Annual report 2021

ISS Global A/S

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Annual report
1 January – 31 December 2021

Approved at the annual general meeting
On 19 April 2022

Bjørn Raasteen
Chair of the annual general meeting

Contents

Corporate Responsibility Report

Our CR report of the ISS A/S Group as per section 99a and §107d of the Danish Financial Statements Act is available at:
https://brand.issworld.com/web/24f976f13bb57357/corporate-responsibility-reports/
The report also serves as ISS's communication on progress in implementing the ten principles of the Global Compact.

Remuneration Report

Our remuneration policy is described in our Remuneration Report which is available at:
https://brand.issworld.com/m/1cb6c4270d293ad6/original/Remuneration-Report-2021.pdf

ISS Global A/S – an integral part of the ISS A/S Group

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

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

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

Due to this structure, the sections "Our business" and "Governance" of the Management review, pp. 15–27, are described in the context of the ISS A/S Group.

Key figures

Financials	2021[1]	2020	2019 [2]	2018	2017
Results (DKKm)					
Revenue	71,383	70,767	77,715	73,623	73,617
Operating profit before other items	2,920	(2,501)	3,829	4,260	4,545
Operating profit	1,628	(4,899)	2,059	1,998	2,911
Financial expenses, net	(573)	(549)	(695)	(583)	(489)
Net profit from continuing operations	496	(5,262)	798	980	1,839
Net profit from discontinued operations [3]	110	46	(46)	(886)	(201)
Net profit	606	(5,216)	752	94	1,638
Cash flow (DKKm)					
Cash flow from operating activities	3,221	(886)	1,275	2,653	2,752
Acquisition of intangible assets and property, plant and equipment, net	(424)	(552)	(897)	(813)	(770)
Free cash flow	1,900	(2,143)	(264)	1,818	1,975
Financial position (DKKm)					
Total assets	40,357	40,134	42,945	42,719	45,906
Goodwill	15,063	15,093	16,513	16,237	18,196
Additions to property, plant and equipment	308	382	673	881	738
Equity	4,246	3,195	2,711	3,403	1,956
Net debt	9,816	12,345	17,274	12,701	15,676

Ratios	2021	2020	2019	2018	2017
Financial ratios (%)					
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]	4.1%	(3.5)%	4.9%	5.8%	6.2%
Equity ratio	10.5%	8.0%	6.3%	8.0%	4.3%

ESG [5]	2021	2020	2019	2018	2017
Social (%)					
Full-time employees	76%	75%	77%	76%	76%
Employees end of period, number	354,394	378,724	470,806	485,676	488,722
Employees (average), number	362,554	434,664	483,296	485,682	491,633

[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 for the ISS A/S Group, see the 2021 Corporate Responsibility Report for the ISS A/S Group.

Outlook

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

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.

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 4.5% (2021: 4.1%). 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.

Free cash flow

Free cash flow is expected to be above DKK 1.0 billion (2021: DKK 1.9 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.

Delivery on 2021 outlook

	Annual report 2020	Interim report H1 2021	Actual 2021
Organic growth	Positive	Positive	2.0%
Operating margin [1]	Above 2.5%	Above 2.5%	4.1%
Free cash flow	DKK 0 - (1.0)bn	DKK 0 - 1.0bn	DKK 1.9bn

OUTLOOK 2022 [2]

Organic growth	Above 2%
Operating margin [1]	Above 4.5%
Free cash flow	Above DKK 1.0bn

[1] Based on Operating profit before other items
[2] Excluding any impact from acquisitions and divestments completed subsequent to 28 February 2022 as well as currency translation effect.

Delivery on 2021 outlook

As a result of the significant financial progress in 2021, we raised our outlook once 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” on p. 122 and our exposure to risk, see Our business risks on pp. 21-23.

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 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.

Revenue

DKK million	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	(21)	(20)	-	-	-	-
Group	71,383	70,767	2.0 %	(0.5)%	(6.0)%	0.9 %

Operating profit before other items

Operating profit before other items amounted to DKK 2,920 million for an operating margin of 4.1% (2020: (3.5)% or around 1.5% 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 tailormade 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.

Other income and expenses, net

Other income and expenses, net was an income of DKK 456 million (2020: expense of DKK 626 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 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 459 million (2020: DKK 535 million) which mainly relates to France. Turnaround 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 459 million in June 2021.

Operating profit before other items

DKK million	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	3.0 %	20	3.6 %
Corporate / eliminations	(97)	-	(199)	-
Group	**2,920**	**4.1 %**	**(2,501)**	**(3.5)%**

Operating profit

Operating profit was DKK 1,628 million (2020: DKK (4,899) million).

Financial income and expenses, net

Financial income and expenses, net was an expense of DKK 573 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 52.9% (2020: 3.4%) calculated as Income tax of DKK 559 million divided by Profit before tax of DKK 1,055 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 110 million (2020: DKK 46 million), including a net gain of DKK 77 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 606 million (2020: DKK (5,216) million).

Subsequent events

In February 2022, a war in Ukraine broke out following a Russian invasion of the country. We are monitoring the developing humanitarian crisis, and our priority is the safety and wellbeing of our people and our customers. ISS has no material activities in Ukraine, and our business in Russia has been classified as held for sale and discontinued operations since December 2020 and recognised at an immaterial amount.

It is management's assessment that the outbreak of the war has no impact on recognition and measurement at 31 December 2021, and further that it will not have a material impact on the results of the Group's operations and financial position in 2022.

Other than set out above or 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 annual report.

Cash generation and free cash flow

Cash flow from operating activities

Cash flow from operating activities was DKK 3,221 million (2020: DKK (886) million), an increase of DKK 4,107 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 1,039 million (2020: DKK 1,007 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 407 million, mainly due to payments related to restructuring projects initiated in 2020.

Income tax paid was DKK 443 million (2020: DKK 389 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 235 million (2020: net outflow of DKK 197 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 Rönesans 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 424 million (2020: DKK 552 million), represented 0.6% (2020: 0.8%) 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 2,994 million (2020: inflow of DKK 1,499 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 935 million was broadly in line with last year (2020: DKK 1,005 million).

Other financial payments, net was an outflow of DKK 431 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 Rönesans in Turkey.

Free cash flow

Free cash flow amounted to DKK 1,900 million (2020: DKK (2,143) million), an increase of DKK 4,043 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 867 million, which was broadly in line with 2020.

Capital structure

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

In 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 A/S 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 9.8 billion (2020: DKK 12.3 billion) due to the strong free cash flow performance and the divestment programme generating significant proceeds.

Equity

At 31 December 2021, equity was DKK 4,245 million (2020: DKK 3,195 million), equivalent to an equity ratio of 10.5% (2020: 8.0%). The increase was mainly a result of net profit of DKK 606 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.

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 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.

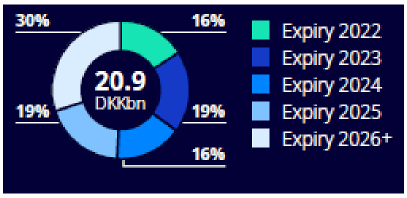
Contract maturity

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%).

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).

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.



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 493 million (2020: DKK 1,816 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 605 million (2020: loss of DKK 59 million) of which DKK 77 million (2020: DKK 61 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.

Continental Europe

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 459 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.

Northern Europe

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.

Asia & Pacific

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.

Americas

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: DKK 262 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.

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. 11.

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 below. 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. 5.

Underperforming contracts and countries

	Challenges identified in 2020	Progress 2021
Deutsche Telekom	• Delayed IT migration and operational challenges • Significant transition and mobilisation costs leading to write-downs and one-off costs in 2020	• 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 tailormade IT developments
FORSVARET Danish Defence	• Contract loss-making due to baseline and scope being materially different than assumed in the tender • Onerous contract provision recognised in 2020	• 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	• Organisational structure too decentralised to ensure satisfactory control environment • Significant revenue and operating margin reduction due to Covid-19	• 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	• Complex and fragmented organisational and governance structure • Significant revenue and operating margin reduction due to Covid-19	• 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
Leveraging global scale	• Fit for delivering IFS to key accounts • Effective Group-country collaboration	• 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)
Commercial discipline	• Strategic workplace partner to key accounts • Disciplined bid-to-operations process to mitigate risk of significant underperforming contracts and countries	• 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
Operations Performance & Products	• Strong time management and cost control • Innovative service offering for prioritised customer segments • Sustainability and D&I at the core	• 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
Technology	• 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	• Approved global IT&D strategy • Global tech team build-up, including full-line reporting for country IT teams • Cybersecurity capabilities strengthened • Cloud migration accelerated
Culture	• 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	• 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, and launched our global Diversity & inclusion strategy.

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 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 risks 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 ash 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
Failure to properly meet our operational and transformation execution goals, including, most importantly, the implementation of OneISS.	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.	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.	ISS being target of cyberattacks leading to business disruption and/or disclosure of ISS's and/or our customer's data.	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.
Risk drivers • Scale of transformation (complexity and number of initiatives)	**Risk drivers** • Scarcity of labour, e.g. due to Covid-19 driving unavailability of staff • Wage inflation • "War for talent" • Increasing employee expectations towards employers	**Risk drivers** • Scale of IT transformation (complexity and number of initiatives) • Complex IT landscape with fragmented applications and data structures • Cultural change	**Risk drivers** • Lack of awareness of full cyber risk/threat landscape • Insufficient employee and third party cyber security awareness	**Risk drivers** • Commercial discipline • Complexity in contracts, services, choice of commercial models • Large portfolio of complex contracts with increasing level of oversight within the contract
Mitigation measures • 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	**Mitigation measures** • 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	**Mitigation measures** • 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	**Mitigation measures** • 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	**Mitigation measures** • 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
Failure to execute the ongoing finance transformation aiming for stronger, more consistent finance processes, improved data quality and controls.	Failure to comply with applicable laws and regulations, including required licenses and permits which may lead to regulatory, operational, and reputational losses.	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.	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.
Risk drivers • Scale of transformation (complexity and number of initiatives) • Decentralised financial IT systems and inconsistent control structures	**Risk drivers** • 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	**Risk drivers** • 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	**Risk drivers** • Complexity of regulatory requirements related to ESG • Increasing focus on climate-related risks • Customers' requirements regarding support in driving their ESG agendas
Mitigation measures • 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	**Mitigation measures** • 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	**Mitigation measures** • 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	**Mitigation measures** • 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 governance

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

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

Framework

The Board of Directors (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.

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. 27, we have outlined the primary responsibilities of the Board and the EGM as well as 2021 activity by Board committees.

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.

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.

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 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. 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[1] was met with 43%. Including employee representatives, 50% of our Board is women.

