)

ISS position


Group Vice President and Head of Group Health, Safety, Environment and Quality and Corporate Responsibility since 2010.

Joined the ISS Group in 2010.

Special competencies

- International service industry
- Risk management
- Corporate responsibility



Elsie Yiu (1975) 
Employee representative
 Gender: Female
 First joined the Board (until): April 2019 (2023)

ISS position

Group Vice President and APAC Head of Legal since 2018.

Joined the ISS Group in 2015.

Special competencies

- International service industry
- Risk management

- C:** Chair, Board of Directors
- DC:** Deputy Chair, Board of Directors
- BM:** Member, Board of Directors
- SBM:** Supervisory Board Member
- ACC:** Audit Committee Chair
- ACM:** Audit Committee Member
- NCM:** Nomination Committee Member
- RCM:** Remuneration Committee Member
- NRCC:** Nomination and Remuneration Committee Chair
- CCC:** Compensation Committee Chair
- GCM:** Governance Committee Member

Full bios of Board members are available [here](#)

Meeting attendance	Board	Audit and Risk	Remuneration	Transaction	Nomination
Niels Smedegaard, Chair ¹⁾	8/8		4/5	3/3	7/7
Henrik Poulsen, Deputy Chair ²⁾	8/10	1/1		4/4	
Valerie Beaulieu	9/10	6/7		4/4	
Kelly Kuhn ¹⁾	8/8		5/5		7/7
Søren Thorup Sørensen ²⁾	9/10	5/6			
Ben Stevens	10/10	7/7		4/4	
Cynthia Mary Trudell	10/10		9/9		10/10
Nada Elboayadi (E)	10/10				
Joseph Nazareth (E)	10/10				
Elsie Yiu (E)	10/10				

All board members are independent, except for the employee representatives


¹⁾ Joined the Board of Directors/Committee on 13 April 2021

²⁾ Stepped down from/joined the Audit and Risk Committee on 13 April 2021

MEET THE

Executive Group Management



Jacob Aarup-Andersen 
Group CEO
 – since September 2020
 Joined ISS: September 2020

Member of the Executive Group Management Board of ISS A/S registered with the Danish Business Authority.



Kasper Fangel 
Group CFO
 – since December 2020
 Joined ISS: 2009

Member of the Executive Group Management Board of ISS A/S registered with the Danish Business Authority.




Corinna Refsgaard 
Group Chief People & Culture Officer
 – since December 2018
 Joined ISS: 2017



Troels Bjerg 
Group COO
 – since March 2018
 Joined ISS: 2009



Celia Liu 
CEO Central & Southern Europe
 – since January 2022
 Joined ISS: December 2019




Liz Benison 
CEO UK&I
 – since May 2021
 Joined ISS: May 2021




Carl-Fredrik Langard-Bjor 
CEO Northern Europe
 – since January 2022
 Joined ISS: 2011




Scott Davies 
CEO Asia Pacific
 – since January 2021
 Joined ISS: 2012




Daniel Ryan 
Group Chief Commercial Officer & CEO Americas
 – since December 2020
 Joined ISS: 2016 as CEO Americas




Andrew Price 
CEO Strategic Growth
 – since December 2020
 Joined ISS: 1995



Markus Sontheimer 
Chief Information and Digital Officer (CIDO)
 – since June 2021
 Joined ISS: June 2021



Bjørn Raasteen 
Group General Counsel
 – since January 2005
 Joined ISS: 1999

Full bios of Executive Group Management members are available [here](#)

TECHNICAL

New service concept reduces costs and emissions for PwC

A new service model in the Netherlands is saving PwC at least 15% in service costs, while also driving down carbon emissions.

In the Netherlands, PwC's 14 locations have a combined footprint of 93,000 m². At these sites, we take care of almost every aspect of facility management – from cleaning and food to reception, IT support and security – to ensure the buildings run smoothly 24/7.

Rob Klinkert, Senior Portfolio Manager in Facility Management at PwC says "It was very nice to join ISS in a tender for a new contractor. We have made a choice to upgrade the expertise on site. And we have been able to finance the extra costs involved by splitting the contractor into a partner and specialists suppliers, therefore eliminating margin stacks. By focusing on expertise, we also made progress on reducing energy usage. Amongst other things by enhanced energy monitoring and adjustments in the building control system."

Cutting customer costs by 15%

Until recently, preventative and reactive maintenance at PwC's sites in the Netherlands were carried out by third-party service providers contracted by ISS. However, after reassessing our service model, we discovered that reorganising maintenance delivery


would bring significant advantages to PwC. The most obvious of these is a direct reduction in maintenance costs of 15-20%.

Towards PwC's goal of net zero emissions

Sustainability is a key focus area for PwC and the company has set ambitious targets. These include reaching net zero greenhouse emissions by 2030 in line with the Science Based Targets initiative. As a facility management partner, ISS has a significant role to play in helping PwC achieve these goals.

"We have plans in place to optimise PwC's use of buildings and equipment, and together we are taking action to reduce PwC's energy consumption and carbon emissions. Reuse and lifecycle management is also extremely important – so we always look to repair instead of replace when possible," says Gijs.

The results of this work have been impressive. For example, we recently changed all of PwC's lighting to LED, resulting in an energy saving of around DKK 100 thousand per year. We are also installing solar panels on the roofs of many PwC buildings and shutting facilities at weekends if they are not in use. This last action alone will cut heating gas consumption by 10-15%, reducing both operating costs and emissions.



"We have plans in place to optimise PwC's use of buildings and equipment, and together we are taking action to reduce PwC's energy consumption and carbon emissions."

Gijs Emsbroek

Head of Technical Services & Capital Projects, ISS Netherlands



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Consolidated financial statements

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Key events 2021

In 2021, the following events and transactions had a significant impact or were significant for the understanding of the consolidated financial statements:

- Impairment loss of DKK 450 million in France, cf. 3.8, Impairment test
- Divestment of six countries and six business units, cf. 3.3, Divestments
- Acquisition of Rönésans Facility Management Company in Turkey, cf. 3.4, Acquisitions

Estimates and judgements

Items being subject to significant estimates and/or judgements are described in the following notes:

- 1.2 Revenue
- 1.5 Deferred tax
- 2.1 Right-of-use assets
- 2.2 Trade receivables and credit risk
- 2.3 Other receivables
- 2.6 Provisions
- 3.1 Discontinued operations
- 3.2 Assets and liabilities held for sale
- 3.6 Intangible assets
- 3.8 Impairment tests
- 5.4 Pensions and similar obligations

Subsequent events

Other than set out elsewhere in these consolidated financial statements, we are not aware of events subsequent to 31 December 2021, which are expected to have a material impact on the Group's financial position.

Consolidated statement of profit or loss

1 January – 31 December

(DKKm)	Note	2021	2020
Revenue	1.1, 1.2	71,363	70,752
Staff costs	5.2, 5.3	(46,369)	(46,579)
Consumables		(5,020)	(5,751)
Other operating expenses		(16,438)	(19,785)
Depreciation and amortisation ¹⁾	2.1, 3.6	(1,760)	(1,840)
Operating profit before other items		1,776	(3,203)
Other income and expenses, net	1.3	439	(983)
Goodwill impairment	3.7	(450)	(432)
Amortisation/impairment of brands and customer contracts	3.6	(64)	(89)
Operating profit	1.1	1,701	(4,707)
Financial income	4.3	41	59
Financial expenses	4.3	(697)	(608)
Profit before tax		1,045	(5,256)
Income tax	1.4, 1.5	(509)	36
Net profit from continuing operations		536	(5,220)
Net profit from discontinued operations	3.1	101	25
Net profit		637	(5,195)
Attributable to:			
Owners of ISS A/S		615	(5,205)
Non-controlling interests		22	10
Net profit		637	(5,195)
Earnings per share, DKK			
Basic earnings per share (EPS)	4.1	3.3	(28.2)
Diluted earnings per share	4.1	3.3	(28.2)
Earnings per share for continuing operations, DKK			
Basic earnings per share (EPS)		2.8	(28.3)
Diluted earnings per share		2.8	(28.3)

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

Consolidated statement of comprehensive income

1 January – 31 December

(DKKm)	Note	2021	2020
Net profit		637	(5,195)
Other comprehensive income			
Actuarial gains/(losses)	5.4	1,145	(127)
Impact from asset ceiling regarding pensions	5.4	(1,080)	(21)
Tax	1.5	(11)	29
Net total, that will not be reclassified to profit or loss in subsequent periods		54	(119)
Foreign exchange adjustments of foreign entities	4.1	297	(750)
Fair value adjustments of net investment hedges	4.1	(191)	180
Recycling of accumulated foreign exchange adjustments on country exits	4.1	(7)	(105)
Tax		42	(40)
Net total, that may be reclassified to profit or loss in subsequent periods		141	(715)
Other comprehensive income		195	(834)
Comprehensive income		832	(6,029)
Attributable to:			
Owners of ISS A/S		825	(6,034)
Non-controlling interests		7	5
Comprehensive income		832	(6,029)

Consolidated statement of cash flows

1 January – 31 December

(DKKm)	Note	2021	2020
Operating profit before other items		1,776	(3,203)
Operating profit before other items from discontinued operations	3.1	37	47
Depreciation and amortisation	2.1, 3.6	1,760	1,855
Share-based payments		62	27
Changes in working capital	2.5	1,056	951
Changes in provisions, pensions and similar obligations		(435)	1,512
Other expenses paid		(74)	(441)
Interest received		40	71
Interest paid		(473)	(514)
Income tax paid	1.4	(528)	(666)
Cash flow from operating activities		3,221	(361)
Acquisition of businesses	3.4	(526)	(102)
Divestment of businesses	3.3	1,191	505
Acquisition of intangible assets and property, plant and equipment		(628)	(712)
Disposal of intangible assets and property, plant and equipment		42	31
Acquisition of financial assets, net		(6)	(48)
Cash flow from investing activities		73	(326)
Proceeds from bonds	4.2	-	3,694
Repayment of bonds	4.2	(1,577)	(2,234)
Repayment of lease liabilities	4.2	(947)	(1,019)
Other financial payments, net	4.2	(472)	662
Transactions with non-controlling interests	3.4	164	-
Cash flow from financing activities		(2,832)	1,103
Total cash flow		462	416
Cash and cash equivalents at 1 January		2,742	2,670
Total cash flow		462	416
Foreign exchange adjustments		224	(344)
Cash and cash equivalents at 31 December	4.2	3,428	2,742
Free cash flow	2.7	1,735	(1,794)

Consolidated statement of financial position

At 31 December

(DKKm)	Note	2021	2020
Assets			
Intangible assets	3.6, 3.8	22,739	22,518
Property, plant and equipment and leases	2.1	3,376	3,546
Deferred tax assets	1.5	790	818
Other financial assets		457	354
Non-current assets		27,362	27,236
Inventories		177	175
Trade receivables	2.2	10,406	9,861
Tax receivables		185	163
Other receivables	2.3	1,582	1,567
Cash and cash equivalents	4.6	3,428	2,742
Assets held for sale	3.2	515	1,861
Current assets		16,293	16,369
Total assets		43,655	43,605
Equity and liability			
Equity attributable to owners of ISS A/S		7,583	6,516
Non-controlling interests	3.4	206	29
Total equity	4.1	7,789	6,545
Loans and borrowings	4.2	16,094	17,345
Pensions and similar obligations	5.4	1,351	1,507
Deferred tax liabilities	1.5	976	1,022
Provisions	2.6	755	624
Non-current liabilities		19,176	20,498
Loans and borrowings	4.2	888	1,298
Trade and other payables		5,657	5,083
Tax payables		174	142
Other liabilities	2.4	8,730	7,899
Provisions	2.6	961	1,302
Liabilities held for sale	3.2	280	838
Current liabilities		16,690	16,562
Total liabilities		35,866	37,060
Total equity and liabilities		43,655	43,605

Consolidated statement of changes in equity

1 January – 31 December

(DKKm)	Note	Attributable to owners of ISS A/S				Total	Non-controlling interests	Total equity
		Share capital	Treasury shares	Retained earnings	Translation reserve ¹⁾			
2021								
Equity at 1 January		185	(191)	8,124	(1,602)	6,516	29	6,545
Net profit		-	-	615	-	615	22	637
Other comprehensive income		-	-	54	156	210	(15)	195
Comprehensive income		-	-	669	156	825	7	832
Share-based payments	5.3	-	-	62	-	62	-	62
Transactions with non-controlling interests	3.4	-	-	180	-	180	170	350
Transactions with owners		-	-	242	-	242	170	412
Changes in equity		-	-	911	156	1,067	177	1,244
Equity at 31 December		185	(191)	9,035	(1,446)	7,583	206	7,789
2020								
Equity at 1 January		185	(191)	13,421	(892)	12,523	24	12,547
Net profit		-	-	(5,205)	-	(5,205)	10	(5,195)
Other comprehensive income		-	-	(119)	(710)	(829)	(5)	(834)
Comprehensive income		-	-	(5,324)	(710)	(6,034)	5	(6,029)
Share-based payments	5.3	-	-	27	-	27	-	27
Transactions with owners		-	-	27	-	27	-	27
Changes in equity		-	-	(5,297)	(710)	(6,007)	5	(6,002)
Equity at 31 December		185	(191)	8,124	(1,602)	6,516	29	6,545

¹⁾ At 31 December 2021, DKK 52 million (2020: DKK 8 million) of accumulated foreign exchange gains related to discontinued operations.

Operating profit and tax

Our strategy, OneISS, determines the choices we must take – the customers we choose to work with, the services we offer, our delivery model and our geographical footprint.

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 create value for our shareholders in the form of stronger growth and higher margins as well as greater free cash flow generation. The latter is described in section 2 on p. 61.

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

Our core services are cleaning, food, technical and workplace services. We deliver these services as they balance key account customer needs. 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.

In 2021, **revenue** was DKK 71,363. Revenue from key accounts was 69% of Group revenue and generated higher organic growth than non-key accounts. As such, the demand from key accounts showed resilience, despite Covid-19 lockdowns and restrictions.

Operating profit before other items was DKK 1,776 million for an operating margin of 2.5% (2020: (4.5%)) as a result of improvements in underperforming contracts and countries.

Other income and expenses, net was positive of DKK 439 million (2020: DKK (983) million) following significant progress on our strategic divestment programme in 2021 (see section 3).

Income tax amounted to DKK 509 million (2020: DKK (36) million) corresponding to an effective tax rate of 48.7% (2020: 0.7%), adversely impacted by valuation allowances on deferred tax assets and non-tax-deductible costs, including interest limitation.

In 2021, we strengthened our disclosures around income tax by adding country specific details on the effective tax rate.

In this section:

- 1.1 Segment information
- 1.2 Revenue
- 1.3 Other income and expenses, net
- 1.4 Income tax
- 1.5 Deferred tax

Revenue and total growth

71,363 DKKm
(2020: 70,752 DKKm)

0.9%
(2020: (8.9%))

Operating profit¹⁾ and margin

1,776 DKKm
(2020: (3,203) DKKm)

2.5%
(2020: (4.5%))

¹⁾ Before other items.

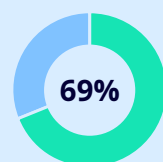
Other income and expenses, net

439 DKKm
(2020: (983) DKKm)

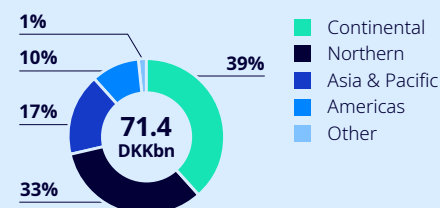
Effective tax rate

48.7%
(2020: 0.7%)

Key account share



Regional revenue



1.1 Segment information

ISS is a leading, global provider of workplace and facility service solutions operating in 30+ 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 7.6, Group companies.

In December 2021, ISS announced a reorganisation of the European business. Effective 1 January 2022, Europe will be segmented into Northern Europe and Central & Southern Europe consistent with the Group's internal management and reporting structure going forward. As a result, the Netherlands, Belgium, Poland and Lithuania will move from currently Continental Europe to Northern Europe. Asia & Pacific and Americas remain unchanged.

The new segmentation and the impact on segment information is disclosed in 7.5, Changes to segments.

