

# Hybrid works.



Annual Report and Accounts 2022

**IWG** International  
Workplace  
Group

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### Revenue from continuing operations (£m)

**£2,751m**

'22	2,751	
'21	2,227	
'20	2,432	
'19	2,593	
'18	2,355	

### Overheads as percentage of revenue (%)

**15.5%**

'22	15.5	
'21	14.7	
'20	15.1	
'19	10.8	
'18	10.5	

### Adjusted EBITDA (before application of IFRS 16)

**£308m**

'22	308	
'21	80	
'20	134	
'19	428	
'18	390	

### Network (locations)

**3,345**

'22	3,345	
'21	3,314	
'20	3,313	
'19	3,388	
'18	3,306	

### Net growth capital investment

**£141m**

'22	141	
'21	104	
'20	177	
'19	260	
'18	330	

\* A glossary is included on page 188 which defines various alternative measures used to provide useful and relevant information.



# Hybrid works.



**Hybrid's the accelerant that's empowering IWG's rapid growth, right across the world. And its multiple benefits mean it's here to stay."**

Mark Dixon, Founder and CEO, IWG plc

**Q With the uptake of hybrid working sky rocketing over the last two years, can we say it truly works?**

**A** Yes, and the reason is simple: it works. Being able to work close to home is giving people a better work/life balance – seeing more of friends and family, cutting out the daily commute, saving on travel costs, supporting their local economies. It's massively cutting the real-estate costs of employers too, while reducing employee churn and providing access to a global talent pool. More than 50% of professional employees will work in the hybrid model over the next five years, outnumbering those who don't.

**Q Is hybrid working and the use of flexspace here to stay?**

**A** Definitely. We're witnessing a major cultural shift – and you only have to look at the data to see some of the reasons why. Quit rates are down 35%, and 77% of workers are saying an office close to home is a must have for their next job. According to Global Workplace Analytics companies are saving \$11,000 per employee. And 87% of CFOs see hybrid as a more affordable business model. In short, hybrid works.

**Q How important is hybrid in achieving sustainability goals?**

**A** Massively important, our latest research, in partnership with ARUP, is telling us that carbon emissions are lower by up to 70% in the hybrid model, demonstrating how its continued uptake has the power to make these reductions part of the new normal. Helping customers solve some of their sustainability challenges is at the core of our business, and this report covers several of the ways in which we're making this happen.

# Hybrid works. For business

## Freedom to grow

With thousands of locations globally, we give businesses everywhere the freedom to grasp opportunities wherever and whenever they occur. The ability to flex their footprint rapidly and easily is empowering them to implement growth-orientated real-estate strategies and ways of working that are truly fit for purpose.

## Lower costs

Less fixed space means less cost. That's why over 80% of CFOs see hybrid as a money saver, and why 72% of companies are planning to reduce their traditional property spend. And it's why freedom from the constraints of the long-term lease is enabling our customers to focus their resources on growth.

Millions of businesses are already gaining from better agility, reduced costs, heightened productivity and the ability to attract the best talent the planet has to offer.

**+80%**

of CFOs see  
hybrid as a  
money saver<sup>1</sup>



## More productive

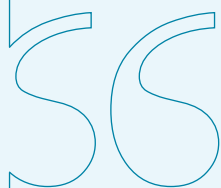
Having access to a professional environment that's convenient and close to home is enabling people everywhere to work and be creative together. Right across our global network, businesses are reporting productivity boosts powered by engaged employees whose workstyle suits their lifestyle.

## Attracting talent

Hybrid is changing the geography of work forever. Now, with no need for employees to be close to headquarters, businesses can hire talent from across the planet. And with 77% of employees saying a flexible workspace close to home is a must-have for their next job, hybrid's the magnet companies need to attract the best.

1. IWG CFO Study, Conducted by Mortar (2022)





**For a long time, companies have expected people to come to the mountain. Now the mountain is going to have to come to the people..."**

**Christian Bigsby**

VP of Workspace Solutions, Cisco

**Q What's your experience to date of working with IWG?**

**A** "We love the fact that IWG has multiple brands, a global presence and spaces we can configure to our exact needs. Today, we have a partner with the right culture, values and global scale that's helping us provide the right flexible, coworking global real-estate strategy to manage the new way of working in the future."

**Arvind Kumar**

Global Vice President of Indirects, NTT Global Sourcing

**Q Are you now fully committed to the hybrid model?**

**A** "If your employees can do their jobs remotely and they have all the digital tools they need, if productivity is up and your clients are happy, why would you force them into the office five days a week?"

