

Hybrid

IS HAPPENING

IWOG International
Workplace
Group

ANNUAL REPORT AND ACCOUNTS 2021

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2021 Performance highlights

Revenue from continuing operations (£m)

£2,227.9m

2021	2,227.9
2020	2,431.9
2019	2,594.3
2018	2,354.7

Overheads as percentage of revenue (%)[□]

13.2%

2021	13.2
2020	13.3
2019	10.7
2018	10.5

Adjusted EBITDA development[□]

£79.6m

2021	79.6
2020	133.8
2019	428.3
2018	389.9

Network (locations)

3,314

2021	3,314
2020	3,313
2019	3,388
2018	3,306

Net growth capital investment[□]

£111.8m

2021	111.8
2020	250.9
2019	389.0
2018	332.0

A glossary is included on page 173 which defines various alternative measures used to provide useful and relevant information.

† The comparative information has been restated to reflect the impact of discontinued operations.

□ Results presented on a pre-IFRS 16 basis (as defined in the glossary on page 174).

Hybrid is happening...

...and we are making it possible for everyone everywhere.

At IWG we've always recognised the demand for a balanced work life, now the world is embracing the hybrid model. It gives us a future where companies can attract and retain the best talent, where carbon emissions will fall and where people and communities will thrive as investment soars.

...for people

We're expanding our network to bring new levels of flexibility for people's working lives.

...for the planet

Alongside our employees, customers and partners, we're welcoming a greener, more sustainable way of working through an increasingly hybrid and digital world.

...for better performance

We're supporting companies to adopt the hybrid model, leveraging business advantages such as increased productivity and reduced costs. With over 30 years as the leading enabler, we are in the right place at the right time with the right technology to meet this demand.

Corporate HQ



Work space



Home



At IWG, we are doing more than anybody else to bring people across the world the opportunity to work in a more balanced 'hybrid' way. Hybrid working – when employees split their time between home, a local office and a corporate HQ – is increasingly what employees are requesting.

Visit our website: iwgplc.com



The blended work approach

Hybrid is more than just happening. It's flourishing. And the multiple drivers of change underway are headed by an enormously powerful motivating factor: the fear among corporations across the world that they will lose their best people if they don't provide them with the flexible working conditions they're asking for.

90%

of business leaders believe splitting the working week between the home, HQ and a local workspace will help attract the best talent⁽¹⁾

1. Source: IWG FTSE 350 Research, 2021

MONDAY

Responding to emails over breakfast at home



TUESDAY

Working close to home at a flexspace



Recent IWG research reveals, in fact, that a full 90% of FTSE 100 and FTSE 250⁽¹⁾ business leaders believe their key talent would leave for the competition if they didn't have the ability to split their working time between the office, home and workspaces close to where they live.

The fear is well-founded, with the same research showing that half of all office workers would resign rather than return to the office full time. Considerably more than half (58%) meanwhile believe the pandemic has changed working practices for the better.

For those companies already operating the hybrid-working model, the benefits extend far beyond the retention of talent. Empowering people to collaborate in the way that suits them and their circumstances – remotely, face-to-face or

using a blend of the two – is benefiting everybody involved in the form of greater flexibility, enhanced safety, better mental health and reduced burnout and disaffection.

It is also demonstrably improving companies' efficiency, cost-effectiveness and productivity by enabling people to make and act on decisions collaboratively, regardless of their physical location. And it's enabling easier access to the best talent, no matter where it is: barriers between countries and even continents are irrelevant in the hybrid world.

At the same moment, by freeing people up to spend more time at or close to home, the hybrid model is invigorating local economies and enriching communities that used to be stripped

every day of their most energetic and economically active members. And, by reducing the need for millions to commute to work and back five times a week, it's having a tremendous impact on the single biggest contributor to many companies' carbon footprint.

At IWG, we are proud to be a global force powering this revolution, which is freeing people to live and work in the ways that suit them best. By providing the world's largest workspace network and leading technologies, supported by a customer-focused culture and proven strategy for growth, we aim to enable essential benefits every day, not just for the profits and performance of the companies we work with but also for our planet and all its people.

1. Source: IWG FTSE 350 Research, 2021

WEDNESDAY

Project meetings at the HQ



THURSDAY

Collaborating with colleagues at a local flexspace



FRIDAY

Preparing presentations at home followed by a lunchtime run



New levels of flexibility for people

Based on our unique capital-light growth model, the rapid expansion of our global workspace network is bringing new levels of flexibility to millions of workers' daily lives in more than 120 countries across the world.

The increasingly widespread adoption by businesses everywhere of the hybrid-working model is far more than a knee-jerk reaction to the global pandemic. Already underway for much of the 21st century, it is clear evidence that taking a 'people first' approach is at the heart of many corporations' talent attraction and retention strategies.

Realistically, they have little choice in the matter. Research we carried out during 2021 showed that half of all workers

would look for another job if they were asked to return to the office for five days a week⁽¹⁾. More than 80% see not having to travel to work every day as a key benefit of hybrid working⁽²⁾, and just one in five of respondents we spoke to in the United States would be willing to commute for more than 30 minutes⁽³⁾.

Close to three-quarters (72%), meanwhile, told us they value the long-term ability to work flexibly more highly than they would a 10% pay increase for returning to the office full time⁽¹⁾.

The reasons for hating the commute – stress, expense, lost time among them – are not hard to find. And neither are the reasons for workers to love working at or closer to home: more time with friends and family, the opportunity to get more involved with the community, more scope for personal interests and projects.

It all adds up to better mental and physical wellbeing.

But the benefits go deeper yet, bringing to life the '15-minute city' concept, in

which work, home, shops, entertainment, education and healthcare are all available on foot or by bicycle within the average time commuters might spend waiting on a station platform.

This ideal is already supercharging local economies across the world, creating opportunities for local people in former 'dormitory' communities that used to be sucked dry of energy by the magnetic pull of the city.

We are working hard to accelerate this phenomenon, not only by rapidly increasing the number of buildings we have in suburban and rural locations, but also by opening centres in retail and hospitality venues to provide an array of facilities at our customers' fingertips.

It all makes perfect sense. After all, why should workers go to the effort and expense of dragging themselves into work to spend the day working on a device they brought with them and will take home again at the end of the day?

Quite simply, they don't have to any more.

1. Source: IWG Research, 2021

2. Source: IWG FTSE 350 Research, 2021

3. Source: IWG Hybrid Happiness Survey, 2021





92%

**of workers
would prefer to
commute less**

Source: IWG Research, 2021



87%

**of workers prefer
this way of working –
hybrid keeps
them happier**

Source: PwC Remote Work Study, 2021



55%

**of workers want
a mixture of home
and office working**

Source: Institute for Economic Policy Research



86%

**of workers feel working
remotely reduces stress**

Source: FlexJobs 2018 Annual Survey



A more sustainable way of working together for the planet

The office is no longer a defined physical space where people have to go, in a city centre at the end of a motorway or a railway line.

Rather, it is a digital construct that people can enter or leave at will, using technology to create, deliver, store, retrieve and amend their work, no matter where they are.

As a result, we are beginning to see and better understand the multiple environmental benefits of our increasingly hybrid and digital ways of working, where the long daily commute is becoming an anachronistic legacy of a world that no longer exists.

That alone is a massive step forward for our planet and for the legacy we are leaving to future generations. By helping to begin the end of the daily commute, we are today starting to remove what the American Center for Climate and Energy Solutions defines as the USA's biggest single source of carbon emissions⁽¹⁾.

And, by reducing the need to travel, we are helping to cut the journeys made by car that today are equivalent to an average annual carbon footprint of 3.2 tonnes of CO₂ per person per year⁽²⁾.

Companies across the world are extremely familiar with the issues involved, placing ESG concerns at the heart of the boardroom conversations as they increasingly prioritise and accelerate their progress to net zero.

We are increasingly reducing carbon emissions and energy usage by continuously upgrading the environmental performance of our estate, recycling and the re-use of materials. And we are also well-placed to ensure businesses in our supply chain also take every action to reduce their carbon footprint too.

Our suppliers, across more than 120 countries and serving close to 3,500 buildings, are from disparate cultures and a very wide range of operational backgrounds. IWG is what links them, placing great responsibility in our hands. We strive to live up to this, assessing their performance and giving them the examples and guidance they need to help them conform with environmental best practice.

1. Source: Center for Climate and Energy Solutions: 2021

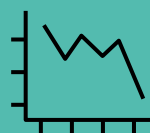
2. Source: IWG White Paper, 2021, Hybrid World: Sustainable World



73%

**of employees would
like the work place
to improve
sustainability efforts**

Source: HR News: 2019



77%

**potential reduction
in net emissions with
home or local working**

Source: IWG White Paper, 2021,
Hybrid World: Sustainable World



6

**UN Sustainable Development
Goals are supported by
the hybrid model**



15 mins

**the rise of the
15 minute commute**

Improved productivity and reduced costs for better performance

Companies across the world are coming to recognise that the hybrid-working model, using IWG as a partner, is not only good for their people and the planet – it's also a positive force for operational efficiency and the bottom line.

Naturally, advantages include the flexibility to increase or reduce their workspace spend as the changing requirements of the business dictate. In addition, the need for less city-centre space for many will also cut their exposure to high rents and associated property costs.

For many, these pure finance-related gains and the greater operational flexibility they can achieve are equally

important. In fact, as disparate teams became the norm for many in the early days of the pandemic, there were major concerns about the impact of remote working on efficiency and productivity. These quickly proved to be baseless. Thanks to the significant cost savings associated with a smaller real estate footprint, along with other factors including boosted productivity, companies using the hybrid model are today saving an average of US\$11,000 every year on every employee⁽¹⁾.

Today, companies can work with us to devise and deliver the real-estate strategies that best serve their needs, from space on demand to cope with peaks in activity, to hub-and-spoke solutions for countries and entire regions. And they can leverage the power of our continuous investments in research and development, to benefit from our wide-ranging tech solutions that make operating a disparate, flexible workforce seamless, efficient and effective.

Above all, our hybrid-working model defuses one of the greatest concerns for the leaders of FTSE 100 and 250 businesses: our research shows that a full 90% of this group fears losing essential talent to their competitors if they do not offer flexible-working options⁽²⁾. Working with IWG can defuse this risk at a stroke.

When it comes to workforce dynamics, however, giving the best workers no reason to leave is only one advantage of adopting the hybrid model. Doing so also opens up a planet-wide pool of talent, meaning any business with the right offer can employ the very best people, regardless of where they are based. Whether they are in another country or another continent is entirely irrelevant. In fact, when 24/7 service is essential, having a dispersed team that can take advantage of different time zones is a major asset.

1. Source: Global Workplace Analytics
2. Source: IWG FTSE 350 Research, 2021





63%

**of high growth
companies work
the hybrid way**

Source: Accenture Future
of Work Study, 2021



50%

**of workers would quit if
forced to return to the
office five days a week**

Source: IWG Research, 2021



50%

**on savings –
significant cost
efficiencies**

Source: Global Workplace Analytics



Happier

**employees
are more productive**

Delivering a great day at work

As the global workforce is increasingly freed from the limitations of a fixed physical office, IWG is helping to create a better future for employees and employers across the planet.

- Global market leader in the fast-growing hybrid-working sector
- The world's largest network of flexible workspaces
- IWG is the global leader with four times the number of locations compared to the nearest competitor
- 20 brands covering every segment of the market
- A proven, profitable business with the industry's most cost-efficient and scalable business model
- Best-in-class global technology and infrastructure platform
- Partnering for capital-light expansion

Our strategic pillars

Network

[▶ See pages 32-33](#)

Franchise partnerships

[▶ See pages 34-35](#)

Platform (technology)

[▶ See pages 36-37](#)

Supported by a diverse portfolio of brands



Signature

[▶ See pages 14-21 for more information on all of our brands](#)

8m+

people use IWG's network
& associated services

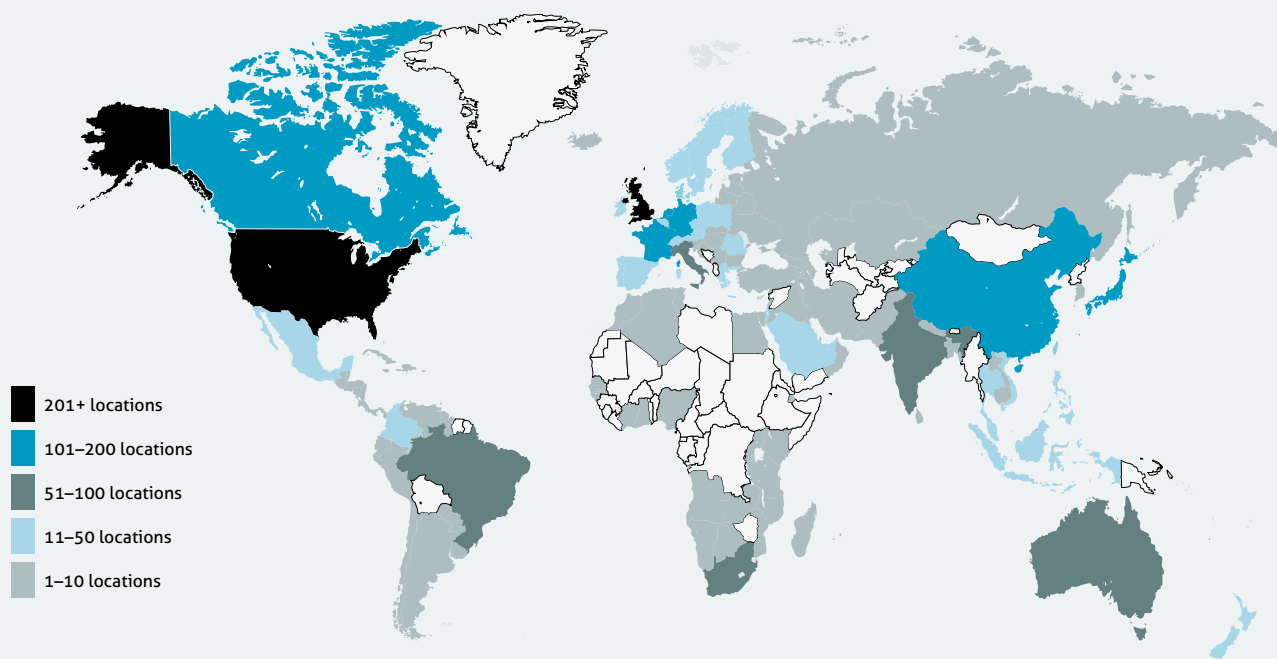
3,314

locations*

(* at 31 December 2021)

for everybody, everywhere

IWG worldwide coverage



1,135

towns & cities*
(* at 31 December 2021)

120+

countries

146

new openings in 2021

4.1m

total square ft
added in 2021

10,000+

employees, supporting
customers: at home, in local
offices and corporate HQs

20

different
brands



Our purpose, culture and values

We all deserve a great day at work. For us, this means not just working productively, but also leading better-balanced lives: greener, with more time for friends, family and community.

Our ability to deliver against this purpose is empowered by our uniquely diverse, truly global culture, which is the result of working in more than 120 countries across the world. We recognise the critical importance of the value that this diverse and passionate global workforce brings to our business.

Our people are therefore at the heart of our culture, which is based on our pioneering spirit, mutual empowerment, shared leadership, unified global network and commitment to placing the customer at the heart of our thinking. At IWG, these essential properties are united by our trust in one another and driven by the shared values of diversity, flexibility and balance.

As we understand and harness the major forces bringing about radical change in how people want to shape their working lives, these values are central to our role at the forefront of the hybrid-working revolution. Already driven by powerful megatrends such as growing environmental awareness, societal pressures and technological advancement, change to the way we work has been radically accelerated by the COVID-19 pandemic over the last two years.

As a result, the shift towards hybrid working fast gained traction among greatly increased numbers of businesses across the planet. Only we have the global coverage and service portfolio to respond to this level of demand. And, with our unique capital-light expansion model, we alone have the capability to grow our offering in the suburbs, towns and even rural communities where people wish to live and work.

Our purpose

Our business model

Our strategy

Our people and culture

Governance and risk management

Our value creation framework

The unique way in which we are structured, our highly efficient platform, our global reach, brands, service portfolio, technologies and outstanding people enable us to meet the needs of all stakeholders: customers, partners, employees, communities and shareholders.

We help millions of people to be more productive every day, supporting them to lead more balanced and rewarding lives.

For more than three decades, we have successfully developed and refined our business model to deliver excellent customer value and strong financial returns. Today, with our unmatched scale, multi-brand approach and highly efficient platform that delivers everything our partners and customers need, we are uniquely placed to meet the accelerating global demand for hybrid-working solutions.

[▶ See pages 38-39](#)



Our three strategic priorities enable sustainable growth to achieve our purpose.

[▶ See pages 31-37](#)

We recognise the critical importance of the value our diverse and passionate global workforce brings to our business. Our people are at the heart of our culture, which is based on our pioneering spirit, mutual empowerment, shared leadership and unified global network and is united by trust in one another.

[▶ See pages 60-64](#)

Our operating model is underpinned and supported by strong and robust governance and a rigorous risk management model that ensures our business is always managed prudently, with all risks understood and appropriately assessed.

[▶ See pages 65-75](#)

Creating value through our brands

At IWG, we believe that business success is underpinned by the effectiveness and happiness of people. So, we've made it our mission to help millions of people have a great day at work – every day. Here, we describe the brands that help to make this possible.

IWG provides a world-leading commercial real-estate platform, drawing on our 33 year track record of delivering the best flexible real-estate solutions for businesses worldwide. IWG's hybrid workspace options reduce the risk for our customers, with zero balance-sheet impact and solutions designed with people's productivity in mind.

Our products are simple to use, with a full suite of business support services that enable people to focus on their core business and enjoy a great day at work.

IWG covers a wider breadth of sectors and locations than any competitor, offering unparalleled choice to customers through our unique portfolio of global operating brands, including Regus, Spaces, HQ and Signature. Our diverse operational portfolio provides businesses with a variation of design, fit-out, location, building and customer base, enabling them to choose a style which meets their unique needs. For individuals, IWG offers the ability to work in practically every country, town, city and transport hub in the world. Enterprise clients can opt for a presence wherever they need to be, choosing an operating brand that closely matches the needs of their organisation and the people working within it.

20

brands

3,314

locations

8m+

users

Regus[™]

SPACES.

HQ



Signature

BASEPOINT

stop@work
by Regus

too
THE OFFICE OPERATORS

**THE
CLUBHOUSE**



Openoffice

No18



**CENTRAL
WORKING**

THE WING

COPERNICO

EasyOffices

worka

Rovva

Meetingo

**Managed
Office Solutions**

**Home
towork**



WORK YOUR WAY

Regus was founded in 1989 and is the world's largest provider of flexible workspace solutions. Regus helps businesses find and create the right workplace for their people, offering choice, flexibility, community, custom workspaces and consistently professional locations all over the world.

SPACES.



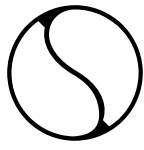
A unique entrepreneurial spirit

Spaces was founded in 2006 in Amsterdam. It creates an environment where people have freedom to do their jobs however they want to do them. Each Spaces is designed to offer a professional and inspirational working environment full of timeless design classics, inspiring art and accessories combined with a strong community programme of partnerships, professional events and hospitality services.

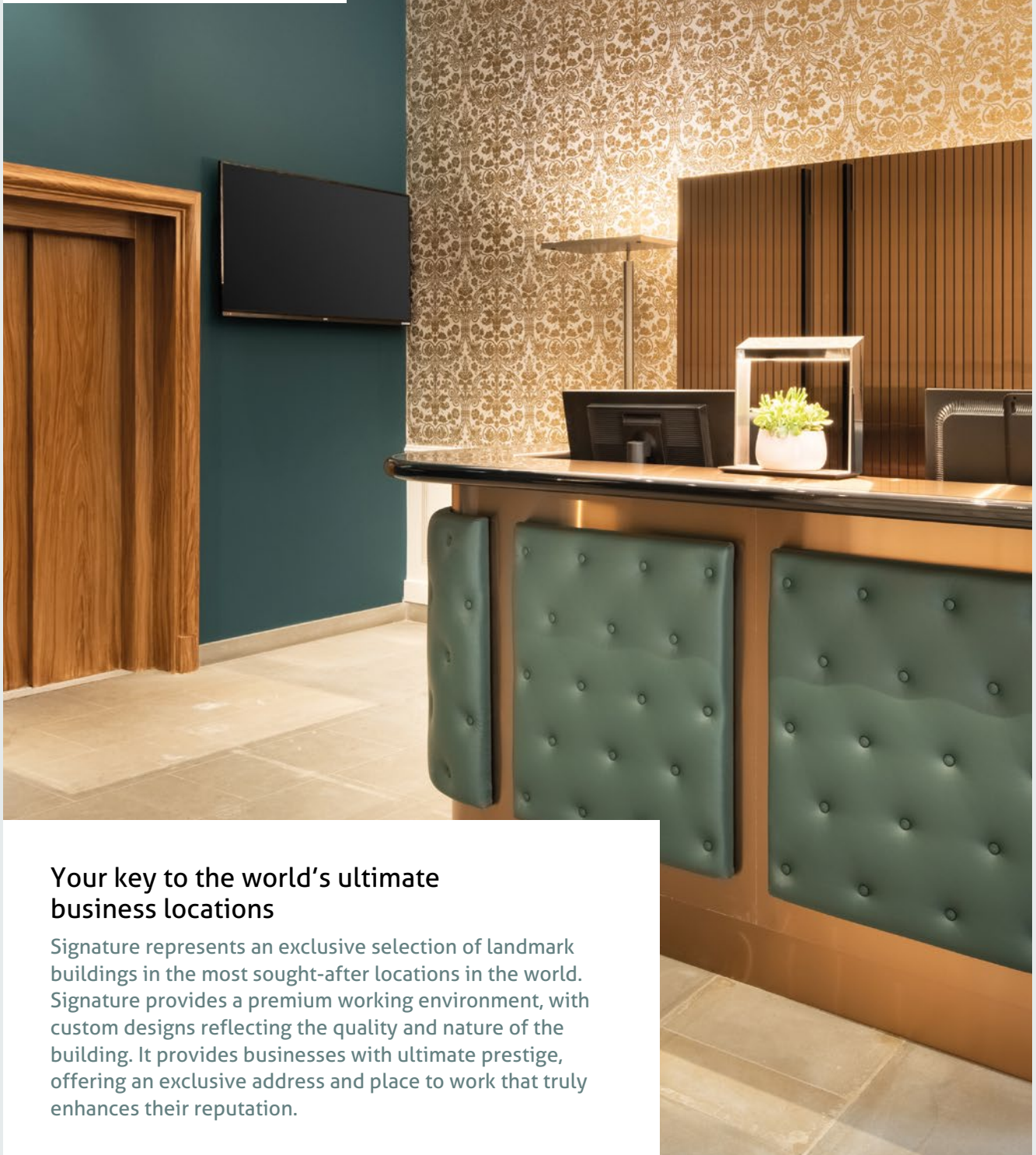


Where real work gets done

HQ provides efficient, functional space, offering practical places with all the essentials businesses need, set up and ready-to-go. HQ appeals to businesses of all shapes and sizes, from large corporates to individual freelancers – everyone is welcome.



Signature



Your key to the world's ultimate business locations

Signature represents an exclusive selection of landmark buildings in the most sought-after locations in the world. Signature provides a premium working environment, with custom designs reflecting the quality and nature of the building. It provides businesses with ultimate prestige, offering an exclusive address and place to work that truly enhances their reputation.

Our domestic office and coworking brands

In addition to our global brands, we also operate domestic office and coworking brands, providing a unique service in key markets around the world.



Basepoint Business Centres comprises a network of locations across England and Wales, providing multifunctional workspace to start-ups and SMEs. In addition to office space, virtual offices and meeting rooms, Basepoint offers practical business units which are ideally suited as studio or workshop space.



Stop & Work is a flexible working brand operating in France. Throughout its locations, it provides a drop-in service and professional environment for telecommuters to use open-plan or private workspaces and meeting rooms. Customers can access the locations by the hour, day or longer as required.



The Office Operators is based in the Netherlands and Belgium, specialising in flexible office space, reception services and conference products. As an organisation, it aims to unburden its customers as much as possible in all facility and operational matters.



The Clubhouse is a leading business club in London, providing offices, lounge and meeting space. Designed to meet the requirements of growing businesses, The Clubhouse provides a luxurious, professional space where customers can meet and work in an inspiring and productive environment.



More than just a desk, BizDojo is a coworking and collaboration network operating in New Zealand. It is passionate about supporting its diverse community with an active and collaborative culture of events, projects, programmes and networking.



This flexible workspace brand has locations exclusively in Japan and South Korea. OpenOffice provides office space, virtual offices and meeting rooms in a productive, self-service office environment.



No18 is a blend of curated business club environments in the best locations, with first-class service and expansive member benefits. It's a workplace where people do business and socialise, moving from premium offices to restaurants and collaborative workspaces.



Central Working provides flexible and scalable spaces, fully tailored to match customer needs. More than just an office space, it helps advance business by providing access to training, networking events and a supportive community.



The Wing is a community of professionals, entrepreneurs and leaders from across the globe, who find sanctuary and productivity in our beautiful work and community spaces designed for women, meaningful connections through our networking opportunities, career growth through our job platform and perhaps most importantly, support and camaraderie through sharing strategies and resources.



Copernico provides smart working environments across Italy. Set out to change the way work is done, it has created an ecosystem that accommodates businesses of any size with solutions ranging from coworking to office lounges. It also provides users with events, workshops and informal meetings, fostering new knowledge and local excellence.



Our digital businesses

IWG also operates several digital businesses, making it easy for our customers to find and book workspace online.

Your app containing every hybrid work solution

Worka brings together every type of IWG workspace in one easy-to-use app. Users are able to search and compare thousands of global locations and instantly book office space, coworking and meeting rooms. With the possibility to see real-time availability, Worka is the ideal choice for hybrid workers all around the world.

EasyOffices

EasyOffices is an online broker that makes it easier for people to find great places to work. It provides a powerful online search and comparison tool to help people find their perfect workspace. Customers can also contact the team directly for impartial advice and support.



HomeToWork improves the homeworking experience by providing everything needed to stay connected and productive and enjoy working from home. Our leading homeworker platform provides access to useful daily content, a carefully curated programme of events and resources, and valuable benefits from industry-leading companies. HomeToWork provides an immersive experience which enables members to make home a great place to work.

Rovva

Rovva is an online toolkit which provides a range of products and services to help people take their businesses further – whether they're just getting started, trying to improve efficiency or exploring new markets. From virtual offices to telephone answering, Rovva makes it easy for people to do better business.

Meetingo

Meetingo is a digital platform that offers everything customers need for a successful meeting, all in one place. With thousands of meeting rooms to choose from, Meetingo provides the right space, in the right place and at the right price. There's a location for every need, from team trainings to five-star board meetings, from city centres to business parks. Customers can compare features, locations, pricing and style of meeting rooms, and can book and pay in moments.

Our managed conventional office space



Whether it's a new workspace brief or an adaptation to an existing office, IWG's Managed Office Solutions (MOS) can provide customised workspaces designed to match any client's unique requirements. MOS can provide additional revenue opportunities for businesses' surplus space with the flexibility to re-occupy that space in the future.

Strong finish despite the challenges



Douglas Sutherland
Chairman

The last year has proven beyond all doubt that people around the world wish to work flexibly. With the widespread and accelerating adoption of hybrid working, the structural growth opportunity is clearly defining the runway that lies ahead of us. IWG is a business in the right place at the right time.

In last year's Annual Report, I wrote about how a year that started with enormous promise rapidly became one of the most difficult and challenging in IWG's history.

This year, our experience was the virtual opposite. 2021 was a year that started with a pandemic induced decline in demand across our global footprint as governments imposed unprecedented curbs on travel and work practices, yet ended with a significant uplift to our business as more and more companies across the world took action to gain the benefits inherent in the hybrid-working model.

The Delta and Omicron variants introduced new challenges during the year, but with focused sales efforts and building on the benefits of our efforts to reduce operating costs, we have now delivered a meaningful transition to revenue and EBITDA growth during the second half of the year.

As a result, we ended 2021 with a sustained uplift to our business, including the strongest period for sales in our history. This positive development shows every sign of continuing as we support our customers' safe return to the office. Our improving financial results provide a powerful springboard for accelerating our growth strategy in 2022.

ESG journey

As described further in this report, we are committed to our ESG journey and during 2021 we continued to deliver against the objectives we have identified across our Environmental, Social and Governance pillars. We are proud to be

a global organisation that is doing so much to promote and enable the uptake of the hybrid-working model, which is at the forefront of efforts to reduce the global impact of the daily commute. The transition to hybrid working not only allows corporations to more efficiently provide office space, reducing their overall property footprint by up to 50%, it also enables workers to eliminate the commute, reducing both the environmental impact and personal time loss associated with travel.

I would like to highlight here the progress we are making on our commitment to achieving net-zero emissions. We are working hard on multiple fronts to reduce our own carbon footprint through initiatives to switch to renewable energy sources and reduce energy consumption. Colleague-led initiatives are underway across the business to reduce waste and promote recycling. After the benefits from our efforts to continuously reduce our carbon footprint, we will be investing in carbon offset projects to eliminate the remaining net effect of IWG's operating activities. As a result of these collective efforts, we are bringing forward our objective to achieve being carbon neutral during 2023.

Strategic review

Companies are being driven by the need to reduce their real-estate costs and carbon footprint while attracting and retaining talent. Employees want the choice to work in a metropolitan headquarters, at home, or to collaborate with colleagues in a suburban location closer to their home. We had begun planning for this shift at IWG well before the pandemic and, with the continued development of our capital-light expansion model through franchising and management agreements, are well placed to take the next major steps forward in our growth story.

We understand our success depends on executing against a strategy which provides value for all of our stakeholders, including customers, partners, employees and communities, as well as shareholders. For our customers we are committed to ensuring that our products and services continue to empower them to attract and retain the best talent and manage their real

estate efficiently and sustainably. We are developing new ways of working with our partners to maximise and share the opportunities being created by the shift to hybrid working. For our shareholders, we are working to realise the full potential of their investment through improving our operating results and the implementation of our strategy.

As previously announced, we conducted a strategic review to address and capture the opportunities being created by the rapid shift to hybrid working. We believe the value of our industry-leading digital and technology assets, services, and network of physical locations will be better recognised through their being separately organised for focused management and development. In this regard, we are pleased to announce the transfer of certain of our digital assets into a business to be merged with and operated by The Instant Group to create the world's leading fully integrated independent workspace platform.

Our people

For our people, we aim to provide every opportunity to build a great career with us, developing their talent and capabilities in a diverse and inclusive environment and representing IWG as a progressive force in the countries where we operate. I would like to take this opportunity to extend my personal thanks to everybody who has been responsible for IWG's outstanding achievements during the year. I would especially like to thank all those team members at every level who have continued to represent the Company so brilliantly in all our markets across the world. Despite the many challenges they have faced during the pandemic, they have shown great resolve to continuing to provide great service to our customers to maintain the IWG difference and our position at the forefront of one of the world's most exciting business sectors.

Our Board

I am immensely grateful to my Board colleagues for their continued dedication to fulfilling the IWG vision and the outstanding quality of advice that they have brought to the business during another very active year. The recommendations of the external evaluation of Board performance

conducted during the year have been incorporated into our plans and we continue to have full confidence in the Board members and processes. Succession planning at Board level will remain a key focus area for 2022.

We are committed to increasing the ethnic diversity of the board and are pleased to announce that Tarun Lal will be joining the Board as a Non-Executive Director with effect from 10 May 2022, subject to applicable law including shareholder approval at the Company's upcoming annual general meeting. Tarun will bring extensive franchising expertise to the Board from his over 20 years of experience with Yum! Restaurants where he has held executive roles including Global Chief Operating Officer KFC and his current role as Managing Director, Middle East, Turkey, Africa and India.

Looking ahead

The case for hybrid has been accelerated to the forefront of employer and employee thinking across the world by the pandemic. As hybrid working becomes the operational model for many organisations, we are confident about the continuing structural growth drivers at play in our industry. For many businesses embracing these changes, IWG is the automatic first port of call due to the advantages offered by the geographic coverage of our network, our differentiated technology platform and the experience of our people.

We are all watching with great concern the increasing geopolitical uncertainties and devastating humanitarian crises arising from the conflict in Ukraine, where our thoughts are with those directly impacted, including our own colleagues and customers.

IWG has strong momentum as we prepare to address the challenges and capture the opportunities in 2022 and beyond. Our ability to address new challenges has been demonstrated repeatedly during the pandemic. We look forward to the opportunity to further strengthen both our lead and role as a facilitator of positive change and improvement for employers and employees as we deliver on our mission to provide a great day at work.

Douglas Sutherland

Chairman

8 March 2022

Right business, right place, right time

As more people around the world want to work flexibly, IWG is a business in the right place at the right time.

The rapid global rise in the adoption of the hybrid-working model, where companies use technology to give their employees effective remote access and home working, in combination with easy-to-access local centres and traditional head-office sites, is here to stay. These structural changes in the way that people across the world work are driving an irreversible change in the office market. As a result, opportunities to grow our business are accelerating strongly.

The global pandemic presented IWG with many challenges throughout 2020 and the first half of 2021. However, these proved to be short-term issues, and during the second half of 2021 we made a rapid return to business growth, which is continuing strongly into 2022.

Today, we are enhancing our strategy to enable us to deliver against our full potential by leveraging our global leadership position in two key areas. The first of these is our focus on growing our network through the increasing use of capital-light expansion methods such as franchising, management agreements and partnering deals. The second is our parallel focus on developing and deploying our digital assets to create an improved customer experience and build strong long-term growth with recurring revenues.

As we enter 2022, our focus is sharper than ever. Our goals are clear. I believe that with 3,314 centres, we are operating at only a fraction of our underlying potential of 30,000 centres. I also believe that the optimal proportion of IWG-owned centres in the future will be at 10% at most. Today, conventional leases represent approximately 65% of our global portfolio, we expect to end the year with franchises, partnerships and management agreements reaching close to 50%.

During 2021, we entered into many attractive new franchising and management agreements. These



Mark Dixon
Chief Executive Officer

included the sale of existing units to franchise partners, as well as entering new relationships with new partners on new properties. These actions significantly improved the quality and diversity of our global portfolio and are designed to accelerate our activities in this area throughout 2022 and the years ahead as we drive IWG towards achieving its full potential.

Our business performance in 2021

Throughout 2021, a period once again dominated by the global impact of the COVID-19 pandemic, we have shown that we are well-positioned to meet the needs of individuals and organisations who wish to change the way they work.

This was a year of two halves that culminated in a period of significant positive change. In a matter of a few months, we moved from one of the most challenging moments in our Company's history at the beginning of 2021 when we experienced the highest concentration of lockdowns, which contributed to the losses reported for the year ended 31 December 2021, to the point where sales growth is now ahead of pre-pandemic levels.

In fact, we experienced the best-selling months in our more than 30-year history in the year's fourth quarter. Our global membership continues to grow and over the year we added 2 million new network users. This was complemented with a major inflection in profitability

and a cash positive performance that gathered strength as the year went on.

We delivered our first franchise deals in new countries such as the USA, India, Malaysia, Poland, Brazil, Spain and Scotland. We have good momentum in the pipeline providing a positive outlook. We also continued to invest in capital-light network growth during 2021, adding 146 new centres to our global network at a cost of £142.5m (£111.8m on a pre-IFRS 16 basis). We used an approach based on our franchise and management-agreement model for 80 of these new centre openings.

This accelerating growth in our franchise footprint is highly significant. Scale is essential for us to offer the convenience that employers and employees everywhere are looking for, and the fast-increasing coverage provided by our global network is a key competitive advantage. Working with new and existing franchise partners will therefore continue to be at the heart of our growth.

Expansion through partnership rather than investment delivers the capital-light growth that we and our shareholders are looking for, enabling us to invest in the brands, technologies and people that are our true differentiators. It also empowers us to add higher-quality centres to our network, with the full engagement of owners who retain a powerful interest in making our franchise partnerships, management agreements and partnership deals work. As a result of this expansion in 2021, we have significantly improved the quality of our portfolio overall and will continue to do so throughout 2022 and beyond as we grow our global network.

In addition, to underscore the relevance of our network to new and existing users across the world, we have progressively rebased our portfolio to deliver more choice and supply to commuter towns and rural areas. In this way, we continue to bring the workplace closer to home, helping to reduce the need for commuting and all the environmental and wellbeing challenges it brings.

Recognising that it is essential for us to offer customers brands that cater to everybody's working style, we also further developed our market leadership

in this area during 2021 (see page 14 for details of our full brand portfolio).

The new brands in our portfolio include The Wing in the US and the Italian-based Copernico, both of which have ambitious expansion plans. The Wing, for example, is a female-focused co-working business and its acquisition gives us an exciting opportunity to expand its offer to women during a time of growing demand for alternative work environments.

We also launched a new retail-based office-space concept: 'OpenDesks' with a more open plan environment. In addition, we continued to invest in industry-leading technology and focused on ensuring that our people have the opportunity to fulfil their talent with us.

Ultimately, IWG creates value by enabling our customers to operate more cost-effectively and efficiently. We also maximise our own success by ensuring we have the skills and resources needed at every level to minimise the unnecessary use of resources, both physical and in terms of time and effort.

Our unique technology platform has evolved over many years to ensure our customers have access to some of the world's most innovative and effective tools to streamline and simplify the working day. We made significant investments in our platform during the year, recording a total IT spend of £50m. Innovations we introduced during the year include solutions supporting very large enterprise customers with tens of thousands of employees in multiple locations, to apps that help the smallest SMEs comply with local legislation. We have also continued to develop our solutions supporting hybrid working, cloud telephony and cloud printing around the world. We have invested to further support home working through our virtual products including HomeToWork, our leading platform providing access to useful daily content, a carefully curated programme of events and resources, and valuable benefits from industry-leading companies. HomeToWork enables members to make home a great place to work. We also invested in our own systems and processes, including new enterprise ERP systems, leadership succession, and redesigned processes for forecasting and business review.



In addition, we took the opportunity to improve efficiency by reducing our discretionary expenditure, with a notable reduction in our overheads while investing in technology, brand and growth.

Success on this scale is very exciting, and it continues to fuel our ambition to create the global coverage that will enable people to work anywhere and everywhere, no matter where they are located.

As a result, as we enter 2022, the company is clearly very well positioned for the future. Our network coverage is already four times the size of our nearest competitor's, and now we are on a powerful trajectory of business wins, new partnerships and capital-light network expansion.

Our financial performance in 2021

My greatest thanks go to all our team members, who were the driving force behind our success in achieving excellent results in very difficult circumstances.

The first half of 2021 was challenging, with a revenue[†] decline of 15.3% at constant currency and a significant impact on our EBITDA and cashflow. However, this gave way to a strong second half, with a return to trading profit, reduced overheads and clear visibility into 2022. We saw an increase in sales in every quarter from March onwards, with progressive increases in occupancy and price, giving excellent momentum for further improvement in the year ahead. With the improvement in occupancy and price, a recovery in service revenues has followed, with further improvement expected in 2022.

During 2021, we saw a significant recovery in the profitability of our existing company-owned assets. Encouragingly, we are witnessing this strength of performance in multiple markets across the world, driven in part by the strong performance of our new centres which have improved the overall quality of our estate.

To take maximum advantage, we amended our financing facilities in early 2022, further securing our liquidity and strengthening our borrowing capacity for the medium term.

Overall, these achievements and trends are delivering tangible evidence that we have entered 2022 as a much stronger business than we entered 2021.

Group income statement

£m	2021 (As reported)	IFRS 16 Impact	2021 (Pre-IFRS 16)	2020 [†] (Pre-IFRS 16)	IFRS 16 Impact	2020 [†] (As reported)	% Change (constant currency) (Pre-IFRS 16)	% Change (actual currency) (Pre-IFRS 16)
Revenue	2,227.9	–	2,227.9	2,431.9	–	2,431.9	(4.7)%	(8.4)%
Gross profit/(loss) centre contribution	242.6	161.3	81.3	(173.7)	193.8	20.1		
Overheads	(327.8)	(0.7)	(327.1)	(379.2)	11.7	(367.5)	(11)%	(14)%
Operating loss⁽¹⁾	(87.4)	160.6	(248.0)	(555.5)	205.5	(350.0)		
Operating (loss)/profit before adjusting items ⁽¹⁾	(56.0)	170.9	(226.9)	(176.0)	215.8	39.8		
Loss before tax from continuing operations	(259.4)	(6.3)	(253.1)	(566.3)	(47.0)	(613.3)		
Taxation	(10.3)	2.1	(12.4)	(43.0)	11.0	(32.0)		
<i>Effective tax rate</i>	(4.0)%		(4.9)%	(7.6)%		(5.2)%		
Loss after tax from continuing operations	(269.7)	(4.2)	(265.5)	(609.3)	(36.0)	(645.3)		
Adjusted EBITDA⁽¹⁾	1,057.7		79.6	133.8		1,233.9	(39)%	(41)%

1. Including joint ventures

Revenue and gross margin by maturity

	Revenue				Gross margin % (Pre-IFRS 16)		
	2021	2020 [†]	% Change (constant currency)	% Change (actual currency)	2021	2021 Adjusted	2020 [†]
Continuing							
2018 Aggregation	1,808.6	2,002.6	(6.0)%	(9.7)%	8.5%	9.9%	6.2%
New 19	219.4	207.5	9.5%	5.7%	13.4%	(7.0)%	(54.0)%
Pre-2020	2,028.0	2,210.1	(4.6)%	(8.2)%	9.0%	8.1%	0.5%
New 2020	120.4	44.2	179.6%	172.4%	(6.0)%	(20.8)%	(176.0)%
New 2021	31.7	–	–	–	–	–	–
Open centre revenue	2,180.1	2,254.3	0.6%	(3.3)%	6.7%	5.2%	(3.0)%
Closures	47.8	177.6	(72.2)%	(73.1)%	(133.9)%	(92.7)%	(60.3)%
Group	2,227.9	2,431.9	(4.7)%	(8.4)%	3.6%	3.1%	(7.1)%

Open centre revenue performance by region

On a regional basis, open centre revenue performance can be analysed as follows:

£m	FY 2021	FY 2020	% Change (constant currency)	% Change (actual currency)
Americas	911.1	1,005.3	(3.7)%	(9.3)%
EMEA	692.3	662.3	8.0%	4.5%
Asia Pacific	228.4	228.4 [†]	2.2%	(0.1)%
UK	342.4	352.7	(2.1)%	(2.1)%
Other	5.9	5.6	–	–
Total	2,180.1	2,254.3	0.6%	(3.3)%

Americas

The Americas, our largest region, was significantly impacted by the pandemic reaching its trough occupancy in February 2021 and has recovered strongly since then. The recovery in performance is mainly being driven by the US and the business in Canada also showed good recovery momentum in the second half of the year.

£m	FY 2021	FY 2020	% Change (constant currency)	% Change (actual currency)
Total revenue	923.6	1,066.5	(8.0)%	(13.4)%
Open centre revenue	911.1	1,005.3	(3.7)%	(9.3)%
Pre-2020 revenue	866.1	994.3	(7.4)%	(12.9)%
<i>Pre-2020 occupancy – Square feet</i>	70.9%	73.9%	–	(300) bps
Number of centres	1,257	1,271	–	–

Major Central Business Districts (CBDs) were challenged most in early 2021 but recovered well in the second half of the year which bodes well for a continuing trend in 2022. Regional districts achieved a higher level of occupancy and customer activity in the centres. In line with increasing occupancies, promotions were removed, and discounts tightened which will result in improved pricing in 2022. Sales in the Americas continued its positive trend into 2022.

According to IWG research, 6 in 10 Americans want to work in the hybrid model and since the onset of the pandemic only 1 in 5 are now willing to commute for more than 30 minutes.

Revenue from open centres declined 3.7% at constant currency to £911.1m. In the fourth quarter open centre revenue grew strongly by 25.0% at constant currency. It was a similar positive trend in Q4 in the pre-2020 estate with revenue growth of 18.4% at constant currency, while full year revenue decreased 7.4% at constant currency to £866.1m.

Average occupancy for the region in the pre-2020 business was 70.9% (FY 2020: 73.9%), with strong occupancy recovery in the second half. Pre-2020 occupancy reached 74.7% in Q4 2021, being 555 bps higher compared to Q4 2020.

Meeting room and day office revenues in the Americas improved strongly throughout the second half of 2021. The recovery of occupancy in LATAM improved in the fourth quarter with strong occupancy improvements in markets like Brazil, Peru and Chile.

There were 25 new locations added in the region in 2021 and 39 locations were rationalised. After these movements, the total number of locations in the region was 1,257 at 31 December 2021.

EMEA

Our EMEA business has seen a clear turnaround in performance since February 2021, with turnover and occupancy improving strongly, especially in the second half of the year. The momentum of occupancy recovery improved in the second half of the year in all EMEA countries. Similarly, increased customer activity in centres led to improved ancillary service revenues with the fourth quarter being the strongest of the year.

Open centre revenue increased by 8.0% at constant currency, with strong year-on-year growth of 25.6% in Q4. Pre-2020 revenue improved by 0.4%, while occupancy increased to 72.1% (FY 2020: 71.5%). Pre-2020 occupancy reached 76.8% in Q4 2021, being 775 bps higher compared to Q4 2020.

£m	FY 2021	FY 2020	% Change (constant currency)	% Change (actual currency)
Total revenue	707.1	715.1	2.2%	(1.1)%
Open centre revenue	692.3	662.3	8.0%	4.5%
Pre-2020 revenue	624.6	642.2	0.4%	(2.7)%
<i>Pre-2020 occupancy – Square feet</i>	72.1%	71.5%	–	56 bps
Number of centres	1,128	1,093	–	–

COVID-19 restrictions in EMEA have been diverse across countries with respective impacts on our business, but the recovery in the second half of the year was across all markets. Our major markets like France, Germany, Italy and Spain all gained momentum in the recovery of occupancy in the second half of the year. Occupancy recovery was also strong in smaller countries, especially in markets like Ireland, Luxembourg, Norway and Portugal.

Growth of our network in EMEA is progressively accelerating with the benefit of new franchise locations, management agreements and acquisitions. A total of 84 new locations were added across this region in 2021. After these additions and the rationalisation of 49 locations, the total locations in the region were 1,128 at 31 December 2021.

Asia Pacific

The impact of COVID-19 on our business in Asia Pacific was quite diverse. Revenue from all open centres increased 2.2% at constant currency to £228.4m. Revenue growth improved throughout the second half of the year. Pre-2020 revenue was down 2.2% to £214.5m (FY 2020[†]: £223.9m) and pre-2020 occupancy decreased to 67.3% (FY 2020[†]: 69.5%). Q4 occupancy was at 67.8%, up 144 bps compared to Q4 2020.

£m	FY 2021	FY 2020 [†]	% Change (constant currency)	% Change (actual currency)
Total revenue	237.1	255.9	(5.4)%	(7.4)%
Open centre revenue	228.4	228.4	2.2%	(0.1)%
Pre-2020 revenue	214.5	223.9	(2.2)%	(4.3)%
<i>Pre-2020 occupancy – Square feet</i>	67.3%	69.5%	–	(222) bps
Number of centres	644	645	–	–

Trading in the second half of the year improved in major countries like Australia, China, Hong Kong, India, Singapore and Pakistan. In other markets the business environment remained challenging with recoveries anticipated in 2022.

A total of 32 new locations were added and 33 were rationalised in the region in 2021. We are seeing a clear acceleration in variable rent and management agreement deals in the region. At 31 December 2021 we had a total of 644 centres in the region.

Good progress is being made on franchising in the region. During the year we entered into a 50:50 joint venture with Hysan Development Company Limited to operate a flexible workspace business across Hong Kong, Macau and Guangdong ("the Greater Bay Area" ("GBA")).

UK

Lockdown restrictions had a significant impact on the UK business, with lower demand throughout the CBD of London. Outside of London our business has been more robust. Since the announcement of easing restrictions in March 2021, demand for more distributed working has further increased sales in many of the satellite towns and cities outside of London, and since summer, also in CBD of London. As a result, pre-2020 occupancy improved from March to exit the year at 70.8%. Pre-2020 occupancy for the period averaged 69.2% (FY 2020: 72.6%).

Enquiries are good and sales conversion is improving. Lower discounting and the removal of COVID-19 promotions is helping pricing on new sales. Retention is improving and is now at its highest level since the start of the pandemic. Renewal pricing is also strengthening. Meeting room demand came back strongly in June and revenue from other services is recovering with footfall improvement.

£m	FY 2021	FY 2020	% Change (actual currency)
Total revenue	354.2	388.8	(8.9)%
Open centre revenue	342.4	352.7	(2.1)%
Pre-2020 revenue	316.9	344.1	(7.9)%
<i>Pre-2020 occupancy – Square feet</i>	69.2%	72.6%	(336) bps
Number of centres	285	304	–

Revenue from open centres reduced by 2.1% to £342.4m, with the growth rate improving to 20.1% in Q4 year-on-year. Pre-2020 revenue declined by 7.9% to £316.9m (FY 2020: £344.1m), with the rate of growth improving in Q4 to 11.5%.

Five new locations were added and 24 rationalised in the UK in 2021. The net of these additions and the network rationalisation led to an overall reduction of locations in the region to 285 at 31 December 2021.

Strategic review

The case for hybrid working has never been clearer.

At its simplest, employers wish to reduce their real-estate costs and minimise their carbon footprint while successfully attracting the best available talent to help them compete as effectively as possible.

Hybrid working is projected to save organisations an average of \$11,000 every year for every person who works remotely for half of the week. The estimated savings have been calculated based on conservative assumptions by Global Workplace Analytics. The research-based consulting firm had noted that the primary savings will come from increased productivity, lower real-estate costs, reduced absenteeism and turnover and better disaster preparedness.

Employees, meanwhile, want the freedom to choose to work in a metropolitan headquarters or at home, and to collaborate with colleagues in a rural or suburban centre close to where they live. Research commissioned by IWG shows that 70% of job candidates are insisting that companies have a hybrid work policy and half of existing employees would quit their job if forced back to the office five days a week.

Enabling companies and individuals alike to gain from all these benefits takes more than just a global network of high-quality business centres. Technology also plays an essential role, and IWG is unique in having a true platform strategy that enables us to bring together the users of hybrid space and the owners of real estate across the world.

In a very important strategic review of our organisational structure, we set in motion a major programme of work in 2021 that will shape our future direction, not only throughout 2022 but for many years to come. Following the review in July, the Board determined that customers and shareholders would benefit from a structural separation of some of the Group's operating assets and capabilities.



We have subsequently completed the separation of certain of our digital assets and, as separately announced today, these digital assets will be merged with The Instant Group to create the world's leading fully integrated independent workspace platform. The merged business will be run by Instant's current management, led by CEO Tim Rodber, who have achieved c. 31% Compound Average Growth Rate in EBITDA over the period 2019 - 2021. The transaction comprises a net cash investment of £270m, provided by a fully underwritten debt facility, to acquire the shares of selling shareholders and provide capital for growth with Instant management investing a further £50m into the merged business. The merger underpins the new company's independent leadership position in the flexible workspace market and creates a preferred platform for the booking of flexible office space, services and inventory management, similar to models already operating in the travel and hospitality sectors. The merged business creates the largest digital platform, accessing over 30,000 buildings in more than 175 countries, served 24/7 through an integrated

platform operating in more than 40 languages. The next step anticipated is a formal separation from the Group via a listing on the US or UK markets within the next two years.

In a separate strategic strand, the Group continues to review the potential separation of the property investing activities.

With these clear strategic objectives in place, the Group is in a strong position to generate enhanced free cash flow.

Focusing on what matters most to IWG

During the pandemic, I believe our purpose – creating a better day at work – became stronger, more clearly defined, and more relevant for our stakeholders than ever before.

This new strength has manifested itself in several ways over the last year, enabling us to articulate what matters most to us. For our customers, we aim always to ensure that our offering enables them to create value and flexibility in their working days, helps them to attract the best talent, and supports them with the sustainable management of their real estate.

For our people, we continuously invest in our teams, ensuring diversity and equal opportunities in all the communities across over 120 countries where we operate.

For the environment, we are empowering thousands of businesses and millions of people to reduce their carbon footprint. We achieve this simply by growing our network of centres to bring more and more workspaces into the local communities, small towns and suburbs where people actually live, raise their families and socialise with their friends.

Over the last two years, market demand has led us to open almost all our new centres in non-city centre environments.

This approach is having three important positive results. First, by driving down the need to commute, it is significantly reducing the carbon footprint of millions of workers across the world. Second, it is enabling companies to play more than lip service to the concept of work-life balance by giving people more of their own time by enabling them to work close to where they live. And third, it is supporting local economies and small businesses by encouraging people to spend more in local communities, once again making them vibrant places to live and work.

In short, it is making the much-vaunted concept of the 15-minute city a reality for millions by providing all the facilities required for hybrid working in self-sustaining local neighbourhoods.

In our 2020 Annual Report, I announced our commitment to being a carbon-neutral organisation by 2025.

Throughout 2021, we have refined further our carbon-neutral programme.

We accelerated our activities around minimising carbon emissions that arise from our supply chain and will be investing in carbon offset projects.

As a result, we are bringing forward our ambition of becoming carbon-neutral during 2023.

Looking forward to 2022 and beyond

I believe that today IWG is uniquely well-positioned to continue to grow strongly in 2022, benefiting from the trends I have already described. We have a clear strategy and are capitalising on continuing structural tailwinds. As a result, our scale, our history, our profile and our franchise offer make us the obvious partner for property owners everywhere.

Our presence in markets across the world, long-established in urban centres and growing fast in suburban and rural communities, make us globally the most visible, the most reputable and the most experienced provider of high-quality hybrid and flexible office accommodation, membership and home-work products and associated services.

Looking to 2022 and beyond, I firmly believe that these advantages will drive our success and further strengthen our leadership position. We are committed to further improvement as accelerating

capital-light growth, enabled by an expanding base of franchise and property partners, helps us serve the fast-increasing demand we are witnessing.

We already have a strong balance sheet, a superior and differentiated technology offering and a strong team. More innovation, an ever-better platform and even stronger brands will improve our market-leading position yet further. This will enable us to bring new employment opportunities, a reduced carbon footprint, better work-life balance and heightened efficiency to businesses, workers and communities everywhere.

We have all been watching with horror the devastating humanitarian crisis unfolding in Ukraine, where our thoughts are with those impacted, including some of our own people. Our commitment to our colleagues and customers in Ukraine is unwavering and we are supporting humanitarian relief efforts. Our centres in neighbouring countries are organising collections of essential supplies including clothing and food for the Ukrainian people displaced by the conflict. Additionally, a fund in aid of UNICEF has also been created.

Notwithstanding geopolitical uncertainties, I am confident that IWG has the energy, agility and momentum required for the significant opportunities ahead. Our trading momentum and forward order book are giving us clear visibility for strong growth in 2022 and an increasingly positive future, which confirms we are in the right place at the right time as businesses continue to embrace hybrid working.

Mark Dixon

Founder and CEO

8 March 2022

A **strategy** to extend our global market lead

Our unique, capital-light and highly cash-generative strategy for growth is based on three essential pillars that are enabling us to simultaneously expand our market-leading global presence, drive significant month-on-month increases in fee income, and create ever-closer customer relationships.

Delivering growth through our three strategic pillars



Network

Our fast-growing global network, providing high-quality workspace wherever it is required, under a multiplicity of leading brands and in increasingly advanced buildings in cities, towns, suburbs and rural locations across the world.

▶ See pages 32-33
[For more on our locations](#)



Franchise partnerships

Our unique approach to franchising and partnering with building owners, creating close, mutually beneficial relationships and driving significant month-on-month revenue increases, now and into the future.

▶ See pages 34-35
[For more on our franchising and partnering](#)



Platform (technology)

Our continuous-improvement approach to technological development, bringing our customers ever-better solutions that maximise workforce efficiency, flexibility and loyalty, no matter where their employees actually work.

▶ See pages 36-37
[For more on our technology](#)

Market opportunity



Our global **network**: world-leading, fast-growing and worker-focused

The worldwide hybrid-working market is growing fast. We are seeking to grow our global network ahead of the curve to attract an ever-increasing share of the world's employers and their employees.

With close to 3,400 high-quality centres serving more than 8 million customers every day via 20 brands in over 120 countries worldwide, IWG is already the dominant force in the flexible workspace market globally.

And, by accelerating our expansion programme, we are continuously extending our lead, particularly in those local suburban and rural environments where people, freed and empowered by advanced hybrid-working technologies, increasingly want to work.

Quite simply, it's a strategy of enabling employers and employees to work in the way they want by providing the solutions they want, wherever and however they want them.

20 brands

2 new brands added in 2021

8m customers

2m added in 2021



Any building, Any space, Any location

Multiple buildings
Entire buildings
Floors

Delivering through our
network in over 1,100
towns and cities across
more than 120 countries

✓
CBDs

✓
Suburbs

✓
Towns

✓
Rural

✓
**Business
parks**

✓
**Transport
hubs**

Partnering for shared success: mutual benefits and accelerating fee income

Partnering with franchisees and property owners across the world is an essential component of our strategy for capital-light growth.

IWG has always partnered with property owners across the world. But over recent years, more franchise investors and operators than ever before are recognising the opportunities that working with us present as hybrid working rapidly becomes the norm for millions.

The hybrid-working segment is the area of the global workspace market that's in most vibrant growth, following some years of steady expansion before the revolutionising impact of the COVID-19 pandemic. And, as the global market leader, we are well-positioned to help ambitious businesses diversify into this burgeoning new sector of the franchise landscape, supported by over three

decades of experience and our deep understanding of more than 120 national markets across the world.

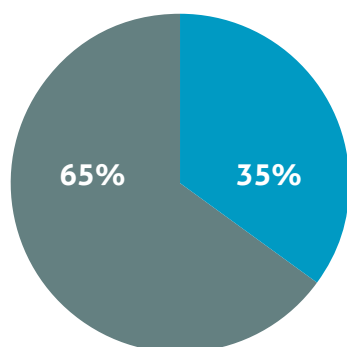
The reasons for this growing popularity among franchisees are clear, including:

- the desire for flexible workspace solutions that allow employers to scale up or down rapidly in the face of market change;
- the need to provide flexible working to attract and retain their key talent;
- the ability to drive efficiency and productivity improvements; and
- the increasingly urgent need for companies to reduce their carbon footprint.





Network mix – December 2021



- Conventional
- Franchises, partnerships and management contracts

So, for our franchise partners, the opportunity to work with us on developing a dynamic new business is highly attractive. For us, the sheer speed at which it enables us to grow our network, in partnership with highly commercial and engaged franchise partners, is equally compelling. This is what we mean by capital-light expansion.

The **technology** gain: seamless end-to-end customer journeys

The way we develop and implement our technology offer is an essential component of our strategy to outperform our market. By ascertaining that customers get the tools they need from us to fulfil their business goals, we ensure their growth and ours are seamlessly interconnected, maximising loyalty for long-term relationships.

With our global footprint across 124 countries, the demands placed on the technology we use to support our customers are virtually unique. It has to meet needs at every touchpoint, every day for 8 million people working in multiple languages and in multiple places – in the office, at home and on the move.

As a result, during 2021 we invested more than £50m in developing systems, automation and apps across many areas. These ranged from solutions supporting very large enterprise customers with tens of thousands of employees in multiple locations in many countries, to apps that help the smallest SMEs comply with local legislation.

Every country where we operate has a unique cultural and operating environment, and our ability to localise effectively is a key source of competitive advantage for us. We therefore integrate our detailed knowledge of the local requirements in all our markets into our digital operating platform, helping businesses operate safely and seamlessly, no matter where they are.

We have also continued to develop our solutions supporting hybrid working as

it continues to become the normal way of working for millions. From cloud telephony and cloud printing to zero-touch internet around the world, we have continued to broaden and extend the services people need to work without barriers to productivity, wherever they are.

As part of this programme, we recently introduced enterprise employee solutions, which help large companies support their employees in every aspect of hybrid and flexible working.