(DKK)m	Continental Europe	Northern Europe	Asia & Pacific	Americas ⁴⁾	Other countries	Total segments	Un-allocated ⁵⁾	Eliminations ⁶⁾	Total Group
2021									
Revenue¹⁾	27,846	23,424	12,381	7,141	612	71,404	-	(41)	71,363
Depreciation and amortisation ²⁾	(676)	(563)	(214)	(109)	(2)	(1,564)	(196)	-	(1,760)
Operating profit before other items	773	1,097	735	393	19	3,017	(1,241)	-	1,776
Operating margin	2.8%	4.7%	5.9%	5.5%	3.1%	4.2%	-	-	2.5%
Other income and expenses, net	430	(1)	(2)	78	-	505	(66)	-	439
Goodwill impairment	(450)	-	-	-	-	(450)	-	-	(450)
Amortisation/impairment of brands and customer contracts	(11)	(21)	(6)	(26)	-	(64)	-	-	(64)
Operating profit	742	1,075	727	445	19	3,008	(1,307)	-	1,701
Total assets	16,558	17,419	7,961	4,809	770	47,517	24,476	(28,338)	43,655
Hereof assets held for sale	-	-	162	-	353	515	-	-	515
Additions to non-current assets ³⁾	1,188	420	93	91	3	1,795	212	-	2,007
Total liabilities	9,597	10,047	3,341	3,341	457	26,783	37,422	(28,339)	35,866
Hereof liabilities held for sale	-	-	33	-	247	280	-	-	280

(DKK)m	Continental Europe	Northern Europe	Asia & Pacific	Americas ⁴⁾	Other countries	Total segments	Un-allocated ⁵⁾	Eliminations ⁶⁾	Total Group
2020									
Revenue¹⁾	27,634	22,642	12,385	7,565	561	70,787	-	(35)	70,752
Depreciation and amortisation ²⁾	(781)	(618)	(188)	(101)	(1)	(1,689)	(151)	-	(1,840)
Operating profit before other items	(2,030)	(1,200)	646	262	20	(2,302)	(901)	-	(3,203)
Operating margin	(7.3)%	(5.3)%	5.2%	3.5%	3.6%	(3.3)%	-	-	(4.5)%
Other income and expenses, net	(430)	(120)	(39)	-	(1)	(590)	(393)	-	(983)
Goodwill impairment	(418)	-	(14)	-	-	(432)	-	-	(432)
Amortisation/impairment of brands and customer contracts	(11)	(27)	(25)	(26)	-	(89)	-	-	(89)
Operating profit	(2,889)	(1,347)	568	236	19	(3,413)	(1,294)	-	(4,707)
Total assets	16,218	17,037	7,306	4,204	1,182	45,947	21,556	(23,898)	43,605
Hereof assets held for sale	345	-	116	744	656	1,861	-	-	1,861
Additions to non-current assets ³⁾	641	536	138	40	13	1,368	175	-	1,543
Total liabilities	9,326	10,255	3,272	3,018	690	26,561	34,386	(23,887)	37,060
Hereof liabilities held for sale	150	-	32	239	417	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⁾ In 2021, the classification of Chile as discontinued operations ceased, and Chile was presented as part of the Americas. Comparative figures were restated accordingly.

⁵⁾ Unallocated relates to the Group's holding companies and comprises corporate costs as well as internal and external loans and borrowings, cash and cash equivalents and intra-group balances.

⁶⁾ Eliminations relate to intra-group balances.

Revenue by country – more than 5% of Group revenue

(DKKm)	2021	2020
UK & Ireland	10,634	10,290
Germany	5,429	5,493
USA & Canada	5,298	5,882
Switzerland	5,212	5,286
Spain	4,420	4,221
Australia & New Zealand	4,349	3,968
Denmark (country of domicile)	3,673	3,593
Other countries ¹⁾	32,348	32,019
Total	71,363	70,752

¹⁾ Including unallocated items and eliminations.

Group revenue per country is disclosed on p. 109.

Non-current assets¹⁾ by country – more than 5% of Group revenue

(DKKm)	2021	2020
UK & Ireland	3,275	3,149
USA & Canada	2,362	2,203
Denmark (country of domicile)	1,840	1,880
Switzerland	1,723	1,748
Australia & New Zealand	1,411	1,451
Spain	1,178	1,152
Germany	989	1,083
Other countries ²⁾	13,794	13,752
Total	26,572	26,418

¹⁾ Excluding deferred tax assets.

²⁾ Including unallocated items and eliminations.

1.2 Revenue

Performance obligations

Revenue is generated from rendering of work-place 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.

Revenue is split into portfolio and projects and above-base work and the vast majority arises from portfolio.

Portfolio comprises revenue from contracts with customers that is contractually agreed (committed) at inception and relates to services that we are obligated to deliver on a recurring basis over the term of the contract.

Projects and above-base work (e.g. capital projects) comprise revenue that is not necessarily contractually agreed at inception (not committed), but requested and agreed with the customer and thus provided on a non-recurring basis.

Significant accounting judgements

In 2021, the Group's revenue continued to be significantly impacted by Covid-19 due to lockdowns and other restrictions, which caused customers across the globe to reduce building occupancy and reduce their request for services accordingly.

During the pandemic, we have recalibrated service solutions to the needs and interests of customers as well as 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 a specified 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.

Gross or net presentation of revenue

Management uses judgement to determine whether the nature of ISS's promise is to provide the specified services (ISS is the principal), or to arrange for another party to provide the services (ISS is acting as an agent). This assessment is based on an evaluation of whether ISS controls the specified services before transfer to the customer. The Group has concluded that as a main rule it is the principal in its revenue arrangements, because it typically controls the services before transferring them to the customer, and consequently as a main rule recognises revenue on a gross basis.

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.

(DKKkm)	2021	2020
Customers		
Key accounts	49,238	47,076
Large and medium	17,958	19,582
Small and route-based	4,167	4,094
Total	71,363	70,752

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, we maintain a high retention rate, both for key accounts and overall, supporting that these options are rarely exercised.

As described in Performance obligations on p. 56, the vast majority of our revenue is portfolio revenue and the remaining part is non-recurring in the form of projects and above-base work. Since projects and 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:

(DKKkm)	Key account customers	Large and medium customers	Total
2021			
< 1 year	14,792	5,518	20,310
1-2 years	10,042	3,086	13,128
2-3 years	6,219	1,544	7,763
3-4 years	4,560	801	5,361
4-5 years	3,857	477	4,334
> 5 years	9,464	684	10,148
Total	48,934	12,110	61,044
2020			
< 1 year	14,083	5,064	19,147
1-2 years	9,003	2,768	11,771
2-3 years	6,013	1,263	7,276
3-4 years	3,763	592	4,355
4-5 years	2,989	313	3,302
> 5 years	10,871	506	11,377
Total	46,722	10,506	57,228

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.

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 expensed relative to the total expected labour hours and costs to complete the service.

Variable consideration 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.

Modifications 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 Other income and expenses, net

(DKK)m	2021	2020
Gain on divestments	604	36
IT security incident	7	-
Other income	611	36
Loss on divestments	(34)	(107)
Carrying amount adjustment re. ceased held for sale classification	(59)	-
Acquisition costs	(77)	(6)
IT security incident	-	(887)
Winding up of businesses	-	(18)
Other	(2)	(1)
Other expenses	(172)	(1,019)
Other income and expenses, net	439	(983)

Gain on divestments mainly related to the divestment of Kanal Services in Switzerland and Specialized Services in the USA. In 2020, the gain related mainly to the divestment of the Pest control business in Singapore.

IT security incident in 2020 comprised unavoidable incremental costs incurred as a consequence of the IT security incident, including writedown of impaired assets, non-chargeable costs due to lack of documentation and certain customer claims and penalties.

Loss on divestments mainly related to adjustments to prior years' divestments and the divestment of Fruit Baskets business in Sweden. In 2020, the loss mainly comprised adjustments to prior years' divestments, most significantly the Hygiene & Prevention business in France.

§ 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, carrying amount adjustments regarding ceased held for sale classification, the winding-up of operations, disposal of property and acquisition and integration costs.

Carrying amount adjustment re. ceased held for sale classification comprised depreciation and amortisation for the years 2019 to 2020 recognised following the decision to cease the held for sale classification of Chile in December 2021.

Acquisition costs related to the acquisition of Rönnesans Facility Management Company in Turkey. The majority of these costs comprised transaction incentives to management in ISS Turkey. In addition, fees to external advisors were included.

Winding up of businesses in 2020 related to the Open Space business in Australia.

1.4 Income tax

(DKK)m	2021	2020
Current tax	486	389
Deferred tax	46	(462)
Prior year adjustments, net	(23)	37
Income tax	509	(36)

Effective tax rate (ETR)

Group	2021	2020
Statutory income tax rate, Denmark	22.0 %	22.0 %
Foreign tax rate differential, net	(14.4)%	6.4 %
Total	7.6 %	28.4 %
Non-tax-deductible expenses less non-taxable income	8.5 %	0.2 %
Non-tax-deductible impairment	12.1 %	(3.2)%
Prior year adjustments, net	(2.2)%	(0.7)%
Change in valuation of tax assets, net	17.4 %	(22.0)%
Changes in tax rates	(0.7)%	(0.1)%
Other taxes	6.0 %	(1.9)%
Effective tax rate	48.7 %	0.7 %

By country ¹⁾	Statutory income tax 2021	ETR	
		2021	2020 ³⁾
Australia	30.0 %	30.2 %	30.0 %
Denmark (incl. HQ) ²⁾	22.0 %	(7.1)%	3.1 %
Finland	20.0 %	25.9 %	(988.7)%
France ²⁾	27.5 %	(10.9)%	0.6 %
Germany ²⁾	30.3 %	0.0 %	(5.9)%
Norway	22.0 %	22.6 %	28.3 %
Spain	25.0 %	21.9 %	4.6 %
Switzerland	18.0 %	7.5 %	18.2 %
UK	19.0 %	122.7 %	19.4 %
USA	21.0 %	21.4 %	29.3 %
Other	-	n/a	n/a

¹⁾ Calculated based on IFRS reporting standards.

²⁾ Profit before tax was negative in 2021.

³⁾ Profit before tax was negative in all countries, except Switzerland.

The Group's effective tax rate in 2021 was adversely impacted by a few major items, namely non-tax-deductible impairment, valuation allowances on deferred tax assets and non-tax-deductible costs, mainly interest limitation. In 2020, the effective tax rate was significantly impacted by the negative profit before tax.

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

Non-tax-deductible expenses less non-taxable income comprised various income and expenses across the Group. In Denmark, interest limitation tax rules, including impact from the refinancing of bonds, as well as withholding taxes without credit relief, had a negative impact on the effective tax rate. France also contributed due to the tax credit CICE, whereas the non-taxable divestment of Kanal Services in Switzerland and Covid-19 subsidies impacted positively.

Non-tax-deductible impairment related to goodwill impairment in France.

Prior year adjustments, net related to adjustments in the final tax returns for 2020, mainly in the UK. In 2020, the adjustment mainly related to settlement of tax audit in Finland.

Change in valuation of tax assets, net comprised valuation allowances on deferred tax assets, primarily in Germany and France in 2021. In 2020, the change mainly related to Germany, France, Spain and the Netherlands.

Changes in tax rates in 2021 was mainly driven by the increase in the income tax rate in the UK from 19% to 25% effective from 2023 and a reduction of the corporate tax rate in France from 33% to 25% over the period 2018-2022.

Other taxes mainly comprised withholding tax, e.g. in Denmark, and Cotisation sur la Valeur Ajoutée des Entreprises (CVAE) in France.

1.5 Deferred tax

Deferred tax specification

	Deferred tax assets		Deferred tax liabilities	
	2021	2020	2021	2020
(DKKm)				
Tax losses carried forward	336	466	-	-
Goodwill	4	4	413	371
Brands	-	-	350	353
Customer contracts	8	13	141	69
Property, plant and equipment	139	86	381	438
Provisions and other liabilities	1,062	861	563	557
Pensions	158	177	22	-
Tax losses in foreign subsidiaries under Danish joint taxation	-	-	23	23
Set-off within legal tax units and jurisdictions	(917)	(789)	(917)	(789)
Total	790	818	976	1,022

(DKKm)	2021	2020
Deferred tax liabilities, net at 1 January	204	682
Prior year adjustments, net	(96)	(17)
Foreign exchange adjustments	(24)	23
Acquisitions and divestments, net	72	-
Other comprehensive income	11	(29)
Reclassification to Assets/(Liabilities) held for sale	(27)	7
Tax on profit before tax	46	(462)
Deferred tax liabilities, net at 31 December	186	204

Prior year adjustments, net in 2021 and 2020 were mainly related to adjustment of tax deductions (temporary differences) in the final tax returns.

Acquisitions and divestments, net in 2021 related to the acquisition of Rönensans Facility Management Company in Turkey.

Other comprehensive income comprised tax on actuarial gains on pensions.

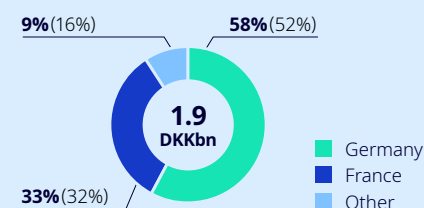
Unrecognised deferred tax assets

At 31 December 2021, the Group had unrecognised deferred tax assets which comprised tax losses carried forward and other deductible temporary differences of DKK 1,871 million (2020: DKK 1,688 million) for continuing operations primarily relating to Germany, France, the Netherlands and Spain.

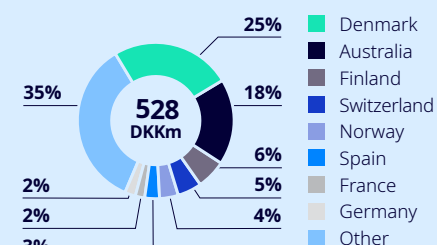
At 31 December 2021, DKK 0 million (2020: DKK 15 million) of the total unrecognised deferred tax assets related to discontinued operations.

Unrecognised tax losses can be carried forward indefinitely in the individual countries, except for China, where tax losses can be carried forward for 5 years.

Unrecognised deferred tax assets



Tax payments



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 in 2023.

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 have zero-tolerance towards evasion 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 [here](#)
2021 Corporate Responsibility Report [here](#)

Accounting policy

Income tax comprises 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.

Significant accounting estimates and judgements

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.

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 (i.e for current year and

those carried forward from prior years (valuation allowances). The assessment is based on the cash flow projections made for the purpose of the Group's impairment tests, see 3.8, 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 flow¹⁾

Our ability to manage the capital intensity required to operate, grow and improve our business is paramount, and driving strong cash flow remained a key priority for ISS in 2021.

In 2021, we generated nominal free cash flow¹⁾ of DKK 1.7 billion (2020: DKK (1.8) billion). The significant improvement was driven by operating profit and strong working capital performance.

To improve capital efficiency, we continued to focus on the development in trade receivables, especially overdue receivables and unbilled receivables. As a result, the ageing profile of our trade receivables improved slightly compared to 2020.

In this section:

- 2.1 Property, plant and equipment and leases
- 2.2 Trade receivables and credit risk
- 2.3 Other receivables
- 2.4 Other liabilities
- 2.5 Changes in working capital
- 2.6 Provisions
- 2.7 Free cash flow

Trade receivables

10,406 DKKm
(2020: 9,861 DKKm)

Other receivables

1,582 DKKm
(2020: 1,567 DKKm)

Trade and other payables

5,657 DKKm
(2020: 5,083 DKKm)

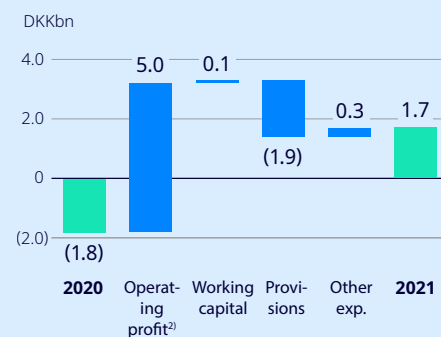
Other liabilities

8,730 DKKm
(2020: 7,899 DKKm)

Provisions

1,716 DKKm
(2020: 1,926 DKKm)

Free cash flow



Trade receivables



¹⁾ Non-IFRS measure, see 2.7, Free cash flow

²⁾ Before other items

2.1 Property, plant and equipment and leases

(DKKm)	Leases (right-of-use assets)				Property, plant and equipment	2021	Leases (right-of-use assets)				Property, plant and equipment	2020
	Properties	Vehicles	Other	Total			Properties	Vehicles	Other	Total		
Cost at 1 January	2,411	1,313	673	4,397	3,615	8,012	2,294	1,167	641	4,102	4,403	8,505
Prior year adjustments	(117)	(203)	(94)	(414)	-	(414)	-	-	-	-	-	-
Foreign exchange adjustments	51	17	(46)	22	45	67	(44)	(32)	(57)	(133)	(160)	(293)
Additions	347	372	140	859	335	1,194	341	317	126	784	389	1,173
Acquisitions	-	-	6	6	27	33	-	-	-	-	-	-
Divestments	-	-	-	-	(122)	(122)	(0)	(5)	(0)	(5)	(11)	(16)
Disposals	(127)	(199)	(96)	(422)	(489)	(911)	(73)	(25)	(19)	(117)	(551)	(668)
Reclass	-	(8)	-	(8)	8	-	-	(10)	(6)	(16)	4	(12)
Reclass (to)/from Assets held for sale	17	15	(6)	26	36	62	(107)	(99)	(12)	(218)	(459)	(677)
Cost at 31 December	2,582	1,307	577	4,466	3,455	7,921	2,411	1,313	673	4,397	3,615	8,012
Depreciation at 1 January	(842)	(689)	(354)	(1,885)	(2,581)	(4,466)	(454)	(377)	(235)	(1,066)	(2,967)	(4,033)
Prior year adjustments	117	203	94	414	-	414	-	-	-	-	-	-
Foreign exchange adjustments	(18)	(12)	21	(9)	(57)	(66)	16	13	21	50	114	164
Impairment	(32)	-	-	(32)	(5)	(37)	(2)	(0)	-	(2)	(77)	(79)
Depreciation	(412)	(368)	(142)	(922)	(422)	(1,344)	(445)	(379)	(154)	(978)	(493)	(1,471)
Divestments	-	-	-	-	109	109	-	3	0	3	8	11
Disposals	126	199	95	420	456	876	16	9	13	38	524	562
Reclass	-	7	-	7	(7)	-	-	5	(2)	3	(1)	2
Reclass (to)/from Assets held for sale	(10)	(9)	5	(14)	(17)	(31)	27	37	3	67	311	378
Depreciation at 31 December	(1,071)	(669)	(281)	(2,021)	(2,524)	(4,545)	(842)	(689)	(354)	(1,885)	(2,581)	(4,466)
Carrying amount at 31 December	1,511	638	296	2,445	931	3,376	1,569	624	319	2,512	1,034	3,546

Lease-related costs recognised in profit or loss

(DKKm)	2021	2020
Depreciation of right-of-use assets	922	978
Interest expenses on lease liabilities	69	79
Short-term leases	168	166
Leases of low value assets	88	91
Variable lease payments	13	11
Recognised in profit or loss	1,260	1,325
Hereof cash outflow	338	347

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.