**Luigi Sciabarrasi**

Corporate SVP, Global Real Estate, AECOM

**Q Do you expect your people in the office fulltime?**

**A** "There's no doubt in my mind that we're never going back to full occupancy five days a week in an office."

We need to get past the historic view that attendance is somehow a proxy for productivity. To get the best people, we don't have to force anybody to relocate from the south of Spain or to London."

**Christian Bigsby**

VP of Workspace Solutions, Cisco

**Q How are you approaching the shift to hybrid working?**

**A** "It requires close collaboration between our IT, HR, Facilities and Security teams, to build a holistic strategy, approach and success measures. Our business results show it's working for us, and I believe this model will be embraced as the future of work."

**Michael Dell**

CEO and Chairman, Dell Technologies



# Hybrid works. For our customers



**78%**  
say their  
wellbeing  
has improved  
thanks  
to Hybrid<sup>1</sup>

## Community spirit

The death of the daily commute is breathing new life into communities everywhere. Working where is most convenient means more time with family and friends, more money spent with local businesses, less stress and improved wellbeing. So our focus is on the places where people want to be.

## The future of work

At IWG, we empower companies to create the working infrastructure where their people can be at their best and happiest. With our multiple brands and workplace solutions, we are shaping the future of work: where tech-empowered workers and businesses collaborate and learn together, driving growth and enabling companies to put their employees first.

**“Hybrid gives people so much of what they want most from life: the freedom to choose how they work; more time for the things that matter; less stress and expense – and the ability to reduce their environmental impact.”**

Mark Dixon, Founder and CEO, IWG plc

## Happiness and wellbeing

Happy employees are productive. They're happiest when they have the freedom to choose where and when they can work at their best, with the right support, tools and technology. And this is exactly what millions of people get from IWG every day.

## Reduced commuting, lower carbon

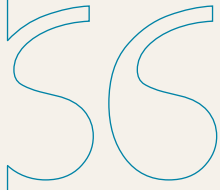
Enabling people to work close to home achieves far more than just diminishing the misery of the daily commute. Replacing cars, buses, trains and planes with feet and bicycles also greatly reduces the impact of the single biggest cause of carbon emissions – a factor that's of growing importance to workers of all ages.

**76%**  
say commuting  
less is  
important  
to fight the  
climate crisis<sup>1</sup>



1. IWG Research, conducted by Mortar (2022)





**We're having extremely positive employee feedback on improved work/life balance, reduced commuting and lower costs..."**

**Luigi Sciabarrasi**

Corporate SVP,  
Global Real Estate, AECOM

**Q What is the greatest benefit of hybrid working that you've seen so far?**

**A** "The benefits of flexibility are clear to see, especially when you think about the time people would otherwise spend commuting, freeing up time to spend with families. Flexibility drives so many other things, such as productivity, happiness, engagement and retention."

**Kim Colucci**

People Director, Mixbook

**Q Do you have ambitions to change your employee relationships under the hybrid model?**

**A** "We really want people to take that time to go to their child's game or take care of their parents. It's about being a company that cares for their employees – and providing that flexibility is invaluable."

**Luigi Sciabarrasi**

Corporate SVP, Global Real Estate, AECOM

**Q How are you ensuring that people end up working in the way that best suits them?**

**A** "We have committed to allowing team members around the globe to choose the work pattern that best fits their lifestyle, whether that's remote, in an office or a blend of the two. And we're redesigning offices to enhance the hybrid experience by bringing teams together for social connection and collaboration."

**Michael Dell**

CEO and Chairman, Dell Technologies

**Q Why is 'happiness' a key objective for Avaya?**

**A** "At Avaya, we talk about 'hybrid happiness'. Employees are happy when they can choose where to work – and their happiness leads to productivity, which is beneficial for the company. Young professionals increasingly embrace the freedom to choose where they can work best: for team collaboration or client meetings this might be at a nearby IWG workspace, while for processing an offer or a tender it might be from home..."