Maximising space utilisation

Our customers often need to respond quickly to fast-changing space requirements, especially at a time of global uncertainty. IWG therefore started to build a full digital representation of its global estate in 2021, to help businesses adopt flexible planning strategies for the future. This will enable real-time metrics from our existing IoT platform to be blended with AI-driven planning tools and demand forecasts, enabling us and our customers to plan the most efficient use of space at any point in time.

Optimising office locations

Our many decades of experience have given us a wealth of data on the key factors that underpin the successful location and design of our centres, including detailed information on sales, operating costs and space utilisation. Combined with an active feedback loop, this enormously powerful resource for training machine-learning algorithms will give us accurate projections of demand and profitability for optimised location selection as we extend our global network.

Blending the customer experience

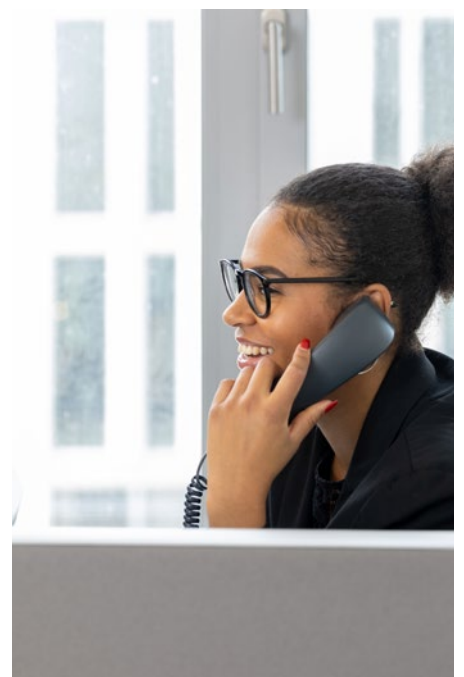
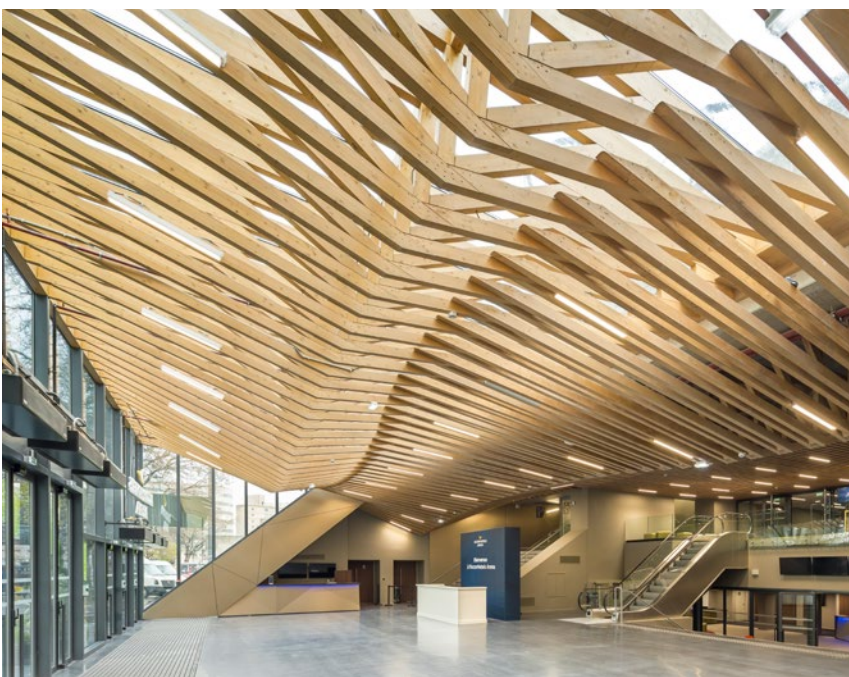
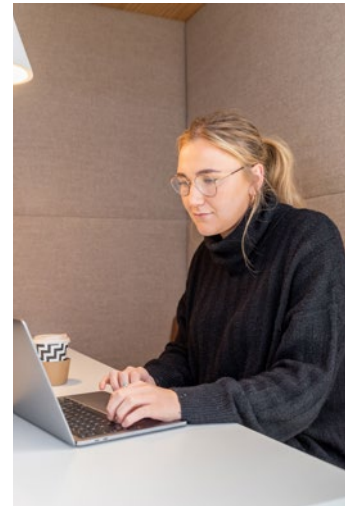
We are bringing our customers' physical and digital worlds together to deliver a holistic working experience, whether in the office or online. By merging their physical and digital profiles, we can

ensure all users' experience in both worlds precisely meets their needs thanks to the frictionless delivery of the right service, delivered in the right way and at the right moment.

Commercialising our technology platform

We have developed and refined our comprehensive everywhere technology platform over many years and for tens of thousands of customers. And now we are commercialising it, making its benefits available to any company, workspace operator or property owner that wishes to use a true best-of-breed solution to streamline their own locations. We are confident there is a receptive market. Our ability to blend people, workspace and technology with local knowledge, enterprise experience and global scale presents a value proposition that we believe will persuade many companies to outsource to us.





Our business model

For over three decades, we have successfully developed our business model to deliver strong returns. Today, with our unmatched scale, unique multi-brand approach and highly efficient platform, IWG is poised for unprecedented growth.

▼ What we do

We partner with franchisees and property owners across the world to provide the largest network of flexible workspace for businesses of every type and size. Through our unique global infrastructure, we deliver a comprehensive service that ensures our partners and end customers have a great day at work.

Key inputs

Our partner relationships

Our success depends on the success of our partners, so we use all our experience and expertise to deliver the service and support they need.

Our people

We employ great people and help them to achieve their full potential, so they can drive our and our partners' success.

Our networks

It is our vision to have a centre serving every community, so we and our partners can empower businesses and individuals to work flexibly and productively anywhere in the world.

Our brands

With a growing stable of global and local brands, we can segment the markets where we operate to maximise uptake and create a unique growth opportunity.

Our formats

Versatile, inspiring and practical, our formats drive worker satisfaction and productivity.

Our platform

Our flexible platform features world-class, easy-to-use infrastructure that delivers simple points of access and a great user experience.

▼ How we do it

Creating access to the flexible workspace market

Property owners

Our unique portfolio of brands and formats lets building owners select the flexible workspace solution that will add the most value by meeting the needs of the local business community. Our platform and associated centralised support functions make implementation straightforward.

Our competitive operating model

Operational efficiency

We continuously optimise the performance and effectiveness of our locations. Combined with a disciplined approach to costs, this enables us to deliver long-term value. Our scaled platform and centralised support functions underpin IWG's operational efficiency across the world.

Centralised support functions

Centralised support functions maximise value for our partners, customers and shareholders. From procurement to marketing, we benefit from economies of scale and global reach to provide consistent support and service to the business.

Our strategic pillars

Our three strategic priorities enable sustainable growth to achieve our purpose.

▶ [See pages 31-37 to read more about our strategic priorities](#)

Strong governance and risk management system

Robust governance and a rigorous risk-management model underpin our operating model to ensure the business is managed prudently and risks are assessed appropriately.

Franchise partners

Our franchise partners find it easy to activate our business model, brands and marketing appeal. Building on years of experience and optimisation, we make it easy for our partners to scale up their operations and earn attractive returns.

Scaled platform

IWG's different brands operate from a single, scaled and highly efficient global platform, enabling us to provide workplace solutions across the world that meet every customer's requirements.

Multi-branded

We recognise there is no 'one size fits all' solution, so we provide a choice of workspace formats through our different brands, formats and workspaces to accommodate our customers' varied needs and enable them to have a great day at work.

1

Network



2

Franchise partnerships



3

Platform (technology)



Importantly, our operating model ensures that we benefit from an entrepreneurial spirit and can strive for our ambitions for future growth.

▶ [See pages 65-75 for more on our approach to risk and governance](#)

Value created

Customers

We help businesses perform better, with more flexibility and agility, staffed by more fulfilled, effective and loyal people.

Partners

We offer an exciting, sustainable business opportunity powered by our global leadership, unique experience and unrivalled operating platform.

Employees

We recognise the talents of our diverse and passionate workforce across the world, enabling our people to contribute to society while driving successful careers.

Communities

We bring employment opportunities to the heart of communities, attracting jobs, reducing unnecessary travel and encouraging social connection.

Shareholders

We deliver sustainable returns via a progressive dividend policy that's enabled by our prudent approach to investment.

The growing flexible workspace market

Right across the world, significant forces are influencing the future development of the flexible workspace market. In 2020, the COVID-19 pandemic made these all the stronger. Here we reflect on how the ways we react to change are enabling us to strengthen our position as a global market leader.

▶ Concern about the environment

Continuing to support people working at or near home following the pandemic is the single biggest contribution organisations can make to reduce their carbon footprint. Taking positive action attracts talent who share an increasing sense of shared responsibility and global citizenship.

▶ Societal change

The global COVID-19 pandemic has significantly accelerated the uptake of hybrid-working patterns. Research from 2021 shows that half of all workers would seek another job if asked to make a full time return to the office⁽¹⁾. SME demand for high-quality accommodation and services in local markets continues to accelerate.

1. Source: IWG Research, 2021

▶ Evolving global economy

Companies across the world are aiming to reflect their business priorities in their real-estate strategies. For many, this includes increasing operational flexibility while driving down overall costs, and seeking new ways of maintaining closer relationships with customers and suppliers alike.

▶ Rapidly advancing technology

Smart technology and universal connectivity are enabling people to choose how, when and where they work. With the pandemic having made remote communications the norm, billions are now connecting globally via the latest in video communications and virtual reality platforms – a shift that's being 100% enabled by major improvements in technology.

▶ Demand for more agile property models

Companies increasingly need to be poised for rapid reinvention in an ever-more complex and competitive environment. To support rapid shifts in strategy, scale and location, businesses are increasingly demanding highly efficient, intelligent buildings, high-quality services and portfolio solutions that extend far beyond single offices.

▼ Impact on our industry

- Need to satisfy growing consumer, shareholder, employee, legislative and societal demand for reduced environmental impact.
- Increased demand for flexible workspace solutions, close to and in the communities where people want and can afford to live.
- Growing requirement for advanced tech solutions to support home working as individuals seek to enhance their lifestyles and reduce their carbon footprints.

- To attract and retain the best talent, employers are seeking partners who can provide flexible space and services.
- Workspace providers without diverse portfolios are struggling to meet emerging customer needs and remain competitive.
- Communities that cannot provide high-quality workspace are finding it hard to meet the evolving needs of local employers.

- Companies are increasingly taking a portfolio approach to real estate, taking on a hierarchy of sites from headquarters to local offices.
- They are seeking new ways of building dispersed customer relationships while delivering a personalised service.
- The need is growing for customers to understand and influence supplier behaviour in local markets.

- The ability to offer, refresh, expand and manage an appropriate range of digital offerings is a key differentiator.
- Companies are focusing their attention on identifying the right tech investments to make the moment they are required.
- The need to maintain service provision is mission-critical, driving the often expensive requirement to keep pace with advances.

- Fast-changing business needs mean that customer requirements are continuously evolving.
- Companies are seeking partners who can meet increasingly rigorous and mission-critical demands, fast and efficiently.
- Growing complexity is increasing the need for enterprise companies to have a single point of contact for their property requirements.

▼ How we are responding

- Investing in highly efficient, intelligent buildings, continuously upgrading our estate and enabling reduced commuting by opening more locations outside city centres.
- Upgrading or closing inefficient centres to improve environmental performance across our portfolio.
- Supporting new ways of working that allow people everywhere to contribute to the carbon-reduction agenda.

- Our network growth is focused on local markets, enabled and accelerated by our franchising strategy that is driving our global presence towards our goal of reaching 50,000 centres.
- We ensure our customers gain from our scale, brand portfolio and service levels at every stage of their development.
- We enable our customers to participate in our local social investment programmes across the world.

- We provide 'hub-and-spoke' infrastructure to meet national and regional development plans.
- Our sophisticated global platform allows immediate personalised support to meet emerging customer needs.
- Our global network supports a worldwide, regional and local presence wherever required, allowing customers to make rapid shifts in location, scale, strategy and customer focus.

- We leverage our unmatched insight into the tech needs and expectations of businesses, delivered by millions of individuals who use our services every day.
- We continually invest in world-class, resilient IT infrastructure, innovative digital offerings and services at all our centres.
- With 3,314 centres worldwide, we provide the resilience and global infrastructure to meet every flexible-working need.

- We can respond fast and fluidly to rapidly changing needs and demands by developing bespoke solutions that can be rapidly engineered for global uptake.
- We have the experience, scale and investment power to deliver and continuously upgrade in line with individual expectations.
- Our network comprises a wide variety of building types able to serve even complex business needs.

Key drivers for sustainable growth

We aim to deliver sustainable profitable growth for our investors through providing customers globally with an unrivalled choice of convenient work environments that suit the full range of workspace and service needs.

1 Industry-leading profitable growth

Pre-2020 Adjusted EBITDA development (£m) □*

£167.8m

2021 - Pre-2020	167.8
2020 - Pre-2019	244.6
2019 - Pre-2018	425.9
2018 - Pre-2017	351.3

2 Best-in-class cost leadership

Adjusted overhead as percentage of revenue (%)⁽¹⁾ □*

13.2%

2021	13.2
2020	13.3
2019	10.7
2018	10.5

1. pre-IFRS 16 for continuing operations

3 Global multi-brand network

Network (locations)

3,314

2021	3,314
2020	3,313
2019	3,388
2018	3,306

4 Capital-light growth

Net growth capital investment (£m) □

£111.8m

2021	111.8
2020	250.9
2019	389.0
2018	332.0

5 Shareholder returns

Total shareholder returns (£m)

nil

2021	nil
2020	43.7
2019	107.7
2018	93.9

* Including only those operations that were open throughout the period, pre COVID-19 related adjusting items and pre-IFRS 16

▼ Overview

Pre-2020 Adjusted EBITDA* down from £185.2m for 2020 to £167.8m for 2021, reflecting the prolonged impact of COVID-19.

COVID-19 made 2021 another very challenging year in our history. Notwithstanding this, our revenue performance was resilient, which, together with the swift, comprehensive actions taken to reduce costs, delivered pre-2020 EBITDA[□] of £167.8m before COVID-19 related adjusting items.

Overheads as a % of revenue before adjusting items were well controlled at 13.2%.

Group overheads[□] for 2021, excluding adjusting items of £33.1m related to COVID-19, decreased 6.2% at constant currency to £294.0m (2020[†]: £322.8m). Excluding these non-recurring costs, Group overheads[□] represented 13.2% of the Group's lower revenue reported for 2021 (2020[†]: 13.3%). Although overheads have reduced, the Group has invested in the continued development of enterprise accounts, the pivot to a capital-light growth model and a scaled platform of services.

We continue to add quality, convenience and choice to our network in a carefully controlled and risk-managed way.

In direct response to the pandemic, decisions were taken to rationalise underperforming centres to ensure we emerge a stronger business post COVID-19. Overall, 145 locations were rationalised, mostly directly COVID-19 related. During 2021 we added 146 new high-quality locations to maintain the largest global and most widely distributed network.

During 2021 net growth capital expenditure reduced to £111.8m.

During 2021 we made further progress on our strategy of more capital-light growth. Franchising and partnering reduces the capital deployed and speeds up the rate of growth. We invested more resource into our franchise and partnering teams during 2021. The benefit of this is already being seen, as the investment required per sq. ft. of flexible space more than halved in 2021.

Continued to preserve cash in direct response to COVID-19.

Given the prolonged uncertainty caused by COVID-19, we believe it was prudent to protect our liquidity and as a result there was no cash distribution to shareholders in 2021.

▼ Future ambitions and risks

The continued impact on market conditions of COVID-19 and the possible appearance of new variants cannot be dismissed. However, the momentum we have seen build in our business, particularly in the second half of 2021 and into 2022, provides a basis to anticipate an improved performance in 2022.

We will continue to focus on controlling overheads to deliver operational efficiency. This will be balanced with further planned investment in overhead to improve the performance of our well-invested operating platform, processes and people and delivery of the Group's franchise strategy.

Macro and geopolitical uncertainties are likely to persist in many regions in 2022, which may lead to further rationalisation of the network. However, we remain clearly focused on accelerating growth through our franchising and partnering strategy. Simultaneously we will continue to develop our brands to enhance the choice available to more customers.

We have a pipeline in excess of 250 new franchise and partner deals for 2022 which will further improve the network mix and deliver an acceleration of growth.

Our capital allocation policy remains in place, prioritising investment in the long-term development of our business and distributions to shareholders. We intend the earliest possible return to continuing to provide attractive returns to shareholders with the continuation of a progressive dividend distribution and share repurchase programme.

Adding value for our stakeholders

At IWG, we have a strong record of delivering value to our key stakeholders, comprising the five groups that mean most to us: customers, partners, employees, communities and shareholders.

<p>Partners</p>  <p>Franchisees seeking opportunities to diversify into an exciting and fast-growing market, and building owners and developers wishing to drive the best possible return on investment</p>	<p>Customers</p>  <p>Businesses of all sizes across the world are seeking flexibility, quality and value from their workspace to boost their agility, competitiveness and the commitment of their people</p>
<p>Why are they important to us? They not only own or manage the buildings where our customers work, they also bring us the benefits of their experience across a range of niche and local markets to deepen our understanding of specific customer needs.</p> <p>What do they want from us? Our partners need flexible, bespoke relationships based on shared trust, enabling them to maximise the benefits of our proven business model, our experience, the power of our brands and our global leadership position.</p> <p>How do we engage with them? We provide established international sales and marketing channels and comprehensive training from the outset, as well as ongoing support and training from an experienced global team.</p>	<p>Why are they important to us? IWG exists to serve its customers. By paying for our services, they enable us to consistently improve our global offering with ever-better property models, working environments, value, service and business solutions that collectively add up to a great day at work.</p> <p>What do they want from us? Our customers need us to understand their changing needs, responding fast and with precision. This means giving them the flexibility to achieve rapid shifts on cost, location and scale, while providing the great working environments, world-class IT and admin support they need to achieve their business goals.</p> <p>How do we engage with them? We empower our customers to choose from a wide range of leading brands, so they can find the precise solution that works best for their business. We also give them and their people all the support they need, wherever they are: in the office, at home and on the move.</p>



Employees



The heart of our business: the people who – in growing numbers of neighbourhoods across the world – do most to ensure our customers have a great day at work

Why are they important to us?

They are the public face of IWG. They ensure we deliver customer value and drive our growth, attract new business and deliver the returns our shareholders want.

What do they want from us?

Like everybody else, they want a great day at work, based on mutual loyalty, exciting rewards, effective development opportunities and the benefits associated with working for a global leader.

How do we engage with them?

Our People Promise commits us to delivering interesting and achievable work, together with sensitive management, a company that cares, and the opportunity to advance and develop their careers with us.

Communities



The places where our centres are based, increasingly home to where our own people and customers' employees live and wish to work

Why are they important to us?

They are increasingly the source not only of our employees but our customers too, enabling us to grow at scale in multiple local markets across the world.

What do they want from us?

They want us to help them thrive, attracting new employment and enabling local people to work closer to home.

How do we engage with them?

We are a part of the community, and are heavily involved in community projects from education to health-related and other initiatives.

Shareholders



The individuals and institutions who own our shares and provide the support we need to deliver sustainable stakeholder value

Why are they important to us?

They give us the financial support and authorisation we need to continue our unique strategy for growth and strengthen our leadership position in the global flexible-workspace sector.

What do they want from us?

Our investors want us to continue articulating and following our successful strategy, communicating with them clearly and regularly, and giving them the opportunity to comment on our progress. Above all, they want us to grow the value of our shares and operate a progressive dividend policy.

How do we engage with them?

In 2021, our Investor Relations function held more than 400 meetings with investors and analysts. These meetings were predominantly held virtually in view of COVID-19 considerations.

2021 dominated by COVID-19, but good progress achieved



Glyn Hughes
Chief Financial Officer

COVID-19 continued to present challenges globally, but it has also increased awareness and adoption of hybrid working. This, together with the swift actions the Group has taken since the onset of the pandemic, has delivered a sequentially improving financial performance commencing in the second quarter.

Financial performance

The review below highlights the reported results in accordance with IFRS. Under IFRS 16, while total lease-related charges over the life of a lease remain unchanged, the lease charges are characterised as depreciation and financing expenses with higher total expense in the early periods of a lease and lower total expense in the later periods of the lease.

The Group also presents the results in accordance with pre-IFRS 16 accounting standards as it provides useful information to stakeholders on how the Group is managed, operating performance targets are measured, and reporting for bank covenants and certain lease agreements are prepared.

Adjusting items

The continuation of COVID-19 in most of the Group's markets had a significant impact on our business in early 2021 which initially slowed the pace of recovery and directly contributed to the reduced revenue reported in 2021 (when compared to 2020) and the net losses. Consequently, the Group in 2021 continued to take measures to build greater resilience into the business and future-proof it for the long-term structural growth opportunity. The success of these measures became evident in the momentum that built in the business during the remainder of 2021. These actions, together with the slower than originally anticipated recovery caused

Group income statement

£m	2021 (As reported)	IFRS 16 impact	2021 (Pre-IFRS 16)	2020 ¹ (Pre-IFRS 16)	IFRS 16 impact	2020 ¹ (As reported)
System-wide revenue	2,498.5	–	2,498.5	2,721.9	–	2,721.9
Revenue	2,227.9	–	2,227.9	2,431.9	–	2,431.9
Gross profit/(loss) (centre contribution)	242.6	161.3	81.3	(173.7)	193.8	20.1
Gross profit before adjusting items ⁽¹⁾	240.9	171.6	69.3	149.4	204.1	353.5
Overheads ⁽²⁾	(327.8)	(0.7)	(327.1)	(379.2)	11.7	(367.5)
Joint ventures	(2.2)	–	(2.2)	(2.6)	–	(2.6)
Operating loss	(87.4)	160.6	(248.0)	(555.5)	205.5	(350.0)
Operating (loss)/profit before adjusting items ⁽¹⁾	(56.0)	170.9	(226.9)	(176.0)	215.8	39.8
Net finance costs	(172.0)	(166.9)	(5.1)	(10.8)	(252.5)	(263.3)
Loss before tax from continuing operations	(259.4)	(6.3)	(253.1)	(566.3)	(47.0)	(613.3)
Taxation	(10.3)	2.1	(12.4)	(43.0)	11.0	(32.0)
<i>Effective tax rate</i>	(4.0)%		(4.9)%	<i>(7.6)%</i>		(5.2)%
Loss after tax from continuing operations	(269.7)	(4.2)	(265.5)	(609.3)	(36.0)	(645.3)
Profit/(loss) after tax from discontinued operations	59.3	9.9	49.4	4.9	(6.4)	(1.5)
(Loss)/profit for the period	(210.4)	5.7	(216.1)	604.4	(42.4)	(646.8)
Basic EPS (p)						
– From continuing operations before adjusting items ⁽¹⁾	(17.2)		(23.7)	(24.2)		(26.4)
– Attributable to shareholders	(20.3)		(20.9)	(63.5)		(67.9)
Depreciation & amortisation	1,109.4		305.6	307.3		1,195.0
Adjusted⁽¹⁾ EBITDA	1,057.7		79.6	133.8		1,233.9

1. Adjusting items relate to income and costs arising specifically from the impact of COVID-19.

2. Overheads for 2021 include COVID-19 non-recurring items of £33.1m (2020: £56.4m).

directly by COVID-19, have resulted in further charges. These adjusting items totalled £31.4m (2020: £389.8m), £8.4m of which are non-cash items.

On a pre-IFRS 16 basis these adjusting items totalled £21.1m (2020: £379.5m), of which a net benefit of £1.9m was non-cash. These adjusting items primarily reflect network rationalisation, Group restructuring costs and provision for expected credit losses.

Network rationalisation

With the uncertainty caused directly by COVID-19 persisting through 2021, further marginal centres were eliminated from the network. This led to a charge of £83.1m (2020: £58.5m). This charge was offset by a £125.2m reversal of impairment of property, plant and equipment (2020: impairment of £244.8m).

Under pre-IFRS 16, COVID-19 related rationalisation of the network led to a charge of £59.8m which was more than fully offset by utilising £124.6m of the

previously established provision, resulting in a net benefit of £64.8m (2020: net charge of £312.0m).

Restructuring costs

A charge of £32.6m (2020: £43.3m) is included within adjusting items to cover legal and other professional costs, including costs associated with the significant number of individual centre renegotiations undertaken during 2021.

Provision for expected credit losses

The prolonged impact of COVID-19 and the emergence of new variants of the virus in some markets continued to present an unprecedented challenge to many customers who may struggle to navigate through these challenges. The Group has therefore further reviewed the recoverability of its debtor profile and recognised an additional £53.5m (2020: £17.5m) in credit losses. The increase is low compared to the overall debtor profile as the Group has not historically incurred significant credit

losses and continues to maintain customer deposits as additional security in the event of non-performance of customer contracts.

Other one-off items

During the year the Group incurred £0.5m of transaction costs in respect of aborted transactions that did not complete due to COVID-19 (2020: £8.2m). In addition, during the year, the Group received a total of £0.7m (2020: £6.4m) in respect of worldwide support schemes.

Cost benefit

The swift actions taken to mitigate the impact of the global pandemic on the business, together with the ongoing sharp focus on all costs, has resulted in significant savings in overheads and centre-related costs, despite the operating losses incurred in 2021. Overall, the cost optimisation programme has delivered an annualised run rate cost reduction of approximately £324m.

These cost savings exclude the c. £129m of cost investment in new centres. After the new centre investment, the net cost benefit in 2021 was c. £148m.

Revenue

System-wide revenue[†] decreased from £2,721.9m to £2,498.5m, a 4.2% decline at constant currency. This is a new additional performance measurement for the Group and one we consider provides a better reflection of the scale of the business, which will become increasingly relevant as we progress our strategy of faster, capital-light growth, with the resultant increased emphasis on franchising, management agreements and other partnering arrangements.

On a reported basis, total Group revenue[†] decreased from £2,431.9m to £2,227.9m, a 4.7% decline when compared at constant currency. This is a good outcome given the on-going impact of the pandemic and one that demonstrates the growing sequential momentum achieved from the second quarter onwards. The reported decline in Group revenue[†] in Q1 was 20.9%, down 15.3% for the first half and down 9.9% for the nine months to 30 September, all at constant currency. Full year revenue[†] declined 4.7% reflecting the first half

decline of 15.3% being offset by year-on-year growth in the second half of 7.3%.

This improving momentum in the business from March 2021 was similarly reflected in the revenue from open centres and the like-for-like pre-2020 estate. Open centre revenue[†] declined 10.4% in H1 but increased 12.6% in H2 year-on-year, delivering a 0.6% increase at constant currency to £2,180.1m (2020: £2,254.3m). Pre-2020 revenue[†] increased by 7.1% in H2 which, after a H1 decline of 15.0%, resulted in a revenue[†] decline of 4.6% at constant currency to £2,028.0m (2020: £2,210.1m).

Occupancy in the pre-2020 estate for 2021 was 70.6% (2020: 72.5%), with momentum improving during the year. Fourth quarter occupancy was 270 bps higher than the third quarter at 71.2%, with a December exit rate of 74.5%. Encouragingly, this performance has continued into the start of 2022, with most major markets contributing. The breadth of our coverage in satellite towns and suburban locations continues to be beneficial.

The continued maturation of the locations opened in 2019 and 2020 has been

good. Revenue from centres opened in 2019[†] increased by 9.5% at constant currency. The new locations opened in 2020 have performed strongly, with occupancy increasing from 33.9% to 54.2%. The initial revenue contribution from the new 2021 openings has also been strong with exit occupancy in December 2021 of 44.5%.

Gross profit (before adjusting items)

The adjusted gross profit[†] reported for the period was £240.9m, which compares to £353.5m for 2020. Reported gross profit[†] including the adjusting items was £242.6m (2020: £20.1m).

Under pre-IFRS 16 the adjusted gross profit[†] was £69.3m (2020: £149.4m). With a loss[†] of £15.1m reported for the first half of 2021, this full year gross profit illustrates the improved profitability of the business in the second half. Adjusting for the negative contribution from closures of £44.3m and the contribution drag of £50.9m from the new centres added in 2020 and 2021, the gross profit[†] generated by the pre-2020 estate was £164.5m (2020: £211.6m).

2021 performance, £m	Pre-2020 centres	New centres	Closed centres	Total centres
Revenue	2,028.0	152.1	47.8	2,227.9
Cost of sales	(1,751.1)	(189.0)	(46.8)	(1,987.0)
Gross profit/(loss) (centre contribution)	276.9	(36.9)	1.0	240.9
Gross margin	13.7%			10.8%
Cost of sales ⁽¹⁾	(1,863.5)	(203.0)	(92.1)	(2,158.6)
Gross profit/(loss) (centre contribution) ⁽¹⁾	164.5	(50.9)	(44.3)	69.3
Gross margin ⁽¹⁾	8.1%			3.1%

2020 performance, £m [†]	Pre-2020 centres	New centres	Closed centres	Total centres
Revenue	2,210.1	44.2	177.6	2,431.9
Cost of sales	(1,821.0)	(78.9)	(178.5)	(2,078.4)
Gross profit/(loss) (centre contribution)	389.1	(34.7)	(0.9)	353.5
Gross margin	17.6%			14.5%
Cost of sales ⁽¹⁾	(1,998.5)	(77.0)	(207.0)	(2,282.5)
Gross profit/(loss) (centre contribution) ⁽¹⁾	211.6	(32.8)	(29.4)	149.4
Gross margin ⁽¹⁾	9.6%			6.1%

1. Results presented in accordance with pre-IFRS 16 accounting standards and before adjusting items.

EBITDA

Adjusted EBITDA[†] as reported reduced to £1,057.7m (2020: £1,233.9m), due to the continued impact of COVID-19 on our business performance. Reported EBITDA including the adjusting items[†] was £1,026.3m (2020: £844.1m).

Under pre-IFRS 16, adjusted EBITDA[†] declined from £133.8m to £79.6m. Adjusted EBITDA[†] reflects the significant drag from the investment in growth, which in 2021 was £50.1m (2020: £36.0m), and a further £42.6m in respect of closed centres (2020: £23.3m).

Pre-IFRS 16 EBITDA including the adjusting items[†] was £58.5m (2020: a loss of £245.7m).

Overhead investment

Reported Group overheads[†], excluding adjusting items of £33.1m, decreased 2.4% at constant currency to £294.7m (2020: £311.1m).

Under pre-IFRS 16, Group overheads excluding adjusting items[†] reduced by 6.2% at constant currency to £294.0m (2020: £322.8m). This is another good performance, building on the decisive actions which commenced in 2020. As a percentage of Group revenue, overheads[†] were 13.2% which is 10 bps lower than the 13.3% of revenue they represented in 2020, notwithstanding the £204.0m reduction in Group revenue from 2020. We also invested in building our in-country sales teams and our marketing to support our pivot to capital-light growth.

Operating loss – continuing operations

Adjusted operating loss[†] as reported was £56.0m (2020: profit of £39.8m). Including the adjusting items, the operating loss[†] was £87.4m compared to a loss of £350.0m in 2020.

Under pre-IFRS 16, the adjusted operating loss[†] for the year was £226.9m (2020: loss of £176.0m). The operating profit continues to reflect the drag from growth investment of £83.8m (2020: £51.0m) as well as losses of £49.4m from centres closed during 2021 (2020: £49.4m from closures in 2021 and 2020). Including the adjusting items of £21.1m, the operating loss[†] was £248.0m (2020: loss of £555.5m).

Net finance costs

The Group has reported net finance costs[†] under IFRS 16 for the year of £172.0m (2020: £263.3m), including interest on the Group's lease liabilities.

Under pre-IFRS 16, the Group reported a net finance expense[†] for the year of £5.1m (2020: £10.8m). The reduction in the net finance expense primarily reflects the significant gain on the mark-to-market of the option element of the convertible bond, resulting in a gain of £22.5m (2020: £2.4m gain). Excluding the mark-to-market of the convertible bond and a small foreign exchange translation gain of £0.1m (2020: £3.2m gain), the total net financial expense was £27.7m (2020: £16.4m).

Taxation

The reported effective tax rate for 2021 is (4.0)% (2020: (5.2)%) on continuing operations. The effective tax rate on continuing operations under pre-IFRS 16 is (4.9)% (2020: (7.6)%). Despite reporting a loss for the year, the Group incurred a tax charge due to the continuing profitability of certain countries and entities within the overall Group.

Looking forward, factors that may potentially influence the effective tax rate include the shape of the recovery in the Group's trading performance, the availability of tax losses and the continuing ownership of specific countries or regions which may change due to future potential franchise agreements.

Earnings per share

Reported basic earnings per share[†] for the year was a loss of 20.3p (2020: loss of 67.9p). The loss per share from continuing operations before adjusting items was 17.2p (2020: loss of 26.4p).

Under pre-IFRS 16, earnings per share[†] improved in the year from a loss of 63.5p to a loss of 20.9p. Earnings per share from continuing operations[†] was a loss of 25.8p compared to a loss of 64.0p in 2020. Excluding the adjusting items, the loss per share[†] was 23.7p (2020: loss of 24.2p).

Diluted earnings per share[†] for the year was a loss of 20.9p (2020: loss of 63.5p). Diluted earnings per share on a continuing basis before adjusting items for the year was a loss of 23.7p (2020: loss of 24.2p).

The weighted average number of shares in issue for the year was 1,007,214,854 (2020: 951,890,712). The weighted average number of shares for diluted earnings per share was 1,102,442,649 (2020: 1,045,771,886). No shares were acquired during 2021 to be held in treasury. The Group reissued 844,559 shares from treasury to satisfy exercises under various Group long-term incentive schemes during 2021.

Cash flow

The Group reported cash inflow for the year of £111.1m before net investment in growth capital expenditure (2020: £74.4m), which is a strong improvement on the cash outflow of £230m in the six months to 30 June 2021. This reflects the inflection of our trading performance and an improvement in working capital after the payment of deferred rents in H1 which were retained in 2020.

Overall, the Group reported a reduction in net debt for the year of £391.4m. This was after the investment in net growth capital expenditure of £142.5m (2020: £203.8m), purchase of investments in joint ventures £33.4m, proceeds from franchise agreements of £52.3m, the return from an aborted potential acquisition of £283.7m and a currency translation benefit of £119.6m. Net debt at 31 December 2021 reduced to £6,518.2m from £6,909.6m at 31 December 2020.

On a pre-IFRS 16 basis, the Group experienced a cash flow of £239.1m before investment in growth compared to a cash inflow of £140.7m for 2020. The full year cash outflow reflects an improvement on the £303.0m outflow in the six months to 30 June 2021.

The overall increase in net debt on a pre-IFRS 16 basis was £45.9m, primarily through the planned reduction in net growth capital expenditure to £111.8m (2020: £250.9m) and the £283.7m return of cash from an aborted potential acquisition. Net debt at 31 December 2021 was £397.0m (2020: £351.1m). With the Group generating positive cash flow in the second half of 2021, the year-end position is better than the interim net debt position of £414.6m at 30 June 2021.

Cash flow

The table below reflects the Group's cash flow:

£m	2021 (As reported)	IFRS 16 impact	2021 (Pre-IFRS 16)	2020 (Pre-IFRS 16)	IFRS 16 impact	2020 (As reported)
Adjusted EBITDA	1,057.7	978.1	79.6	133.8	1,100.1	1,233.9
Working capital ⁽¹⁾	(146.1)	28.0	(174.1)	242.3	(203.0)	39.3
Growth-related partner contributions	–	50.4	(50.4)	(106.6)	106.6	–
Maintenance capital expenditure	(101.1)	–	(101.1)	(96.9)	–	(96.9)
Maintenance-related partner contributions	5.2	–	5.2	15.0	–	15.0
Tax paid	(5.4)	–	(5.4)	(21.9)	–	(21.9)
Finance costs	(182.6)	(167.1)	(15.5)	(17.0)	(249.4)	(266.4)
Finance lease liability arising on new leases ⁽²⁾	(561.6)	(561.6)	–	–	(917.0)	(917.0)
Proceeds from partner contributions (lease incentives)	35.9	35.9	–	–	111.0	111.0
Other items	9.1	(13.5)	22.6	(8.0)	(14.6)	(22.6)
Cash flow before growth capital expenditure, investments, share repurchases and dividends	111.1	350.2	(239.1)	140.7	(66.3)	74.4
Gross growth capital expenditure	(192.9)	(30.7)	(162.2)	(357.5)	47.1	(310.4)
Growth-related partner contributions	50.4	–	50.4	106.6	–	106.6
Net growth capital expenditure	(142.5)	(30.7)	(111.8)	(250.9)	47.1	(203.8)
Cash flow before investments, share repurchases and dividends	(31.4)	319.5	(350.9)	(110.2)	(19.2)	(129.4)
Purchase of shares	–	–	–	(43.7)	–	(43.7)
Dividend	–	–	–	–	–	–
Corporate financing activities	0.6	–	0.6	1.8	–	1.8
Net proceeds from the issue of shares	–	–	–	313.9	–	313.9
Proceeds on convertible bond	–	–	–	343.2	–	343.2
Less: Debt element of convertible bond	–	–	–	(291.4)	–	(291.4)
Investment-related loan receivable	283.7	–	283.7	(276.2)	–	(276.2)
Net proceeds on transactions	18.9	–	18.9	3.3	–	3.3
Exchange movement	119.6	117.8	1.8	2.3	6.7	9.0
Decrease/(increase) in net debt	391.4	437.3	(45.9)	(57.0)	(12.5)	(69.5)
Opening net debt	(6,909.6)	(6,558.5)	(351.1)	(294.1)	(6,546.0)	(6,840.1)
Closing net debt	(6,518.2)	(6,121.2)	(397.0)	(351.1)	(6,558.5)	(6,909.6)

1. Consists of proceeds from partner contributions of £19.7m (2020: £38.4m), an increase in trade and other receivables of £127.3m (2020: £76.4m) and a decrease in trade and other payables of £38.5m (2020: increase of £77.3m) as disclosed in the consolidated cash flow statement on page 121.

2. The financial liability arising on new leases consists of the non-cash movements arising on new leases recognised less lease-related finance costs.

Capital investment in the network

In line with the Group's expectations, net growth capital expenditure in 2021 reduced by £61.3m to £142.5m (2020: £203.8m) whilst adding a similar number of new locations and space, representing clear evidence of the increasing success of our capital-light growth strategy.

Under pre-IFRS 16, net growth capital expenditure reduced by £139.1m to £111.8m (2020: £250.9m).

During 2021 we added 146 new locations (2020: 141) and rationalised 145 locations (2020: 217), mostly directly COVID-19 related.

At 31 December 2021, the Group's physical network comprised 3,314 locations globally, providing the largest global and most widely distributed network. The new locations added 4.1m sq. ft. of gross space. This, together with the impact of the rationalisation programme, resulted in the Group having 64.1m sq. ft. of gross space at 31 December 2021 (2020: 62.9m sq. ft.).

Maintenance capital expenditure, both as reported and on a pre-IFRS 16 basis, increased modestly to £101.1m from £96.9m. After partner contributions received, net maintenance capital expenditure increased from £81.9m to £95.9m.

Strong financial position

Reported net debt at 31 December 2021 reduced to £6,518.2m (2020: £6,909.6m), representing the renegotiation of existing leases and increased success of our capital-light growth strategy.

Net debt at 31 December 2021 on a pre-IFRS 16 basis was £397.0m (2020: £351.1m). This is an improvement on the net debt position at 30 June 2021 of £414.6m, reflecting positive cash generation in the second half. The 31 December 2021 net debt position reflects the previously highlighted return of the £283.7m investment on an aborted potential acquisition and the

higher-than-normal cash outflows resulting from the completion of more deals with landlords, which triggered the release of previously deferred rent payments held over by the Group in 2020.

In February 2022, the Group reduced the £950m revolving credit facility to £750m with an unchanged maturity date in 2025.

In addition, a £330m bridge facility for The Instant Group acquisition has been agreed. The bridge facility has a maturity in September 2023.

Foreign exchange

The Group's results are exposed to translation risk from the movement in currencies. During 2021 key individual exchange rates have moved, as shown in the table below. Overall, these exchange rate movements had a mixed impact on the Group's results. Revenue and gross profit were reduced by £91.1m and £2.1m respectively, but operating profit increased by £7.2m, reflecting the relative contribution to Group profit from our US business.

Risk management

Effective management of risk is a key area of focus for the Group and, crucially, integral to our strategic planning. A detailed assessment of the principal risks and uncertainties which could impact the Group's long-term performance and the risk management structure in place to identify, manage and mitigate such risks can be found on pages 66 to 75 of this report.

Related parties

There have been no changes to the type of related party transactions entered into by the Group that had a material effect on the financial statements for the period ended 31 December 2021. Details of related party transactions that have taken place in the period can be found in note 30.

Dividends and share repurchase programme

For the purposes of liquidity, we are ensuring that the Group maintains sufficient funding especially in a period of significant centre rationalisation. Our capital allocation policy remains in place, prioritising investment in the long-term

Foreign exchange rates

Per £ sterling	At 31 December			Annual year average		
	2021	2020	%	2021	2020	%
US dollar	1.35	1.37	(1.5)%	1.38	1.29	7.0%
Euro	1.19	1.11	7.2%	1.16	1.13	2.7%

development of our business and dividend distribution to shareholders. However, given the prolonged uncertainty caused by COVID-19, we believe it is prudent to protect our liquidity and as a result, future dividend payments and a restart of our share repurchase programme are placed on hold for the moment with a clear intention of the earliest possible return to our stated shareholder return policy.

Going concern

The Group reported a loss after tax¹ of £269.7m (2020: £645.3m) from continuing operations for the year, while net cash of £734.8m (2020: £968.9m) was generated from operations during the year. Although the Group's balance sheet at 31 December 2021 reports a net current liability position of £1,439.4m (2020: £1,330.4m), which could indicate a potential liquidity risk, the Directors concluded after a comprehensive review that no liquidity risk exists as:

1. The Group had funding available under the Group's £950.0m Revolving Credit Facility. £530.1m (2020: £731.3m) was available and undrawn at 31 December 2021. This facility is committed until March 2025 with an option to extend until 2026 (note 24); and
2. The Group maintained a 12-month rolling forecast and a three-year strategic outlook. It also monitored the covenants in its facilities to manage the risk of potential breach. The Group expects to remain within covenants throughout the forecast period. In reaching this conclusion, the Directors have assessed:
 - the potential cash generation of the Group against a range of illustrative scenarios (including a severe but plausible outcome); and
 - mitigating actions to reduce operating costs and optimise cash flows during any ongoing global restrictions.

The Directors consider that the Group is well placed to successfully manage the actual and potential risks faced by the organisation including risks related to COVID-19.

On the basis of their assessment, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for a period of at least 12 months from the date of approval of these group consolidated financial statements and consider it appropriate to continue to adopt the going concern basis in preparing the financial statements of the Group.

In February 2022, the Group reduced the £950m revolving credit facility to £750m with an unchanged maturity date in 2025. The facility is subject to financial covenants which include quarterly or semi-annual EBITDA and minimum liquidity requirements and/or interest cover and Net Debt to EBITDA ratio requirements.

In addition, a £330m bridge facility for The Instant Group acquisition has been agreed. The bridge facility has a maturity in September 2023. This facility is secured and is subject to interest cover and net debt to EBITDA covenants.

On the basis of these actions and assessments, the Directors consider it appropriate to continue to adopt the going concern basis in preparing the financial statements of the Group.

Glyn Hughes

Chief Financial Officer

8 March 2022

ESG at the heart of our business

In last year's Annual Report, we said that sustainability was at the top of our agenda. This year, that statement is truer than ever, as we work hard to ensure that we are open and transparent on the ESG issues that matter most to all stakeholders.

We aim to be a leading force in this area, evolving our business and reporting practices to meet all stakeholders' expectations in relation to our ethical and sustainability practices.

We have reviewed the Environmental, Social and Governance (ESG) issues that were most material to IWG's business and determined that these continued to be key priorities in 2021 (see table below). We measure and report on the progress we have made against each one.

Environmental

Material issue	Action	Measurement
Sustainable working model	<ul style="list-style-type: none"> – Reduced energy consumption – Waste reduction & recycling – Reduced water usage 	<ul style="list-style-type: none"> – 2021 Carbon Disclosure Programme

Social

Material issue	Action	Measurement
Employment opportunities, health and wellbeing and recognising talent	<ul style="list-style-type: none"> – Talent retention/acquisition – Training and education – Health and wellbeing campaigns/initiatives – Feedback and recognition – Performance reward 	<ul style="list-style-type: none"> – Volume of new hires (including graduates and interns); internal promotions; courses and training completed – Competitiveness of compensation and reward
Diversity, equity and inclusion	<ul style="list-style-type: none"> – Recognising talent in all diverse offerings – DE&I training programme – Affinity/Business Resource Groups – Voice Councils programme 	<ul style="list-style-type: none"> – Workforce diversity – Training programme participation
Corporate social responsibility	<ul style="list-style-type: none"> – Corporate citizenship – Proactive local community support 	<ul style="list-style-type: none"> – Community investment (financial value generated)

Governance

Material issue	Action	Measurement
Corporate governance	<ul style="list-style-type: none"> – Embed sustainability principles within business operations 	<ul style="list-style-type: none"> – Adherence to structure and approach (detailed on pages 78 to 85)
Risk governance	<ul style="list-style-type: none"> – Principal risk review and mitigation 	<ul style="list-style-type: none"> – Risk management structure and approach (detailed on pages 66 to 75)
Ethics and compliance	<ul style="list-style-type: none"> – Training and education 	<ul style="list-style-type: none"> – Business Assurance function conducts risk studies and tests compliance with internal controls
Bribery and corruption	<ul style="list-style-type: none"> – Whistleblowing channel 	
Compliance with local legislation	<ul style="list-style-type: none"> – Compliance training 	<ul style="list-style-type: none"> – Compliance reporting



Environment

IWG is committed to delivering positive environmental change for the long term. Through our business model we provide two clear, complementary ways in which we can make a real difference.

Our core area of expertise, hybrid working, provides a powerful enabler for our customers to reduce their carbon footprint. However, it is not enough for us to enable the environmental strategies of our clients and we have an exciting and positive carbon-reduction strategy relating to our own business. We have taken the foundational steps towards its creation in 2021, which will allow us to enact a comprehensive carbon reduction strategy in 2022 with the objective of achieving carbon neutrality during 2023.

Hybrid working can help to build a better future

The majority of corporations, both domestic and global, are actively incorporating hybrid working into their operating models. The environmental agenda is one of the drivers of this change. We are increasingly seeing more businesses signing up to net zero commitments, with associated implications for their own core operations and supporting supply chains. This is creating a shift in the way businesses manage their real-estate portfolio and workspace policies.

- **Sustainability is no longer a 'nice-to-have':** businesses are positioning sustainability at the forefront of their decision-making, including real estate.
- **New standards in sustainability:** businesses are demanding new minimum sustainability standards for the spaces they occupy, including energy performance, sustainable sourcing and responsible management.

IWG has an unparalleled network of inner and outer-city locations, presenting a wide choice of flexible workspaces for businesses to choose from. By adopting the hybrid-working model, companies can optimise the workspace they need and support people working at or near home, reducing employee commuting levels. The compound saving across these two factors can significantly reduce office-related carbon intensity. While reduced emissions at the office and from commuting have to be balanced against increased energy use in the home, most studies show nonetheless that home or local working results in a net reduction. One suggests that carbon reduction can be as high as 77%⁽¹⁾.

1. Source: IWG White Paper, Hybrid World: Sustainable World, 2021

Hybrid working also has the potential to revitalise communities, as workers spend more time working at or close to home. This 'hub-and-spoke' model and the increasing number of flexible workspaces can also contribute to an increase in wellbeing, community spirit and the creation of local supply-chain networks. This working model is not only fundamentally and permanently changing the way our clients work: it is also transforming how people want to work for, and partner with, them.

The major role that hybrid working can play in achieving their ESG goals means that companies can support six of the United Nations Sustainable Development Goals (UN SDGs) for 2030 through its adoption.

United Nations Sustainable Development Goals:



Good health and wellbeing:

time spent working at home or at a nearby office that's accessible by foot or bike means fewer stressful commutes and a generally healthier lifestyle.



Gender equality: hybrid working offers a future of more equal opportunities and more equitable sharing of family responsibilities.



Affordable and clean energy

and climate action: hybrid working can lead to significant reductions in greenhouse gas emissions through fewer car and plane journeys, while companies can reduce their carbon footprints by downsizing their offices and working from more advanced buildings.



Decent work and economic growth:

economic growth can come from increased productivity, as workers choose to work when and where they're happiest and most effective.



Sustainable cities and communities:

hybrid working revitalises communities, as more time is spent working at or close to home. This can also increase wellbeing and community spirit.

We are committed to helping all stakeholders understand more about how their actions can help reduce the environmental impact of their business operations and make their workspaces more sustainable. During the year, we published a series of educational white papers on a range of sustainability-related subjects, including papers titled *The 15-Minute Commute* and *Hybrid World: Sustainable World*.

Both of these papers also highlighted how the hybrid-working model cuts carbon emissions, reducing the need for workers to travel long distances to work thanks to workspaces in or close to the communities where they live.

In addition, our centre-based teams regularly engage with their customers and other stakeholders with advice and guidance on making their workplaces and ways of working more environmentally friendly.

Our carbon-reduction strategies

In 2021 we took the foundational steps necessary for us to progress a carbon-reduction strategy during 2022. Guided by the Greenhouse Gas (GHG) Protocol, developed by the World Resources Institute (WRI) and the World Business Council for Sustainable Development (WBCSD), we carried out research during 2021 to determine our carbon-footprint boundary and began analysing data to make an accurate carbon calculation. We used this work to help us identify the best approach for us to take.

To meet our ambition, we are pursuing three parallel strategies:

- **Investment:** actively seeking low carbon properties and buildings with low carbon energy suppliers.
- **Improvement:** driving significant sustainability impact through the widespread implementation of innovative initiatives, including increased recycling and energy reduction alongside improved staff engagement through our sustainable working model.
- **Carbon removal:** in combination with the two strategies above, we aim to address the emissions we are unable to reduce by leveraging commercial offset schemes to accelerate the trajectory of our carbon-reduction work. We will progressively replace the emissions that are being offset with embedded savings from the greening of the estate.

Delivery of these three strategies will enable our ambition of becoming carbon neutral during 2023. Further details on the three strategic pathways are as follows.



1. Investment strategy

Sustainability is of paramount importance for IWG. During 2021, we launched an audit into the energy source and certification status of our centres, which we aim to finalise in 2022. This will identify which of our centres are powered by renewable energy or have sustainable building certifications in place, such as Leadership in Energy and Environmental Design (LEED) or Building Research Establishment Environmental Assessment Method (BREEAM).

This work will enable us to prioritise and continuously upgrade the environmental performance of our new and existing estate.

Through a collaborative approach with our partners we will support them in embedding environmentally sustainable practices within their locations.

2. Improvement strategy

We place a strong focus on continually improving the performance of our existing operations, specifically in reducing energy and water consumption, recycling and reducing waste.

Reducing energy consumption

Our energy-efficiency solutions have played an essential part in our environmental strategy and support the creation of emission savings across our business operations. We were pleased for the sixth consecutive year to have received a strong 'B' score for our climate change submissions to the Carbon Disclosure Programme (CDP), higher than the global average and that of our industry group. We have also responded more strongly than our industry peers in our governance of climate change and emissions-reduction initiatives, consistently receiving a score of A- or above.

While this performance is pleasing, we are confident that we can do even better. One example of further improvement is in the UK, where we have started to roll out an electric-vehicle (EV) charging infrastructure across the country, with imminent delivery across 33 locations. This will become a global initiative as we aim to make all our workplaces more sustainable. We are also developing an initiative to lease EVs for use by our employees, so reducing the emissions caused by their commutes to work, their business miles and their personal travel.

We continually seek opportunities to reduce our emissions further and have implemented energy-management tools and centre upgrades, procuring green technologies where possible and improving office facilities.

Energy-conscious design

Several of our centres are in older buildings that have been repurposed away from their former usage to take on a new lease of life as a sustainable office building. For example, our Tour & Taxis centre in Brussels was built between 1902 and 1907 as one of Belgium's foremost shipping and customs hubs. Following extensive refurbishment, its eco-centric features have now earned this Spaces centre an Outstanding rating by BREEAM. It has been refitted with a sustainable design and augmented with renewable materials. The centre runs entirely on geothermal and solar power, drawing on more than 17,000sqm of solar panels on its roof. As in many Spaces centres, rainwater is collected using water-recycling systems to maintain the centre's 10 thematic gardens.



Water usage

Due to the nature of our business, we do not directly source or withdraw our water, meaning our impact is considered to be relatively low.

Nevertheless, we are proud to have achieved a 'B' score for our water-security submission to the CDP for the third consecutive year, demonstrating strong management of water consumption across our portfolio. We have again exceeded the performance of our peers, achieving an 'A' score or above in categories including water business strategy, risk assessment, policies and governance.

We also apply water-saving technologies and awareness initiatives to improve the water usage at our centres.

Waste reduction and recycling

With almost 3,400 centres in over 100 countries worldwide, we have a large and highly dispersed supply chain. The challenges involved in ensuring all suppliers are compliant with our requirements are significant, but we have made considerable progress in recent years.

For example, IWG operates an effective Global Recycling Initiative, in which all centres around the world actively participate. We are also managing plastic waste more effectively, thanks to a programme that includes upgrading all our coffee machines from those that use single-service pods to ethically sourced beans.

In addition, we have launched a programme to investigate the sustainability credentials of our procurement activities, which will give us the understanding necessary to manage this area as effectively as possible in future. This gives us a clear direction for further evolving our procurement activities across all product and services areas, countries and centres.

3. Carbon-removal strategy

Recognising the urgency required to address the climate challenge, IWG is well positioned to accelerate change in the short term, making tangible contributions to a range of carbon-reduction and avoidance projects. We believe that the transition to carbon neutrality must be driven by shifting our portfolio towards climate-conscious investments and combining our knowledge and resources to support climate solutions for clean energy, clean transport and environmental protection.

We aim to select only those carbon-offset projects that are robust, verified by third parties and issued by a carbon registry. Furthermore, we will assess each project by reference to its social, economic and environmental contributions, prioritising those that demonstrate synergies with climate priorities and the United Nations Sustainable Development Goals. Only when we are confident of an operation's quality and satisfied that it meets our criteria will we buy credits.

Task Force on Climate-related Financial Disclosures (TCFD)

The TCFD framework was established by the Financial Stability Board (FSB) in 2015 and aims to improve the reporting of climate-related financial information.

The TCFD recommendations have been structured around four thematic areas that each represent a fundamental element of how organisations operate: governance; strategy; risk management; and metrics and targets. This is the first TCFD review we have issued, and we anticipate we will build upon the information provided here in future years as we deepen our understanding of and response to climate change.

Governance

- Describe the Board's oversight of climate-related risks and opportunities
- Describe management's role in assessing and managing climate-related risks and opportunities

The Board takes overall oversight for climate-related risks and opportunities. IWG's CEO is responsible for formulating IWG's environmental impact strategy and its delivery through the Senior Leadership Team, once agreed by the Board.

In conjunction with the Board, risks are reviewed and assessed against severity, the likelihood of occurrence and the current strength of the controls in place. Responsibility for assurance is delegated to the Audit Committee, while designing, implementing and maintaining the necessary systems of internal control are responsibilities of the Senior Leadership Team. By orchestrating climate change initiatives, the CEO can oversee their implementation and ensure their effectiveness.

The CFO, Executive Management and Board assist with strategy and compliance and have responsibility for business ethics and good governance. This includes the assessment of any climate-related issues, maintaining oversight of our climate-related financial activities, reporting and sponsoring the TCFD programme.

A Non-Executive Board Director oversees and informs the Board on employee engagement and the Group's corporate responsibility activities, including community and environmental projects.

Sustainability is firmly at the top of the Board agenda. The CEO and Board regularly discuss climate-related issues.

You can find more information on IWG's corporate governance on pages 78 to 85.

Strategy

- Describe the climate-related risks and opportunities the organisation has identified over the short, medium, and long term
- Describe the impact of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning
- Describe the resilience of the organisation's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario

Our business is exposed to both physical and transitional climate-related risks and we are committed to assessing and mitigating the impact they pose across our businesses, strategy and financial planning.

Physical risks

We consider extreme weather conditions within our existing risk management processes and procedures. To minimise the financial and operational impact of these events, IWG provides a business-continuity and crisis-recovery solution.

Customers and IWG's internal operations and staff impacted by these acute physical conditions can immediately resume their business operations at unaffected nearby locations.

Rising mean temperatures have been identified as a medium-term chronic physical risk. These are expected to have a potential financial impact by placing increased strain on heating, ventilation and air-conditioning systems and causing an increase in energy consumption. To address this, we have implemented energy-saving intervention programmes in a number of locations and are monitoring them to measure their impact and launch successful measures at more of our sites.

Assessing risks and opportunities across future time horizons and climate scenarios is central to the TCFD recommendations. IWG will hold its first climate-related scenario assessment in 2022, drawing on guidance from several frameworks including the Representative Concentration Pathways (RCPs) set out by the Intergovernmental Panel on Climate Change (IPCC).

Transition risks

As part of our approach to managing transition risks, in March 2021 we announced our commitment to becoming a carbon-neutral business by 2025. We are bringing forward this ambition and our objective is to achieve being carbon neutral during 2023.

We recognise the opportunity that our climate commitments may bring, as they can lead to an increased demand for our services and make us more attractive as an employer.

We continue to evolve our strategy to address climate-related risks and opportunities. We make every effort to ensure we comply with local regulations (see the Governance section on page 65 for further detail).

Risk management

- Describe the organisation's processes for identifying and assessing climate-related risks
- Describe the organisation's processes for managing climate-related risks
- Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organisation's overall risk management

IWG operates an enterprise-wide risk management process for identifying, assessing, managing and monitoring key business and strategic risks, and understanding the nature, scope and potential impacts involved. We set out this comprehensive approach to risk management in more detail on pages 66 to 75.

IWG ensures that risks associated with health and safety, environment and security are dealt with and managed at appropriate levels. We operate the three lines of defence to manage risk, managed by the Board.

- The first line of defence is formed by managers and staff in the front line operations who are responsible for identifying and managing risk in line with functional objectives.
- The second line of defence consists of the functions that oversee or specialise in compliance or the management of risk. They set the policies and procedures and monitor risks and internal controls.
- The third line of defence is provided by independent assurance. This line of defence tests the design and operation of controls in place, and the procedures implemented by the first and second line. They assist management and the Board in conducting risk studies and test compliance with internal controls.

More information can be found in the Risk management section on pages 66 and 67.

Effective risk management requires awareness and engagement at all levels of our organisation and it is incorporated in the day-to-day management of our business and in the Group's core processes and controls.

We carry out risk assessments throughout the year as part of IWG's business-review process and for every investment decision. IWG's annual CDP disclosure programme also captures the risk management process and outlines the updated mitigation measures that are deployed as risks expand and evolve.

For more information on IWG's risk management, please see pages 66 to 75.

Metrics and targets

- Disclose the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process
- Disclose Scope 1, Scope 2 and if appropriate, Scope 3 greenhouse gas (GHG) emissions and the related risks
- Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets

The adoption of IWG's greenhouse gas emission reduction goals and commitment to achieving carbon neutrality was formulated by the CEO and agreed by the Board. IWG is on the journey to calculating its Scope 1 and 2 greenhouse gas emissions in alignment with the guidance provided by the Greenhouse Gas Protocol.

We continue to strive to reduce energy usage and conserve water across our portfolio. We will build on our metrics and targets to guide the implementation of our commitment to reducing greenhouse gas emissions.

The path forward

This is IWG's first TCFD disclosure, and we view it as a concrete step forward, building on our foundation of environmental disclosure and transparency.

The Transition Pathway Initiative's four-level staircase, a stepped approach to TCFD in direct alignment with the London Stock Exchange's Climate Governance Score, has provided a clear framework for communicating our actions and intentions through measurable climate-related disclosures. We have used this framework to assess our current status and conclude that we are at level 1: awareness, with every intention of reaching level 2 in 2022.

Advancing our talent strategy

2021 was a defining year. We hired more people than in any other year in our trading history and trained our team on the broadest curriculum to date. We were recognised as being in the top 1% of employers from the Leading Employers group.