Significant accounting judgements

Lease term Several of ISS's lease contracts (office buildings) have no contractual fixed lease term or contains an extension option. Management exercises 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 for the Group 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 costs 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

(DKKm)	2021			2020		
	Gross	Loss allowance	Carrying amount	Gross	Loss allowance	Carrying amount
Continental Europe	5,134	(67)	5,067	5,097	(141)	4,956
Northern Europe	2,527	(34)	2,493	2,816	(57)	2,759
Asia & Pacific	1,852	(49)	1,803	1,688	(83)	1,605
Americas	964	(12)	952	496	(18)	478
Other countries	91	-	91	63	-	63
Total	10,568	(162)	10,406	10,160	(299)	9,861

(DKKm)	2021			2020		
	Gross	Loss allowance	Carrying amount	Gross	Loss allowance	Carrying amount
Not past due	9,418	(4)	9,414	8,827	(5)	8,822
Past due 1 to 60 days	866	(6)	860	889	(5)	884
Past due 61 to 180 days	138	(12)	126	176	(36)	140
Past due 181 to 360 days	37	(34)	3	118	(111)	7
More than 360 days	109	(106)	3	150	(142)	8
Total	10,568	(162)	10,406	10,160	(299)	9,861

In 2021, trade receivables increased slightly to DKK 10,406 million (2020: DKK 9,861 million). The initial recovery from Covid-19 and resulting positive growth in the later part of the year were the main drivers of the increase. At 31 December 2021, utilisation of factoring was DKK 1.1 billion (31 December 2020: DKK 1.0 billion).

Exposure to credit risk

The Group's exposure to credit risk is inherently low due to its business model and strategic choices leading to a diversified customer portfolio, both in terms of geography, industry sector, customer size and service types. Also, our strategic divestment programme has contributed to the low risk assessment as it has

led to higher-risk countries and business units being sold off.

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.

It is management's assessment that the general credit risk continues to be elevated, though somewhat less than in 2020 following the initial recovery from Covid-19 in some countries towards the end of 2021. As a result, realised losses (write-offs) decreased slightly in 2021 to

Significant accounting estimates

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. See further under Exposure to credit risk.

Allowance for expected credit losses

(DKKm)	2021	2020
Loss allowance at 1 January	(299)	(182)
Foreign exchange adjustments	3	17
Acquisitions	(2)	-
Divestments	0	1
Provision for expected credit losses	(45)	(244)
Expected credit losses reversed	120	0
Write-off	64	77
Reclassification to Assets held for sale	(3)	32
Loss allowance at 31 December	(162)	(299)

DKK 64 million (2020: DKK 77 million) in relation to insolvent customers and changed customer agreements. Additionally, we reversed DKK 120 million of expected credit losses provisioned in prior years, partly due to the improved credit environment but also due to our own collection efforts focused on aged receivables.

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

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

Accounting policy

Trade receivables comprise invoiced and unbilled revenue. Trade receivables 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, 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. Reversal of expected credit losses is recognised in Other operating expenses.

2.3 Other receivables

(DKKm)	2021	2020
Prepayments to suppliers	359	326
Supplier rebates and bonuses	352	297
Receivable divestment proceeds	155	19
Sign-on fees	134	133
Securities	103	76
Pass-through costs	48	77
Transition and mobilisation costs	62	117
Currency swaps	-	23
Other	369	499
Total	1,582	1,567

Prepayments to suppliers comprised various payments related to ongoing projects and above-base work (where revenue has not yet been recognised) as well as utilities, insurance and licenses.

Supplier rebates and bonuses comprised volume-related discounts obtained from suppliers and reflects the Group's efforts to consolidate the number of suppliers and drive synergies and cost savings. The increase in 2021 related mainly to increased activity levels following the initial recovery from Covid-19 as well as timing of settlement of such rebates and bonuses.

Receivable divestment proceeds mainly related to the divestment of Specialized Services in the USA, where part of the consideration is subject to customer consent being achieved.

Sign-on fees comprised upfront discounts to certain large customers, most significantly in the UK and on certain global key accounts.

Transition and mobilisation costs comprised directly related costs incurred to fulfil the performance obligations under certain large contracts. The decrease in 2021 was due to ordinary amortisation, mainly in Norway, the UK, Denmark and the USA.

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

Significant accounting judgements

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, except for securities and currency swaps, which are recognised at fair value. Due to the short-term nature of other receivables, amortised cost will equal the cost.

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 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, including costs relating to sales work and securing contracts, are expensed as incurred.

Sign-on fees comprise upfront discounts to certain large customers incurred in the ordinary course of business. 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.

2.4 Other liabilities

(DKKm)	2021	2020
Accrued wages, pensions and holiday allowances	4,804	4,157
Tax withholdings, VAT etc.	2,213	2,121
Prepayments from customers	868	560
Contingent consideration and deferred payments	31	133
Other	814	928
Total	8,730	7,899

In 2021, other liabilities increased DKK 831 million mainly due to initial recovery from Covid-19, leading to an increase in activity and a resulting increase in tax withholdings, VAT, accrued wages and bonuses and related social costs. Furthermore, prepayments from customers increased following the extension of a global key account contract, which also led to improved payment terms.

Other comprised customer discounts, accrued interests, etc.

2.5 Changes in working capital

(DKKm)	2021	2020
Changes in inventories	4	89
Changes in receivables	(110)	2,775
Changes in payables	1,162	(1,913)
Total	1,056	951

2.6 Provisions

(DKKm)	Legal and labour-related cases	Self-insurance	Restructurings	Onerous contracts	Other	Total
2021						
Provisions at 1 January	133	261	787	285	460	1,926
Foreign exchange adjustments	(6)	15	4	6	7	26
Additions	141	225	7	73	45	491
Used during the year	(62)	(232)	(373)	(21)	(11)	(699)
Unused amounts reversed	(55)	(2)	(52)	(16)	(10)	(135)
Reclass (to)/from other liabilities	84	(5)	1	3	24	107
Provisions at 31 December	235	262	374	330	515	1,716
Non-current	121	127	142	78	287	755
Current	114	135	232	252	228	961
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)
Reclass (to)/from other liabilities	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

Provision	Nature and extent
Legal and labour-related	Comprised various cases, mainly redundancy-related disputes in France and Spain as well as employee-related risks in the UK.
Self-insurance	<p>The Group carries insurance provisions on employers' liability and/or workers compensation in the countries listed below.</p> <ul style="list-style-type: none"> • Hong Kong: DKKm 25.2 (2020: DKKm 23.4) yearly • UK: DKKm 26.6 (2020: DKKm 24.7) yearly aggregated limit and DKKm 4.4 (2020: DKKm 4.1) per claim • Australia: DKKm 3.6 (2020: DKKm 5.8) per claim • USA: DKKm 3.3 (2020: DKKm 3.3) per claim <p>Furthermore, the provision included liability not insured under the global general liability insurance with a self-insured level of DKK 7.4 million (2020: DKK 7.5 million) worldwide, except for the USA where the self-insurance level is DKK 6.6 million (2020: DKK 6.1 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.</p>
Restructurings	We are continuously reviewing our business platform to ensure the right basis for execution of our strategy. In 2020, restructurings were initiated in several countries to adjust our cost structure to the lower activity level following Covid-19. The initiatives included termination of employees, contract exits and overhead reductions. Execution of the restructuring projects is ongoing, which led to payments of DKK 373 million in 2021, mainly in France, Germany and Spain.
Onerous contracts	The provision for onerous contracts related to Danish Defence in Denmark, a key account contract in Hong Kong and various smaller contracts in a number of countries. For Danish Defence, the provision was recognised in 2020 and covers exit-related costs and operation until full exit in May 2022, as per the agreement with the customer.
Other	Comprised various obligations, primarily related to complex customer and contract-related risks and disputes in the major markets in which we operate. Furthermore, guarantee reserves, dismantling costs and closure of contracts were included in this item.

Significant accounting estimates and judgements

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 and could also require us to do restructurings, that will be recognised as restructuring provisions, subject to fulfilment of requirements under IAS 37.

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.

Restructurings and other provisions Management makes judgements related to various other matters and obligations, which primarily relates to planned/initiated restructurings, and complex customer and contract-related risks and disputes, including ongoing lawsuits. 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 the risks and/or disputes. 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 when the Group, as a result of a past event, has a present legal or constructive obligation, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of 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.

Legal and labour-related cases The Group recognises a provision for e.g. lawsuits and redundancy-related disputes based on external legal assistance and established precedents.

Self-insurance The Group recognises a provision on employers' liability and/or workers compensation based on valuations from external actuaries.

Restructurings A provision is recognised when a detailed, formal restructuring plan is announced to the affected parties on or before the reporting date. The plan must identify the business concerned, the location and number of employees affected, and a detailed estimate of the associated costs, as well as the timeline must be in place.

Onerous contracts An onerous contract is a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it. A provision is recognised in respect of the Group's onerous contracts at the lower of the costs to fulfil the obligations under the contract and the costs of exiting the contract.

Customer and contract-related risks and disputes The Group recognises provisions related hereto when, based on an assessment of available facts and circumstances in respect of the specific risks or disputes, it is deemed that a contractual, non-contractual or constructive obligation exists, and it is probable that this will lead to an outflow of economic resources from the Group.

Decommissioning liability 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 costs to settle the obligation. The present value of the obligation is included in the cost of the relevant tangible or right-of-use asset and depreciated accordingly. The estimated future costs of decommissioning are reviewed annually and adjusted as appropriate. Changes in the estimated future costs, or in the discount rate applied, are added to or deducted from the cost of the relevant asset.

2.7 Free cash flow

Free cash flow as defined by management, cf. p. 108, is summarised below. Free cash flow is not a financial performance measure established by IFRS. Accordingly, the measure and its calculation is 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.

(DKKm)	2021	2020
Cash flow from operating activities	3,221	(361)
Acquisition of intangible assets and property, plant and equipment	(628)	(712)
Disposal of intangible assets and property, plant and equipment	42	31
Acquisition of financial assets, net ¹⁾	(30)	(20)
Addition of right-of-use assets, net ²⁾	(870)	(732)
Total	1,735	(1,794)

¹⁾ Excluding investments in equity-accounted investees which in 2021 was DKK (24) million (2020: DKK 28 million).

²⁾ Including DKK 13 million (2020: DKK 27 million) related to discontinued operations, cf. 2.1, Property, plant and equipment and leases.

Strategic divestments and acquisitions

In 2021, our divestment programme had strong momentum with six countries and six business units being divested. Management also decided to descope Chile from the divestment programme and cease the classification as asset held for sale and discontinued operation.

As a result, five entities were classified as held for sale at 31 December 2021. The programme is expected to be completed in 2022.

The total impact in 2021 from the divestment programme on profit or loss was a gain of DKK 591 million (2020: loss of DKK 89 million) as specified in 3.2, Assets held for sale.

In 2021, we also made our first acquisition since 2018, i.e. Rönésans Facility Management Company in Turkey. As part of the transaction, we invited in minority shareholders to own 49.9% of ISS Turkey. With the acquisition we will provide services at four hospitals until 2045 and thereby strengthen our position in the strategically important healthcare segment.

Intangible assets increased due to the acquisition, but the increase was partly offset by an impairment loss in France of DKK 450 million recognised in June 2021. France continued to be significantly affected by Covid-19 restrictions and slow recovery in the most impacted customer segments, despite progress on the restructuring plan.

Further details in relation hereto are provided throughout this section.

In this section:

- 3.1 Discontinued operations
- 3.2 Assets and liabilities held for sale
- 3.3 Divestments
- 3.4 Acquisitions
- 3.5 Pro forma revenue and operating profit
- 3.6 Intangible assets
- 3.7 Goodwill impairment
- 3.8 Impairment tests

Divestment programme in 2021

12
countries and
business units
divested

591 DKKm
net gain
recognised

Assets held for sale

- Brunei
- Portugal
- Russia
- Taiwan → signed in January 2022
- Hong Kong, Waste → divested in January 2022
- Chile → ceased held for sale classification

Acquisitions in 2021

1
Rönésans in Turkey

Intangible assets

22,739 DKKm
(2020: 22,518 DKKm)

450 DKKm
Goodwill impairment

3.1 Discontinued operations

Our strategic divestment programme had strong momentum in 2021 with six countries being divested, i.e. the Czech Republic, Hungary, the Philippines, Romania, Slovakia and Slovenia.

Chile developed positively in 2021, both financially and strategically, as demonstrated by the wins of a few large key account contracts. On that basis, management decided to cease the held for sale classification in December 2021. The carrying amounts were adjusted for depreciation and amortisation, that would have been recognised had the business not been classified as held for sale. The adjustment of DKK 59 million was recognised in Other income and expenses, net in December 2021 and related to the years 2019-2020. As a result of the changed classification, Chile was reported as part of continuing operations for the full year of 2021, including depreciation and amortisation for the year. Comparative figures were restated accordingly.

With the significant progress made in 2021, and Chile being reclassified to continuing operations, the divestment programme is nearing its completion, which is expected in 2022.

At 31 December 2021, four countries (2020: 11 countries), continued to be classified as discontinued operations and assets held for sale.

Impact on profit or loss

Gains/losses related to the divestments and countries being held for sale at 31 December 2021 are specified in 3.2, Assets and liabilities held for sale.

Net profit from discontinued operations is attributable to the shareholders of ISS A/S.

Net profit/(loss) from discontinued operations

(DKK)m	2021	2020
Revenue	1,231	3,289
Expenses ¹⁾	(1,194)	(3,242)
Operating profit before other items	37	47
Other income and expenses, net ²⁾	116	282
Goodwill impairment ²⁾	(36)	(269)
Operating profit	117	60
Financial income/(expenses), net	1	(11)
Net profit before tax	118	49
Income tax	(17)	(24)
Net profit from discontinued operations	101	25

¹⁾ Including depreciation and amortisation of DKK 0 million (2020: DKK 15 million).

²⁾ Including the combined net gain of DKK 80 million from divestments and fair value remeasurements, including recycling of accumulated foreign exchange adjustments, see 3.2, Assets and liabilities held for sale.

Earnings per share from discontinued operations

(DKK)m	2021	2020
Basic earnings per share (EPS)	0.6	0.1
Diluted earnings per share	0.5	0.1

Cash flow from discontinued operations

(DKK)m	2021	2020
Cash flow from operating activities	86	158
Cash flow from investing activities	(83)	(150)
Cash flow from financing activities	(16)	(197)

Discontinued operations

– presented in separate profit or loss line

2021

Brunei, the Czech Republic, Hungary, the Philippines, Portugal, Romania, Russia, Slovenia, Slovakia and Taiwan

2020

Brazil, Brunei, the Czech Republic, Hungary, Malaysia, the Philippines, Portugal, Romania, Russia, Slovenia, Slovakia, Taiwan and Thailand

Accounting policy

The accounting policies and significant accounting estimates and judgements 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 2021, five businesses (2020: 14 businesses) were classified as held for sale comprising four countries (discontinued operations) and the Waste Management business in Hong Kong. The latter was subsequently divested in January 2022.