**Ourania Odermatt**

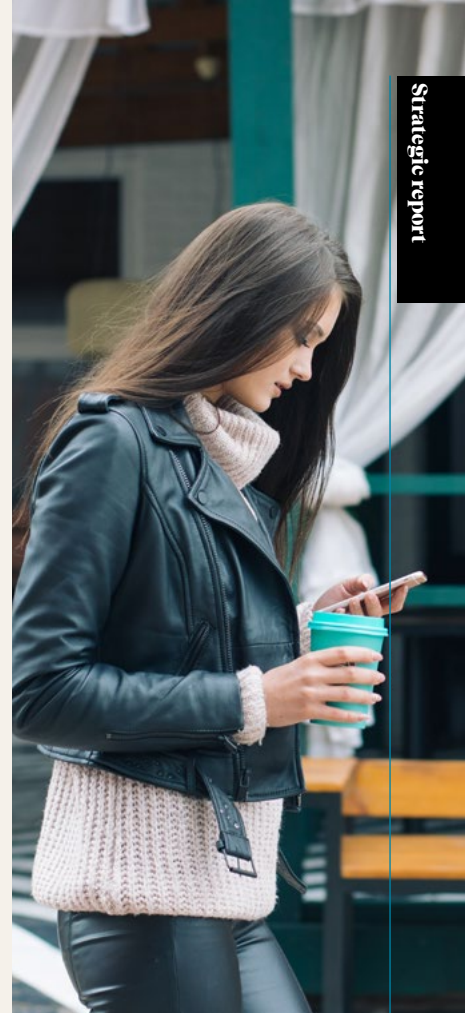
Managing Director, Avaya  
Switzerland and Austria

**Q How do you plan to get the right balance between what's best for your people and what's best for the business?**

**A** "In the world of tomorrow, we'll never have one offer that fits all. We're going to have a hybrid environment that works for a host of different people and purposes. What's exciting is that we've found the right partner."

**Arvind Kumar**

Global Vice President of  
Indirects, NTT Global Sourcing



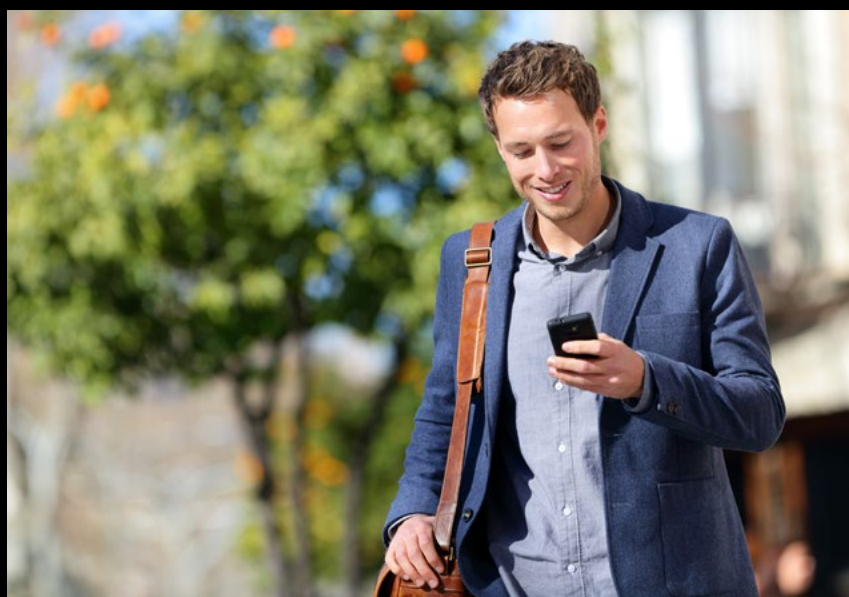
# Hybrid works. For our planet

The hybrid model is ushering in a new way of working that's fast reducing the negative impact of economic activity on society and the environment.

## Better lives on a cleaner planet

The IWG approach to hybrid working has a direct positive impact on six of the United Nations' Sustainable Development Goals. Of these, four relate to important social issues: SDG#3 (Good Health and Wellbeing); #5 (Gender Equality); #8 (Economic Growth); and #11 (Sustainable Cities and Communities).

But the approach is particularly powerful when it comes to supporting SDG #7 (Clean Energy) and #13 (Climate Action). Our work is not only helping businesses downsize their office property into advanced, environmentally efficient shared workspaces; it's also getting people out of their cars and onto their bicycles and their feet to end the intensely destructive long-distance daily commute.



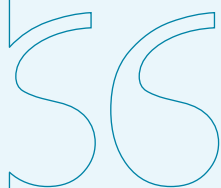
## Advances reducing the impact of work

Digitalisation and other technological, scientific and engineering advances are freeing people everywhere to work as they wish.

And this is empowering IWG to help cut the impact of work on the planet in several ways: through the increasing use of advanced, LEED-certified Class A office space that helps businesses slash workplace power usage and emissions; through enabling the re-use of resources and office-based recycling schemes; and above all, by making obsolete much of the work-related travel that is the single largest source of atmospheric fossil CO<sub>2</sub> emissions.