Our IWG people promises are to provide:

- interesting and achievable work;
- a manager who cares; and
- an opportunity to advance and develop.

To give our customers a great day at work, we first have to ensure our team members have a great day at work. The two are inextricably linked, and talent is therefore always at the forefront of our global strategy as the cornerstone of success for IWG and the customers we are proud to look after.

The key people strategies are:

- building a global HR platform;
- acquisition of talent;
- learning, development and careers;
- diversity, equity and inclusion (DE&I);
- communication and recognition; and
- reward.

The HR platform

As our team grows across the world, we are providing two key HR tools as part of the on going simplification and efficiency programme that will run into 2022, supporting the growth of our investment partners and IWG.

First, we are building an extensive HR platform that is accessible to all team members around the clock. This is a one-stop shop for everything from information on local and global policies, processes and documents to access to the IWG Learning Academy. Here you can raise an HR ticket, view data and much more. The platform provides employees and line managers with greater efficiency and real-time solutions to get their jobs done quickly and seamlessly.

In addition, all our team members use TeamHub, a unique app they can access on any device, day or night. This gives them a rapid and intuitive way to book time off, register sickness or any other sort of absence, raise an IT ticket and see who is at work or out of office. It also enables them to check in for work every day, a vital security and safety feature in a geographically dispersed business.

Talent acquisition

We continued to recruit new talent throughout 2021, with a focus on delivering and deploying innovation, automation and simplification to give customers and team members a great day at work and ensure we can respond to the needs of the business over the next decade.

In a record year we hired more than 3,000 new colleagues in a variety of roles, with a primary emphasis on the teams who look after our customers. We also added new opportunities in product development, country management, sales, technology franchising, acquisitions and project management.

Graduates and interns are always a key element of our talent strategy, and we will wherever possible continue to provide them with employment opportunities. We took the opportunity to create a new learning and career development programme specifically for this cadre of our workforce, which we will launch in 2022.

Of course, 2021 was another exceptional year, pivoting very quickly from a first half when there was great talent available to a second half characterised by a very competitive global landscape for talent. We responded by revising our fixed salary bands, city by city and country by country, to remain competitive in both retaining our exceptional people and in hiring new talent.

We also launched a totally new global website for the external market, which better reflects the wealth of opportunity that is on offer at IWG. We also now have an easier, faster and fully inclusive process in place that makes it simple for all candidates to apply for roles with us.

Diversity, equity and inclusion (DE&I)

Diversity of talent continues to be a major focus area for us, and our recruitment channels and processes offer opportunity to everybody. In 2021, for example, we offered freelancers and home workers a range of opportunities that can be done on a part-time basis and entirely from home. This approach is designed to suit people with priorities that make it difficult for them to commute or be based in an office. In addition we will continue to partner with the Good Youth Employment scheme giving opportunity to talent starting off in their careers.

Diversity statistics

	Male	Female
Gender	35.5%	64.5%

Example: North America

In our largest market our ethnicity reporting is as follows:

	Ethnicity
American Indian	0.8%
Asian	5.1%
Black	19.4%
Hispanic	20.2%
Pacific islander	1.2%
Two or more races	2.6%
White	50.7%

We extended our online programme on DE&I during the year. This included interactive webinars exploring what DE&I means in practice, investigating how we should all interact without bias with all IWG team members, partners, customers and other stakeholders.

We also launched a series of 'Affinity Groups' in the US. Made up of team members, these work with the Company to make and consider recommendations on how best to ensure we remain fair and equitable in our day-to-day business operations.

We also launched our global 'Voice Councils' programme, an initiative led by team members to provide a dedicated forum where relevant senior audiences can hear their views, with the aim of establishing greater understanding of people's actual needs across the business. Regional webinars were set up

on a quarterly basis with elected representatives from all countries. The agenda of each meeting is led by the participating Voice Council representatives, who gather questions, feedback and suggestions in advance from their colleagues. Answers and suggestions are captured and distributed for information to the broader population, along with progress made on previous action items.

These meetings have helped to continuously improve the business in an orchestrated manner. They have also increased levels of engagement between our leadership and those working in the field. In addition, they are improving our people's sense of team work and their ability to improve situations both for themselves and for the team members they represent.

This is a key part to our commitment to deliver on our promise to give team members interesting and achievable work.

We also continue to operate our confidential 'Right to Speak' reporting helpline for all members of our extended team across the world. In addition, we have various programmes in place to provide employees with confidential counselling services, 24/7 and for 365 days a year.

Learning, development and careers

The learning and development curriculum is focused initially on giving our team members the right start at IWG. It is then about developing their skills and knowledge to offer opportunities to develop to take the next step on their career ladder.

2021 was another record year for training and development at IWG. We filled 24,000 training slots (webinars) from induction to skills development in key areas such as customer service, sales and communication. We also launched our new first line management development programme, underpinning our commitment to our 'A Manager who Cares' programme.

A new development in 2021 was our 'training-in-a-box' programme which gives managers access to training plans and materials to deliver relevant training locally with their own team members.

We held interviews with key executive functional leaders to enable team members to learn more about global functions, what they do and whether they might in future provide a fit for their interests and skills.

We also continued our core programmes on important topics including health and wellbeing, financial compliance, and an

introduction to local marketing and technology skills.

We launched a new leadership programme incorporating 360 feedback as a starting point with a coaching and mentoring programme as development and on going support.

As a result of the People Plan, we promoted more team members from the field into Group functional roles than ever before in 2021. In addition, our customer facing teams have a defined career path with multiple opportunities on offer.

Communication and recognition

Communication and connectivity continued to be important in 2021 as hybrid working added complexity to staying aligned and connected with one another.

Communications on staying healthy, our financial progress, new partnerships and important milestone events played a key role in our communications programme for the year.

We also continued to operate our 'Share a Great Day at Work' initiative, which featured team events including informal online team meetings and pictures showing our people running customer events in our centres. We also highlighted our charitable activities here, inspiring us all wherever possible to give back to individuals and communities. This programme has been highly successful: simply sharing special moments with one another has helped us remain connected as a team, delivering an uplifting communication platform for everybody.

Our usual 'drum beat' of business initiatives such as quarterly leadership calls, employee newsletters and townhalls all continue to play an important role in our communications strategy.

We held our annual leadership conference on a virtual platform in 2021, which included our first virtual global award ceremony to recognise just some of our team members' extraordinary achievements.

At a local level, team leaders and managers give out 'recognition pins' to colleagues on the spot for exceptional behaviours, including team members who have gone above-and-beyond for their customers or colleagues. These are complemented by recognising extraordinary achievements such as long service, certificates for exemplary work and on line badges for training accreditations that underpin career development at IWG.

Reward

Reward is a key focus area for us, and we work hard to ensure that high-potential people at every level – from intern to the Executive Committee – are encouraged to stay with us via short and long-term incentives.

In the second half of the year, we set about re-setting fixed pay for our customer facing team members. This was complemented by variable-pay programmes focused on giving customers a great day at work.

We also cascade short-term incentive plans throughout the organisation to ascertain that everyone is rewarded for ensuring the millions of members and customers who use our workspaces and service portfolio receive a consistently great service.

Step up programme



Community engagement

The continuation of the COVID-19 pandemic through the whole of 2021 presented challenges to the efforts of our colleagues across the world to support charitable and environmental causes within their communities. However, yet again they managed to overcome the difficulties involved and have supported numerous causes with their local communities. When it comes to our Group-level social responsibility programmes, IWG also provides concessions to many charities in the form of reduced or complimentary office space or meeting rooms. We are proud to announce that at year end, together with our colleagues we had contributed £438,036 to charitable organisations.

Our global geographic spread across more than 120 countries means that CSR continues to be highly localised. While we have a global framework in place, our community engagement takes place at a local level, allowing our colleagues to provide support to causes and charitable organisations that are important to them, their communities, their customers and their wider stakeholders. As a result, every year a broad range of charitable and environmental giving takes place across our global footprint, from fundraising activities to donations of gifts in kind.



United States: Delivering essentials to strengthen communities

Our team in California partnered with the Food Bank of Contra Costa and Solano to help with their Senior Food Program and Meals on Wheels. With great enthusiasm, they put together over 150 bags of food for seniors and helped Meals on Wheels deliver over 60 bags of food to those with mobility issues.

"It felt great to be helping and giving some of our time to our community!"

Cindy Lozano,
IWG Community Manager

Elsewhere in the US, our colleagues and customers in Houston partnered with BEAR, to donate shoes and back-to-school supplies to those who need it most. The support contributes towards the wider provision of emergency items as well as various resources throughout the year for abused, neglected and at-risk children in the Greater Houston Area.

Our teams also partnered with Target Houston to provide direct food assistance, through canned good collections, to food-insecure children, families and seniors who face the risk of going hungry every day.

"Thanks to our amazing team members, friends and family we were able to collect six dozen pairs of shoes and enough school supplies to help more kids than I could have imagined get back to school with confidence. We gave back to the community as a community."

Steve Ganji
IWG Community Manager



Mexico: Collecting toys for smiles

IWG teams across Mexico have been supporting vulnerable children this year.

Many centres organised toy and clothing collections to show their support for different communities, donating where possible. In Cancun our team worked with Cancun Center Foundation to provide support to children from Wayak Community Centre in Quintana Roo, while in Queretaro our team collected clothes and toys for children from the 'La Llave' community in Mexico City and Michoacan.

Our Guadalajara Regus team also joined their chosen collective called Posadas Urbanas to donate and bring a smile to children in one of the most vulnerable areas of the city. By uniting efforts to provide toys and clothes, our teams were able to spread generosity and kindness throughout the festive season.

"What we seek and desire for a better world will not happen if good men and women do not take the initiative to do it. We are the ones who must make the change. We are the change we are looking for. IWG reflects its social role not through words, but through the initiatives of our most valuable asset: our people."

Samir Amad, IWG Executive Vice President, Latin America



United Kingdom: Supporting through sport

Our colleagues have been very active this year in support of charitable causes in their areas. In London, they participated in a charity tournament in partnership with St. Mungo's Homeless Charity. In addition, 12 IWG colleagues signed up to the British Heart Foundation Charity/Running challenge, running a total of 2,692 miles and raising the same amount. Our HR Manager completed the Thames Path 100 challenge, running a 100km race to raise funds for Ingane Yami Children's Village and raising over £1,400 for the children.

In another part of the country, our team in Marlow took part in the 'pedal power' challenge together with their customers, cycling throughout the day to raise money for the Alzheimer's Society. The challenge aimed to raise awareness of the 7,000 local people suffering from the disease by walking, running and cycling 7,000km.

"It is very much our pleasure to be able to help along with all the other customers in the centre. Well done for organising such a worthy cause."

Steve from Emenda, IWG customer



In addition to these initiatives, IWG teamed up with KidsOut to put a smile on each and every child's face during the festive season. Children sent through over 4,000 wishes to IWG, which were displayed on Christmas trees in the centres. Our colleagues and customers were invited to grant these children's wishes by donating to a local refuge home the toys the children were asking for.

Our colleagues were overwhelmed by everyone's generosity as more than 2,000 gifts and £3,339 were donated to a total value of £30,723.

"Our community team at Marlow was beyond helpful when it came to the delivery of our charity event, facilitating all our requirements, adding fresh ideas, and even joining in to raise funds. They've built a strong network of tenants and I feel this sense of connection helped us smash our fundraising target."

Jacey Bunker, BWP Business Director, IWG customer



Spain: Raising awareness

The Spanish Association Against Cancer (AECC) has continued in its mission to fight against cancer. To support its efforts, our team designed a campaign to raise awareness and collect donations for World Cancer Day.

Our colleagues also organised campaigns to raise awareness of Multiple Sclerosis (MS). They collected donations on International MS Day to support the Madrid Foundation – Fundación Esclerosis Múltiple (FEM) – in their quest to improve care for people affected.

They also celebrated the essential role of women on International Women's Day (8 March), where our team launched a campaign to raise awareness and initiate conversations about female scientists in history.

Additionally, the team also promoted the Re-Planta Madrid initiative organised by Madrid Futuro. Their objective was to repair the damage caused by Storm Filomena, in which more than 700,000 trees were affected. As well as physically planting trees, the team's fundraising efforts enabled many other people to get involved.



Australia: Promoting healthy and sustainable communities

Our team in Australia has been proactive in supporting their communities. For example, our franchise partner in Townsville hosted volunteer groups to support The Goodbox, a charity that distributes care boxes containing essential items for homeless people. Wider engagements have also seen the kickstart of a Ladies in Business network and events for Townsville's Young Chamber Committee within the area.

The team has also collaborated closely with Mentally Healthy City Townsville (MHCT), an organisation with a mission to create Australia's first Mentally Healthy City. This has enabled events such as High Intensity Interval Training and Yoga classes to be scheduled at the centre regularly.

"Our collaboration with Mentally Healthy City Townsville was an excellent opportunity to offer free Mental Health workshops to our clients. Mental health is a significant public health issue throughout Australia as it is in many other countries. The Self-Care mind and body sessions helped with building your resilience and wellbeing, encouraging healthy lifestyle changes and the uptake of self-care strategies to manage stress."

Rhea Penafiel,
IWG Area Sales Manager

Corporate governance

Good governance helps us base the decisions we make on what is right for our people and shareholders; the communities where we work; our customers and their employees; our partners; and society at large.

As a result, having good governance supports entrepreneurial and commercial management and ensures the long-term sustainable success of the business for everybody.

Board sustainability oversight

The Board has oversight of all the Group's sustainability initiatives and receives regular updates from the Executive Directors and the Senior Leadership Team. It also has oversight of ESG reporting through Nina Henderson, the Non-Executive Director with oversight of employee engagement and corporate social responsibility.

Risk governance

The Board defines IWG's risk appetite and tolerance and annually reviews the principal risks the Group faces and the plans for mitigating them.

The Audit Committee has responsibility for the Company's system of internal control and risk management and for ensuring the effectiveness of this system. You can find details of the system and the Audit Committee's review of its effectiveness on pages 90 to 93. We detail key risks and actions to mitigate these risks in the Risk management report on pages 66 to 75.

Data security and risk

Information security is a top priority for IWG and remains a standing agenda item with the Board. We continue to make significant investment in this area to ensure that the IWG Information Security Management System (ISMS) is established, implemented, monitored, reviewed and where necessary improved so that we always meet the organisation's specific security and business objectives.

IWG's ISMS takes a holistic, coordinated and risk-based view of the organisation's information security risks. We achieve information security by implementing effective controls including policies, processes, procedures, organisational structures and software and hardware functions. These controls ensure that IWG's specific security and business objectives are met. You can find key components of the ISMS programme on page 73.

IWG's data privacy strategy is to process only the minimum necessary amounts of personal data, to the extent necessary to provide a service to our customers and ensure the appropriate safeguards and controls are in place to protect this data.

Compliance with local legislation

We make every effort to take all reasonable and practical steps to ensure we comply with local legislation and regulations in all the countries where we operate. Compliance reporting is part of our internal control and risk management process, and the Audit Committee receives regular updates. We also provide compliance training to all employees and encourage them to make use of our whistleblowing channel without fear of repercussions. See pages 92 and 93 for further details.

Ethics and compliance

The Board is committed to instilling a culture of doing what's right, ensuring that IWG does what is right for the environment and for our people and ensuring that our people act fairly and professionally in all business activities. To support our culture and values and ensure compliance with our internal policies, such as our Code of Conduct, we provide a suite of training courses on our global learning platform. Further information on our global learning platform can be found on pages 60 and 61. Employees are encouraged to raise any concerns through the whistleblowing channel as detailed on pages 92 and 93.

Diversity

See pages 60 and 61 for information on IWG's diversity initiatives. Details of the Board Diversity Policy can be found in our Nomination Committee report on pages 86 to 87.

Bribery and corruption

IWG is committed to carrying out business in an honest and ethical manner and has zero tolerance of bribery and corruption. We give all employees training on our bribery and corruption policy, and you can see our statement of commitment at <https://iwgplc.com/Documents/IWG-Statement-of-Commitment-540723792-2.pdf>

Modern slavery

IWG has zero tolerance of slavery and human trafficking. You can read our statement made in accordance with the Modern Slavery Act 2015, which the Board reviews each year, at <https://www.iwgplc.com/en-gb/sustainability>. We give all employees training through our global learning platform.


Managing risk in an uncertain world

We recognise the importance of effective enterprise risk management, especially in an ever changing environment. As such we conduct regular enterprise-wide risk reviews to identify and consider potential risks to the Group and its strategy. We calculate their possible impact and create strategies to protect the interests of IWG and all its stakeholders.

The Board has overall responsibility for ensuring that IWG has an adequate risk management framework in place. This includes approving the risk appetite for the Group. Our risk appetite outlines the extent to which we are willing to take measured risks in pursuit of our strategic objectives.

Three lines of defence

IWG operates the three lines of defence to manage risk, managed by the Board.

 [See diagram on page 67](#)

Three lines of defence

IWG's risk management framework is designed to improve the prospect of meeting our strategic intentions through disciplined and practical risk identification, assessment and mitigation. Through this process, we are able to fully understand the risks and opportunities present in our day-to-day operations and in our business objectives. Our enterprise-wide risk management process allows us to understand the nature, scope and potential impact of our key business and strategic risks, enabling us to manage them effectively. IWG therefore has a comprehensive approach to risk management, as set out in more detail in the Corporate Governance report on pages 78 to 85.

In 2021, our risk work incorporated ongoing pandemic impacts, including economic disruption as well as considering climate change impact on our principal risks.

In particular, external risk and those outside of the Group's control were considered in 2021 and included as part of scenario testing.

Climate change risks and opportunities

Climate change risk has become a standalone principal risk to the business in 2021. It also presents a unique opportunity for the Group in providing sustainable office solutions for clients who may not be able to meet climate change targets alone.

IWG participates annually in the Carbon Disclosure Programme and maintained a stronger rating than the global average for climate change. The Group has set a clear target of becoming carbon neutral during 2023. At its core, IWG embraces the 15 minute commute and advocates a hybrid working environment.

Principal risks to the achievement of our strategy in 2021

Our principal risks are linked to our key business objectives and overall strategy and in 2021 were considered in the context of the ongoing pandemic, economic downturn and climate change.

A critical component of the risk management process is to assess the impact and likelihood of risks, allowing determination to be made over the current level of controls in place versus future controls and risk status. All our principal risks are managed in accordance with our Group risk appetite and mitigated as far as reasonably practical. We have zero tolerance of financial and ethical non-compliance, and aim to have our health, safety, environmental and security risks managed to levels that are as low as reasonably practicable.

Effective risk management requires awareness and engagement throughout IWG to provide a top down and bottom up view of risk. At IWG risk management is embedded into operational decision-making and reflected in the Group's key processes and controls.

Risk management takes place at various levels across the business, including;

- monthly performance reviews for all countries and Group functions;
- individual reviews of every new location investment and all acquisitions;
- an annual budgeting and planning process for all markets and Group functions;
- a review in each Audit Committee meeting of the status of our principal risks; and
- annual review of all risks in our risk register, updated currently for significant changes between annual reviews.

Three lines of defence

Board

Sets the strategy
 Defines IWG's risk appetite
 Monitors risk management process
 Assesses overall effectiveness of risk management

Audit Committee

Reviews effectiveness of internal controls
 Monitors progress against internal and external audit recommendations
 Approves the annual internal audit plan

Assurance, risk and internal control reports

1st Line

- Front line business operations
- Strategies, policies, procedures and controls in day-to-day activities
- Daily management of risk in line with functional objectives
- Responsible for compliance with Group policies, procedures and internal controls

2nd Line

- Corporate functions
- Sets policies and procedures
- Monitors risks and internal controls
- Accountable for the design and implementation of risk management processes and controls
- Accountable for the regular review and appraisal of key risks
- Contributes to the identification and assessment of key risks

3rd Line

- Independent assurance
- Tests the design and operation of controls in place including policies, and procedures implemented by the 1st and 2nd lines
- Assists management and the Board in conducting risk studies
- Advises and guides on policies and internal controls framework
- Drives implementation of recommendations in the business
- Tests compliance with internal controls

Link to KPIs

- 1 Industry-leading profitable growth
- 2 Best-in-class cost leadership
- 3 Global multi-brand network
- 4 Strong cash generation, enabling investment
- 5 Attractive shareholder returns

Link to strategy

- A Network
- B Franchise and partnering
- C Platform (Technology)

Risk status

- ↑ Increased
- ↔ Same
- ↓ Decreased
- ☆ New

Strategic risks

Risk description	Mitigation	Change / improvement since 2020
Growth risk		
<p>1 IWG continues to undertake significant growth to develop local and national networks.</p> <p>↔ Mismatches between network growth and demand growth could lead to under or over supply, which could impact competitive position, profitability and cash generation.</p> <p>A</p> <p>B</p>	<p>IWG mitigates this risk as follows:</p> <ol style="list-style-type: none"> Each investment or acquisition is low risk and requires a proposal to be reviewed and approved by the Investment Committee. A robust business planning and forecasting process is in place to provide timely and reliable information to address short and mid-term opportunities and risks to performance. A quarterly review process is in place to monitor new centre performance against the investment case to determine if the anticipated returns are being generated. <p>As part of the annual planning process, a growth plan is agreed for each country which clearly sets out the annual growth objectives.</p>	<p>Additional resources were dedicated to network development teams.</p> <p>New centres showed strong opening occupancy in 2021 especially when taking COVID-19 restrictions into account.</p> <p>COVID-19 impact: Demand was negatively impacted during 2021 due to extended COVID-19 restrictions. The accelerating adoption of hybrid working is anticipated to increase demand as COVID-19 restrictions are reduced and new work habits adopted.</p>
Transformation risk		
<p>3 Execution of programmes are not delivered on time or do not meet the desired outcomes.</p> <p>☆</p> <p>A</p> <p>C</p>	<p>This risk is mitigated as follows:</p> <ol style="list-style-type: none"> Governance Committee in place for all transformation programmes. Project management team is in place to ensure programmes are monitored and properly managed. Dedicated resources are recruited to ensure programme requirements are met. External expertise utilised where required. A Resource Committee is established to manage resource requirements needed for the execution of this. 	<p>We have recruited a number of senior roles and external expertise is called on as and when required to assist in the delivery of our transformation.</p>
Lease obligations		
<p>1 The Group's portfolio of leases gives rise to an inherent risk in relation to lease obligations and associated financial commitment.</p> <p>↔</p> <p>A</p> <p>B</p> <p>Whilst IWG has demonstrated consistently that it has a fundamentally profitable business model, the profitability of centres is affected by movements in market rents, which, in turn, impact the price at which IWG can sell to its customers.</p> <p>The life of the Group's leases are, on average, significantly longer than the average terms of customer contracts which creates a potential for mismatch if revenues fall significantly, which can impact profitability and cash flows.</p>	<p>This risk is mitigated in a number of ways:</p> <ol style="list-style-type: none"> Almost all of our leases are 'flexible', meaning that they are either terminable at our option within six months and/or located in or assignable to a standalone legal entity, which is not fully cross-guaranteed. In this way, individual centres are sustained by their own profitability and cash flow. This flexibility has no impact on our accounting for leases in the scope of IFRS 16. Approximately one third of all our leases are variable in nature, which means that payments to landlords vary with the performance of the relevant centre. In this way the 'risk' to profitability and cash flow of that centre from fluctuations in market rates is softened by the consequent adjustment to rental costs. The sheer number of leases and geographic diversity of our business reduces the overall risk to our business as the phasing of the business cycle and the performance of the commercial property market often varies from country to country and region to region. Each year a significant number of leases in our portfolio reach a natural break point. 	<p>During 2021, the number of 'flexible' leases as a percentage of the total was 96%. Approximately a third of the leases we entered into during 2021 were variable in nature.</p> <p>At the end of 2021, we were operating 3,314 locations in 1,135 towns and cities across 120 countries.</p> <p>COVID-19 impact: During 2021 more than 1,500 leases were renegotiated or restructured which resulted in short- or long-term cash benefits. Reviews and discussions related to leases for underperforming centres are an ongoing process.</p>

Strategic risks continued

Risk description	Mitigation	Change / improvement since 2020
Economic downturn		
<p>2 Failure to respond to an economic downturn in key markets, or changes in market conditions could adversely impact our global market share, operating revenue and profit performance.</p> <p>5</p> <p>↔</p> <p>A</p> <p>B</p>	<p>The Group has taken a number of actions to mitigate this risk:</p> <ol style="list-style-type: none"> 1. Approximately one third of all our leases are variable in nature and our rental payments, if any, vary with the performance of the centre. 2. Lease contracts include break clauses when leases can be terminated at our behest. 3. The Group also looks to stagger leases in locations where we have multiple centres so that we can manage our overall inventory in those locations. 4. We review our customer base to assess exposure to a particular customer or industry group. 5. The geographic spread of the Group's network increases the depth and breadth of our business and provides better protection from an economic downturn in a single market or region. 	<p>The number of 'flexible' leases as a percentage of the total remained at 98%. Our monthly business performance reviews provide early warning of any impact on our business performance and allow management to react with speed. The Board reviewed the potential impact of an economic downturn and addressed a range of potential impacts from COVID-19 when making its annual viability statement.</p> <p>COVID-19 impact: There has been sharp focus on cash generation by reducing cost, renegotiating rents and rationalising the network. The adoption of hybrid working is reflected in stronger demand in suburban locations versus city centres. Reviews and discussions related to leases for underperforming centres are an ongoing process.</p>
Disruptive technology and competitive advantage		
<p>1 New disruptive technology could negatively impact the Group's market share.</p> <p>5</p> <p>↔</p> <p>C</p> <p>Failure of the Group to respond to such competition and/or technological developments could result in IWG's product offering being sub-optimal.</p>	<p>IWG continually invests in innovation to develop new products and services to increase its competitive advantage, protect current revenue and unlock potential new sources of revenue.</p>	<p>2021 saw the continued modernisation of the technology used by IWG. The adoption of the Microsoft suite of enterprise products underpins a digital operating platform which supports business agility and flexibility. The Company remains focused on using emerging technology to improve the customer experience and achieve operational efficiency.</p> <p>We are continuously looking at every aspect of our business for opportunities to leverage technology to automate, simplify and future-proof our platform. As technology evolves and matures, even more opportunities arise.</p>
Increased competition		
<p>1 The pandemic has accelerated the shift from city and office working to remote working, hybrid models, suburban offices and digital enhancements.</p> <p>3</p> <p>5</p> <p>↑</p> <p>A</p> <p>B</p> <p>As such, more service office offerings are likely to emerge. An inability to maintain sustainable global competitive advantage could result in a loss of market share and impact on profitability for the Group.</p>	<p>While physical barriers to entry into the flexible workspace market at a local level are low, the barriers to establishing a national or international network are much higher.</p> <p>IWG also offers a diverse product range under its different brands to cater to multiple customer segments, allowing us to capture and maintain market share across the flexible workspace market.</p> <p>We continuously review our portfolio to provide products and services that are aligned to customer expectations and requirements and there are currently active investment programmes being implemented across our estate.</p>	<p>The competitive landscape has continued to shift in 2021 and has decreased. We continue our efforts to offer an unrivalled network and varied product range to suit the different requirements of our customers. In 2021, we added 20 new towns and cities.</p> <p>COVID-19 impact: There is a continuous review at both Group and country level to identify trends or activities impacting our business plus new acquisition opportunities.</p>
Geopolitical Instability Developments		
<p>3 Increasing geopolitical instability and conflicts are directly impacting some of our markets. Continued escalation and sanctions could lead to broader economic impacts.</p> <p>*</p> <p>A</p> <p>B</p>	<p>The geographies most directly impacted to date will not have a material effect on our global operations or results. Our broader economic downturn scenario planning considers a range of economic downturns, irrespective of the cause.</p>	<p>The risk of broader economic impacts from geopolitical instability, conflict and sanctions is increasing.</p>

Strategic risks continued

Risk description	Mitigation	Change / improvement since 2020
Business planning and forecasting		
<p>1 Business plans, forecasts and review processes should provide timely and reliable information for short-, mid- and long-term opportunities and any risks to performance so that these can be addressed on a proactive basis.</p> <p>2</p> <p>4</p> <p>5</p> <p>↑</p> <p>The challenges to forecast come from the constantly changing and hard to predict external environment driven by the changes in the way people work due to COVID-19 restrictions and the rapid uptake of hybrid working.</p>	<p>IWG maintains a three-year business plan which is updated and reviewed on an annual basis. We also use a 12-month rolling forecast which is reviewed every month based on actual performance.</p>	<p>The existing forecasting process was enhanced by creating different scenarios as the economic environment changes due to the pandemic. The main focus has been cash generation by reducing cost, renegotiating rents and rationalising the network.</p> <p>COVID-19 impact: There has been focus on cash flows to provide sufficient liquidity for working capital requirements and potential acquisitions, including focus on debt collection, supplier payments and on underlying profitability of the business.</p>
Funding		
<p>4 The Group relies on external funding to support a net debt position of £397.0m at the end of 2021. Any change to this support would result in liquidity risk for the Group.</p> <p>5</p> <p>↑</p> <p>A</p>	<p>This risk is mitigated in a number of ways:</p> <ol style="list-style-type: none"> 1. The Group continually monitors its cash flow and financial headroom development and maintains a 12-month rolling forecast and a three-year strategic outlook. The Group also monitors the relevant financial ratios against the covenants in its facilities to manage the risk of breach. The measurement of these covenant ratios is unaffected by the recognition of lease liabilities under IFRS 16. 2. The Group also stress tests these forecasts with downside scenario planning to assess risk and determine potential action plans. 3. The Board intends to maintain a prudent approach to the Group's capital structure. 4. Part of the annual planning process is a debt strategy and action plan to ensure that the Group will have sufficient funding in place to achieve its strategic objectives. 5. The Group also constantly reviews and manages the maturity profile of its external funding. 	<p>The Group has a £350m of convertible bonds at a fixed rate and the remainder in a Revolving Credit Facility provided by a group of prime banks, which is committed and available until 2025 with an option to extend until 2026.</p> <p>Effective February 2022, updated financing arrangements aligned with the Group's evolving strategic objectives were put in place, including a committed RCF to 2025, and a £330m bridge facility. We expect to remain within the covenant limitations throughout the forecast period.</p>
Franchise		
<p>1 The continued expansion of our franchising portfolio is key to the Group's capital-light strategy. Achieving our franchising objectives will require the continued development of our franchising skills, services and resources.</p> <p>2</p> <p>3</p> <p>4</p> <p>5</p> <p>↔</p> <p>A</p> <p>B</p>	<p>This risk is mitigated as follows:</p> <ol style="list-style-type: none"> 1. A Franchise Committee oversees key programmes connected with the franchising model and ensures that significant risks are identified and mitigated. 2. We have regular communications with franchise partners including sharing best practices to drive performance and deliver consistent service to our customers. 	<p>In 2021, more countries and partners were added in our franchise portfolio.</p> <p>Franchise development and support teams strengthened with the recruitment of dedicated franchise development and support personnel in key markets. Franchise development resources will be further increased during 2022.</p> <p>We have implemented hands-on targeted support for franchise partners with monthly reviews to drive performance and review of processes to identify improvement opportunities.</p>

Financial risks

Risk description	Mitigation	Change / improvement since 2020
Exchange rates		
<p>2 The Group's global operations expose it to a variety of financial risks, including the effects of changes in foreign currency exchange rates. In particular, the Group's substantial US operations generate revenue in USD and therefore any currency volatility can impact revenue. The Group does not undertake any speculative transactions to manage risk.</p>	<p>Given that transactions generally take place in the functional currency of Group companies, the Group's exposure to transactional foreign exchange risk is limited.</p> <p>Where possible, the Group attempts to create natural hedges against currency exposures through matching income and expenses, and assets and liabilities, in the same currency.</p>	<p>Overall, in 2021 the movement in exchange rates had a mixed impact on results. Revenue and gross profit were reduced by £91.1m and £2.1m respectively. Whilst operating profit increased by £7.2m, reflecting the relative contribution to Group profit from our US business.</p>
Inflation risk		
<p>2 Increasing inflationary pressures may impact the Group's costs, including financing charges, impacting profitability and cash flows.</p>	<p>Mitigating actions include:</p> <ol style="list-style-type: none"> 1. The short-term nature of most customer contracts allow the possibility for prices to be adjusted in consideration of the evolution of costs. 2. The Group's capital-light strategy includes a focus on flexible leases and management contracts which reduce the negative impacts of inflation. 3. The Group constantly monitors interest rates exposure and has a fixed rate coupon on its £350m convertible bond up to 2027. 	<p>Inflationary pressures are expected to increase.</p> <p>Currently pricing trends are keeping up with inflation.</p>

Operational risks

Risk description	Mitigation	Change / Improvement since 2020
High Level recruiting and succession planning		
<p>3 To achieve its strategic objectives the Group needs to increase its management capabilities through the continued development of existing talent supplemented by the hiring of experienced professionals. This will support our strategic execution and enhance succession planning throughout the Group.</p>	<p>Mitigating actions include:</p> <ol style="list-style-type: none"> 1. Resource Committee in place for key resource positions 2. Succession planning discussions are an integral part of our business planning and review process. 3. Part of the annual planning process is the Human Resources Plan, and performance against this Plan is reviewed through the year. 4. Regular external and internal evaluation of the performance of the Board, including succession planning. 	<p>Recruitment channels are constantly under review to continue offering opportunities to as wide a population as possible in each market.</p> <p>The Group has implemented a comprehensive strategy to address talent resource requirements.</p> <p>Key hires are planned for 2022 to meet the growing needs of the business and reinforce succession planning.</p>

Operational risks continued

Risk description	Mitigation	Change / improvement since 2020
Employee engagement and retention		
<p>3 5 ↑</p> <p>As a serviced-based business, the strength and capabilities of our geographically diverse team are critical to achieving our strategic objectives, including delivering outstanding customer service. The increased competition for talent impacts retention at all levels, from executives to centre staff.</p>	<p>One of the key items in the Human Resources Plan is the Global Induction & Training Plan, which sets out the key objectives for the forthcoming year. Performance against these objectives is reviewed through the year.</p> <p>Strong ESG and a remote working Human Resources strategy on recruiting and salary banding, including benchmarking, are in place across the globe to ensure that salaries and benefits are competitive.</p> <p>All new employees are surveyed in the first three months to ensure they have been trained and are receiving effective support.</p>	<p>The Group has in place a comprehensive training programme for all levels and functions. The significant investment in our Group's Learning and Development programme continues to provide a means to engage with our colleagues through e-learning, videos, webinars, case studies and coaching.</p> <p>Our Management Skills Training Programme and Sales and Customer Service Training Academy are carried out virtually throughout the globe to support continuously giving customers a great day at work.</p>
Ethics and compliance		
<p>2 ↔ A B</p> <p>Ethical misconduct by our employees or non-compliance with regulation either inadvertently, knowingly or negligently could lead to financial loss/penalties, reputational damage, loss of business and impact on staff morale.</p>	<p>IWG manages this risk through:</p> <ol style="list-style-type: none"> 1. Visible ethical leadership. 2. A robust governance framework including a detailed Code of Conduct and other mandatory training for all employees (e.g. gifts and hospitality, anti-bribery and corruption). 3. Centralised procurement contracts with suppliers for key services and products. 4. Standardised processes to manage and monitor spend including controls over supplier on-boarding and payments approval. 5. Regular reviews to monitor effectiveness of controls. 6. Independent and confidential ethics hotline available to employees, contractors and third parties. 7. Independent investigation of fraud incidents and allegations of misconduct with Board-level oversight. 	<p>We continue to actively monitor and respond to reports in our ethics hotline.</p> <p>A robust supplier selection and evaluation process continues to be in place with a view to enhance controls to address the risk of fraud.</p> <p>All projects are monitored and evaluated by a centralised capex finance team.</p> <p>A dedicated cost function to review spend across all categories and detect anomalies or exceptions is in place.</p>

Operational risks continued

Risk description	Mitigation	Change / improvement since 2020
Data protection and privacy		
<p>5 IWG is required to comply with legislation in the jurisdictions in which it operates including the General Data Protection Regulation (GDPR) and other local data privacy laws. Non-compliance and breaches could result in significant financial penalties and reputational damage.</p>	<p>IWG mitigates this risk as follows:</p> <ol style="list-style-type: none"> 1. IWG operates a comprehensive programme that covers all aspects of data privacy and data protection. 2. Our strategy is to process minimum amounts of personal data, which are kept only to the extent necessary to provide a service to our customers. 3. We apply the principle of 'least access' privilege and separation of duties to safeguard our data. 4. All credit card data is stored on PCI accredited payment service providers and not on IWG systems. 	<p>We continue to remain compliant with data protection and privacy regulations across the business, continuously monitoring and enhancing our privacy and security controls, including a project to remove Personal Identifiable Information (PII). We also continue to comply with PCI and Swift standards.</p> <p>In instances where specific countries implement stringent new cyber security and privacy laws which could threaten our operations if IWG is found to not be compliant, the Information Security team works with in-country experts to ensure we remain compliant.</p>
Cyber security		
<p>2 The continued integration of the digital economy and use of external cloud services, combined with a rise in phishing attempts and malicious attacks could result in additional costs and damage.</p>	<p>This risk is mitigated as follows:</p> <ol style="list-style-type: none"> 1. IWG's Information Security Steering Committee reports regularly to the Board of Directors and has wide representation from business operations, risk assurance, legal, IT and Non-Executive Board members. 2. IWG runs a world-class Information Security programme with ISO/IEC 27000 adopted as its charter to establish, operate and monitor its Information Security Management System. 3. The programme is delivered in collaboration with external specialists across our environments. 4. Using a risk-based approach, IWG continuously identifies, evaluates and applies remediation controls to threats that could impact the security, confidentiality and integrity of its assets. 5. IWG transfers residual risk through its comprehensive cyber insurance coverage provided by a global leader in cyber insurance. 6. We have a robust security incident management process which facilitates and coordinates our response in the event of a security incident. 7. Security awareness training is mandatory for all employees that covers Information Security, PCI and Privacy. 	<p>IWG has developed a security roadmap to carry out information security best practices, strengthen controls and implement security operations to detect potential incidents.</p> <p>All critical systems have been migrated to the cloud with high availability and geo-redundancy for disaster recovery. As part of this cloud migration, IWG has implemented best practice cloud security controls. The entire environment is managed by a world-leading security managed services provider.</p> <p>Information Security gates have been established for all new projects which requires conformance to our cloud security blueprint.</p> <p>In our application development area, we have implemented a market-leading static code analysis tool which ensures that all code developed follows global secure code best practices.</p> <p>A programme is in place to continuously implement new security features to improve our processes and controls in this area, keeping pace with the ever-changing best practices.</p> <p>In our business centre environment, we have a security blueprint for all centres. We perform penetration testing in this environment to ensure that our blueprint remains up to date as either technology changes, or new risks emerge. All findings from these penetration tests are used to update the blueprint against which all centres need to comply.</p>

Operational risks continued

Risk description	Mitigation	Change / improvement since 2020
Business continuity		
<p>2 Business continuity covering systems, regional hubs and operations. Should the data centres, sales call centres, regional hubs and centres be impacted as a result of circumstances outside the Group's control there could be an adverse impact on the Group's operations and therefore its financial results.</p>	<p>IWG manages this risk through:</p> <ol style="list-style-type: none"> 1. The implementation and regular testing of its business continuity plans for different parts of the organisation, which includes business processes, personnel knowledge of manual procedures and disaster recovery procedures for our technology systems. All critical applications have been migrated to the cloud with high availability and geo-redundancy, allowing availability of critical systems and providing employees access to the systems from any location, a critical element of our business continuity plans. 2. A robust managed services and managed security services agreement in place with leading vendor. 3. The Group uses a risk-based approach to determine additional redundancy requirements across its entire technology platform, including the global telephony infrastructure critical for continuity of its sales and call centre environment. 4. Appropriate business interruption insurance is in place. 5. Country Business Continuity Plan and Centre Disaster Recovery Plan are in place and regularly reviewed. 	<p>Our cloud migration project has been completed and all critical systems have disaster recovery plans in place.</p> <p>All new systems development includes high availability and disaster recovery built into the initial design phase.</p> <p>For our voice communications platform, we have built in additional redundancy in countries where we experience minor disruption due to external factors.</p> <p>COVID-19 impact: Many employees continue to successfully work from home.</p> <p>We have further implemented a daily process to ensure critical data is stored securely off-site. This is data that would be needed to run our business for several days in the worst case scenario of both production and DR sites simultaneously being rendered inaccessible.</p>

Viability statement

In accordance with provision C.2.2 of the UK Corporate Governance Code, and considering the Group's current position and prospects as outlined in the Strategic Report and its principal risks for a period longer than 12 months as required by the going concern statement, the Board has a reasonable expectation that the Group will continue to operate and meet its liabilities as they fall due, for the next three years.

The Board's consideration of the long-term viability of the Group is an extension of our business planning process which includes financial forecasting, a robust enterprise-wide risk management programme, regular business performance reviews and scenario planning.

For the purposes of assessing the Group's viability, the Board identified that, of the principal risks detailed on pages 68 to 74, the following are the most important to the assessment of the viability of the Group:

- The following principal risks were modelled to support the viability statement
 - revenue shortfall;
 - a sterling (£) appreciation;
 - a significant cybersecurity or data breach event.
- Two scenarios (likely-case and worst-case) were modelled for sterling appreciation and cybersecurity or data breach event using assumptions derived from historical data or based on case studies/available market research to determine the impact on revenue, gross profit, operating profit and EBITDA.
- Since the impact of COVID-19 and related economic conditions is already factored into the three-year plan (base and downside scenarios), the revenue shortfall scenario is based on these plans.
- The impact on performance was assessed over a three-year period (2022-24) and on account of individual risks as well as a combination of risks materialising.

The potential impact of each scenario was modelled on the Group's revenue, gross profit, operating profit, net debt and debt covenants over the three-year forecast period. The Board subsequently considered the viability of the Group both in the context of the individual risks listed above and in combination of two or more risks over a range of assumptions. The stress testing showed that the Group would be able to withstand any of the severe but plausible scenarios by taking management action in the normal course of business.

Board of Directors

Committee membership key

- A Audit
- R Remuneration
- N Nomination
- Chairman



Douglas Sutherland
Chairman

Appointment*

27 August 2008

Experience

Douglas was Chief Financial Officer of Skype during its acquisition by eBay. Prior to this, Douglas was an Arthur Andersen Partner with international management responsibilities. He has served as a director of companies in multiple jurisdictions and was the founding Chairman of the American Chamber of Commerce in Luxembourg.

External appointments

Douglas is currently also the Chairman of Socrates Health Solutions Inc. and a member of the board of managers of Al Monet Parento S.à.r.l.

* Independent on appointment as Chairman on 19 May 2010.



Mark Dixon
Chief Executive Officer

Founder

1989

Experience

Chief Executive Officer and founder, Mark is one of Europe's best-known entrepreneurs. Since founding the Regus Group in Brussels, Belgium in 1989, he has achieved a formidable reputation for leadership and innovation. Prior to Regus and IWG he established businesses in the retail and wholesale food industries. A recipient of several awards for enterprise, Mark has revolutionised the way business approaches its property needs with his vision of the future of work.



Glyn Hughes
Chief Financial Officer

Appointment

25 March 2021

Experience

Prior to joining IWG Glyn was interim CEO of Mothercare plc, having previously been the CFO, where he was instrumental in driving significant strategic initiatives to transform its global franchise business. He spent more than a decade with the Jardine Matheson Group in several senior finance and executive leadership roles with significant franchising activities across various markets. Glyn spent the early part of his career in corporate finance and in commercial-facing and strategic roles for both Kingfisher plc and Tesco plc.



A R N

Laurie Harris

Independent
Non-Executive Director

Appointment

14 May 2019

Experience

Laurie was a global engagement audit partner with PricewaterhouseCoopers LLP, where she advised large public companies, including Fortune 100 financial services companies, in the United States and internationally over her 38-year career. Laurie is the chair of the Audit Committee as the Board considers her to have recent and relevant financial experience.

External appointments

Laurie currently serves as an Independent Director and Audit Committee Chair of QBE North America, an integrated specialist insurer which is part of QBE (ASX: QBE); Synchronoss Technologies, Inc. (NASDAQ: SNCR), a global leader and innovator in cloud, messaging and digital e-platforms and products; Hagerty Inc (NYSE: HGTY), an automotive lifestyle company and the world's largest provider of specialty insurance for enthusiast vehicles; and Everlake Insurance Company, a US based insurance company specialising in life assurance and annuities which is owned by the Blackstone Group (NYSE: BX).



A R N

Nina Henderson

Independent Non-Executive
Director with oversight of
employee engagement
and CSR

Appointment

20 May 2014

Experience

During her 30-year career with Bestfoods and its predecessor company CPC International, Nina held a number of international and North American general management and executive marketing positions, including Corporate Vice President of Bestfoods and President of Bestfoods Grocery. She has also served as a director of numerous companies including AXA Financial Inc., Royal Dutch Shell plc, Del Monte Food Company and Pactiv Corporation

External appointments

Nina is a Non-Executive Director of Hikma Pharmaceuticals plc, Director of CNO Financial Inc. (Bankers Life, Washington, National and Colonial Penn insurance companies) and Chair of their Human Resource Compensation Committee. Nina is Vice Chair of Drexel University's Board of Trustees. Commissioner of the Smithsonian National Portrait Gallery, she is a Director of the Foreign Policy Association and the Visiting Nurse Service of New York. Nina holds a Bachelor of Science with honours from Drexel.



A R N

François Pauly

Senior Independent
Non-Executive Director

Appointment

19 May 2015

Experience

François is CEO of the Edmond de Rothschild Group in Geneva and has over 30 years of management experience in the banking sector. Until April 2016 François served as Chief Executive and Chairman of the Management Board of Banque Internationale à Luxembourg. Previous management experience includes executive appointments at BIP Investment Partners S.A., Dexia Group and at Sal. Oppenheim jr. & Cie. S.C.A. He was also Senior Advisory Partner at Castik Capital Partners.

External appointments

In addition to being CEO of the Edmond de Rothschild Group in Geneva, François serves as Non-Executive Chairman of Compagnie Financière La Luxembourgeoise SA and as Non-Executive Director of Cobepa SA. François also serves on the board of several charitable organisations.



A R N

Florence Pierre

Independent
Non-Executive Director

Appointment

21 May 2013

Experience

Florence has over 30 years of international corporate finance practice, holding senior positions at BNP, Financière Rothschild, Degroof Corporate Finance, 3i Infrastructure plc and her own M&A advisory boutique. Florence has an international perspective, having worked in Chicago, New York, Paris and Brussels. She has also taught economics and finance, published a number of books and articles on valuation, and has been a member of several French entrepreneurship and innovation committees.

External appointments

Florence shares her time between directorships, private equity investments in high-growth companies providing innovative and digital-based services, managing her art collection and mountain trekking.

Introduction to corporate governance

Members	Attendance (out of possible maximum number of meetings)
Douglas Sutherland, Chairman	14/14
Mark Dixon	14/14
Eric Hageman*	5/5
Laurie Harris	14/14
Nina Henderson	14/14
Glyn Hughes**	9/9
François Pauly	14/14
Florence Pierre	14/14

* resigned 24 March 2021

** appointed 25 March 2021



Douglas Sutherland
Chairman

Dear Shareholder,

I am pleased to introduce the Corporate Governance report for 2021. This report explains our approach to corporate governance and details the governance structure we have implemented to facilitate entrepreneurial management whilst ensuring the long-term sustainable success of the Company for the benefit of our stakeholders.

Sustainability

Sustainability is a key component of our strategy and we are pleased to be bringing our objective for achieving carbon neutrality forward to 2023. We have also incorporated strategic objectives including an ESG target into our annual bonus plan for Executive Directors. Further information can be found in our ESG report on pages 52 to 65 and our Remuneration Committee report on pages 94 to 108.

Board changes

We are committed to increasing the ethnic diversity of the Board and are pleased to announce that Tarun Lal will be joining the Board as a Non-Executive Director with effect from 10 May 2022, subject to obtaining shareholder approval at the Company's upcoming annual general meeting.

Tarun brings extensive franchising industry expertise from over 20 years with Yum! Restaurants where he has held executive roles including Global Chief Operating Officer of KFC and his current role as Managing Director, Middle East, Turkey, Africa and India.

In March 2021 we were pleased to announce the appointment of Glyn Hughes as Chief Financial Officer. Glyn has brought franchising expertise to the Board gained from the senior finance

and executive leadership roles held with the Jardine Matheson Group and more recently as the interim CEO of Mothercare plc.

Further information on all Board changes can be found in the Nomination Committee report on pages 86 to 89.

UK Corporate Governance Code

During 2021 we have complied with the UK Corporate Governance Code published by the Financial Reporting Council in July 2018 (the "Code"), with the exception of my time as Chairman exceeding nine years from the date of my first appointment to the Board. This is regularly reviewed by the Nomination Committee which, as further explained on page 87, has concluded that due to the significant strategic transformations IWG is undergoing, it remains in the best interests of the Group that I currently continue in the Chairman role, subject to regular review by the Nomination Committee.

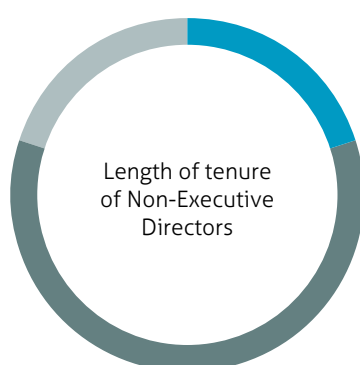
A copy of the Code is available on www.frc.org.uk.

Annual Report

Your Board and the Audit Committee have reviewed this Annual Report and consider that it provides the information necessary for you to assess the Company's position and performance, business model and strategy.

We consider the Annual Report, taken as a whole, to be fair, balanced and understandable and seek your approval of the Annual Report at the Company's annual general meeting which will be held on 10 May 2022.

Douglas Sutherland
Chairman



0-3 years	20%
3-5 years	0%
6-9 years	60%
9+ years	20%



Executive	29%
Non-Executive	71%

“Sustainability remains at the top of our agenda and at the top of our stakeholders’ agendas, it underpins our strategy and is a key consideration in all Board decision-making.”

Douglas Sutherland

Chairman

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An effective Board

Board composition

Our Board is made up of seven unique individuals with a diverse combination of skills, drive, beliefs, knowledge, personal attributes and experiences. Individual biographies can be found on pages 76 and 77.

The benefits of having a strong and diverse Board are clear and we believe the addition of Tarun Lal’s experience and viewpoints will add another dimension to those brought by our existing Board members.

Further information on our Board Diversity Policy, as well as our annual performance review, can be found in our Nomination Committee report on pages 86 to 89.

Board meetings

The Chairman and the Company Secretary plan an annual schedule of matters to be considered by the Board, ensuring all key issues are covered and that topics are covered at appropriate times.

Initially seven meetings were scheduled for 2021 with additional meetings to be arranged as needed to ensure the Board was kept abreast of the evolving COVID-19 pandemic, as well as our strategic projects and to respond to business challenges and opportunities in a timely manner. In total the Board met 14 times during 2021, including a two-day virtual meeting in February and a two-day strategy session in September. When time-sensitive approvals were anticipated between meetings the Board delegated its authority to a committee to be convened as appropriate.

The majority of our meetings were held in a virtual setting as a result of the pandemic. For the extended Board strategy meeting in September 2021 the Board was able to meet in person. Whilst we have embraced the benefits of being able to meet online during the pandemic, meeting in person reminded us of the benefits of in-person interaction and debate and engaging socially. The end of November 2021 meeting was returned to a virtual setting due to the onset of the Omicron variant.

The Chairman and the Company Secretary ensure that our Board meetings are structured to ensure time for in-depth discussions on key issues and to allow time for the Chairman to meet with Non-Executive Directors without the Executive Directors present. They ensure that the Board receives clear, concise and timely information on all relevant matters so that discussions are well-informed.

Board papers are made available in advance of meetings on a secure Board portal. This portal is also used to distribute relevant reference material and the Board report. Minutes are taken of all Board discussions and decisions.

In the event that a Director has a concern about the running of the Company or a proposed action, such concerns are recorded in the Board minutes or can be recorded by Non-Executive Directors who are resigning, in a written statement which is circulated to the Board. No such concerns were raised in 2021.

Matters reserved for the Board

Matters that are considered sufficiently material that they can only be made by the Board as a whole and cannot be delegated include:

- approval of long-term objectives and commercial strategy;
- approval of the annual budget;
- approval of regulatory announcements including the interim and annual financial statements;
- approval of terms of reference and membership of the Board and its Committees;
- appointment and removal of the Company Secretary;
- approval of risk management strategy;
- changes to the Group’s capital structure;
- changes to the Group’s management and control structure;
- capital expenditure in excess of £5m; and
- material contracts (with an annual value in excess of £5m).

Full details of the matters reserved for the Board are available on: www.iwgplc.com.

Development and support

To ensure continuing development and provide appropriate support, all Directors have:

- a customised and comprehensive induction programme prepared by the Chairman with the support of the Company Secretary, ensuring they can quickly and effectively contribute to discussion and decision-making;
- the opportunity to meet with major shareholders;
- access to the Company's operations and employees;
- access to training which is provided and reviewed on an ongoing basis to meet particular needs;
- access to the advice and services of the Company Secretary; and
- access to independent professional advice at the Company's expense.

Conflicts of interest

Directors are required to notify the Company as soon as they become aware of a conflict of interest or a potential conflict of interest. At the start of each Board meeting the Chairman requires each Director to confirm that they do not have a conflict of interest with any of the matters to be discussed; if a conflict does arise the Director is excluded from that discussion.

Time commitment

Directors are required to have sufficient time to meet their Board responsibilities; this is considered when making new appointments. Following their appointment Directors are required to seek Board approval before taking on additional external appointments.

Insurance and indemnity

Appropriate insurance cover is obtained to protect the Directors in the event of a claim being brought against them. In accordance with our articles and to the extent permitted by law, an indemnity is provided to Directors of the Company in respect of liability incurred as a result of their office.

Purpose and strategy

The Board is responsible for reviewing and approving the Group's purpose and strategy as further detailed in Our value

Induction

The Chairman, supported by the Company Secretary, is responsible for preparing and coordinating a customised and comprehensive induction programme for each newly appointed Director, ensuring they can contribute effectively to discussion and decision-making. Details of the induction programme developed for Glyn Hughes are below.

Glyn was appointed as Chief Financial Officer and Director on 25 March 2021. Glyn joined the Group during 2020 so already had a good network and understanding of the Group, and his induction therefore focused on the activities of the Board and the Audit Committee. The following activities were included in his induction programme:

Activity	Summary
Documentation	Relevant documents were made available including recent Board and Committee minutes, meeting papers and Board reports, recent Board reviews, policies and procedures, the Company's articles of association, Directors' duties, matters reserved for the Board, Committee terms of reference, Annual Report and Accounts, investor presentations, and broker and analyst reports.
Meetings	Virtual and in person meetings were held with the Chairman, Chief Executive Officer, all Non-Executive Directors, the Company Secretary and certain members of the Senior Leadership Team. Care was taken to address a broad range of relevant topics including: strategy; performance monitoring; culture; stakeholder engagement; remuneration; talent; succession planning; governance and legal.
Audit Committee	Glyn spoke with the Chair, members of the Audit Committee, and KPMG in order to understand the Audit Committee's remit and obtain an overview of key issues, policies and developments.

creation framework on pages 12 and 13. Our purpose underpins everything we do and is closely aligned with our three-year plan and strategy which is reviewed annually by the Board.

The two-day Board meeting held in September allowed the Board to undertake its deep-dive strategic assessment. This included a review of purpose and culture, a talent review, a review of ESG and presentations from key areas of the business.

The Board is also responsible for approving the Group's operating model and annual budget, ensuring that the right structure, talent and resources are available to implement its strategy and long-term objectives.

Full details of our approved strategy can be found in our Strategic Report on pages 1 to 75.

Culture, values and ethics

Our people are at the heart of our culture which is based on our pioneering spirit, mutual empowerment, shared leadership and unified global network that is united by trust in one another.

Your Board is committed to doing what is right, ensuring that we do what is right for the environment and for our people and ensuring that our people act ethically and without bias or discrimination in all our business activities.

As a Board we are very aware of our impact on the climate and this year we have identified climate change as a principal risk and have focused on how the Group can reduce its impact on the environment, including our goal of achieving carbon neutrality during 2023; further information on this can be found

in our ESG report on pages 52 to 65.

As a Board we aim to balance the benefits of meeting in person with our environmental goals and accordingly we use commercial flights and avoid unnecessary air travel.

To support our culture, values and ethics we provide a global learning and development platform to all employees. The platform includes training on our Code of Conduct, compliance policies and approach to diversity and inclusion.

Employees are encouraged to speak out without fear of repercussions, and we provide a confidential whistleblowing channel where concerns can be raised anonymously. During 2021 we received 19 reports through our whistleblowing channel, nine of which were considered significant; eight of the significant reports have been resolved to date and the remaining report, which was received in December 2021, is under investigation.

We also maintain a zero-tolerance policy both to bribery and corruption and to slavery and human trafficking. Training on these is provided to all employees and our statements on these are reviewed annually and made available on www.iwgplc.com.

Performance monitoring

The Board monitors performance through a regular report covering key performance indicators, profitability and cash flow, regional updates, costs, treasury and investor relations.

Trading and finance updates as well as updates on strategic projects are provided at all scheduled Board meetings, allowing the Board to monitor and measure performance and to make decisions on matters reserved to the Board in order to support the delivery of its strategy.

The Board is responsible for approving results, dividends and announcements, including the going concern basis for preparing these accounts as detailed on pages 122 and 144, and reviewing the stress testing and analysis which underpins the viability statement as detailed on page 75.

The Board also reviews the Group's ESG reporting, receiving updates on:

- the Group's carbon footprint;
- the diversity of our workforce;
- the culture of the Group and the wellbeing of employees;
- the Group's talent; and
- the initiatives we support in the local communities in which we operate.

Further information on our people and ESG reporting can be found on pages 52 to 65.

Prudent and effective controls

The Board is responsible for assessing the nature and extent of the principal risks it is willing to take to achieve its

strategy and long-term objectives, and also those risks and emerging risks that threaten its business model, future performance, solvency or liquidity.

The key risks to the Group and the steps taken to manage and mitigate them which were reviewed and approved by the Board are detailed on pages 68 to 74.

The Board has delegated authority for overseeing and reviewing its system of internal controls and risk management to the Audit Committee, which reports regularly to the Board. Details of the system and the Committee's review of its effectiveness are reported on pages 91 to 92.

Board decision-making

As a Jersey incorporated Company we are not required to make a Section 172 Statement under the UK Companies Act; we do however maintain the same high standards when complying with our Director duties in accordance with Jersey Company law. Our Directors are required to act in good faith and in the best interests of the Company and in doing this our Directors have regard, amongst other matters, to the:

- the likely consequences of any decision in the long term;
- the interests of the Company's employees;
- the need to foster the Company's business relationships with suppliers, customers and others;
- the impact of the Company's operations on the community and the environment;
- the desirability of the Company maintaining a reputation for high standards of business conduct; and
- the need to act fairly as between members of the Company.

The following are some of the decisions taken by the Board during the year and the consideration given to the stakeholder interests and impacts:

Carbon neutrality during 2023

We are committed to achieving carbon neutrality during 2023. In reaching this decision the Board took particular account of the impact of the Company's operations on the environment, the Company's desire to position itself as a leader in sustainability and the views of our stakeholders, including our employees, customers, franchise partners, landlords and shareholders.

Hybrid-working strategy

The Board has approved the Group's strategy of promoting hybrid working and positioning the Company for growth to meet future demands for hybrid working.

In our decision-making we considered how this strategy could promote the long term success of IWG for our shareholders and all of our stakeholders. In particular we listened to the results of pulse surveys undertaken with employees and business leaders on the future of work and we engaged with our customers, landlords and franchise partners to understand their views and how we could better support them to deliver hybrid-working solutions.

Furthermore, we understood that hybrid working had clear benefits for the planet and the work-life balance of the global workforce.