In 2021, we divested six countries (discontinued operations) and two of the three business units classified as held for sale when entering the year, i.e. Kanal Services in Switzerland and Specialized Services in the USA. Furthermore, management decided to cease the held for sale classification of Chile.

Statement of financial position

(DKKm)	2021	2020
Goodwill	148	592
Customer contracts	-	14
Other non-current assets	165	574
Current assets	202	681
Assets held for sale	515	1,861
Non-current liabilities	36	164
Current liabilities	244	674
Liabilities held for sale	280	838

Profit or loss effect

In 2021, our divestment programme resulted in recognition of a net gain of DKK 591 million in the profit or loss as a result of completed divestments, fair value remeasurements and carrying amount adjustments regarding ceased asset held for sale classification. The net gain is specified below and was recognised in:

- Other income and expenses, net, DKK 511 million (gain)
- Net profit from discontinued operations, DKK 80 million (gain)

(DKKm)	2021
Kanal Services, Switzerland	452
Specialized Services, USA	138
Other minor business units, net	(20)
Chile (ceased held for sale classification)	(59)
Other income and expenses, net (gain)	511
Slovakia	86
Czech Republic	25
Romania	22
Slovenia	(27)
Brunei (fair value adjustment)	(19)
Other countries	(7)
Discontinued operations (gain)	80
Total net gain	591

Recycling of accumulated foreign exchange adjustments recognised in equity had a positive impact on the total net gain of DKK 7 million.

Significant accounting estimates and judgements

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 within one year rather than continuing use. 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.

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 3.8, Impairment tests.

If the held for sale criteria is no longer met, the classification as held for sale ceases. At the date of cessation, the non-current asset or disposal group is measured at the lower of its carrying amount before classification as held for sale adjusted for depreciation and amortisation, that would have been recognised had the non-current asset or disposal group not been classified as held for sale. Any adjustments are presented in Other income and expenses, net.

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 12 divestments in 2021 (2020: eight).

Company/activity	Country	Service type	Excluded from P/L	Interest	Annual revenue (DKKm) ¹⁾	Employees (number) ¹⁾
Fruit Baskets	Sweden	Food	February	Activities	17	19
Indoor Plants	Sweden	Technical	February	Activities	23	35
ISS Slovakia	Slovakia	Country exit ²⁾	April	100%	102	831
ISS Czech Republic	Czech Republic	Country exit ²⁾	April	100%	262	1,698
ISS Romania	Romania	Country exit ²⁾	April	100%	88	934
ISS Hungary	Hungary	Country exit ²⁾	May	100%	55	439
Kanal Services	Switzerland	Technical	May	100%	339	280
Restoration division	UK	Technical	June	100%	23	36
ISS Philippines	Philippines	Country exit ²⁾	October	100%	173	5,391
ISS Slovenia	Slovenia	Country exit ²⁾	October	100%	86	593
Food Service business	Spain	Food	November	Activities	330	1,215
Specialized Services	USA	Cleaning	December	Activities	1,077	-
Total					2,575	11,471

¹⁾ Unaudited

²⁾ Presented as discontinued operations

Divestment impact

(DKKm)	2021	2020
Goodwill	377	104
Customer contracts	5	11
Other non-current assets	337	79
Current assets	504	569
Non-current liabilities	(43)	(67)
Loans and borrowings	(134)	(29)
Current liabilities	(239)	(272)
Net assets disposed	807	395
Gain/(loss) on divestment, net	666	239
Divestment costs	175	144
Consideration received	1,648	778
Cash in divested businesses	(130)	(154)
Consideration received, net	1,518	624
Contingent and deferred consideration	(130)	54
Divestment costs paid	(197)	(173)
Divestment of businesses (cash flow)	1,191	505

Divestments subsequent to 31 December 2021

On 31 January 2022, we completed the divestment of Waste Management in Hong Kong, a company providing waste management services with an annual revenue of approximately DKK 131 million and 232 employees.

On 31 January 2022, we signed an agreement to divest our activities in Taiwan (presented as discontinued operations) with an annual revenue of approximately DKK 457 million and 3,046 employees.

The Group signed or completed no further divestments from 1 January to 15 February 2022.

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 Acquisitions

Rönesans Facility Management Company in Turkey

On 28 September 2021, ISS acquired 100% of the shares in Rönesans Facility Management Company (Rönesans İşletme Hizmetleri Danışmanlığı A.Ş.) in Turkey from Renaissance Healthcare (Rönesans Sağlık Yatırım), a Turkish contracting company owned by Rönesans Holding. With the acquisition, ISS will provide facility management services in a Public-Private-Partnership at four hospitals until 2045. The agreement builds on an already successful partnership, as ISS Turkey is currently operating two (Adana and Elazığ) of the four hospitals as subcontractor.

The acquisition will strengthen our leadership position in the strategically important healthcare segment in Turkey and supports the OneISS strategy to focus on key accounts in our prioritised segments. The acquisition will add annual revenue of approximately DKK 500 million and 1,500 employees (estimated based on unaudited financial information).

During the period 28 September to 31 December 2021, Rönesans contributed revenue of DKK 150 million.

The purchase consideration amounted to DKK 566 million. Based on provisionally determined fair values of net assets, goodwill amounted to DKK 129 million. The acquisition impact is specified in the table to the right.

Goodwill is attributable mainly to: 1) expertise and know-how in the healthcare segment, 2) synergies, 3) platform for growth, and 4) assembled work force, and is not deductible for tax purposes.

Acquisition impact

(DKKm)	ISS Turkey (original acq.)	Rönesans	Total
Customer contracts	-	428	428
Other non-current assets	-	26	26
Trade receivables	-	184	184
Other current assets	-	105	105
Non-current liabilities	-	(112)	(112)
Current liabilities	-	(194)	(194)
Fair value of net assets	-	437	437
Goodwill	(32)	129	97
Consideration transferred	(32)	566	534
Cash in acquired business	-	(97)	(97)
Consideration transferred, net	(32)	469	437
Contingent and deferred consideration	111	(22)	89
Acquisition of businesses (cash flow)	79	447	526

Trade receivables The fair value of trade receivables was DKK 184 million, equaling the gross amount. Management expects that the full contractual amount can be collected.

Contingent and deferred consideration

related to the settlement of a put option during 2021 in relation to ISS Turkey (original acquisition), and a deferred payment subject to finalisation of closing accounts for Rönesans. The latter was settled in January 2022.

Acquisitions subsequent to 31 December 2021

The Group completed no acquisitions from 1 January to 15 February 2022.

Minority shareholders in ISS Turkey

As part of the acquisition of Rönesans, ISS agreed to partner with Actera, a large leading Turkish private equity company, to support and partly fund the acquisition. Actera has in-depth expertise in the Turkish market, a strong operational track record and became minority shareholder owning 39.9% of the shares in ISS Turkey. Furthermore, Management of ISS Turkey acquired 10% of the shares in ISS Turkey, while ISS continued to be the controlling shareholder. The impact of the transactions are specified below.

Transactions with non-controlling interests

(DKKm)	2021
Consideration received	324
Transaction costs	(26)
Capital injection	113
Contingent and deferred consideration	(214)
Transactions with other non-controlling interests	(33)
Cash flow impact	164

(DKKm)	2021
Consideration received	324
Transaction costs	(26)
Capital injection	78
Transactions with other non-controlling interests	(26)
Equity impact	350

§ Accounting policy

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, which is measured at acquisition date fair value, and the amount of any non-controlling interests in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred in Other income and expenses, net.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date.

If uncertainties exist at the acquisition date regarding identification or measurement of assets, liabilities and contingent liabilities, initial recognition is based on provisionally determined fair values. Changes to fair values are adjusted against goodwill up until 12 months after the acquisition date and comparative figures are restated accordingly. Thereafter no adjustments are made to goodwill, and changes in fair values are recognised in Other income and expenses, net.

Goodwill is initially measured at cost (being the excess of the aggregate of the consideration transferred and the amount recognised for

non-controlling interests) and any previous interest held over the net identifiable assets acquired and liabilities assumed.

After initial recognition, goodwill is measured at cost less accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the Group's cash-generating units (CGUs) that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Written put options held by non-controlling shareholders are accounted for in accordance with the anticipated acquisition method, i.e. as if the put option has been exercised already. Such options are recognised as Other liabilities initially at fair value. Fair value is measured at the present value of the exercise price of the option.

Subsequent fair value adjustments of put options held by non-controlling interests relating to business combinations effected on or after 1 January 2010 are recognised directly in equity. Subsequent fair value adjustments of put options held by non-controlling interests related to business combinations effected prior to 1 January 2010 are recognised in goodwill. The effect of unwind of discount is recognised in Financial expenses.

3.5 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:

(DKKm)	2021	2020
Revenue as reported	71,363	70,752
Pro forma revenue	70,276	70,723
Operating profit before other items as reported	1,776	(3,203)
Pro forma operating profit before other items	1,820	(3,202)

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.

3.6 Intangible assets

(DKKm)	Goodwill	Brands	Customer contracts	Software and other ¹⁾	2021	Goodwill	Brands	Customer contracts	Software and other ¹⁾	2020
Cost at 1 January	22,643	1,663	8,626	2,505	35,437	23,862	1,669	8,974	2,491	36,996
Foreign exchange adjustments	402	3	112	19	536	(679)	(6)	(271)	(43)	(999)
Additions	-	-	-	248	248	-	-	-	283	283
Acquisitions	97	-	428	7	532	87	-	-	-	87
Divestments	(20)	-	(106)	(1)	(127)	(23)	-	(14)	0	(37)
Disposals	-	-	(12)	(174)	(186)	-	-	-	(225)	(225)
Reclass (to)/from Property, plant and equipment	-	-	-	-	-	-	-	-	12	12
Reclass (to)/from Assets held for sale	56	-	50	(15)	91	(604)	-	(63)	(13)	(680)
Cost at 31 December	23,178	1,666	9,098	2,589	36,531	22,643	1,663	8,626	2,505	35,437
Amortisation and impairment losses at 1 January	(2,981)	(61)	(8,302)	(1,575)	(12,919)	(2,605)	(55)	(8,558)	(1,213)	(12,431)
Foreign exchange adjustments	6	(3)	(218)	(15)	(230)	20	4	243	23	290
Amortisation	-	(10)	(54)	(289)	(353)	-	(10)	(79)	(264)	(353)
Impairment	(450)	-	-	(92)	(542)	(666)	-	-	(354)	(1,020)
Divestments	-	-	101	1	102	18	-	14	0	32
Disposals	-	-	12	169	181	-	-	-	222	222
Reclass (to)/from Property, plant and equipment	-	-	-	-	-	-	-	-	(2)	(2)
Reclass (to)/from Assets held for sale	-	-	(40)	9	(31)	252	-	78	13	343
Amortisation and impairment losses at 31 December	(3,425)	(74)	(8,501)	(1,792)	(13,792)	(2,981)	(61)	(8,302)	(1,575)	(12,919)
Carrying amount at 31 December	19,753	1,592	597	797	22,739	19,662	1,602	324	930	22,518

¹⁾ Of which DKK 93 million (2020: DKK 41 million) related to assets under development at Group level.

Impairment of goodwill comprised losses identified in impairment tests related to France of DKK 450 million (2020: DKK 400 million), see 3.8, Impairment tests.

Impairment of software in 2020 mainly related to a non-cash write-down of impaired assets following the IT security incident, see 1.3, Other income and expenses, net.

§ Accounting policy

Goodwill is initially recognised at cost and subsequently at cost less accumulated impairment losses. 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 of intangible assets with finite useful lives is calculated on a straight-line basis over the estimated useful lives except for certain customer contracts where the unit of production method better reflects the expected pattern of consumption.

Estimated useful life

Brands (finite useful life)	2-5 years
Customer contracts	10-24 years
Software and other intangible assets	5-10 years

§ Significant accounting judgements

The carrying amount of brands is mainly related to the ISS brand, which is considered to have an indefinite useful life since there is no foreseeable limit to the period over which the brand is expected to generate net cash inflows. Factors that played a significant role in determining that the ISS brand has an indefinite useful life are: i) the ISS brand has existed for decades, ii) the Group's strategy is based on the ISS brand, iii) all acquired brands are converted to or co-branded with the ISS brand and iv) the ISS brand is used in the business-to-business and public segments with low maintenance costs attached.

3.7 Goodwill impairment

(DKKm)	2021	2020
Identified in impairment tests	450	400
Loss on divestments	-	32
Total	450	432

Identified in impairment tests in 2021 and 2020 related to goodwill impairment in France, see 3.8, Impairment tests.

Derived from divestments In 2020, the loss related to Parking Management in Indonesia and the Healthcare Catering Business in Poland.

3.8 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 amounts 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.

Management has ensured that financial budgets, forecasts and underlying assumptions applied in the impairment tests reflect the expected impact from Covid-19, including expected future revenue recovery. Despite continued uncertainty, visibility has generally improved during 2021 – though with a few exceptions. Expected impacts from OneISS and our strategic priorities have also been considered, especially around sharpened focus on key accounts, the strategic divestment programme and investments in technology and the global operating model. Our underperforming contracts (Deutsche Telekom and Danish Defence) and countries (the UK and France) have also been carefully considered to ensure, that expected turnaround is properly reflected in determining the key assumptions for the specific CGUs. Where relevant, initiated restructurings and other actions, mainly in response to Covid-19, have been taken into consideration when estimating the expected future performance and cash flows.

Key assumptions (per CGU)	Description
Revenue growth (forecasting period)	<ul style="list-style-type: none"> Budgeted growth for year 1 Subsequent years based on expected market development, including recovery from Covid-19, taking market maturity and general macroeconomic environment into consideration Impacts from local and Group strategic initiatives are considered, including our key account focus and the strategic 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 year 1 Impacts from local and Group strategic initiatives are considered, including our key account focus, the strategic divestment programme and investments in technology and the global operating model Initiated restructurings, actions in response to and recovery from Covid-19 and operational challenges are considered, where relevant
Discount rates (net of tax)	<ul style="list-style-type: none"> Based on a country-specific 10-year government bond 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 Equity risk premium: 6.5% (2020: 6.5%) Debt/equity target ratio (market values): 25/75 (2020: 25/75)

Covid-19 impact on risk assessment

In 2020, Covid-19 had a significant adverse impact on the Group's performance and cash flows and led to increased uncertainty in relation to prospects for, and timing of, future recovery. To appropriately reflect the increased estimation uncertainty, a separate risk premium related to Covid-19 was introduced and added to the WACC.

While 2021 continued to be impacted by Covid-19, the visibility around recovery improved during the year, especially in the later part of 2021, when signs of recovery appeared in a number of countries. As a result, the specific Covid-19 risk premium has been removed in the impairment test for 2021.

Result of the impairment tests 2021

30 June 2021

An impairment loss of DKK 450 million was recognised in France following an update of the business case and an increase in the applied WACC.

During the first six months of 2021, transparency around the recoverability from Covid-19 improved. It also became clearer, that the pace of recovery within the most impacted customer segments would remain slow. Accordingly, the risk reflected in the applied WACC was increased. Combined with increasing interest rates, this led to a higher applied WACC at 30 June 2021. Additionally, compared to previous assessments, management lowered the growth and margin expectations in 2023-2025, while assumptions for the terminal period remained unchanged.

31 December 2021

Based on the impairment tests performed, no further impairment losses were recognised. Except for France, it is management's opinion that excess values are fairly resilient to any likely and reasonable deteriorations in the key assumptions applied.

In 2021, France continued to be heavily impacted by Covid-19 restrictions and slow recovery in the most impacted customer segments, despite progress on the restructuring plan. As a result, excess value in the impairment test for France was limited at 31 December 2021.

The ISS brand

No impairment has been identified as both the Group's value-in-use and the Group's market capitalisation significantly exceed the reported equity.

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 expected future cash flows (value-in-use) as described in "Measuring recoverable amounts".

In 2021, Covid-19 continued to impact estimation uncertainty, particularly in relation to future expectations and prospects for recovery, though visibility improved especially in the later part of the year.

Carrying amounts and key assumptions

The carrying amounts 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.