## We are increasingly reducing carbon emissions and energy usage across our estate and paying close attention to the recycling and the re-use of materials”

Douglas Sutherland, Chairman

### Our carbon initiatives

While we work towards our objective to achieve Net Zero carbon emissions by 2040, to eliminate the remaining net effect of our operating activities in the interim we are investing in a range of carbon removal projects which will result in achieving carbon neutrality during the course of 2023. As part of our climate action plan, we have set targets to reduce carbon emissions from our building and supply chain whilst establishing sustainable business operations, encouraging our people to take action.

### Recycling and the re-use of materials

We are refreshing our processes to ensure that we encourage the use of materials with low carbon intensity including locally sourced materials, high recycled content and innovative products that reduce waste of natural resources such as water.

1. Arup and IWG Hybrid Working: Carbon Reduction Study (2023)

### Reducing carbon emissions and energy usage

In line with our Net Zero commitment, we are accelerating our efforts to achieve 100% green electricity. We have also aligned our investment decisions to sustainable building standards, ensuring that our building selection process aligns to our Net Zero trajectory and existing buildings are continuously improving our sustainability performance.

Our focus on reducing our footprint extends beyond building operations, we are also working to optimise our supply chains and operations to encourage eco-friendly practices.

### Environmental best practice

Our purpose of helping everyone have a great day at work, whilst protecting people and planet is at the heart of our

organisation and we believe that transparency is a key part to achieving this goal.

As a global employer, our purpose and values have never been more important, and we want to play a leading role in promoting environmental best practice. This progress has been recognised through our strong AA rating by MSCI and B score for our CDP submissions. We also continue to take necessary steps to work collaboratively with our customers, partners suppliers and other stakeholders to drive the change that's needed.

# 70%

**potential reduction in net emissions with home or local working<sup>1</sup>**



# 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.**

## Hybrid works

Our ability to deliver against this purpose is empowered by our uniquely diverse, truly global culture, which is the result of operating 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 three 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



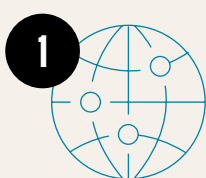
# OUR VALUE CREATION FRAMEWORK

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.

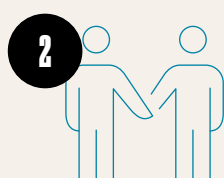
**We help millions of people to be more productive every day, supporting them to lead more balanced and rewarding lives.**

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 20 to 21



**Network**



**Partnerships**



**Platform  
(technology)**

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

→ See pages 22 to 25

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 to 65

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 44 to 53



# Hybrid working is driving flexible workspace mainstream.



**When viewed in the context of the challenges over the last three years, these results are a significant accomplishment that reflects the dedication and continued hard work of our people.”**

**Douglas Sutherland**  
Chairman



The hybrid model is becoming the preferred way of working for millions of people across the planet. This reflects major societal and behavioural change, as technological advances empower people to work wherever they are most productive. IWG is uniquely positioned to benefit from these fundamental changes to how work is conducted.

Hybrid working is leading companies to replace their expensive conventional HQs in city centres with smaller, more flexible workspaces, while simultaneously taking on advanced workspaces in the suburbs and smaller communities close to where their employees live to benefit from the fundamental changes to how work is conducted. As a result, our rapidly growing network is bringing new opportunities into the heart of local communities, and companies of all sizes are using IWG across multiple locations as they continue to shift their real estate strategies to focus on flexibility.

This shift delivers benefits to multiple groups. To businesses, helping them reduce costs, meet their ESG priorities and win the war for talent. To their people, enabling them to lead happier, healthier, less costly and less environmentally damaging lives closer to where they live. To communities, through increased local business opportunities. To our shareholders, from





**“We therefore look forward to a future of profitable growth providing opportunities and rewards for our people, customers, partners and investors in 2023 and beyond”**

I remain immensely proud and grateful to them for maintaining the IWG difference and our position at the forefront of one of the world's most exciting and important business sectors.

### Our strategy

As true pioneers of flexible workspace, we have the coverage, the offer, the approach, the technology, and the people to place us front of mind for any business wishing to explore the advantages of hybrid. As previously announced, to capture the opportunities created by the rapid shift to hybrid working, we have organised to improve focus on three important areas.

First, we continue to develop our platform benefitting from years of investment and experience in effectively operating the largest global workspace physical network. This includes industry leading systems and processes to manage all aspects of flexible workspace and deliver services in an efficient and cost-effective manner. Our on-going management platform developments will further improve efficiencies and service levels while addressing new opportunities from hybrid working.