Key activities of the Board in 2021

Strategy

- Approved the purpose and values
- Approved strategy and objectives
- Approved the three-year plan
- Approved the operating model and annual budget
- Regular review of forecast, strategy and objectives
- Monitored and reviewed the Group's response to COVID-19
- Approved strategic projects and monitored implementation

Financing

- Regular review of the Group's financial structure and approval of amendments
- Determined that no dividend should be declared in respect of the financial year ended 31 December 2020

Prudent and effective controls

- Assessed the Company's viability over a three-year period taking into consideration the risks and scenarios that could affect the Group (page 75)
- Reviewed the Group's key risks and mitigating actions
- Received updates from the Audit Committee Chair on key areas discussed
- Renewed the Group's insurance programme

Corporate reporting and performance monitoring

- Received regular performance updates at scheduled meetings and through Board reports

- Received updates from the Remuneration Committee Chair on key areas discussed
- Approved the Company's year-end and interim results
- Approved Q1 and Q3 trading statements and trading updates
- Reviewed the Group's talent and culture

Stakeholder engagement

- Received policy statements provided by significant shareholders
- Received reports from the Chairman on feedback from shareholder meetings and correspondence
- Attended investor presentations and virtual meetings
- Reviewed monthly updates on investor relations
- Reviewed updates on our global franchise partners
- Reviewed updates on employee engagement initiatives
- Reviewed updates on ESG reporting and community initiatives

Governance

- Reviewed and approved the Notice of annual general meeting
- Received updates from the Nomination Committee Chairman on succession planning, searches for Board members and diversity
- Appointment and induction of Glyn Hughes as Chief Financial Officer
- Monitored employee engagement and ESG
- Reviewed the performance of the Board, its Committees and all Directors
- Reviewed and approved statements on anti-slavery and human trafficking, and anti-bribery and corruption

Stakeholder engagement

Building and maintaining strong relationships with our stakeholders is key to the long-term success of our business. During 2021 we have worked closely with our partners and our decision-making has been informed by their views and experiences.

Your Board seeks to take the views of its key stakeholders: our shareholders, customers, franchise partners, landlord partners, employees and communities, into account in its discussions and decision-making. The Board receives regular updates from the Chief Executive Officer on the views of key stakeholders on the Group's strategic agenda as well as receiving insights from other members of the Board and through the Company's stakeholder engagement initiatives.

Key stakeholder engagement initiatives undertaken by the Company in 2021 included pulse surveys with business leaders and employees about the workplace and preferred ways of working, the employee engagement programme overseen from the Board by Nina Henderson, introduction of our global Voice Councils and initiatives to engage with the Group's strategic franchise partners, many of whom attended the Company's virtual conference held in January 2021.

The Board also seeks to align our strategy to the needs of our primary stakeholders. For example by providing hybrid-working solutions to our customers we are enabling their people to work away from city centres, closer to their homes, families and friends, potentially improving the work-life balance for millions and enhancing employee engagement, loyalty and job satisfaction.

Further information on how we have placed our stakeholders at the centre of our strategy can be found throughout our Strategic Report and details on how we create value for our primary stakeholders can be found on pages 44 and 45.

Your Board is proud of the work undertaken by our employees throughout the world to engage with our communities and reduce our environmental impact; further details of this work can be found in our ESG report on pages 52 to 65.



Shareholder engagement

Investor meetings

The Board is kept informed of investor views through the distribution of analyst and broker briefings and monthly investor relations updates. In 2021 investor relations held over 400 meetings with investors and analysts, primarily in an online setting.

The Chairman, Chief Executive Officer and Chief Financial Officer maintain a close dialogue with institutional investors on the Company's performance, governance, plans and objectives. They regularly participate in investor meetings and make themselves available for questions, at the time of major announcements and on request. The Chairman regularly updates the Board on the results of these meetings and the opinions of investors. All Directors have a standing invitation to participate in investor meetings.

Committee Chairs engage with shareholders when there are significant changes within their areas of responsibility.

General meetings

The annual general meeting each year is held in May, save for in exceptional circumstances, in Switzerland and is attended by all members of the Board. In addition to the formal business of the meeting, there is normally a trading update and shareholders have the opportunity to ask questions and to meet the Directors afterwards.

Due to the COVID-19 pandemic our 2021 annual general meeting was held as a closed meeting and Directors who were unable to attend in person attended by phone. Directors were available to respond to shareholder queries outside of the meeting. All resolutions were passed with at least 93% of votes in favour. All resolutions were voted on separately by means of a poll and the final results were published after the meeting.

We did not have a significant number of votes cast against any resolutions at our 2021 annual general meeting, but if this is the case at a future meeting, the Company will explain, when it announces the voting, the steps to be taken to understand the reasons behind the result.

The 2022 annual general meeting will be held on Tuesday 10 May 2022. Notice of the meeting can be found in a separate document which will be sent out at least 20 working days before the meeting. We will monitor the situation to see whether it will be necessary or advisable to hold the meeting as a closed meeting or whether shareholder attendance will be possible. As always, the Directors will be available on request to respond to any shareholder queries outside of the meeting.

Company website

Our website www.iwgplc.com has a dedicated Investor section which includes our Annual Reports, results presentations and our financial calendar.

Senior Independent Director

Our Senior Independent Director, François Pauly, is available to address any shareholder concerns that cannot be resolved through normal channels of communication.



Employee engagement

The health, safety and emotional wellbeing of our people is of paramount importance to us. On behalf of the Board, Nina Henderson, our Non-Executive Director with responsibility for employee engagement has continued to monitor and report back to the Board on initiatives in place around the Group to help support our employees during the COVID-19 pandemic.

During 2021 Nina continued with her programme of meeting with our global workforce. She attended the virtual leadership conference attended by 300 managers in January 2021 and also met with smaller groups of employees both virtually and through visits to IWG sites. Employees provided Nina with their

reactions to our response to COVID-19, strategic endeavours, reward plans and resources available to them to deliver job performance. Through this role as well as through other employee surveys and forums Nina ensures that the Committee and the Board are aware of the views of the workforce on a wide range of issues.

On behalf of the Board, Nina supports IWG's ongoing efforts focused on enhancing diversity, equity and inclusion. In the USA, she is a sponsor of the African American Affinity Network Group's advisory board and participates in their membership meetings. She is able to provide the Board with insights from these interactions.

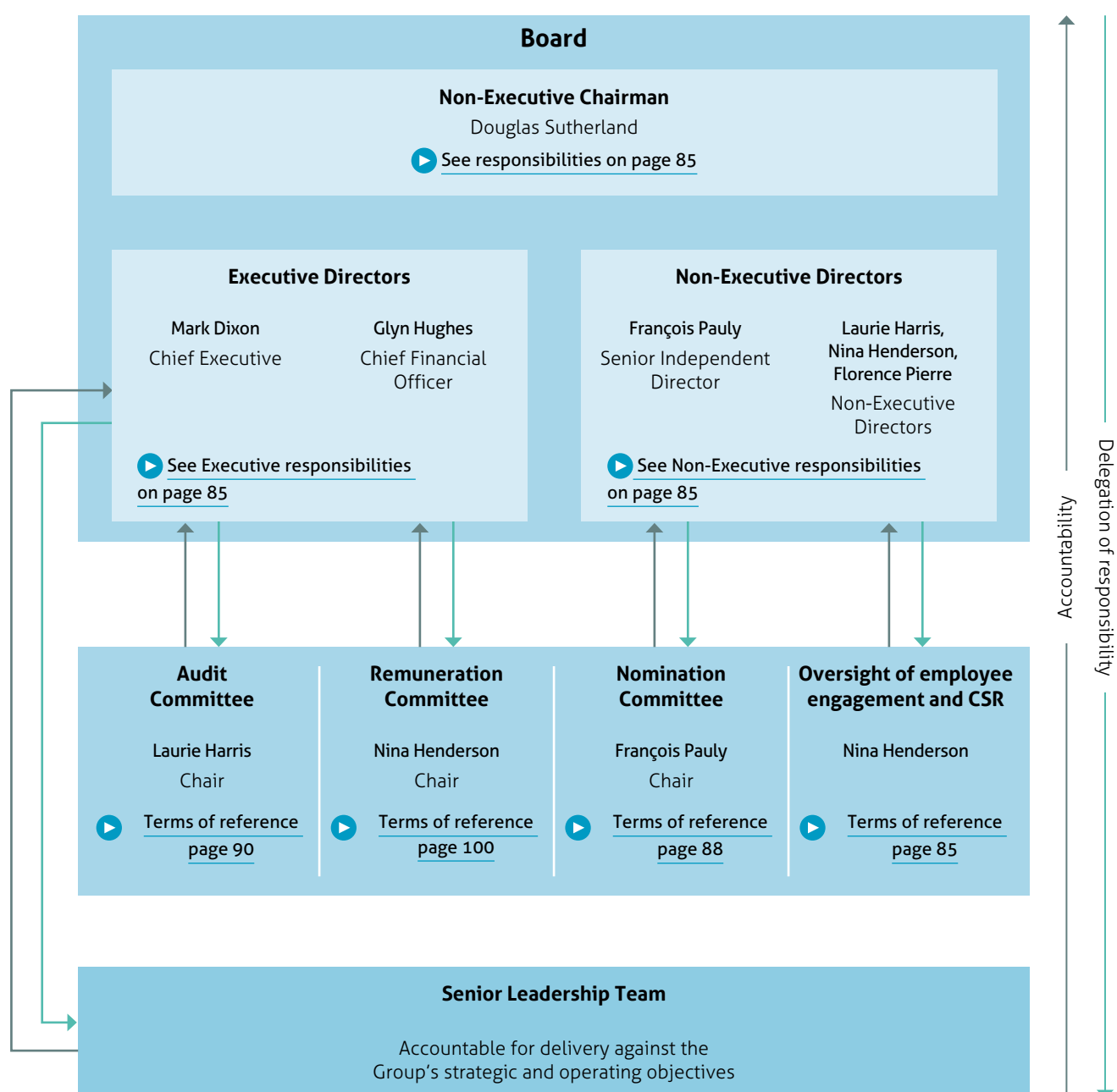
In 2021 the Board supported the introduction of our global Voice Councils. This is a team member-led initiative providing employees with a dedicated forum where they can express their views with the relevant senior audience in order to establish greater understanding of the actual needs in the business. Regional webinars were set up with elected representatives from all countries on a quarterly basis. The agenda of each meeting is led by the Voice Council representatives who gather questions, feedback and suggestions from colleagues to be discussed. Answers and suggestions are captured and distributed for information to the broader population and progress on actions is monitored. We are pleased that these meetings have not only served as a way to continuously improve the business in an orchestrated manner, but have also increased engagement between leadership and the centre teams, providing an improved sense of team work and empowering our employees. We believe this is an effective way to learn from our employees and forms a key part of our commitment to deliver on our promise to give team members interesting and achievable work.

We also continue to operate our confidential 'Right to Speak' reporting helpline for all members of our extended team across the world. In addition, we have various programmes in place to provide employees with confidential counselling services, 24/7 and 365 days a year.

We are extremely proud of our diverse global workforce and further information on our talent strategy can be found on pages 60 and 61.

Division of responsibilities

There is a clear separation of responsibilities between the running of the Board and the Executive responsibility for running the business.



► Certain matters are reserved for the Board; these are detailed on page 79

Role of Board members

There is a clear division of responsibilities at the head of the Company between the running of the Board and the running of the Company's business. No one individual Director has unfettered powers of decision-making and all Directors are required to act in the best interests of the Company.

The responsibilities of the Chairman, the Chief Executive Officer and the Senior Independent Director are available on www.iwgpplc.com.

Douglas Sutherland

Non-Executive Chairman

The Chairman is responsible for the leadership of the Board, setting its agenda and monitoring its effectiveness. He ensures that adequate time is available for discussion of all agenda items, in particular strategic issues. Additionally, he ensures effective communication with shareholders and that the Board is aware of the views of major shareholders and stakeholders. He facilitates both the contribution of the Non-Executive Directors and constructive relations between the Executive Directors and Non-Executive Directors, and regularly meets with the Non-Executive Directors without the Executive Directors being present.

Mark Dixon

Chief Executive Officer

The Chief Executive Officer is responsible for formulating strategy and for its delivery through the Senior Leadership Team once agreed by the Board. He creates a framework of strategy, values and objectives to ensure the successful delivery of key targets and allocates decision-making and responsibilities accordingly.

Glyn Hughes

Chief Financial Officer

The Chief Financial Officer is responsible for leading the finance and accounting functions of the Group. He is also responsible for business ethics, good governance, assisting with strategy and compliance.

François Pauly

Senior Independent Director

The Senior Independent Director acts as a sounding board and confidant for the Chairman, as an intermediary for other Directors as required, and leads the appraisal of the Chairman's performance. He is also available to shareholders if they have concerns that cannot be resolved through normal channels.

Nina Henderson

Non-Executive Director with oversight of employee engagement and CSR

Nina is responsible for overseeing and keeping the Board informed on engagement with the workforce and the corporate responsibility activities of the Group, including community and environmental projects.

Non-Executive Directors

The independent counsel, character and judgement of the Non-Executive Directors enhance the development of strategy and the overall decision-making of the Board. The Non-Executive Directors scrutinise the performance of management and monitor the reporting of business performance, satisfying themselves on the integrity of financial information and that financial controls and systems of risk management are robust and defensible. They are also responsible for determining appropriate levels of Executive remuneration.

Timothy Regan

Company Secretary

The Company Secretary is responsible for advising the Board, through the Chairman, on all governance matters and ensuring that the Board has the policies, processes, information, time and resources it needs to function efficiently and effectively.

Role of Committees

The Board is supported by a number of Committees to which it has delegated certain powers. The role of these Committees is summarised below.

Audit Committee

Responsible for oversight of financial reporting, audit, internal control, compliance and risk management.

Nomination Committee

Responsible for Board composition, appointment of Directors and senior management and succession planning.

Remuneration Committee

Determines the remuneration of Executive Directors, the Chairman and senior management and oversees remuneration policy for all employees.

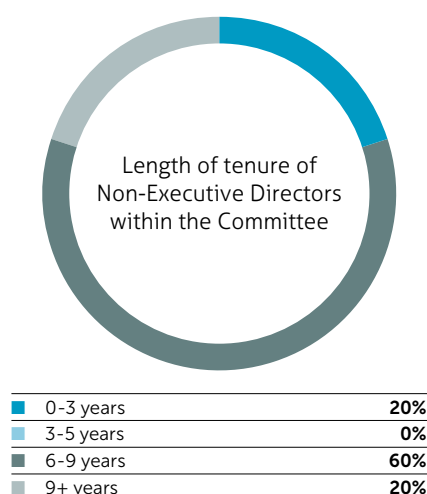
Nomination Committee report



François Pauly
Chairman, Nomination Committee

Members	Attendance (out of possible maximum number of meetings)
François Pauly	4/4
Laurie Harris	4/4
Nina Henderson	4/4
Florence Pierre	4/4
Douglas Sutherland	4/4

All members of the Committee are independent.



Dear Shareholder,

I am pleased to present to you our report on the work of the Nomination Committee (the "Committee") during 2021.

2021 was an important year for us and key activities included:

- identifying and recommending the appointment of Glyn Hughes as Chief Financial Officer and Director;
- leading the process to increase the ethnic diversity and skillset of our Board by identifying and recommending Tarun Lal for appointment as Non-Executive Director;
- launching a search for our next Non-Executive Directors;
- measuring the effectiveness of our Board through our External Board Review;
- overseeing changes to the Senior Leadership Team;
- reviewing our succession plans for the Board and Senior Leadership Team; and
- measuring progress made in respect of our diversity objectives and revising the objectives for 2022.

Board composition

As at the date of this report, your Board comprised seven members, being: the Non-Executive Chairman (independent at the time of appointment); two Executive Directors; and four independent Non-Executive Directors. The biographies of Board members can be found on pages 76 and 77.

Glyn Hughes joined the Group in 2020 and in March 2021 was appointed as Chief Financial Officer and Director in place of Eric Hageman; details of the Committee's search and ultimate nomination of Glyn can be found on page 88.

We are pleased that, subject to obtaining shareholder approval at our 2022 annual general meeting, Tarun Lal has agreed to join our Board as a Non-Executive Director from May 2022. This will increase the ethnic diversity of our Board and also make a significant addition to our franchising expertise. We believe the addition of Tarun Lal's experience and viewpoints will add another dimension to those brought by our existing Board members and support our efforts to maintain an independent and challenging Board. Further information on Tarun's nomination can be found on page 88.

Diversity Policy and objectives

In our Board Diversity Policy we define "Diversity" as achieving strength and sustainability through actively embracing and being inclusive of all aspects (visible and invisible) of what makes every individual unique including education, personalities, skill sets, experiences, communication styles, knowledge bases, social economic backgrounds, age, race, gender, religious beliefs, physical abilities and disabilities, ethnicity, sexual orientation and political beliefs.

Progress made against the Diversity objectives we set ourselves for 2021 can be found on page 89. Our objectives for 2022 which will be reported on in 2023 are to:

- maintain a level of at least 35% female Directors on the IWG plc Board in the short term rising to 40% in the medium term (currently 43%, but will decrease with the appointment of Tarun Lal);
- assist the development of a pipeline of high-calibre candidates by encouraging a broad range of senior individuals within the business to take

"We define 'Diversity' as achieving strength and sustainability through actively embracing and being inclusive of all aspects (visible and invisible) of what makes every individual unique."

François Pauly

Chairman, Nomination Committee

on additional roles to gain valuable Board experience;

- consider candidates for appointment as Non-Executive Directors from a wide pool including those with little or no previous FTSE Board experience;
- ensure Non-Executive Director long lists have at least 50% of candidates reflecting diversity including women and candidates with different racial and ethnic backgrounds; and
- engage executive search firms who have signed up to the November 2017 Voluntary Code of Conduct on gender diversity and best practice.

We are proud of our workforce diversity at IWG. We are an equal opportunities employer and are proactively looking to identify, develop and promote key talent from within our organisation which will in turn improve our diversity at senior levels. Further information on our work to support diversity and inclusivity within our workforce can be found on pages 60 and 61.

External Board Review

The performance of your Board, its Committees, the Chairman and individual Directors is conducted annually and every third year our review is facilitated externally. In 2021 Condign Board Consulting were appointed to facilitate an external review.

The evaluation included a series of one-to-one discussions between the reviewer and each Board member and a review of Board materials. The reviewer considered that the Board and its governance had coped well with the pandemic, assisted greatly by its settled nature.

The results of the review were discussed by the Board and the Committee. All suggestions for improvement are being incorporated into our ongoing efforts to continuously improve the processes and effectiveness of the Board. We continue to have full confidence in the Board's members and processes.

The Committee uses the Board Review process to monitor effectiveness, performance, balance, diversity, independence, leadership and succession planning, enabling the Committee to identify strengths and weaknesses and ensuring that we are able to identify the capabilities required for particular Board appointments.

Re-election of the Board

All Directors (unless they are retiring) submit themselves for re-election by shareholders annually. Directors appointed during the period since the last annual general meeting are required to seek election at the next annual general meeting under the Company's articles of association. Reasons why the contribution of Directors offering themselves for re-election or election continues to be important to the long-term success of the Company are described in the Notice of annual general meeting.

The Committee reviewed the independence of all Non-Executive Directors in 2021; all are independent and continue to make independent contributions and effectively challenge management.

Board appointments

The Committee leads the process for the appointment of all new Directors and, in identifying and recommending candidates to the Board, the Committee considers candidates on merit against objective criteria and in accordance with the Board Diversity Policy.

Nominations are based on the existing balance of skills, knowledge, diversity and experience on the Board, on the merits and capabilities of the nominee and on the time they are able to give to the role in order to promote the success of the Company.

During 2021 the Committee used the results of its External Board Review to develop a profile which is being used for the recruitment of our next Non-Executive Directors. The profile has been provided to Audeliss Executive Search who have been appointed to assist the Committee in the recruitment process. Audeliss have no connection with the Company other than providing recruitment services and are signed up to the November 2017 Voluntary Code of Conduct on gender and diversity best practice.

Senior Leadership Team

The Committee oversees changes to the Senior Leadership Team, and supports initiatives to strengthen the executive talent pipeline.

Succession planning

We ensure that succession plans are in place for the orderly succession of appointments to the Board and senior positions, so that there is an appropriate balance of skills, experience and diversity. Succession planning discussions and a talent review process continue to be an integral priority of the Group's business planning and review process, as is the continued development of both management capacity and capabilities within the business.

As previously advised our current Chairman, Douglas Sutherland, has been on the Board for more than nine years. He was appointed as Chairman on 10 May 2010 having been a Non-Executive Director of the Group since 7 August 2008. His continuation in the role of Chairman is subject to regular review by the Committee, without the presence of the Chairman. After reviewing the Chairman's performance and input from the 2021 External Board Review and in consideration of the Group's current challenges and opportunities, the Committee considers that it is in the best interests of the Group for the Chairman to continue in his role. This is considered to be a short-term situation and the Committee is considering plans for the role in the long term.

Terms of Reference

Below is a summary of the terms of reference of the Committee:

- Board appointment and composition: to regularly review the structure, size and composition of the Board and make recommendations on the role and nomination of Directors for appointment and reappointment to the Board.
- Board Committees: to make recommendations to the Board in relation to the suitability of candidates for membership of the Audit and Remuneration Committees.
- Board effectiveness: to review annually and make appropriate recommendations.
- Board performance: to assist the Chairman with the annual performance review to assess the performance and effectiveness of the overall Board and individual Directors.
- Leadership: to remain fully informed about strategic issues and commercial matters affecting the Company and to keep under review the leadership needs of the organisation to enable it to compete effectively.

Complete details of the above are available on the Company's website www.iwgplc.com.

François Pauly

Chairman, Nomination Committee

Appointment of Tarun Lal

Following a review of the balance of existing skills, knowledge and experience on the Board and the Board's desire to increase its ethnic diversity in line with the findings and objectives of the Parker Review, the Committee commenced a search for a Non-Executive Director with a different ethnic background.

The Committee used Spencer Stuart, who provide executive search consultancy and have no other connection to the Company, as well as its industry connections, professional advisors and networks, to identify a long list of candidates. Candidates were considered on merit against the criteria set by the Committee. The shortlisted candidates met with members of the Committee and the Chief Executive Officer.

The Committee extensively discussed the merits of the candidates and recommended Tarun Lal be appointed as Non-Executive Director. The Board accepted the recommendation of the Committee and Tarun Lal will be appointed to the Board on 10 May 2022, subject to his election at the Company's 2022 annual general meeting.

Tarun, who was born and raised in Delhi, India, brings extensive franchising expertise to the Board from over 20 years with Yum! Restaurants where he has held executive roles including Global Chief Operating Officer KFC and his current role as Managing Director, Middle East, Turkey, Africa and India.

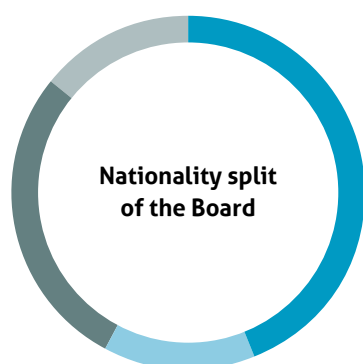
Appointment of Glyn Hughes

Following a review of the balance of existing skills, knowledge and experience both on the Board and within the Senior Leadership Team and having considered the strategic plans for the Group, the Committee commenced a search for a Chief Financial Officer.

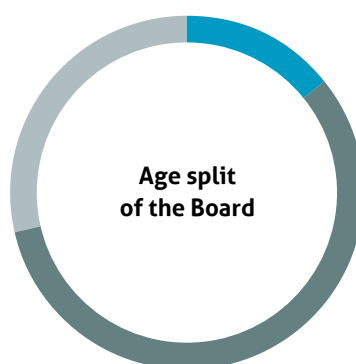
The Committee used its existing executive search agencies as well as the Committee's industry connections, networks and advisors, to identify internal and external candidates from diverse backgrounds. Candidates were considered on merit against the criteria set by the Committee giving due regard to diversity.

The shortlisted candidates met with all members of the Committee, the Chief Executive Officer and other members of the Senior Leadership Team. The Committee extensively discussed the merits of all the candidates and recommended the appointment of Glyn Hughes who had performed strongly since joining the Group in 2020 and brought highly relevant experience to the role from his previous positions.

The Board accepted the recommendation of the Committee and Glyn Hughes was appointed to the Board as Chief Financial Officer with effect from 25 March 2021; his appointment was subsequently approved at the 2021 annual general meeting.



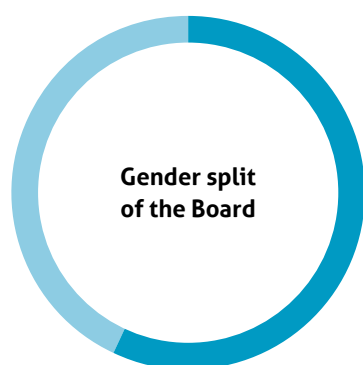
American	44%
French	14%
British	28%
Luxembourgish	14%



36-45	1
46-55	0
56-65	4
66-75	2

Experience of the Board

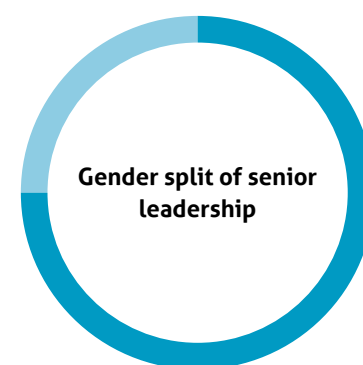
Working Internationally	7
Rapid Growth Strategies	5
Digital Transformation	6
Franchising	4
Enterprise Risk Management	7
Outsourcing	7
Multiple Industries	6
Mergers and Acquisitions	7



Male	57%
Female	43%



Male	35%
Female	65%



Male	75%
Female	25%

Performance against 2021 Diversity objectives

Objective	Performance achieved
Maintain a level of at least 30% female Directors on the IWG plc Board over the short to medium term (currently 43%).	Throughout 2021 we have had three female Board members, making up 43% of our Board.
Appoint a Director with a different ethnic background to the IWG plc Board on or before our May 2022 annual general meeting.	Tarun Lal will be joining the Board as a Non-Executive Director with effect from 10 May 2022, subject to the approval of our shareholders at the 2022 annual general meeting.
Assist the development of a pipeline of high-calibre candidates by encouraging a broad range of senior individuals within the business to take on additional roles to gain valuable Board experience.	The Committee supports initiatives aimed at strengthening the executive talent pipeline and ensuring that high potential people at every level are developed and retained within the business. Senior individuals are encouraged to gain Board experience through internal and external Board appointments and are also invited to present at IWG plc Board meetings. Further information on our talent strategy can be found on pages 60 and 61.
Consider candidates for appointment as Non-Executive Directors from a wider pool including those with little or no previous FTSE Board experience.	Our profile for the recruitment of our next Non-Executive Directors has been drawn up to allow us to consider a wider pool of talent; FTSE experience is not a pre-requisite.
Ensure Non-Executive Director long lists have at least 50% of candidates reflecting diversity including women and candidates with different racial and ethnic backgrounds.	Our profile for the recruitment of our next Non-Executive Directors has been drawn up to ensure that long lists reflect our desire to continue to improve the ethnic diversity of our Board and to ensure that we maintain a level of at least 35% female Directors in the short term rising to 40% in the long term (currently 43%, but will decrease with the appointment of Tarun Lal).
Engage executive search firms who have signed up to the Voluntary Code of Conduct on gender balance, diversity and best practice.	During 2021 we engaged Audeliss Executive Search and continued to work with Spencer Stuart, each of whom are signatories to the November 2017 Voluntary Code of Conduct.

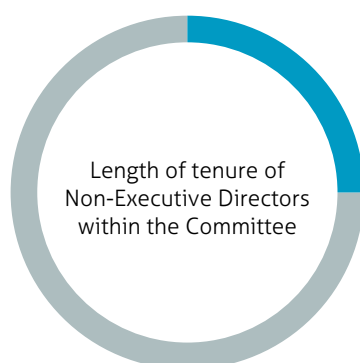
Audit Committee report



Laurie Harris
Chair, Audit Committee

Members	Attendance (out of possible maximum number of meetings)
Laurie Harris	7/7
Nina Henderson	7/7
François Pauly	7/7
Florence Pierre	7/7

All members of the Committee are independent.



0-3 years	25%
3-5 years	0%
6-9 years	75%

Dear Shareholder,

I am pleased to present you with this report on the work of the Audit Committee (the "Committee") during 2021.

This report sets out the role and responsibilities of the Committee and our key activities during the year. It explains how we manage the integrity of our financial reporting and the effectiveness of our risk management and control processes for the benefit of our stakeholders, including our shareholders, customers, partners, employees and communities.

During 2021 the COVID-19 pandemic and its impact in terms of risk assessment and financial reporting remained a key focus of the Committee. We have also worked hard to support the Company's strategy and sustainability initiatives and have identified climate change risk as a principal risk to the Group.

Key objective

Our key objective is to provide effective governance over the Company's financial reporting; this is achieved by monitoring, reviewing and making recommendations to the Board on:

- the integrity of financial reporting;
- the systems for internal control, risk management and compliance; and
- the Company's external auditors.

Membership and meetings

The Committee consists entirely of independent Non-Executive Directors.

Seven Committee meetings were held in the year and where time-sensitive approvals were needed authority was delegated to a sub-committee.

At my request, the external auditors, Executive Directors, the Chairman, the Company Secretary (as secretary to the Committee) and the Business Assurance Director may attend meetings.

At least annually, the Committee meets independently, without management, with the Company's external auditors and the Business Assurance Director. In addition I regularly meet with the external lead audit partner and the Business Assurance Director outside of the formal Committee process.

Responsibilities

Below is a summary of the terms of reference of the Committee (the full text of which is available on the Company's website www.iwgpplc.com):

- Financial reporting: monitoring the integrity of financial reporting for compliance with applicable statutes and accounting standards.
- Internal control and risk: reviewing the effectiveness of internal controls and risk management systems.
- Internal audit: monitoring the internal audit programme, reviewing all findings and making certain that the function is sufficiently resourced and free from restrictions.
- External audit: advising on the appointment, reappointment, remuneration and removal of the external auditor.
- Employee concerns: reviewing whistleblowing arrangements.

I routinely report to the Board on how the Committee has discharged its responsibilities, as well as highlighting any concerns raised.

“Responsible corporate behaviour is an integral part of the overall governance framework and our management structures and systems apply equally to the identification, evaluation and control of our safety, ethical and environmental risks and opportunities.”

Laurie Harris

Chair, Audit Committee

Activities of the Audit Committee during the year

This section summarises the main focus areas of the Committee during 2021 and the results of the work undertaken.

Financial reporting

Our main focus was the review of the half-year results and this Annual Report together with the formal announcements relating thereto. Before recommending these to the Board we determined that the actions and judgements made by management were appropriate. Particular focus was given to:

- critical accounting policies and practices and changes thereto;
- changes in the control environment;
- control observations identified by the auditor;
- decisions delegated to and requiring judgements by management;
- adjustments resulting from the audit;
- clarity of the disclosures made;
- compliance with accounting standards and relevant financial and governance reporting requirements; and
- the process surrounding compilation of the Annual Report and Accounts to confirm they are fair, balanced and reasonable.

The Committee formally considers (and minutes) key audit matters as detailed on page 92 before recommending the financial statements to the Board.

The Committee recommends the Annual Report to the Board. It considers the Annual Report, taken as a whole, to be fair, balanced and understandable, providing the information necessary for shareholders to assess the Company's position and performance, business model and strategy.

Risk management

The Board is responsible for establishing the risk appetite for the Group. The Committee oversees and reviews an ongoing process for identifying, evaluating and managing the risks faced by the Group. Major business risks and their financial implications are appraised by the responsible executives as part of the planning process and are endorsed by regional management. Key risks are reported to the Committee, which reports on them to the Board. The appropriateness of controls is considered by the executives, having regard to cost, benefit, materiality and the likelihood of risks crystallising. Key risks and actions to mitigate those risks were considered by both the Committee and the Board and were formally reviewed and approved.

Emerging and principal risks

There are a number of existing and emerging risks and uncertainties which could have an impact on the Group's long-term performance. The Group has a risk management structure in place designed to identify, manage and mitigate such business risks. Risk assessment and evaluation are an integral part of the annual planning process, as well as the Group's monthly review cycle.

The Group's principal risks, together with an explanation of how the Group manages these risks and the impact from COVID-19, are presented on pages 66 to 74 of this Annual Report.

Internal control

The Committee has a delegated responsibility for the Company's system of internal control and risk management and for reviewing the effectiveness of this system. Such a system is designed to identify, evaluate and control the significant risks associated with the Group's achievement of its business objectives with a view to safeguarding shareholders' investments and the Group's assets. Due to the limitations that are inherent in any system of internal control, this system is designed to meet the Group's particular needs and the risks to which it is exposed and is designed to manage rather than

eliminate risk. Accordingly, such a system can provide reasonable, but not absolute, assurance against material misstatement or loss.

In accordance with the FRC's Guidance on Risk Management, Internal Control and Related Financial and Business Reporting (the "FRC Guidance"), the Committee confirms there is an ongoing process for identifying, evaluating and managing significant risks faced by the Group.

During 2021, the Committee continued to revisit its risk identification and assessment processes, inviting Board members and senior management to convene and discuss the Group's key risks and mitigating controls.

A risk-based approach has been adopted in establishing the Group's system of internal control and in reviewing its effectiveness. To identify and manage key risks:

- Group-wide procedures, policies and standards have been established;
- a framework for reporting and escalating significant matters is maintained;
- reviews of the effectiveness of management actions in addressing key Group risks identified by the Board have been undertaken; and
- a system of regular reports from management setting out key performance and risk indicators has been developed.

This process is designed to provide assurance by way of cumulative assessment and is embedded in operational management and governance processes.

Key elements of the Group's system of internal control which have operated throughout the year under review are as follows:

- the risk assessments of all significant business decisions at the individual transaction level, and as part of the annual business planning process;
- a Group-wide risk register is maintained and updated at least annually whereby all inherent risks are identified and assessed, and appropriate action plans developed to manage the risk per the risk appetite

Significant financial reporting judgements

The Committee discussed and reviewed the following significant issues with KPMG and management in relation to the financial statements for 2021. For each area, we discussed with KPMG their procedures to challenge and evaluate management's assumptions. The Committee was satisfied with the accounting and disclosures in the financial statements.

Area of focus	Action taken
Impairment of leasehold property, plant and equipment ("PPE") and right-of-use ("ROU") assets:	The Committee reviewed the process used by management during 2021 to assess all open, non-franchise business centres across the Group for indicators of impairment. This included a review of the new controls implemented during 2021. We challenged key judgements and estimates relating to the impairment of leasehold PPE and ROU assets and ultimately concluded that management's judgements and the disclosure of these impairments were appropriate. See note 15.
Recognition of deferred tax assets associated with the Group's intellectual property in Switzerland	The Committee has reviewed the basis on which management has recognised and valued deferred tax assets, with particular focus on the recoverability of deferred tax assets recognised in Switzerland. The Committee is satisfied that management's judgements on the generation of future taxable profits in the foreseeable future are aligned with the Group's other business forecasting processes. The Committee has considered the presentation and disclosure (in accordance with IAS 1 and IAS 12) in respect of taxation-related balances and is satisfied that the Group's disclosures reflect the risks inherent in accounting for the deferred taxation balances. See note 8.
Goodwill and intangible assets	The Committee has considered the impairment testing undertaken and disclosures made in relation to the value of the Company's goodwill and intangibles and has challenged the key assumptions made by management in their valuation methodology. The Committee considers that an appropriately cautious approach has been used by management and is satisfied that no additional impairment of intangibles and goodwill is required. See notes 13 and 14 for further information.

- of the Group as established by the Board. The Board reviews the Group's principal risks register at least annually and management periodically reports on the progress against agreed actions, enabling the Committee to monitor how key risks are managed;
- the annual strategic planning process, which is designed to ensure consistency with the Company's strategic objectives. The final budget is reviewed and approved by the Board. Performance is reviewed against objectives at each Board meeting;
- comprehensive monthly business review processes under which business performance is reviewed at business centre, area, country, regional and functional levels. Actual results are reviewed against targets, explanations are received for all material movements, and recovery plans are agreed where appropriate;
- the documentation of key policies and control procedures (including finance, operations, and health and safety) having Group-wide application. These are available to all staff via the Group's internal platforms;

- formal procedures for the review and approval of all investment and acquisition projects. The Group Investment Committee reviews and approves all investments. Additionally, the form and content of routine investment proposals are standardised to facilitate the review process;
- the delegation of authority limits with regard to the approval of transactions;
- the generation of targeted, action-oriented reports from the Group's sales and operating systems on a daily, weekly and monthly basis, which provide management at all levels with performance data for their area of responsibility, and which help them to focus on key issues and manage them more effectively;
- the delivery of a centrally coordinated assurance programme by the business assurance department that includes key business risk areas. The findings and recommendations of each review are reported to both management and the Committee; and
- the maintenance of high standards of behaviour which are demanded from staff at all levels in the Group. The following procedures support this:

- a clearly defined organisation structure with established responsibilities;
- an induction process to educate new team members on the standards required from them in their role, including business ethics and compliance, regulation and internal policies;
- the availability of Group and country specific policies, via the Group's internal platforms, including the Company's Code of Conduct, detailed guidance on employee policies and the standards of behaviour required of staff;
- policies, procedure manuals and guidelines are readily accessible through the Group's internal platforms and its learning and development systems;
- operational audit and self-certification tools which require individual managers to confirm their adherence to Group policies and procedures; and
- a Group-wide policy to recruit and develop appropriately skilled employees of high calibre and integrity and with appropriate disciplines.

The Committee and the Board regard responsible corporate behaviour as an integral part of the overall governance framework and believe that it should be fully integrated into management structures and systems. Therefore, the risk management policies, procedures and monitoring methods described above apply equally to the identification, evaluation and control of the Company's safety, ethical and environmental risks and opportunities. This approach makes sure that the Company has the necessary and adequate information to identify and assess risks and opportunities affecting the Company's long-term value arising from its handling of corporate responsibility and corporate governance matters.

The Committee has completed its annual review of the effectiveness of the system of internal control for the year to 31 December 2021 and is satisfied that it is in accordance with the FRC Guidance and the Code. The assessment included consideration of the effectiveness of the Board's ongoing process for identifying, evaluating and managing the risks facing the Group.

Whistleblowing policy

An externally hosted whistleblowing channel, which may be used anonymously, is available to all employees via email or on the

Company's internal platforms. The aim of the policy is to encourage all employees, regardless of seniority, to bring matters that cause them concern to the attention of the Committee. Employees can monitor the progress of the reports they have made.

The Business Assurance Director, in consultation with the Senior Leadership Team, decides on the appropriate method and level of investigation. The Committee is notified of all material discourses made and receives reports on the results of investigations and actions taken on a regular basis. The Committee has the power to request further information, conduct its own enquiries or order additional action as it sees fit.

External audit

KPMG Ireland ("KPMG") were appointed in 2016 as the auditors of IWG plc. Whilst IWG plc is a Jersey company, after consultation with KPMG, the Committee determined that appointing a Jersey registered KPMG Ireland audit partner would best serve the needs of the Group. The Committee is responsible for oversight of the external auditor, including an annual assessment of their independence and objectivity and the measures in place to safeguard this.

During the year, KPMG audited the consolidated financial statements of the Group for the year ended 31 December 2020 and completed a review of the half-year results of the Group for the period to 30 June 2021.

The value of non-audit services provided by KPMG in 2021 amounted to £282,000 (2020: £1,188,000). Non-audit services related to – legal advisory services in China regarding cybersecurity and data privacy laws and other assurance services in relation to reports provided to landlords in the UK, Denmark and Hong Kong and tax services in relation to statutory tax certifications.

During the year there were no circumstances where KPMG were engaged to provide services which might have led to a conflict of interest.

The Committee safeguards KPMG's independence through its policy on non-audit related services, which includes the following measures:

- the external auditor is used for non-audit related services only where their use will deliver a demonstrable benefit as compared with the use of other potential providers and where it will not impair their independence or objectivity;
- all proposals for permitted defined non-audit services to use the external auditor must be submitted to, and authorised by, the Chief Financial Officer and/or Committee Chair before any work is performed;
- permitted non-audit services are reviewed annually by the Committee and currently include: consultation on financial accounting and regulatory reporting matters; reviews of internal accounting and risk management controls; reviews of compliance with policies and procedures; non-statutory audits (e.g. regarding acquisitions and disposal of assets and interests in companies); assurance and advice on finance-related projects; attestation reports; due diligence; and tax services (only where the services will have no direct effect or will have an immaterial effect on the audited financial statements of the Group);
- prohibited non-audit services include: tax compliance and advisory services; legal services; book-keeping and other accounting services; design, provision and implementation of information technology services; internal audit services; valuation services; payroll services; recruitment services in relation to key management positions; HR services relating to the organisation structure and cost control; and transaction (acquisitions, mergers and dispositions) work that includes investment banking services, preparation of forecasts or investment proposals and deal execution services; and
- KPMG confirm at every Committee meeting that, since the prior meeting, there have been no significant issues affecting their objectivity and independence arising from the provision of non-audit services.

KPMG are required to adhere to a rotation policy requiring rotation of the lead audit partner at least every five years. Following an audit partner rotation after the audit of the 2020 financial

statements a new lead audit partner has taken responsibility for the audit of the 2021 financial statements.

Our last audit tendering process was undertaken in 2018.

The breakdown of the fees paid to the external auditor during the year to 31 December 2021 can be found in note 5.

In assessing the effectiveness of the external audit process for 2021 the Committee has considered:

- the audit process as a whole and its suitability for the challenges facing the Group;
- the strength and independence of the external audit team;
- the audit team's understanding of the control environment;
- the culture of the external auditor in seeking continuous improvement and increased quality;
- the quality and timeliness of communications and reports received; and
- the quality of interaction with management.

Following the Committee's assessment of the effectiveness of the external audit process for 2021 and of KPMG's continuing independence, the Committee has recommended to the Board that a resolution to reappoint KPMG as the Company's auditor in respect of the financial year ending 31 December 2022 be proposed at the annual general meeting.

Corporate governance changes

During 2021 we have also discussed the consultation paper published by BEIS on restoring trust in audit and corporate governance and considered how best to prepare for the new regulations being proposed by the UK Government.

Laurie Harris

Chair, Audit Committee

Directors' Remuneration report

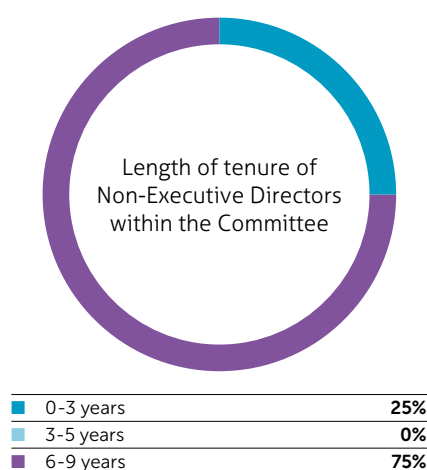


Nina Henderson

Remuneration Committee Chair

Members	Attendance (out of possible maximum number of meetings)
Nina Henderson	6/6
Laurie Harris	6/6
François Pauly	6/6
Florence Pierre	6/6

All members of the Committee are independent.



Dear Shareholder,

I am pleased to present this Directors' Remuneration report for 2021.

The Remuneration Committee (the "Committee") is focused on ensuring that remuneration is designed to promote the long-term success of the Company by driving our strategic priorities, while adhering to our Company's culture and values and ensuring our contribution to environmental and societal principles. Our people and their talents continue to be at the centre of our ability to deliver our workplace solutions no matter where work is accomplished or conducted. We are proud of their resilience and relentless efforts to continue to drive the business and deliver services to our customers under difficult conditions.

2021 continued to challenge. All decisions taken during this unprecedented period have recognised the need to reward and incentivise our team members' performance at all levels of the organisation, as well as retain and attract talent. We also recognised the need to offer additional health and wellness support to our team members as pandemic impacts continued to affect their lives. All of our decisions have considered the experience of the Company and our stakeholders, including our employees, customers, investors, landlords, franchisees and communities.

Strategic pivot, refocused organisation, delivering momentum

During 2021, management, the Board and the Committee acted with agility to ensure our strategy kept pace with the impacts of the evolving COVID-19 pandemic. At the start of the year, we set stretching targets for incentive plans based on our expectations of a then broadly held view of a continuing return to normality. As the full impact of the emerging Delta variant and related extended lockdowns and restrictions became clear, it was determined that initial revenue and profit targets would not be met, as the Company informed the market in June 2021.

Management quickly adapted our business plans, enabling a strategic pivot to address the new reality. With the Board's concurrence, the 2021 employee incentive schemes were revised to reward our employees for focusing on the key tasks, revenue turnaround and working capital management, to best navigate through the slower return to normality and to position the Company to benefit from the growing adoption of hybrid working.

When the 2021 operating targets for the broader management team were adapted, the Committee communicated to Executive Directors that achievement of these adapted targets would also be taken into account when evaluating their performance. As a result of the strategic actions taken, a strong second-half performance has been delivered despite very challenging circumstances, including the emergence of the Omicron variant. Second-half revenue and working capital performance achieved the revised stretching targets set at the mid year point. In fact, during the fourth quarter IWG experienced the best-selling months in our more than 30-year history. In addition, when evaluating 2021 performance of the Executive Directors, the Committee noted the significant progress relative to the Group's potential strategic and commercial separation of its digital and technology assets into separately identified and constituted businesses.

Annual bonus outcomes

The Company exits a most challenging 2021 in a strong financial position and with significant momentum to capture the opportunity arising from the rapid shift to hybrid working. In order to recognise the 2021 leadership achievements of the Executive Directors as described above, their annual bonus is awarded for the 50% of the bonus potential related to operating objectives, which equals 75% of the CEO/CFO salaries and will be paid with one-half as deferred stock over a three-year period, in accordance with the bonus policy. We believe this outcome is fair and appropriate in recognition of the achievements against ever-changing and extremely difficult circumstances. This Executive Director outcome is consistent with the annual bonus outcomes for the broader leadership team and other employees who receive similar incentives elsewhere in the Group.

Performance Share Plan ("PSP")

When considering the appropriate remuneration outcomes for Executives, the Committee considered all elements of remuneration in combination. In relation to the 2019 PSP, the targets were set prior to the COVID pandemic, and the final outcome of 17.1% has been heavily influenced by the impact of the pandemic and the restrictions applied to office working globally. Whilst noting this, the Committee determined that there would be no adjustment to the PSP targets alongside the decisions taken in relation to the annual bonus and the desire to maintain PSP outcomes that are strongly aligned with the interests of our shareholders.

Therefore, in accordance with the targets set at the time of the initial award, the PSP vesting in March 2022 will vest at 17.1%. The Committee reviewed the three performance metrics and determined that the threshold targets for EPS growth and ROI improvement metrics had not been met; the Company TSR performance was 3.5% p.a. above the comparator group median, resulting in a vesting outcome of 51.3% of the maximum for this element. All metrics had a 33.33% weighting and were measured over a three-year period to 31 December 2021.

The Committee believes variable pay outcomes should reward sound performance and align with the experience of our shareholders and with our wider stakeholders. The impacts of the pandemic make decisions in this regard much more challenging. However, we believe awarding 50% of the annual bonus for 2021 based on the strong second-half performance improvement, as described above, combined with the partial vesting of the 2019 PSP demonstrates such alignment. Also that our Policy recognises the Company's achievements while supporting its pursuit of strategic objectives to enable future success.

"We are focused on ensuring that remuneration is designed to promote the long-term success of the Company by driving our strategic priorities, while adhering to our Company's culture and values and ensuring our contribution to environmental and societal principles."

Nina Henderson

Remuneration Committee Chair

Executive changes

As previously announced, Glyn Hughes was appointed to the Board as Chief Financial Officer with effect from 25 March 2021. Upon appointment Glyn's remuneration was set fully in line with our approved Policy. His salary was set at £440,000 per annum, his maximum bonus opportunity is 150% of base salary and maximum PSP opportunity is 250% of salary. No other payments were made in association with his recruitment.

Upon departure, the Committee determined an appropriate exit package for Eric Hageman with due consideration to shareholders, and specific reference to the Policy and the Company's legal and contractual commitments to him. Full details are provided on pages 107 to 108.

The year ahead

The Committee was pleased that over 94% of shareholders supported the Remuneration Policy (the "Policy") in 2020 and that over 98% approved our Remuneration report detailing our application of the Policy in 2020. Remuneration earned by the Executive Directors should reflect Company performance and shareholder return. The Committee is satisfied that our variable pay model remains fit for purpose in the face of the pandemic and the Company's continuing strategic transformation. It ensures alignment between pay and performance based on targets tied to strategic delivery. The policy will continue to be applied during 2022.

The Committee has made the following decisions for 2022 taking into account the pay and conditions across the Group's workforce, the experiences of the Company and its stakeholders and the need to incentivise Executive performance and support the future success of the Company:

- No increases to Executive Directors' salaries for 2022.
- The Company's continued strategic transformation is key to unlocking shareholder value. Results from such transformative actions are not conveniently measured by classic operational performance targets with annual cut-offs, but should be reflected in relative TSR performance. Therefore, during this transformational period, relative TSR performance targets will also be a component of the annual bonus to reflect current year progress on implementing the strategy as well as the measurement of its sustained successful implementation for the PSP awards.
- IWG has committed to achieving carbon neutrality during 2023.

- The maximum annual bonus will remain unchanged at 150% of base salary for Executive Directors with half of any bonus paid deferred in share options which vest after three years. Performance will be measured against stretching operating profit and achievement of strategic objectives, including ESG and TSR targets.
- Awards of 250% of base salary will be granted under the PSP in line with the approved Policy. Awards will vest subject to a relative TSR target measured over three financial years, 2022-2024. Any award that vests will be subject to an additional two-year holding period.

Workforce engagement

Through my role as Non-Executive Director with oversight of employee engagement I have interacted with employees across the Group in person and following COVID-19 restrictions in a socially distanced manner.

I attended the virtual leadership conference attended by 300 managers in January 2021. I also met with smaller groups of employees both virtually and through visits to IWG sites. Employees have provided me with their reactions to our response to COVID-19, strategic endeavours, reward plans and resources available to them to deliver job performance. Through this role as well as through other employee surveys we ensure that the Committee and the Board are aware of the views of the workforce on a wide range of issues. Whilst we do not consult directly with the workforce on Executive pay, the workforce are able to raise any views through these forums.

On behalf of the Board, I support IWG's ongoing efforts focused on enhancing diversity, equity and inclusion. In the USA, I am a sponsor of the African American Affinity Network Group's advisory board and participate in their membership meetings. They share their mission, objectives, perspectives and initiatives to further professional development and advancement on behalf of African Americans as well as community volunteer efforts.

I provide feedback to the Committee and the Board on employee perspectives as a result of these interactions.

Annual general meeting

You will be asked to pass a resolution approving the Annual Report (and the Chairman's annual statement) by way of an advisory vote at the 2022 annual general meeting. On behalf of the Committee, I commend this report to you and look forward to your support for the resolution at the annual general meeting.

Nina Henderson

Chair, Remuneration Committee

Directors' Remuneration Policy

This report sets out the Group's Policy on remuneration for Executive and Non-Executive Directors, which was approved by the Company's shareholders at the annual general meeting on 12 May 2020. The full version of the shareholder-approved Policy can be found on the Company's website at <https://investors.iwgplc.com/reports-and-presentations>.

The Committee is satisfied that the approved Policy operated as intended in 2021.

The Remuneration Policy will be due for renewal at the 2023 AGM. During 2022, the Committee will review the current Policy to assess the extent to which any changes are required to remain best aligned with IWG's strategy and external best practice. If any changes are proposed the Committee intends to engage with shareholders during the course of the year.

Overview of Directors' Remuneration Policy

The Policy considers principles of clarity, simplicity, risk, predictability, proportionality and alignment to culture and has the following objectives:

- to provide a balanced package between fixed and variable pay, and long and short-term elements, to align with the Company's strategic goals and time horizons whilst encouraging prudent risk management;
- to incorporate incentives that are aligned with and support the Group's business strategy and align executives to the creation of long-term shareholder value, within a framework that is sufficiently flexible to adapt as our strategy evolves;
- to align the interests of the Executive Directors, senior executives and employees with the long-term interests of shareholders and strategic objectives of the Company;

- to ensure ongoing alignment with the changes to the UK Corporate Governance Code of 2018;
- to align management and shareholder interests through building material share ownership over time;
- to reflect the remuneration received by the wider employee group through considering proportionality;
- to ensure that our remuneration structures are transparent and easily understood;
- to ensure that remuneration practices are consistent with and encourage the principles of diversity, equality and inclusion; and
- to reflect the global operating model of the Group whilst taking account of governance best practice.

Policy table for Executive Directors

Base salary			
Purpose/link to strategy	Operation	Maximum	Performance framework
To provide a competitive component of fixed remuneration to attract and retain people of the highest calibre and experience needed to shape and execute the Company's strategy.	Salaries are set by the Committee. The Committee reviews all relevant factors such as: the scope and responsibilities of the role, the skills, experience and circumstances of the individual, sustained performance in role, the level of increase for other roles within the business, and appropriate market data. Salaries are normally reviewed annually, and any changes normally made effective from 1 January. The base salaries effective 1 January 2022 are set out on page 100 of the Remuneration report.	There is no prescribed maximum salary. Salary increases will normally be in line with increases awarded to other employees in the business, although the Committee retains discretion to award larger increases if it considers it appropriate (e.g. to reflect a change in role, development and performance in role, or to align to market data).	While there are no performance targets attached to the payment of salary, performance is a factor considered in the annual salary review process.

Benefits

Purpose/link to strategy	Operation	Maximum	Performance framework
To provide a competitive benefits package.	<p>Incorporates various cash and non-cash benefits which may include: a company car (or allowance) and fuel allowance, private health insurance, life assurance, and, where necessary, other benefits to reflect specific individual circumstances, such as housing or relocation allowances, representation allowances, reimbursement of school fees, travel allowances, or other expatriate benefits. Any reasonable business-related expenses (including tax thereon) can be reimbursed if determined to be a taxable benefit.</p> <p>Executive Directors are eligible for other benefits which are introduced for the wider workforce on broadly similar terms. Executive Directors will be eligible to participate in any all-employee share plan operated by the Company, on the same terms as other eligible employees. The maximum level of participation is subject to limits imposed by relevant legislation from time to time (or a lower cap set by the Company).</p>	Benefit provision is set at an appropriate competitive market rate for the nature and location of the role. There is no prescribed maximum as some costs may change in accordance with market conditions.	N/A

Pension

Purpose/link to strategy	Operation	Maximum	Performance framework
To provide retirement benefits in line with the overall Group Policy.	<p>Provided through participation in the Company's money purchase (personal pension) scheme, under which the Company matches individual contributions up to a maximum of base salary.</p> <p>The Company may amend the form of an Executive Director's pension arrangements in response to changes in legislation or similar developments.</p>	7% of base salary for existing Directors which is consistent with provisions provided to the wider workforce. The Committee may set a higher level for new executives to reflect those of the workforce in their location (up to a maximum of 15% of base salary).	N/A

Annual bonus

Purpose/link to strategy	Operation	Maximum	Performance framework
To incentivise and reward annual performance and create further alignment with shareholders via the delivery and retention of deferred equity.	<p>Provides an opportunity for additional reward (up to a maximum specified as a % of salary) based on annual performance against targets set and assessed by the Committee.</p> <p>Half of any annual bonus paid will be deferred in shares which will vest after three years, subject to continued employment but no further performance targets. The other half is paid in cash following the relevant year end. A dividend equivalent provision allows the Committee to pay dividends, at the Committee's discretion, on vested shares at the time of vesting and may assume the reinvestment of dividends on a cumulative basis.</p> <p>Recovery and withholding provisions apply to bonus awards (see note 1 in the full Policy).</p>	150% of base salary per annum.	<p>Performance metrics are selected annually based on the current business objectives. The majority of the bonus will be linked to key financial metrics, of which there will typically be a significant profit-based element (see note 3 in the full Policy).</p> <p>Performance below threshold results in zero payment. Payments rise from 0% to 100% of the maximum opportunity levels for performance between the threshold and maximum targets.</p>

Performance Share Plan ("PSP")

Purpose/link to strategy	Operation	Maximum	Performance framework
Motivates and rewards the creation of long-term shareholder value.	Awards will normally be made annually under the PSP and will take the form of either nil-cost options or conditional share awards. Participation and individual award levels will be determined at the discretion of the Committee within the Policy.	The normal plan limit is 250% of base salary.	Awards have a performance period of three financial years starting at the beginning of the financial year in which the award is made. Performance conditions will measure the long-term success of the Company (see note 4 in the full Policy). The Committee may introduce or reweight performance measures so that they are directly aligned with the Company's strategic objectives for each performance period.
Aligns executives' interests with those of the shareholders.	<p>Awards vest five years following grant, subject to performance against pre-determined targets (measured after three years) which are set and communicated at the time of grant.</p> <p>Recovery and withholding provisions apply to PSP awards (see note 1 in the full Policy).</p> <p>A dividend equivalent provision allows the Committee to pay dividends, at the Committee's discretion, on vested shares at the time of vesting and may assume the reinvestment of dividends on a cumulative basis.</p>		In respect of each performance measure, performance below the threshold target results in zero vesting. The starting point for vesting of each performance element will be no higher than 25% and rises on a straight-line basis to 100% for attainment of levels of performance between the threshold and maximum targets. There is no opportunity to re-test.

Shareholding guidelines

Purpose/link to strategy	Operation	Maximum	Performance framework
To align Executive Directors' interests with those of our long-term shareholders and other stakeholders.	Executive Directors are expected to build a holding in the Company's shares to a minimum value of two times their base salary within five years. This may be built via the retention of the net-of-tax shares vesting under the Company's equity-based share plans. Deferred shares and shares subject to a holding period (net-of-tax) can be counted towards the total.	N/A	N/A

Post-cessation shareholding requirement

Purpose/link to strategy	Operation	Maximum	Performance framework
To align Executive Directors' interests with those of our long-term shareholders and other stakeholders.	Executive Directors are expected to hold, for up to two years post-cessation, the existing shareholding requirement or the actual shareholding at cessation, if lower.	N/A	N/A

Annual Report on Remuneration

Membership and meetings

All members of the Committee are independent. Committee membership during the year and attendance at the meetings is set out on page 94. In addition to the designated members of the Committee, the Chairman, Chief Executive Officer and Company Secretary also attended Committee meetings during the year although none were present during discussions concerning their own remuneration.

Terms of reference

The Committee's terms of reference are available on the Company's website: www.iwgplc.com.

Implementation of the Remuneration Policy for 2022

This Annual Report on Remuneration (and the Committee Chair's annual statement) will be put to a single advisory shareholder vote at the 2022 annual general meeting. The information below includes how we intend to operate our Policy in 2022 and the pay outcomes in respect of the 2021 financial year.

Reporting

The Group continues to use pre-IFRS 16 results for its primary management reporting including performance target-setting and measuring achievements against those targets. Therefore the figures in this report are presented on a pre-IFRS 16 basis.

Base salaries for the Executive Directors

No base salary increases are proposed for 2022 (consistent with the approach for the rest of the workforce).

The current salaries as at 1 January 2022 (and compared to 2021) are as follows:

	Effective 1 Jan 2022 (£'000)	Effective 1 Jan 2021 (£'000)	Percentage change
Mark Dixon	£875.0	£875.0	0%
Glyn Hughes*	£440.0	£440.0	0%

* Glyn Hughes was appointed on 25 March 2021

For context, the average base salary increase received by UK employees was 1% in 2021.

Benefits and pension

Benefits and pension provisions will operate in line with the approved Policy.

Annual bonus

For 2022, the maximum bonus potential for both Executive Directors is 150% of salary. The on-target bonus is 90% of salary. Half of any bonus paid will normally be deferred into shares under the Deferred Share Bonus Plan ("DSBP"), which will vest after three years subject to continued employment.

The 2022 annual bonus will be based 33.33% on measurement against underlying operating profit targets, 33.33% on relative TSR performance and 33.33% on strategic targets including ESG. The targets are not being disclosed prospectively as they are commercially sensitive; however, a description of the performance against targets set will be included in next year's Annual Report.