(DKKm)	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
2021									
UK & Ireland	2,748	121	2,869	3.9 %	4.6 %	2.5 %	6.0 %	8.7 %	11.3 %
USA & Canada	2,068	161	2,229	13.1 %	6.8 %	3.0 %	6.8 %	9.0 %	11.6 %
Finland	2,098	-	2,098	1.7 %	6.4 %	2.0 %	6.5 %	7.3 %	9.1 %
Denmark	1,652	-	1,652	(1.8)%	6.2 %	2.0 %	6.5 %	7.7 %	9.8 %
Australia & NZ	1,336	4	1,340	2.2 %	6.1 %	2.5 %	6.1 %	8.7 %	12.3 %
Switzerland	1,334	-	1,334	1.5 %	7.1 %	1.5 %	7.1 %	6.3 %	7.6 %
Belgium & Lux.	1,319	-	1,319	3.6 %	5.7 %	2.0 %	6.0 %	7.3 %	9.8 %
Norway	1,295	-	1,295	6.0 %	7.9 %	2.5 %	8.0 %	8.7 %	11.0 %
Sweden	1,010	-	1,010	3.3 %	5.5 %	2.0 %	6.2 %	8.0 %	10.0 %
France	936	-	936	1.4 %	3.3 %	2.0 %	5.0 %	8.9 %	13.7 %
Other	3,957	311	4,268	-	-	-	-	-	-
Total	19,753	597	20,350						
2020									
UK & Ireland	2,572	132	2,704	4.7 %	4.4 %	2.5 %	6.0 %	8.4 %	10.0 %
Finland	2,098	-	2,098	2.4 %	5.7 %	2.0 %	6.5 %	7.0 %	8.5 %
USA & Canada	1,865	163	2,028	13.4 %	5.9 %	3.0 %	6.0 %	9.4 %	11.9 %
Denmark	1,652	-	1,652	0.7 %	5.3 %	2.0 %	6.5 %	7.7 %	9.7 %
France	1,387	-	1,387	3.1 %	3.1 %	2.0 %	5.0 %	7.3 %	10.4 %
Switzerland	1,320	-	1,320	2.3 %	7.0 %	1.5 %	7.2 %	6.0 %	7.3 %
Belgium & Lux.	1,320	-	1,320	3.9 %	5.2 %	2.0 %	6.0 %	7.2 %	9.3 %
Australia & NZ	1,301	8	1,309	0.9 %	4.6 %	2.5 %	4.6 %	8.3 %	11.7 %
Norway	1,224	-	1,224	5.0 %	7.4 %	2.5 %	8.0 %	8.8 %	11.0 %
Sweden	1,029	-	1,029	3.3 %	4.7 %	2.0 %	6.2 %	7.4 %	9.0 %
Other	3,894	21	3,915	-	-	-	-	-	-
Total	19,662	324	19,986						

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.

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. No sensitivity is shown for the ISS brand, as the group-wide cash flows adjusted for the Group's total goodwill and other non-current assets significantly exceed the carrying amount.

	Forecasting period				Terminal period				Discount rate, net of tax	
	Growth		Margin ¹⁾		Growth		Margin ¹⁾			
	Avg. rate	Allowed decrease	Avg. rate	Allowed decrease	Long-term rate	Allowed decrease	Long-term rate	Allowed decrease	Rate	Allowed increase
2021										
UK & Ireland	3.9 %	>3.9 %	4.6 %	>4.6 %	2.5 %	>2.5 %	6.0 %	3.8 %	8.7 %	7.9 %
USA & Canada	13.1 %	>13.1 %	6.8 %	>6.8 %	3.0 %	>3.0 %	6.8 %	4.6 %	9.0 %	8.7 %
Finland	1.7 %	>1.7 %	6.4 %	5.3 %	2.0 %	1.8 %	6.5 %	1.5 %	7.3 %	1.4 %
Denmark	(1.8)%	3.0 %	6.2 %	3.0 %	2.0 %	1.3 %	6.5 %	1.1 %	7.7 %	1.0 %
Australia & NZ	2.2 %	>2.2 %	6.1 %	>6.1 %	2.5 %	>2.5 %	6.1 %	4.1 %	8.7 %	8.7 %
Switzerland	1.5 %	>1.5 %	7.1 %	>7.1 %	1.5 %	>1.5 %	7.1 %	5.9 %	6.3 %	>6.3 %
Belgium & Lux.	3.6 %	>3.6 %	5.7 %	>5.7 %	2.0 %	>2.0 %	6.0 %	1.7 %	7.3 %	1.9 %
Norway	6.0 %	>6.0 %	7.9 %	>7.9 %	2.5 %	>2.5 %	8.0 %	7.2 %	8.7 %	>8.7 %
Sweden	3.3 %	>3.3 %	5.5 %	>5.5 %	2.0 %	>2.0 %	6.2 %	4.8 %	8.0 %	>8.0 %
France	1.4 %	0.2 %	3.3 %	0.2 %	2.0 %	0.1 %	5.0 %	0.1 %	8.9 %	0.1 %
2020										
UK & Ireland	4.7 %	>4.7 %	4.4 %	>4.4 %	2.5 %	>2.5 %	6.0 %	4.1 %	8.4 %	8.2 %
Finland	2.4 %	>2.4 %	5.7 %	>5.7 %	2.0 %	>2.0 %	6.5 %	2.5 %	7.0 %	2.5 %
USA & Canada	13.4 %	>13.4 %	5.9 %	>5.9 %	3.0 %	>3.0 %	6.0 %	4.2 %	9.4 %	8.4 %
Denmark	0.7 %	3.6 %	5.3 %	2.9 %	2.0 %	1.4 %	6.5 %	1.2 %	7.7 %	1.1 %
France	3.1 %	2.1 %	3.1 %	2.0 %	2.0 %	0.7 %	5.0 %	0.6 %	7.3 %	0.6 %
Switzerland	2.3 %	>2.3 %	7.0 %	>7.0 %	1.5 %	>1.5 %	7.2 %	6.4 %	6.0 %	>6.0 %
Belgium & Lux.	3.9 %	>3.9 %	5.2 %	>5.2 %	2.0 %	>2.0 %	6.0 %	2.1 %	7.2 %	2.3 %
Australia & NZ	0.9 %	5.8 %	4.6 %	4.0 %	2.5 %	>2.5 %	4.6 %	1.4 %	8.3 %	2.0 %
Norway	5.0 %	>5.0 %	7.4 %	>7.4 %	2.5 %	>2.5 %	8.0 %	7.1 %	8.8 %	15.6 %
Sweden	3.3 %	>3.3 %	4.7 %	>4.7 %	2.0 %	>2.0 %	6.2 %	4.6 %	7.4 %	>7.4 %

¹⁾ Excluding allocated corporate costs.

§ Accounting policy

Intangible assets with an indefinite useful life, i.e. goodwill and the ISS brand, 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. Management believes that the value of the ISS brand supports the ISS Group in its entirety rather than any individual CGU. Accordingly, the ISS brand is tested for impairment at Group level. The impairment test is based on group-wide cash flows adjusted for the Group's total goodwill and other non-current assets.

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 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

It is our primary capital allocation priority to ensure that we maintain a strong and efficient balance sheet and that our liquidity position supports our operational needs and our continued strategy execution.

In 2021, ISS delivered solid improvements in operational performance and strong execution of the divestment programme. The strong cash flow development allowed us to cancel the EUR 700 million backup credit facility, which was established in 2020 in response to Covid-19-related uncertainties, and repurchase EUR 200 million of the total EUR 500 million outstanding EMTN bonds maturing 2024.

At 31 December 2021, the Group's liquidity position was strong. Our liquidity reserves are described in 4.6, Liquidity risk.

ISS has no unaddressed material debt maturities until 2024 onwards. We are committed to our Financial Policy of maintaining an investment grade profile.

At 31 December 2021, net debt decreased to DKK 13.5 billion (2020: DKK 15.8 billion) due to the strong cash flow performance and execution of the divestment programme. Financial leverage was 3.8x (2020: 7.1x excluding restructuring and one-off costs). Leverage is expected to reduce further in 2022 as operating performance and free cash flow continue to improve.

As such, we are on track to meeting our target of deleveraging below 3.0x to be achieved by 31 December 2022. Dividend payments will not be reinstated before the leverage target has been achieved. As a result, the Board of Directors will not propose dividends for 2021 at the annual general meeting to be held on 7 April 2022.

In this section:

- 4.1 Equity
- 4.2 Loans and borrowings
- 4.3 Financial income and expenses
- 4.4 Financial risk management
- 4.5 Interest rate risk
- 4.6 Liquidity risk
- 4.7 Currency risk

Net debt

13,451 DKKm
(2020: 15,802 DKKm)

Financial leverage

3.8x
(2020: 7.1x adjusted)

Available liquidity

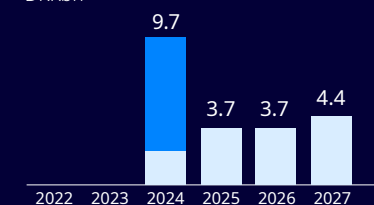
9,648 DKKm
(2020: 14,059 DKKm)


Equity ratio

17.8%
(2020: 15.0%)

No unaddressed debt until 2024

DKKbn



 Revolving Credit Facility (undrawn)
 EMTNs

4.1 Equity

Share capital

At 31 December 2021, ISS's share capital comprised a total of DKK 185,668,226 shares (2020: 185,668,226) with a nominal value of DKK 1 each. All shares were fully paid and freely transferable.


ISS 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.

Average number of shares

In thousands	2021	2020
Average number of shares	185,668	185,668
Average number of treasury shares	(970)	(970)
Average number of shares (basic)	184,698	184,698
Average number of PSUs and RSUs expected to vest	1,305	438
Average number of shares (diluted)	186,003	185,136

Average number of shares is calculated for the purpose of the calculation of EPSs. The calculation of average number of diluted shares excludes a total of 1,714,684 (2020: 2,023,595) PSUs and RSUs which are not expected to vest.

Due to the negative earnings in 2020, diluted EPS equals basic EPS as the antidilutive effect has been excluded in accordance with IFRS.

 Definitions, see p. 108.

Translation reserve

(DKKm)	Net investment hedges	Subsidiaries	Total
Translation reserve at 1 January 2021	(3)	(1,599)	(1,602)
Foreign exchange adjustments of subsidiaries (ISS's share)	-	312	312
Recycling of accumulated foreign exchange adjustments on country exits	-	(7)	(7)
Fair value adjustments of net investment hedges, net of tax	(149)	-	(149)
Translation reserve at 31 December	(152)	(1,294)	(1,446)

Treasury shares

At 31 December 2021, ISS held a total of 970,082 treasury shares (2020: 970,082) equal to 0.5% of the share capital with the purpose of covering obligations under existing share-based incentive programmes.

The fair value of treasury shares was DKK 121 million at 31 December 2021 (2020: DKK 102 million).

	2021	2020	
	Purchase price (DKKm)	Number of shares (in '000)	Number of shares (in '000)
Treasury shares at 1 January	191	970	970
Settlement of vested PSUs	-	-	-
Treasury shares at 31 December	191	970	970

Dividend

As previously announced, dividend payments will not be reinstated, and no share buyback will be made, before the financial leverage target of below 3x has been achieved. As a result, the Board of Directors will not propose dividends for 2021 at the annual general meeting on 7 April 2022.

§ 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 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.

Treasury shares The cost of acquisition and proceeds from sale of treasury shares are recognised in reserve for treasury shares. Dividends received in relation to treasury shares are recognised in retained earnings.

4.2 Loans and borrowings

(DKKm)	2021	2020
Issued bonds	14,064	15,537
Lease liabilities ¹⁾	2,539	2,565
Bank loans	340	474
Derivatives	39	6
Other	-	61
Total	16,982	18,643
Non-current liabilities	16,094	17,345
Current liabilities	888	1,298
Loans and borrowings	16,982	18,643
Cash and cash equivalents and other financial items ²⁾	(3,531)	(2,841)
Net debt	13,451	15,802

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

²⁾ Includes securities of DKK 103 million (2020: DKK 76 million). In 2020, a positive value of currency swaps and net investment hedges was also included amounting to DKK 20 million and DKK 3 million, respectively.

Changes in loans and borrowings

(DKKm)	1 January	FX	Cash flow	Divest- ments	Lease addition	FV adj.	Other ¹⁾	31 December
2021								
Issued bonds	15,537	(6)	(1,577)	-	-	-	110	14,064
Lease liabilities	2,565	27	(947)	-	859	-	35	2,539
Bank loans	474	(131)	(411)	-	-	169	239	340
Derivatives	6	-	-	-	-	33	-	39
Other	61	-	(61)	-	-	-	-	-
Total	18,643	(110)	(2,996)	-	859	202	384	16,982
2020								
Issued bonds	14,123	(63)	1,460	-	-	-	17	15,537
Lease liabilities	3,034	(78)	(1,019)	(19)	784	-	(137)	2,565
Bank loans	247	(50)	697	(10)	-	(200)	(210)	474
Derivatives	6	-	-	-	-	0	-	6
Other	95	-	(35)	-	-	-	1	61
Total	17,505	(191)	1,103	(29)	784	(200)	(329)	18,643

¹⁾ Includes lease liabilities and bank loans reclassified to liabilities held for sale of DKK (24) million/DKK 0 million (2020: DKK (125) million/DKK 0 million).

Refinancing

In May 2021, as a result of the strong liquidity position and increased visibility on Covid-19, ISS cancelled the EUR 700 million backup facility, which was established in 2020. In addition, in December 2021, ISS repurchased EUR 200 million of the total outstanding EUR 500 million EMTN bonds maturing December 2024, thereby reducing gross debt levels.

Acquisition of Rönesans, Turkey

ISS established a local facility of DKK 303 million (TRY 617 million) maturing in December 2026 for the purpose of the acquisition of Rönesans in Turkey. The facility has semi-annual amortisation profile and is subject to certain covenants.

Financing fees

In 2021, financing fees amounting to DKK 3 million (2020: DKK 33 million) have been recognised in loans and borrowings while financing fees of DKK 28 million (2020: DKK 22 million) were amortised and recognised in financial expenses. Accumulated financing fees recognised in loans and borrowings at 31 December 2021 amounted to DKK 79 million (2020: DKK 104 million).

Fair value

The fair value of loans and borrowings was DKK 17,441 million (2020: DKK 19,027 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.

§ 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 expenses

(DKKm)	2021	2020
Interest income on cash and cash equivalents	41	31
Foreign exchange gains	-	28
Financial income	41	59
Interest expenses on loans and borrowings	(388)	(432)
Redemption premium, bonds	(90)	-
Interest expenses on lease liabilities	(69)	(79)
Bank fees	(52)	(53)
Net interest on defined benefit obligations	(17)	(17)
Forward premiums, currency swaps	(29)	(15)
Other	(30)	(12)
Foreign exchange losses	(22)	-
Financial expenses	(697)	(608)

Interest expenses on loans and borrowings

comprised mainly interest on issued bonds. In addition, commitment fees and amortisation of financing fees amounting to DKK 89 million (2020: DKK 75 million) were included. The decreased in 2021 was due to the reduction in net debt as a result of the strong cash flow development and liquidity position.

Redemption premium, bonds related to the repurchase of EUR 200 million of the total outstanding EUR 500 million EMTN bonds maturing 2024.

Forward premiums on currency swaps

ISS uses currency swaps to hedge the exposure to currency risk primarily arising from intercompany loans. The cost of hedging in 2021 increased compared to 2020, primarily driven by the hedging of TRY exposure.

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. 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 is described in:

- 2.2, Trade receivables and credit risk.

At 31 December 2021, the exposure to credit risk related to cash and cash equivalents and other financial items was DKK 3,531 million (2020: DKK 2,841 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.

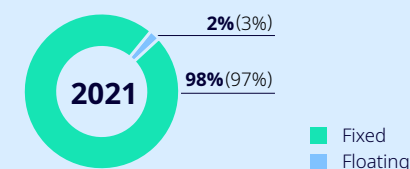
The Group has not identified additional financial risk exposures in 2021 compared to 2020.

4.5 Interest rate risk

Exposure towards interest rates

(DKKm)	Nominal interest rate	Currency	Maturity	Nominal value	2021	2020
					Carrying amount	Carrying amount
Issued bonds (fixed interest rate)						
EMTNs (EUR 300 million)	2.125%	EUR	2024	2,231	2,226	3,709
EMTNs (EUR 500 million)	1.250%	EUR	2025	3,718	3,695	3,690
EMTNs (EUR 500 million)	0.875%	EUR	2026	3,718	3,695	3,690
EMTNs (EUR 600 million)	1.500%	EUR	2027	4,462	4,448	4,448
				14,129	14,064	15,537
Bank loans (floating interest rate)						
	TLFREF					
Acquisition facility, Turkey	+3.25%	TRY	-	303	300	-
Bank loans and overdrafts	-	Multi	-	51	40	474
				354	340	474

Fixed vs. floating interest rates



Interest rate sensitivity

An increase in relevant interest rates of 1%-point would have decreased net profit by DKK 4 million (2020: decreased by DKK 5 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.

Exposure to 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.