Second, our network development organisation is accelerating the capital-light expansion of our physical network through management agreements, partnering and

improved financial returns as we implement our strategy to capture the opportunities from hybrid working.

While addressing the changes being brought by hybrid working, IWG remained concentrated on the fundamentals to deliver a strong finish to a year impacted by unforeseen geopolitical and economic developments. This resulted in IWG reporting record revenues, a record network footprint, steady increases to occupancy and pricing, and limited impacts from inflation due to strict cost discipline. When viewed in the context of the challenges over the last three years, these results are a significant accomplishment that reflects the dedication and continued hard work of our people.

### Our people

We continually aim to bring our people every opportunity to build a great career with us. We provide the means for them to develop their talent and capabilities in a diverse, inclusive and often challenging environment that enables them to stretch themselves and represent IWG as a truly progressive force.

I would like to extend my personal thanks to everybody who has been responsible for IWG's outstanding achievements during the year, especially those team members who have continued to represent the Company so brilliantly in all our markets across the world. Our people provide great service to our millions of customers, delivering to each and every one of them a great day at work.

franchising as building owners adapt to providing flexible workspace. Having the largest and fastest growing flexible workspace network in convenient locations will be key to meeting the needs of hybrid workers.

Finally, during 2022 we completed the merger of certain digital assets with the Instant Group to create Worka, the world's leading integrated independent workspace digital platform for serving the needs of the broader flexible workspace market.

### Our Board

I remain indebted 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 yet another very active year. I would like to take this opportunity to thank Florence Pierre, who left the Board in November after nine years as an active Board member, as well as Glyn Hughes, who stepped down as Chief Financial Officer in October. We also welcomed three new Directors during the year, who bring a wealth of experience and important new perspectives on our business.

Tarun Lal joined us in May, bringing extensive international franchising expertise. Tarun has over 20 years of experience gained with Yum! Restaurants, where his executive roles have included Global Chief Operating Officer KFC and Managing Director – KFC Middle East, Pakistan, Turkey, Africa, and India. Currently he is President of KFC U.S.

Charlie Steel joined us in November as CFO. Previously, Charlie was CFO of Babylon Holdings, a New York Stock Exchange listed digital health delivery and AI diagnosis business.

Sophie L'Hélias joined us in December. A trained lawyer, Sophie is currently the President of LeaderXXchange™, which promotes diversity and

sustainability in governance, leadership and investment through solutions for companies and investors seeking impact. She has public board experience in the US and Europe and was a co-founder of the International Corporate Governance Network.

We continue to implement the results of our internal board review process in our plans and have full confidence in the Board members and processes. We will maintain our focus on strategic objectives and succession planning at the Board level in 2023.

### Our environmental journey

We are committed to advancing on our environmental journey and delivering against the objectives we have set. We are proud to be doing so much to promote and lead the global uptake of the hybrid-working model. This is at the forefront of efforts to reduce the negative effects of the daily commute, reducing both the environmental impact and personal time associated with travel. Recent research we have conducted with Arup highlights the importance of this shift, identifying the commute as a major contributor. By moving away from long daily commutes and working locally some of the time an average worker's carbon footprint can be reduced by up to 70%, making it a fundamentally important issue for all of us.

We are also actively reducing our own carbon footprint as part of the implementation of our robust ESG strategy. The actions we have already taken resulted in our AA ESG rating by MSCI. And, while we work towards our objective to achieve net zero carbon emissions by 2040, to eliminate the remaining net effect of our operating activities in the interim we are investing in a range of carbon removal projects to achieve carbon neutrality during 2023.



As part of our journey, we are working to convert to certified green electricity with the goal to achieve this by 2030. We are improving the efficiency of our global supply chain by consolidating it into regional hubs that reduce the overall impact of our logistics operations. In addition, our colleagues from across the world are leading numerous initiatives to reduce waste and promote recycling in our centres.



## Looking ahead

While we enter 2023 with great confidence in the future, we are fully cognizant of the challenging economic and geopolitical environment in which we and our customers will be operating throughout the coming year. We will remain focused on our purpose at IWG, to help people have a great day at work. By enabling them to increasingly work in the ways they want and closer to home, we are actively improving the way people live – not just at work but in many other aspects of their lives as well.

IWG is a clear leader in enabling the changes from hybrid working and has everything in place to build on that lead: a rapidly growing global network, an efficient management platform, industry leading technology, an expanding customer base, a broad brand and service portfolio to meet the needs of our customers and property owners, our people experienced in all aspects of delivering flexible workspace, and the vision and drive necessary to ultimately benefit from these changes. We therefore look forward to a future of profitable growth providing opportunities and rewards for our people, customers, partners and investors in 2023 and beyond.