Performance Share Plan ("PSP")

Recognising the substantial increase in opportunity for long-term value to be created for our shareholders through our strategic transformation including our franchising strategy, PSP share option awards will be made at 250% of current salary (up to the Policy maximum) to Executive Directors with performance measured over a three-year period ending 31 December 2024. The awards will be subject to a TSR performance metric as summarised below. The Committee will continue to review the suitability of the TSR metric and may revert back to a broader selection of metrics on the PSP in the future.

Performance conditions	Threshold vesting	Threshold performance	Maximum vesting	Maximum performance
Relative TSR versus FTSE 350 excluding investment trusts (100% weighting)	25%	Median	100%	10% compound annual growth above median

Awards will be subject to a holding period of two years following achievement of performance conditions. This requires the Executive Directors to retain the net-of-tax number of vested shares for a period of two years following vesting.

Chairman and Non-Executive fees

No fee increases are proposed for 2022.

Fees were last reviewed and increased in 2020, as detailed in the 2019 Annual Report on Remuneration which was approved at the 2020 annual general meeting. The current fees as at 1 January 2022 compared with 2021 are as follows:

	2022 (£'000)	2021 (£'000)	Percentage change
Non-Executive Chairman	300	300	0%
Basic fee for Non-Executive Director	62	62	0%
Additional fees:			
Chair of Audit Committee	15	15	0%
Chair of Remuneration Committee	15	15	0%
Senior Independent Director combined with Chair of Nomination Committee	15	15	0%
Oversight of employee engagement and CSR	15	15	–
Variable dislocation allowance for non-Swiss Directors ⁽¹⁾	5 to 10	5 to 10	0%

1. The level of dislocation allowance for non-Swiss Directors is determined according to their country of residence.

Remuneration outcomes for 2021

Single total figure of remuneration table (Audited)

The following table shows the total remuneration in respect of the year ending 31 December 2021, together with the prior year comparative.

Executive Directors

£'000	Salary		Benefits		Pension		Annual bonus		Long Term Incentive Awards		Total		Total fixed		Total variable	
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
Mark Dixon	875.0	550.5	–	–	84.0	38.5	656.3	–	343.7	865.0	1,958.9	1,454.0	959.0	589.0	1,000.0	865.0
Glyn Hughes	290.6	–	–	–	19.8	–	218.0	–	–	–	528.4	–	310.4	–	218.0	–
Eric Hageman	101.7	315.4	–	9.6	8.7	41.5	–	–	–	–	110.4	366.5	110.4	366.5	–	–

Non-Executive Directors

£'000	Fees		Benefits		Pension		Annual bonus		Long Term Incentive Awards		Total	
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
Douglas Sutherland	300.0	166.7	–	–	–	–	–	–	–	–	300.0	166.7
Laurie Harris	84.5	55.0	–	–	–	–	–	–	–	–	84.5	55.0
Nina Henderson	99.5	55.0	–	–	–	–	–	–	–	–	99.5	55.0
Florence Pierre	67.0	40.5	–	–	–	–	–	–	–	–	67.0	40.5
François Pauly	82.0	52.5	–	–	–	–	–	–	–	–	82.0	52.5

Voluntary waivers – In response to the COVID-19 pandemic Executive Directors and Non-Executive Directors voluntarily agreed to a 50% reduction in their base salaries from 1 May 2020 to 31 December 2020 and the salary increases reflecting performance, increased responsibilities and market comparables which were approved at the 2020 annual general meeting were voluntarily deferred until 1 January 2021. There will be no recovery of the deferred increases or the voluntary reductions.

Annual bonus – The bonus shown is the full award in respect of the relevant financial year. Half of the bonus awarded to Executive Directors is normally deferred into shares for three years.

Long Term Incentive Awards – Includes the value of awards made to Mark Dixon under the PSP in previous years which vested in respect of a performance period ending in the relevant financial year. The 2018 PSP award (226,804 shares) vested in March 2021 based on performance until 31 December 2020; the value of this is shown in 2020 and reflects a price on the date of vesting of 381.4p. £315.0k of the 2018 PSP value of £865.0k was attributable to share price increase. The 2019 PSP award (118,054 shares) vests in March 2022 based on performance until 31 December 2021; the value of this is shown in 2021 and reflects a three-month average share price ending 31 December 2021 of 291.1p. £61.6k of the 2019 PSP value of £343.7k was attributable to share price increase.

Glyn Hughes was appointed as Director and Chief Financial Officer on 25 March 2021. Remuneration detailed above reflects time served in respect of the role during the relevant periods.

Eric Hageman resigned as Director and Chief Financial Officer on 24 March 2021. Remuneration detailed above reflects time served in respect of the role during the relevant periods.

Determination of 2021 annual bonus (Audited)

The targets originally set for the 2021 bonus at the start of the year were as follows:

Measure	Threshold payout (% of maximum)	Threshold	Target (60% of maximum)	Maximum (100% of award)	Achieved
Operating profit (pre-IFRS 16 basis) (50% weighting)	33%	£84.6m	£94.0m	£109.0m	£(226.2) ⁽¹⁾
Relative TSR versus FTSE 350 (excluding investment trusts) (50% weighting)	25%	Median	–	Exceeds the median by 10%	Below median

1. Reflects the achieved pre-IFRS 16 operating profit after adjusting items and taking into account discontinued operations of £0.7m.

As outlined in the Remuneration Committee Chair's letter on page 95, as the impact of the COVID-19 pandemic evolved, especially as a result of the Delta variant, the Committee recognised that the original targets were not appropriate or in line with the Company's evolving strategy, as we informed the market in June 2021. Employee incentive schemes were updated below Board level to reflect the key tasks and priorities given the change in the operating environment. The Committee agreed to review outcomes at the end of the year taking into consideration the achievements against the updated employee incentive schemes. As outlined more fully in the Chair's letter the Committee determined to award a bonus of 50% of maximum opportunity, which equates to 75% of salary for each Executive.

Director	Bonus maximum (% of base salary)	Bonus awarded (% of award)	Bonus awarded (£'000)	Cash bonus (£'000)	Deferred shares (£'000) ⁽¹⁾
Mark Dixon	150%	50%	656.3	328.2	328.2
Glyn Hughes ⁽²⁾	150%	50%	218.0	109.0	109.0

1. Half of any bonus awarded is normally paid in cash with half deferred in shares which vest after three years.

2. Glyn Hughes was appointed on 25 March 2021. Bonus detailed reflects time served in respect of the role.

PSP awards granted vesting in 2021 (Audited)

The table below summarises the performance conditions and the actual performance against the award made under the PSP in 2019. This award was subject to performance conditions measured over the three financial years ending 31 December 2021.

	Relative TSR versus FTSE 350 (excluding investment trusts) (33.3% weighting)		EPS (33.3% weighting)		Return on investment (33.3% weighting)	
	% of each element vesting	Target	% of each element vesting	Target	% of each element vesting	Target
Below threshold	0%	Below median	0%	Compound annual growth of less than 5%	0%	Return below 2018 performance
Threshold	25%	Median	0%	Compound annual growth of 5%	0%	Return to be equal to 2018 performance
Maximum	100%	10% compound annual growth above median	100%	Compound annual growth of 25%	100%	Return to be 300 basis points above 2018 performance
Performance achieved		Median plus 3.5% p.a.		Compound annual growth of (24.3) per share, – less than 5%		Return 0.5 % above 2018 performance
Actual % vesting		51.3%		0%		0%
Overall vesting		17.1% of maximum				
Director			2019 award number of share options	Total vesting (% of maximum)	No. of share options to vest	Award value (£'000)
Mark Dixon			690,377	17.1%	118,054	343.7

The value of awards reflects a three-month average share price ending 31 December 2021 of 291.1p.

Awards are subject to a post-vesting holding period of two years. This requires the Executive Directors to hold on to the net-of-tax number of vested shares for a period of two years following vesting.

The Committee believes the above outcome is representative of Company performance and no discretion was applied to the 2019 PSP vesting outcome.

PSP awards vesting in 2023 (Audited)

PSP awards granted to Executive Directors on 26 March 2021 which vest subject to a three-year performance period ending 31 December 2023 were as follows:

Executive	Number of share options	% of base salary	Value of award (£'000) ⁽¹⁾	% of maximum amount receivable for threshold vesting
Mark Dixon	638,128	250%	£2,187,503	25%
Glyn Hughes	320,887	250%	£1,100,001	25%

1. Based on a face value grant of 250% of salary and using the share price of 342.8p on 25 March 2021.

The awards are subject to a TSR performance metric as summarised below.

Performance conditions	Threshold vesting	Threshold performance	Maximum vesting	Maximum performance
Relative TSR versus FTSE 350 excluding investment trusts (100% weighting)	25%	Median	100%	10% compound annual growth above median

The Company's current share price, including current assumptions regarding the future implementation of the Company's strategic transformation referenced in analysts' reports, has been taken into account when setting stretching relative TSR targets.

Awards are subject to a post-vesting holding period of two years. This requires the Executive Directors to hold on to the net-of-tax number of vested shares for a period of two years following vesting.

Total pension benefits

During the year under review, the Executive Directors received pension contributions of 7% of salary into defined contribution arrangements (or cash equivalent) plus any contributions in accordance with standard local practice or employment regulations. Details of the value of pension contributions received in the year under review are set out in the Pension column of the single figure of remuneration table.

Statement of share scheme interests and shareholdings (Audited)

Executive Directors are expected to build a holding in the Company's shares to a minimum value of two times their base salary within five years of their appointment. This must be built via the retention of the net-of-tax shares vesting under the Company's equity-based share plans. The following table sets out, for Directors who served during the year, the total number of shares held (including the interests of connected persons) as at 31 December 2021 alongside the interests in share schemes for the Executive Directors. Details for Eric Hageman are as at 24 March 2021 when he resigned as Director and Chief Financial Officer.

	Shareholding guidelines							
	Shares held outright	% of salary required	Guideline met?	% of salary attained ⁽¹⁾	Deferred Share Bonus Plan options ⁽²⁾	PSP options subject to performance conditions ⁽³⁾	PSP options for which performance conditions have been achieved ⁽⁴⁾	Options under the Share Option Plan subject to performance conditions ⁽⁵⁾
Executive Directors								
Mark Dixon	286,949,493	200%	Yes	95,331.2%	284,368	1,937,837	809,843	–
Glyn Hughes	–	200%	No	–	–	320,887	–	300,000
Eric Hageman	–	200%	No	–	91,923	674,608	–	300,000
Non-Executive Directors								
Douglas Sutherland	400,000							
Laurie Harris	15,000							
Nina Henderson	30,800							
François Pauly	50,000							
Florence Pierre	–							

1. Based on a share price of 291p and base salary as at 31 December 2021.

2. Half of any bonus awarded is deferred in share options which vest after three years, subject to continued employment but no further performance targets.

3. Unvested awards under the 2020 and 2021 Performance Share Plan are subject to further performance conditions.

4. Options under the Performance Share Plan for which performance conditions have been achieved are subject to a two-year holding period requirement and become exercisable on the fifth anniversary of the date of grant and remain exercisable until the day before the tenth anniversary of the date of grant.

5. In December 2018 Eric Hageman was granted unvested conditional options under the Company's Share Option Plan at an exercise price of 203.1p per share.

In August 2020 Glyn Hughes was granted unvested conditional options under the Company's Share Option Plan at an exercise price of 222.6p per share.

With the exception of the Directors' interests disclosed in the table above, no Director had any additional interest in the share capital of the Company during the year. There has been no movement in Directors' share interests since year end to the date of this report.

Supporting Disclosures and additional context

Percentage change in remuneration of Directors compared to employees

All Executive Directors and Non-Executive Directors had a salary freeze / fee freeze between 2020 and 2021. In addition, in response to the COVID-19 pandemic Executive Directors and Non-Executive Directors voluntarily agreed to a 50% reduction in their base salaries from 1 May 2020 to 31 December 2020 and the salary increases reflecting performance, increased responsibilities and market comparables which were approved at the 2020 annual general meeting were voluntarily deferred until 1 January 2021. There will be no recovery of the deferred increases or the voluntary reductions. The table below reflects the % changes excluding the effect of these voluntary waivers and deferrals during the height of the COVID-19 pandemic. The percentage change in remuneration of each Director is compared to our UK employees (determined to be the most representative comparison) on a full-time equivalent basis, between the year ending 31 December 2019 and the year ending 31 December 2021 on the basis described above.

	Year-on-year change in Directors' and Employees' pay					
	2021			2020		
	Base salary % change	Benefits % change	Annual bonus % change	Base salary % change	Benefits % change	Annual bonus % change
Executive Directors						
Mark Dixon	0%	–	NM ⁽⁴⁾	6% ⁽⁵⁾	–	(100)% ⁽¹⁾
Glyn Hughes	–	–	NM ⁽⁴⁾	–	–	–
Eric Hageman	0%	–	–	–	–	(100)% ⁽²⁾
Non-Executive Directors						
Douglas Sutherland	0%	–	–	20%	–	–
Laurie Harris	0%	–	–	12%	–	–
Nina Henderson	0%	–	–	33%	–	–
François Pauly	0%	–	–	12%	–	–
Florence Pierre	0%	–	–	9%	–	–
Employees	1%	–	NM ⁽⁴⁾	3%	–	(100)% ⁽³⁾

1. No annual bonus was paid to Mark Dixon in respect of 2020, a bonus of £1,237.5k was paid in respect of 2019.

2. No annual bonus was paid to Eric Hageman in respect of 2020, a bonus of £660.0k was paid in respect of 2019.

3. No annual bonuses were paid to UK employees in respect of 2020.

4. The percentage change is not meaningful due to no annual bonuses being paid in respect of 2020.

5. For comparative purposes, the accumulated % change in employees' base salaries over the period from the last salary increase for Mark Dixon was 9%.

Relative importance of spend on pay

The table below shows total employee remuneration and distributions to shareholders in respect of the years ending 31 December 2021 and 2020 and the percentage changes between years:

	2021	2020	Change 2020 to 2021
Total employee remuneration	£342.3m	£343.7m	(0.4)%
Distributions to shareholders via dividends and share buybacks	£0m	£43.7m	(100)%

Chief Executive Officer's pay ratio

The table below shows our voluntary disclosure of the Chief Executive Officer pay ratio information from 2019 and the required disclosure for 2021 at the 25th, 50th and 75th percentiles compared to the pay of our UK employees. The ratios have been calculated based on the single total figure of remuneration for Mark Dixon and the total pay of our employees on a full-time equivalent basis under calculation methodology A of the regulations, as of 31 December 2021. No element was omitted for the purpose of the calculation.

The median pay ratio was higher this year as compared with last year largely due to the voluntary reduction in CEO salary during 2020 and no annual bonus being awarded in 2020. Due to the differences in remuneration structure between the CEO and employees and the higher weighting put on the variable pay elements for the CEO, we expect this ratio to fluctuate year on year.

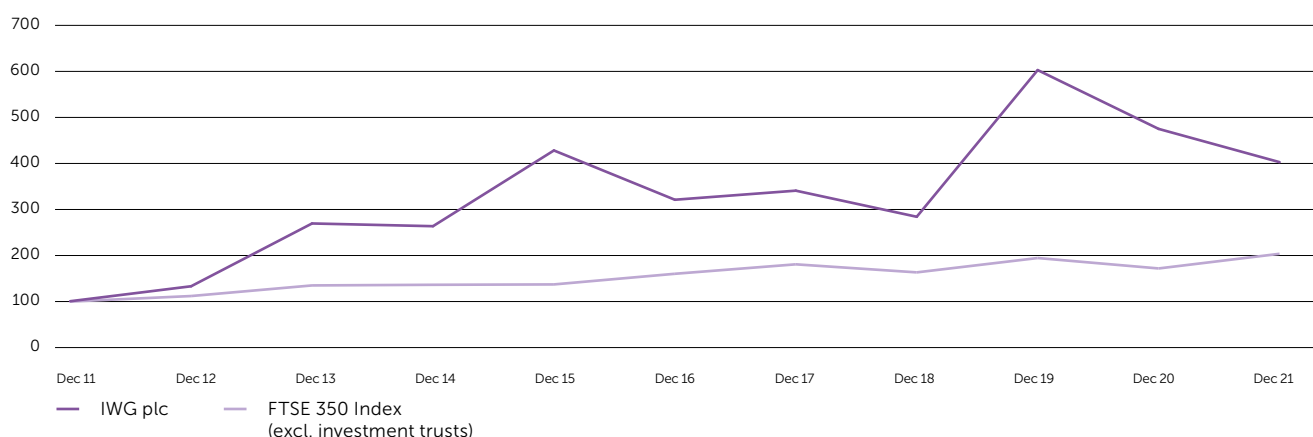
Overall, the Committee is satisfied that the median ratio is consistent with IWG's pay, reward and progression policies for all employees which relate pay levels to performance and market benchmarks. Bonus schemes, participated in by the majority of employees, and long-term incentives align performance with shareholder experience.

Financial year	Methodology	P25 (Lower quartile)	P50 (Median)	P75 (Upper quartile)
2019	Option A	231:1	148:1	102:1
2020	Option A	43:1	35:1	20:1
2021	Option A	74:1	50:1	29:1
2021	Mark Dixon (£'000)	P25 (£'000)	P50 (£'000)	P75 (£'000)
Total pay	1,958.9	26.4	39.2	68.3
Base salary	875.0	24.7	35.0	61.0

Performance graph and table

The graph below shows the TSR of IWG in the ten-year period to 31 December 2021 against the TSR of the FTSE 350 (excluding investment trusts). TSR reflects share price growth and assumes dividends are reinvested over the relevant period. The Committee considers the FTSE 350 (excluding investment trusts) relevant since it is an index of companies of similar size to IWG.

Value (£) (rebased)



Source: Eikon from Refinitiv

This graph shows the value, by 31 December 2021, of £100 invested in IWG plc on 31 December 2011, compared with the value of £100 invested in the FTSE 350 (excluding investment trusts) Index on the same date.

	2012	2013	2014	2015	2016	2017	2018	2019	2020 ⁽¹⁾	2021
Single total figure of remuneration	£1,773k	£1,854k	£2,770k	£1,968k	£3,035k	£1,132k	£1,451k	£4,181k	1,454k	1,958.9k
Bonus (% of maximum)	100%	79%	100%	100%	93%	0%	43%	100%	0%	50%
Long-term incentive vesting (% of maximum)	11%	35%	86%	97%	91%	11%	2%	100%	33%	17.1%

1. The single total figure of remuneration has been restated to reflect that the share price for the 2018 PSP on the date of vesting is now known.

Service contracts/letters of appointment

Executive Directors have service contracts with the Group which can be terminated by the Company or the Director by giving 12 months' notice. The Chairman and Non-Executive Directors are appointed for an initial three-year term, which shall continue unless terminated with six months' notice on either side, no contractual termination payments being due and subject to retirement pursuant to the articles of association at the annual general meeting.

The Directors' service contracts are available for inspection at the Company's registered office within normal business hours. The following table sets out the dates that each Director was first appointed by the Group, the expiry date of the current term and the length of service as of 31 December 2021. All Directors except those retiring will seek re-election at the 2022 annual general meeting.

	Current service contract/appointment agreement	Initial appointment date as Director within the Group	Expiry of current term	Length of service as Director with the Group
Executive Directors				
Mark Dixon	Appointment agreement – 19 December 2016 Director service agreement – 1 July 2020	19 December 2016	–	Founder
Glyn Hughes	Appointment agreement – 24 March 2021 Employment agreement – 24 March 2021	25 March 2021	–	9 months
Non-Executive Directors				
Douglas Sutherland	Appointment agreement – 16 February 2017	19 December 2016	–	13 years 5 months (11 years 8 months as Chairman)
Laurie Harris	Appointment agreement – 14 May 2019	14 May 2019	–	2 years 8 months
Nina Henderson	Appointment agreement – 19 December 2016	19 December 2016	–	7 years 8 months
François Pauly	Appointment agreement – 19 December 2016	19 December 2016	–	6 years 8 months
Florence Pierre	Appointment agreement – 19 December 2016	19 December 2016	–	8 years 8 months

Payments to past directors/payments for loss of office – Eric Hageman (Audited)

Eric Hageman stepped down from the Board on 24 March 2021 and remained an employee of the Group until 31 March 2021. On cessation of his employment he was paid for his notice period not worked (12 months). This payment was limited to base salary only and was due to be paid in two instalments in March and August 2021, subject to mitigation. As a result of Eric commencing employment prior to August, the second instalment was subsequently not awarded. With the exception of minimal costs below our de minimis limit of £10,000, no other payments for loss of office were made. The total payments were as follows:

Item	Amount
Payment in lieu of notice	£220,000

The Committee determined that Eric would not be eligible to receive a PSP award in 2021, nor would he be eligible to receive a bonus for 2021.

In relation to unvested equity awards, the Committee determined that Eric was a good leaver, under the terms of the relevant share plan rules. In line with the Directors' Remuneration Policy, the Committee sought to find an outcome which is in the best interests of the Company and its shareholders, taking into account the specific circumstances, contractual obligations and seeking to pay no more than is warranted.

An award under the Share Option Plan, granted to Eric on 21 December 2018 (prior to joining the Board), was pro-rated for the portion of the performance period worked until termination of employment. The remaining awards vested on 31 March and will become exercisable at their usual time, which is in equal tranches on 21 December 2021, 2022 and 2023 respectively.

The PSP award granted on 7 March 2019 was also pro-rated for the portion of the performance worked until termination of employment. Performance was assessed at the point of departure, with the EPS and ROI measures assessed at 0% outcome and the TSR measure assessed at 100% outcome. The remaining awards vested on 31 March 2021 and will become exercisable on 7 March 2024, subject to the rules of the PSP.

In its absolute discretion the Committee determined that the PSP award granted on 4 March 2020 will lapse.

The total value of these awards is as follows:

Award	Original number of shares outstanding	Number of shares vested	Value ⁽¹⁾
Share Option Plan	300,000	225,000	£766,350
2019 PSP	368,201	92,050	£313,522
2020 PSP	306,407	–	–
Total			£1,079,872

1. Based on share price at close of business on 31 March 2021 of 340.6p

All awards remain subject to recovery provisions in line with the relevant Plan rules.

The Deferred Share Bonus Award granted on 4 March 2020 will become exercisable at the normal time on 4 March 2023, subject to the rules of the Deferred Share Bonus Plan.

Advisors to the Remuneration Committee

The Executive Compensation team within PwC provided independent advice to the Committee during the year. No other services were provided by PwC during the year. PwC was appointed by the Committee during 2020 in place of Aon, as a result of the senior advisor moving from Aon to PwC. The fees charged by PwC for the provision of independent advice to the Committee during 2021 were £19,000 (2020: £29,500 (AON) and £9,500 (PWC)). With regard to remuneration advice, the Committee is comfortable that PwC's engagement partner and team are objective and independent.

Statement of voting at general meeting

The Committee is directly accountable to shareholders and, in this context, is committed to an open and transparent dialogue with shareholders on the issue of executive remuneration. The members of the Committee attend the Company's annual general meeting and are available to answer shareholders' questions about Directors' remuneration. Votes cast by proxy and at the annual general meetings held on 12 May 2020 and 11 May 2021 in respect of remuneration-related resolutions are shown in the table below:

Resolution	Votes for		Votes against		Total votes cast	Votes withheld
	#	%	#	%		
Approval of Directors' Remuneration Policy at the 2020 AGM	727,136,890	94.33%	43,747,207	5.67%	770,884,097	1,177,273
Approval of Annual Remuneration Report for year ending 31 December 2020	753,595,588	98.19%	13,920,735	1.81%	767,516,323	4,550

For and on behalf of the Board

Nina Henderson

Chair of the Remuneration Committee

Directors' report

The Directors of the Company present their Annual Report and the audited financial statements of the Company and its subsidiaries (together the "Group") for the year ended 31 December 2021.

Directors

The Directors of the Company who held office during the financial year under review were:

Executive Directors

- Mark Dixon
- Glyn Hughes (appointed 25 March 2021)
- Eric Hageman (resigned 24 March 2021)

Non-Executive Directors

- Douglas Sutherland (Chairman)
- François Pauly
- Laurie Harris
- Florence Pierre
- Nina Henderson

Biographical details for the current Directors are shown on pages 76 and 77.

Details of the Directors' interests and shareholdings are given in the Remuneration report on page 104.

Details of the role of the Board can be found on pages 84 and 85, and the process for the appointment of Directors can be found on page 87.

The Corporate Governance report, Nomination Committee report, Audit Committee report, Remuneration report and Directors' statements on pages 78 to 108 and 111 all form part of this report.

Corporate Governance Statement

The "Governance" section of this Annual Report on pages 76 to 111, together with information contained in the "Shareholder information" section on page 175, constitutes our Corporate Governance Statement. This includes:

- information on how the Company complies with the Code and where the Code is publicly available (page 78);
- a description of the main features of our internal control and risk management arrangements in relation to the financial reporting process (pages 91 to 93);

- a description of the composition and operation of the Board and its Committees (pages 84 and 85); and
- our Board Diversity Policy is set out on pages 86 and 87.

Principal activity

The Company works with franchise partners, landlords and property owners to provide the world's largest network of flexible workspace.

Business review

The Directors have presented a Strategic report on pages 1 to 75 as follows:

The Chief Executive Officer's review and Chief Financial Officer's review on pages 24 to 30 and 46 to 51 respectively address:

- review of the Company's business (pages 25 to 31);
- an indication of the likely future developments in the business (page 31);
- development and performance during the financial year (pages 46 to 51); and
- position of the business at the end of the year (pages 49 to 51).

The Risk management and principal risks report, on pages 66 to 75, includes a description of the principal risks facing the Company, including financial risks, and the steps taken and policies implemented to mitigate those risks.

The Company's activities in research and development are detailed on page 36 and in the Risk management and principal risks report on page 69.

The ESG report, on pages 52 to 65, includes the sections in respect of:

- environmental matters including our climate disclosures;
- social and community issues; and
- employee development and performance.

The Nomination Committee report on pages 86 to 89 covers our approach to diversity and further information on diversity initiatives can be found on pages 60 and 61.

The Directors' statements on page 111 include the statutory statement in respect of disclosure to the auditor.

The Directors do not consider any contractual or other relationships with external parties to be essential to the business of the Group.

Anti-bribery and anti-corruption

The Company is committed to carrying out business in an honest and ethical manner and has a zero tolerance of bribery and corruption. All employees receive training on our bribery and corruption policy. The Company's statement of commitment can be found on the Company's website: www.iwgplc.com.

Respect for human rights

The Company has zero tolerance to slavery and human trafficking and our statement made in accordance with the Modern Slavery Act 2015, which is reviewed by the Board annually, can be found on the Company's website: www.iwgplc.com.

Results and dividends

The loss before taxation for the year was £259.4m (2020: loss of £613.3m).

No interim dividend has been paid and the Directors do not recommend a final dividend in respect of the 2021 financial year (2020: £nil).

Policy and practice on payment of creditors

The Group does not follow a universal code dealing specifically with payments to suppliers but, where appropriate, our practice is to:

- agree the terms of payment upfront with the supplier;
- ensure that suppliers are made aware of these terms of payment; and
- pay in accordance with contractual and other legal obligations.

Employees

The Group treats applicants for employment with disabilities with full and fair consideration according to their skills and capabilities.

Should an employee become disabled during their employment, efforts are made to retain them in their current employment or to explore opportunities for their retraining or redeployment elsewhere within the Group.

All employees are encouraged to become involved in the Company's performance. Employee surveys are routinely fielded to gather information on the Company, employee contribution to performance and other issues and through our global Voice Councils employees are provided with a dedicated forum where they can express their views to the relevant senior audience.

Political and charitable donations

It is the Group's policy not to make political donations either in the UK or overseas.

The Group made charitable donations of £438.0k during the year (2020: £430.1k).

Capital structure

The Company's share capital (including treasury shares) comprises 1,057,248,651 issued and fully paid up ordinary shares of 1p nominal value in IWG plc (2020: 1,057,248,651). All ordinary shares (excluding treasury shares) have the same rights to vote at general meetings of the Company and to participate in distributions. There are no securities in issue that carry special rights in relation to the control of the Company. The Company's shares are traded on the London Stock Exchange.

Details of the Company's employee share schemes can be found in note 25 of the notes to the accounts on pages 150 to 156. The Company's employee share schemes contain provisions relating to a change of control of the Company. The terms, conditions and discretions for the vesting and exercise of awards and options may be amended in the event of a change of control of the Company.

Power for the Company to issue shares

At the Company's annual general meeting held on 11 May 2021 the shareholders of the Company approved resolutions giving authority for the Company to allot ordinary shares in the Company up to one-third of the Company's issued share capital and up to two-thirds of the Company's issued share capital in connection with a rights issue and to dis-apply pre-emption rights, in each case, until the earlier of the

Substantial interests

At 4 March 2022, the Company has been notified of the following substantial interests held in the issued share capital of the Company.

	Number of voting rights	% of issued share capital (excluding treasury shares)
Estorn Limited ⁽¹⁾	286,949,493	28.50%
Toscafund Asset Management LLP	146,625,056	16.80%

1. Mark Dixon owns 100% of Estorn Limited.

conclusion of the Company's next annual general meeting or 10 August 2022.

On 21 December 2020 the shareholders of the Company approved resolutions at a general meeting for the allotment and issue of new ordinary shares on a non-pre-emptive basis upon conversion of £350m unsubordinated unsecured guaranteed convertible bonds due 2027 which were issued by IWG Group Holdings S.à.r.l, a subsidiary of the Company (the "Bonds") into ordinary shares in IWG plc in accordance with their terms. Such authority is limited to the allotment and issue of new ordinary shares pursuant to the conversion of the Bonds, with no such conversion occurring during 2021. Following a change of control of the Company, the holder of each Bond may exercise their conversion right using the formula set out in the terms of the Bonds or may require the issuer to redeem that Bond at its principal amount, together with accrued and unpaid interest. On 8 October 2021 IWG International Holdings S.à.r.l, a subsidiary of the Company, was substituted in place of IWG Group Holdings S.à.r.l as issuer and principal debtor under the Bonds.

Power for the Company to repurchase shares

At the Company's annual general meeting held on 11 May 2021 the shareholders of the Company approved a resolution giving authority for the Company to purchase in the market up to 100,715,763 ordinary shares representing approximately 10% of the issued share capital (excluding treasury shares) as at 6 April 2021. No shares were repurchased during 2021.

Branches

The Company is incorporated in Jersey with a head office branch in Switzerland.

Going concern

The Directors, having made appropriate enquiries, have a reasonable expectation that the Group and the Company have adequate resources to continue in operational existence for a period of at least 12 months from the date of approval of the financial statements. For this reason, they continue to adopt the going concern basis in preparing the accounts on pages 117 to 162.

In adopting the going concern basis for preparing the financial statements, the Directors have considered the further information included in the business activities commentary as set out on pages 24 to 30, as well as the Group's principal risks and uncertainties as set out on pages 66 to 74.

Further details on the going concern basis of preparation can be found in note 24 of the notes to the accounts on page 144.

Post balance sheet events

Subsequent events are detailed in note 33 of the notes to the accounts on page 162.

Auditors

In accordance with Jersey law, a resolution for the reappointment of KPMG Ireland as auditors of the Company is to be proposed at the forthcoming annual general meeting.

Approval

This report was approved by the Board on 8 March 2022.

On behalf of the Board

Timothy Regan

Company Secretary

8 March 2022

Directors' statement

Statement of Directors' responsibilities in respect of the Annual Report and financial statements

The Directors are responsible for preparing the Annual Report and the Group financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare the Group financial statements for each financial year. Under that law, they are required to prepare the Group financial statements in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the EU and applicable law.

Under company law, the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and its profit or loss for the period. In preparing each of the Group financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- for the Group financial statements, state whether they have been prepared in accordance with IFRSs as adopted by the EU; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and the parent company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group's transactions and which disclose with reasonable accuracy at any time the financial position of the Group and to enable them to ensure that its financial statements comply with the Companies (Jersey) Law 1991 and IFRS. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

Under applicable law and regulations, the Directors are also responsible for preparing a Directors' report, a Strategic report, a Remuneration report and a Corporate Governance Statement that comply with that law and those regulations.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's websites.

Legislation in the UK and Jersey governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Statutory statement as to disclosure to auditor

The Directors who held office at the date of approval of these Directors' statements confirm that:

- so far as they are each aware, there is no relevant audit information of which the Group's auditor is unaware; and
- each Director has taken all the steps that they ought to have taken as a Director in order to make themselves aware of any relevant audit information and to establish that the Group's auditor is aware of that information.

These financial statements have been approved by the Directors of the Company. The Directors confirm that the financial statements have been prepared in accordance with applicable law and regulations.

Statement of responsibility

We confirm that to the best of our knowledge:

- the financial statements prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group;
- the Directors' report, including content contained by reference, includes a fair review of the development and performance of the business and the position of the Group taken as a whole, together with a description of the principal risks and uncertainties that they face; and
- the Annual Report and financial statements, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy.

By order of the Board

Mark Dixon

Chief Executive Officer

8 March 2022

Glyn Hughes

Chief Financial Officer

8 March 2022

Report on the audit of the financial statements

Opinion

We have audited the financial statements of IWG plc and its consolidated undertakings ('the Group') for the year ended 31 December 2021 set out on pages 117 to 162, which comprise the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity, consolidated balance sheet, consolidated statement of cash flows and related notes, including the summary of significant accounting policies set out in note 2. The financial reporting framework that has been applied in their preparation is Jersey Law and International Financial Reporting Standards (IFRS) as adopted by the European Union.

In our opinion:

- the financial statements give a true and fair view of the state of the Group's affairs as at 31 December 2021 and of the Group's loss for the year then ended;
- the financial statements have been properly prepared in accordance with IFRS as adopted by the European Union; and
- the financial statements have been prepared in accordance with the requirements of Companies (Jersey) Law 1991.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion. Our audit opinion is consistent with our report to the audit committee.

We were appointed as auditor by the directors on 21 December 2016. The period of total uninterrupted engagement is for the 6 financial years ended 31 December 2021. We have fulfilled our ethical responsibilities and we remain independent of the Group in accordance with UK ethical requirements, including the Financial Reporting Council (FRC)'s Ethical Standard as applied to listed public interest entities. No non-audit services prohibited by that standard were provided.

Conclusions relating to going concern

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the Group or to cease their operations, and as they have concluded that the Group's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over their ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the directors' assessment of the Group's ability to continue to adopt the going concern basis of accounting included considering the strategic risks relevant to the Group's business model and analysing how those risks might affect the Group's financial resources or ability to continue operations for the going concern period.

The sensitivity we considered most likely to adversely affect the Group's available financial resources over the going concern period was the potential economic impact of a prolonged economic downturn impacting the Group's ability to generate revenue. We considered various downside scenarios which were more pessimistic than those indicated by the Group's own forecasts. A key judgement in the downside scenarios of the Group is that there is a reasonable expectation that the existing committed debt facilities in place are adequate to cover the Group's liquidity requirements in such scenarios. There were no other risks identified that we considered were likely to have a material adverse effect on the Group's available financial resources over this period.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group's ability to continue as a going concern for a period of at least twelve months from the date when the financial statements are authorised for issue.

In relation to the Group's reporting on how they have applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to the directors' statement in the financial statements about whether the directors considered it appropriate to adopt the going concern basis of accounting.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the Group will continue in operation.

Detecting irregularities including fraud

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements and risks of material misstatement due to fraud, using our understanding of the entity's industry, regulatory environment and other external factors and inquiry with the directors. In addition, our risk assessment procedures included:

- Inquiring with the directors and other management as to the Group's policies and procedures regarding compliance with laws and regulations, identifying, evaluating and accounting for litigation and claims, as well as whether they have knowledge of non-compliance or instances of litigation or claims.
- Inquiring of directors as to the Group's high-level policies and procedures to prevent and detect fraud, as well as whether they have knowledge of any actual, suspected or alleged fraud.
- Inquiring of directors regarding their assessment of the risk that the financial statements may be materially misstated due to irregularities, including fraud.
- Reading audit committee, nomination committee, remuneration committee and Board meeting minutes.
- Planning and performing analytical procedures to identify any usual or unexpected relationships.

We discussed identified laws and regulations, fraud risk factors and the need to remain alert among the audit team. This included communication from the Group to component audit teams of relevant laws and regulations and any fraud risks identified at Group level and request to component audit teams to report to the Group audit team any instances of fraud that could give rise to a material misstatement at Group level.

Firstly, the Group is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related companies legislation), distributable profits legislation and taxation legislation. We assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items, including assessing the financial statement disclosures and agreeing them to supporting documentation when necessary.

Secondly, the Group is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation or the loss of Group's licence to operate. We identified the following areas as those most likely to have such an effect: health and safety, employment law and certain aspects of company legislation recognising the nature of the Group's activities.

Auditing standards limit the required audit procedures to identify non-compliance with these non-direct laws and regulations to inquiry of the directors and other management and inspection of regulatory and legal correspondence, if any. These limited procedures did not identify actual or suspected non-compliance.

We assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. As required by auditing standards, we performed procedures to address the risk of management override of controls and the risk of fraudulent revenue recognition. We did not identify any additional fraud risks.

In response to the fraud risks, we also performed procedures including:

- Identifying journal entries to test based on specific risk criteria and comparing the identified entries to supporting documentation.
- Evaluating the business purpose of significant unusual transactions, if any.
- Assessing significant accounting estimates for bias.

As the Group is regulated, our assessment of risks involved obtaining an understanding of the legal and regulatory framework that the Group operates and gaining an understanding of the control environment including the entity's procedures for complying with regulatory requirements.

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations (irregularities) is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remained a higher risk of non-detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. We are not responsible for preventing non-compliance and cannot be expected to detect non-compliance with all laws and regulations.

Key audit matters: our assessment of risks of material misstatement

Key audit matters are those matters that, in our professional judgement, were of most significance in the audit of the financial statements and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by us, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Consistent with our 2020 audit, in arriving at our audit opinion above, the key audit matters, in decreasing order of audit significance, were as follows:

Goodwill and Intangible Assets – £781.8 million (2020: £748.8 million)

Refer to pages 124 to 125 (accounting policy) and pages 138 to 139 (financial disclosures)

The key audit matter

There is a risk that the carrying amounts of the Group's goodwill and intangible assets will be more than the estimated recoverable amount, if future cash flows are not sufficient to recover the Group's investment. This could occur if forecasted cash flows decline in certain markets or where revenue and costs are subject to significant fluctuations. Key assumptions include revenue growth, occupancy rates, discount rates and terminal values. The recoverability of goodwill is spread across multiple geographies and economies as highlighted in note 13 and is dependent on individual businesses acquired achieving or sustaining sufficient profitability in the future. Goodwill relating to the US and UK country operations accounts for 72% of the total carrying amount.

We assessed the recoverability of goodwill across a sample of countries but placed particular focus on the UK impairment model due to the limited headroom in the UK operations in the past, the gross operating loss in the current year and given its significance to the Group's goodwill balance.

We focus on this area due to the inherent uncertainty involved in forecasting and discounting future cash flows, particularly in projected revenue growth, which forms the basis of the assessment of recoverability.

How the matter was addressed in our audit

Our audit procedures in this area included, but were not limited to, our assessment of the historical accuracy of the Group's forecasts and challenging management's profitability forecasts underlying their impairment model. We obtained and documented our understanding of the impairment testing process and tested the design and implementation of the relevant controls therein.

We used our own valuation specialists to assist us in evaluating the key judgements used by the Group, in particular those relating to the discount rates and terminal growth calculations used to determine the present value of the cash flow projections.

We compared the Group's key assumptions, where possible, to externally derived data and performed our own assessment in relation to key impairment model inputs. We examined the sensitivity analysis performed by Group management and performed our own sensitivity analysis in relation to key assumptions including revenue growth, discount rates, occupancy rates and terminal values. We also compared the sum of projected discounted cash flows to the market capitalisation of the Group to assess whether the projected cash flows appear reasonable.

The Group's impairment model did not identify any impairments of goodwill or intangible assets at 31 December 2021. Based on the procedures we performed, we found that the key assumptions underpinning management's assessment of the recoverable amount of goodwill and intangible assets, are reasonable.

Impairment of Leasehold Property, Plant and Equipment ('PPE') and Right of Use ('ROU') assets – £54.2 million net reversal of impairment (2020: £246 million impairment charge)

Refer to pages 123 to 124 (accounting policy) and page 140 (financial disclosures)

The key audit matter

There is a risk that the carrying value of the Group's business centres exceeds the recoverable amount of each centre given the continued impact of the COVID-19 pandemic on the trading performance of the Group in 2021. In response to this risk, the Group has performed an assessment of the Group's CGUs (identified as individual business centres) to identify indicators of impairment. Management carried out an impairment analysis for each CGU where impairment indicators were identified and impaired the associated Leasehold Improvements PPE and Right of Use assets to their estimated recoverable amount. Management also reviewed each CGU impaired at 31 December 2020 to determine if previously recognised impairment losses no longer existed or had decreased such that the carrying value of the CGU should be increased to its recoverable amount at 31 December 2021. We consider this area to be a key audit matter, in consideration of the significance of the

assets and the related net impairment charge reversal, the judgements made in assessing impairment indicators for each CGU and the key assumptions used to determine the future cash flows of each CGU, which are used to determine the recoverable amount.

The recoverability of the Group's Leasehold Improvements PPE and Right of Use assets and the associated impairment charge recognised in the year have been identified as a key audit matter.

How the matter was addressed in our audit

The audit procedures we have designed to respond to this risk include challenging whether there were indicators of impairment at the CGU level, including comparing the performance of business centres against expected profitability measures. We obtained and documented our understanding of the impairment testing process and the design and implementation of the relevant key controls. We tested the completeness of management's identification of business centres performing below expectations and accordingly at a greater risk of impairment. Where centres performed below expectations, we considered whether this was an indicator of impairment given our understanding of the maturity of the business centre, the status of rent renegotiations with landlords and assessment of the current performance of the business centre. Where there were indicators of impairment, or where there were indicators that previously recognised impairment should be reversed, we assessed the Group's impairment analysis and challenged the cash flow forecasts used to determine the recoverable amount of each CGU. This included assessing any expected cash outflows where a business centre will be closed and analysing the change in circumstances giving rise to an impairment reversal.

We performed testing over the impairment charge and reversal of impairment to validate the accuracy of the net credit recorded in the income statement in the year. We recalculated the impairment charge and impairment charge reversal for the year and validated the mathematical accuracy of management's calculation. The Group recognised a net reversal of impairment charges of £46.8 million and £7.4 million related to Right of Use assets and Leasehold Improvements PPE respectively in the year ended 31 December 2021. As a result of our audit procedures, we found that the

identification of indicators of impairment and impairment reversals by management was supported by reasonable judgements. We found the judgements made by management in relation to future cash flow forecasts to assess the recoverability of individual business centres were supported by reasonable key assumptions and the calculation of the impairment charge and impairment charge reversal recognised in the year were accurately recorded.

Recognition of Deferred Tax Assets associated with the Group's intellectual property in Switzerland - £69.7 million (2020: £69.7 million)

Refer to pages 126 to 127 (accounting policy) and pages 134 to 135 (financial disclosures)

The key audit matter

The Group has significant deferred tax assets in respect of the future benefit of deductible temporary differences and accumulated tax losses where it is considered probable that they would be utilised or recovered in the foreseeable future through the generation of future taxable profits by the relevant Group entities or by offset against deferred tax liabilities. In addition, a significant amount of deferred tax assets were not recognised at the reporting date due to the uncertainty of the relevant Group entities being able to generate future taxable profits against which the tax losses may be utilised before they expire.

We identified the recognition of certain deferred tax assets as a key audit matter because of the inherent uncertainty associated with key assumptions made by management when forecasting future taxable profits, which determine the extent to which deferred tax assets are or are not recognised. In addition, we considered the significance of the recognised deferred tax assets in assessing this key audit matter. The estimation uncertainty has continued to be elevated in 2021 due to the ongoing strategic developments in the business. We focused our attention in particular on the key assumptions applied by management, including revenue growth, when assessing the recoverability of deferred tax assets associated with the Group's intellectual property in Switzerland.

How the matter was addressed in our audit

In this area our audit procedures included using our work on the Group's forecasts described in the goodwill key audit matter above. We obtained and documented our understanding of processes related to management's assessment of the recoverability of deferred tax assets and tested the design and implementation of the relevant controls therein. In addition we used our own tax specialists to assist us in evaluating and challenging the key assumptions used by the Group and its taxation advisors in calculating the deferred tax assets including assessing the recoverability of the tax losses against the forecast future taxable profits, taking into account the Group's tax position, the timing of forecast taxable profits, and our knowledge and experience of the application of relevant tax legislation.

We considered the historical accuracy of forecasts of future taxable profits made by management by comparing the actual taxable profits for the current year with management's estimates in the forecasts made in the previous year and assessing whether there were any indicators of management bias in the selection of key assumptions.

We considered the impact of the ongoing changes in the Group's strategy which places greater focus on external franchising and the impact of this on management's assessment of the recoverability of the assets recognised. We challenged management's key assumptions in relation to the recoverability of the deferred tax assets recognised in Switzerland, arising on the transfer of the Group's intellectual property in 2019, by involving our taxation specialists to evaluate the recoverability of the deferred tax asset in relation to the deductible temporary differences available. We evaluated whether management's judgements on the generation of future taxable profits in the foreseeable future were aligned with the Group's other business forecasting processes. We assessed the presentation and disclosure (in accordance with IAS 1 and IAS 12) in respect of taxation related balances and considered whether the Group's disclosures reflected the risks inherent in the accounting for the taxation balances.

Based on the audit procedures performed, we found that the key assumptions used by management in calculating the future taxable profits of the Group for the purpose of assessing the recoverability of deferred tax assets

relating to Swiss Intellectual property assets are reasonable.

Our application of materiality and an overview of the scope of our audit

The materiality for the consolidated financial statements as a whole was set at £9 million (2020: £9 million) which is 0.40% (2020: 0.36%) of total revenues. In 2021, consistent with 2020, we have used revenue as the benchmark for materiality. Consistent with 2020, we determined that adjusted profit before tax was not an appropriate benchmark in 2021 given that the Group has recorded a loss for the year. We have determined, in our professional judgement, that revenue is the principal benchmark within the financial statements relevant to members of the Group in assessing financial performance.

We agreed with the audit committee to report corrected and uncorrected misstatements we identified through our audit with a value in excess of £0.45 million (2020: £0.45 million). We also agreed to report other audit misstatements below that threshold that we believe warranted reporting on qualitative grounds.

We applied materiality to assist us determine what risks were significant risks and the appropriate audit procedures to be performed.

The structure of the Group's finance function is such that certain transactions and balances are accounted for by central Group finance teams, with the remainder accounted for in the operating units. We performed comprehensive audit procedures, including those in relation to the key audit matters, on those transactions and balances accounted for at Group and operating unit level. In determining those components in the Group on which we perform audit procedures, we considered the relevant size and risk profile of the components.

In relation to the Group's operating units, audits for Group reporting purposes were performed at thirteen identified key reporting components, augmented by risk focused audit procedures which were performed for certain other components. These audits covered 81% (2020: 81%) of total Group revenue and 95% (2020: 94%) of Group total assets.

The Group audit team instructed component auditors as to the significant areas to be covered, including the relevant risks detailed above and the information to be reported back. Planning meetings were held with

component auditors in order to assess the key audit risks, audit strategy and work to be undertaken. The Group audit team approved the materiality of each of the components, which ranged from £1.5m to £6m, having regard to the mix of size and risk profile of the components. Detailed audit instructions were sent to the auditors of each of these identified locations. These instructions covered the significant audit areas to be covered by these audits (which included the relevant risks of material misstatement detailed above) and set out the information required to be reported to the Group audit team. Senior members of the Group audit team, including the lead engagement partner, attended each component audit closing meeting via video conferencing facilities, at which the results of component audits were discussed with divisional and Group management. At these meetings, the findings reported to the Group audit team were discussed in more detail, and any further work required by the Group audit team was then performed by the component auditor. The Group audit team interacted with the component teams where appropriate during various stages of the audit, inspected key working papers and were responsible for the scope and direction of the audit process. This, together with the additional procedures performed at Group level, gave us appropriate evidence for our opinion on the Group financial statements.

We have nothing to report on the other information in the annual report

The directors are responsible for the other information presented in the annual report together with the financial statements. The other information comprises the information included in the Strategic Report and Governance sections of the Annual Report, as well as the unaudited appendices (including the unaudited IFRS 16 proforma statements, summarised extract of unaudited Company balance sheet, the post-tax cash return on net investment and the five-year summary and the glossary). The financial statements and our auditor's report thereon do not comprise part of the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work we have not identified material misstatements in the other information.

Corporate Governance Statement

The Listing Rules require us to review the directors' statement in relation to going concern, longer-term viability and that part of the Corporate Governance Statement relating to the Group's compliance with the provisions of the UK Corporate Governance Statement specified for our review. Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the Corporate Governance Statement is materially consistent with the financial statements or our knowledge obtained during the audit:

- Directors' statement with regards the appropriateness of adopting the going concern basis of accounting and any material uncertainties identified set out on page 111;
- Directors' explanation as to its assessment of the entity's prospects, the period this assessment covers and why the period is appropriate set out on page 111;
- Directors' statement on the annual report and financial statements, taken as a whole on fair, balanced and understandable and the information necessary for shareholders to assess the Group's position and performance, business model and strategy set out on page 111;
- Board's confirmation that it has carried out a robust assessment of the emerging and principal risks and the disclosures in the annual report that describe the principal risks and the procedures in place to identify emerging risks and explain how they are being managed or mitigated set out on pages 66 to 75;
- The section of the annual report that describes the review of effectiveness of risk management and internal control systems set out on page 91; and
- The section describing the work of the audit committee set out on pages 90 to 93.

We have nothing to report on the other matters on which we are required to report by exception

Under Company (Jersey) Law 1991, we are required to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or
- returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- we have not received all the information and explanations we require for our audit. We have nothing to report in respect of the above responsibilities.

Respective responsibilities and restrictions on use

Responsibilities of directors for the financial statements

As explained more fully in the directors' responsibilities statement set out on page 111, the directors are responsible for: the preparation of the financial statements including being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud, other irregularities or error, and to issue an opinion in an auditor's report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud, other irregularities 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 these financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities

Our report is made solely to the Group's members, as a body, in accordance with Article 113A of the Companies (Jersey) Law 1991. Our audit work has been undertaken so that we might state to the Group's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Group and the Group's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Barrie O'Connell

(Senior statutory auditor)

for and on behalf of KPMG
1 Stokes Place,
St. Stephen's Green,
Dublin 2,
Ireland

8 March 2022

£m	Notes	Year ended 31 Dec 2021	Year ended 31 Dec 2020 Restated ⁽¹⁾
Revenue	3	2,227.9	2,431.9
Total cost of sales		(1,885.8)	(2,377.0)
Cost of sales		(1,870.0)	(2,059.9)
Adjusting items to cost of sales ⁽²⁾		(70.0)	(71.1)
Reversal of/(loss) on impairment of property, plant, equipment and right-of-use assets ⁽²⁾	3,5	54.2	(246.0)
Expected credit losses on trade receivables ⁽²⁾	5	(99.5)	(34.8)
Gross profit (centre contribution)	3	242.6	20.1
Total selling, general and administration expenses		(327.8)	(367.5)
Selling, general and administration expenses		(294.7)	(311.1)
Adjusting items to selling, general and administration expenses	10	(33.1)	(56.4)
Share of loss of equity-accounted investees, net of tax	21	(2.2)	(2.6)
Operating loss	5	(87.4)	(350.0)
Finance expense	7	(198.0)	(266.4)
Finance income	7	26.0	3.1
Net finance expense		(172.0)	(263.3)
Loss before tax for the year from continuing operations		(259.4)	(613.3)
Income tax expense	8	(10.3)	(32.0)
Loss after tax for the year from continuing operations		(269.7)	(645.3)
Profit/(loss) after tax for the period from discontinued operations	9	59.3	(1.5)
Loss for the year		(210.4)	(646.8)
Attributable to equity shareholders of the Group		(204.8)	(646.8)
Attributable to non-controlling interests	27	(5.6)	–
Loss per ordinary share (EPS):			
Attributable to ordinary shareholders			
Basic (p)	11	(20.3)	(67.9)
Diluted (p)	11	(20.3)	(67.9)
From continuing operations			
Basic (p)	11	(26.2)	(67.8)
Diluted (p)	11	(26.2)	(67.8)

1. The comparative information has been restated to reflect the impact of discontinued operations (note 9).

2. The net reversal of adjusting items of £1.7m (2020: charge of £333.4m) comprises the following items included in the balances referenced (note 10):
A reversal of the impairment of property, plant and equipment and right-of-use assets of £125.2m (2020: charge of £244.8), the adjusting items to costs of sales of £70.0m (2020: £71.1m) and £53.5m (2020: £17.5m) of the expected credit losses on trade receivables balances reported.

The above consolidated income statement should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

£m	Notes	Year ended 31 Dec 2021	Year ended 31 Dec 2020
Loss for the year		(210.4)	(646.8)
Other comprehensive income/(loss) that is or may be reclassified to profit or loss in subsequent periods:			
Cash flow hedges – effective portion of changes in fair value		0.2	–
Foreign exchange recycled to profit or loss from discontinued operations	9	(0.5)	–
Foreign currency translation (loss)/gain for foreign operations		(20.4)	1.3
Items that are or may be reclassified to profit or loss in subsequent periods		(20.7)	1.3
Other comprehensive income that will never be reclassified to profit or loss in subsequent periods:			
Re-measurement of defined benefit liability, net of income tax	26	–	–
Items that will never be reclassified to profit or loss in subsequent periods		–	–
Other comprehensive (loss)/profit for the period, net of tax		(20.7)	1.3
Total comprehensive loss for the year, net of tax		(231.1)	(645.5)
Attributable to shareholders of the Group		(225.5)	(645.5)
Attributable to non-controlling interests	27	(5.6)	–

The above consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

	Issued share capital	Share premium	Treasury shares	Foreign currency translation reserve	Hedging reserve	Other reserves ⁽¹⁾	Retained earnings	Total equity attributable to equity shareholders	Non- controlling interests	Total equity
Balance at 1 January 2020	9.2	–	(116.9)	34.9	(0.2)	25.8	927.7	880.5	–	880.5
Total comprehensive income/(loss) for the year:										
Loss for the year	–	–	–	–	–	–	(646.8)	(646.8)	–	(646.8)
Other comprehensive income:										
Foreign currency translation differences for foreign operations	–	–	–	1.3	–	–	–	1.3	–	1.3
Other comprehensive income, net of tax	–	–	–	1.3	–	–	–	1.3	–	1.3
Total comprehensive income/(loss) for the year	–	–	–	1.3	–	–	(646.8)	(645.5)	–	(645.5)
Transactions with owners of the Company										
Share-based payments	–	–	–	–	–	–	6.4	6.4	–	6.4
Ordinary dividend paid	–	–	–	–	–	–	–	–	–	–
Proceeds from issue of ordinary shares, net of costs	1.3	312.6	–	–	–	–	–	313.9	–	313.9
Purchase of shares	–	–	(43.7)	–	–	–	–	(43.7)	–	(43.7)
Proceeds from exercise of share awards	–	–	6.5	–	–	–	(4.3)	2.2	–	2.2
Total transactions with owners of the Company	1.3	312.6	(37.2)	–	–	–	2.1	278.8	–	278.8
Balance at 31 December 2020	10.5	312.6	(154.1)	36.2	(0.2)	25.8	283.0	513.8	–	513.8
Total comprehensive income/(loss) for the year:										
Loss for the year	–	–	–	–	–	–	(204.8)	(204.8)	(5.6)	(210.4)
Other comprehensive income/(loss):										
Cash flow hedges – effective portion of changes in fair value	–	–	–	–	0.2	–	–	0.2	–	0.2
Foreign exchange recycled to profit or loss from discontinued operations	–	–	–	(0.5)	–	–	–	(0.5)	–	(0.5)
Foreign currency translation differences for foreign operations	–	–	–	(20.4)	–	–	–	(20.4)	–	(20.4)
Other comprehensive income/(loss), net of tax	–	–	–	(20.9)	0.2	–	–	(20.7)	–	(20.7)
Total comprehensive income/(loss) for the year	–	–	–	(20.9)	0.2	–	(204.8)	(225.5)	(5.6)	(231.1)
Transactions with owners of the Company										
Share-based payments	–	–	–	–	–	–	5.8	5.8	–	5.8
Ordinary dividend paid	–	–	–	–	–	–	–	–	–	–
Proceeds from issue of ordinary shares, net of costs	–	–	–	–	–	–	–	–	–	–
Purchase of shares	–	–	–	–	–	–	–	–	–	–
Proceeds from exercise of share awards	–	–	2.8	–	–	–	(2.0)	0.8	–	0.8
Total transactions with owners of the Company	–	–	2.8	–	–	–	3.8	6.6	–	6.6
Acquisition of subsidiary with non-controlling interests	–	–	–	–	–	–	–	–	15.2	15.2
Balance at 31 December 2021	10.5	312.6	(151.3)	15.3	–	25.8	82.0	294.9	9.6	304.5

1. Other reserves include £10.5m for the restatement of the assets and liabilities of the UK associate, from historic to fair value at the time of the acquisition of the outstanding 58% interest on 19 April 2006, £37.9m arising from the Scheme of Arrangement undertaken on 14 October 2008, £6.5m relating to merger reserves and £0.1m to the redemption of preference shares, partly offset by £29.2m arising from the Scheme of Arrangement undertaken in 2003.

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

CONSOLIDATED BALANCE SHEET

£m	Notes	As at 31 Dec 2021	As at 31 Dec 2020
Non-current assets			
Goodwill	13	703.8	695.5
Other intangible assets	14	78.0	53.3
Property, plant and equipment	15	6,376.5	6,855.9
Right-of-use assets	15	5,254.1	5,646.9
Other property, plant and equipment	15	1,122.4	1,209.0
Deferred tax assets	8	326.6	188.2
Other long-term receivables	16	49.7	55.0
Investments in joint ventures	21	44.9	11.3
Other investments		0.3	–
Total non-current assets		7,579.8	7,859.2
Current assets			
Inventory		1.2	1.3
Trade and other receivables	17	734.2	1,003.7
Corporation tax receivable	8	18.5	29.1
Cash and cash equivalents	23	77.8	71.0
Total current assets		831.7	1,105.1
Total assets		8,411.5	8,964.3
Current liabilities			
Trade and other payables (incl. customer deposits)	18	926.6	1,007.6
Deferred revenue		346.4	328.9
Corporation tax payable	8	35.9	40.0
Bank and other loans	19,23	21.5	21.9
Lease liabilities	23	932.5	1,019.6
Provisions	20	8.2	17.5
Total current liabilities		2,271.1	2,435.5
Non-current liabilities			
Other long-term payables		5.6	5.9
Deferred tax liability	8	140.6	0.2
Bank and other loans	19,23	453.3	400.2
Lease liabilities	23	5,188.7	5,538.9
Derivative financial liabilities	24	26.9	49.6
Provisions	20	12.4	13.5
Provision for deficit on joint ventures	21	6.5	4.6
Retirement benefit obligations	26	1.9	2.1
Total non-current liabilities		5,835.9	6,015.0
Total liabilities		8,107.0	8,450.5
Total equity			
Issued share capital	22	10.5	10.5
Issued share premium	22	312.6	312.6
Treasury shares	22	(151.3)	(154.1)
Foreign currency translation reserve		15.3	36.2
Hedging reserve		–	(0.2)
Other reserves		25.8	25.8
Retained earnings		82.0	283.0
Total shareholders' equity		294.9	513.8
Non-controlling interests	27	9.6	–
Total equity		304.5	513.8
Total equity and liabilities		8,411.5	8,964.3

The financial statements on pages 117 to 162 were approved by the Board on 8 March 2022

Mark Dixon
Chief Executive Officer

Glyn Hughes
Chief Financial Officer

The above consolidated balance sheet should be read in conjunction with the accompanying notes.