Low risk

- 98% of the Group's bank loans and bonds carried fixed interest rates at 31 December 2021 (2020: 97%)
- Duration of gross debt (fixed-rate period) of 4.3 years was at 31 December 2021 (2020: 5.0 years)
- Exposure was primarily related to EUR denominated bank loans with floating rates

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

4.6 Liquidity risk

Liquidity reserves

(DKKm)	2021	2020
Cash and cash equivalents	3,428	2,742
Restricted cash	(31)	(37)
Unused revolving credit facilities	7,312	12,380
Liquidity reserves	10,709	15,085
Not readily available	1,061	1,026
Readily available liquidity	9,648	14,059

Cash and cash equivalent at DKK 3,428 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 31 million of the total cash and cash equivalents at 31 December 2021 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 May 2021, the additional backup credit facility of EUR 700 million was cancelled leading to the decrease compared to 2020.

In addition to the unused revolving credit facilities at Group level, local credit facilities are available in countries, which are not considered part of the readily available liquidity. At 31 December 2021, these amounted to DKK 1.1 billion of which all was unused (2020: DKK 0.9 billion of which DKK 0.4 billion was unused).

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

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.

(DKKm)	Carrying amount	Contractual cash flows	< 1 year	1-2 years	2-3 years	3-4 years	4-5 years	> 5 years
2021								
Loans and borrowings, excl. lease	14,443	15,489	326	311	2,537	3,930	3,879	4,506
Lease liabilities	2,539	2,658	786	561	418	289	197	407
Trade payables and other	2,402	2,402	2,402	-	-	-	-	-
Total financial liabilities	19,384	20,549	3,514	872	2,955	4,219	4,076	4,913
2020								
Loans and borrowings, excl. lease	16,078	17,332	716	247	249	3,963	3,845	8,312
Lease liabilities	2,565	2,681	842	654	454	279	191	261
Trade payables and other	2,788	2,788	2,679	21	88	-	-	-
Total financial liabilities	21,431	22,801	4,237	922	791	4,242	4,036	8,573

The maturity profile of the Group's current financing, i.e. issued bonds and bank loans, based on nominal values including any undrawn amounts and excluding interest payments, is illustrated in the chart on p. 78.

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.

Exposure to liquidity risk

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 in our main Group facilities (certain covenants apply to the Turkish facility)
- Diversified funding; bonds and bank loans

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
- Group Treasury monitors the risk of insufficient liquidity position on a daily basis
- 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

4.7 Currency risk

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, external long-term receivables, cash and cash equivalents as well as accrued royalties (Group internal).

(DKKm)	Currency exposure (nominal)	Currency swaps (contractual)	Exposure, net	Sensitivity	
				Increase in FX	Profit or loss
2021					
EUR/DKK	(17,375)	6,864	(10,511)	1%	(105)
USD/DKK	1,505	(1,639)	(134)	10%	13
Other/DKK	(1,173)	1,365	192	10%	19
Total	(17,043)	6,590	(10,453)		
2020					
EUR/DKK	(18,011)	6,854	(11,157)	1%	(112)
USD/DKK	1,625	(1,768)	(143)	10%	(14)
Other/DKK	453	(115)	338	10%	34
Total	(15,933)	4,971	(10,962)		

Exposure to currency risk

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.

- 97.7% of the Group's loans and borrowings (external) were denominated in EUR at 31 December 2021 (2020: 97.1%)
- Including the impact of net investment hedges, 78.8% (2020: 81.0%) 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 4.5, Interest rate risk

Mitigation

- Currency swaps are used to hedge the exposure to currency risk on loans and borrowings (external), intercompany balances and long-term receivables (external)
- 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 (other than for EUR).

Net investment hedges

(DKKmn)	Net investment	Hedging of investment	Exposure, net	Average price	Change in fair value	Fair value	Maturity
2021							
GBP	1,492	1,285	207	9	(100)	(18)	March 2022
USD	1,093	722	371	7	(60)	3	March 2022
CHF	1,847	718	1,129	7	(31)	(4)	March 2022
Total	4,432	2,725	1,707	-	(191)	(19)	
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	

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 21 million, of USD with DKK 37 million and of CHF with DKK 113 million.

The effect of translation of net assets in foreign subsidiaries before the effect of net investment hedges increased equity by DKK 297 million (2020: a decrease of DKK 750 million) primarily related to Turkey, the USA and the UK.

§ Accounting policy

Derivative financial instruments are initially recognised at fair value at the trade date and subsequently remeasured at fair value. Derivatives are included in Other receivables when the fair value is positive and in Other liabilities when the fair value is negative.

Fair value measurement take into account current market data. The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value. Measurement is categorised as Level 2 in the fair value hierarchy as it is not based on observable market data.

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.

Currency swaps (net investment hedges) or debt is used to hedge the currency exposure to investments in subsidiaries (other than for EUR).

Net investment hedges Gains or losses on the hedging instrument relating to the effective portion of the hedge are recognised in other comprehensive income while gains or losses relating to the ineffective portion are recognised in profit or loss and included 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.

Translation and operational currency risk

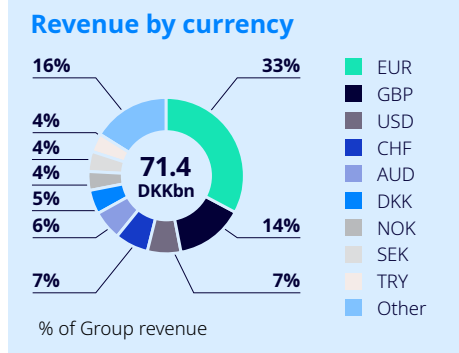
The Group's exposure to currency risk on transaction level is low since services are produced, delivered and invoiced in the same local currency as the functional currency of the entity delivering the services.

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 to the left.

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.

(DKKmn)	Revenue	Operating profit before other items
GBP	1,010	29
CHF	521	39
USD	513	27
AUD	413	27
NOK	318	23
SEK	279	18
TRY	272	22
EUR	233	4
Other	1,116	58
Total	4,675	247



Impact on profit or loss

In 2021, changes in weighted average exchange rates resulted in a decrease in Group revenue of DKK 420 million or 0.6% (2020: decrease of 2.1%) and a decrease of the Group's operating profit before other items of DKK 92 million or 1.2% (2020: increase of 3.5%).

Change in avg. FX rates	2020 to 2021	2019 to 2020
GBP	3.2%	(1.5)%
CHF	(1.2)%	3.7%
USD	(3.8)%	2.0%
AUD	4.8%	(2.8)%
NOK	5.1%	(8.1)%
SEK	3.1%	0.8%
TRY	(22.9)%	(20.0)%
EUR	(0.2)%	(0.2)%

() = Weakened against DKK

Remuneration

Share-based payments

At ISS, remuneration is based on responsibilities, competencies and performance and is designed to be competitive, affordable and in line with market practice of comparable listed companies.

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 share-based incentive programmes:

- a long-term incentive programme (LTIP)
- a special incentive programme (SIP)

Under the LTIP, which has been in place since 2014, performance share units (PSUs) are granted annually to plan participants consisting of around 120-150 senior leaders. Each PSU entitles the holder to receive one share at no cost after three years, subject to achievement of certain EPS and TSR performance criteria as well as service objectives for the 2021 LTIP programme. Performance criteria of the latest two vested programmes, LTIP 2017 and LTIP 2018, were not achieved and they vested at 0%.

Under the SIP, restricted share units (RSUs) are granted to the participants consisting of 43 senior leaders. Each RSU entitles the holder to receive one share at no cost, subject to achievement of individual service or performance criteria upon vesting in either 2022 or 2023.

Pension plans

The Group has several pension plans of which the majority are defined contribution plans with no further payment obligation once the contributions are paid.

The Group also has a number of defined benefit plans where the responsibility for the pension obligation towards the employees, rests with the Group, most significantly in Switzerland and the UK, which accounted for 86% of the Group's obligation (gross).

Market conditions in 2021 resulted in strong asset returns, especially in Switzerland. Furthermore, changes to actuarial assumptions led to actuarial gains, mainly in Switzerland. The positive impacts were offset by changes in the asset ceiling due to surplus restrictions. The net impact on other comprehensive income was therefore limited. Read more in this section.

In this section:

- 5.1 Remuneration to the Board of Directors and the Executive Group Management
- 5.2 Staff costs and average number of employees
- 5.3 Share-based payments
- 5.4 Pensions and similar obligations

LTIP 2018

0%

vested in March 2021

LTIP 2019

0%

will vest in March 2022

Share-based payments

62 DKKm
(2020: 27 DKKm)
Recognised in profit or loss

Pensions

881 DKKm
Defined benefit
obligation, net

236 DKKm
Recognised in
profit or loss

65 DKKm (gain)
Recognised in other
comprehensive income

Remuneration report



Prepared pursuant to the Shareholder Rights Directive and includes a description of our remuneration policy and remuneration to the Board and the EGMB.

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

The Executive Group Management (EGM) comprises the Executive Group Management Board (EGMB) and Corporate Senior Officers of the Group. Members of the EGM have authority and

responsibility for planning, implementing and controlling the Group's activities and are together with the Board of Directors (Board) considered as the Group's key management personnel.

(DKK thousand)	2021			2020		
	EGM			EGM		
	Board	EGMB	Corporate Senior Officers	Board	EGMB	Corporate Senior Officers
Base salary and non-monetary benefits	8,724	21,842	39,172	8,008	16,678	34,637
Bonus programmes	-	12,007	18,739	-	7,461	12,163
Share-based payments ¹⁾	-	(3,794)	11,695	-	8,349	2,649
Severance pay	-	14,280	-	-	17,799	14,629
Total remuneration	8,724	44,335	69,606	8,008	50,287	64,078

¹⁾ Share-based payments to the EGMB was an income of DKK 3,794 million and included an income of DKK 8,035 million due to forfeited PSUs and RSUs under the LTIP programmes and the Retention 2020 programme as the CEO Europe left ISS in December 2021.

Remuneration policy is described in the Remuneration report which is available [here](#)

5.2 Staff costs and average number of employees

At 31 December 2021, staff costs amounted to DKK 46,369 million (2020: DKK 46,579 million) and comprised mainly wages and salaries. In 2021, staff costs was positively impacted by a refund of collective insurance premiums paid in prior years in Sweden (DKK 78 million).

At 31 December 2021, total number of employees was 354,636 (31 December 2020: 378,946) with an average number of employees in 2021 of **362,789** (2020: **434,896**). Number of employees included both the continuing and discontinued operations.

The decrease in 2021 was mainly the result of divestments completed in 2021. Contract losses contributed further to the reduction.

The total number of employees is expected to be around 345,000 once the strategic divestment programme is completed.

5.3 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).

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). For LTIP 2021, TSR and EPS weighted 40%, respectively, and the remaining 20% related to service-based objectives. For LTIP 2020 and LTIP 2019, TSR and EPS were equally weighted. TSR peers are the Nasdaq Copenhagen OMX C25 and a peer group of comparable international service companies.

TSR performance criteria

Threshold	Vesting	TSR
Below threshold	0%	Below median of peers
Threshold	25%	At median of peers
Maximum	100%	At upper quartile of peers or better

§ 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 equity.

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.

Fair value and profit or loss impact	LTIP 2018	LTIP 2019	LTIP 2020	LTIP 2021
PSUs and participants (number)				
Maximum PSUs under the programme at grant date	869,112	928,367	1,785,896	1,349,521
Total PSUs granted	767,447	813,090	1,473,659	1,240,947
Participants	152	142	120	140
Fair value (DKKm)				
PSUs expected to vest at grant date	100	101	74	94
PSUs expected to vest at 31 December 2021	-	24	52	74
Profit or loss impact (DKKm)				
Recognised in 2021	2	8	20	22
Not yet recognised (PSUs expected to vest)	-	1	22	57

Assumptions at the time of grant	LTIP 2018	LTIP 2019	LTIP 2020	LTIP 2021
Share price, DKK	228	207	98	111
Expected volatility ¹⁾	29.0%	26.6%	29.1%	47.2%
Expected life of grant, years	3	3	3	3
Risk-free interest rate ¹⁾	0.5%-2.4%	(0.3)%-2.7%	(0.4)%-1.9%	(0.6)%-0.9%

¹⁾ Based on observable market data for peer groups.

LTIP – vested programmes

In March 2021, the **LTIP 2018** programme vested. Based on the annual EPS and TSR performances for 2018, 2019 and 2020, 0% of the granted PSUs vested. After this vesting, no further PSUs are outstanding under the LTIP 2018 and the programme has lapsed.

Furthermore, in March 2022, the PSUs granted under **LTIP 2019** will vest with 0% based on the annual EPS and TSR performances for 2019, 2020 and 2021.

LTIP – outstanding PSUs

	EGM			Total
	EGMB	Corporate Senior Officers	Other Senior Officers	
LTIP 2018				
Outstanding at 1 January 2020	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
Forfeited	(38,470)	(68,593)	(516,796)	(623,859)
Outstanding at 31 December 2021	-	-	-	-

LTIP 2019

Outstanding at 1 January 2020	109,369	115,075	540,174	764,618
Granted	(66,786)	(32,060)	98,846	-
Cancelled	-	-	(78,569)	(78,569)
Outstanding at 31 December 2020	42,583	83,015	560,451	686,049
Cancelled	(35,686)	(6,370)	(23,034)	(65,090)
Outstanding at 31 December 2021	6,897	76,645	537,417	620,959

LTIP 2020

Granted	218,564	224,231	1,030,864	1,473,659
Transferred	(85,931)	(46,232)	132,163	-
Cancelled	-	-	(33,673)	(33,673)
Outstanding at 31 December 2020	132,633	177,999	1,129,354	1,439,986
Cancelled	(72,864)	-	(104,144)	(177,008)
Outstanding at 31 December 2021	59,769	177,999	1,025,210	1,262,978

LTIP 2021

Granted	201,828	176,746	862,373	1,240,947
Transferred	(53,531)	-	(89,652)	(143,183)
Outstanding at 31 December 2021	148,297	176,746	772,721	1,097,764

Special incentive programmes

There are currently two different incentive plans with duration between two and three years. Restricted share units (RSUs) granted under the programmes in 2020 and 2021 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.

The RSUs granted under the Retention 2020 programme in 2020 was forfeited in 2021 as the participant left ISS and vesting of the programme was subject to continued employment. Thereafter the programme has lapsed.

Fair value and profit or loss impact	Retention 2020	Special Incentive 2020-2022	Special Incentive 2020-2023
RSU and participants (number)			
Maximum RSUs under the programme at grant date	145,729	64,159	246,767
Total RSUs granted	145,729	50,698	232,730
Participants	1	9	36
Fair value (DKKm)			
RSUs expected to vest at grant date	14	6	24
RSUs expected to vest at 31 December 2021	-	6	23
Profit or loss impact (DKKm)			
Recognised in 2021	(5)	5	10
Not yet recognised (RSUs expected to vest)	-	1	10
Assumptions at the time of grant			
Share price, DKK	98	101	101
Expected life of grant, years	2	2	3

Special incentive programmes – outstanding RSUs

Retention 2020	EGM			Total
	EGMB	Corporate Senior Officers	Other Senior Officers	
Granted	145,729	-	-	145,729
Cancelled	-	-	-	-
Outstanding at 31 December 2020	145,729	-	-	145,729
Cancelled	(145,729)	-	-	(145,729)
Outstanding at 31 December 2021	-	-	-	-

Special incentive 2020-2022

Granted	-	-	22,296	22,296
Outstanding at 31 December 2020	-	-	22,296	22,296
Granted	-	26,619	1,783	28,402
Cancelled	-	-	(6,513)	(6,513)
Outstanding at 31 December 2021	-	26,619	17,566	44,185

Special incentive 2020-2023

Granted	-	-	204,223	204,223
Outstanding at 31 December 2020	-	-	204,223	204,223
Granted	-	26,619	1,888	28,507
Cancelled	-	-	(12,853)	(12,853)
Outstanding at 31 December 2021	-	26,619	193,258	219,877

5.4 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 2021, contributions amounted to DKK 1,186 million (2020: DKK 1,220 million), corresponding to 86% of the Group's pension costs (2020: 86%).

Defined benefit plans

The Group has a number of defined benefit plans where the responsibility for the obligation towards the employees rests with the Group. The largest plans are in Switzerland and the UK accounting for 86% (2020: 86%) of the Group's obligation (gross) and 97% (2020: 97%) of its plan assets.

The plans are primarily based on years of service, and benefits are 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, Turkey and Hong Kong, the obligation is unfunded. For these unfunded plans, obligation amounted to DKK 788 million or 9% of the present value of the gross obligation (2020: DKK 843 million or 10%).

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 and include a risk-sharing element between ISS and the plan participants.

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

Development in 2021

Actuarial (gain)/loss, including return on plan assets, was a gain of DKK 1,145 million (2020: loss of DKK 127 million). Impact from asset ceiling was a loss of DKK 1,080 million (2020: loss of DKK 21 million). Consequently, the net impact recognised in other comprehensive income in 2021 was a gain of DKK 65 million (2020: loss of DKK 148 million).