### Douglas Sutherland

Chairman

20 March 2023



# Leading the global shift to hybrid.



**We mustn't underestimate the significance of what we are witnessing. In years to come, the 'hybrid revolution' will be recognised as every bit as important as all of the biggest previous innovations that have shaped the world of work."**

**Mark Dixon**

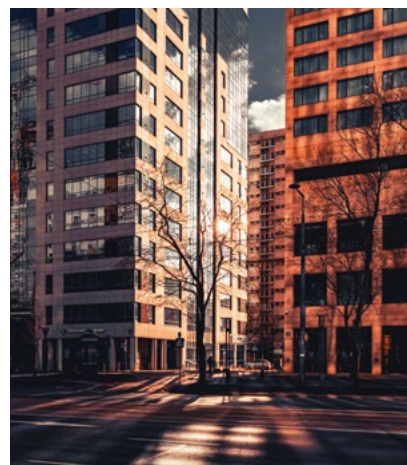
Chief Executive Officer

For many years, I have been saying that I believed companies and their employees would eventually move to a hybrid working model, with people being given the flexibility to get their work done when and where they're most productive. This shift was taking place pre-Covid at a gradual pace, but now it's happening at break-neck speed, and there's no turning back. [Hybrid working is here to stay.](#)

Hybrid working is better for people, cheaper and far more flexible for companies. The advent of hybrid has made it redundant for companies to tie themselves into inflexible and expensive long-term contracts on city-centre properties, while also having a hugely positive impact on the environment.

This type of working is being rapidly adopted by companies worldwide. It's no longer just about plans or intentions, as we can see in our record numbers for 2022, it's already changed the actions business leaders are taking when it comes to managing their property footprint. In IWG's recent CFO study, half of the financial leaders surveyed have already opted for some form of hybrid working solutions<sup>1</sup>.

The reasoning for this shift to hybrid is simple: the approach gives them the flexibility to scale up or down quickly without



## 82% of CEOs globally are concerned about uncertain economic growth

This future world of work is one in which we thrive, as the global market leader of hybrid working products supplied from our platform. A new real estate frontier, where buildings are 'linked together' to form a single work platform that can be accessed by millions in a convenient, productive and efficient way. Most importantly, work becomes more local for many, with growing indications that the fast-changing working habits of millions of people across the world mean the days could be numbered for one of the greatest drivers of global warming: the daily commute.

Little has done more over the years to depress, stress and irritate workers than the daily commute, affecting people in otherwise fantastic careers, in exceptional cities and with great employers. It separates families, fractures communities, pollutes the environment and wastes vast amounts of time and money.

Today the daily commute is entirely unnecessary, because the office is no longer a physical place that people have to go to. Rather, it is a digital space, where data saved in the cloud is accessible at any time, from anywhere.

being locked into lengthy contracts. It's also 'a no brainer' when it comes to profit, with an independent Global Analytics survey recently showing that hybrid working can save organisations an average of more than \$11,000 per employee per year<sup>2</sup>.

Savings of that scale ramp up dramatically. It's estimated that since Cisco went hybrid five years ago it has saved around \$500 million by cutting around half of its real-estate footprint<sup>3</sup>.

We see a future where between 30% and 50% of white-collar workers (well over a billion people) will work in the hybrid style. Significant academic research and opinion reinforces this prediction and highlights why companies are embracing the model.



According to Stanford University's Professor Nicholas Bloom, acknowledged as the leading academic expert on hybrid: "Firms don't do things that lose them money. They do things that make them money. That's why every firm just about out there is doing hybrid, because it's such a no-brainer to increase profit"<sup>4</sup>.

1. IWG Research, 2022

2. Global Workplace Analytics: Latest Work-at-Home/Telecommuting/Remote Work Statistics – Global Workplace Analytics

3. BBC STORYWORKS

4. What we now know about hybrid work (charterworks.com)



While sophisticated web-based technology has been around for a few years, it is only since the pandemic that companies have seen first-hand not only that hybrid works, but that they are able to thrive under the model. Firms are able to operate more efficiently with a more productive workforce, while employees are happier as they see hybrid working as the equivalent of a 7% to 8% pay rise<sup>1</sup>.

## A Bright future

As we enter 2023, our focus is sharper than ever and we have completely repositioned the Company and its strategy in three key areas to enable us to deliver against our full potential.

The first of these is an unrelenting focus on growing our margin, driven by strong performance on new and embedded price, sequential improvements in occupancy, service revenue growth and strict control of costs.