£m	Notes	Year ended 31 Dec 2021	Year ended 31 Dec 2020 Restated ⁽¹⁾
Operating activities			
Loss for the year from continuing operations		(269.7)	(645.3)
Adjustments for:			
Profit/(loss) from discontinued operations	9	4.0	(0.9)
Net finance expense ⁽²⁾	7	172.0	263.3
Share of loss on equity-accounted investees, net of income tax	21	2.2	2.6
Depreciation charge	15	1,095.9	1,186.3
Right-of-use assets	15	892.9	946.0
Other property, plant and equipment	15	203.0	240.3
Loss on impairment of goodwill	13	–	4.9
Loss on disposal of property, plant and equipment	5	64.2	93.1
Profit on disposal of right-of-use assets and related lease liabilities	5, 23	(41.5)	(25.7)
Profit on sales of current assets		(1.4)	–
Loss on disposal of intangible assets	5	0.3	0.1
(Reversal)/loss on impairment of property, plant and equipment	5, 15	(7.4)	82.1
(Reversal)/loss on impairment of right-of-use assets	5, 15	(46.8)	163.9
Amortisation of intangible assets	5, 14	13.5	8.7
Negative goodwill arising on an acquisition	27	(1.7)	–
Loss on disposal of other investments	21	–	1.6
Tax expense	8	10.3	32.0
Expected credit losses on trade receivables	5	99.5	34.8
(Decrease)/increase in provisions	20	(14.5)	15.2
Share-based payments		5.8	6.4
Other non-cash movements		(12.3)	(4.6)
Operating cash flows before movements in working capital		1,072.4	1,218.5
Proceeds from partner contributions (reimbursement of costs) ⁽⁴⁾	15	19.7	38.4
Increase in trade and other receivables		(127.3)	(76.4)
(Decrease)/increase in trade and other payables		(38.5)	77.3
Cash generated from operations		926.3	1,257.8
Interest paid and similar charges on bank loans and corporate borrowings		(19.0)	(17.6)
Interest paid on lease liabilities	23	(167.1)	(249.4)
Tax paid		(5.4)	(21.9)
Net cash inflows from operating activities		734.8	968.9
Investing activities			
Purchase of property, plant and equipment	15	(220.5)	(257.4)
Payment of initial direct costs related to right-of-use assets		(1.3)	(0.8)
Purchase of subsidiary undertakings, net of cash acquired	27	10.6	(26.8)
Purchase of intangible assets	14	(33.7)	(16.5)
Purchase of other investments		(0.3)	–
Proceeds from/(purchase of) other current receivables ⁽³⁾	17	283.7	(276.2)
Proceeds on the sale of discontinued operations, net of cash disposed of	9, 21	18.9	3.3
Proceeds on sale of property, plant and equipment		1.0	8.2
Interest received	7	3.5	0.6
Net cash inflows/(outflows) from investing activities		61.9	(565.6)
Financing activities			
Proceeds from issue of loans		983.1	876.5
Repayment of loans		(946.7)	(1,109.8)
Proceeds from issue of convertible bonds (net of transaction costs)	19	–	343.2
Payment of lease liabilities	23	(864.8)	(897.3)
Proceeds from partner contributions (lease incentives) ⁽⁴⁾	15	35.9	111.0
Proceeds from issue of ordinary shares, net of costs	22	–	313.9
Purchase of treasury shares	22	–	(43.7)
Proceeds from exercise of share awards		0.8	2.2
Payment of ordinary dividend	12	–	–
Net cash outflows from financing activities		(791.7)	(404.0)
Net increase/(decrease) in cash and cash equivalents		5.0	(0.7)
Cash and cash equivalents at beginning of the year		71.0	66.6
Effect of exchange rate fluctuations on cash held		1.8	5.1
Cash and cash equivalents at end of the year	23	77.8	71.0

1. The comparative information has been restated to reflect the impact of discontinued operations (note 9).

2. The net finance expense includes mark-to-market adjustments of £22.5m (£2.4m).

3. Included in other receivables at 31 December 2020 was mezzanine and senior debt recognised at amortised cost of £276.2m. This receivable balance was fully repaid to the Group in February 2021, together with the reimbursement of associated costs, resulting in an additional £1.4m gain on settlement.

4. The total proceeds from partner contributions relating to the reimbursement of costs and lease incentives of £55.6m are allocated by estate in the post-tax cash return on net investment, on page 171.

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

1. Authorisation of financial statements

IWG plc is a public limited company incorporated in Jersey and registered and domiciled in Switzerland. The Group and Company financial statements for the year ended 31 December 2021 were authorised for issue by the Board of Directors on 8 March 2022 and the balance sheets were signed on the Board's behalf by Mark Dixon and Glyn Hughes. The Company's ordinary shares are traded on the London Stock Exchange. The audited Group accounts are included from pages 117 to 162.

IWG plc owns, and is a franchise operator of, a network of business centres which are utilised by a variety of business customers. Information on the Group's structure is provided in note 31, and information on other related party relationships of the Group is provided in note 30.

The Group financial statements have been prepared and approved by the Directors in accordance with Companies (Jersey) Law 1991 and International Financial Reporting Standards as adopted by the European Union ('Adopted IFRSs').

The Company prepares its parent company annual accounts in accordance with accounting policies based on the Swiss Code of Obligations; extracts from these unaudited accounts are presented on page 163.

2. Accounting policies

Basis of preparation

The Group financial statements consolidate those of the parent company and its subsidiaries (together referred to as the 'Group') and equity account the Group's interest in joint ventures. The extract from the parent company annual accounts presents information about the Company as a separate entity and not about its Group.

The accounting policies set out below have been applied consistently to all periods presented in these Group financial statements. Amendments to adopted IFRSs issued by the International Accounting Standards Board (IASB) and the International Financial Reporting Interpretations Committee (IFRIC) with an effective date from 1 January 2021 did not have a material effect on the Group financial statements, unless otherwise indicated.

The following standards, interpretations and amendments to standards were adopted by the Group for periods commencing on or after 1 January 2021, with no material impact on the Group:

Interest Rate Benchmark Reform – Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)

Judgements made by the Directors in the application of these accounting policies that have significant effect on the consolidated financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 32.

The consolidated financial statements are prepared on a historical cost basis, with the exception of certain financial assets and liabilities that are measured at fair value.

These Group consolidated financial statements are presented in pounds sterling (£), which is IWG plc's functional currency, and all values are in million pounds, rounded to one decimal place, except where indicated otherwise.

The attributable results of those companies acquired or disposed of during the year are included for the periods of ownership.

Going concern

The Group reported a loss after tax of £269.7m (2020: £645.3m) from continuing operations for the year, while net cash of £734.8m (2020: £968.9m) was generated from operations during the year. Although the Group's balance sheet at 31 December 2021 reports a net current liability position of £1,439.4m (2020: £1,330.4m) which could give rise to a potential liquidity risk, the Directors concluded after a comprehensive review that no liquidity risk exists as:

1. The Group had funding available under the Group's £950.0m revolving credit facility. £530.1m (2020: £731.3m) was available and undrawn at 31 December 2021. This facility was committed until March 2025 with an option to extend until 2026 (note 24); and
2. The Group maintained a 12-month rolling forecast and a three-year strategic outlook. It also monitored the covenants in its facilities to manage the risk of potential breach. The Group expects to remain within covenants throughout the forecast period. In reaching this conclusion, the Directors have assessed:
 - the potential cash generation of the Group against a range of illustrative scenarios (including a severe but plausible outcome); and
 - mitigating actions to reduce operating costs and optimise cash flows during any ongoing global restrictions.

The Directors consider that the Group is well placed to successfully manage the actual and potential risks faced by the organisation including risks related to COVID-19.

On the basis of their assessment, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for a period of at least 12 months from the date of approval of these Group consolidated financial statements and consider it appropriate to continue to adopt the going concern basis in preparing the financial statements of the Group.

Subsequent events

In February 2022, the £950.0m revolving credit facility was reduced to £750.0m, with an unchanged maturity date in 2025. The facility is subject to financial covenants which include EBITDA, minimum liquidity, interest cover and net debt to EBITDA ratio.

The Directors performed an updated going concern assessment to reflect the impact of the amended revolving credit facility and concluded that the facility remains sufficient for the Group to retain sufficient cash reserves to continue as a going concern, for a period of at least 12 months from the date of approval of these group consolidated financial statements.

In addition, a £330.0m bridge facility for The Instant Group acquisition has been agreed. The bridge facility has a maturity in September 2023. This facility is secured and is subject to interest cover and net debt to EBITDA covenants.

IFRS not yet effective

The following new or amended standards and interpretations that are mandatory for 2022 annual periods (and future years) are not expected to have a material impact on the Group financial statements, unless otherwise stated:

Onerous contracts – Cost of Fulfilling a Contract (Amendments to IAS 37)	1 January 2022
Annual Improvements to IFRS Standards 2018-2020	1 January 2022
Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16)	1 January 2022
Reference to the Conceptual Framework – Amendments to IFRS 3	1 January 2022
Classification of Liabilities as Current or Non-Current (Amendment to IAS 1)	1 January 2023
IFRS 17 Insurance Contracts and amendments to IFRS 17 Insurance Contracts	1 January 2023
Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates	1 January 2023
Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2)	1 January 2023

There are no other IFRS standards or interpretations that are not yet effective that would be expected to have a material impact on the Group.

The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

Basis of consolidation

Subsidiaries are entities controlled by the Group. Control exists when the Group controls an entity, when it is exposed to, or has the rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences. The results are consolidated until the date control ceases or the subsidiary qualifies as a disposal group, at which point the assets and liabilities are carried at the lower of fair value less costs to sell and carrying value.

Joint ventures are those entities over whose activities the Group has joint control, whereby the Group has rights to the net assets of the arrangement, rather than rights to its assets and obligations for its liabilities. The consolidated financial statements include the Group's share of the total recognised gains and losses of joint ventures on an equity-accounted basis, from the date that joint control commences until the date that joint control ceases or the joint venture qualifies as a disposal group, at which point the investment is carried at the lower of fair value less costs to sell and carrying value. When the Group's share of losses exceeds its interest in a joint venture, the Group's carrying amount is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of a joint venture.

Leases

The nature of the Group's leases relates to the rental of commercial office real estate premises globally.

1. Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease. Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any re-measurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised and initial direct costs incurred. The recognised right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

Right-of-use assets are subject to impairment review on an annual basis.

2. Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments and variable lease payments that depend on an index or a rate. The variable lease payments that do not depend on an index or a rate are recognised as a rent expense in the period in which they are incurred.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date as the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is re-measured if there is a modification, a change in the lease term or a change in the fixed lease payments.

3. Lease modifications

The carrying amount of lease liabilities is re-measured where there is a modification, a change in the lease term, a change in the lease payments (e.g. changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset. The impact of the modification is recognised against the carrying amount of the right-of-use assets or is recorded in profit or loss if the carrying amount of the right-of-use assets has been reduced to zero.

2. Accounting policies (continued)**4. Short-term leases and leases of low-value assets**

The Group applies the short-term lease recognition exemption to short-term leases (i.e. those leases that have a lease term of 12 months or less from commencement). It also applies the lease of low-value assets recognition exemption under IFRS 16 to leases that are considered of low value. Lease payments on short-term leases and leases of low-value assets are recognised as a rent expense on a straight-line basis over the lease term.

5. Lessor accounting

There are no lessor arrangements in the Group as a result of the contractual arrangements in place with customers which convey the right to use an identified asset.

6. Partner contributions

Partner contributions are contributions from our business partners (property owners and landlords) towards the initial costs of opening a business centre, including the fit-out of the property. Partner contributions representing a reimbursement to the lessee (IWG) are accounted for as agency arrangements, and form part of the lessor's (landlord's) assets.

Partner contributions for lease incentives are received at or before the lease commencement date for commercial reasons and, where the Group retains ownership of the fit-out assets, are accounted for as a lease incentive and recognised by reducing the right-of-use asset. Any other partner contributions for lease incentives received subsequent to the commencement of the lease are accounted for as part of the associated lease modification.

7. Lease term

The lease term represents the period from lease inception up to either:

- The earliest point at which the lease could be broken, where break clauses exist;
- The point at which the lease could be extended, but no further, where extension options exist; or
- To the end of the contractual lease term in all other cases.

8. Lease break penalties

Lease break penalties, where the lease term has been determined as the period from inception up to a break clause and when there are break payments or penalties, have been appropriately included in the measurement of the lease liability.

Dilapidations

A provision is recognised for those potential dilapidation payments when it is probable that an outflow will occur and can be reliably estimated.

Impairment of non-financial assets

For goodwill, assets that have an indefinite useful life and intangible assets that are not yet available for use, the recoverable amount was estimated at 30 September 2021. At each reporting date, the Group reviews the carrying amount of these assets to determine whether there is an indicator of impairment. If any indicator is identified, then the assets' recoverable amount is re-evaluated.

The carrying amount of the Group's other non-financial assets (other than deferred tax assets and inventory), including right-of-use assets, is reviewed at the reporting date to determine whether there is an indicator of impairment. If any such indication exists, the assets' recoverable amount is estimated.

An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit (CGU) exceeds its recoverable amount. Impairment losses are recognised in the income statement.

A CGU is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. The Group has identified individual business centres as the CGU.

The potential impairment of immovable property, plant and equipment and right-of-use assets at the centre (CGU) level are evaluated where there are indicators of impairment.

Centres (CGUs) are grouped by country of operation for the purposes of carrying out impairment reviews of goodwill as this is the lowest level at which it can be assessed.

Individual fittings and equipment in centres or elsewhere in the business that become obsolete or are damaged are assessed and impaired where appropriate.

The recoverable amount of relevant assets is the greater of their fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

Goodwill

All business combinations are accounted for using the purchase method. Goodwill is initially measured at fair value, being the excess of the aggregate of the fair value of the consideration transferred and the amount recognised for non-controlling interests, and any previous interest held, over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group reassesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred (negative goodwill), then the gain is recognised in profit or loss.

Positive goodwill is stated at cost less any provision for impairment in value. An impairment test is carried out annually and, in addition, whenever indicators exist that the carrying amount may not be recoverable. Negative goodwill is recognised directly in profit or loss.

Intangible assets

Intangible assets acquired separately from the business are capitalised at cost. Intangible assets acquired as part of an acquisition of a business are capitalised separately from goodwill if their fair value can be identified and measured reliably on initial recognition.

Intangible assets are amortised on a straight-line basis over the estimated useful life of the assets as follows:

Brand – Regus brand	Indefinite life
Brand – Other acquired brands	20 years
Computer software	Up to 5 years
Customer lists	2 years

Amortisation of intangible assets is expensed through administration expenses in the income statement.

Acquisitions of non-controlling interests

Acquisitions of non-controlling interests are accounted for as transactions with owners in their capacity as owners and therefore no goodwill is recognised as a result. Adjustments to non-controlling interests arising from transactions that do not involve the loss of control are based on a proportionate amount of the net assets of the subsidiary.

Property, plant and equipment

Property, plant and equipment is stated at cost less accumulated depreciation and any impairment in value. Asset lives and recoverable amounts are reviewed on an annual basis. Depreciation is calculated on a straight-line basis over the estimated useful life of the assets as follows:

Right-of-use assets ⁽¹⁾	Over the lease term
Buildings	50 years
Leasehold improvements ⁽¹⁾	10 years
Furniture and equipment	5 – 10 years
Computer hardware	3 – 5 years

1. 10 years represents the average useful economic life across the lease portfolio.

Revenue

The Group's primary activity and only business segment is the provision of global workspace solutions.

1. Workstations

The Group recognises workstation revenue when it transfers services to a customer. It is measured based on the consideration specified in a contract with a customer. Services transfer to the customer equally over the contract period based on the time elapsed. Where discounted periods are granted to customers, service income is spread on a straight-line basis over the duration of the customer contract. Invoices are generally issued in advance, on a monthly basis with normal credit terms of 15 days, and initially recognised as deferred revenue.

Workstation revenue is recognised over time as the services are provided. Amounts invoiced in advance are accounted for as deferred revenue (contract liability) and recognised as revenue upon provision of the service.

2. Management and franchise fees

Fees received for the provision of initial and subsequent services are recognised over time as the services are rendered. Fees charged for the use of continuing rights granted by the agreement are measured based on the contractually agreed percentage of revenue, generated by the operation, except where a different basis is determined in the contractual arrangements. Fees charged for other services provided, during the period of the agreement, are recognised as revenue as the services provided or the rights used. Invoices are generally issued on a monthly basis with normal credit terms of 30 days.

3. Customer service income

Service income (including the provision of meeting rooms) is recognised over time as the services are delivered or at a point in time depending on contractual obligations. Invoices are generally issued when the service is provided and subject to immediate settlement. In circumstances where the Group acts as an agent for the sale and purchase of goods to customers, only the commission fee earned is recognised as revenue.

4. Membership card income

Revenue from the sale of membership cards is deferred and recognised over time within the period that the benefits of the membership card are expected to be provided.

5. Customer deposits

Deposits received from customers against non-performance of the contract are held on the balance sheet as a current liability until they are either returned to the customer at the end of their relationship with the Group, or released to the income statement.

The Group has concluded that it is the principal in its revenue arrangements, except where noted above.

2. Accounting policies (continued)

Adjusting items

Significant infrequent transactions not indicative of the underlying performance of the consolidated Group are reported separately as non-recurring/adjusting items.

Adjusting items are separately disclosed by the Group to provide readers with helpful, additional information on the performance of the business across periods. Items arising specifically from the impact of the COVID-19 pandemic have been deemed to meet the definition of adjusting items. Each of these items are considered to be significant in nature and/or size and are also consistent with items treated as adjusting in prior periods in which significant non-recurring transactions occurred. The exclusion of these items is consistent with how the business performance is planned by, and reported to, the Board. The profit before tax and adjusting items measure is not a recognised profit measure under IFRS and may not be directly comparable with adjusted profit measures used by other companies.

The classification of adjusting items requires significant management judgement after considering the nature and intentions of a transaction. Adjusting items recognised are based on the actual costs incurred and/or calculated on a basis consistent with the key judgements and estimates disclosed in note 32. The classification of adjusting items requires management judgement after considering the nature and intentions of a transaction. Where necessary, this judgement applied is based on a formal methodology, including the comparison of current centre performance against pre-COVID-19 performance, to determine whether or not some, or all, of the associated costs are arising in the ordinary course of business.

Employee benefits

The majority of the Group's pension plans are of the defined contribution type. For these plans the Group's contribution and other paid and unpaid benefits earned by the employees are charged to the income statement as incurred.

The cost of providing benefits under the defined benefit plans is determined using the projected unit credit method.

Re-measurements, comprising actuarial gains and losses, the effect of the asset ceiling and the return on plan assets, excluding net interest, are recognised immediately in the balance sheet with a corresponding debit or credit to retained earnings through other comprehensive income in the period in which they occur. Re-measurements are not reclassified to profit or loss in subsequent periods.

Service costs are recognised in profit or loss, and include current and past service costs as well as gains and losses on curtailments.

Net interest is calculated by applying the discount rate to the net defined benefit liability or asset. The Group recognises the following changes in the net defined benefit obligation under 'cost of sales' and 'selling, general and administration expenses' in the consolidated income statement: service costs comprising current service costs; past service costs; and gains and losses on curtailments and non-routine settlements.

Settlements of defined benefit schemes are recognised in the period in which the settlement occurs.

Grants that compensate the Group for expenses incurred are recognised in profit or loss on a systematic basis in the periods in which the expenses are recognised.

Share-based payments

The share awards programme entitles certain directors and employees to acquire shares of the ultimate parent company (IWG plc); these awards are granted by the ultimate parent company (IWG plc) and are equity-settled.

The fair value of options and awards granted under the Group's share-based payment plans outlined in note 25 is recognised as an employee expense with a corresponding increase in equity. The fair value is measured at grant date and spread over the period during which the employees become unconditionally entitled to the options. The fair value of the options granted is measured using the Black-Scholes valuation model or the Monte Carlo method, taking into account the terms and conditions upon which the options were granted. The amount recognised as an expense is adjusted to reflect the actual number of share options that vest in respect of non-market conditions except where forfeiture is due to the expiry of the option.

Taxation

Tax on the profit for the year comprises current and deferred tax. Tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax assets and liabilities are not subject to discounting. The following temporary differences are not provided for: the initial recognition of goodwill; the initial recognition of assets and liabilities that affect neither accounting nor taxable profit other than in a business combination; and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the reporting date.

A deferred tax asset is recognised for unused tax losses only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised.

The carrying amount of a deferred tax asset or liability may change for reasons other than a change in the temporary difference itself. Such changes might arise as a result of a change in tax rates or laws, a reassessment of the recoverability of a deferred tax asset or a change in the expected manner of recovery of an asset or the expected manner of a settlement of a liability. The impact of these changes is recognised in the income statement or in other comprehensive income depending on where the original deferred tax balance was recognised.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Upon adoption of IFRIC Interpretation 23, the Group considered whether it has any uncertain tax positions, particularly those relating to transfer pricing. The Company's and the subsidiaries' tax filings in different jurisdictions include deductions related to transfer pricing and the taxation authorities may challenge those tax treatments. The Group determined, based on its tax compliance and transfer pricing studies, that in most jurisdictions it is probable that its tax treatments (including those for the subsidiaries) will be accepted by the taxation authorities. The Group has, where considered appropriate, provided for the potential impact of uncertain tax positions where the likelihood of tax authority adjustment is considered to be more likely than not. The adoption of the interpretation did not have an impact on the consolidated financial statements of the Group.

Provisions

A provision is recognised in the balance sheet when the Group has a present legal or constructive obligation as a result of a past event that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation.

Restructuring provisions are made for direct expenditures of a business reorganisation where the plans are sufficiently detailed and well-advanced and where the appropriate communication to those affected has been undertaken at the reporting date.

Provision is made for closure costs to the extent that the unavoidable costs of meeting the obligations exceed the economic benefits expected to be delivered.

Equity

Equity instruments issued by the Group are recorded at the value of proceeds received, net of direct issue costs.

When shares recognised as equity are repurchased, the amount of the consideration paid, which includes directly attributable costs, net of any tax effects, is recognised as a deduction from equity. Repurchased shares are classified as treasury shares and are presented in the treasury share reserve. When treasury shares are sold or re-issued subsequently, the amount received is recognised as an increase in equity and the resulting surplus or deficit on the transaction is presented within retained earnings.

Inventory

Inventories relate to consumable items which are measured at the lower of cost or net realisable value. The cost of inventories is based on the first-in, first-out principle.

Net finance expense

Interest charges and income are accounted for in the income statement on an accrual basis. Financing transaction costs that relate to financial liabilities are charged to interest expense using the effective interest rate method and are recognised within the carrying value of the related financial liability on the balance sheet. Fees paid for the arrangement of credit facilities are recognised as an asset and recognised through the finance expense over the term of the facility.

Where assets or liabilities on the Group balance sheet are carried at net present value, the increase in the amount due to unwinding the discount is recognised as a finance expense or finance income as appropriate.

Costs arising on bank guarantees and letters of credit and foreign exchange gains or losses are included in other finance costs (note 7).

Interest-bearing borrowings and other financial liabilities

Financial liabilities, including interest-bearing borrowings, are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, financial liabilities are stated at amortised cost with any difference between cost and redemption value being recognised in the income statement over the period of the borrowings on an effective interest rate method.

The Group derecognises financial liabilities when the Group's obligations are discharged, cancelled or expired.

Financial liabilities are classified as financial liabilities at fair value through profit or loss where the liability is either held for trading or is designated as held at fair value through profit or loss on initial recognition. Financial liabilities at fair value through profit or loss are stated at fair value with any resultant gain or loss recognised in the income statement.

Compound financial instruments issued by the Group comprise convertible bonds denominated in pounds sterling that can be converted to ordinary shares at the option of the holder.

The debt component of compound financial instruments is initially recognised at the fair value of a similar liability that does not have an equity conversion option. The conversion option represents a derivative financial liability and is initially recognised as the difference between the fair value of the compound financial instrument as a whole and the fair value of the liability component. Any directly attributable transaction costs are allocated to the debt host.

Subsequent to initial recognition, the debt component of a compound financial instrument is measured at amortised cost using the effective interest rate method. The derivative component of a compound financial instrument is re-measured at fair value through profit or loss. Interest related to the debt is recognised as a finance expense in profit or loss.

2. Accounting policies (continued)

Derivative financial instruments

The Group's policy on the use of derivative financial instruments can be found in note 24. Derivative financial instruments are measured initially at fair value and changes in the fair value are recognised through profit or loss unless the derivative financial instrument has been designated as a cash flow hedge whereby the effective portion of changes in the fair value are deferred in equity.

Financial assets

Financial assets are classified and subsequently measured at amortised cost, fair value through the profit or loss, or fair value through other comprehensive income (OCI). The classification depends on the nature and purpose of the financial assets and is determined on initial recognition.

Financial assets (including trade and other receivables) are measured at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- Its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instruments to the gross carrying amount of the financial assets.

Financial assets at fair value through profit or loss are measured at fair value and changes therein, including any interest or dividend income, are recognised in profit or loss.

Financial assets (including trade and other receivables) are measured at fair value through OCI if both of the following conditions are met:

- The financial asset is held within a business model whose objective is achieved by both collecting cash flows and selling financial assets; and
- Its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

IFRS 9 requires the Group to record expected credit losses on all of its financial assets held at amortised cost, either on a 12-month or lifetime basis. The Group applies the simplified approach to trade receivables and recognises expected credit losses based on the lifetime expected losses. Provisions for receivables are established based on both expected credit losses and information available that the Group will not be able to collect all amounts due according to the original terms of the receivables.

Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and in hand and are subject to an insignificant risk of change in value.

Non-controlling interests

Non-controlling interests are measured initially at their proportionate share of the acquiree's identifiable net assets at the date of acquisitions.

Discontinued operations

A discontinued operation is a component of the Group's business, the operations and cash flows of which can be clearly distinguished from the rest of the Group and which:

- represents a separate major line of business or geographic area of operations;
- is part of a single co-ordinated plan to dispose of a separate major line of business or geographic area of operations; or
- is a subsidiary acquired exclusively with a view to resale.

Classification as a discontinued operation occurs at the earlier of disposal or when the operation meets the criteria to be classified as held-for-sale. When an operation is classified as a discontinued operation, the comparative statement of profit or loss and OCI is re-presented as if the operation had been discontinued from the start of the comparative year.

Foreign currency transactions and foreign operations

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated using the closing rate of exchange at the balance sheet date and the gains or losses on translation are taken to the income statement. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. The results and cash flows of foreign operations are translated using the average rate for the period. Assets and liabilities, including goodwill and fair value adjustments, of foreign operations are translated using the closing rate, with all exchange differences arising on consolidation being recognised in other comprehensive income, and presented in the foreign currency translation reserve in equity. Exchange differences are reclassified to the income statement on disposal.

Foreign currency translation rates

	At 31 December		Annual average	
	2021	2020	2021	2020
US dollar	1.35	1.37	1.38	1.29
Euro	1.19	1.11	1.16	1.13

3. Segmental analysis

An operating segment is a component of the Group that engages in business activities from which it may earn revenue and incur expenses. An operating segment's results are reviewed regularly by the chief operating decision-maker (the Board of Directors of the Group) on a pre-IFRS 16 basis to make decisions about resources to be allocated to the segment and assess its performance, and for which distinct financial information is available. The segmental information is presented on the same basis on which the chief operating decision-maker received reporting during the year. Segmental assets and liabilities continue to be presented in accordance with IFRS.

The business is run on a worldwide basis but managed through four principal geographical segments (the Group's operating segments): the Americas; EMEA (Europe, Middle East and Africa); Asia Pacific; and the United Kingdom. These geographical segments exclude the Group's non-trading, holding and corporate management companies, which are included in the "Other" segment. The results of business centres in each of these regions form the basis for reporting geographical results to the chief operating decision-maker. All reportable segments are involved in the provision of global workplace solutions.

The Group's reportable segments operate in different markets and are managed separately because of the different economic characteristics that exist in each of those markets. Each reportable segment has its own distinct senior management team responsible for the performance of the segment.

	Americas		EMEA		Asia Pacific		United Kingdom		Other		Total	
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
	£m	£m	£m	Restated ⁽⁵⁾ £m	£m	Restated ⁽⁵⁾ £m	£m	£m	£m	£m	£m	Restated ⁽⁵⁾ £m
Continuing operations												
Revenue from external customers ⁽¹⁾	923.6	1,066.5	707.1	715.1	237.1	255.9	354.2	388.8	5.9	5.6	2,227.9	2,431.9
Mature ⁽²⁾	866.1	994.3	624.6	642.2	214.5	223.9	316.9	344.1	5.9	5.6	2,028.0	2,210.1
2020 Expansions ⁽²⁾	40.2	11.0	45.8	20.1	10.5	4.5	23.9	8.6	–	–	120.4	44.2
2021 Expansions ⁽²⁾	4.8	–	21.9	–	3.4	–	1.6	–	–	–	31.7	–
Closures ⁽²⁾	12.5	61.2	14.8	52.8	8.7	27.5	11.8	36.1	–	–	47.8	177.6
Gross profit/(loss) (centre contribution)	41.1	(101.7)	40.8	23.0	6.9	(17.7)	(5.3)	(80.0)	(2.2)	2.7	81.3	(173.7)
Share of loss of equity-accounted investees	–	–	(1.2)	(0.1)	(0.1)	(0.2)	(0.9)	(2.3)	–	–	(2.2)	(2.6)
Operating loss	(46.6)	(184.6)	(28.7)	(60.4)	(15.3)	(47.0)	(28.2)	(116.7)	(129.2)	(146.8)	(248.0)	(555.5)
Finance expense											(31.1)	(13.9)
Finance income											26.0	3.1
Loss before tax for the year											(253.1)	(566.3)
Depreciation and amortisation	146.7	161.4	65.8	60.9	26.8	27.8	44.8	41.2	17.9	10.6	302.0	301.9
Impairment of assets	–	–	–	–	–	–	–	–	–	–	–	–
Assets ⁽³⁾	3,364.2	3,460.0	2,480.4	2,542.0	532.1	676.5	1,456.1	1,925.4	578.7	360.4	8,411.5	8,964.3
Liabilities ⁽³⁾	(3,235.3)	(3,334.6)	(2,346.0)	(2,398.3)	(540.0)	(685.3)	(1,326.7)	(1,562.3)	(659.0)	(470.0)	(8,107.0)	(8,450.5)
Net assets/(liabilities)	128.9	125.4	134.4	143.7	(7.9)	(8.8)	129.4	363.1	(80.3)	(109.6)	304.5	513.8
Non-current asset additions ⁽⁴⁾	52.8	288.1	149.3	300.8	48.4	77.2	23.1	114.6	79.6	15.9	353.2	796.6

1. Excludes revenue from discontinued operations (note 9).

2. Revenue has been disaggregated to reflect the basis on which it is reported to the chief operating decision-maker. Further information can be found in the unaudited "Segmental analysis – management basis" on pages 168 and 169.

3. Presented on a basis consistent with IFRS 16.

4. Excluding deferred taxation.

5. The comparative information has been restated to reflect the impact of discontinued operations.

Operating profit in the "Other" category is generated from services related to the provision of workspace solutions, offset by corporate overheads.

3. Segmental analysis (continued)

The operating segment's results presented on a pre-IFRS 16 basis reconcile to the financial statements as follows:

	Americas		EMEA		Asia Pacific		United Kingdom		Other		Total	
	2021	2020	2021	2020	2021	2020 Restated ⁽⁵⁾	2021	2020	2021	2020	2021	2020 Restated ⁽⁵⁾
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Continuing operations												
Gross profit/(loss) (centre contribution) – pre-IFRS 16	41.1	(101.7)	40.8	23.0	6.9	(17.7)	(5.3)	(80.0)	(2.2)	2.7	81.3	(173.7)
Rent	413.8	445.4	316.1	308.4	115.8	126.6	131.8	147.9	4.8	1.2	982.3	1,029.5
Depreciation of property, plant and equipment including right-of-use assets	(317.5)	(339.5)	(270.8)	(275.7)	(91.1)	(112.0)	(107.3)	(130.9)	(4.4)	(1.0)	(791.1)	(859.1)
Other	(15.3)	(9.0)	2.3	17.5	(8.3)	8.1	17.5	7.1	(0.8)	(0.3)	(29.9)	23.4
Gross profit/(loss) (centre contribution)	122.1	(4.8)	88.4	73.2	23.3	5.0	11.4	(55.9)	(2.6)	2.6	242.6	20.1

	Americas		EMEA		Asia Pacific		United Kingdom		Other		Total	
	2021	2020	2021	2020	2021	2020 Restated ⁽⁵⁾	2021	2020	2021	2020	2021	2020 Restated ⁽⁵⁾
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Continuing operations												
Operating (loss)/profit – pre-IFRS 16	(46.6)	(184.6)	(28.7)	(60.4)	(15.3)	(47.0)	(28.2)	(116.7)	(129.2)	(146.8)	(248.0)	(555.5)
Rent	413.8	445.5	316.1	308.4	115.8	126.7	131.8	160.8	5.3	2.2	982.8	1,043.6
Depreciation of property, plant and equipment including right-of-use assets	(317.5)	(339.5)	(270.8)	(275.7)	(91.1)	(112.0)	(107.6)	(131.5)	(5.3)	(2.9)	(792.3)	(861.6)
Other	(15.7)	(9.1)	1.9	17.1	(8.6)	7.8	(7.8)	7.0	0.3	0.7	(29.9)	23.5
Operating profit/(loss)	34.0	(87.7)	18.5	(10.6)	0.8	(24.5)	(11.8)	80.4	(128.9)	(146.8)	(87.4)	(350.0)

	Americas		EMEA		Asia Pacific		United Kingdom		Other		Total	
	2021	2020	2021	2020	2021	2020 Restated ⁽⁵⁾	2021	2020	2021	2020	2021	2020 Restated ⁽⁵⁾
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Continuing operations												
Depreciation and amortisation – pre-IFRS 16	146.7	161.4	65.8	60.9	26.8	27.8	44.8	41.2	17.9	10.6	302.0	301.9
Depreciation of property, plant and equipment including right-of-use assets	317.5	339.5	270.8	275.7	91.1	112.0	107.6	131.5	5.3	2.9	792.3	861.6
Depreciation and amortisation	464.2	500.9	336.6	336.6	117.9	139.8	152.4	172.7	23.2	13.5	1,094.3	1,163.5

	Americas		EMEA		Asia Pacific		United Kingdom		Other		Total	
	2021	2020	2021	2020	2021	2020 Restated ⁽⁵⁾	2021	2020	2021	2020	2021	2020 Restated ⁽⁵⁾
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Continuing operations												
Impairment of assets – pre-IFRS 16	–	–	–	–	–	–	–	–	–	–	–	–
(Reversal)/impairment of property, plant and equipment including right-of-use assets	(56.1)	161.3	0.1	25.2	4.7	14.1	(2.9)	45.4	–	–	(54.2)	246.0
Impairment of assets	(56.1)	161.3	0.1	25.2	4.7	14.1	(2.9)	45.4	–	–	(54.2)	246.0

4. Segmental analysis – entity-wide disclosures

The Group's primary activity and only business segment is the provision of global workplace solutions, therefore all revenue is attributed to a single group of similar products and services. It is not meaningful to separate this group into further categories of products. Revenue is recognised where the service is provided.

The Group has a diversified customer base and no single customer contributes a material percentage of the Group's revenue.

The Group's revenue from external customers and non-current assets analysed by foreign country are as follows:

£m	2021		2020	
	External revenue	Non-current assets ⁽²⁾	External revenue	Non-current assets ⁽²⁾
Country of tax domicile – Switzerland	3.5	–	3.5	–
United States of America	753.9	2,763.2	899.7	3,140.2
United Kingdom	354.2	1,328.8	388.8	1,613.5
All other countries ⁽¹⁾	1,116.3	3,161.2	1,139.9	2,917.3
	2,227.9	7,253.2	2,431.9	7,671.0

1. Revenue of £33.8m (2020: £50.2m) is included in discontinued operations (note 9).

2. Excluding deferred tax assets.

5. Operating loss – continuing operations

Operating loss has been arrived at after charging/(crediting):

	Notes	2021 £m	2020 £m ⁽⁴⁾
Revenue		2,227.9	2,431.9
Depreciation on property, plant and equipment ⁽¹⁾	15	1,080.8	1,154.8
Right-of-use assets	15	879.8	919.1
Other property, plant and equipment	15	201.0	235.7
Amortisation of intangible assets	14	13.5	8.7
Variable property rents payable in respect of leases	23	62.8	64.9
Lease expense on low-value assets	23	1.0	3.4
Staff costs	6	342.3	343.7
Facility and other property costs		414.4	424.5
Expected credit losses on trade receivables ⁽²⁾	24	99.5	34.8
Loss on disposal of property, plant and equipment		64.2	93.1
Loss on disposal of right-of-use assets and related lease liabilities		(41.5)	(25.7)
Impairment of goodwill	13	–	4.9
Loss on disposal of intangible assets	14	0.3	0.1
(Reversal of impairment)/impairment of property, plant and equipment ⁽³⁾	15	(54.2)	246.0
(Reversal of impairment)/impairment of other property, plant and equipment		(7.4)	82.1
(Reversal of impairment)/impairment of right-of-use assets		(46.8)	163.9
Negative goodwill arising on acquisition	13	(1.7)	–
Other costs		331.7	426.1
Operating loss before equity-accounted investees		(85.2)	(347.4)
Share of loss of equity-accounted investees, net of tax	21	(2.2)	(2.6)
Operating loss		(87.4)	(350.0)

1. Excludes depreciation expenses related to discontinued operations for right-of-use assets of £13.1m (2020: £26.9m) and other property, plant and equipment of £2.0m (2020: £4.6m).

2. Of the £99.5m (2020: £34.8m) expected credit loss, £53.5m (2020: £17.5m) relates to COVID-19 adjusting items (note 10).

3. The reversal of impairment of £54.2m includes an additional impairment of £96.9m (2020: £246.0m), offset by the reversal of £151.1m (2020: £nil) previously provided for (note 5).

4. The comparative information has been restated to reflect the impact of discontinued operations.

5. Operating profit – continuing operations (continued)

	2021 £m	2020 £m
Fees payable to the Group's auditor and its associates for the audit of the Group accounts	1.3	1.4
Fees payable to the Group's auditor and its associates for other services:		
The audit of the Company's subsidiaries pursuant to legislation	3.0	2.9
Other services pursuant to legislation:		
Tax services	–	–
Other services	0.3	0.2
Other non-audit services	0.3	1.2

6. Staff costs

	2021 £m ⁽¹⁾	2020 £m ⁽¹⁾
The aggregate payroll costs were as follows:		
Wages and salaries ⁽²⁾	282.0	282.0
Social security	49.5	49.7
Pension costs	5.0	5.6
Share-based payments	5.8	6.4
	342.3	343.7

1. Excludes staff costs related to discontinued operations of £2.0m (2020: £2.9m).

2. Includes worldwide financial support schemes disclosed in note 10.

	2021 Average full-time equivalents ⁽¹⁾	2020 Average full-time equivalents ⁽¹⁾⁽²⁾
The average number of persons employed by the Group (including Executive Directors), analysed by category and geography, was as follows:		
Centre staff	6,142	6,367
Sales and marketing staff	117	247
Finance staff	640	631
Other staff	1,340	1,209
	8,239	8,454
Americas	2,518	2,431
EMEA	2,450	2,592
Asia Pacific	998	1,149
United Kingdom	679	683
Corporate functions	1,594	1,599
	8,239	8,454

1. The average full-time equivalents exclude employees for disposals during 2021 of 65 (2020: 100).

2. Following internal restructuring in 2021, the allocation of staff between departments has been amended. The apportionment by department of 2020 staff numbers has been restated to reflect the revised allocation.

Details of Directors' emoluments and interests are given on pages 94 to 108 in the Directors' Remuneration report, with audited schedules identified where relevant.

7. Net finance expense

	2021 £m	2020 £m ⁽³⁾
Interest payable and similar charges on bank loans and corporate borrowings	(42.1)	(12.8)
Interest payable on lease liabilities ⁽¹⁾	(165.7)	(244.6)
Total interest expense	(207.8)	(257.4)
Other finance costs	9.8	(8.9)
Unwinding of discount rates	–	(0.1)
Total finance expense	(198.0)	(266.4)
Fair value gain on financial liabilities measured at FVTPL (note 19)	22.5	2.4
Total interest income ⁽²⁾	3.5	0.7
Total finance income	26.0	3.1
Net finance expense	(172.0)	(263.3)

1. Excludes lease liability finance expense related to discontinued operations of £1.4m (2020: £4.8m).

2. Excludes interest income related to discontinued operations of £nil (2020: £0.1m).

3. The comparative information has been restated to reflect the impact of discontinued operations.

8. Taxation

(a) Analysis of charge in the year

	2021 £m	2020 £m ⁽¹⁾
Current taxation		
Corporate income tax	(23.9)	(42.4)
Previously unrecognised tax losses and temporary differences	8.0	8.5
Over provision in respect of prior years	4.6	11.0
Total current taxation	(11.3)	(22.9)
Deferred taxation		
Origin and reversal of temporary differences	1.0	(9.1)
Total deferred taxation	1.0	(9.1)
Tax charge on continuing operations	(10.3)	(32.0)

1. The comparative information has been restated to reflect the impact of discontinued operations.

(b) Reconciliation of taxation charge

	2021		2020 ⁽¹⁾	
	£m	%	£m	%
Loss before tax from continuing operations	(259.4)		(613.3)	
Tax on profit at 11.9% (2020: 11.9%)	30.9	(11.9)	73.0	(11.9)
Tax effects of:				
Expenses not deductible for tax purposes	(29.4)	11.3	(44.9)	7.3
Items not chargeable for tax purposes	34.1	(13.1)	155.0	(25.3)
Previously unrecognised temporary differences expected to be used in the future	8.0	(3.1)	8.5	(1.4)
Current year temporary differences not currently expected to be used	(112.9)	43.5	(452.2)	73.7
Adjustment to tax charge in respect of previous years	4.6	(1.8)	11.0	(1.8)
Differences in tax rates on overseas earnings	54.4	(21.0)	217.6	(35.5)
	(10.3)	3.9	(32.0)	5.1

1. The comparative information has been restated to reflect the impact of discontinued operations.

The applicable tax rate is determined based on the tax rate in the canton of Zug in Switzerland, which was the statutory tax rate applicable in the country of domicile of the parent company of the Group at the end of the financial year.

(c) Factors that may affect the future tax charge

Unrecognised tax losses to carry forward against certain future overseas corporation tax liabilities have the following expiration dates.

	2021 £m	2020 £m
2021	–	24.9
2022	33.6	43.1
2023	41.1	45.9
2024	48.2	49.3
2025	49.1	53.8
2026	69.7	38.8
2027	36.5	18.5
2028	36.7	16.6
2029 and later	1,455.6	1,090.3
	1,770.5	1,381.2
Available indefinitely	1,301.8	919.3
Tax losses available to carry forward	3,072.3	2,300.5
Amount of tax losses recognised in deferred tax assets	125.0	1,029.0
Total tax losses available to carry forward	3,197.3	3,329.5

Additional tax losses have been generated in 2021. There is a reduction in total tax losses recognised as deferred tax assets as a result of the overestimation of losses arising in certain head office entities in 2020 (£486.0m).

8. Taxation (continued)

The following deferred tax assets have not been recognised due to uncertainties over recoverability.

	2021 £m	2020 £m
Intangibles	390.4	420.0
Accelerated capital allowances	29.8	26.4
Tax losses	757.8	564.5
Rent	49.1	48.6
Leases	29.7	22.7
Short-term temporary differences	6.7	3.7
	1,263.5	1,085.9

(d) Corporation tax

	2021 £m	2020 £m
Corporation tax payable	(35.9)	(40.0)
Corporation tax receivable	18.5	29.1

(e) Deferred taxation

The movement in deferred tax is analysed below:

	Intangibles £m	Property, plant and equipment £m	Tax losses £m	Rent £m	Leases £m	Other temporary differences £m	Total £m
Deferred tax asset							
At 1 January 2020	39.4	(31.5)	115.5	54.1	93.6	(76.1)	195.0
Current year movement	(19.0)	(42.7)	137.6	9.6	13.4	(105.6)	(6.7)
Prior year movement	–	–	–	–	–	–	–
Disposals	–	–	–	–	–	–	–
Transfers	(0.2)	(4.6)	4.2	0.6	–	–	–
Exchange rate movements	1.8	0.8	(0.3)	(1.7)	(0.1)	(0.6)	(0.1)
At 31 December 2020	22.0	(78.0)	257.0	62.6	106.9	(182.3)	188.2
Current year movement	–	1.1	(17.2)	5.3	4.0	17.6	10.8
Prior year movement	–	(0.4)	(198.2)	–	–	–	(198.6)
Disposals	–	–	–	–	–	–	–
Transfers	47.7	77.0	–	(0.3)	0.7	200.8	325.9
Exchange rate movements	–	0.3	–	–	–	–	0.3
At 31 December 2021	69.7	–	41.6	67.6	111.6	36.1	326.6
Deferred tax liability							
At 1 January 2020	(0.2)	(4.6)	4.2	0.6	–	–	–
Current year movement	–	–	–	–	(0.2)	–	(0.2)
Prior year movement	–	–	–	–	–	–	–
Disposals	–	–	–	–	–	–	–
Transfers	0.2	4.6	(4.2)	(0.6)	–	–	–
Exchange rate movements	–	–	–	–	–	–	–
At 31 December 2020	–	–	–	–	(0.2)	–	(0.2)
Current year movement	(3.1)	(5.7)	–	(0.3)	(4.9)	1.3	(12.7)
Prior year movement	–	–	–	–	–	198.5	198.5
Disposals	–	–	–	–	–	–	–
Transfers	(47.7)	(77.0)	–	0.3	(0.7)	(200.8)	(325.9)
Exchange rate movements	–	(0.3)	–	–	–	–	(0.3)
At 31 December 2021	(50.8)	(83.0)	–	–	(5.8)	(1.0)	(140.6)

The movements in deferred taxes included above are after the offset of deferred tax assets and deferred tax liabilities where there is a legally enforceable right to set off and they relate to income taxes levied by the same taxation authority. The closing deferred tax position above represents the aggregated deferred tax asset or liability position within individual legal entities, with some companies recognising deferred tax assets and others recognising deferred tax liabilities. The closing position is a net deferred tax asset of £326.6m and a deferred tax liability of £140.6m.

In 2021 the Group has separately presented deferred tax assets and deferred tax liabilities on a country by country, or entity by entity basis where available. The transfers line in the table above reflects the adjustment required to the opening balances as at 1 January 2021 to reflect this change in presentation.

In evaluating whether it is probable that taxable profits will be earned in future accounting periods for the purposes of deferred tax asset recognition, management based their analysis on the Board-approved three-year forecasts prepared for the purposes of reviewing goodwill for impairment.

Recognised deferred tax assets in respect of tax losses (£41.6m) include losses that have arisen in the United States where despite recent losses the Group considers it probable that sufficient taxable profits will be available against which these unused tax losses can be utilised over a period of three years, based on the period corresponding to the Group's business forecasting processes. The losses recorded in the United States were incurred during a period of uncertainty as a result of the global COVID-19 pandemic. Management is confident that the Group will return to profitability in this region within the aforementioned period. No reasonably possible change in any of the key assumptions would result in a significant reduction in projected tax profits such that the recognised deferred tax asset would not be realised.

At the balance sheet date, the temporary difference arising from unremitted earnings of overseas subsidiaries was £15.0m (2020: £11.9m). The only tax that would arise on these reserves if they were remitted would be non-creditable withholding tax.

In 2019 the Group recognised a deferred tax asset of £89.8m, and a corresponding deferred tax credit, in respect of the expected future value of annual amortisation on the fair market value of IP resulting from a Group restructure, which is deductible for Swiss corporate income tax purposes. Further restructuring of Group cost allocations in 2020 resulted in a reduction in the recognition of the deferred tax asset to £69.7m, and a deferred tax debit of £20.1m, based on the updated future value of amortisation deductions. In 2021 the deferred tax asset remains unchanged at £69.7m and is included as Intangibles in the deferred tax table above. Recognition of this deferred tax asset is based on the approved three-year forecast.

In October 2021, the OECD published the model rules for part of the second pillar of the proposed two-pillar solution to address the tax challenges of the digitalisation of the economy. Pillar Two is the so-called Global Anti-Base Erosion (GloBE) rule, which is designed to ensure that large multinational enterprises pay a minimum level of tax of 15% on the income arising in each jurisdiction where they operate. The minimum tax will apply to MNEs with revenue above €750.0m and so is expected to apply to the Group. These changes have not been enacted or substantively enacted and therefore do not have any impact on the tax reporting position of the Group. IWG will continue to monitor developments in these areas and consider the potential tax impact for the Group at the relevant time.

9. Discontinued operations

During 2021, the Group completed the sale of various operations through the signing of franchise agreements. The financial impact of these transactions is treated as discontinued operations in accordance with IFRS 5, however these operations under franchise will continue to be an important strategic component of the overall Group network. These transactions form part of the larger change in strategy of the Group towards adopting a franchising model. Fees from franchising activities subsequent to sale are reflected as franchise revenues in continuing operations.

Disposal of operations

During the year, the Group completed the sale of individually immaterial operations for the consideration of £52.3m (2020: £3.3m). The results of these operations up to the date of disposal were as follows:

	2021 £m	2020 £m
Revenue	33.8	50.2
Expenses	(31.3)	(56.0)
Profit/(loss) before tax for the year	2.5	(5.8)
Income tax (expense)/credit	(3.6)	1.5
Loss after tax for the year	(1.1)	(4.3)
Gain on the sale of discontinued operations	60.4	2.8
Profit/(loss) for the year, net of tax	59.3	(1.5)

9. Discontinued operations (continued)

The assets and liabilities of these operations at their respective dates of disposal were as follows:

	2021 £m	2020 £m
Total assets	72.6	2.9
Total liabilities	(81.5)	(2.2)
Net (liabilities)/assets	(8.9)	0.7
Costs directly associated with the disposal	1.3	(0.2)
Foreign exchange recycled to profit and loss	(0.5)	–
	(8.1)	0.5
Consideration on disposal (net of cash and debt) ⁽¹⁾	52.3	3.3
Gain on sale of discontinued operations	60.4	2.8

1. The consideration recognised includes a non-cash element of £33.4m.

The net cash flows incurred by these operations are as follows:

	2021 £m	2020 £m
Operating	48.0	28.3
Investing	(2.1)	(1.3)
Financing	(45.8)	(27.3)
Net cash inflow/(outflow)	0.1	(0.3)

10. COVID-19 related adjusting items

Following the declaration by the World Health Organization of the COVID-19 pandemic (COVID-19) and subsequent global government restrictions, the Group has been unable to operate at full capacity. Given the political and economic uncertainty resulting from COVID-19, the Group continues to see significant volatility and business disruption, reducing expected performance in 2021 and potentially 2022.

The impact that COVID-19 has had on underlying trading performance is not recognised within adjusting items.

In order to improve the transparency and usefulness of the financial information presented and improve year-on-year comparability, the Group has identified net charges of £31.4m (2020: £389.8m) relating to directly attributable charges resulting from COVID-19. These charges are considered to be adjusting items as they meet the Group's definition, as disclosed in previous annual reports, of being both significant in nature and value to the results of the Group in the current period. Reversals of £1.7m (2020: expenses of £333.4m) have been recognised as adjusting items to cost of sales and £33.1m (2020: £56.4m) of these charges have been recognised as adjusting items to selling, general and administration expenses in the Group's income statement.

The charges relate to several separately identifiable areas of accounting judgement and estimates as follows:

	Year ended 31 Dec 2021	Year ended 31 Dec 2020
Impairments of property, plant and equipment (including right-of-use assets) ⁽¹⁾ – net of reversals	(125.2)	244.8
Impairments of goodwill ⁽²⁾	–	4.9
Provision for expected credit losses ⁽¹⁾	53.5	17.5
Network rationalisation ⁽¹⁾	70.7	77.5
Other one-off items including restructuring ⁽³⁾	32.4	45.1
Total adjusting items	31.4	389.8

1. Included as an adjusting item in cost of sales.

2. Included as an adjusting item in selling, general and administration.

3. Included as adjusting items in selling, general and administration except for £0.7m (2020: £6.4m) in respect of worldwide financial support schemes which is included in costs of sales.

– Impairments of property, plant and equipment (including right-of-use assets)

The continuation of COVID-19, including new and extended preventative measures in most of the Group's markets, is expected to prolong the impact on our business in 2022. As a result of these measures, management carried out a comprehensive review exercise for potential impairments across the whole portfolio at a cash-generating units (CGUs) level.

The impairment review formed part of the Group's rationalisation process undertaken throughout the year due to the impact of COVID-19. This review compared the value-in-use of CGUs, based on management's assumptions regarding likely future trading performance, to the carrying values at 31 December 2021. Following this review, a reversal of £125.2m (2020: charge of £244.8m) was recognised within net operating expenses. Of this reversal, £38.1m (2020: charge of £80.9m) and £87.1m (2020: charge of £163.9m) were recognised against property, plant and equipment and right-of-use assets respectively.

– Impairments of goodwill

COVID-19 and linked restrictions have impacted our ability to trade our way to sustainable profitable growth in certain markets. As a result, the projected cash flows for these markets continue to be evaluated to determine the carrying value of the CGUs, with no additional impairment taken during 2021 (2020: impairment of £4.9m).

– Provision for expected credit losses

In light of the temporary closure of centres globally, the Group reviewed the recoverability of its trade receivables profile and incurred further credit losses of £53.5m (2020: £17.5m). This increase reflects the increase in credit default by the Group's debtors directly attributable to the impact of COVID-19 and the significant change in the ageing profile of trade receivables as a direct consequence of COVID-19.

– Network rationalisation

£70.7m (2020: £77.5m) of charges were incurred relating to network rationalisations that occurred in the year, which includes the write off of the book value of assets and direct closure costs related to these centres. A separate rationalisation charge of £5.7m (2020: £15.3m) has also been recorded which is not included as adjusting items.

– Other one-off items including restructuring

During the year, the Group incurred £0.5m (2020: £8.2m) of transaction costs in respect of master franchise agreements that did not complete due to the outbreak of COVID-19. The Group fully expects to resume its pivot towards a franchising model in due course.

Other charges of £32.6m (2020: £43.3m) were also incurred, including severance costs and restructurings arising from mitigating actions taken by the Group in respect of COVID-19, completed by 31 December 2021 as well as claims in respect of centre closures. In addition, during the year, the Group received a total of £0.7m (2020: £6.4m) in respect of worldwide financial support schemes to fund staff costs.

Should the estimated charges not prove to be in excess of the amounts required, the release of any amounts provided for at year-end would be treated as adjusting items.

11. Earnings per ordinary share (basic and diluted)

	2021	2020
Basic and diluted loss for the year attributable to shareholders (£m)	(210.4)	(646.8)
Basic loss per share (p)	(20.3)	(67.9)
Diluted loss per share (p)	(20.3)	(67.9)
Basic and diluted loss for the year from continuing operations (£m)	(269.7)	(645.3)
Basic loss per share (p)	(26.2)	(67.8)
Diluted loss per share (p)	(26.2)	(67.8)
Basic and diluted profit for the year from discontinued operations (£m)	59.3	(1.5)
Basic earnings per share (p)	5.9	(0.1)
Diluted earnings per share (p)	5.9	(0.1)
Weighted average number of shares for basic EPS	1,007,214,854	951,890,712
Weighted average number of shares under option	39,512,057	41,016,473
Weighted average number of shares that would have been issued at average market price	(22,437,997)	(25,287,994)
Weighted average number of share awards under the CIP, PSP, DSBP and One-off Award	1,747,819	1,744,492
Weighted average number of shares on convertible bonds	76,405,916	76,408,203
Weighted average number of shares for diluted EPS	1,102,442,649	1,045,771,886

Options are considered dilutive when they would result in the issue of ordinary shares for less than the market price of ordinary shares in the period. The amount of the dilution is taken to be the average market price of shares during the period minus the exercise price. There were no material awards considered anti-dilutive at the reporting date.

The Group issued £350.0m of convertible bonds in December 2020. The bond issue creates a potential 76,405,916 shares for bondholders. This represents a potential 7.1% dilutive impact at time of issue.

The average market price of one share during the year was 321.95p (2020: 296.88p), with a high of 383.60p on 3 March 2021 and a low of 285.80p on 13 December 2021.

12. Dividends

	2021	2020
Dividends per ordinary share proposed	–	–
Interim dividends per ordinary share declared and paid during the year	–	–

Due to the prolonged uncertainty caused by COVID-19, we believe it is prudent to protect our liquidity and as a result, no final dividend will be paid for the year ended 31 December 2021 (2020: £nil).

Our capital allocation policy remains unchanged, prioritising investment in the long-term growth of our business and dividend distribution to shareholders. Given the uncertainty caused by COVID-19 and in order to protect our liquidity in the short term, future dividend payments have been placed on hold with the intention to review the return to our progressive dividend policy when appropriate.

13. Goodwill

	£m
Cost	
At 1 January 2020	674.6
Recognised on acquisition of subsidiaries	28.7
Goodwill impairment	(4.9)
Exchange rate movements	(2.9)
At 31 December 2020	695.5
Recognised on acquisition of subsidiaries ⁽¹⁾	15.7
Goodwill on derecognised on sale of subsidiaries	(0.9)
Goodwill impairment	–
Exchange rate movements	(6.5)
At 31 December 2021	703.8
Net book value	
At 31 December 2020	695.5
At 31 December 2021	703.8

1. Net of £3.7m derecognised on the finalisation of the accounting for prior year acquisitions previously reported on a provisional basis.

Cash-generating units (CGUs), defined as individual business centres, are grouped by country of operation for the purposes of carrying out impairment reviews of goodwill as this is the lowest level at which it can be assessed. Goodwill acquired through business combinations is held at a country level and is subject to impairment reviews based on the cash flows of the CGUs within that country.

The goodwill attributable to the reportable business segments is as follows:

Carrying amount of goodwill included within:	2021 £m	2020 £m
Americas	311.9	307.0
EMEA	147.3	142.5
Asia Pacific	25.2	26.6
United Kingdom	219.4	219.4
	703.8	695.5

The carrying value of goodwill and indefinite life intangibles allocated to two countries, the USA and the UK, is material relative to the total carrying value, comprising 73% of the total. The remaining 27% of the carrying value is allocated to a further 38 countries. The goodwill and indefinite life intangibles allocated to the USA and the UK are set out below:

	Goodwill £m	Intangible assets ⁽¹⁾ £m	2021 £m	2020 £m
USA	290.3	–	290.3	286.1
United Kingdom	219.4	11.2	230.6	230.6
Other countries	194.1	–	194.1	190.0
	703.8	11.2	715.0	706.7

1. The indefinite life intangible asset relates to the Regus brand.

The value in use for each country has been determined using a model which derives the present value of the expected future cash flows for each individual country. Although the model includes budgets and forecasts prepared by management it also reflects external factors, such as capital market risk pricing as reflected in the market capitalisation of the Group and prevailing tax rates, which have been used to determine the risk-adjusted discount rate for the Group. Management believes that the projected cash flows are a reasonable reflection of the likely outcomes over the medium to long term. In the event that trading conditions deteriorate beyond the assumptions used in the projected cash flows, it is also possible that impairment charges could arise in future periods.

The following key assumptions have been used in calculating the value in use for each country:

- Future cash flows are based on forecasts prepared by management. The model excludes cost savings and restructurings that are anticipated but had not been committed to at the date of the determination of the value in use. Thereafter, forecasts have been prepared by management for 2022, and for a further four years, that follow a budgeting process approved by the Board;
- These forecasts exclude the impact of acquisitive growth expected to take place in future periods;
- Management considers these projections to be a reasonable projection of margins expected at the mid-cycle position. A terminal value is included in the assessment, reflecting the Group's expectation that it will continue to operate in these markets and the long-term nature of the business; and
- The Group applies a country-specific pre-tax discount rate to the pre-tax cash flows for each country. The country-specific discount rate is based on the underlying weighted average cost of capital (WACC) for the Group. The Group WACC is then adjusted for each country to reflect the assessed market risk specific to that country. The Group pre-tax WACC decreased from 8.2% in 2020 to 7.5% in 2021 (post-tax WACC: 6.1%). The country-specific pre-tax WACC reflecting the respective market risk adjustment has been set between 7.2% and 9.7% (2020: 7.9% to 10.6%).