In 2021, we saw strong asset returns, mainly in Switzerland (accounts for 80% of the Group's plan assets). The assets are primarily placed in listed shares (40%), bonds (25%) and real estate (15%), and the market conditions, especially for shares and real estate, led to the significant return on plan assets. Furthermore, changes to actuarial assumptions (increased discount rates and updated mortality rates) led to a reduction in the gross obligation and a resulting actuarial gain, predominantly in Switzerland.

As a result of the strong asset returns and development in actuarial assumptions, a

	2021			2020		
	Present value of obligation	Fair value of plan assets	Obligation, net	Present value of obligation	Fair value of plan assets	Obligation, net
(DKKm)						
Carrying amount at 1 January	8,684	7,796	888	8,394	7,542	852
Current service costs	187	-	187	174	-	174
Interest on obligation/plan assets	45	28	17	61	44	17
Past service costs	32	-	32	59	-	59
Recognised in profit or loss	264	28	236	294	44	250
Actuarial (gain)/loss, demographic assumptions	(256)	-	(256)	(10)	-	(10)
Actuarial (gain)/loss, financial assumptions	(209)	-	(209)	290	-	290
Actuarial (gain)/loss, experience adjustments	67	-	67	27	-	27
Return on plan assets excl. interest income	-	747	(747)	-	180	(180)
Impact from asset ceiling	-	(1,080)	1,080	-	(21)	21
Recognised in other comprehensive income	(398)	(333)	(65)	307	159	148
Foreign exchange adjustments	386	414	(28)	(115)	(93)	(22)
Acquisitions and divestments, net	-	0	(0)	(3)	(0)	(3)
Additions from new contracts, net	-	-	-	-	35	(35)
Employee contributions	141	141	-	135	135	-
Employer contributions	-	199	(199)	-	195	(195)
Benefits paid	(266)	(174)	(92)	(313)	(234)	(79)
Impact from asset ceiling	-	1,080	(1,080)	-	21	(21)
Reclassification to Liabilities held for sale	(186)	(154)	(32)	(15)	(8)	(7)
Other changes	75	1,506	(1,431)	(311)	51	(362)
Carrying amount at 31 December	8,625	8,997	(372)	8,684	7,796	888
Other long-term employee benefits			470			456
Accumulated impact from asset ceiling			1,253			163
Pensions and similar obligations at 31 December			1,351			1,507

significant increase in the surplus on the major plans in Switzerland was realised. However, due to surplus restrictions (ISS does not have access to the overfunding), a resulting increase in the

asset ceiling was recognised. As such, by the end of 2021, the accumulated impact from the asset ceiling was DKK 1,253 million (2020: DKK 163 million).

Actuarial assumptions

	2021				2020			
	CHF	GBP	EUR	Other currencies	CHF	GBP	EUR	Other currencies
Discount rates	0.3%	2.0%	0.35-1.0%	0.2-19.3%	0.1%	1.5%	0.35-0.75%	0.2-15.4%
Salary increase	1.0%	0.0-2.65%	0-3.5%	0-15.0%	1.0%	0.0-2.19%	0.0-3.5%	0.0-10.0%
Pension increase	0.0%	2.65-3.20%	0-0.64%	0-2.0%	0.0%	2.2-3.0%	0.0-2.0%	0.0-1.75%

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:

(DKKm)	2021		2020	
	+0.5%	-0.5%	+0.5%	-0.5%
Discount rate	(490)	545	(535)	598
Price inflation	165	51	121	(103)
Salary increase	132	4	74	(69)
Pension increase	302	(85)	314	(78)

Life expectancy	+1 year	-1 year	+1 year	-1 year
		212	(182)	203

The estimated weighted average duration of the defined benefit obligation was 12 years (2020: 13 years) and is split into:

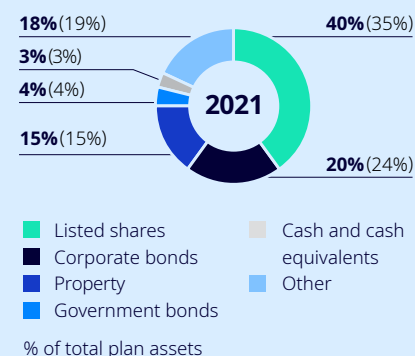
Years	2021	2020
Active employees	8	13
Retired employees	15	15
Deferred vested ¹⁾	6	14
Total employees	12	13

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.

Contributions in 2022

The Group expects to contribute DKK 261 million in 2022 (2021: DKK 250 million).

Major categories of plan assets



Significant accounting estimates

Actuarial calculations and valuations are performed annually for all major plans. 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. Applied actuarial assumptions vary from country to country due to local conditions. 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.

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 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 when incurred.

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.

Other required disclosures

6.1 Contingent liabilities

Type	Nature and extent
Guarantee commitments	Indemnity and guarantee commitments (mainly towards public authorities and insurance companies) at 31 December 2021 amounted to DKK 479 million (31 December 2020: DKK 426 million).
Performance guarantees	The Group has issued performance guarantee bonds for service contracts amounting to DKK 3,580 million (31 December 2020: DKK 3,305 million) of which DKK 1,761 million (31 December 2020: DKK 1,454 million) were bank-guaranteed performance bonds. Such performance bonds are issued in the ordinary course of business in the service industry to guarantee towards our customers satisfactory completion of work in accordance with service contracts.
Divestments	<p>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 2021 are adequate. However, there can be no assurance that major claims will not arise out of the Group's divestments and adversely affect the Group's profit or loss and financial position.</p> <p>In addition, in some cases the Group's divestment activities give rise to possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events, not wholly within ISS's control, e.g. labour-related obligations, including relating to multi-employer plans. In such cases, the occurrence of future events may adversely affect the Group's profit or loss and financial position.</p>
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 2021.
Restructuring projects	Restructuring projects are being undertaken on an ongoing basis across different geographies and service areas, currently mainly in Germany, France and Spain. 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 2021.

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

The Group received Covid-19 related grants to compensate costs related to e.g. employees on furlough, social security contribution and sick pay compensation mainly in the UK, Hong Kong and Switzerland. As the grants compensate costs already incurred, they are recognised as a reduction of staff costs. Depending on the specific commercial model, customers were appropriately and accordingly compensated.

(DKKm)	2021	2020
Wage subvention	415	1,321
Sick pay compensation	11	15
Social security contribution	6	12
Recognised in Staff costs	432	1,348
Hereof included in Other receivables	10	118

6.3 Related parties

Parent and ultimate controlling party

The Group's parent ISS A/S is the ultimate controlling party. At 31 December 2021, ISS had no related parties with either control of the Group or significant influence in the Group.

Key management personnel

The Board of Directors (Board) and the Executive Group Management (EGM) 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 2021.

6.4 Fees to auditors

(DKKm)	2021	2020
Statutory audit	71	75
Other assurance services	1	1
Tax and VAT advisory services	6	6
Other services	9	11
Total	87	93

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

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.

Basis of preparation

7.1 Significant accounting estimates and judgements

The preparation of the Group's consolidated financial statements required management to make judgements, estimates and assumptions that affected 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.

In 2021, Covid-19 continued to have an adverse impact on our business, although to a lesser extent than in 2020, including the Group's

operating performance and cash flows in 2021 and our financial position at 31 December 2021.

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.

Items being subject to significant estimates and judgements are described in the notes listed below.

Note	Item	Estimates	Judgements
1.2	Revenue	x	x
1.5	Deferred tax	x	x
2.1	Right-of-use assets		x
2.2	Trade receivables and credit risk	x	
2.3	Other receivables		x
2.6	Provisions	x	x
3.1	Discontinued operations	x	x
3.2	Assets and liabilities held for sale	x	x
3.6	Intangible assets	x	x
3.8	Impairment tests	x	
5.4	Pensions and similar obligations	x	

7.2 Change in accounting policies

From 1 January 2021, 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 and IFRS 16: Interest Rate Benchmark Reform – Phase 2.

7.3 General accounting policies

The consolidated financial statements of ISS A/S for the year ended 31 December 2021 comprise ISS A/S and its subsidiaries (collectively, the Group). Significant subsidiaries are listed in 7.6, Group companies.

The 2021 Annual Report for ISS A/S was discussed and approved by the Executive Group Management Board (the EGMB) and the Board of Directors (the Board) on 24 February 2022 and issued for approval at the subsequent annual general meeting on 7 April 2022.

Basis of preparation

The consolidated financial statements of the Group 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. 50.

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

Fair value measurement and disclosure

The consolidated financial statements have been prepared on a historical cost basis, except for assets and liabilities held for sale, derivative financial instruments and contingent consideration that have been measured at fair value.

The assets and liabilities above for which the fair value is measured are categorised within the fair value hierarchy and disclosed in the relevant notes.

For the purpose of fair value disclosures, management has assessed that the fair values of cash and cash equivalents, trade receivables, contingent consideration, trade payables and other current and non-current financial assets and liabilities approximates their carrying amount largely due to the short-term maturities of these instruments. The fair value of loans and borrowings, including methods and assumptions used to estimate the fair value, are disclosed in 4.2, Loans and borrowings.

Climate change

In preparing these consolidated financial statements management has considered the impact of climate change, which did not have a material impact on the estimates and judgements in these consolidated financial statements. In addition, it is management assessment that climate change is not expected to have a significant impact on the Group's going concern assessment, or in the long-term (next five years).

Going concern

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 have concluded that it is reasonable to apply the going concern concept as underlying assumption for the consolidated financial statements of the Group.

In reaching this conclusion, 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. Further, the conclusion is based on knowledge of the Group, the estimated economic outlook and identified risks and uncertainties in relation hereto. This includes review of budgets, expected development in available liquidity and capital, current credit facilities and their contractual and expected maturities.

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.

Basis of consolidation

The consolidated financial statements comprise ISS A/S and entities controlled by ISS 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 all intra-group assets and liabilities, equity, income, expenses and cash flow relating to transactions between members of the Group 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 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.

Segment reporting

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.

Reporting under the ESEF regulation

As we are a Group with securities listed on a regulated market within the EU, we are from 2021 required to prepare our Annual Report using a combination of the XHTML format and to tag the primary consolidated financial statements using iXBRL (Inline eXtensible Business Reporting Language).

The Group's iXBRL tags have been prepared in accordance with the ESEF taxonomy, which is included in the ESEF regulation and developed based on the IFRS taxonomy published by the IFRS Foundation.

The line items in the consolidated financial statements are tagged to elements in the ESEF taxonomy. For financial line items that are not directly defined in the ESEF taxonomy, an extension to the taxonomy has been created. Extensions are anchored to elements in the ESEF taxonomy, except for extensions that are subtotals.

The Annual Report submitted to the Danish Financial Supervisory Authority (the Officially Appointed Mechanism) are included in the zip file ISS-2021-12-31-en.zip.

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 2021.

- Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current;
- Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2: Disclosure of Accounting Policies;
- Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates;
- Amendments to IAS 12 Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction;
- Amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets: Onerous Contracts – Costs of Fulfilling a Contract.

None of these new standards, amendments to existing standards and interpretations are adopted by the EU at 31 December 2021.

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 Changes to segments

Effective 1 January 2022, Europe will be segmented into Northern Europe and Central & Southern Europe consistent with the Group's internal management and reporting structure going forward. The changed segmentation and the impact on segment information for 2021 is disclosed below.

Segment assets, segment liabilities and related disclosures are not provided to management on a regular basis and will therefore not be disclosed going forward.

(DKKm)	Central & Southern Europe	Northern Europe	Asia & Pacific	Americas	Other countries	Total segments	Un-allocated ³⁾	Eliminations ⁴⁾	Total Group
2021									
Revenue ¹⁾	23,585	27,685	12,381	7,141	612	71,404	-	(41)	71,363
Depreciation and amortisation ²⁾	(581)	(658)	(214)	(109)	(2)	(1,564)	(196)	-	(1,760)
Operating profit before other items	583	1,287	735	393	19	3,017	(1,241)	-	1,776
Operating margin	2.5%	4.6%	5.9%	5.5%	3.0%	4.2%	-	-	2.5%
Other income and expenses, net	431	(2)	(2)	78	-	505	(66)	-	439
Goodwill impairment	(450)	-	-	-	-	(450)	-	-	(450)
Amortisation/impairment of brands and customer contracts	(11)	(21)	(6)	(26)	-	(64)	-	-	(64)
Operating profit	554	1,263	727	445	19	3,008	(1,307)	-	1,701

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⁾ 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.

⁴⁾ Eliminations relate to intra-group balances.

7.6 Group companies


Below the Group's significant subsidiaries 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%

Germany 	
ISS Automotive Services GmbH	100%
ISS Facility Services Holding GmbH	100%
ISS Integrated Facility Services GmbH	100%
ISS Pharma Services GmbH	100%
ISS Energy Services GmbH	100%
ISS Communication Services GmbH	100%

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

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%
ISS World Services Poland Sp. Z.o.o	100%

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 Schweiz AG	100%

Turkey 

ISS Hazir Yemek Üretim ve Hizmet A.Ş.	50.1% ²⁾
ISS Proser Koruma ve Güvenlik Hizmetleri A.Ş.	50.1% ²⁾
ISS Tesis Yönetim Hizmetleri A.Ş.	50.1% ²⁾
ISS İşletme Hizmetleri A.Ş (Rönesans)	50.1% ²⁾

Northern Europe

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

ISS Facility Services A/S	100%
ISS Finance B.V.	100%
ISS World Services A/S	100%
ISS Global A/S	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%

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) Ltd.	100%
ISS Ireland Ltd.	100%

Americas

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%

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%
ISS Uniguard Security Inc.	100%
ISS Facility Services Inc. (CA)	100%

Asia & Pacific

Australia & New Zealand 

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 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 Property Management Co., Ltd.	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 Greater China Ltd.	100%
ISS Mediclean (HK) Ltd.	100%
ISS Pan Asia Security Services Ltd.	100%
JSL Ltd.	100%
Silvertch E&M Engineering Co., Ltd.	100%

India 

Innovative and Payroll Advisory Services Pvt. Ltd.	46% ²⁾
ISS Facility Services India Pvt. Ltd.	100%
ISS SDB Security Services Pvt. Ltd.	46% ²⁾
Modern Protection & Investigations Pvt. Ltd.	46% ²⁾
ISS Support Services Pvt. Ltd.	100%

Indonesia 

PT ISS Facility Services	49% ²⁾
PT ISS Indonesia	100%
PT ISS Jasa Fasilitas	0% ²⁾

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% ²⁾
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Portugal 

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

Facility Services RUS LLC	100%
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Taiwan 

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

¹⁾ Joint venture
²⁾ 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.

Parent company financial statements

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Statement of profit or loss

1 January – 31 December

(DKK)m	Note	2021	2020
Staff costs		(41)	(48)
Other operating expenses	3	(91)	(12)
Operating profit		(132)	(60)
Financial income	4	-	5
Financial expenses	4	(63)	(1)
Profit before tax		(195)	(56)
Income tax	5	57	20
Net profit		(138)	(36)

Statement of comprehensive income

1 January – 31 December

(DKK)m	Note	2021	2020
Net profit		(138)	(36)
Comprehensive income		(138)	(36)

Statement of cash flows

1 January – 31 December

(DKK)m	Note	2021	2020
Operating profit		(132)	(60)
Share-based payments		2	8
Changes in working capital		(5)	6
Interest received from companies within the ISS Group		(62)	5
Income tax (paid)/received		(70)	(108)
Joint taxation contribution (paid)/received, net		165	(36)
Cash flow from operating activities		(102)	(185)
Capital increase in subsidiary		-	(5,000)
Cash flow from investing activities		-	(5,000)
Other financial payments, net		(1)	(1)
Payments (to)/from companies within the ISS Group, net		103	5,186
Cash flow from financing activities		102	5,185
Total cash flow		0	0
Cash and cash equivalents at 1 January		0	0
Total cash flow		0	0
Cash and cash equivalents at 31 December		0	0

Statement of financial position

At 31 December

(DKKm)	Note	2021	2020
Assets			
Investment in subsidiary	6	27,674	27,674
Non-current assets		27,674	27,674
Receivables from companies within the ISS Group		3	39
Tax receivables		31	-
Cash and cash equivalents		0	0
Current assets		34	39
Total assets		27,708	27,713
Equity and liability			
Total equity		24,240	24,316
Debt to companies within the ISS Group		3,164	3,116
Deferred tax liabilities	7	237	203
Non-current liabilities		3,401	3,319
Debt to companies within the ISS Group		52	58
Trade payables and other liabilities		15	20
Current liabilities		67	78
Total liabilities		3,468	3,397
Total equity and liabilities		27,708	27,713

Statement of changes in equity

1 January - 31 December

(DKKm)	Share capital	Retained earnings	Treasury shares	Total
2021				
Equity at 1 January	185	24,322	(191)	24,316
Net profit	-	(138)	-	(138)
Comprehensive income	-	(138)	-	(138)
Share-based payments	-	62	-	62
Transactions with owners	-	62	-	62
Changes in equity	-	(76)	-	(76)
Equity at 31 December	185	24,246	(191)	24,240
2020				
Equity at 1 January	185	24,331	(191)	24,325
Net profit	-	(36)	-	(36)
Comprehensive income	-	(36)	-	(36)
Share-based payments	-	27	-	27
Transactions with owners	-	27	-	27
Changes in equity	-	(9)	-	(9)
Equity at 31 December	185	24,322	(191)	24,316

1 Accounting policies

Basis of preparation

The financial statements of ISS 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 A/S are identical to the Group's accounting policies, which are described in the notes to the consolidated financial statements.