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

[1] In respect of the specific target for ISS Global A/S cf. 99b of the Danish Financial Statements Act, the target to increase the number of women on the Board of Directors (Board) to at least one member by the annual general meeting in 2021 has been reached as the Board of ISS Global A/S currently consists of one woman and four men. The Board has set a new target to further increase the number of female board members to at least one third by the annual general meeting in 2025 although ISS remains committed to always selecting the best candidate for the Board based on competencies, experience and diversity. As ISS Global A/S does not have any employees and no defined other management levels, a policy and targets for promoting gender diversity at other management levels has not been adopted.

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

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 at:
https://brand.issworld.com/m/7718dae21a3a6761/original/ISS-Data-Ethics-Policy-20211215-_Final.pdf

Our governance structure

Board of Directors

Responsible for the overall management and strategic direction of the Group, including:
- strategy plan and annual budget
- appointing EGMB members
- supervising the activities of the Group
- reviewing the financial position and capital resources to ensure that these are adequate

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

2021 Committee activity

Audit and Risk Committee

The Audit and Risk Committee held seven meetings in 2021 and continued its focus on:
- 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

Remuneration Committee

The Remuneration Committee held nine meetings in 2021 and continued its focus on:
- Assisting in reviewing the remuneration policy and guidelines on incentive pay
- Recommending the remuneration of Board and EGMB members and approving remuneration of EGM

Nomination Committee

The Nomination Committee held ten meetings in 2021 and continued its focus on:
- 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

Transaction Committee

The Transaction Committee held four meetings in 2021 and continued its focus on:
- 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

Executive Group Management

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

EGM has established a number of committees, including Sustainability, Remuneration, IT & Digitalisation, Business Integrity and Transaction Committees.

Country leadership

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

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

Consolidated financial statements

Consolidated statement of profit or loss

1 January – 31 December

(DKKm)	Note	2021	2020
Revenue	1.1, 1.2	**71,383**	**70,767**
Staff costs	5.2, 5.3	(45,602)	(46,009)
Consumables		(5,020)	(5,750)
Other operating expenses		(16,276)	(19,820)
Depreciation and amortisation [1]	2.1, 3.6	(1,565)	(1,689)
Operating profit before other items	1.1	**2,920**	**(2,501)**
Other income and expenses, net	1.3	456	(626)
Royalty		(1,225)	(1,148)
Goodwill impairment	3.7	(459)	(535)
Amortisation/impairment of brands and customer contracts	3.6	(64)	(89)
Operating profit	1.1	**1,628**	**(4,899)**
Financial income	4.3	110	64
Financial expenses	4.3	(683)	(613)
Profit before tax		**1,055**	**(5,448)**
Income tax	1.4, 1.5	(559)	186
Net profit from continuing operations		**496**	**(5,262)**
Net profit from discontinued operations	3.1	**110**	**46**
Net profit		**606**	**(5,216)**
Attributable to:			
The owner of ISS Global A/S		584	(5,226)
Non-controlling interests		22	10
Net profit		**606**	**(5,216)**

[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		**606**	**(5,216)**
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	174	(622)
Fair value adjustments of net investment hedges	4.1	(191)	180
Recycling of accumulated foreign exchange adjustments on country exits	4.1	15	1
Tax		42	(40)
Net total, that may be reclassified to profit or loss in subsequent periods		**40**	**(481)**
Other comprehensive income		**94**	**(600)**
Comprehensive income		**700**	**(5,816)**
Attributable to:			
The owner of ISS Global A/S		693	(5,821)
Non-controlling interests		7	5
Comprehensive income		**700**	**(5,816)**

Consolidated statement of cash flows

At 31 December

(DKKm)	Note	2021	2020
Operating profit before other items		2,920	(2,501)
Operating profit before other items from discontinued operations	3.1	87	86
Depreciation and amortisation	2.1, 3.6	1,565	1,704
Share-based payments		34	11
Changes in working capital	2.5	1,039	1,007
Changes in provisions, pensions and similar obligations		(407)	1,494
Other expenses paid		(50)	(325)
Interest received from companies within the ISS Group		65	13
Interest received, external		40	71
Interest paid to companies within the ISS Group		-	(8)
Interest paid, external		(472)	(513)
Income tax paid	1.4	(443)	(389)
Payments related to royalties		(1,157)	(1,536)
Cash flow from operating activities		**3,221**	**(886)**
Acquisition of businesses	3.4	(526)	(102)
Divestment of businesses	3.3	1,191	505
Acquisition of intangible assets and property, plant and equipment		(466)	(583)
Disposal of intangible assets and property, plant and equipment		42	31
Acquisition of financial assets, net		(6)	(48)
Cash flow from investing activities		**235**	**(197)**
Proceeds from bonds	4.2	-	3,694
Repayment of bonds	4.2	(1,577)	(2,234)
Repayment of lease liabilities	4.2	(935)	(1,005)
Other financial payments, net	4.2	(431)	709
Capital increase from ISS World Service A/S		-	5,000
Payments (to)/from companies within the ISS Group, net		(215)	(4,665)
Transactions with non-controlling interests	3.4	164	-
Cash flow from financing activities		**(2,994)**	**1,499**
Total cash flow		**462**	**416**
Cash and cash equivalents at 1 January		2,741	2,669
Total cash flow		462	416
Foreign exchange adjustments		224	(344)
Cash and cash equivalents at 31 December	4.6	**3,427**	**2,741**
Free cash flow	2.7	**1,900**	**(2,143)**

Consolidated statement of financial position

At 31 December

(DKKm)	Note	2021	2020
Assets			
Intangible assets	3.6, 3.8	16,055	15,910
Property, plant and equipment and leases	2.1	3,273	3,456
Receivables from companies within the ISS Group		3,164	3,116
Deferred tax assets	1.5	790	818
Other financial assets		451	351
Non-current assets		**23,733**	**23,651**
Inventories		177	175
Trade receivables	2.2	10,406	9,861
Tax receivables		164	163
Receivables from companies within the ISS Group		466	291
Other receivables	2.3	1,491	1,436
Cash and cash equivalents	4.6	3,427	2,741
Assets held for sale	3.2	493	1,816
Current assets		**16,624**	**16,483**
Total assets		**40,357**	**40,134**
Equity and liability			
Equity attributable to the owner of ISS Global A/S		4,039	3,166
Non-controlling interests	3.4	206	29
Total equity	4.1	**4,245**	**3,195**
Loans and borrowings	4.2	16,032	17,236
Pensions and similar obligations	5.4	1,351	1,480
Deferred tax liabilities	1.5	378	345
Provisions	2.6	755	624
Non-current liabilities		**18,516**	**19,685**
Loans and borrowings	4.2	866	1,264
Trade and other payables		5,566	4,839
Tax payables		174	103
Other liabilities	2.4	9,749	8,908
Provisions	2.6	961	1,302
Liabilities held for sale	3.2	280	838
Current liabilities		**17,596**	**17,254**
Total liabilities		**36,112**	**36,939**
Total equity and liabilities		**40,357**	**40,134**

Consolidated statement of changes in equity

1 January – 31 December

(DKKm)	Note	Share capital	Retained earnings	Translation reserve [1]	Total	Non-controlling interests	Total equity
		Attributable to the owner of ISS Global A/S					
2021							
Equity at 1 January		**180**	**3,998**	**(1,012)**	**3,166**	**29**	**3,195**
Net profit		-	584	-	584	22	606
Other comprehensive income		-	54	55	109	(15)	94
Comprehensive income		-	638	55	693	**7**	**700**
Transactions with non-controlling interests	3.4		180	-	180	170	350
Transactions with the owner		-	180	-	180	170	350
Changes in equity		-	818	55	873	**177**	**1,050**
Equity at 31 December		**180**	**4,816**	**(957)**	**4,039**	**206**	**4,245**
2020							
Equity at 1 January		**180**	**3,043**	**(536)**	**2,687**	**24**	**2,711**
Net profit		-	(5,226)	-	(5,226)	10	(5,216)
Other comprehensive income		-	(119)	(476)	(595)	(5)	(600)
Comprehensive income		-	**(5,345)**	**(476)**	**(5,821)**	**5**	**(5,816)**
Capital increase		0	6,300	-	6,300	-	6,300
Transactions with the owner		0	**6,300**	-	**6,300**	-	**6,300**
Changes in equity		0	**955**	**(476)**	**479**	**5**	**484**
Equity at 31 December		**180**	**3,998**	**(1,012)**	**3,166**	**29**	**3,195**

[1] At 31 December 2021, DKK 39 million (2020: DKK 22 million) of accumulated foreign exchange gains related to discontinued operations.

SECTION 1
Operating profit and tax

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 7.5, 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.

(DKKm)	Continental Europe	Northern Europe	Asia & Pacific	Americas [4]	Other countries	Total segments	Unallocated [5]	Eliminations [6]	Total Group
2021									
Revenue [1]	27,846	23,424	12,381	7,141	612	71,404	-	(21)	71,383
Depreciation and amortisation [2]	(676)	(563)	(214)	(109)	(2)	(1,564)	(1)	-	(1,565)
Operating profit before other items	773	1,097	735	393	19	3,017	(97)	-	2,920
Operating margin	2.8%	4.7%	5.9%	5.5%	3.1%	4.2%	-	-	4.1%
Other income and expenses, net	445	1	(2)	78	-	522	(66)	-	456
Royalty	(459)	(438)	(188)	(131)	(9)	(1,225)	-	-	(1,225)
Goodwill impairment	(459)	-	-	-	-	(459)	-	-	(459)
Amortisation/impairment of brands and customer	(11)	(21)	(7)	(26)	-	(65)	1	-	(64)
Operating profit	288	639	539	314	10	1,790	(162)	-	1,628
Total assets	15,446	14,098	7,698	4,811	752	42,805	20,997	(23,445)	40,357
Hereof assets held for sale	-	-	158	-	335	493	-	-	493
Additions to non-current assets [3]	1,188	420	115	91	3	1,817	26	-	1,843
Total liabilities	9,597	10,047	3,341	3,341	457	26,783	32,765	(23,436)	36,112
Hereof liabilities held for sale	-	-	33	-	247	280	-	-	280

[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 mainly internal and external loans and borrowings, cash and cash equivalents and intra-group balances.

[6] Eliminations relate to intra-group balances.