The second is our parallel focus on the rapid growth of our network coverage in partnership with the property industry and investors using capital-light expansion methods such as management agreements, partnering deals and franchising.

Finally, we are committed to accelerating the growth of our Worka business following our investment in the Instant Group at the beginning of Q1 in 2022.

## Expanding as a carbon neutral business

There are two distinct yet complementary trends that companies are embracing that are driving the demand for hybrid working solutions. First, companies are downsizing in city centres, replacing long, restrictive, and expensive leases with flexible space with operators like IWG. Second, they are taking on flexible workspace in local neighbourhoods, closer to where their people live and want to be.

These drivers are empowering us to grow faster than ever before, supporting our plans to add new signed locations during 2023 and bring the benefits of hybrid to many more people.

Growth is clearly a priority for IWG, but we are determined only to expand as a carbon-neutral organisation. The action we have taken to restrict and offset IWG plc's environmental impact is having the desired effect; our strong rating by MSCI was upgraded to AA and I am pleased to say that we are on track to achieve carbon neutrality during 2023.

## Driving growth at IWG

Hybrid working is sometimes presented as a binary choice, between people working from home and a central headquarters, but this misses the point entirely.

All studies show employees don't want to spend hours commuting each day to work in an inconveniently located office.

1. *What we now know about hybrid work* ([charterworks.com](https://www.charterworks.com))





## “Make no mistake the office is most definitely not dead; it has just changed location”

Just look at the sites of some of our most recent openings. In the UK: Gerrards Cross, Buckinghamshire (population 8,000); Marlow, also in Buckinghamshire (14,000); and Chippenham in Wiltshire (relatively large at 45,000). In the USA: Kodak, Tennessee (10,500); Destin, Florida (14,000); Bluffton, South Carolina (27,700); Middleton, Wisconsin (20,000); Ridgeland, Mississippi (24,000); and Stafford, Virginia (5,500).

That is not to say that businesses are abandoning city centres: far from it. Increasingly, we are helping companies shake off the expense of the long-term, city-centre lease and replace it with a flexible, cost-effective agreement on a smaller space in one of our city-based centres. This, too, is a trend that is proving highly beneficial for IWG and as a result we will continue to expand across metropolitan, suburban and rural locations. Make no mistake the office is most definitely not dead; it has just changed location.

### Our financial performance in 2022

With all the trends on our side it is no surprise that our financial results for 2022 were very strong with the highest-ever revenue in IWG's 34-year history with 24% growth in system-wide revenue to £3.1bn.

The strong financial results we generated, with growth in revenue and operating profit, are providing outstanding momentum for the business. We also started to grow our network strongly by signing 462 new centres in 2022, and we are planning for even stronger network growth in the year ahead.

Now, the remarkable advances in cloud technology and video conferencing software – both vital to enabling effective hybrid working – mean they don't need to. That is why we are seeing a fundamental shift in the geography of work with the centre of gravity moving towards the local communities where people actually live.

This rapidly growing demand for hybrid working is propelling the IWG business forward. The demand to work locally is particularly strong in the suburbs, former dormitory towns, satellite villages and countryside communities that used to be denuded of their people in the working week by the irresistible draw of the big city. In parallel, businesses everywhere are now typically opting for a fraction of their former conventional city-centre space in favour of sites closer to where their employees live and actually want to be.

My greatest thanks go to all our team members, who were the driving force behind our success in achieving excellent results in an extraordinary year for our global market and our business.

### Looking to the year ahead

We enter 2023 with strong momentum behind us. The future is extremely bright for IWG and all our stakeholders as we continue to grow our customer base, our global network and our matchless portfolio of brands and other solutions.

We remain ambitious and hungry for yet greater success. Our ultimate goal is to grow by thousands of centres over the coming years, further consolidating our position at the forefront of the most important and positive revolution in the world of work.

With the market trends on our side, the right strategy, the right people and the right impetus, we are superbly placed to deliver against all our ongoing growth ambitions.

**Mark Dixon**

Founder and CEO, IWG plc

20 March 2023

# 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 shows that half of all workers would seek another job if asked to make a full time return to the office<sup>1</sup>. SME demand for high-quality accommodation and services in local markets continues to accelerate.

## 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.

## 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.

## 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 expansion is focused on local markets, enabled and accelerated by our capital light growth strategy that is driving our global presence towards our goal of reaching 30,000 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 thousands of 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.



# Creating value

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 property owners and investors 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 22–25 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.



## Value created

### Franchise partners

Our franchise partners find it easy to activate our business model, brands and access the group's marketing support.