Statement of financial position

Investment in subsidiary is measured at cost, which comprises consideration transferred measured at fair value and 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, the investment is 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 A/S is jointly taxed with all Danish resident

subsidiaries. ISS A/S acts as administration company for the joint taxation and consequently settles all payments of corporation tax with the tax authorities. Joint taxation contributions to/from jointly taxed companies are recognised in profit or loss 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 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).

2 Significant accounting estimates and judgements

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

Investment in subsidiary is tested for impairment when there is an indication that the investment 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 subsidiary, significant decline in market values etc.

3 Fees to auditors

(DKKm)	2021	2020
Statutory audit	1	1
Other assurance services	0	0
Total	1	1

4 Financial income and expenses

(DKKm)	2021	2020
Interest income from companies within the ISS Group	-	5
Financial income	-	5
Interest expenses to companies within the ISS Group	(62)	-
Bank fees	(1)	(1)
Financial expenses	(63)	(1)

5 Income tax

(DKKm)	2021	2020
Current tax	39	11
Deferred tax	-	1
Prior year adjustments, net	18	8
Income tax	57	20

Effective tax rate (ETR)

In %	2021	2020
Statutory income tax rate, Denmark	22.0 %	22.0 %
Non-tax-deductible expenses less non-taxable income	(1.8)%	(1.1)%
Prior year adjustments, net	9.1 %	15.2 %
Effective tax rate	29.3 %	36.1 %

6 Investment in subsidiary

(DKKm)	2021	2020
Cost at 1 January	27,674	22,674
Additions	-	5,000
Cost at 31 December	27,674	27,674
Carrying amount at 31 December	27,674	27,674

Additions In 2020, ISS A/S increased the capital in ISS World Services A/S by DKK 5,000 million through a contribution-in-kind of a receivable with a company within the ISS Group.

Subsidiary

ISS World Services A/S, Søborg, Denmark. 100%.

7 Deferred tax

(DKKm)	2021	2020
Deferred tax liability at 1 January	203	263
Prior year adjustments, net	34	(59)
Tax on profit before tax	-	(1)
Deferred tax liability at 31 December	237	203

Deferred tax liability at 31 December 2021 and at 31 December 2020 related to deferred re-taxation of foreign exchange gains/losses.

ISS A/S has no unrecognised deferred tax assets regarding tax losses carried forward (2020: None).

8 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 statement are also considered key management personnel of the parent.

Remuneration to the Board of Directors and the Executive Group Management is specified in 5.1 to the consolidated financial statements.

9 Contingent liabilities

Withholding taxes

ISS A/S is jointly taxed with all Danish resident subsidiaries. As administration company ISS A/S and 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 2021, Danish corporate tax and Danish withholding taxes amounted to DKK 0 million (2020: DKK 0 million). Any subsequent adjustments to Danish withholding taxes may change this joint and unlimited liability.

VAT

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

10 Financial risk management

ISS A/S's financial risks are managed centrally by Group Treasury based on the Financial Policy approved by the Board of Directors. The objectives, policies and processes for measuring and managing the exposure to financial risks is described in 4.4 to the consolidated financial statements. The risks specific to ISS A/S are described below.

11 Currency risk

At 31 December 2021 and at 31 December 2020, ISS A/S was not exposed to currency risk as no assets or liabilities were denominated in currencies other than DKK.

12 Liquidity risk

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

ISS A/S is a holding company and its primary assets consist of shares in ISS World Services A/S and receivables from companies within the ISS Group. ISS A/S has no revenue generating activities of its own, and therefore ISS A/S's cash flow and ability to service its indebtedness and other obligations, will depend primarily on the operating performance and financial condition of ISS World Services A/S and its operating subsidiaries, and the receipt by ISS A/S of funds from ISS World Services A/S and its subsidiaries in the form of dividends or otherwise.

At 31 December 2021, ISS A/S carried no significant financial liabilities. Thus the liquidity risk was primarily related to ISS A/S's obligations under the Danish joint taxation where ISS A/S acts as the administration company.

13 Credit risk

ISS A/S has no revenue generating activities and therefore no trade receivables. Consequently, credit risk is limited to an insignificant amount of cash and cash equivalents and an insignificant intercompany receivable with various indirectly owned subsidiaries in relation to joint taxation.

14 Related parties

In addition to the description in 6.3 to the consolidated financial statements of related parties and transactions with these, related parties of ISS A/S comprise ISS World Services A/S and its subsidiaries, associates and joint ventures, see 7.6 to the consolidated financial statements.

In 2021, ISS A/S had the following transactions with other related parties, which were all made on market terms:

- ISS A/S had a debt to ISS Global A/S of DKK 3,164 million (2020: DKK 3,116 million).
- ISS A/S paid interest to ISS Global A/S, see note 4, Financial income and expenses.
- ISS A/S received/paid joint taxation contribution equal to 22% of taxable income from/to jointly taxed Danish resident subsidiaries.

15 New standards and interpretations not yet implemented

New standards and interpretations not yet implemented are described in 7.4 to the consolidated financial statements.

Management statement

Copenhagen, 24 February 2022

The Board of Directors and the Executive Group Management Board have today discussed and approved the annual report of ISS A/S for the financial year 2021.

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 2021 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 2021.

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.

In our opinion, the annual report of ISS A/S for the financial year 2021 identified as ISS-2021-12-31-en.zip has been prepared, in all material respects, in compliance with the ESEF-regulation.

We recommend that the annual report be approved at the annual general meeting.

Executive Group Management Board

Jacob Aarup-Andersen
Group CEO

Kasper Fangel
Group CFO

Board of Directors

Niels Smedegaard
Chair

Henrik Poulsen
Deputy Chair

Valerie Beaulieu

Kelly Kuhn

Søren Thorup Sørensen

Ben Stevens

Cynthia Mary Trudell

Nada Elboayadi (E)

Joseph Nazareth (E)

Elsie Yiu (E)

Independent auditor's report

To the shareholders of ISS A/S

Opinion

We have audited the consolidated financial statements and the parent company financial statements of ISS A/S for the financial year 1 January – 31 December 2021, pp. 49-102, 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 2021 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 2021 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 A/S being listed on Nasdaq Copenhagen, we were initially appointed as auditor of ISS A/S on 15 April 2015 for the financial year 2015. We have been reappointed annually by resolution of the general meeting for a total consecutive period of seven years up until the financial year 2021.

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 2021. 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 2.6 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, contract 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' business combinations 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 3.6, 3.7 and 3.8 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 1.4 and 1.5 in the consolidated financial statements and notes 5 and 7 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.

Statement on the Management's review

Management is responsible for the Management's review, pp. 1-48.

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.

Report on compliance with the ESEF Regulation

As part of our audit of the consolidated financial statements and the parent company financial

statements of ISS A/S we performed procedures to express an opinion on whether the annual report ISS A/S for the financial year 1 January – 31 December 2021 with the file name ISS-2021-12-31-en.zip is prepared, in all material respects, in compliance with the Commission Delegated Regulation (EU) 2019/815 on the European Single Electronic Format (ESEF Regulation) which includes requirements related to the preparation of the annual report in XHTML format.

Management is responsible for preparing an annual report that complies with the ESEF Regulation. This responsibility includes the preparing of the annual report in XHTML format.

Our responsibility is to obtain reasonable assurance on whether the annual report is prepared, in all material respects, in compliance with the ESEF Regulation based on the evidence we have obtained, and to issue a report that includes our opinion. The procedures consist of testing whether the annual report is prepared in XHTML format.

In our opinion, the annual report of ISS A/S for the financial year 1 January – 31 December 2021 with the file name ISS-2021-12-31.zip is prepared, in all material respects, in compliance with the ESEF Regulation.

Copenhagen, 24 february 2022

EY Godkendt Revisionspartnerselskab

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RESPONDING TO NATURAL DISASTERS

Supporting businesses through natural disasters

We live in a world where natural disasters are increasing in frequency and severity. While events like floods, droughts, earthquakes and fires cannot be fully predicted, a lot can be done to build resilience and safeguard operations in the face of disasters, no matter the circumstances.

At ISS, we work alongside our clients to ensure business continuity during – and after – emergencies. Together, we plan and implement resilience-building tools and processes for a multitude of scenarios – including these two examples of addressing natural disasters:

Ensuring stormproof electricity and gas for a global American bank in Mexico

In February 2021, a severe winter storm swept through Texas and Northern Mexico, disrupting the gas supply and causing shortages in water and electricity – putting our preparedness to the test. With effective management of emergency generators as well as swift response to critical issues – for example, in six customer branches, water pipelines broke due to freezing conditions but were repaired within 24 hours – our customer came through the storm with 100% business continuity.

Securing operations during flooding for a global British bank in New York

Hurricane Ida was a deadly and destructive Category 4 Atlantic hurricane that struck the American Gulf Coast in August 2021. Flooding and storm surges resulted in catastrophic damage to both personal property and buildings, leaving neighbourhoods underwater, streets full of debris and many homes and businesses without power. The challenge was keeping our client's mission-critical sites safe, open and operational.

As rain began to fall, the potential for flooding became evident. ISS's technical and cleaning services team members volunteered to stay on and work overnight shifts to help mitigate and manage any potential damage to building infrastructures. All sites remained open with almost 100% of ISS teams arriving on site and on time.

“Thank you ISS. You responded quickly and in a coordinated way, ensuring that this potentially devastating hurricane had no impact to our operations. With one ‘unprecedented’ event after another – you always go above and beyond to come through for us.”

Global Banking Customer

Definitions

Financial ratios

Acquisitions, %

$$\frac{\text{Revenue from acquisitions}^{1)} \times 100}{\text{Revenue prior year}}$$

Currency adjustments

Total revenue growth – Organic growth
– Acquisition/divestment growth, net²⁾

Divestments, %

$$\frac{\text{Revenue from divestments}^{3)} \times 100}{\text{Revenue prior year}}$$

EBITDA before other items

Operating profit before other items +
Depreciation and amortisation

Equity ratio, %

$$\frac{\text{Total equity} \times 100}{\text{Total assets}}$$

Free cash flow

Cash flow from operating activities – Acq. of intangible assets and property, plant and equipment, net – Acq. of financial assets, net (excl. equity-accounted investees) – Addition of right-of-use assets, net

Net debt

Loans and borrowings – Securities – Cash and cash equivalents – Positive fair value of derivatives

Operating margin, %

$$\frac{\text{Operating profit before other items} \times 100}{\text{Revenue}}$$

Organic growth, %

$$\frac{(\text{Revenue current year} - \text{Comparable revenue}^{4)} \text{ prior year}) \times 100}{\text{Comparable revenue}^{4)} \text{ prior year}}$$

Pro forma adjusted EBITDA

EBITDA before other items, including EBITDA before other items in discontinued operations, as if all acquisitions and divestments had occurred on 1 January of the respective year

Total revenue growth, %

$$\frac{(\text{Revenue current year} - \text{Revenue prior year}) \times 100}{\text{Revenue prior year}}$$

Share ratios

Basic earnings per share (EPS)

$$\frac{\text{Net profit attributable to owners of ISS A/S}}{\text{Average number of shares}}$$

Diluted earnings per share

$$\frac{\text{Net profit attributable to owners of ISS A/S}}{\text{Average number of shares (diluted)}}$$

Average number of shares (basic)

Average number of issued shares, excluding treasury shares, for the year

Average number of shares (diluted)

Average number of shares (basic) + Average number of outstanding PSUs and RSUs expected to vest in the year

ESG ratios

CO₂ emissions

Electricity emissions are calculated based on IEA's Emissions factors, Vehicle emissions are calculated based on UK Government GHG Conversion Factors for Company Reporting and Business travel emissions are estimated based on Greenhouse Gas Protocols Evaluator Tool. Together these sum up the CO₂ emissions.

Employee turnover, %

$$\frac{\text{Number of employees who left in the year} \times 100}{\text{Average number of employees for the year}}$$

Customer retention, %

$$\frac{\text{Portfolio revenue (annual) retained at year-end}}{\text{Portfolio revenue (annual) retained at the beginning of the year}}$$

Lost Time Injury Frequency (LTIF)

LTI is a work-related injury preventing a person from working, i.e. being unfit for at least a full working day or shift. LTIF is based on 1 million exposure hours including contractors under ISS's operational control.

Fatalities

Measures the number of work-related fatalities.

Gender diversity, Board, %

$$\frac{\text{Women board members (AGM}^{5)} \text{ elected)} \times 100}{\text{Board members (AGM elected)}}$$

Board meeting attendance, %

$$\frac{\text{Accumulated number of board meetings attended for all board member} \times 100}{\text{Number of board meetings} \times \text{Number of board members}}$$

¹⁾ Management's expectations at the acquisition date.

²⁾ Incl. the effect stemming from exclusion of currency effects from the calculation of organic growth and acq./div. growth, net.

³⁾ Estimated or actual revenue where available at the divestment date.

⁴⁾ Excluding changes in revenue related to acq./div., net and the effect of changes in FX. To present comparable revenue and thereby organic growth excluding any effect from changes in FX, comparable revenue in prior year is calculated at current year's FX. 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 acquisition date.

⁵⁾ AGM = Annual General Meeting.

Alternative performance measures

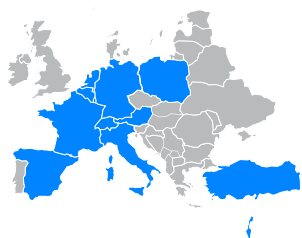
ISS uses various key figures, financial ratios, including alternative performance measures (APMs) and non-financial ratios, all of which provide our stakeholders with useful and necessary information about the Group's financial position, performance, cash flows and development in a consistent way. In relation to managing the business, achieving our strategic goals and ultimately creating value for our shareholders, these measures are considered essential.

Forward-looking statements

This Annual Report contains forward-looking statements, including, but not limited to, the guidance and expectations in Outlook on p. 10. 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.

Country revenue

Continental Europe



(DKKm)	of Group	2021	2020
Germany	8%	5,429	5,493
Switzerland	7%	5,212	5,286
Spain	6%	4,420	4,221
France	4%	3,075	3,152
Turkey	4%	2,719	2,691
Belgium & Luxembourg	4%	2,695	2,647
Austria	3%	2,031	1,920
Netherlands	2%	1,216	1,297
Italy	1%	699	575
Poland	0%	286	292
Lithuania	0%	62	55
Latvia	0%	2	5
Total	39%	27,846	27,634

Northern Europe



(DKKm)	of Group	2021	2020
UK & Ireland	15%	10,634	10,290
Denmark	5%	3,673	3,593
Norway	5%	3,181	2,965
Finland	4%	3,149	3,070
Sweden	4%	2,787	2,724
Total	33%	23,424	22,642

Asia & Pacific



(DKKm)	of Group	2021	2020
Australia & New Zealand	6%	4,349	3,968
Hong Kong	3%	2,403	2,409
Singapore	3%	2,035	2,137
Indonesia	2%	1,635	1,760
India	2%	1,076	1,247
China	1%	880	849
Other	0%	3	15
Total	17%	12,381	12,385

Americas



(DKKm)	of Group	2021	2020
USA & Canada	8%	5,298	5,882
Chile	1%	1,003	930
Mexico	1%	810	726
Other	0%	30	27
Total	10%	7,141	7,565

Partnership countries

Revenue in countries where we serve global key accounts but do not have a full country support structure comprises 1% of Group revenue or DKK 612 million (2020: DKK 562 million).

Partnership countries comprise: Argentina, Bangladesh, Brazil, Bulgaria, Czech Republic, Colombia, Costa Rica, Cyprus, Greece, Hungary, Israel, Japan, Jordan, Kazakhstan, Malaysia, Pakistan, Philippines, Puerto Rico, Romania, Serbia, Slovakia, South Africa, South Korea, Sri Lanka, Thailand, United Arab Emirates, Ukraine and Vietnam.

Discontinued operations

(DKKm)	2021	2020
Taiwan	431	409
Portugal	350	369
Russia	87	92
Brunei	40	41
Brazil	-	244
Completed/signed by end of 2021	323	2,133
Total	1,231	3,288

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