1.1 Segment information (continued)

(DKKm)	Con-tinental Europe [4]	Northern Europe	Asia & Pacific	Americas	Other countries	Total segments	Unallo-cated [4]	Elimi-nation [5]	Total Group
2020									
Revenue [1]	27,634	22,642	12,385	7,565	561	70,787	-	(20)	70,767
Depreciation and amortisation [2]	(781)	(618)	(188)	(101)	(1)	(1,689)	-	-	(1,689)
Operating profit before other items	(2,030)	(1,200)	646	262	20	(2,302)	(199)	-	(2,501)
Operating margin	(7.3)%	(5.3)%	**5.2%**	**3.5%**	**3.7%**	(3.3)%	-	-	(3.5)%
Other income and expenses, net	(430)	(120)	(53)	-	(1)	(604)	(22)	-	(626)
Royalty	(456)	(379)	(207)	(102)	(4)	(1,148)	-	-	(1,148)
Goodwill impairment	(517)	-	(18)	-	-	(535)	-	-	(535)
Amortisation/impairment of brands and customer	(11)	(27)	(25)	(26)	-	(89)	-	-	(89)
Operating profit	(3,444)	(1,726)	343	134	16	(4,677)	(222)	-	(4,899)
Total assets	15,109	13,813	7,059	4,206	1,145	41,332	21,241	(22,439)	40,134
Hereof assets held for sale	336	-	114	744	622	1,816	-	-	1,816
Additions to non-current assets [3]	641	536	138	40	13	1,368	-	-	1,368
Total liabilities	9,326	10,255	3,272	3,018	690	26,561	32,806	(22,428)	36,939
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] Unallocated relates to the Group's holding companies and comprises mainly internal and external loans and borrowings, cash and cash equivalents and intra-group balances.

[5] Eliminations relate to intra-group balances.

1.1 Segment information (continued)

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]	32,368	32,034
Total	71,383	70,767

[1] Including unallocated items and eliminations.

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

(DKKm)	2021	2020
UK & Ireland	2,334	2,265
USA & Canada	2,362	2,203
Denmark (country of domicile)	1,549	1,575
Switzerland	1,399	1,440
Australia & New Zealand	1,246	1,219
Spain	1,007	1,101
Germany	915	955
Other countries [2]	12,131	12,075
Total	22,943	22,833

[1] Excluding deferred tax assets.

[2] Including unallocated items and eliminations.

1.2 Revenue

Performance obligations

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

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.

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.

(DKKm)	2021	2020
Customers		
Key accounts	49,258	47,093
Large and medium	17,958	19,582
Small and route-based	4,167	4,092
Total	71,383	70,767

1.2 Revenue (continued)

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. 37, 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:

(DKKm)	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 descoped based on a term of less than 12 months (due to termination for convenience clauses) and some contracts are descoped on the basis that they are invoiced based on time incurred.

In terms of our small and route-based customers, the vast majority is descoped 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.

1.2 Revenue (continued)

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.

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

(DKKm)	2021	2020
Gain on divestments	621	22
IT security incident	7	-
Other income	**628**	**22**
Loss on divestments	(34)	(107)
Carrying amount adjustment re. ceased held for sale classification	(59)	-
Acquisition costs	(77)	(6)
IT security incident	-	(516)
Winding up of businesses	-	(18)
Other	(2)	(1)
Other expenses	**(172)**	**(648)**
Other income and expenses, net	**456**	**(626)**

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.

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 Rönesans 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.

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.

1.4 Income tax

(DKKm)	2021	2020
Current tax	509	242
Deferred tax	5	(426)
Prior year adjustments, net	45	(2)
Income tax	**559**	**(186)**

Effective tax rate (ETR)

Group	2021	2020
Statutory income tax rate, Denmark	22.0 %	22.0 %
Foreign tax rate differential, net	(14.3)%	5.8 %
Total	**7.7 %**	**27.8 %**
Non-tax-deductible expenses less non-taxable income	7.9%	0.2%
Non-tax-deductible impairment	12.0%	(3.1%)
Prior year adjustments, net	4.2 %	0.0 %
Change in valuation of tax assets, net	17.2 %	(20.3)%
Changes in tax rates	(0.7)%	(0.1)%
Other taxes	4.6%	(1.1)%
Effective tax rate	**52.9%**	**3.4%**

	Statutory income tax rate	ETR	
By country [1]	2021	2021	2020 [3]
Australia	30.0%	30.2%	30.0%
Denmark (incl. HQ) [2]	22.0%	(15.0)%	37.8%
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 for 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.

1.4 Income tax (continued)

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, 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.

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, see https://brand.issworld.com/m/530c5e0919524b04/original/Group-Tax-Policy.pdf
2021 Corporate Responsibility Report: https://brand.issworld.com/web/24f976f13bb57357/corporate-responsibility-reports/

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.

1.5 Deferred tax

Development in deferred tax

(DKKm)	2021	2020
Deferred tax liabilities, net at 1 January	(473)	(89)
Prior year adjustments, net	25	41
Foreign exchange adjustments	(25)	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	5	(426)
Deferred tax liabilities, net at 31 December	(412)	(473)

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 Rönesans Facility Management Company in Turkey.

Other comprehensive income comprised tax on actuarial gains on pensions.

Deferred tax specification

	Deferred tax assets		Deferred tax liabilities	
(DKKm)	2021	2020	2021	2020
Tax losses carried forward	336	466	-	-
Goodwill	4	4	412	372
Brands	-	-	1	3
Customer contracts	8	13	141	69
Property, plant and equipment	125	86	374	378
Provisions and other liabilities	1,062	861	331	312
Pensions	158	177	22	-
Set-off within legal tax units and jurisdictions	(903)	(789)	(903)	(789)
Total	790	818	378	345

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.

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.

1.5 Deferred tax (continued)

Significant accounting estimates

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

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.

SECTION 2

Operating assets, liabilities and free cash flow

2.1 Property, plant and equipment and leases

(DKKm)	Leases (right-of-use assets) Properties	Vehicles	Other	Total	Property, plant and equipment	Total
2021						
Cost at 1 January	2,313	1,301	673	4,287	3,568	7,855
Prior year adjustments	(117)	(203)	(94)	(414)	-	(414)
Foreign exchange adjustments	51	17	(46)	22	45	67
Additions	347	369	140	856	308	1,164
Acquisitions	-	-	6	6	27	33
Divestments	-	-	-	-	(122)	(122)
Disposals	(127)	(195)	(96)	(418)	(489)	(907)
Reclass	-	(8)	-	(8)	8	-
Reclass (to)/from Assets held for sale	17	15	(6)	26	36	62
Cost at 31 December	2,484	1,296	577	4,357	3,381	7,738
Depreciation at 1 January	(819)	(682)	(353)	(1,854)	(2,545)	(4,399)
Prior year adjustments	117	203	94	414	-	414
Foreign exchange adjustments	(18)	(12)	21	(9)	(57)	(66)
Impairment	(32)	-	-	(32)	(5)	(37)
Depreciation	(402)	(365)	(141)	(908)	(419)	(1,327)
Divestments	-	-	-	-	109	109
Disposals	126	195	95	416	456	872
Reclass	-	7	-	7	(7)	-
Reclass (to)/from Assets held for sale	(10)	(9)	5	(14)	(17)	(31)
Depreciation at 31 December	(1,038)	(663)	(279)	(1,980)	(2,485)	(4,465)
Carrying amount at 31 December	1,446	633	298	2,377	896	3,273
2020						
Cost at 1 January	2,239	1,157	641	4,037	4,363	8,400
Foreign exchange adjustments	(44)	(32)	(57)	(133)	(160)	(293)
Additions	298	314	126	738	382	1,120
Divestments	(0)	(5)	(0)	(5)	(11)	(16)
Disposals	(73)	(24)	(19)	(116)	(551)	(667)
Reclass	-	(10)	(6)	(16)	4	(12)
Reclass (to)/from Assets held for sale	(107)	(99)	(12)	(218)	(459)	(677)
Cost at 31 December	2,313	1,301	673	4,287	3,568	7,855
Depreciation at 1 January	(444)	(374)	(234)	(1,052)	(2,939)	(3,991)
Foreign exchange adjustments	16	13	21	50	114	164
Impairment	(2)	(0)	-	(2)	(74)	(76)
Depreciation	(432)	(374)	(154)	(960)	(488)	(1,448)
Divestments	-	3	0	3	8	11
Disposals	16	8	13	37	524	561
Reclass	-	5	(2)	3	(1)	2
Reclass (to)/from Assets held for sale	27	37	3	67	311	378
Depreciation at 31 December	(819)	(682)	(353)	(1,854)	(2,545)	(4,399)
Carrying amount at 31 December	1,494	619	320	2,433	1,023	3,456

2.1 Property, plant and equipment and leases (continued)

Lease liability

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

Lease-related costs recognised in profit or loss

(DKKm)	2021	2020
Depreciation of right-of-use assets	908	960
Interest expenses on lease liabilities	67	78
Short-term leases	168	166
Leases of low value assets	88	91
Variable lease payments	13	11
Recognised in profit or loss	1,244	1,306
Hereoff cash outflow	336	346

Significant accounting judgement

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.

2.1 Property, plant and equipment and leases (continued)

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 straightline 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 Gross	2021 Loss allowance	2021 Carrying amount	2020 Gross	2020 Loss allowance	2020 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 Gross	2021 Loss allowance	2021 Carrying amount	2020 Gross	2020 Loss allowance	2020 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 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 above.

2.2 Trade receivables and credit risk (continued)

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)

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, p. 48.

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	282	262
Supplier rebates and bonuses	352	287
Receivable divestment proceeds	155	19
Sign-on fees	134	133
Securities	103	76
Pass-through costs	48	72
Transition and mobilisation costs	62	115
Currency swaps	-	5
Other	355	467
Total	1,491	1,436

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	4,616	4,050
Tax withholdings, VAT etc.	2,211	2,118
Debt to companies within the ISS Group	1,245	1,149
Prepayments from customers	868	560
Contingent consideration and deferred payments	31	133
Other	778	898
Total	9,749	8,908

In 2021, other liabilities increased DKK 841 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	(136)	2,784
Changes in payables	1,171	(1,866)
Total	1,039	1,007

2.6 Provisions

(DKKm)	Legal and labour-related cases	Self-insurance	Restruc-turings	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

2.6 Provisions (continued)

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	The Group carries insurance provisions on employers' liability and/or workers compensation in the countries listed below. • 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 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.
Re-structurings	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.

2.6 Provisions (continued)

Significant accounting estimates and judgement

Onerous contracts Our strategy to focus on large key accounts will increasingly lead to a customer base comprising large, more complex contracts. The size and complexity of such contracts will often require us to incur significant transition and mobilisation costs before service delivery commences in order to fulfill the performance obligations under the contract 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 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. 122, 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	(886)
Acquisition of intangible assets and property, plant and equipment	(466)	(583)
Disposal of intangible assets and property, plant and equipment	42	31
Acquisition of financial assets, net [1)]	(30)	(19)
Addition of right-of-use assets, net [2)]	(867)	(686)
Free cash flow	1,900	(2,143)

[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.