The amounts by which the values in use exceed the carrying amounts of goodwill are sufficiently large to enable the Directors to conclude that a reasonably possible change in the key assumptions would not result in an impairment charge in any of the countries. Foreseeable events are unlikely to result in a change in the projections of such a significant nature as to result in the goodwill carrying amount exceeding their recoverable amount. The forecast models used in assessing the impairment of goodwill are based on the related business centre structure at the end of the year.

The US model assumes an average centre contribution of 24.0% (2020: 11.0%) over the next five years. A terminal value centre gross margin of 28.0% is adopted from 2026, with a 0.0% long-term growth rate assumed on revenue and costs into perpetuity. The cash flows have been discounted using a pre-tax discount rate of 8.3% (2020: 10.0%).

The UK model assumes an average centre contribution of 18.0% (2020: 14.0%) over the next five years. A terminal value centre gross margin of 22.0% is adopted from 2026, with a 0.0% long-term growth rate assumed on revenue and costs into perpetuity. The cash flows have been discounted using a pre-tax discount rate of 7.5% (2020: 8.3%).

Management has considered the following sensitivities:

- Market growth and WIPOS – Management has considered the impact of a variance in market growth and WIPOS. The value in use calculation shows that if the long-term growth rate is nil, the recoverable amount of the US and UK would still be greater than their carrying value.
- Discount rate – Management has considered the impact of an increase in the discount rate applied to the calculation. The value in use calculation shows that for the recoverable amount to be less than its carrying value, the pre-tax discount rate would have to be increased to 88.1% (2020: 31.0%) for the US and 25.3% (2020: 18.0%) for the UK.
- Occupancy – Management has considered the impact of a variance in occupancy. The value in use calculation shows that for the recoverable amount to be less than its carrying value, occupancy in all future years would have to decrease by 23.0% (2020: 13.0%) for the US and 12.0% (2020: 8.0%) for the UK.

14. Other intangible assets

	Brand £m	Customer lists £m	Software £m	Total £m
Cost				
At 1 January 2020	62.2	31.8	77.3	171.3
Additions at cost	–	–	16.5	16.5
Acquisition of subsidiaries	–	0.1	0.2	0.3
Disposals (including discontinued operations)	–	(0.6)	(11.2)	(11.8)
Exchange rate movements	2.9	(0.6)	0.2	2.5
At 31 December 2020	65.1	30.7	83.0	178.8
Additions at cost	–	–	33.7	33.7
Acquisition of subsidiaries	2.2	1.5	1.4	5.1
Disposals (including discontinued operations)	–	–	(0.3)	(0.3)
Exchange rate movements	–	(0.2)	(0.5)	(0.7)
At 31 December 2021	67.3	32.0	117.3	216.6
Amortisation				
At 1 January 2020	38.8	31.6	55.9	126.3
Charge for year	1.1	–	7.6	8.7
Disposals (including discontinued operations)	–	(0.6)	(11.1)	(11.7)
Exchange rate movements	2.3	(0.4)	0.3	2.2
At 31 December 2020	42.2	30.6	52.7	125.5
Charge for year	0.7	0.8	12.0	13.5
Disposals (including discontinued operations)	–	–	–	–
Exchange rate movements	–	(0.1)	(0.3)	(0.4)
At 31 December 2021	42.9	31.3	64.4	138.6
Net book value				
At 1 January 2020	23.4	0.2	21.4	45.0
At 31 December 2020	22.9	0.1	30.3	53.3
At 31 December 2021	24.4	0.7	52.9	78.0

Included within the brand value is £11.2m relating to the acquisition of the remaining 58% of the UK business in the year ended 31 December 2006. The Regus brand acquired in this transaction is assumed to have an indefinite useful life due to the fact that the value of the brand is intrinsically linked to the continuing operation of the Group.

As a result of the Regus brand acquired with the UK business having an indefinite useful life no amortisation is charged but the carrying value is assessed for impairment on an annual basis. The brand was tested at the balance sheet date against the recoverable amount of the UK business segment at the same time as the goodwill arising on the acquisition of the UK business (see note 13).

15. Property, plant and equipment

	Right-of-use assets ⁽¹⁾ £m	Land and buildings £m	Leasehold improvements £m	Furniture and equipment £m	Computer hardware £m	Total £m
Cost						
At 1 January 2020	9,439.4	156.4	1,469.5	749.7	132.5	11,947.5
Additions	501.4	2.2	267.3	89.5	9.4	869.8
Modifications ⁽²⁾	664.1	–	–	–	–	664.1
Acquisition of subsidiaries	3.0	–	4.1	0.9	0.1	8.1
Disposals ⁽⁴⁾	(1,073.5)	(8.7)	(193.7)	(54.6)	(10.9)	(1,341.4)
Exchange rate movements	(4.5)	–	(26.2)	(10.5)	(2.1)	(43.3)
At 31 December 2020	9,529.9	149.9	1,521.0	775.0	129.0	12,104.8
Additions	176.2	10.7	109.8	73.3	7.0	377.0
Modifications ⁽²⁾	478.9	–	–	–	–	478.9
Acquisition of subsidiaries	78.3	–	23.1	1.7	–	103.1
Disposals ⁽⁴⁾	(851.8)	(0.1)	(146.4)	(33.0)	(5.4)	(1,036.7)
Exchange rate movements	(123.2)	–	(22.8)	(6.1)	(2.3)	(154.4)
At 31 December 2021	9,288.3	160.5	1,484.7	810.9	128.3	11,872.7
Accumulated depreciation						
At 1 January 2020	3,522.0	6.8	703.7	422.4	101.9	4,756.8
Charge for the year ⁽³⁾⁽⁶⁾	946.0	2.5	173.8	54.1	9.9	1,186.3
Disposals ⁽⁴⁾⁽⁵⁾	(736.5)	(0.7)	(108.1)	(46.4)	(10.2)	(901.9)
Impairment	163.9	–	82.1	–	–	246.0
Exchange rate movements	(12.4)	0.1	(16.0)	(9.3)	(0.7)	(38.3)
At 31 December 2020	3,883.0	8.7	835.5	420.8	100.9	5,248.9
Charge for the year ⁽³⁾⁽⁶⁾	892.9	2.6	134.0	58.1	8.3	1,095.9
Disposals ⁽⁴⁾⁽⁵⁾	(675.1)	(0.1)	(67.0)	(23.7)	(4.5)	(770.4)
Net reversal of impairment ⁽⁷⁾	(46.8)	–	(7.4)	–	–	(54.2)
Exchange rate movements	(19.8)	(0.1)	1.9	(4.0)	(2.0)	(24.0)
At 31 December 2021	4,034.2	11.1	897.0	451.2	102.7	5,496.2
Net book value						
At 1 January 2020	5,917.4	149.6	765.8	327.3	30.6	7,190.7
At 31 December 2020	5,646.9	141.2	685.5	354.2	28.1	6,855.9
At 31 December 2021	5,254.1	149.4	587.7	359.7	25.6	6,376.5

1. Right-of-use assets consist of property related leases.

2. Modifications includes lease modifications and extensions.

3. Includes depreciation expenses related to discontinued operations for right-of-use assets of £13.1m (2020: £26.9m) and other property, plant and equipment of £2.0m (2020: £4.6m).

4. Includes disposals related to discontinued operations for right-of-use assets of £38.8m (2020: £0.7m) and other property, plant and equipment of £24.4m (2020: £1.2m).

5. Disposals is net of £18.6m (2020: £nil) in respect of COVID-19 related adjusting items previously provided for (note 10).

6. Depreciation is net of £25.2m (2020: £nil) in respect of COVID-19 related adjusting items previously provided for (note 10).

7. The reversal of impairment of £54.2m includes an additional COVID-19 related impairment of £69.7m (2020: £244.8m), offset by the reversal of £151.1m (2020: £nil) previously provided for (note 10).

The key assumptions and methodology in calculating right-of-use assets and the corresponding lease liability remain consistent with those noted in notes 1 and 32.

Impairment tests for property, plant and equipment (including right-of-use assets) are performed on a cash-generating unit basis when impairment triggers arise. Cash-generating units (CGUs) are defined as individual business centres, being the smallest identifiable group of assets that generate cash flows that are largely independent of other groups of assets. The Group assesses whether there is an indication that a CGU may be impaired, including persistent operating losses, net cash outflows and poor performance against forecasts. During the year, and as a direct result of the challenging economic circumstances arising from COVID-19, this gave rise to impairment tests in relation to various centres where impairment indicators were identified.

The recoverable amounts of property, plant and equipment are based on the higher of fair value less costs to sell and value in use. The Group considered both fair value less costs to dispose and value in use in the impairment testing on a centre by centre level, on a basis consistent with the impairment testing described in note 13. Impairment charges are recognised within cost of sales in the consolidated income statement. In 2021, the Group recorded a net reversal of impairment charges of £46.8m (2020: charge of £163.9m) in respect of right-of-use assets and a net reversal of £7.4m (2020: charge of £82.1m) in respect of leasehold improvements.

16. Other long-term receivables

	2021 £m	2020 £m
Deposits held by landlords against rent obligations	49.5	54.5
Other receivables	0.2	0.5
Amounts owed by joint ventures	–	–
Total non-current	49.7	55.0

17. Trade and other receivables

	2021 £m	2020 £m
Trade receivables, net	262.4	285.1
Prepayments and accrued income	133.7	128.4
Acquired debt receivable	–	276.2
Other receivables	145.5	106.0
Partner contributions receivables	30.2	33.8
VAT recoverable	159.4	171.8
Deposits held by landlords against rent obligations	3.0	2.4
Total current	734.2	1,003.7

The amount of £276.2m recognised in 2020, related to mezzanine and senior debt in an acquisition target that the Group did not control as at 31 December 2020. This classification as a current asset reflected the status of the counterparty in default and that the debt was technically repayable on demand. The balances were recognised at amortised cost of £276.2m at 31 December 2020 as the acquisition did not complete. The debts were fully repaid to the Group in February 2021.

18. Trade and other payables (including customer deposits)

	2021 £m	2020 £m
Customer deposits	384.5	423.6
Other accruals	188.5	160.0
Trade payables	167.4	270.7
VAT payable	104.1	125.6
Other payables	67.2	12.9
Other tax and social security	14.9	14.8
Total current	926.6	1,007.6

During 2021 the Group conducted a review of its customer deposits for inactive customer accounts. Based on this review, the Group has released the financial liabilities in respect of such deposits where the obligation qualifies for derecognition. The effect of these changes was an increase in operating profit of £21.9m in 2021.

19. Borrowings

The Group's total loan and borrowing position at 31 December 2021 and at 31 December 2020 had the following maturity profiles:

Bank and other loans

	2021 £m	2020 £m
Repayments falling due as follows:		
In more than one year but not more than two years	4.7	6.6
In more than two years but not more than five years ⁽¹⁾	446.5	392.8
In more than five years	2.1	0.8
Total non-current	453.3	400.2
Total current	21.5	21.9
Total bank and other loans	474.8	422.1

1. Includes convertible bond debt of £308.3m (2020: £298.8m).

The Group issued £350.0m convertible bonds in December 2020, raising £343.2m, net of transaction fees. At the date of issue, the convertible bonds were bifurcated between:

- A financial liability recognised at amortised cost of £298.2m, by using the discounted cash flow of interest payments and the bonds' nominal value; and subsequently remeasured at amortised cost of £308.3m (2020: £298.8m) at 31 December 2021. The financial liability is included in the above, falling due in more than two but not more than five years.
- A derivative financial liability of £51.8m, not being closely related to the host financial liability, was recognised separately and measured at fair value through profit or loss (note 24). A gain has been recognised at 31 December 2021 of £22.5m (2020: £2.4m) through net finance expenses, resulting in a year-end liability of £26.9m (2020: £49.4m).

Further information regarding the committed borrowings and the convertible bonds can be found on page 149 in note 24.

20. Provisions

	2021			2020		
	Closures £m	Other £m	Total £m	Closures £m	Other £m	Total £m
At 1 January	23.9	7.1	31.0	13.0	2.8	15.8
Acquired in the period	–	4.3	4.3	–	–	–
Provided in the period	12.4	2.7	15.1	40.3	4.5	44.8
Utilised in the period ⁽¹⁾	(22.5)	(6.5)	(29.0)	(29.0)	–	(29.0)
Exchange rate movements	(0.6)	(0.2)	(0.8)	(0.4)	(0.2)	(0.6)
At 31 December	13.2	7.4	20.6	23.9	7.1	31.0
Analysed between:						
Current	0.8	7.4	8.2	11.5	6.0	17.5
Non-current	12.4	–	12.4	12.4	1.1	13.5
At 31 December	13.2	7.4	20.6	23.9	7.1	31.0

1. Includes provisions release related to discontinued operations of £0.2m (2020: £nil).

Closures

Provisions for closures relate to the expected costs of centre closures, including restructuring costs. Impairments of right-of-use assets and property, plant and equipment (note 15) are not included above.

Other

Other provisions include the estimated costs of claims against the Group outstanding at 31 December 2021, of which, due to their nature, the maximum period over which they are expected to be utilised is uncertain.

The Group is involved in various disputes, primarily related to potential lease obligations, some of which are in the course of litigation. Where there is a dispute and where, based on legal counsel advice, the Group estimates that it is probable that the dispute will result in an outflow of economic resources, provision is made based on the Group's best estimate of the likely financial outcome. Where a reliable estimate cannot be made, or where the Group, based on legal counsel advice, considers that it is not probable that there will be an outflow of economic resources, no provision is recognised. There are no disputes which are expected to have a material impact on the Group.

21. Investments in joint ventures

	Investments in joint ventures £m	Provision for deficit in joint ventures £m	Total £m
At 1 January 2020	13.8	(2.9)	10.9
Share of loss	(0.9)	(1.7)	(2.6)
Disposals	(1.6)	–	(1.6)
Exchange rate movements	–	–	–
At 31 December 2020	11.3	(4.6)	6.7
Acquisition of joint ventures ⁽¹⁾	33.4	–	33.4
Share of loss	0.1	(2.3)	(2.2)
Exchange rate movements	0.1	0.4	0.5
At 31 December 2021	44.9	(6.5)	38.4

1. The acquisition of joint ventures was settled via a non-cash transaction of £33.4m.

The Group has 82 centres operating under joint venture agreements (2020: 46) at the reporting date, all of which are individually immaterial. The Group has a legal obligation in respect of its share of any deficits recognised by these operations.

The results of the joint ventures below are the full-year results of the joint ventures and do not represent the effective share:

	2021 £m	2020 £m
Income statement		
Revenue	35.3	28.3
Expenses	(38.2)	(36.9)
Loss before tax for the year	(2.9)	(8.6)
Tax charge	(0.4)	(0.7)
Loss after tax for the year	(3.3)	(9.3)
Balance sheet		
Non-current assets	136.9	43.1
Current assets	168.6	50.8
Current liabilities	(160.1)	(68.8)
Non-current liabilities	(125.6)	(36.4)
Net assets/(liabilities)	19.8	(11.3)

22. Share capital

Ordinary equity share capital

	2021		2020	
	Number	Nominal value £m	Number	Nominal value £m
Authorised				
Ordinary 1p shares in IWG plc at 1 January	8,000,000,000	80.0	8,000,000,000	80.0
Ordinary 1p shares in IWG plc at 31 December	8,000,000,000	80.0	8,000,000,000	80.0
Issued and fully paid up				
Ordinary 1p shares in IWG plc at 1 January	1,057,248,651	10.5	923,357,438	9.2
Ordinary 1p shares issued for cash in the year	–	–	133,891,213	1.3
Ordinary 1p shares in IWG plc at 31 December	1,057,248,651	10.5	1,057,248,651	10.5

On 28 May 2020 the Group announced the placement of 133,891,213 new ordinary shares, with a par value of 1.0 pence each. The price of 239.0 pence represented a discount of 8.1% to the middle market closing price of 260.2 pence on 27 May 2020, with the Group recognising net proceeds of £313.9m, with share premium of £312.6m recognised.

Treasury share transactions involving IWG plc shares between 1 January 2021 and 31 December 2021

During the year, nil shares were purchased in the open market and 49,832,721 treasury shares held by the Group were utilised to satisfy the exercise of share awards by employees. As at 8 March 2022, 49,832,721 treasury shares were held. The holders of ordinary shares in IWG plc are entitled to receive such dividends as are declared by the Company and are entitled to one vote per share at meetings of the Company. Treasury shares do not carry such rights until reissued.

	2021		2020	
	Number of shares	£m	Number of shares	£m
1 January	50,677,280	154.1	39,055,369	116.9
Purchase of treasury shares in IWG plc	–	–	13,590,080	43.7
Treasury shares in IWG plc utilised	(844,559)	(2.8)	(1,968,169)	(6.5)
31 December	49,832,721	151.3	50,677,280	154.1

23. Net debt analysis

	Cash and cash equivalents £m	Gross cash £m	Debt due within one year £m	Debt due after one year ⁽²⁾⁽³⁾ £m	Lease due within one year ⁽¹⁾ £m	Lease due after one year ⁽¹⁾ £m	Gross debt £m	Net debt £m	Derivative liability £m	Total £m
At 1 January 2020	66.6	66.6	(9.7)	(351.0)	(977.4)	(5,568.6)	(6,906.7)	(6,840.1)	(0.2)	(6,840.3)
Cash flow	(0.7)	(0.7)	(13.1)	(45.0)	151.6	995.1	1,088.6	1,087.9	(51.8)	1,036.1
Non-cash movements ⁽⁴⁾	–	–	–	(0.5)	(200.5)	(965.4)	(1,166.4)	(1,166.4)	2.4	(1,164.0)
Exchange rate movements	5.1	5.1	0.9	(3.7)	6.7	–	3.9	9.0	–	9.0
At 31 December 2020	71.0	71.0	(21.9)	(400.2)	(1,019.6)	(5,538.9)	(6,980.6)	(6,909.6)	(49.6)	(6,959.2)
Cash flow	5.0	5.0	1.1	(37.5)	149.1	882.8	995.5	1,000.5	0.2	1,000.7
Non-cash movements ⁽⁴⁾	–	–	(0.9)	(15.5)	(81.6)	(630.7)	(728.7)	(728.7)	22.5	(706.2)
Exchange rate movements	1.8	1.8	0.2	(0.1)	19.6	98.1	117.8	119.6	–	119.6
At 31 December 2021	77.8	77.8	(21.5)	(453.3)	(932.5)	(5,188.7)	(6,596.0)	(6,518.2)	(26.9)	(6,545.1)

1. There are no significant lease commitments for leases not commenced at 31 December 2021.

2. Includes £308.3m (2020: £298.8m) convertible bond liability.

3. Excludes the convertible bond derivative liability element at 31 December 2021 of £26.9m (2020: £49.4m) and a cash flow hedging liability at 31 December 2021 of £nil (2020: £0.2m).

4. Includes early termination of lease liabilities of £231.7m (2020: £362.8m) of which £52.3m (2020: £0.8m) is related to discontinued operations.

Cash and cash equivalent balances held by the Group that are not available for use amounted to £7.4m at 31 December 2021 (2020: £4.1m). Of this balance, £2.6m (2020: £1.6m) is pledged as security against outstanding bank guarantees and a further £4.8m (2020: £2.5m) is pledged against various other commitments of the Group.

Cash flows on lease liabilities consist of principal payments of £864.8m (2020: £897.3m) and interest payments of £167.1m (2020: £249.4m). Total cash outflows of £1,094.7m (2020: £1,211.6m) for leases, including variable payments of £62.8m (2020: £64.9m), were incurred in the year.

Non-cash movements of £712.3m (2020: £1,165.9m) represent the movements on lease liabilities in relation to new leases, lease modifications/re-measurements and lease cessations.

Cash flows on debt due within, and after, one year relate to movements in the revolving credit facility and other borrowings. These net movements align with the activities reported in the cash flow statement after taking into consideration the £26.9m (2020: £49.4m) derivative liability and a £nil (2020: £0.2m) cash flow hedging liability recognised separately.

23. Net debt analysis (continued)

The following amounts are included in the Group's consolidated financial statements in respect of its leases:

	2021	2020
Depreciation charge for right-of-use assets	(892.9)	(946.0)
Principal lease liability repayments	(864.8)	(897.3)
Interest expense on lease liabilities	(167.1)	(249.4)
Expenses relating to leases of low-value assets that are not shown above as short-term leases	1.0	3.4
Expenses relating to variable lease payments not included in lease liabilities	62.8	64.9
Total cash outflow for leases comprising interest and capital payments	1,031.9	1,146.7
Additions to right-of-use assets	176.2	501.4
Acquired right-of-use assets	78.3	3.0

24. Financial instruments and financial risk management

The objectives, policies and strategies applied by the Group with respect to financial instruments and the management of capital are determined at Group level. The Group's Board maintains responsibility for the risk management strategy of the Group and the Chief Financial Officer is responsible for policy on a day-to-day basis. The Chief Financial Officer and Group Treasurer review the Group's risk management strategy and policies on an ongoing basis. The Board has delegated to the Group Audit Committee the responsibility for applying an effective system of internal control and compliance with the Group's risk management policies.

Exposures to credit, interest rate and currency risks arise in the normal course of business.

Going concern

The Strategic Report on pages 1 to 75 sets out the Group's strategy and the factors that are likely to affect the future performance and position of the business. The financial review on pages 46 to 51 within the Strategic Report reviews the trading performance, financial position and cash flows of the Group. The Group's net debt position decreased by £391.4m (2020: increased by £69.5m) to a net debt position of £6,518.2m (2020: £6,909.6m) as at 31 December 2021. Excluding the IFRS 16 lease liabilities, the net debt position increased to £397.0m (2020: £351.1m). The investment in growth is funded by a combination of cash flow generated from the Group's mature business centres, cash consideration received in franchising the business and debt. The Group had a £950.0m revolving credit facility (RCF) provided by a group of relationship banks with a final maturity in 2025 with an option to extend until 2026. As at 31 December 2021, £530.1m (2020: £731.3m) of the RCF was available and undrawn.

Although the Group has net current liabilities of £1,439.4m (2020: £1,330.4m), the Group does not consider that this gives rise to a liquidity risk. A large proportion of the net current liabilities comprise non-cash liabilities such as deferred revenue of £346.4m (2020: £328.9m) which will be recognised in future periods through the income statement. The Group holds customer deposits of £384.5m (2020: £423.6m) which are spread across a large number of customers and no deposit held for an individual customer is material. Therefore, the Group does not believe the net current liabilities represents a liquidity risk.

Subsequent events

In February 2022, the £950.0m revolving credit facility was reduced to £750.0m, with an unchanged maturity date in 2025. The facility is subject to financial covenants which include EBITDA, minimum liquidity, interest cover and net debt to EBITDA ratio.

The Directors performed an updated going concern assessment to reflect the impact of the amended revolving credit facility and concluded that the facility remains sufficient for the Group to retain sufficient cash reserves to continue as a going concern, for a period of at least 12 months from the date of approval of these group consolidated financial statements.

In addition, a £330m bridge facility for The Instant Group acquisition has been agreed. The bridge facility has a maturity in September 2023. This facility is secured and is subject to interest cover and net debt to EBITDA covenants.

Credit risk

Credit risk could occur where a customer or counterparty defaults under the contractual terms of a financial instrument and arises principally in relation to customer contracts and the Group's cash deposits.

A diversified customer base, requirement for customer deposits, and payments in advance on workstation contracts minimise the Group's exposure to customer credit risk. No single customer contributes a material percentage of the Group's revenue. The Group's policy is to provide against trade receivables when specific debts are judged to be irrecoverable or where formal recovery procedures have commenced. Trade debtors that are more than three months overdue are considered to be in default and therefore, under the simplified lifetime approach, are impaired in full. This reflects the Group's experience of the likelihood of recoverability of these trade receivables based on both historical and forward-looking information. These provisions, which take into consideration any customer deposits held, are reviewed on an ongoing basis to assess changes in the likelihood of recoverability.

The Group has assessed the other receivable balances for expected credit losses, with no expected credit losses recognised due to the nature and default history of these items.

The maximum exposure to credit risk for trade receivables at the reporting date, not taking into account customer deposits held, analysed by geographic region, is summarised below.

	2021 £m	2020 £m
Americas	103.7	113.6
EMEA	88.5	82.7
Asia Pacific	21.9	31.6
United Kingdom	48.3	57.2
	262.4	285.1

All of the Group's trade receivables relate to customers purchasing workplace solutions and associated services and no individual customer has a material balance owing as a trade receivable.

The ageing of trade receivables at 31 December was:

	Gross 2021 £m	Provision 2021 £m	Gross 2020 £m	Provision 2020 £m
Not overdue	219.9	–	161.5	–
Past due 0 – 30 days	20.8	–	27.9	–
Past due 31 – 60 days	7.3	–	16.9	–
Past due 61 – 90 days	4.3	–	3.9	–
Past due more than 90 days	37.7	(27.6)	100.6	(25.7)
	290.0	(27.6)	310.8	(25.7)

The Group conducted a review of the expected credit risk associated with accounts receivable balances during 2021. This review was performed in response to changing commercial circumstances, with the Group recognising an increase in the expected credit losses of £6.1m.

At 31 December 2021, the Group maintained a provision of £27.6m for expected credit losses (2020: £25.7m) arising from trade receivables. The Group had provided £99.5m (2020: £34.8m) in the year, utilised £97.6m (2020: £16.8m) and released £nil (2020: £nil). Customer deposits of £384.5m (2020: £423.6m) are held by the Group, mitigating the risk of default.

IFRS 9 requires the Group to record expected credit losses on all of its receivables, either on a 12-month or lifetime basis. The Group has applied the simplified approach to all trade receivables, which requires the recognition of the expected credit loss based on the lifetime expected losses. The expected credit loss is mitigated through the invoicing of contracted services in advance and customer deposits.

Cash investments and derivative financial instruments are only transacted with counterparties of sound credit ratings, and management does not expect any of these counterparties to fail to meet their obligations.

Liquidity risk

Liquidity risk represents the risk that the Group will not be able to meet its obligations as they fall due. The Group manages liquidity risk by closely monitoring the global cash position, the available and undrawn credit facilities, and forecast capital expenditure and expects to have sufficient liquidity to meet its financial obligations as they fall due. In response to the COVID-19 pandemic, the Group continues to focus on cash generation by reducing cost, renegotiating rents and rationalising the network, resulting in short or long-term cash benefits. The Group has free cash and liquid investments (excluding blocked cash) of £70.4m (2020: £66.9m). In addition to cash and liquid investments, the Group had £530.1m (2020: £731.3m) available and undrawn under its committed borrowings. The Directors consider the Group has adequate liquidity to meet day-to-day requirements.

The Group maintained a revolving credit facility provided by a group of international banks. At 31 December 2021, the amount of the facility remained £950.0m (2020: £950.0m) and the final maturity was extended in March 2020 to March 2025 with an option to extend until 2026.

Subsequent events

In February 2022, the £950m revolving credit facility was reduced to £750m, with an unchanged maturity date in 2025. The facility is subject to financial covenants which include EBITDA, minimum liquidity, interest cover and net debt to EBITDA ratio.

The Directors performed an updated going concern assessment to reflect the impact of the amended revolving credit facility and concluded that the facility remains sufficient for the Group to retain sufficient cash reserves to continue as a going concern, for a period of at least 12 months from the date of approval of these group consolidated financial statements.

In addition, a £330m bridge facility for The Instant Group acquisition has been agreed. The bridge facility has a maturity in September 2023. This facility is secured and is subject to interest cover and net debt to EBITDA covenants.

The Group actively reviews its exposure to interest rate movements. The issuance of the fixed rate convertible bond significantly reduces the Group's exposure to an increase in interest rates. The final interest rate swap taken to hedge against the floating interest rate obligations of debt drawn under the revolving credit facility matured in February 2021. This had a nominal amount of £30.0m and a fixed rate of 1.2%.

24. Financial instruments and financial risk management (continued)**Market risk**

The Group is exposed to market risk primarily related to foreign currency exchange rates, interest rates and the market value of our investments in financial assets. These exposures are actively managed by the Group Treasurer and Chief Financial Officer in accordance with a written policy approved by the Board of Directors. The Group does not use financial derivatives for trading or speculative reasons.

Interest rate risk

The Group manages its exposure to interest rate risk through the relative proportions of fixed rate debt and floating rate debt. Any surplus cash balances are invested short term, and at the end of 2021 no cash was invested for a period exceeding three months (2020: £nil).

Foreign currency risk

The Group is exposed to foreign currency exchange rate movements. The majority of day-to-day transactions of overseas subsidiaries are carried out in local currency and the underlying foreign exchange exposure is small. Transactional exposures do arise in some countries where it is local market practice for a proportion of the payables or receivables to be in other than the functional currency of the affiliate. Intercompany charging, funding and cash management activity may also lead to foreign exchange exposures. It is the policy of the Group to seek to minimise such transactional exposures through careful management of non-local currency assets and liabilities, thereby minimising the potential volatility in the income statement. Net investments in IWG affiliates with a functional currency other than pounds sterling are of a long-term nature and the Group does not normally hedge such foreign currency translation exposures.

The principal exposures of the Group are to the US dollar and the euro, with approximately 35% (2020: 37%) of the Group's revenue being attributable to the US dollar and 23% (2020: 22%) to the euro.

From time to time the Group uses short-term derivative financial instruments to manage its transactional foreign exchange exposures where these exposures cannot be eliminated through balancing the underlying risks. No transactions of a speculative nature are undertaken.

The foreign currency exposure arising from open third-party transactions held in a currency other than the functional currency of the related entity is summarised as follows:

£m	2021		
	GBP	EUR	USD
Trade and other receivables	–	2.3	0.4
Trade and other payables	(0.9)	(8.6)	0.2
Net statement of financial position exposure	(0.9)	(6.3)	0.6

£m	2020		
	GBP	EUR	USD
Trade and other receivables	0.1	1.8	1.3
Trade and other payables	(0.4)	(4.1)	(1.8)
Net statement of financial position exposure	(0.3)	(2.3)	(0.5)

Other market risks

The Group does not hold any equity securities for fair value measurement under IFRS 9 and is therefore not subject to risks of changes in equity prices in the income statement.

Sensitivity analysis

For the year ended 31 December 2021, it is estimated that a general increase of one percentage point in interest rates would have increased the Group's loss before tax by approximately £1.2m (2020: £1.8m) with a corresponding decrease in total equity.

It is estimated that a five-percentage point weakening in the value of the US dollar against pounds sterling would have increased the Group's loss before tax by approximately £1.5m for the year ended 31 December 2021 (2020: £2.9m). It is estimated that a five-percentage point weakening in the value of the euro against pounds sterling would have increased the Group's loss before tax by approximately £0.4m for the year ended 31 December 2021 (2020: £1.0m).

It is estimated that a five-percentage point weakening in the value of the US dollar against pounds sterling would have decreased the Group's total equity by approximately £8.0m for the year ended 31 December 2021 (2020: £6.3m). It is estimated that a five-percentage point weakening in the value of the euro against pounds sterling would have decreased the Group's total equity by approximately £4.5m for the year ended 31 December 2021 (2020: £5.4m).

Capital management

The Group's parent company is listed on the UK stock exchange and the Board's policy is to maintain a strong capital base. The Chief Financial Officer monitors the diversity of the Group's major shareholders and further details of the Group's communication with key investors can be found in the Corporate Governance Report on page 78. In 2006, the Board approved the commencement of a progressive dividend policy to enhance the total return to shareholders.

The Group's Chief Executive Officer, Mark Dixon, is a major shareholder of the Company. Details of the Directors' shareholdings can be found in the Directors' Remuneration report on pages 94 to 108. In addition, the Group operates various share option plans for key management and other senior employees.

Treasury share transactions involving IWG plc shares between 1 January 2021 and 31 December 2021

During the year, no shares were purchased in the open market and 844,559 treasury shares held by the Group were utilised to satisfy the exercise of share awards by employees. As at 31 December 2021, 49,832,721 treasury shares were held.

The Company declared and paid no interim dividend per share during the year ended 31 December 2021 (2020: nil pence) and proposed no final dividend per share (2020: nil pence per share).

The Group's objective when managing capital (equity and borrowings) is to safeguard the Group's ability to continue as a going concern and to maintain an optimal capital structure to reduce the cost of capital.

Effective interest rates

In respect of financial assets and financial liabilities, the following table indicates their effective interest rates at the balance sheet date and the periods in which they mature.

Except for lease liabilities and the convertible bond, the undiscounted cash flow and fair values of these instruments is not materially different from the carrying value.

As at 31 December 2021

	Effective interest rate %	Carrying value £m	Contractual cash flow £m	Less than 1 year £m	1-2 years £m	2-5 years £m	More than 5 years £m
Cash and cash equivalents	0.0%	77.8	77.8	77.8	–	–	–
Trade and other receivables ⁽¹⁾	–	600.5	600.5	600.5	–	–	–
Other long-term receivables	–	49.7	49.7	–	25.0	24.7	–
Financial assets⁽²⁾		728.0	728.0	678.3	25.0	24.7	–
Non-derivative financial liabilities ⁽³⁾ :							
Bank loans and corporate borrowings	4.0%	(136.5)	(136.5)	(0.2)	(0.3)	(136.0)	–
Convertible bonds – debt host	3.8%	(308.3)	(357.2)	(1.8)	(1.8)	(353.6)	–
Lease liabilities	3.3%	(6,121.2)	(7,869.2)	(1,094.7)	(1,068.9)	(2,564.0)	(3,141.6)
Other loans	0.0%	(30.0)	(30.0)	(21.3)	(4.4)	(2.2)	(2.1)
Contingent consideration on acquisitions	–	(6.8)	(6.8)	(6.8)	–	–	–
Trade and other payables	–	(919.8)	(919.8)	(919.8)	–	–	–
Other long-term payables	–	(5.6)	(5.6)	–	(5.6)	–	–
Derivative financial liabilities:							
Convertible bonds – embedded conversion option	–	(26.9)	(26.9)	–	–	(26.9)	–
Interest rate swaps							
– Outflow	–	–	–	–	–	–	–
– Inflow	–	–	–	–	–	–	–
Financial liabilities		(7,555.1)	(9,352.0)	(2,044.6)	(1,081.0)	(3,082.9)	(3,143.7)

24. Financial instruments and financial risk management (continued)**As at 31 December 2020**

	Effective interest rate %	Carrying value £m	Contractual cash flow £m	Less than 1 year £m	1-2 years £m	2-5 years £m	More than 5 years £m
Cash and cash equivalents	0.1%	71.0	71.0	71.0	–	–	–
Trade and other receivables ⁽¹⁾	–	875.3	875.3	875.3	–	–	–
Other long-term receivables	–	55.0	55.0	–	27.8	27.2	–
Financial assets⁽²⁾		1,001.3	1,001.3	946.3	27.8	27.2	–

Non-derivative financial liabilities⁽³⁾:

Bank loans and corporate borrowings	2.8%	(91.7)	(91.7)	–	(1.0)	(90.7)	–
Convertible bonds – debt host	3.8%	(298.8)	(358.8)	(1.8)	(1.8)	(355.2)	–
Lease liabilities	3.4%	(6,558.5)	(9,073.8)	(1,159.3)	(1,074.1)	(2,538.7)	(4,301.7)
Other loans	1.2%	(31.6)	(31.6)	(21.9)	(5.6)	(3.3)	(0.8)
Trade and other payables	–	(1,007.6)	(1,007.6)	(1,007.6)	–	–	–
Other long-term payables	–	(5.9)	(5.9)	–	(5.9)	–	–
Derivative financial liabilities:							
Convertible bonds – embedded conversion option	–	(49.4)	(49.4)	–	–	(49.4)	–
Interest rate swaps							
– Outflow	–	(0.2)	(0.2)	(0.2)	–	–	–
– Inflow	–	–	–	–	–	–	–
Financial liabilities	–	(8,043.7)	(10,619.0)	(2,190.8)	(1,088.4)	(3,037.3)	(4,302.5)

1. Excluding prepayments.

2. Financial assets are all held at amortised cost.

3. All financial instruments are classified as variable rate instruments.

Fair value disclosures

The fair values together with the carrying amounts shown in the balance sheet are as follows:

31 December 2021

£m	Carrying amount				Fair value			
	Cash, loans and receivables	Other financial liabilities	Cash flow – hedging instruments	Total	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	77.8	–	–	77.8	–	–	–	–
Trade and other receivables	600.5	–	–	600.5	–	–	–	–
Other long-term receivables	49.7	–	–	49.7	–	–	–	–
Derivative financial liabilities	–	(26.9)	–	(26.9)	–	–	(26.9)	(26.9)
Convertible bonds	–	(308.3)	–	(308.3)	–	–	(308.3)	(308.3)
Bank loans and corporate borrowings	–	(136.5)	–	(136.5)	–	–	–	–
Other loans	–	(30.0)	–	(30.0)	–	–	–	–
Contingent consideration on acquisitions	–	(6.8)	–	(6.8)	–	–	(6.8)	(6.8)
Trade and other payables	–	(919.8)	–	(919.8)	–	–	–	–
Other long-term payables	–	(5.6)	–	(5.6)	–	–	–	–
	728.0	(1,433.9)	–	(705.9)	–	–	(342.0)	(342.0)

31 December 2020

£m	Carrying amount				Fair value			
	Cash, loans and receivables	Other financial liabilities	Cash flow – hedging instruments	Total	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	71.0	–	–	71.0	–	–	–	–
Trade and other receivables	875.3	–	–	875.3	–	276.2	–	276.2
Other long-term receivables	55.0	–	–	55.0	–	–	–	–
Derivative financial liabilities	–	(49.4)	(0.2)	(49.6)	–	(0.2)	(49.4)	(49.6)
Convertible bonds	–	(298.8)	–	(298.8)	–	–	(298.8)	(298.8)
Bank loans and corporate borrowings	–	(91.7)	–	(91.7)	–	–	–	–
Other loans	–	(31.6)	–	(31.6)	–	–	–	–
Trade and other payables	–	(1,007.6)	–	(1,007.6)	–	–	–	–
Other long-term payables	–	(5.9)	–	(5.9)	–	–	–	–
	1,001.3	(1,485.0)	(0.2)	(483.9)	–	276.0	(348.2)	(72.2)

Included within other receivables is £nil (2020: £276.2m) relating to mezzanine and senior debts acquired in December 2020. The balances have been recognised at fair value of £nil (2020: £276.2m) at 31 December 2021. The mezzanine and senior debt receivable balances was settled in full in February 2021.

At the date of issue, the £350.0m was bifurcated at £298.2m and £51.8m between corporate borrowings (debt) and a derivative financial liability respectively. At 31 December 2021, the debt was valued at its amortised cost, £308.4m (2020: £298.8m) and the derivative liability at its fair value, £26.9m (2020: £49.4m).

During the years ended 31 December 2021 and 31 December 2020, there were no transfers between levels for fair value measured instruments.

Valuation techniques

When measuring the fair value of an asset or a liability, the Group uses market observable data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- Level 1: quoted prices in active markets for identical assets or liabilities;
- Level 2: inputs other than quoted prices included in level 1 that are observable for the asset or liability, either directly or indirectly; and
- Level 3: inputs for the asset or liability that are not based on observable market data.

The following tables show the valuation techniques used in measuring level 3 fair values and methods used for financial assets and liabilities not measured at fair value:

Type	Valuation technique
Cash and cash equivalents, trade and other receivables/payables, customer deposits, contingent consideration and investment loan receivables	For cash and cash equivalents, receivables/payables with a remaining life of less than one year and customer deposits, the book value approximates the fair value because of their short-term nature.
Loans, overdrafts and debt element of convertible bonds	The fair value of bank loans, overdrafts and other loans approximates the carrying value because interest rates are at floating rates where payments are reset to market rates at intervals of less than one year.
Foreign exchange contracts, interest rate swaps and derivative element of convertible bonds	The fair values are based on a combination of broker quotes, forward pricing, and swap models. The fair value of the derivative element of convertible bonds has been calculated with reference to unobservable credit spreads.

Derivative financial instruments

The following table summarises the notional amount of the open contracts as at the reporting date:

	2021 £m	2020 £m
Derivatives used for cash flow hedging	–	30.0

Committed borrowings

	2021 Facility £m	2021 Available £m	2020 Facility £m	2020 Available £m
Revolving credit facility	950.0	530.1	950.0	731.3

The Group maintains a revolving credit facility provided by a group of international banks. At 31 December 2021, the amount of the facility remains £950.0m (2020: £950.0m) and the final maturity was extended in March 2020 to March 2025 with an option to extend until 2026. As at 31 December, £530.1m (2020: £731.3m) was available and undrawn under this facility.

The £950.0m revolving credit facility was subject to financial covenants. In April 2021 the Group agreed revised covenants for the period to June 2022 relating to EBITDA and liquidity headroom. The Group was in compliance with its covenants up to the date of the amendment of the covenants and is in compliance with the amended covenant requirements.

Subsequent events

In February 2022, the £950.0m revolving credit facility was reduced to £750.0m, with an unchanged maturity date in 2025. The facility is subject to financial covenants which include EBITDA, minimum liquidity, interest cover and net debt to EBITDA ratio.

In addition, a £330m bridge facility for The Instant Group acquisition has been agreed. The bridge facility has a maturity in September 2023. This facility is secured and is subject to interest cover and net debt to EBITDA covenants.

The Group actively reviews its exposure to interest rate movements. The issuance of the fixed rate convertible bond significantly reduces the Group's exposure to an increase in interest rates.

Convertible bonds

In December 2020 the Group issued a £350.0m convertible bond, issued by IWG Group Holdings Sarl and transferred in the year to IWG International Holdings Sarl, a subsidiary of the Group and guaranteed by IWG plc, which is due for repayment in 2027 if not previously converted into shares. If the conversion option is exercised by the holder of the option, the issuer has the choice to settle by cash or equity shares in the Group. The holders of the bond have the right to put the bonds back to the Group in 2025 at par. The bond carries a fixed coupon of 0.5% per annum. The bond liability is split between corporate borrowings (debt) and a derivative financial liability. At the date of issue, the £350.0m was bifurcated at £298.2m and £51.8m between corporate borrowings (debt) and a derivative financial liability, respectively. At 31 December 2021, the debt was valued at its amortised cost, £308.4m (2020: £298.8m) and the derivative liability at its fair value, £26.9m (2020: £49.4m).

The derivative liability represents a level 3 instrument, which has been valued with reference to the total convertible bond price (a level 1 valuation) minus the level 3 valuation of the debt host. A change of 10 basis points in the credit spread that is indirectly used to value the derivative liability would have increased or decreased profit or loss by £1.2m (2020: £1.1m).

25. Share-based payments

There are three share-based payment plans, details of which are outlined below:

Plan 1: IWG Group Share Option Plan

During 2004 the Group established the IWG Group Share Option Plan that entitles Executive Directors and certain employees to purchase shares in IWG plc. In accordance with this programme, holders of vested options are entitled to purchase shares at the market price of the shares at the day before the date of grant.

The IWG Group also operates the IWG Group Share Option Plan (France) which is included within the numbers for the IWG Share Option Plan disclosed above. The terms of the IWG Share Option Plan (France) are materially the same as the IWG Group Share Option Plan with the exception that they are only exercisable from the fourth anniversary of the date of grant, assuming the performance conditions have been met.

Reconciliation of outstanding share options

	2021		2020	
	Number of share options	Weighted average exercise price per share	Number of share options	Weighted average exercise price per share
At 1 January	42,926,841	184.38	32,511,195	200.34
Granted during the year	3,508,813	313.90	21,248,148	167.62
Lapsed during the year	(2,566,253)	190.35	(9,296,503)	208.41
Exercised during the year	(1,041,658)	142.60	(1,535,999)	145.00
Outstanding at 31 December	42,827,743	195.65	42,926,841	184.38
Exercisable at 31 December	11,694,349	198.51	7,355,419	174.33

Date of grant	Numbers granted	Weighted average exercise price per share	Lapsed	Exercised	At 31 Dec 2021	Exercisable from	Expiry date
13/06/2012	11,189,000	84.95	(3,805,914)	(6,447,899)	935,187 ⁽¹⁾	13/06/2015	13/06/2022
12/06/2013	7,741,000	155.60	(4,306,000)	(2,752,173)	682,827 ⁽¹⁾	12/06/2016	12/06/2023
18/11/2013	600,000	191.90	(575,000)	(25,000)	— ⁽¹⁾	18/11/2016	17/11/2023
18/12/2013	1,000,000	195.00	(833,333)	(166,667)	— ⁽¹⁾	18/12/2016	17/12/2023
20/05/2014	1,845,500	187.20	(1,658,500)	(160,300)	26,700 ⁽¹⁾	20/05/2017	19/05/2024
05/11/2014	12,875,796	186.00	(8,698,738)	(1,646,552)	2,530,506 ⁽²⁾	05/11/2017	04/11/2024
19/05/2015	1,906,565	250.80	(1,829,565)	—	77,000 ⁽²⁾	19/05/2018	18/05/2025
22/12/2015	1,154,646	322.20	(395,186)	(25,000)	734,460 ⁽²⁾	22/12/2018	22/12/2025
29/06/2016	444,196	272.50	(367,735)	(11,009)	65,452 ⁽²⁾	29/06/2019	29/06/2026
28/09/2016	249,589	258.00	(214,313)	(7,055)	28,221 ⁽²⁾	28/09/2019	28/09/2026
01/03/2017	1,200,000	283.70	—	—	1,200,000 ⁽²⁾	01/03/2020	01/03/2027
14/12/2017	1,000,507	197.00	(1,000,507)	—	— ⁽¹⁾	14/12/2020	14/12/2027
10/10/2018	685,127	223.20	(685,127)	—	— ⁽¹⁾	10/10/2021	10/10/2028
21/12/2018 (Grant 1)	300,000	203.10	(75,000)	—	225,000 ⁽²⁾	21/12/2021	21/12/2028
28/12/2018 (Grant 2) ⁽²⁾	20,900,000	199.80	(8,608,330)	—	12,291,670 ⁽²⁾	28/12/2021	28/12/2028
15/05/2019	613,872	341.90	(385,635)	—	228,237 ⁽³⁾	15/05/2022	15/05/2029
13/09/2019	196,608	402.30	(130,508)	—	66,100 ⁽²⁾	13/09/2022	13/09/2029
19/12/2019	108,349	408.60	(81,427)	—	26,922 ⁽³⁾	19/12/2022	19/12/2029
02/04/2020	20,325,000	165.00	(747,500)	—	19,577,500 ⁽³⁾	02/04/2023	02/04/2030
15/05/2020	450,000	202.00	(300,000)	—	150,000 ⁽³⁾	15/05/2023	15/05/2030
05/08/2020	300,000	222.60	—	—	300,000 ⁽³⁾	05/08/2023	05/08/2030
09/09/2020	173,148	291.00	—	—	173,148 ⁽³⁾	09/09/2023	09/09/2030
26/03/2021	466,377	342.80	—	—	466,377 ⁽³⁾	26/03/2024	26/03/2031
11/05/2021	318,645	376.60	—	—	318,645 ⁽³⁾	11/05/2024	11/05/2031
28/06/2021	487,964	307.40	—	—	487,964 ⁽³⁾	28/06/2024	28/06/2031
12/08/2021	580,655	310.00	—	—	580,655 ⁽³⁾	12/08/2024	12/08/2031
10/11/2021	1,500,000	297.70	—	—	1,500,000 ⁽³⁾	10/11/2024	10/11/2031
09/12/2021	155,172	290.00	—	—	155,172 ⁽³⁾	09/12/2024	09/12/2031
Total	88,767,716		(34,698,318)	(11,241,655)	42,827,743		

1. These options have fully vested as of 31 December 2021.

2. The performance targets for these options have been met and they are subject to vesting schedules as described below.

3. These options are subject to performance targets and vesting schedules as described below.

The vesting of share options is subject to an ongoing employment condition. As at 31 December 2021 there were 11,649,349 (2020: 7,355,419) outstanding share options which had fully vested with no further performance or holding period requirements and which had a weighted average exercise price of £198.51 (2020: £174.33).

Performance conditions for share options**May 2015 share options**

The share options outstanding under this grant at 31 December 2021 reflect the options that have been awarded based on achievement against the relevant performance targets and are now vesting ratably over a five-year period beginning May 2020 and ending May 2024.

December 2015 share options

The share options outstanding under this grant at 31 December 2021 reflect the options that have been awarded based on achievement against the relevant performance targets and are now vesting ratably over a five-year period beginning December 2018 and ending December 2022.

June 2016 share options

The share options outstanding under this grant at 31 December 2021 reflect the options that have been awarded based on achievement against the relevant performance targets and are now vesting ratably over a five-year period beginning June 2019 and ending June 2023.

September 2016 share options

The share options outstanding under this grant at 31 December 2021 reflect the options that have been awarded based on achievement against the relevant performance targets and are now vesting ratably over a five-year period beginning September 2019 and ending September 2023.

March 2017 share options

The share options outstanding under this grant at 31 December 2021 reflect the options that have been awarded based on achievement against the relevant performance targets and are now vesting ratably over a three-year period beginning March 2020 and ending March 2022.

December 2018 (Grant 1) share options

The share options outstanding under this grant at 31 December 2021 are subject to the Group ranking at or above the median for TSR performance relative to a comparator group over a period of three years with a minimum performance threshold of achieving a ranking at the median TSR or above and the maximum award being given for exceeding the comparator group median TSR performance by 10% or more. Any shares awarded based on achievement of these performance targets are subject to vesting ratably over a three-year period beginning December 2021 and ending December 2023.

December 2018 (Grant 2) share options

The share options outstanding under this grant at 31 December 2021 reflect the options that have been awarded based on achievement against performance targets and are now subject to vesting ratably over a three-year period beginning December 2021 and ending December 2023.

May 2019 share options

The share options outstanding under this grant at 31 December 2021 are subject to Group performance targets based on Group ranking at or above the median for TSR performance relative to a comparator group over a period of three years. Any shares awarded based on achievement of these performance targets will be subject to vesting ratably over a three-year period beginning May 2022 and ending May 2024.

September 2019 share options

The share options outstanding under this grant at 31 December 2021 are subject to Group performance targets based on Group operating profit and the Group ranking at or above the median for TSR performance relative to a comparator group over a period of three years with a minimum performance threshold of achieving a ranking at the median TSR or above and the maximum award being given for exceeding the comparator group median TSR performance by 10% or more. Any shares awarded based on achievement of these performance targets will be subject to vesting ratably over a five-year period beginning September 2022 and ending September 2026.

December 2019 share options

The share options outstanding under this grant at 31 December 2021 are subject to Group performance targets based on Group operating profit and the Group ranking at or above the median for TSR performance relative to a comparator group over a period of three years with a minimum performance threshold of achieving a ranking at the median TSR or above and the maximum award being given for exceeding the comparator group median TSR performance by 10% or more. Any shares awarded based on achievement of these performance targets will be subject to vesting ratably over a five-year period beginning December 2022 and ending December 2026.

April 2020 share options

The share options outstanding under this grant at 31 December 2021 are subject to performance targets with 50% of the options subject to the achievement of a performance target based on the Group ranking at or above the median for TSR performance relative to a comparator group over a period of three years with a minimum performance threshold of achieving a ranking at the median TSR or above and the maximum award being given for exceeding the comparator group median TSR performance by 10% or more. The remaining 50% of outstanding options are subject to individual and Group franchising targets for a three-year period with a minimum performance threshold based on achieving a minimum level of franchises and the maximum award based on achieving a stretch target for franchises. Any shares awarded based on achievement of these performance targets will then be subject to vesting ratably over a three-year period beginning April 2023 and ending April 2025.

25. Share-based payments (continued)**May 2020 share options**

The share options outstanding under this grant at 31 December 2021 are subject to performance targets with 50% of the options subject to the achievement of a performance target based on the Group ranking at or above the median for TSR performance relative to a comparator group over a period of three years with a minimum performance threshold of achieving a ranking at the median TSR or above and the maximum award being given for exceeding the comparator group median TSR performance by 10% or more. The remaining 50% of outstanding options are subject to individual and Group franchising targets for a three-year period with a minimum performance threshold based on achieving a minimum level of franchises and the maximum award based on achieving a stretch target for franchises. Any shares awarded based on achievement of these performance targets will then be subject to vesting ratably over a three-year period beginning May 2023 and ending May 2025.

August 2020 share options

The share options outstanding under this grant at 31 December 2021 are subject to performance targets with 50% of the options subject to the achievement of a performance target based on the Group ranking at or above the median for TSR performance relative to a comparator group over a period of three years with a minimum performance threshold of achieving a ranking at the median TSR or above and the maximum award being given for exceeding the comparator group median TSR performance by 10% or more. The remaining 50% of outstanding options are subject to individual and Group franchising targets for a three-year period with a minimum performance threshold based on achieving a minimum level of franchises and the maximum award based on achieving a stretch target for franchises. Any shares awarded based on achievement of these performance targets will then be subject to vesting ratably over a three-year period beginning August 2023 and ending August 2025.

September 2020 share options

The share options outstanding under this grant at 31 December 2021 are subject to performance targets with 50% of the options subject to the achievement of a performance target based on the Group ranking at or above the median for TSR performance relative to a comparator group over a period of three years with a minimum performance threshold of achieving a ranking at the median TSR or above and the maximum award being given for exceeding the comparator group median TSR performance by 10% or more. The remaining 50% of outstanding options are subject to individual and Group franchising targets for a three-year period with a minimum performance threshold based on achieving a minimum level of franchises and the maximum award based on achieving a stretch target for franchises. Any shares awarded based on achievement of these performance targets will then be subject to vesting ratably over a three-year period beginning September 2023 and ending September 2025.

March 2021 share options

The share options outstanding under this grant at 31 December 2021 are subject to Group performance targets based on the Group ranking at or above the median for TSR performance relative to a comparator group over a period of three years with a minimum performance threshold of achieving a ranking at the median TSR or above and the maximum award being given for exceeding the comparator group median TSR performance by 10% or more. Any shares awarded based on achievement of these performance targets will then be subject to vesting ratably over a three-year period beginning March 2024 and ending March 2026.

May 2021 share options

The share options outstanding under this grant at 31 December 2021 are subject to Group performance targets based on the Group ranking at or above the median for TSR performance relative to a comparator group over a period of three years with a minimum performance threshold of achieving a ranking at the median TSR or above and the maximum award being given for exceeding the comparator group median TSR performance by 10% or more. Any shares awarded based on achievement of these performance targets will then be subject to vesting ratably over a three-year period beginning May 2024 and ending May 2026.

June 2021 share options

The share options outstanding under this grant at 31 December 2021 are subject to Group performance targets based on the Group ranking at or above the median for TSR performance relative to a comparator group over a period of three years with a minimum performance threshold of achieving a ranking at the median TSR or above and the maximum award being given for exceeding the comparator group median TSR performance by 10% or more. Any shares awarded based on achievement of these performance targets will then be subject to vesting ratably over a three-year period beginning June 2024 and ending June 2026.

August 2021 share options

The share options outstanding under this grant at 31 December 2021 are subject to Group performance targets based on the Group ranking at or above the median for TSR performance relative to a comparator group over a period of three years with a minimum performance threshold of achieving a ranking at the median TSR or above and the maximum award being given for exceeding the comparator group median TSR performance by 10% or more. Any shares awarded based on achievement of these performance targets will then be subject to vesting ratably over a three-year period beginning August 2024 and ending August 2026.

November 2021 share options

The share options outstanding under this grant at 31 December 2021 are subject to performance targets with 17% of the options subject to the achievement of a performance target based on the Group ranking at or above the median for TSR performance relative to a comparator group over a period of three years with a minimum performance threshold of achieving a ranking at the median TSR or above and the maximum award being given for exceeding the comparator group median TSR performance by 10% or more.

Another 17% of the options are subject to individual and Group franchising targets for a three-year period with a minimum performance threshold based on achieving a minimum level of franchises and the maximum award based on achieving a stretch target for franchises.

22% of the options are subject to targets of value returned to shareholders during a two-year period with a minimum performance threshold based on achieving a minimum level of value paid per share to shareholders and the maximum award given for exceeding the maximum level of value paid per share to shareholders.

A further 22% of the options are subject to the date in which the value returned to shareholder targets are achieved during the two-year period with the maximum awarded if the shareholder return targets are achieved by December 2022 and half is awarded if the shareholder return targets are achieved by December 2023.

The remaining 22% of outstanding options are subject to the percentage of shareholder return paid in cash during the two-year period with the maximum awarded if the shareholder return targets are paid 100% in cash and half is awarded if the shareholder return targets are paid by a minimum of 50% in cash. Any shares awarded based on achievement of these performance targets will then be subject to vesting ratably over a three-year period beginning November 2024 and ending November 2026.

December 2021 share options

The share options outstanding under this grant at 31 December 2021 are subject to Group performance targets based on the Group ranking at or above the median for TSR performance relative to a comparator group over a period of three years with a minimum performance threshold of achieving a ranking at the median TSR or above and the maximum award being given for exceeding the comparator group median TSR performance by 10% or more. Any shares awarded based on achievement of these performance targets will then be subject to vesting ratably over a three-year period beginning December 2024 and ending December 2026.

Measurement of fair values

The fair value of the rights granted through the employee share purchase plan was measured based on the Monte Carlo simulation or the Black-Scholes formula. The expected volatility is based on the historic volatility adjusted for any abnormal movement in share prices.

The inputs to the model are as follows:

	December 2021	November 2021	August 2021	June 2021	May 2021	March 2021
Share price on grant date	290.00	297.70	310.00	307.40	376.60	342.80
Exercise price	290.00	297.70	310.00	307.40	376.60	342.80
Expected volatility	53.80% - 56.45%	53.77% - 56.46%	53.67% - 57.07%	53.69% - 58.28%	53.78% - 59.19%	53.64% - 59.13%
Option life	3-7 years	3-7 years	3-7 years	3-7 years	3-7 years	3-7 years
Expected dividend	1.17%	1.17%	1.12%	1.13%	0.96%	1.00%
Fair value of option at time of grant	152.27p - 158.90p	157.28p - 163.15p	163.92p - 171.67p	162.59p - 173.10p	202.75p - 217.81p	183.02p - 196.95 p
Risk-free interest rate	0.52% - 0.61%	0.52% - 0.61%	0.37% - 0.49%	0.37% - 0.49%	0.16% - 0.34%	0.15% - 0.33%

	September 2020	August 2020	May 2020	April 2020	December 2019	September 2019	May 2019
Share price on grant date	291.00p	222.60p	202.00p	165.00p	408.60p	402.30p	341.90p
Exercise price	291.00p	222.60p	202.00p	165.00p	408.60p	402.30p	341.90p
Expected volatility	51.81% - 62.96%	51.88% - 63.17%	50.15% - 61.06%	49.02% - 59.29%	36.24% - 44.72%	36.33% - 44.83%	38.84% - 45.75%
Option life	3-7 years	3-7 years	3-7 years	3-7 years	3-7 years	3-7 years	3-5 years
Expected dividend	2.39%	3.12%	3.44%	4.21%	1.59%	1.62%	1.85%
Fair value of option at time of grant	122.93p - 146.68p	84.95p - 102.54p	71.39p - 86.80p	50.79p - 62.29p	141.77p - 172.84p	137.79p - 169.19p	120.77p - 141.08p
Risk-free interest rate	(0.08%) - (0.04%)	(0.08%) - (0.04%)	0.00% - 0.06%	0.00% - 0.06%	0.57% - 0.65%	0.48% - 0.50%	0.52% - 0.60p

	December 2018 (Grant 2)	December 2018 (Grant 1)	March 2017	September 2016	June 2016	December 2015	May 2015
Share price on grant date	199.80p	203.10p	283.70p	258.00p	272.50p	322.20p	250.80p
Exercise price	199.80p	203.10p	283.70p	258.00p	272.50p	322.20p	250.80p
Expected volatility	37.66% - 44.35%	37.63% - 44.25%	27.42% - 29.87%	27.45% - 32.35%	27.71% - 34.81%	24.80% - 37.08%	27.23% - 30.12%
Option life	3-5 years	3-5 years	3-5 years	3-7 years	3-7 years	3-7 years	3-7 years
Expected dividend	2.95%	2.90%	1.80%	1.80%	1.71%	1.40%	1.59%
Fair value of option at time of grant	58.77% - 69.33%	39.36p - 46.42p	44.51p - 76.88p	40.96p - 67.89p	44.28p - 78.68p	29.76p - 90.61p	42.35p - 69.12p
Risk-free interest rate	0.87% - 1.01%	0.73% - 0.88%	0.23% - 0.56%	0.09% - 0.38%	0.14% - 0.39%	0.14% - 0.21%	0.81% - 1.53%

25. Share-based payments (continued)**Plan 2: IWG plc Performance Share Plan (PSP)**

The PSP provides for the Remuneration Committee to make standalone awards, based on normal plan limits, up to a maximum of 250% of base salary.