SECTION 3
Strategic divestments and acquisitions

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 milllion 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 shareholder of ISS Global A/S.

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

Net profit/(loss) from discontinued operations

(DKKm)	2021	2020
Revenue	1,231	3,289
Expenses [1]	(1,144)	(3,203)
Operating profit before other items	87	86
Other income and expenses, net [2]	94	176
Royalty	(35)	(70)
Goodwill impairment [2]	(17)	(116)
Operating profit	129	76
Financial income/(expenses), net	0	(12)
Net profit before tax	129	64
Income tax	(19)	(18)
Net profit from discontinued operations	110	46

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

[2] Including the combined net gain of DKK 77 million from divestments and fair value remeasurements, including recycling of accumulated foreign exchange adjustments, see 3.2, Assets and liabilities held for sale.

3.1 Discontinued operations (continued)

Cash flow from discontinued operations

DKK million	2021	2020
Cash flow from operating activities	36	48
Cash flow from investing activities	(83)	(150)
Cash flow from financing activities	(16)	(197)

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	126	547
Customer contracts	-	14
Other non-current assets	165	574
Current assets	202	681
Assets held for sale	493	1,816
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 605 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 528 million (gain)
- Net profit from discontinued operations, DKK 77 million (gain)

(DKKm)	2021
Kanal Services, Switzerland	467
Specialized Services, USA	138
Other minor business units, net	(18)
Chile (ceased held for sale classification)	(59)
Other income and expenses, net (gain)	528
Slovakia	73
Czech Republic	26
Romania	17
Slovenia	(11)
Other countries	(28)
Discontinued operations (gain)	77
Total net gain	605

Recycling of accumulated foreign exchange adjustments recognised in equity had a positive impact on the total net gain of DKK 15 million.

3.2 Assets and liabilities held for sale (continued)

Significant accounting estimates and judgement

Non-current assets and disposal groups are classified as held for sale when management assesses that their carrying amounts will be recovered through a sale 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	360	118
Customer contracts	5	11
Other non-current assets	337	79
Current assets	504	569
Non-current liabilities	(43)	(66)
Loans and borrowings	(134)	(29)
Current liabilities	(239)	(272)
Net assets disposed	790	410
Gain/(loss) on divestment, net	683	224
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

3.3 Divestments (continued)

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 28 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 Sâglik Yatirim), 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 Elazig) 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 28 February 2022.

3.4 Acquisitions (continued)

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 Accounting policy 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	71,383	70,767
Pro forma revenue	70,296	70,738
Operating profit before other items as reported	2,920	(2,501)
Pro forma operating profit before other items	2,875	(2,500)

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	Total
2021					
Cost at 1 January	17,065	49	3,669	1,495	22,278
Foreign exchange adjustments	282	4	11	19	316
Additions	97	-	428	7	532
Acquisitions	-	-	-	114	114
Divestments	(19)	-	(106)	(1)	(126)
Disposals	-	-	(12)	(174)	(186)
Reclass to Assets held for sale	67	-	49	(15)	101
Cost at 31 December	17,492	53	4,039	1,445	23,029
Amortisation and impairment losses at 1 January	(1,972)	(36)	(3,345)	(1,015)	(6,368)
Foreign exchange adjustments	2	(3)	(117)	(15)	(133)
Amortisation	-	(10)	(54)	(180)	(244)
Impairment	(459)	-	-	(23)	(482)
Divestments	-	-	101	1	102
Disposals	-	-	12	169	181
Reclass to Assets held for sale	-	-	(39)	9	(30)
Amortisation and impairment losses at 31 December	(2,429)	(49)	(3,442)	(1,054)	(6,974)
Carrying amount at 31 December	15,063	4	597	391	16,055
2020					
Cost at 1 January	18,007	55	3,870	1,604	23,536
Foreign exchange adjustments	(551)	(6)	(161)	(43)	(761)
Acquisitions	87	-	-	-	87
Additions	-	-	-	160	160
Divestments	(41)	-	(11)	-	(52)
Disposals	-	-	-	(225)	(225)
Reclass (to)/from Property, plant and equipment	-	-	-	12	12
Reclass to Assets held for sale	(437)	-	(29)	(13)	(479)
Cost at 31 December	17,065	49	3,669	1,495	22,278
Amortisation and impairment losses at 1 January	(1,494)	(30)	(3,453)	(1,012)	(5,989)
Foreign exchange adjustments	18	4	133	24	179
Amortisation	-	(10)	(79)	(162)	(251)
Impairment	(631)	-	-	(98)	(729)
Divestments	22	-	11	-	33
Disposals	-	-	-	222	222
Reclass to/(from) Property, plant and equipment	-	-	-	(2)	(2)
Reclass to Assets held for sale	113	-	43	13	169
Amortisation and impairment losses at 31 December	(1,972)	(36)	(3,345)	(1,015)	(6,368)
Carrying amount at 31 December	15,093	13	324	480	15,910

3.6 Intangible assets (continued)

Impairment of goodwill comprised losses identified in impairment tests related to France of DKK 459 million (2020: DKK 500 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

Goodwillis 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 contractsare 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

3.7 Goodwill impairment

(DKKm)	2021	2020
Identified in impairment tests	459	500
Loss on divestments	-	35
Total	459	535

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.

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.

3.8 Impairment tests (continued)

Key assumptions (per CGU)	Description
Revenue growth (forecasting period)	• 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)	• Does not exceed the expected long-term average growth rate for the country, including inflation
Operating margin	• 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 Covid-19 and operational challenges are considered, where relevant
Discount rates (net of tax)	• 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)

Result of the impairment tests 2021	
30 June 2021	An impairment loss of DKK 459 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.

3.8 Impairment tests (continued)

Carrying amounts and key assumptions

The carrying amounts of intangibles and key assumptions[1)] 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.

	Carrying amount			Forecasting period		Terminal period		Applied discount rate	
(DKKm)	Goodwill	Customer contracts	Total	Growth (avg.)	Margin (avg.) [2)]	Growth	Margin [2)]	Net of tax	Pre-tax
2021									
USA & Canada	2,068	161	2,229	13.1 %	6.8 %	3.0 %	6.8 %	9.0 %	11.6 %
UK & Ireland	1,807	121	1,928	3.9 %	4.6 %	2.5 %	6.0 %	8.7 %	11.3 %
Finland	1,653	-	1,653	1.7 %	6.4 %	2.0 %	6.5 %	7.3 %	9.1 %
Australia & NZ	1,324	4	1,328	2.2 %	6.1 %	2.5 %	6.1 %	8.7 %	12.3 %
Switzerland	1,159	-	1,159	1.5 %	7.1 %	1.5 %	7.1 %	6.3 %	7.6 %
Spain	1,005	1	1,006	0.4 %	5.9 %	2.0 %	6.5 %	7.7 %	10.2 %
France	936	-	936	1.4 %	3.3 %	2.0 %	5.0 %	8.9 %	13.7 %
Sweden	807	-	807	3.3 %	5.5 %	2.0 %	6.2 %	8.0 %	10.0 %
Belgium & Lux.	788	-	788	3.6 %	5.7 %	2.0 %	6.0 %	7.3 %	9.8 %
Other	3,516	310	3,826	-	-	-	-	-	-
Total	15,063	597	15,660						
2020									
USA & Canada	1,865	163	2,028	13.4 %	5.9 %	3.0 %	6.0 %	9.4 %	11.9 %
UK & Ireland	1,687	132	1,819	4.7 %	4.4 %	2.5 %	6.0 %	8.4 %	10.0 %
Finland	1,653	-	1,653	2.4 %	5.7 %	2.0 %	6.5 %	7.0 %	8.5 %
France	1,396	-	1,396	3.1 %	3.1 %	2.0 %	5.0 %	7.3 %	10.4 %
Australia & NZ	1,289	8	1,297	0.9 %	4.6 %	2.5 %	4.6 %	8.3 %	11.7 %
Switzerland	1,147	-	1,147	2.3 %	7.0 %	1.5 %	7.2 %	6.0 %	7.3 %
Spain	1,021	11	1,032	3.8 %	6.0 %	2.0 %	6.5 %	7.7 %	10.1 %
Sweden	823	-	823	3.3 %	4.7 %	2.0 %	6.2 %	7.4 %	9.0 %
Belgium & Lux.	788	-	788	3.9 %	5.2 %	2.0 %	6.0 %	7.2 %	9.3 %
Other	3,424	10	3,434	-	-	-	-	-	-
Total	15,093	324	15,417						

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

[2)] Excluding allocated corporate costs and royalty.

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.

3.8 Impairment tests (continued)

Sensitivity analysis

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

	Forecasting period				Terminal period				Discount rate, net of tax	
	Growth		Margin [1]		Growth		Margin [1]			
	Avg. rate	Allowed decrease	Avg. rate	Allowed decrease	Long-term rate	Allowed decrease	Long-term rate	Allowed decrease	Rate	Allowed increase
2021										
USA & Canada	13.1 %	>13.1 %	6.8 %	>6.8 %	3.0 %	>3.0 %	6.8 %	4.6 %	9.0 %	8.7 %
UK & Ireland	3.9 %	>3.9 %	4.6 %	>4.6 %	2.5 %	>2.5 %	6.0 %	4.7 %	8.7 %	>8.7 %
Finland	1.7 %	>1.7 %	6.4 %	>6.4 %	2.0 %	>2.0 %	6.5 %	2.9 %	7.3 %	3.5 %
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 %	6.2 %	6.3 %	>6.3 %
Spain	0.4 %	>0.4 %	5.9 %	>5.9 %	2.0 %	>2.0 %	6.5 %	3.1 %	7.7 %	4.3 %
France	1.4 %	0.2 %	3.3 %	0.2 %	2.0 %	0.1 %	5.0 %	0.1 %	8.9 %	0.1 %
Sweden	3.3 %	>3.3 %	5.5 %	>5.5 %	2.0 %	>2.0 %	6.2 %	5.5 %	8.0 %	>8.0 %
Belgium & Lux.	3.6 %	>3.6 %	5.7 %	>5.7 %	2.0 %	>2.0 %	6.0 %	3.6 %	7.3 %	6.4 %
2020										
USA & Canada	13.4 %	>13.4 %	5.9 %	>5.9 %	3.0 %	>3.0 %	6.0 %	4.2 %	9.4 %	8.4 %
UK & Ireland	4.7 %	>4.7 %	4.4 %	>4.4 %	2.5 %	>2.5 %	6.0 %	4.9 %	8.4 %	>8.4 %
Finland	2.4 %	>2.4 %	5.7 %	>5.7 %	2.0 %	>2.0 %	6.5 %	3.7 %	7.0 %	4.8 %
France	3.1 %	2.0 %	3.1 %	2.0 %	2.0 %	0.6 %	5.0 %	0.5 %	7.3 %	0.5 %
Australia & NZ	0.9 %	>0.9 %	4.6 %	4.6 %	2.5 %	>2.5 %	4.6 %	1.4 %	8.3 %	2.1 %
Switzerland	2.3 %	>2.3 %	7.0 %	>7.0 %	1.5 %	>1.5 %	7.2 %	6.6 %	6.0 %	>6.0 %
Spain	3.8 %	>3.8 %	6.0 %	>6.0 %	2.0 %	>2.0 %	6.5 %	3.5 %	7.7 %	4.7 %
Sweden	3.3 %	>3.3 %	4.7 %	4.7 %	2.0 %	>2.0 %	6.2 %	5.3 %	7.4 %	>7.4 %
Belgium & Lux.	3.9 %	>3.9 %	5.2 %	>5.2 %	2.0 %	>2.0 %	6.0 %	3.9 %	7.2 %	6.7 %

[1] Excluding allocated corporate costs and royalty.

Accounting policy

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

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

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

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

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses are only reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the 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.

SECTION 4

Capital structure

4.1 Equity

Capital management

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

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

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

Share capital

At 31 December 2021, ISS Global A/S's share capital comprised a total of DKK 180,200 shares (2020: 180,200) with a nominal value of DKK thousand 1 each. All shares were fully paid and freely transferable.

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

Dividend

In 2021 and 2020, no dividend to ISS World Services A/S (ultimately ISS A/S) were approved.

Translation reserve

(DKKm)	Net investment hedges	Subsidiaries	Total
Translation reserve at 1 January 2021	(3)	(1,009)	(1,012)
Foreign exchange adjustments of subsidiaries (ISS Global A/S's share)	-	189	189
Recycling of accumulated foreign exchange adjustments on country exits	-	15	15
Fair value adjustments of net investment hedges, net of tax	(149)	-	(149)
Translation reserve at 31 December 2021	**(152)**	**(805)**	**(957)**

Accounting policy

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

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

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

4.2 Loans and borrowings

(DKKm)	2021	2020
Issued bonds	14,064	15,537
Lease liabilities [1]	2,464	2,481
Debt to companies within the ISS Group	9	2
Bank loans	340	474
Derivatives	21	6
Total	16,898	18,500
Non-current liabilities	16,032	17,236
Current liabilities	866	1,264
Loans and borrowings	16,898	18,500
Cash and cash equivalents and other financial items [2]	(7,082)	(6,155)
Net debt	9,816	12,345

[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), certain receivables from companies within the ISS Group of DKK 3,552 million (2020: DKK 3,330 million). In 2020, as a positive value of currency swaps and net investment hedges was also included amounting to DKK 5 million and DKK 3 million, respectively.

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.

4.2 Loans and borrowings (continued)

Changes in loans and borrowings

(DKKm)	1 January	FX	Cash flow	Divest-ments	Lease addition [1]	FV adj.	Other [1]	31 December
2021								
Issued bonds	15,537	(6)	(1,577)	-	-	-	110	14,064
Lease liabilities	2,481	27	(935)	-	856	-	35	2,464
Debt to companies within the ISS Group	2	-	7	-	-	-	-	9
Bank loans	474	(131)	(431)	-	-	185	243	340
Derivatives	6	-	-	-	-	15	-	21
Total	18,500	(110)	(2,936)	-	856	200	388	16,898
2020								
Issued bonds	14,123	(63)	1,460	-	-	-	17	15,537
Lease liabilities	2,982	(78)	(1,005)	(19)	738	-	(137)	2,481
Debt to companies within the ISS Group	2,686	-	(1,322)	-	-	-	(1,362)	2
Bank loans	247	(50)	709	(10)	-	(221)	(201)	474
Derivatives	1	-	-	-	-	5	-	6
Total	20,039	(191)	(158)	(29)	738	(216)	(1,683)	18,500

[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).

Accounting policy

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

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

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

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

4.3 Financial income and financial expenses

(DKKm)	2021	2020
Interest income on cash and cash equivalents	41	31
Interest income from companies within the ISS Group	69	5
Foreign exchange gains	-	28
Financial income	110	64
Interest expenses on loans and borrowings	(388)	(431)
Redemption premium, bonds	(90)	-
Interest expenses on lease liabilities	(67)	(78)
Bank fees	(52)	(52)
Net interest on defined benefit obligations	(17)	(17)
Forward premiums, currency swaps	(29)	(15)
Interest expenses to companies within the ISS Group	(18)	(10)
Other	(12)	(10)
Foreign exchange losses	(10)	-
Financial expenses	(683)	(613)

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 decrease in 2021 was due to the reduction in net debt as a result of 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 of ISS A/S. It is considered on an ongoing basis if the financial risk management approach appropriately addresses the risk exposures.

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

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

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

Credit risk on trade receivables 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 7,082 million (2020: DKK 6,155 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 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: 5.1 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 nterest rate swaps

Mitigation

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

Exposure towards interest rates

					2021	2020
(DKKm)	Nominal interest rate	Currency	Maturity	Nominal value	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)						
Acquisition facility, Turkey	TLFREF +3.25%	TRY	-	303	300	-
Bank loans and overdrafts	-	Multi	-	51	40	474
				354	340	474
Intra-group (floating interest rates)						
Debt to companies within the ISS Group	Cibor+0.5%	DKK	2024	9	9	2
				9	9	2

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.

4.6 Liquidity risk

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 shortand 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

Liquidity reserves

(DKKm)	2021	2020
Cash and cash equivalents	3,427	2,741
Restricted cash	(31)	(37)
Unused revolving credit facilities	7,312	12,380
Liquidity reserves	**10,708**	**15,084**
Not readily available	1,061	1,026
Readily available liquidity	**9,647**	**14,058**

Cash and cash equivalent at DKK 3,427 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.

4.6 Liquidity risk (continued)

Contractual maturities

The contractual maturities of financial liabilities, based on undiscounted contractual cash flows, are shown in the table. The undiscounted contractual cash flows include expected interest payments, estimated based on market expectations at 31 December.

The risk implied from the values reflects the one-sided scenario of cash outflows only. Trade payables and other financial liabilities are mainly used to finance assets such as trade receivables and property, plant and equipment.

(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 [1]	14,425	15,472	309	311	2,537	3,930	3,879	4,506
Lease liabilities	2,464	2,579	774	549	406	277	185	388
Debt to companies within the ISS Group	9	9	9	-	-	-	-	-
Trade payables and other [2]	3,627	3,627	3,627	-	-	-	-	-
Total financial liabilities	20,525	21,687	4,719	860	2,943	4,207	4,064	4,894
2020								
Loans and borrowings, excl. lease [1]	16,017	17,270	691	232	234	3,956	3,845	8,312
Lease liabilities	2,481	2,592	830	641	442	268	179	232
Debt to companies within the ISS Group	2	2	2	-	-	-	-	-
Trade payables and other [2]	3,737	3,737	3,628	21	88	-	-	-
Total financial liabilities	22,237	23,601	5,151	894	764	4,224	4,024	8,544

[1] Excluding debt to companies within the ISS Group

[2] Including payable royalties and management fees to ISS World Services A/S

4.7 Currency risk

Exposure 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/DKK at 31 December 2021 (2020: 97.1%)
• Including the impact of net investment hedges, 78.8% (2020: 80.9%) 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).

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 longterm receivables, cash and cash equivalents as well as accrued royalties (Group internal).

4.7 Currency risk (continued)

	Currency exposure (nominal)	Currency swaps (contractual)	Exposure, net	Sensitivity: Increase in FX	Sensitivity: Profit or loss
2021					
EUR/DKK	(17,799)	6,864	(10,935)	1%	(109)
USD/DKK	1,435	(1,555)	(120)	10%	(12)
Other/DKK	(1,721)	1,163	(558)	10%	(56)
Total	(18,085)	6,472	(11,613)		
2020					
EUR/DKK	(18,415)	6,854	(11,561)	1%	(116)
USD/DKK	1,561	(1,636)	(75)	10%	(8)
Other/DKK	(184)	(246)	(430)	10%	(43)
Total	(17,038)	4,972	(12,066)		

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 20 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 174 million (2020: a decrease of DKK 622 million) primarily related to Turkey, the USA and the UK.

(DKKm)	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	

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 above.

4.7 Currency risk (continued)

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.

(DKKm)	Revenue	Operating profit before other items	Royalty
GBP	1,010	30	19
CHF	521	39	10
USD	513	26	10
AUD	413	27	8
NOK	318	23	6
SEK	279	18	5
TRY	272	22	3
EUR	233	4	4
Other	1,116	58	21
Total	**4,675**	**247**	**86**

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 average 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

Accounting policy

Derivative financial intruments 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 ind 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.

SECTION 5
Remuneration

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

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

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

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

	2021			2020		
		EGM			EGM	
DKK thousand	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
Annual bonus	-	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 at:
https://brand.issworld.com/m/1cb6c4270d293ad6/original/Remuneration-Report-2021.pdf

5.2 Staff costs and average number of employees

At 31 December 2021, staff costs amounted to DKK 45,602 million (2020: DKK 46,009 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 354,394 (31 December 2020: 378,724) with an average number of employees in 2021 of 362,554 (2020: 434,664). 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).

In 2021, share-based payment costs amounted to DKK 63 million of which DKK 2 million were recognised in ISS A/S and DKK 27 million were recognised in ISS World Services A/S.

Long-term incentive programme

Members of the EGM (EGMB and Corporate Senior Officers of the Group), and other senior officers of the Group, are granted a number of performance share units (PSUs).
Upon vesting, each PSU entitles the holder to receive one share at no cost. Participants are compensated for any dividend

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 debt to ISS A/S.

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

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

5.3 Share-based payments (continued)

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

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.

5.3 Share-based payments (continued)

LTIP – outstanding PSUs

	EGM			
LTIP 2018 (vested)	EGMB	Corporate Senior Officers	Other senior officers	Total
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**

5.3 Share-based payments (continued)

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	Retention 2020	Special Incentive 2020-2022	Special Incentive 2020-2023
Share price, DKK	98	101	101
Expected life of grant, years	2	2	3

5.3 Share-based payments (continued)

Special incentive programmes – outstanding RSUs

	EGM			
Retention 2020	**EGMB**	**Corporate Senior Officers**	**Other senior officers**	**Total**
				-
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 1,203 million), corresponding to 86% of the Group's pension costs (2020: 84%).