Reconciliation of outstanding share awards

	2021 Number of awards	2020 Number of awards
At 1 January	3,237,768	2,370,535
PSP awards granted during the year	959,015	915,739
Lapsed during the year	(1,036,166)	–
Exercised during the year	–	(48,506)
Outstanding at 31 December	3,160,617	3,237,768
Exercisable at 31 December	–	–

There were no shares which were exercised during the year ended 31 December 2021. The weighted average share price at the date of exercise for share awards exercised during the year ended 31 December 2021 was nil pence (2020: 288.60p).

Plan	Date of grant	Numbers granted	Lapsed	Exercised	At 31 Dec 2021	Release date
PSP	01/03/2017	1,095,406	(512,367)	–	583,039	01/03/2022
PSP	07/03/2018	1,278,350	1,051,546	–	226,804	07/03/2023
PSP	07/03/2019	1,058,578	(276,151)	–	782,427	07/03/2024
PSP	04/03/2020	915,739	(306,407)	–	609,332	04/03/2025
PSP	26/03/2021	959,015	–	–	959,015	26/03/2026
		5,307,088	(2,246,471)	–	3,160,617	

Measurement of fair values

The fair value of the rights granted through the employee share purchase plan was measured based on the Monte Carlo simulation.

The inputs to the model are as follows:

	26/03/2021 PSP	04/03/2020 PSP	07/03/2019 PSP	07/03/2018 PSP	01/03/2017 PSP
Share price on grant date	346.40p	356.50p	244.90p	240.90p	283.70p
Exercise price	nil	nil	nil	nil	nil
Number of simulations	250,000	250,000	250,000	250,000	250,000
Number of companies	32	32	32	32	32
Award life	5 years	5 years	5 years	5 years	5 years
Expected dividend	1.00%	1.95%	2.57%	2.37%	1.80%
Fair value of award at time of grant	206.19p- 312.37p	292.36p- 192.98p	124.38p – 188.43p	124.92p – 189.26p	155.83p – 236.08p
Risk-free interest rate	0.33%	0.06%	0.79%	1.21%	0.56%

It is recognised by the Remuneration Committee that the additional EPS targets represent a highly challenging goal and consequently, in determining whether they have been met, the Committee will exercise its discretion. The overall aim is that the relevant EPS targets must have been met on a run-rate or underlying basis. As such, an adjusted measure of EPS will be calculated to assess the underlying performance of the business.

2017 PSP investment grant

The total number of shares awarded was subject to three different performance conditions with one third subject to defined earnings per share (EPS) conditions, one third subject to relative total shareholder return (TSR) conditions and one third subject to return on investment (ROI) conditions. These conditions were all achieved based on 2019 results and the total 583,039 shares vested in March 2021.

2018 PSP investment grant

The total number of shares awarded was subject to three different performance conditions, with one third subject to defined earnings per share (EPS) conditions, one third subject to relative total shareholder return (TSR) conditions and one third subject to return on investment (ROI) conditions. These conditions are measured over three financial years commencing on 1 January 2018.

Based on results as of 31 December 2020, the relative TSR target of exceeding the comparator group median TSR by more than 10% was achieved in full, resulting in the vesting of 226,804 shares subject to a holding period ending March 2022. The performance targets for EPS and ROI were not met and the share awards pursuant to these targets lapsed.

2019 PSP investment grant

The total number of shares awarded is subject to three different performance conditions. These conditions are measured over three financial years commencing on 1 January 2019. Thus, conditional on meeting these performance targets, these shares will vest in March 2024. One third is subject to defined earnings per share (EPS) conditions, one third is subject to relative total shareholder return (TSR) conditions and one third is subject to return on investment (ROI) conditions.

The EPS condition is based on the compound annual growth in EPS over the performance period measured from EPS in the financial year ending 31 December 2018 as follows:

Vesting scale	% of one third of the award that vests
25%	100%
Between 5% and 25%	On a straight-line basis between 0% and 100%
5%	0%

The TSR condition is based on the performance of the Group's TSR growth against the median TSR growth of the comparator group as follows:

Vesting scale	% of one third of the award that vests
Exceeds the median by 10% or more	100%
Exceeds the median by less than 10%	On a straight-line basis between 25% and 100%
Ranked at median	25%
Ranked below the median	0%

The ROI condition is based on the ROI improvement over the performance period relative to ROI for the financial year ending 31 December 2018 as follows:

Vesting scale	% of one third of the award that vests
Exceeds 2018 ROI plus 300 basis points	100%
Exceeds 2018 ROI by less than 300 basis points	On a straight-line basis between 0% and 100%
Equal to or less than the 2018 ROI	0%

2020 PSP investment grant

The total number of shares awarded is subject to relative total shareholder return (TSR) conditions, measured over three financial years commencing on 1 January 2020. Thus, conditional on meeting these performance targets, these shares will vest in December 2025.

The TSR condition is based on the performance of the Group's TSR growth against the median TSR growth of the comparator group as follows:

	% of the award that vests
Exceeds the median by 10% or more	100%
Exceeds the median by less than 10%	On a straight-line basis between 25% and 100%
Ranked at median	25%
Ranked below the median	0%

2021 PSP investment grant

The total number of shares awarded is subject to relative total shareholder return (TSR) conditions, measured over three financial years commencing on 1 January 2021. Thus, conditional on meeting these performance targets, these shares will vest in March 2026.

The TSR condition is based on the performance of the Group's TSR growth against the median TSR growth of the comparator group as follows:

	% of the award that vests
Exceeds the median by 10% or more	100%
Exceeds the median by less than 10%	On a straight-line basis between 25% and 100%
Ranked at median	25%
Ranked below the median	0%

25. Share-based payments (continued)**Plan 3: Deferred Share Bonus Plan**

The Deferred Share Bonus Plan, established in 2016, enables the Board to award options to selected employees on a discretionary basis. The awards are conditional on the ongoing employment of the related employees for a specified period of time. Once this condition is satisfied, those awards that are eligible will vest three years after the date of grant.

Reconciliation of outstanding share options

	2021 Number of awards	2020 Number of awards
At 1 January	376,291	495,678
DSBP awards granted during the year	–	264,277
Lapsed during the year	–	–
Exercised during the year	–	(383,664)
Outstanding at 31 December	376,291	376,291
Exercisable at 31 December	–	–

The weighted average share price at the date of exercise for share awards exercised during the year ended 31 December 2021 was nil (2020: 360.62p).

Plan	Date of grant	Numbers granted	Lapsed	Exercised	At 31 Dec 2021	Release date
DSBP	07/03/2019	112,014	–	–	112,014	07/03/2022
DSBP	04/03/2020	264,277	–	–	264,277	04/03/2023
		376,291	–	–	376,291	

Measurement of fair values

The fair value of the rights granted through the employee share purchase plan was measured based on the Black-Scholes formula. The expected volatility is based on the historic volatility adjusted for any abnormal movement in share prices.

The inputs to the model are as follows:

	March 2020	March 2019
Share price on grant date	356.50p	244.90p
Exercise price	nil	nil
Number of simulations	–	–
Number of companies	–	–
Award life	3 years	3 years
Expected dividend	1.95%	2.57%
Fair value of award at time of grant	292.36p	188.42p
Risk-free interest rate	0.00%	0.68%

26. Retirement benefit obligations

The Group accounts for the Swiss and Philippines pension plans as defined benefit plans under IAS 19 – Employee Benefits.

The reconciliation of the net defined benefit liability and its components is as follows:

	Switzerland	Philippines	2021 £m Total	Switzerland	Philippines	2020 £m Total
Fair value of plan assets	4.6	–	4.6	4.8	–	4.8
Present value of obligations	(5.8)	(0.7)	(6.5)	(6.0)	(0.9)	(6.9)
Net funded obligations	(1.2)	(0.7)	(1.9)	(1.2)	(0.9)	(2.1)

27. Acquisitions

Current period acquisitions

During the year ended 31 December 2021 the Group made various individually immaterial acquisitions for a total consideration of £30.0m.

£m	Book value	Provisional fair value adjustments	Provisional fair value
Net assets acquired			
Intangible assets	1.4	–	1.4
Right-of-use assets	78.3	–	78.3
Other property, plant and equipment	24.8	–	24.8
Cash	32.1	–	32.1
Other current and non-current assets	12.6	–	12.6
Lease liabilities	(80.8)	–	(80.8)
Current liabilities	(27.0)	–	(27.0)
Non-current liabilities	(10.9)	–	(10.9)
	30.5	–	30.5
NCI based on their proportionate interest in the recognised amounts of the assets and liabilities of 'The Wing'			(15.2)
Goodwill arising on acquisition			16.4
Negative goodwill arising on acquisition			(1.7)
Total consideration			30.0
Less: deferred consideration			(4.7)
Less: contingent consideration			(3.8)
Cash flow on acquisition			
Cash paid			21.5
Less: cash acquired			(32.1)
Net cash inflow			(10.6)

Goodwill of £16.4m arose relating to 2021 acquisitions. In addition, a final fair value adjustment of £(3.7)m and a £3.0m contingent consideration were recognised for the 2020 acquisitions.

Goodwill arising on acquisitions in 2021 includes negative goodwill of £1.7m, recognised as part of the selling, general and administration expenses in the consolidated income statement.

The goodwill arising on the 2021 acquisitions reflects the anticipated future benefits IWG can obtain from operating the businesses more efficiently, primarily through increasing occupancy and the addition of value-adding products and services. Of the above goodwill, £16.4m is expected to be deductible for tax purposes.

If the above acquisitions had occurred on 1 January 2021, the revenue and net retained loss arising from these acquisitions would have been £16.7m and £23.0m respectively. In the year, the acquisitions contributed revenue of £11.9m and net retained loss of £19.3m.

Deferred consideration of £4.7m arose on the acquisitions made in the year and is held on the Group's balance sheet at 31 December 2021. No additional deferred consideration relating to prior period acquisitions is held on the Group's balance sheet at 31 December 2021.

Contingent consideration of £3.8m arose on the 2021 acquisitions. No contingent consideration was paid during the current year with respect to milestones achieved on previous acquisitions. Contingent consideration balances of £6.8m are held on the Group's balance sheet at 31 December 2021.

The acquisition costs associated with these transactions were £1.0m, recorded within administration expenses in the consolidated income statement.

For acquisitions completed in 2021, the fair value of assets acquired has only been provisionally assessed, pending completion of a fair value assessment which has not yet been completed. The main changes in the provisional fair values expected are primarily for customer relationships and property, plant and equipment. The final assessment of the fair value of these assets will be made within 12 months of the acquisition dates and any adjustments reported in future reports.

27. Acquisitions (continued)**Prior period acquisitions**

During the year ended 31 December 2020 the Group made acquisitions for a total consideration of £31.5m.

£m	Book value	Provisional fair value adjustments	Final fair value adjustments	Final fair value
Net assets acquired				
Intangible assets	–	–	3.7	3.7
Right-of-use assets	3.0	–	–	3.0
Other property, plant and equipment	5.1	–	–	5.1
Cash	1.7	–	–	1.7
Other current and non-current assets	12.3	–	–	12.3
Lease liabilities	(3.0)	–	–	(3.0)
Current liabilities	(14.8)	–	–	(14.8)
Non-current liabilities	(5.9)	–	–	(5.9)
	(1.6)	–	3.7	2.1
Previously held share of net assets ⁽¹⁾				1.4
Goodwill arising on acquisition			(3.7)	28.0
Total consideration				31.5
Less: deferred consideration				–
Less: contingent consideration ⁽²⁾				(3.0)
Cash flow on acquisition				
Cash paid				28.5
Less: cash acquired				(1.7)
Net cash outflow				26.8

1. The 2020 acquisitions include one stepped-acquisition where the non-controlling interest in a former joint venture was acquired by the Group.

2. Contingent consideration of £3.0m was recorded in 2021, relating to an acquisition completed in late December 2020. This consideration, and the related £3.0m goodwill, has been recognised in 2021.

The goodwill arising on the 2020 acquisitions reflects the anticipated future benefits IWG can obtain from operating the businesses more efficiently, primarily through increasing occupancy and the addition of value-adding products and services. Of the above goodwill, £28.0m was expected to be deductible for tax purposes.

If the above acquisitions had occurred on 1 January 2020, the revenue and net retained profit arising from these acquisitions would have been £17.8m and £1.5m respectively. During 2020, the acquisitions contributed revenue of £2.6m and net retained profit of £0.6m.

No deferred consideration arose on the 2020 acquisitions.

Contingent consideration of £3.0m arose on the 2020 acquisitions but was only recognised in 2021 due to the late timing of the related acquisition. No contingent consideration was paid during the current year with respect to milestones achieved on previous acquisitions.

The acquisition costs associated with these transactions were £0.4m, recorded within administration expenses in the consolidated income statement.

The prior year comparative information has not been restated due to the immaterial nature of the final fair value adjustments recognised in 2020.

Non-controlling interests

During 2021, the Group completed the acquisition of 'The Wing', which included a 43% non-controlling interest.

The following table summarises the information relating to each of the Group's subsidiaries that have a material non-controlling interest.

	2021	2020
NCI percentage	43%	–
Non-current assets	42.3	–
Current assets	11.4	–
Non-current liabilities	(24.8)	–
Current liabilities	(6.7)	–
Net assets	22.2	–
Net assets attributable to NCI	9.6	–
Revenue	0.7	–
Loss after tax	(13.0)	–
Other comprehensive income	–	–
Total comprehensive income	(12.3)	–
Loss allocated to NCI	(5.6)	–
Other comprehensive income allocated to NCI	–	–
Cash flows from operating activities	(14.1)	–
Cash flows from investing activities	29.3	–
Cash flows from financing activities	(7.4)	–
Net increase in cash and cash equivalents	7.8	–

28. Capital commitments

	2021 £m	2020 £m
Contracts placed for future capital expenditure not provided for in the financial statements	88.7	147.0

These commitments are principally in respect of centre fit-out obligations. There are £0.5m capital commitments in respect of joint ventures at 31 December 2021 (2020: £nil).

29. Contingent assets and liabilities

The Group has bank guarantees and letters of credit held with certain banks, predominantly in support of leasehold contracts with a variety of landlords, amounting to £309.4m (2020: £143.9m). There are no material lawsuits pending against the Group.

30. Related parties

Parent and subsidiary entities

The consolidated financial statements include the results of the Group and its subsidiaries.

Joint ventures

The following table provides the total amount of transactions that have been entered into with related parties for the relevant financial year.

£m	Management fees received from related parties	Amounts owed by related party	Amounts owed to related party
2021			
Joint ventures	3.5	19.7	20.0
2020			
Joint ventures	2.6	17.6	4.3

As at 31 December 2021, none of the amounts due to the Group have been provided for as the expected credit losses arising on the balances are considered immaterial (2020: £nil). All outstanding balances with these related parties are priced on an arm's length basis. None of the balances are secured.

Key management personnel

No loans or credit transactions were outstanding with Directors or Officers of the Company at the end of the year or arose during the year that are required to be disclosed.

Compensation of key management personnel (including Directors)

Key management personnel include those personnel (including Directors) that have responsibility and authority for planning, directing and controlling the activities of the Group:

	2021 £m	2020 £m
Short-term employee benefits	4.3	6.7
Retirement benefit obligations	0.3	0.2
Share-based payments	1.8	1.9
	6.4	8.8

Share-based payments included in the table above reflect the accounting charge in the year. The full fair value of awards granted in the year was £6.1m (2020: £6.8m). These awards are subject to performance conditions and vest over three, four and five years from the award date (note 25).

Transactions with related parties

During the year ended 31 December 2021 the Group acquired goods and services from a company indirectly controlled by a Director of the Company amounting to £27,319 (2020: £5,629). There was a £6,751 balance outstanding at the year-end (2020: £5,629).

All transactions with these related parties are priced on an arm's length basis and are to be settled in cash. None of the balances are secured.

31. Principal Group companies

The Group's principal subsidiary undertakings at 31 December 2021, their principal activities and countries of incorporation are set out below:

Name of undertaking	Country of incorporation	% of ordinary shares and votes held	Name of undertaking	Country of incorporation	% of ordinary shares and votes held
Trading companies			Management companies		
Regus Australia Management Pty Ltd	Australia	100	RGN Management Limited Partnership	Canada	100
Regus Belgium SA	Belgium	100	Pathway IP II Sarl	Switzerland	100
Regus do Brasil Ltda	Brazil	100	Franchise International GmbH	Switzerland	100
Regus Business Service (Shenzhen) Ltd	China	100	Regus Service Centre Philippines B.V.	Philippines	100
Regus Management ApS	Denmark	100	Regus Global Management Centre SA	Switzerland	100
Regus Management (Finland) Oy	Finland	100	Regus Group Services Ltd	United Kingdom	100
RBC Deutschland GmbH	Germany	100	IW Group Services (UK) Ltd	United Kingdom	100
Regus CME Ireland Limited	Ireland	100	Regus Management Group LLC	United States	100
Regus Business Centres Limited	Israel	100			
Regus Business Centres Italia Srl	Italy	100	Holding and finance companies		
Regus Management Malaysia Sdn Bhd	Malaysia	100	IWG Enterprises Sarl	Switzerland	100
Regus Management de Mexico, SA de CV	Mexico	100	IWG Group Holdings Sarl	Luxembourg	100
Regus New Zealand Management Ltd	New Zealand	100	IWG International Holdings Sarl	Luxembourg	100
Regus Business Centre Norge AS	Norway	100	Genesis Finance Sarl	Switzerland	100
IWG Management Sp z.o.o.	Poland	100	Pathway Finance Sarl	Switzerland	100
Regus Business Centre, Lda	Portugal	100	Pathway Finance EUR 2 Sarl	Switzerland	100
Regus Management Singapore Pte Ltd	Singapore	100	Pathway Finance USD 2 Sarl	Switzerland	100
Regus Management Espana SL	Spain	100	Regus Group Limited	United Kingdom	100
IWG Management (Sweden) AB	Sweden	100	Regus Corporation	United States	100
Avanta Managed Offices Ltd	United Kingdom	100			
Basepoint Centres Limited	United Kingdom	100			
H Work LLC	United States	100			
RGN National Business Centre LLC	United States	100			
RB Centres LLC	United States	100			

32. Key judgemental and estimates areas adopted in preparing these accounts

The preparation of consolidated financial statements in accordance with IFRS requires management to make certain judgements and assumptions that affect reported amounts and related disclosures.

Key judgements

Adjusting items

Adjusting items are separately disclosed by the Group so as to provide readers with helpful additional information on the performance of the business across periods. Items arising specifically from the impact of the COVID-19 pandemic have been deemed to meet the definition of adjusting items. Each of these items are considered to be significant in nature and/or size and are also consistent with items treated as adjusting in prior periods in which significant non-recurring transactions occurred. The exclusion of these items is consistent with how the business performance is planned by, and reported to, the Board and the Operating Committee. The profit before tax and adjusting items measure is not a recognised profit measure under IFRS and may not be directly comparable with adjusted profit measures used by other companies. The classification of adjusting items requires significant management judgement after considering the nature and intentions of a transaction or provision.

Tax assets and liabilities

The Group is subject to income taxes in numerous jurisdictions. Significant judgement is required in determining the worldwide provision for income taxes. Where appropriate, the Group assesses the potential risk of future tax liabilities arising from the operation of its business in multiple tax jurisdictions and includes provisions within tax liabilities for those risks that can be estimated reliably. Changes in existing tax laws can affect large international groups such as IWG and could result in additional tax liabilities over and above those already provided for.

Determining the lease term of contracts with renewal and termination options

IFRS 16 defines the lease term as the non-cancellable period of a lease together with the options to extend or terminate a lease, if the lessee were reasonably certain to exercise that option. Where a lease includes the option for the Group to extend the lease term, the Group makes a judgement as to whether it is reasonably certain that the option will be taken. This will take into account the length of time remaining before the option is exercisable, macro-economic environment, socio-political environment and other lease specific factors.

The lease term represents the period from lease inception up to either:

- The earliest point at which the lease could be broken, where break clauses exist;
- The point at which the lease could be extended, but no further, where extension options exist; or
- To the end of the contractual lease term in all other cases.

Key estimates

Impairment of intangibles and goodwill

We evaluate the fair value of goodwill and other indefinite life intangible assets to assess potential impairments on an annual basis, or during the year if an event or other circumstance indicates that we may not be able to recover the carrying amount of the asset. We evaluate the carrying value of goodwill based on our CGUs aggregated at a country level and make that determination based upon future cash flow projections which assume certain growth projections which may or may not occur. We record an impairment loss for goodwill when the carrying value of the asset is less than its estimated recoverable amount. Further details of the methodology and assumptions applied to the impairment review in the year ended 31 December 2021, including the sensitivity to changes in those assumptions, can be found in note 13.

Deferred tax assets

We base our estimate of deferred tax assets and liabilities on current tax laws and rates and, where relevant, the Group's three-year business plans and other expectations about future outcomes. Changes in existing laws and rates, and their related interpretations, and future business results may affect the amount of deferred tax liabilities or the valuation of deferred tax assets over time. Our accounting for deferred tax consequences represents management's best estimate of future events that can be appropriately reflected in the accounting estimates. It is Group policy to recognise a deferred tax asset to the extent that it is probable that future taxable profits will be available against which the assets can be used. Significant changes to the Group's forecasts and other expectations of future outcomes could significantly impact the recognition of deferred tax assets.

Given the significant level of corporate developments in the Group and the number of legal entities and countries in which the Group operates, the determination of the period of time representing foreseeable future requires judgement to be exercised. Management has determined the most suitable period to be the three-year period corresponding to the Group's business forecasting processes. Any changes in management's approach to this assessment could significantly impact the recognition of deferred tax assets.

32. Key judgemental and estimates areas adopted in preparing these accounts (continued)

Impairment of property, plant and equipment (including right of use assets)

We evaluate the potential impairment of property, plant and equipment at a centre (CGU) level where there are indicators of impairment at the balance sheet date. In the assessment of value-in-use, key judgemental areas in determining future cash flow projections include: an assessment of the location of the centre; the local economic situation; competition; local environmental factors; the management of the centre; and future changes in occupancy, revenue and costs of the centre.

While centre costs remain relatively stable, revenue is a function of the expected levels of occupancy and the corresponding pricing achieved. In assessing any impairment, the value-in-use calculated is therefore assessed for sensitivity to changes in both occupancy and pricing, to determine the extent to which these estimates need to change before an impairment arises. On a similar basis, overall performance is also a function of the discount rate applied (which is based on the capital asset pricing model). The value-in-use calculation is therefore also assessed for sensitivity to changes in this discount rate, to determine the extent to which this discount rate needs to change before an impairment arises.

While impairment of property, plant and equipment was noted as a key estimate in the 2020 Annual Report and Accounts, COVID-19 continues to accelerate the need for further network rationalisation. We evaluate the potential impairment of property, plant and equipment at a centre (CGU) level where there are indicators of impairment at the balance sheet date and for centres which have been identified as part of the Group's rationalisation programme. The key area of estimation involved is in determining the recoverable amount of the rationalised centres, over what period the rationalisation will take place, and the level of moveable assets that will be utilised in other centres.

The Group has considered the impact of COVID-19 with respect to all judgements and estimates it makes in the application of its accounting policies. This included assessing the impairment of property, plant and equipment, goodwill and the recoverability of trade receivables. The result of these reviews is detailed in note 10.

Estimating the incremental borrowing rates on leases

The determination of applicable incremental borrowing rates on leases at the commencement of lease contracts also requires judgement. The Group determines its incremental borrowing rates by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease. The Group considers the relevant market interest rate, based on the weighted average of the timing of the lease payments under the lease obligation. In addition, a spread over the market rate is applied based on the cost of funds to the Group, plus a spread that represents the risk differential of the lessee entity compared to the Group funding cost.

Valuation of embedded conversion option (Level 3) in convertible bonds

The embedded conversion option relating to the Group's issue of convertible bonds is measured at mark-to-market with reference to the traded price of the convertible bonds as well as external valuation inputs based on credit comparables and bond spreads across competitors and wider markets.

Fair value accounting for business combinations

For each business combination, we assess the fair values of assets and liabilities acquired. Where there is not an active market in the category of the non-current assets typically acquired with a business centre or where the books and records of the acquired company do not provide sufficient information to derive an accurate valuation, management calculates an estimated fair value based on available information and experience.

The main categories of acquired non-current assets where management's judgement has an impact on the amounts recorded include tangible fixed assets, customer list intangibles and the fair market value of leasehold assets and liabilities. For significant business combinations management also obtains third-party valuations to provide additional guidance as to the appropriate valuation to be included in the financial statements.

33. Subsequent events

In February 2022, the £950.0m revolving credit facility was reduced to £750.0m, with an unchanged maturity date in 2025. The facility is subject to financial covenants which include EBITDA, minimum liquidity, interest cover and net debt to EBITDA ratio.

On 8 March 2022, the Group entered into a contract to merge certain of its digital and technology assets with The Instant Group, a global business which operates as the world's leading independent provider of flexible workspace platform and services, for a net cash investment of £270m. Due to the timing of this transaction, it is not practical to disclose the information associated with the initial accounting for this acquisition.

A £330.0m bridge facility for The Instant Group acquisition has been agreed. The bridge facility has a maturity in September 2023. This facility is secured and is subject to interest cover and net debt to EBITDA covenants.

The Group notes with concern the escalation of the conflict in Ukraine in 2022. The Group operates 10 centres in Ukraine with a net asset value of £9.8m. Our primary focus has been on the safety and well-being of our employees and customers and we are committed to providing them with support throughout these extremely difficult circumstances.

There have been no other significant events affecting the Group since the year end.

Summarised extract of UNAUDITED Company balance sheet
(Accounting policies are based on the Swiss Code of Obligations)

	As at 31 Dec 2021 £m	As at 31 Dec 2020 £m
Trade and other receivables	1.2	1.1
Prepayments	0.3	0.5
Total current assets	1.5	1.6
Investments	3,069.1	3,272.3
Total non-current assets	3,069.1	3,272.3
Total assets	3,070.6	3,273.9
Trade and other payables	21.1	7.0
Accrued expenses	1.5	1.1
Total short-term liabilities	22.6	8.1
Long-term interest-bearing liabilities	99.3	99.3
Total long-term liabilities	99.3	99.3
Total liabilities	121.9	107.4
Issued share capital	10.5	10.5
Reserves from capital contributions	2,439.4	2,439.4
Retained earnings	874.5	(1,699.1)
(Loss)/profit for the year	(224.4)	2,569.8
Treasury shares	(151.3)	(154.1)
Total shareholders' equity	2,948.7	3,166.5
Total liabilities and shareholders' equity	3,070.6	3,273.9

The values of the investments recognised have been considered by the Directors and are considered fully recoverable.

Approved by the Board on 8 March 2022

Mark Dixon
Chief Executive Officer

Glyn Hughes
Chief Financial Officer

Accounting policies

Basis of preparation

These financial statements were prepared in accordance with accounting policies based on the Swiss Code of Obligations.

The Company is included in the consolidated financial statements of IWG plc.

The balance sheet has been extracted from the non-statutory accounts of IWG plc for the year ended 31 December 2021, which are available from the Company's registered office, Dammstrasse 19, CH-6300, Zug, Switzerland.

Investments

The value of the investment held in IWG Group is measured at acquisition cost.

During 2021, the Company acquired the direct investment in IWG International Holdings Sarl, as part of an internal restructuring. At the same time, the Company disposed of its investment in IWG Enterprise Sarl, IWG Global Investments Sarl and Umbrella Management Limited to IWG International Holdings Limited. This restructuring resulted in the Company recognising an impairment in subsidiaries of £203.2m.

Consolidated income statement (unaudited)

The purpose of these unaudited pages is to provide a reconciliation from the 2021 financial results to the pro forma statements in accordance with the previous pre-IFRS 16 policies adopted by the Group, and thereby give the reader greater insight into the impact of IFRS 16 on the results of the Group. The pro forma statements also reflect the impact of the adjusting items during 2021.

£m	Notes	Year ended 31 Dec 2021 As reported	Rent & finance costs	Depreciation	Other adjustments	Taxation	Year ended 31 Dec 2021 pre-IFRS 16
Revenue	3	2,227.9	–	–	–	–	2,227.9
Total cost of sales		(1,885.8)	(982.3)	791.1	29.9	–	(2,047.1)
Cost of sales		(1,870.0)	(982.3)	791.1	79.6	–	(1,981.6)
Adjusting items to cost of sales ⁽¹⁾		(70.0)	–	–	4.5	–	(65.5)
Reversal of impairment of property, plant and equipment and right-of-use assets ⁽¹⁾	3,5	54.2	–	–	(54.2)	–	–
Expected credit losses on trade receivables ⁽¹⁾	5	(99.5)	–	–	–	–	(99.5)
Gross profit (centre contribution)	3	242.6	(982.3)	791.1	29.9	–	81.3
Total selling, general and administration expenses		(327.8)	(0.5)	1.2	–	–	(327.1)
Selling, general and administration expenses		(294.7)	(0.5)	1.2	–	–	(294.0)
Adjusting items to selling, general and administration expenses	10	(33.1)	–	–	–	–	(33.1)
Share of loss of equity-accounted investees, net of tax	21	(2.2)	–	–	–	–	(2.2)
Operating loss	5	(87.4)	(982.8)	792.3	29.9	–	(248.0)
Finance expense	7	(198.0)	165.7	–	1.2	–	(31.1)
Finance income	7	26.0	–	–	–	–	26.0
Net finance expense		(172.0)	165.7	–	1.2	–	(5.1)
Loss before tax for the year from continuing operations		(259.4)	(817.1)	792.3	31.1	–	(253.1)
Income tax expense	8	(10.3)	–	–	–	(2.1)	(12.4)
Loss after tax for the year from continuing operations		(269.7)	(817.1)	792.3	31.1	(2.1)	(265.5)
Profit after tax for the period from discontinued operations	9	59.3	(13.3)	11.5	(11.1)	3.0	49.4
Loss for the year		(210.4)	(830.4)	803.8	20.0	0.9	(216.1)
Attributable to equity shareholders of the Group		(204.8)	(830.4)	803.8	19.7	0.9	(210.8)
Attributable to non-controlling interests	27	(5.6)	–	–	0.3	–	(5.3)
Loss per ordinary share (EPS):							
Attributable to ordinary shareholders							
Basic (p)	11	(20.3)					(20.9)
Diluted (p)	11	(20.3)					(20.9)
From continuing operations							
Basic (p)	11	(26.2)					(25.8)
Diluted (p)	11	(26.2)					(25.8)

1. The net reversal of adjusting items of £1.7m comprises the following items included in the balances referenced (note 10):

A reversal of the impairment of property, plant and equipment and right-of-use assets of £125.2m, the adjusting items to costs of sales of £70.0m and £53.5m of the expected credit losses on trade receivables balances reported.

Pro forma adjustments recognised

The performance of the Group is impacted by the following significant adjustments in adopting IFRS 16. The recognition of these balances will not impact the overall cash flows of the Group or the cash generation per share.

1. Right-of-use assets and related lease liabilities

These adjustments reflect the right-of-use assets recognised, together with the related lease liabilities. The initial lease liabilities are equal to the present value of the lease payments during the lease term that have not yet been paid. The cost of the right-of-use asset comprises the amount of the initial measurement of the lease liability, plus any additional direct costs associated with setting up the lease.

2. Rent and finance costs

Under IFRS 16, conventional rent charges are not recognised in the profit or loss. The payments associated with these charges instead form part of the lease payments used in calculating the right-of-use assets and related lease liabilities noted above. The lease liabilities are measured in subsequent periods using the effective interest rate method, based on the applicable interest rate determined at the date of transition. The related finance costs arising on subsequent measurement are recognised directly through profit or loss.

3. Depreciation and lease payments

Depreciation on the right-of-use assets recognised is depreciated over the life of the lease on a straight-line basis, adjusted for any period between the lease commencement date and the date the related centre opens, reflecting the lease related costs directly incurred in preparing the business centre for trading. Lease payments reduce the lease liabilities recognised in the balance sheet.

4. Taxation

The underlying tax charge is impacted by the change in the profit before tax and deferred tax assets recognised.

5. Other adjustments

These adjustments primarily reflect the impairment of the right-of-use assets and other property, plant and equipment as well as the reversal of the closure cost provision on a pre-IFRS 16 basis. Certain parking, storage and brokerage costs are also reversed, as they form part of the lease payments.

Consolidated balance sheet (unaudited)

£m	Notes	As at 31 Dec 2021 As reported	Right-of-use assets & related lease liability	Rent & finance costs	Depreciation & lease payments	Other adjustments	Taxation	As at 31 Dec 2021 pre-IFRS 16
Non-current assets								
Goodwill	13	703.8	–	–	–	–	–	703.8
Other intangible assets	14	78.0	–	–	–	–	–	78.0
Property, plant and equipment	15	6,376.5	(5,773.4)	568.9	805.0	(40.8)	–	1,936.2
Right-of-use assets	15	5,254.1	(6,113.6)	–	892.9	(33.4)	–	–
Other property, plant and equipment	15	1,122.4	340.2	568.9	(87.9)	(7.4)	–	1,936.2
Deferred tax assets	8	326.6	–	–	–	–	(111.7)	214.9
Other long-term receivables	16	49.7	–	–	–	0.2	–	49.9
Investments in joint ventures	21	44.9	–	–	–	–	–	44.9
Other investments		0.3	–	–	–	–	–	0.3
Total non-current assets		7,579.8	(5,773.4)	568.9	805.0	(40.6)	(111.7)	3,028.0
Current assets								
Inventory		1.2	–	–	–	–	–	1.2
Trade and other receivables	17	734.2	–	122.1	–	–	–	856.3
Corporation tax receivable	8	18.5	–	–	–	–	–	18.5
Cash and cash equivalents	23	77.8	–	–	–	–	–	77.8
Total current assets		831.7	–	122.1	–	–	–	953.8
Total assets		8,411.5	(5,773.4)	691.0	805.0	(40.6)	(111.7)	3,981.8
Current liabilities								
Trade and other payables (incl. customer deposits)	18	926.6	–	417.1	–	–	–	1,343.7
Deferred revenue		346.4	–	–	–	–	–	346.4
Corporation tax payable	8	35.9	–	–	–	–	–	35.9
Bank and other loans	19,23	21.5	–	–	–	–	–	21.5
Lease liabilities	23	932.5	(914.6)	(167.1)	149.2	–	–	–
Provisions	20	8.2	–	–	–	126.8	–	135.0
Total current liabilities		2,271.1	(914.6)	250.0	149.2	126.8	–	1,882.5
Non-current liabilities								
Other long-term payables		5.6	–	896.6	–	0.2	–	902.4
Deferred tax liability	8	140.6	–	–	–	–	(5.8)	134.8
Bank and other loans	19,23	453.3	–	–	–	–	–	453.3
Lease liabilities	23	5,188.7	(6,071.4)	–	882.7	–	–	–
Derivative financial liabilities	24	26.9	–	–	–	–	–	26.9
Provisions	20	12.4	–	–	–	13.4	–	25.8
Provision for deficit on joint ventures	21	6.5	–	–	–	–	–	6.5
Retirement benefit obligations	26	1.9	–	–	–	–	–	1.9
Total non-current liabilities		5,835.9	(6,071.4)	896.6	882.7	13.6	(5.8)	1,551.6
Total liabilities		8,107.0	(6,986.0)	1,146.6	1,031.9	140.4	(5.8)	3,434.1
Total equity								
Issued share capital	22	10.5	–	–	–	–	–	10.5
Issued share premium	22	312.6	–	–	–	–	–	312.6
Treasury shares	22	(151.3)	–	–	–	–	–	(151.3)
Foreign currency translation reserve		15.3	(17.7)	–	–	–	–	(2.4)
Hedging reserve		–	–	–	–	–	–	–
Other reserves		25.8	–	–	–	–	–	25.8
Retained earnings		82.0	1,230.3	(455.6)	(226.9)	(179.2)	(105.9)	344.7
Total shareholders' equity		294.9	1,212.6	(455.6)	(226.9)	(179.2)	(105.9)	539.9
Non-controlling interests	27	9.6	–	–	–	(1.8)	–	7.8
Total equity		304.5	1,212.6	(455.6)	(226.9)	(181.0)	(105.9)	547.7
Total equity and liabilities		8,411.5	(5,773.4)	691.0	805.0	(40.6)	(111.7)	3,981.8

Consolidated statement of cash flows (unaudited)

£m	Notes	Year ended 31 Dec 2021 As reported	Rent & finance	Depreciation & lease payments	Other adjustments	Year ended 31 Dec 2021 pre-IFRS 16
Operating activities						
Loss for the year from continuing operations		(269.7)	(817.1)	792.3	29.0	(265.5)
Adjustments for:						
Profit from discontinued operations	9	4.0	(13.3)	11.5	(1.4)	0.8
Net finance expense ⁽¹⁾	7	172.0	(165.7)	–	(1.2)	5.1
Share of loss on equity-accounted investees, net of income tax	21	2.2	–	–	–	2.2
Depreciation charge	15	1,095.9	–	(803.8)	–	292.1
Right-of-use assets	15	892.9	–	(892.9)	–	–
Other property, plant and equipment	15	203.0	–	89.1	–	292.1
Loss on impairment of goodwill	13	–	–	–	–	–
Loss on disposal of property, plant and equipment	5	64.2	–	–	32.1	96.3
Profit on disposal of right-of-use assets and related lease liabilities	5, 23	(41.5)	–	–	41.5	–
Profit on sales of current assets		(1.4)	–	–	–	(1.4)
Loss on disposal of intangible assets	5	0.3	–	–	–	0.3
Reversal of impairment of property, plant and equipment	5, 15	(7.4)	–	–	7.4	–
Reversal of impairment of right-of-use assets	5, 15	(46.8)	–	–	46.8	–
Amortisation of intangible assets	5, 14	13.5	–	–	–	13.5
Negative goodwill arising on an acquisition	27	(1.7)	–	–	1.7	–
Loss on disposal of other investments	21	–	–	–	–	–
Tax expense	8	10.3	–	–	2.1	12.4
Expected credit losses on trade receivables	5	99.5	–	–	–	99.5
Decrease in provisions	20	(14.5)	–	–	(107.5)	(122.0)
Share-based payments		5.8	–	–	–	5.8
Other non-cash movements		(12.3)	(2.1)	–	(1.9)	(16.3)
Operating cash flows before movements in working capital		1,072.4	(998.2)	–	48.6	122.8
Proceeds from partner contributions (reimbursement of costs) ⁽³⁾	15	19.7	–	(19.7)	–	–
Increase in trade and other receivables		(127.3)	20.1	–	(0.3)	(107.5)
Decrease in trade and other payables		(38.5)	829.4	(809.2)	(48.3)	(66.6)
Cash generated from operations		926.3	(148.7)	(828.9)	–	(51.3)
Interest paid and similar charges on bank loans and corporate borrowings		(19.0)	–	–	–	(19.0)
Interest paid on lease liabilities	23	(167.1)	167.1	–	–	–
Tax paid		(5.4)	–	–	–	(5.4)
Net cash inflows from operating activities		734.8	18.4	(828.9)	–	(75.7)
Investing activities						
Purchase of property, plant and equipment	15	(220.5)	(19.7)	–	–	(240.2)
Payment of initial direct costs related to right-of-use assets		(1.3)	1.3	–	–	–
Purchase of subsidiary undertakings, net of cash acquired	27	10.6	–	–	–	10.6
Purchase of intangible assets	14	(33.7)	–	–	–	(33.7)
Purchase of other investments		(0.3)	–	–	–	(0.3)
Proceeds from other current receivables ⁽²⁾	17	283.7	–	–	–	283.7
Proceeds on the sale of discontinued operations, net of cash disposed of	9, 21	18.9	–	–	–	18.9
Proceeds on sale of property, plant and equipment		1.0	–	–	–	1.0
Interest received	7	3.5	–	–	–	3.5
Net cash inflows from investing activities		61.9	(18.4)	–	–	43.5
Financing activities						
Proceeds from issue of loans		983.1	–	–	–	983.1
Repayment of loans		(946.7)	–	–	–	(946.7)
Proceeds from issue of convertible bonds (net of transaction costs)	19	–	–	–	–	–
Payment of lease liabilities	23	(864.8)	–	864.8	–	–
Proceeds from partner contributions (lease incentives) ⁽³⁾	15	35.9	–	(35.9)	–	–
Proceeds from issue of ordinary shares, net of costs	22	–	–	–	–	–
Purchase of treasury shares	22	–	–	–	–	–
Proceeds from exercise of share awards		0.8	–	–	–	0.8
Payment of ordinary dividend	12	–	–	–	–	–
Net cash outflows from financing activities		(791.7)	–	828.9	–	37.2
Net increase in cash and cash equivalents		5.0	–	–	–	5.0
Cash and cash equivalents at beginning of year		71.0	–	–	–	71.0
Effect of exchange rate fluctuations on cash held		1.8	–	–	–	1.8
Cash and cash equivalents at end of the year	23	77.8	–	–	–	77.8

1. The net finance expense includes mark-to-market adjustments of £22.5m (2020: £2.4m).

2. Included in other receivables at 31 December 2020 was mezzanine and senior debt recognised at amortised cost of £276.2m. This receivable balance was fully repaid to the Group in February 2021, together with the reimbursement of associated costs, resulting in an additional £1.4m gain on settlement.

3. The total proceeds from partner contributions relating to the reimbursement of costs and lease incentives of £55.6m are allocated by estate in the post-tax cash return on net investment, on page 171.

Segmental analysis – management basis (unaudited)

	Americas 2021 (pre-IFRS 16 basis)	EMEA 2021 (pre-IFRS 16 basis)	Asia Pacific 2021 (pre-IFRS 16 basis)	United Kingdom 2021 (pre-IFRS 16 basis)	Other 2021 (pre-IFRS 16 basis)	Total 2021 (pre-IFRS 16 basis)
Pre-2020⁽¹⁾						
Square feet (000's) ⁽⁴⁾	11,693	8,342	2,956	4,397	–	27,388
Occupancy (%)	70.9%	72.1%	67.3%	69.2%	–	70.6%
Workstations ⁽⁸⁾	211,031	180,653	79,828	102,150	–	573,662
Workstations occupancy (%)	69.0%	71.6%	67.3%	66.8%	–	69.2%
Revenue (£m)	866.1	624.6	214.5	316.9	5.9	2,028.0
REVPOS (£)	105	104	108	104	–	105
2020 Expansions⁽²⁾						
Square feet (000's) ⁽⁴⁾	434	829	143	302	–	1,708
Occupancy (%)	50.9%	55.3%	61.1%	52.8%	–	54.2%
Revenue (£m)	40.2	45.8	10.5	23.9	–	120.4
2021 Expansions⁽²⁾⁽⁵⁾						
Square feet (000's) ⁽⁴⁾	142	597	108	41	–	888
Occupancy (%)	29.6%	35.2%	28.8%	43.7%	–	33.9%
Revenue (£m)	4.8	21.9	3.4	1.6	–	31.7
Network rationalisations⁽³⁾						
Square feet (000's) ⁽⁴⁾	137	257	135	151	–	680
Occupancy (%)	48.2%	51.5%	58.5%	51.2%	–	52.1%
Revenue (£m)	12.5	14.8	8.7	11.8	–	47.8
Total						
Square feet (000's) ⁽⁴⁾	12,405	10,024	3,343	4,892	–	30,664
Occupancy (%)	69.4%	68.0%	65.4%	67.4%	–	68.2%
Revenue (£m)	923.6	707.1	237.1	354.2	5.9	2,227.9
Period end square feet (000's)⁽⁷⁾						
Pre-2020	11,733	8,356	2,975	4,430	–	27,494
2020 Expansions	433	819	144	305	–	1,701
2021 Expansions	239	955	193	55	–	1,442
Total	12,405	10,130	3,312	4,790	–	30,637

Segmental analysis – management basis (unaudited)

	Americas 2020 (pre-IFRS 16 basis)	EMEA 2020 (pre-IFRS 16 basis)	Asia Pacific 2020 (pre-IFRS 16 basis)	United Kingdom 2020 (pre-IFRS 16 basis)	Other 2020 (pre-IFRS 16 basis)	Total 2020 (pre-IFRS 16 basis)
Pre-2020⁽¹⁾						
Square feet (000's) ⁽⁴⁾	11,733	8,388	2,940	4,447	–	27,508
Occupancy (%)	73.9%	71.5%	69.5%	72.6%	–	72.5%
Workstations ⁽⁸⁾	209,922	173,527	79,697	98,662	–	561,808
Workstations occupancy (%)	71.8%	69.8%	68.8%	70.5%	–	70.5%
Revenue (£m)	994.3	642.2	223.9	344.1	5.6	2,210.1
REVPOS (£)	114.7	107.0	109.5	106.6	–	110.8
2020 Expansions⁽²⁾						
Square feet (000's) ⁽⁴⁾	325	545	100	155	–	1,125
Occupancy (%)	26.2%	37.8%	34.7%	36.1%	–	33.9%
Revenue (£m)	11.0	20.1	4.5	8.6	–	44.2
Network rationalisations⁽⁶⁾						
Square feet (000's) ⁽⁴⁾	818	762	400	415	–	2,395
Occupancy (%)	59.1%	63.7%	65.1%	64.4%	–	62.5%
Revenue (£m)	61.2	52.8	27.5	36.1	–	177.6
Total						
Square feet (000's)⁽⁴⁾	12,876.0	9,695.0	3,440.0	5,017.0	–	31,028.0
Occupancy (%)	71.7%	69.0%	68.0%	70.8%	–	70.3%
Revenue (£m)	1,066.5	715.1	255.9	388.8	5.6	2,431.9

1. The pre-2020 business comprises centres not opened in the current or previous financial year.

2. Expansions include new centres opened and acquired businesses.

3. A network rationalisation for the 2021 data is defined as a centre closed during the period from 1 January 2021 to 31 December 2021.

4. Office square feet are calculated as the weighted average for the period.

5. 2021 expansions include any costs incurred in 2021 for centres which will open in 2022.

6. A network rationalisation for the 2020 comparative data is defined as a centre closed during the period from 1 January 2020 to 31 December 2020.

7. Office square feet available at year-end.

8. Workstation numbers are calculated as the weighted average for the year.

PRE-TAX CASH RETURN ON NET INVESTMENT CONTINUED

The purpose of this unaudited page is to reconcile some of the key numbers used in the returns calculation, on a pre-IFRS 16 basis, back to the Group's IFRS 16 pro forma statements, and thereby give the reader greater insight into the returns calculation drivers.

2021

Description	Reference	2019 Aggregation	2020 Expansions	2021 Expansions	2022 Expansions	Closures	Total
Post-tax cash return on net investment (unaudited)		1.4%	–	–	–	–	0.4%
Revenue	Pro forma income statement, p164	2,028	120.4	31.7	–	47.8	2,227.9
Centre contribution	Pro forma income statement, p164	164.5	(25.0)	(25.9)	–	(44.3)	69.3
Loss on disposal of assets	EBIT reconciliation (analysed below)	20.9	11.3	–	–	64.1	96.3
Underlying centre contribution	EBIT reconciliation (analysed below)	185.4	(13.7)	(25.9)	–	19.8	165.6
Selling, general and administration expenses	Pro forma income statement, p164	(256.0)	(20.9)	(11.5)	(0.5)	(5.1)	(294.0)
EBIT	EBIT reconciliation (analysed below)	(70.6)	(34.6)	(37.4)	(0.5)	14.7	(128.4)
Depreciation and amortisation ⁽¹⁾		261.5	25.0	8.7	–	6.8	302.0
Amortisation of partner contributions		(82.0)	(9.2)	(2.8)	–	(1.1)	(95.1)
Amortisation of acquired lease fair value adjustments		–	–	–	–	–	–
Non-cash items		179.5	15.8	5.9	–	5.7	206.9
Taxation⁽²⁾		14.1	6.9	7.5	0.1	(2.9)	25.7
Adjusted net cash profit		123.0	(11.9)	(24.0)	(0.4)	17.5	104.2
Maintenance capital expenditure	Capital expenditure (analysed below)	101.1	–	–	–	–	101.1
Partner contributions	Partner contributions (analysed below)	(5.2)	–	–	–	–	(5.2)
Net maintenance capital expenditure		95.9	–	–	–	–	95.9
Post-tax cash return		27.1	(11.9)	(24.0)	(0.4)	17.5	8.3
Growth capital expenditure	Capital expenditure (analysed below)	2,656.0	393.4	117.3	5.7	–	3,172.4
Partner contributions	Partner contributions (analysed below)	(673.8)	(115.4)	(55.7)	(4.5)	–	(849.4)
Net investment (unaudited)		1,982.2	278.0	61.6	1.2	–	2,323.0

2021

EBITDA reconciliation		2019 Aggregation	2020 Expansions	2021 Expansions	2022 Expansions	Closures	Total
Centre contribution		164.5	(25.0)	(25.9)	–	(44.3)	69.3
Selling, general and administration expenses		(256.0)	(20.9)	(11.5)	(0.5)	(5.1)	(294.0)
Depreciation and amortisation		261.5	25.0	8.7	–	6.8	302.0
		170.0	(20.9)	(28.7)	(0.5)	(42.6)	77.3
Share of profit in joint ventures	Pro forma income statement, p164	(2.2)	–	–	–	–	(2.2)
EBITDA on continuing operations		167.8	(20.9)	(28.7)	(0.5)	(42.6)	75.1

1. Excludes depreciation expenses related to discontinued operations of £3.6m.

2. Based on EBIT at the Group's long-term effective tax rate of 20%.

2021

Movement in capital expenditure (unaudited)	2019 Aggregation	2020 Expansions	2021 Expansions	2022 Expansions	Closures	Total
December 2020	2,812.2	328.2	40.2	–	–	3,180.6
2021 Capital expenditure ⁽³⁾	–	79.4	66.4	5.7	–	151.5
Properties acquired	–	–	10.7	–	–	10.7
Centre closures ⁽⁴⁾	(156.2)	(14.2)	–	–	–	(170.4)
December 2021	2,656.0	393.4	117.3	5.7	–	3,172.4

3. 2022 expansions relate to costs and investments incurred in 2021 for centres which will open in 2022.

4. The growth capital expenditure for an estate is reduced by the investment in centres closed during the year, but only where that investment has been fully recovered.

2021

Movement in partner contributions (unaudited)	2019 Aggregation	2020 Expansions	2021 Expansions	2022 Expansions	Closures	Total
December 2020	712.1	116.5	13.7	–	–	842.3
2021 Partner contributions	–	3.9	42.0	4.5	–	50.4
Centre closures ⁽⁵⁾	(38.3)	(5.0)	–	–	–	(43.3)
December 2021	(673.8)	(115.4)	(55.7)	(4.5)	–	(849.4)

5. The partner contributions for an estate are reduced by the partner contributions for centres closed during the year.

2021

CBIT reconciliation (unaudited)	Reference	£m
Centre contribution		69.3
Adjusting items ⁽⁶⁾	Note 10, p136	12.0
Gross profit (centre contribution)	Pro forma income statement, p164	81.3

6. The adjusting items of a reversal of £12.0m represents the costs of sales impact which, when combined with the additional £33.1m selling, general and administration impact, agrees to the £21.1m referred to on page 47.

2021

EBIT reconciliation (unaudited)	Reference	£m
EBIT		(128.4)
Loss on disposal of assets	Pro forma statement of cash flows, p167	(96.3)
Share of profit in joint ventures	Pro forma income statement, p164	(2.2)
Adjusting items ⁽⁷⁾	CFO review, P47	(21.1)
Operating loss	Pro forma income statement, p164	(248.0)

7. The adjusting items of £21.1m represents the total adjusting items referred to on page 47.

2021

Partner contributions receivables (unaudited)		£m
Opening partner contribution receivables	Note 17	33.8
Acquired in the period		–
Net partner contributions recognised	Statement of cash flows, p121	55.6
– Maintenance partner contributions	CFO review, p50	5.2
– Growth partner contributions	CFO review, p50	50.4
Settled in the period		(59.2)
Disposed of in the period		–
Exchange differences		(0.9)
Closing partner contribution receivables	Note 17	30.2

2021

Capital expenditure (unaudited)	Reference	£m
Maintenance capital expenditure	CFO review, p50	101.1
Growth capital expenditure	CFO review, p50	162.2
– 2021 Capital expenditure		151.5
– Properties acquired		10.7
Total capital expenditure		
Analysed as		
– Purchase of subsidiary undertakings	Pro forma statement of cash flows, p167	(10.6)
– Purchase of property, plant and equipment	Pro forma statement of cash flows, p167	240.2
– Purchase of intangible assets	Pro forma statement of cash flows, p167	33.7

	31 Dec 2021 £m	31 Dec 2020 Restated £m ⁽¹⁾	31 Dec 2019 Restated £m ⁽¹⁾	31 Dec 2018 Restated £m ⁽¹⁾	31 Dec 2017 Restated £m ⁽¹⁾
Income statement (full year ended)					
Revenue	2,227.9	2,431.9	2,594.3	2,354.7	2,200.5
Cost of sales	(1,885.8)	(2,377.0)	(2,043.1)	(1,975.6)	(1,819.3)
Expected credit losses on trade receivables	(99.5)	(34.8)	(2.0)	(17.7)	(16.3)
Gross profit (centre contribution)	242.6	20.1	549.2	361.4	364.9
Selling, general and administration expenses	(327.8)	(367.5)	(279.4)	(246.5)	(230.9)
Share of (loss)/profit of equity-accounted investees, net of tax	(2.2)	(2.6)	2.7	(1.4)	(0.8)
Operating (loss)/profit	(87.4)	(350.0)	272.5	113.5	133.2
Finance expense	(198.0)	(266.4)	(228.5)	(15.9)	(14.1)
Finance income	26.0	3.1	0.4	0.5	0.3
(Loss)/profit before tax for the year from continuing operations	(259.4)	(613.3)	44.4	98.1	119.4
Income tax (expense)/credit	(10.3)	(32.0)	21.9	(29.1)	(32.7)
(Loss)/profit for the year from continuing operations	(269.7)	(645.3)	66.3	69.0	86.7
Profit/(loss) after tax for the year from discontinued operations	59.3	(1.5)	384.3	36.7	27.3
(Loss)/profit after tax for the year	(210.4)	(646.8)	450.6	105.7	114.0
(Loss)/earnings per ordinary share (EPS):					
Attributable to ordinary shareholders					
Basic (p)	(20.3)	(67.9)	50.5	11.7	12.4
Diluted (p)	(20.3)	(67.9)	49.6	11.6	12.3
Weighted average number of shares outstanding ('000s)	1,007,215	951,891	892,738	907,077	915,676
From continuing operations					
Basic (p)	(26.2)	(67.8)	7.4	7.6	9.5
Diluted (p)	(26.2)	(67.8)	7.3	7.5	9.4
Weighted average number of shares outstanding ('000s)	1,007,215	951,891	892,738	907,077	915,676
Balance sheet data (as at)					
Intangible assets	781.8	748.8	719.6	721.7	712.1
Right-of-use assets	5,254.1	5,646.9	5,917.4	–	–
Property, plant and equipment	1,122.4	1,209.0	1,273.3	1,751.2	1,367.2
Deferred tax assets	326.6	188.2	195.0	30.6	23.0
Other assets	848.8	1,100.4	781.4	848.7	702.7
Cash and cash equivalents	77.8	71.0	66.6	69.0	55.0
Total assets	8,411.5	8,964.3	8,953.3	3,421.2	2,860.0
Current liabilities	2,271.1	2,435.5	2,139.7	1,429.5	1,224.7
Non-current liabilities	5,835.9	6,015.0	5,933.1	1,240.5	907.6
Equity	304.5	513.8	880.5	751.2	727.7
Total equity and liabilities	8,411.5	8,964.3	8,953.3	3,421.2	2,860.0

1. The comparative information has been restated to reflect the impact of discontinued operations (note 9).

The Group reports certain alternative performance measures (APMs) that are not required under International Financial Reporting Standards (IFRS) which represents the generally accepted accounting principles (GAAP) under which the Group reports. The Group believes that the presentation of these APMs provides useful supplemental information, when viewed in conjunction with our IFRS financial information as follows:

- to evaluate the historical and planned underlying results of our operations;
- to set Director and management remuneration; and
- to discuss and explain the Group's performance with the investment analyst community.

None of the APMs should be considered as an alternative to financial measures derived in accordance with GAAP. The APMs can have limitations as analytical tools and should not be considered in isolation or as a substitute for an analysis of our results as reported under GAAP. These performance measures may not be calculated uniformly by all companies and therefore may not be directly comparable with similarly titled measures and disclosures of other companies.

Adjusted centre contribution

Centre contribution excluding adjusting items.

Adjusted EBITDA

EBITDA excluding adjusting items.

Adjusted EPS

EPS excluding adjusting items.

Adjusted operating profit/(loss)

Operating profit excluding adjusting items.

Adjusting items

Adjusting items reflects the impact of adjustments, both incomes and costs, which are considered to be significant in nature and/or size.

Available workstations

The total number of workstations in the Group (also termed Inventory). During the year, this is expressed as a weighted average. At period ends the absolute number is used.

EBIT

Earnings before interest and tax.

EBITDA

Earnings before interest, tax, depreciation and amortisation.

EPS

Earnings per share.

Expansions

A general term which includes new business centres established by IWG and acquired centres in the year.

Franchisee

The owners of business centres operating under a formal franchise arrangement.

Growth capital expenditure

Capital expenditure in respect of centres which opened during the current or prior financial period.

Growth estate

Comprises centres which opened during the current or prior financial year.

Growth-related partner contributions

Partner contributions received in respect of centres which opened during the current or prior financial period.

Like-for-like

The financial performance from centres owned and operated for a full 12-month period prior to the start of the financial year, which therefore have a full-year comparative.

Maintenance capital expenditure

Capital expenditure in respect of centres owned for a full 12-month period prior to the start of the financial year and operated throughout the current financial year, which therefore have a full-year comparative.

Maintenance-related partner contributions

Partner contributions received in respect of centres owned for a full 12-month period prior to the start of the financial year and operated throughout the current financial year, which therefore have a full-year comparative.

Mature business

Operations owned for a full 12-month period prior to the start of the financial year and operated throughout the current financial year, which therefore have a full-year comparative.

Net debt

Operations cash and cash equivalents, adjusted for both short and long-term borrowings and lease liabilities.

Net growth capital investment

Growth capital expenditure net of growth-related partner contributions.

Network rationalisation

Network rationalisation for the current year is defined as a centre that ceases operation during the period from 1 January to December of the current year. Network rationalisation for the prior year comparative is defined as a centre that ceases operation from 1 January of the prior year to December of the current year.

Occupancy

Occupied square feet divided by available square feet expressed as a percentage.

Open centres

All centres excluding closures.

Open centre revenue

Revenue for all centres excluding closures.

Operating profit/(loss) before growth

Reported operating profit adjusted for the gross profit impact arising from centres opening in the preceding and current years, and centres to be opened in the subsequent year.

Partners

Owners or landlords of business centres, operating under a management lease arrangement.

Pre-2020 business

Operations owned for a full 12-month period prior to the start of the financial year and operated throughout the current financial year, which therefore have a full-year comparative.

Pre-2020 gross margin

Gross margin attributable to the Pre-2020 business.

Pre-IFRS 16 basis

IFRS accounting standards effective as at the relevant reporting date with the exception of IFRS 16.

Revenue development

Revenue programme on a continuing basis, for the last four years.

ROI

Return on investment.

TSR

Total shareholder return.

REVPOS

Revenue per occupied square feet.

System wide revenue

Total reported revenue generated, including revenue from franchise, managed centre and joint-venture partners, but excluding fee income.

Workstation occupancy

Occupied workstations divided by available workstations expressed as a percentage.

WIPOS

Workstation revenue per occupied square metre.

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