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.

Developments 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 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).

5.4 Pensions and similar obligations (continued)

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.

5.4 Pensions and similar obligations (continued)

(DKKm)	2021 Present value of obligation	2021 Fair value of plan assets	2021 Obliga-tion, net	2020 Present value of obligation	2020 Fair value of plan assets	2020 Obliga-tion, net
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			429
Accumulated impact from asset ceiling			1,253			163
Pensions and similar obligations at 31 December			1,351			1,480

Major categories of plan assets	2021	2020
Listed shares	40%	35%
Corporate bonds	20%	24%
Property	15%	15%
Government bonds	4%	4%
Cash and cash equivalents	3%	3%
Other	18%	19%
Total	100%	100%

5.4 Pensions and similar obligations (continued)

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:

	2021		2020	
(DKKm)	+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)
	+1 year	-1 year	+1 year	-1 year
Life expectancy	212	(182)	203	(197)

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.

SECTION 6

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	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. 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.
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.

6.2 Government grants (continued)

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

Key management personnel

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

Apart from remuneration, including share-based incentive programmes, there were no significant transactions with members of the Board and the EGM in 2021.

Other related party transactions

In 2021, the Group had the following transactions with other related parties, which were all made on market terms:

- The Group was charged royalty and management fee from ISS World Services A/S amounting to DKK 1,260 million (2020: DKK 1,218 million) of which DKK 35 million (2020: DKK 89 million related to discontinued operations);
- The Group received/paid interest from/to companies within the ISS Group, see 4.3, Financial income and expenses;
- The Group's receivable from ISS A/S amounted to DKK 3,164 million (2020: debt of DKK 3,116 million) at 31 December 2021;
- The Group's net receivable from ISS World Services A/S amounted to DKK 424 million (2020: debt of DKK 211 million) at 31 December 2021.

Directorship and external executive positions of management

A description of directorship and external executive positions of management at 31 December 2021 are available here:
https://www.issworld.com/about/global-management-and-organisation/leadership-and-structure

6.4 Fees to auditors

(DKKm)	2021	2020
Statutory audit	62	68
Tax and VAT advisory services	6	6
Other services	8	10
Total	**76**	**84**

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

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

6.5 Subsequent events

In February 2022, a war in Ukraine broke out following a Russian invasion of the country. We are monitoring the developing humanitarian crisis, and our priority is the safety and wellbeing of our people and our customers. ISS has no material activities in Ukraine, and our business in Russia has been classified as held for sale and discontinued operations since December 2020 and recognised at an immaterial amount.

It is management's assessment that the outbreak of the war has no impact on recognition and measurement at 31 December 2021, and further that it will not have a material impact on the results of the Group's operations and financial position in 2022.

Other than set out above or 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.

SECTION 7

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 extend 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 Global A/S for the year ended 31 December 2021 comprise ISS Global A/S and its subsidiaries (collectively, the Group). Significant subsidiaries are listed in 7.5, Group companies.

The 2021 Annual Report for ISS Global A/S was discussed and approved by the Managing Director and the Board of Directors (the Board) on 17 March 2022 and issued for approval at the subsequent annual general meeting on 19 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. 28.

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

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

The Board and the EGMB have during the preparation of the consolidated financial statements of the Group assessed the going concern assumption. The Board and the EGMB 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.

7.3 General accounting policies (continued)

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

On consolidation 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 Global A/S's functional currency. Transactions in currencies other than the functional currency of the respective Group companies are considered transactions denominated in foreign currencies.

On initial recognition, these are translated to the respective functional currencies of the Group companies at the exchange rates at the transaction date. Foreign exchange adjustments arising between the exchange rates at the transaction date and at the date of payment are recognised in Financial income or Financial expenses. Receivables, payables and other monetary items denominated in foreign currencies are translated at the exchange rates at the reporting date. The difference between the

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.

7.3 General accounting policies (continued)

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-Global-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 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 Global Management A/S	100%
ISS Holding France A/S	100%
ISS Lending A/S	100% [3)]
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%

7.5 Group companies (continued)

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 (US)	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%

Asia & Pacific (continued)

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%
Silvertech 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]

Portugal

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

Russia

Facility Services RUS LLC	100%

Taiwan

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

Notes

[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.

[3] ISS Lending A/S applies §78a of the Danish Financial Statements Act. Consequently, their annual report is prepared in accordance with the requirements for Class B companies. ISS Global A/S is liable for all ISS Lendings A/S's current and future obligations.

Parent company financial statements

Statement of profit or loss

1 January – 31 December

(DKKm)	Note	2021	2020
Other operating income and expenses, net	3, 4	25	35
Operating profit before other items		**25**	**35**
Other income and expenses, net	5	(52)	(5)
Operating profit		**(27)**	**30**
Income from subsidiaries and joint ventures	8	(22)	(1,762)
Financial income	6	547	911
Financial expenses	6	(975)	(932)
Profit before tax		**(477)**	**(1,753)**
Income tax	7	(4)	10
Net profit		**(481)**	**(1,743)**

Statement of comprehensive income

1 January – 31 December

(DKKm)	2021	2020
Net profit	(481)	(1,743)
Comprehensive income	(481)	(1,743)

Statement of cash flows

1 January – 31 December

(DKKm)	Note	2021	2020
Operating profit before other items		25	35
Changes in working capital		(84)	(43)
Other expenses paid		(11)	(5)
Interest received from companies within the ISS Group		259	206
Interest received, external		3	0
Interest paid to companies within the ISS Group		(87)	(43)
Interest paid, external		(284)	(356)
Income tax and joint taxation contribution received/(paid), net		(1)	10
Cash flow from operating activities		(180)	(196)
Payment of earn-out		(76)	(99)
Capital increase in subsidiaries and joint ventures	8	(586)	(3,107)
Divestment and liquidation of subsidiaries and joint ventures	8	283	623
Dividends received from subsidiaries and joint ventures	8	241	611
Cash flow from investing activities		(138)	(1,972)
Repayment of bonds	10	(1,577)	(2,234)
Other financial payments, net	10	(130)	118
Capital increase		-	5,000
Payments (to)/from companies within the ISS Group, net		2,144	(53)
Cash flow from financing activities		437	2,831
Total cash flow		119	663
Cash and cash equivalents at 1 January		796	133
Total cash flow		119	663
Foreign exchange adjustments		-	-
Cash and cash equivalents at 31 December		915	796

Statement of financial position

At 31 December

(DKKm)	Note	2021	2020
Assets			
Investments in subsidiaries and joint ventures	8	22,676	22,188
Receivables from companies within the ISS Group		8,196	8,521
Other financial assets		118	-
Deferred tax assets	9	12	10
Non-current assets		31,002	30,719
Receivables from companies within the ISS Group		2,914	3,181
Other receivables		180	163
Cash and cash equivalents		915	796
Investments in subsidiaries and joint ventures held for sale	8	150	459
Current assets		4,159	4,599
Total assets		35,161	35,318
Equity and liability			
Equity		9,215	9,696
Loans and borrowings	10	14,067	15,537
Non-current liabilities		14,067	15,537
Loans and borrowings	10	11,692	9,694
Other liabilities		187	391
Current liabilities		11,879	10,085
Total liabilities		25,946	25,622
Total equity and liabilities		35,161	35,318

Statement of changes in equity

1 January – 31 December

(DKKm)	Note	Share capital	Retained earnings	Total
2021				
Equity at 1 January		180	9,516	9,696
Net profit		-	(481)	(481)
Comprehensive income		-	(481)	(481)
Changes in equity		-	(481)	(481)
Equity at 31 december		180	9,035	9,215
2020				
Equity at 1 January		180	4,959	5,139
Net profit		-	(1,743)	(1,743)
Comprehensive income		-	(1,743)	(1,743)
Capital increase		-	6,300	6,300
Transactions with the owner		-	6,300	6,300
Changes in equity		-	4,557	4,557
Equity at 31 December		180	9,516	9,696

1 Significant accounting policies

Basis of preparation

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

Changes in accounting policies

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

Accounting policies

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

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

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

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

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

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

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

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

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

2 Significant accounting estimates and judgements

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

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

3 Other operating income and expenses, net

Other operating income and expenses, net mainly comprise procurement bonuses and revaluation of receivables from companies within the ISS Group.

4 Fees to auditors

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

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

5 Other income and expenses, net

(DKKm)	2021	2020
Other	(52)	(5)
Other expenses	**(52)**	**(5)**

Other related to the Group's acquisition of Rönesans Facility Management Company in Turkey and comprised transaction incentives to management in ISS Turkey and fees to external advisors. In 2020, other comprised divestment-related costs in connection with the divestment of the indirectly owned subsidiary in Israel.

6 Financial income and expenses

(DKKm)	2021	2020
Interest income on cash and cash equivalents	10	0
Interest income from companies within the ISS Group	260	200
Fair value adjustments of net investment hedges	-	180
Foreign exchange gains	277	531
Financial income	**547**	**911**
Interest expenses on loans and borrowings	(271)	(336)
Redemption premium, bonds	(90)	-
Forward premiums, currency swaps	(15)	(15)
Fair value adjustments of net investment hedges	(191)	-
Interest expenses to companies within the ISS Group	(87)	(63)
Amortisation of financing fees (non-cash)	(25)	(22)
Bank fees	(9)	(11)
Foreign exchange losses	(287)	(485)
Financial expenses	**(975)**	**(932)**

Interest expenses on loans and borrowings comprised mainly interest on issued bonds. In addition, commitment fees and amortisation of financing fees amount to DKK 85 million (2020: DKK 75 million) were included. The decrease in 2021 was driven by a lower utilisation than in 2020.

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.

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

7 Income tax

(DKKm)	2021	2020
Current tax	4	9
Deferred tax	(1)	(2)
Prior year adjustments, net	1	(17)
Income tax	4	(10)

Effective tax rate

In %	2021	2020
Statutory income tax rate in Denmark	22.0 %	22.0 %
Income from subsidiaries and joint ventures	(1.0)%	(24.9)%
Non-tax deductible expenses less non-taxable income	(22.0)%	2.5 %
Prior year adjustments, net	0.2 %	1.0 %
Effective tax rate	(0.8)%	0.6 %

8 Investments in subsidiaries and joint ventures

	2021		2020	
(DKKm)	Continuing operations	Assets held for sale	Continuing operations	Assets held for sale
Cost at 1 January	30,634	954	27,815	2,137
Additions [1]	932	22	2,989	221
Disposals	(355)	(578)	(0)	(1,574)
Reclassification to assets held for sale	191	(191)	(170)	170
Cost at 31 December	31,402	207	30,634	954
Revaluation at 1 January	(8,446)	(495)	(5,986)	(1,533)
Impairment losses	(400)	-	(2,596)	(181)
Reversal of prior years' impairment losses	120	81	-	15
Disposals	-	357	-	1,340
Reclassification to assets held for sale	-	-	136	(136)
Revaluation at 31 December	(8,726)	(57)	(8,446)	(495)
Carrying amount at 31 December	22,676	150	22,188	459

[1] In 2021, DKK 368 million was related to non-cash transactions (2020: DKK 103 million).

Additions In 2021, ISS Global A/S made capital increases mainly in subsidaries in Germany of DKK 483 million, ISS Holding France A/S of DKK 400 million, Chile of DKK 65 million and Hungary of DKK 13 million. Furthermore, a capital increase was made in Portugal (held for sale) of DKK 24 million, partly offset by a capital repayment in Hungary of DKK 2 million.

8 Investments in subsidiaries and joint ventures (continued)

Disposals In 2021, ISS Global A/S sold their subsidaries (assets held for sale) in Slovakia, the Czech Republic, Hungary, Slovenia and the Philippines. Furthermore, as part of the Group's acquisition of the Rönesans Facility Management Company in Turkey, ISS Global A/S sold a minority shareholding in their Turkish subsidary to Actera (39.9%) and local Management (10.0%). In total the divestments resulted in a net loss of DKK 64 million (2020: net gain of DKK 389 million).

Reclassification to assets held for sale In 2021, it was decided to descope Chile from the divestment programme and cease the classification as asset held for sale. Chile is owned directly by ISS Global A/S and consequently the subsidiary has been reclassified to continuing operations.

Impairment losses The recoverable amount of investments in subsidiaries and joint ventures is determined on the basis of the value-in-use adjusted for net debt. Value-in-use applied in the impairment test is equal to value-in-use established for the Group, see 3.8 to the consolidated financial statements. Subsidiaries classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Impairment losses recognised in 2021, see below.

(DKKm)	Impairment losses 2021	Recoverable amount	Applied discount rate, net of tax
Investments in subsidiaries and joint ventures (Continuing operations)			
France [1]	400	(649)	-
Impairment losses	**400**		

[1] The French activities are owned through a holding company, ISS Holding France A/S. The recoverable amount is based on the equity at 31 December 2021 in this holding company.

The investment in France was impaired by DKK 400 million mainly driven by a decrease in the recoverable amount of the French activities due to a reassessment 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.

Income from subsidiaries and joint ventures

(DKKm)	2021	2020
Received dividends [1]	241	611
Proceeds from divestment and liquidation of subsidiaries and joint ventures	512	623
Carrying amount of disposed subsidiaries and joint ventures	(576)	(234)
Impairment losses	(400)	(2,777)
Reversal of prior years' impairment losses	201	15
Income from subsidiaries and joint ventures	**(22)**	**(1,762)**

[1] In 2021, dividends of DKK 0 million were received from subsidaries classified as held for sale (2020: DKK 64 million).

Reversal of prior years' impairment losses In 2021, losses of DKK 120 million on the investment in ISS Lending A/S (continuing operations), DKK 79 million in Portugal (asset held for sale) and DKK 2 million in Hungary (asset held for sale) were reversed. In 2020, losses of DKK 15 million were reversed in Hungary (asset held for sale) in connection with repayment of part of their capital.

Subsidiaries and joint ventures

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

9 Deferred tax

Development in deferred tax

(DKKm)	2021	2020
Deferred tax assets/(liabilities) at 1 January	10	(15)
Prior year adjustments, net	1	23
Tax on profit before tax	1	2
Deferred tax assets at 31 December	**12**	**10**

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

10 Loans and borrowings

	2021	2020
Issued bonds	10,369	11,847
Bank loans	(14)	(17)
Debt to companies within the ISS Group	15,389	13,401
Derivatives	15	-
Total	**25,759**	**25,231**
Non-current liabilities	14,067	15,537
Current liabilities	11,692	9,694
Loans and borrowings	**25,759**	**25,231**
Cash and cash equivalents and other financial items [1]	(12,025)	(12,503)
Net debt	**13,734**	**12,728**

[1] Includes certain receivables from companies within the ISS Group of DKK 11,110 million (2020: DKK 11,702 million) and value of currency swaps of DKK 0 million (2020: DKK 5 million). The average interest rate related to receivables from companies within the ISS Group was 2.05% (2020: 1.90%).

Changes in loans and borrowings

(DKKm)	1 January	FX	Cash flow	FV adj.	Other	31 December
2021						
Issued bonds	11,847	(5)	(1,577)	-	104	10,369
Debt to companies within the ISS Group	13,401	(156)	2,144	-	-	15,389
Bank loans and other	(17)	-	(130)	186	(53)	(14)
Derivatives	-	-	-	15	-	15
Total	**25,231**	**(161)**	**437**	**201**	**51**	**25,759**
2020						
Issued bonds	14,123	(56)	(2,234)	-	14	11,847
Debt to companies within the ISS Group [1]	11,497	(156)	3,390	-	(1,330)	13,401
Bank loans and other	(7)	-	118	(216)	88	(17)
Total	**25,613**	**(212)**	**1,274**	**(216)**	**(1,228)**	**25,231**

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

10 Loans and borrowings (continued)

Fair value

The fair value of loans and borrowings amounted to DKK 26,088 million (2020: DKK 25,538 million). The fair value of bonds is based on the quoted market price on the Luxembourg Stock Exchange and measurement is categorised as Level 1 in the fair value hierarchy. For the remaining part of the loans and borrowings fair value is equal to the nominal value as illustrated in note 13, Financial risk management.

Financing fees

In 2021, financing fees amounting to DKK 0 million (2020: DKK 33 million) have been recognised in loans and borrowings while financing fees of DKK 25 million (2020: DKK 22 milllion) have been amortised and recognised in financial expenses. Accumulated financing fees recognised in loans and borrowings on 31 December 2021 amounted to DKK 56 million (2020: DKK 104 million).

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

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

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

12 Contingent liabilities

Senior facility agreement

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

EMTNs (EUR 500 million) maturing in 2025

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

Parent company guarantees

ISS Global A/S has credit facilities in place totalling DKK 300 million (2020: DKK 300 million) which can be used to issue guarantees for subsidiaries' local bank overdrafts. As per 31 December 2021, DKK 26 million was utilised (2020: DKK 50 million). Furthermore, ISS Global A/S has issued parent guarantees and performance bonds for various subsidiaries' current and future financial liabilities and obligations under customer contracts amounting to DKK 7.5 billion (2020: DKK 8.0 billion). These financial liabilities are primarily local bank overdrafts, bank guarantee lines and pension liabilities.

Withholding taxes

ISS Global A/S is jointly taxed with all Danish resident subsidiaries. ISS Global A/S and the companies within the joint taxation have a joint and unlimited liability of Danish corporate and withholding taxes related to dividends, interests and royalties. As per 31 December 2021 Danish corporate and withholding taxes within the joint taxation 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 Global A/S and certain Danish Group companies are jointly registered for VAT and are jointly liable for the payment hereof.

13 Financial risk management

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

Credit risk

At 31 December 2021, the exposure to credit risk related to cash and cash equivalents, loans to companies within the ISS Group and other financial items was DKK 12,025 million (2020: DKK 12,503 million), see note 10, Loans and borrowings. Exposure to credit risk on loans to companies within the ISS Group is managed at Group level. As these loans are controlled by the Group and part of the Group's capital management, expected credit losses are considered to be insignificant.

14 Interest rate risk

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

(DKKm)	Nominal interest rate	Currency	Year of maturity	Nominal value	2021 Carrying amount	2020 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)	0.875%	EUR	2026	3,718	3,695	3,690
EMTNs (EUR 600 million)	1.500%	EUR	2027	4,462	4,448	4,448
				10,411	10,369	11,847
Bank loans (floating interest rate)						
Revolving Credit Facility (EUR 1,000 million)	Libor + 1.75% [1)]	Multi	2024	-	(14)	(17)
				-	(14)	(17)
Intra-group (floating interest rate)						
Debt to companies within the ISS Group	-	Multi	2024	15,389	15,389	13,401
				15,389	15,389	13,401

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

Interest rate sensitivity

The interest rate risk is measured by the duration of the gross debt (fixed-rate period). As at 31 December 2021, the duration of gross debt was approximately 1.9 years (2020: 2.6 years).

An increase in relevant interest rates of 1%-point would have decreased net profit by DKK 143 million (2020: decreased by DKK 125 million).

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

15 Liquidity risk

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

Liquidity reserves

ISS Global A/S's liquidity reserves mainly consist of funds (cash and cash equivalents less not readily available or restricted cash) and unused credit facilities. The level of cash and cash equivalents is typically highest at 31 December and not a representative level for the rest of the year. As at 31 December 2021, ISS Global A/S's liquid reserves consisted of readily available liquid funds of DKK 915 million (2020: DKK 796 million) and unused revolving credit facilities of DKK 7,312 million (2020: DKK 12,380 million) where the majority is available for drawing until 3 November 2024.

Contractual maturities of financial liabilities

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

(DKKm)	Carrying amount	Contractual cash flows	< 1 year	1-2 years	2-3 years	3-4 years	4-5 years	> 5 years
2021								
Issued bonds and bank loans	10,355	11,073	147	147	2,374	99	3,800	4,506
Debt to companies within the ISS Group	15,389	15,602	11,789	46	46	3,721	-	-
Other financial liabilities	96	96	96	-	-	-	-	-
Total financial liabilities	25,840	26,771	12,032	193	2,420	3,820	3,800	4,506
2020								
Issued bonds and bank loans	11,830	12,841	179	179	179	3,892	100	8,312
Debt to companies within the ISS Group	13,401	13,825	9,943	46	46	46	3,744	-
Other financial liabilities	263	263	154	21	88	-	-	-
Total financial liabilities	25,494	26,929	10,276	246	313	3,938	3,844	8,312

16 Currency risk

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

To a limited extent ISS Global A/S is exposed to currency risk on loans and borrowings (external) that are denominated in currencies other than DKK as well as intercompany loans to foreign subsidiaries as these are typically denominated in the functional currency of the subsidiary.

At 31 December 2021, 83.2% (2020: 87.2%) of ISS Global A/S's loans and borrowings were denominated in EUR or DKK.

16 Currency risk (continued)

Loans and borrowings – foreign currency sensitivity

A change in relevant currencies, with all other variables held constant, would have impacted net profit with the amounts below. The analysis is based on the ISS Group's internal monitoring of currency exposure on loans and borrowings, intercompany loans and cash and cash equivalents.

(DKKm)	Currency exposure (nominal)	Currency swaps (contractual)	Exposure, net	Sensitivity: Increase in FX	Sensitivity: Net profit
2021					
EUR/DKK	(14,821)	6,864	(7,957)	1%	(80)
GBP/DKK	(188)	(1,099)	(1,287)	10%	(129)
USD/DKK	1,435	(2,259)	(824)	10%	(82)
CHF/DKK	(935)	218	(717)	10%	(72)
Other/DKK	(691)	827	136	10%	14
Total	(15,200)	4,551	(10,649)		
2020					
EUR/DKK	(15,752)	6,854	(8,898)	1%	(89)
GBP/DKK	291	(1,516)	(1,225)	10%	(123)
USD/DKK	1,561	(2,314)	(753)	10%	(75)
CHF/DKK	(294)	(389)	(683)	10%	(68)
Other/DKK	(493)	695	202	10%	20
Total	(14,687)	3,330	(11,357)		

Net investment hedges

Net investment hedges at Group level are disclosed in note 4.7 to the consolidated financial statements. At Group level changes in the fair value of derivative financial instruments designated as net investment hedges are recognised in Other comprehensive income. In ISS Global A/S the change in fair value is recognised in the income statement.

17 Related parties

In addition to the description in note 6.3 to the consolidated financial statements of related parties and transactions with these, related parties of ISS Global A/S comprise ISS World Services A/S and its subsidiaries, associates and joint ventures, see 7.5 to the consolidated financial statements.

In 2021, ISS Global A/S had the following transactions with other related parties, which were all made on market terms:

- ISS Global A/S received/paid interest from/to companies within the ISS Group, see note 6, Financial income and expenses.
- Debt to companies within the ISS Group is disclosed in note 10, Loans and Borrowings.
- ISS Global A/S's short-term receivable from subsidiaries was DKK 2,914 million (2020: DKK 3,181 million).
- ISS Global A/S paid joint taxation contribution equal to 22% of taxable income to jointly taxed Danish resident subsidiaries.
- ISS Global A/S received dividends in total of DKK 241 million (2020: DKK 611 million) from companies within the ISS Group, see note 8, Investments in subsidiaries and joint ventures.
- ISS Global A/S increased the share capital in seven subsidiaries by DKK 986 million (2020: DKK 2,967 million in five subsidiaries) and founded no new subsidiaries (2020: founded three subsidaries for DKK 22 million), see note 8, Investments in subsidiaries and joint ventures.

18 New standards and interpretations not yet implemented

New standards and interpretations not yet implemented are described in 7.4 to the consolidated financial statements.

19 Subsidiaries and joint ventures

Directly owned subsidiaries and joint ventures

ISS Facility Services Australia Ltd.	Australia	100%
Pacific Invest December 2004 Pty Ltd.	Australia	100%
ISS Austria Holding GmbH	Austria	100%
ISS N.V.	Belgium	100%
ISS Chile S.A.	Chile	100%
ISS Greater China Ltd.	China	100%
ISS Facility Services A/S	Denmark	100%
ISS Global Management A/S	Denmark	100%
ISS Holding France A/S	Denmark	100%
ISS Lending A/S	Denmark	100%
Signal Arkitekter ApS	Denmark	100%
ISS Palvelut Holding Oy	Finland	100%
ISS Facility Services GmbH	Germany	100%
ISS Facility Services India Pvt. Ltd.	India	100%
PT ISS Indonesia	Indonesia	100%
PT ISS Catering Services	Indonesia	49%
ISS Ireland Holding Limited.	Ireland	100%
ISS Facility Services S.r.l.	Italy	100%
Nihon ISS KK	Japan	100%
ISS Lietuva UAB	Lithuania	100%
ISS Centro América, S de RL de CV	Mexico	100%
ISS Holding Nederland B.V.	Netherlands	100%
ISS Finance B.V.	Netherlands	100%
ISS Holdings NZ Ltd.	New Zealand	100%
ISS Holding AS	Norway	100%
ISS Facility Services Sp. Z.o.o.	Poland	100%
ISS Asia Pacific Pte. Ltd.	Singapore	100%
ISS Facility Services Pte. Ltd.	Singapore	100%
ISS Facility Services (Pty) Limited	South Africa	100%
Integrated Service Solutions S.L.	Spain	100%
ISS Facility Services Holding AB	Sweden	100%
ISS Holding AG	Switzerland	100%
ISS Tesis Yönetim Hizmetleri A.Ş.	Turkey	50%
ISS UK Holding Limited.	United Kingdom	100%

Directly owned subsidiaries and joint ventures classified as held for sale

ISS Facility Services Sdn. Bhd.	Brunei	100%
ISS Facility Services, Lda.	Portugal	100%
FS East Oy	Russia	100%

Management statement

Copenhagen, 17 March 2022

The Board of Directors and the Executive Group Management Board have today discussed and approved the annual report of ISS Global 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 Global A/S for the financial year 2021 identified as ISS-Global-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.

Managing Director

Kristoffer Lykke-Olesen

Board of Directors

Jacob Aarup-Andersen
Chair

Kasper Fangel

Corinna Refsgaard

Bjørn Raasteen

Independent auditors' report

To the shareholder of ISS Global A/S

Opinion

We have audited the consolidated financial statements and the parent company financial statements of ISS Global A/S for the financial year 1 January – 31 December 2021, pp. 28-115, 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 Global A/S being listed on Bourse de Luxembourg, we were initially appointed as auditor of ISS Global A/S on 1 April 2003. We have been reappointed annually by resolution of the general meeting for a total consecutive period of eighteen 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' acquisitions comprise a significant part of the consolidated statement of financial position. The cash-generating units in which goodwill and customer contracts are included are impairment tested by Management on an annual basis. The impairment tests are based on Management's estimates of among others future profitability, long-term growth and discount rate. Due to the inherent uncertainty involved in determining the net present value of future cash flows, including the uncertainty relating to estimating the impact from Covid-19, we considered these impairment tests to be a key audit matter. For details on the impairment tests performed by Management reference is made to notes 3.6, 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 7 and 9 in the Parent company financial statements.

In response to the identified risks, our audit procedures included review of tax computations in order to assess the completeness and accuracy of the amounts recognised as income taxes and deferred taxes, as well as assessment of correspondence with tax authorities and evaluation of tax exposures as well as write-down of deferred tax assets. In respect of the deferred tax assets recognised in the statement of financial position, we assessed Management's assumptions as to the probability of recovering the assets through taxable income in future years and available tax planning strategies. We further evaluated the adequacy of disclosures provided by Management compared to applicable accounting standards.

Valuation of investments in and receivables from subsidiaries

The investments in and receivables from subsidiaries comprise a significant part of the statement of financial position of the parent company. The valuation of investments in and receivables from subsidiaries is based on Management's assessment of whether indications or objective evidence of impairment exists. This assessment is based on an assessment of the net present value of the expected future cash flows generated by the subsidiaries which is determined on the basis of, among others, the expected future profitability, long-term growth and discount rate for each subsidiary. Due to the inherent uncertainty involved in determining the net present value of expected future cash flows, we considered the valuation of investments in and receivables from subsidiaries to be a key audit matter. For details on the valuation of investments in subsidiaries reference is made to note 8 in the parent company financial statements.

In response to the identified risks, our audit procedures included, among others, testing the mathematical accuracy of the discounted cash flow model and comparing forecasted profitability to board approved budgets. We evaluated the assumptions and methodologies used in the discounted cash flow model, in particular those relating to the forecasted revenue growth and operating margin, including comparing with historical growth rates and results as well as assessed impact of Covid-19. We compared the assumptions applied to externally derived data as well as our own assessments in relation to key inputs such as projected economic growth and discount rates. Further, we evaluated the sensitivity analysis on the key assumptions applied. Our audit procedures primarily focused on investments, where likely changes in key assumptions could result in impairment. We further evaluated the adequacy of disclosures provided by Management in the parent company financial statements compared to applicable accounting standards.

Statement on the Management's review

Management is responsible for the Management's review, pp. 2-27.

Our opinion on the financial statements does not cover the Management's review, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the Management's review and, in doing so, consider whether the Management's review is materially inconsistent with the financial statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether the Management's review provides the information required under the Danish Financial Statements Act.

Based on the work we have performed, we conclude that the Management's review is in accordance with the financial statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement of the Management's review.

Management's responsibilities for the financial statements

Management is responsible for the preparation of consolidated financial statements and parent company financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the EU and additional requirements of the Danish Financial Statements Act and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, Management is responsible for assessing the Group's and the Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting in preparing the financial statements unless Management either intends to liquidate the Group or the Parent Company or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance as to whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit conducted in accordance with ISAs and additional requirements applicable in Denmark, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Parent Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the financial statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Parent Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and the Parent Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and contents of the financial statements, including the note disclosures, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements and the parent company financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Copenhagen, 17 March 2022

EY Godkendt Revisionspartnerselskab
CVR no. 30 70 02 28

Torben Bender	**Claus Kronbak**
State Authorised	State Authorised
Public Accountant	Public Accountant
mne21332	mne28675

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, net[2)]

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, %

$$\frac{(\text{Revenue current year} - \text{Comparable revenue}^{4)} \text{ prior year}) \times 100}{\text{Comparable revenue}^{4)} \text{ prior year}}$$

Total revenue growth, %

$$\frac{(\text{Revenue current year} - \text{Revenue prior year}) \times 100}{\text{Revenue prior year}}$$

ESG ratios

Employee turnover, %

$$\frac{\text{Number of employees who left in the year} \times 100}{\text{Average number of employees for the year}}$$

Customer retention, %

$$\frac{\text{Portfolio revenue (annual) retained at year-end}}{\text{Portfolio revenue (annual) retained at the beginning of the year}}$$

[1)] Based on management's expectations at the acquisition date.

[2)] Includes the effect stemming from exclusion of currency effects from the calculation of organic growth and acquisition/divestment growth, net.

[3)] Based on estimated or actual revenue where available at the divestment date.

[4)] Implies the exclusion of changes in revenue attributable to acquisitions/divestments, net and the effect of changes in foreign exchange rates. In order to present comparable revenue and thereby organic growth excluding any effect from changes in foreign currency exchange rates, comparable revenue in the prior year is calculated at the current year's foreign currency exchange rates. Acquisitions are treated as having been integrated into ISS upon acquisition, and ISS's calculation of organic growth includes changes in revenue of these acquisitions compared with revenue expectations at the date of acquisition.

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.