### 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.



### 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.



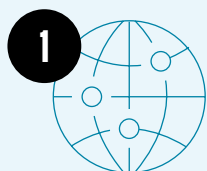
### Communities

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

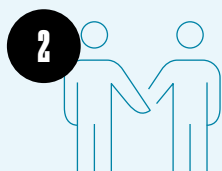


### Shareholders

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



### Network



### Franchise partnerships



### Platform (technology)

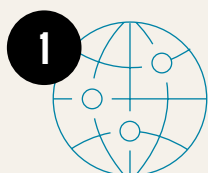
Importantly, our operating model ensures that we benefit from an entrepreneurial spirit and can strive for our ambitions for future growth.

→ See pages 44–53 for more on our approach to risk and governance

# 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.

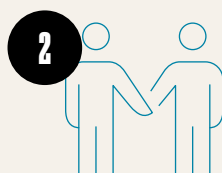
## DELIVERING GROWTH THROUGH OUR THREE STRATEGIC PILLARS



### 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 page 23 for more on our locations



### Franchise and 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 24 for more on partners and franchising



### 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 25 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 via 19 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..

# 19 BRANDS

# 8M CUSTOMERS

# Empowering our partners: partnerships for shared success

**Working with property owners, investors and franchisees across the world is central to IWG's capital-light growth strategy. It's an approach that benefits all parties, empowering our partners to turn today's surge in demand for hybrid working into valuable, cash-generating and profitable businesses.**

We are the leading global provider of hybrid working solutions, the area of the global workspace market that's in most vibrant growth today – and predicted to grow by 600% before 2030. As such, we are uniquely well-positioned to help ambitious businesses diversify into this fast-growing sector, leveraging more than three decades of experience and our deep understanding of over 120 national markets.

# 600%

**amount the flexible workspace market will grow by 2030**

Demand for our solutions is growing fast, supporting the acceleration of our network expansion over the next year. As a result, we can deliver sustainable demand and income for our partners:

- **Building owners:** traditional building owners are taking a hit as companies cut back on conventional office space. As demand for hybrid grows, IWG can provide them with a route to higher income – immediately. With our turnkey services, including dedicated sales and marketing, design and fit-out support, we can radically accelerate and sustain their return to profitable occupancy.
- **Franchise investors:** we already work with many individual, multi-unit and regional franchise investors across the world to develop highly successful flexible-workspace locations. With the right vision for growth and the desire to seize the commercial opportunities facing them, they recognise IWG as the only true partner of choice. And growing numbers are joining them every day.

- **Institutional developers and investors:** with 88% of organisations adopting hybrid-working solutions for their people, business leaders are reducing their traditional office speed at an accelerating pace. This is offering developers and investors with interests in commercial real estate a powerful opportunity to future-proof their investments. By removing dependence on a few large leases, the shift to hybrid enables diversification, mitigating risk and providing a route to long-term growth and stability. However, without the right partner providing the essential platform, network, scale and experience, making that shift will present significant challenges. As market leader, only IWG provides a roadmap to success, helping to create amenities that benefit tenants while delivering a premium income in perpetuity.



# 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, for 8 million people working in multiple languages and in multiple places – in the office, at home and on the move.

As a result, we invest more than £50m annually 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 last year, 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 'Everyware' 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.



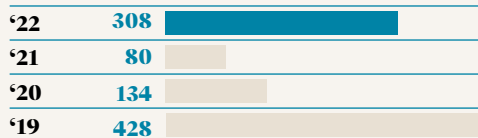
# Sustainable growth

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

Adjusted EBITDA (£m)

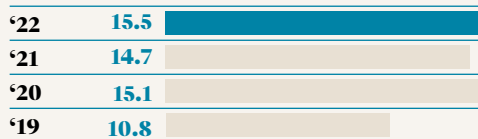
**£308m**



## 2 Best-in-class cost leadership

Overhead as percentage of revenue (%)

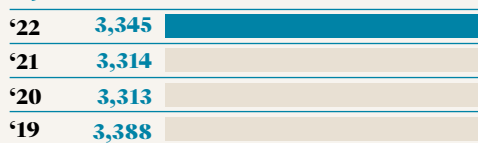
**15.5%**



## 3 Global multi-brand network

Network (locations)

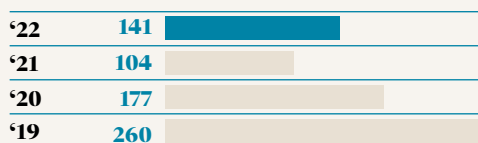
**3,345**



## 4 Capital-light growth

Net growth capital investment (£m)

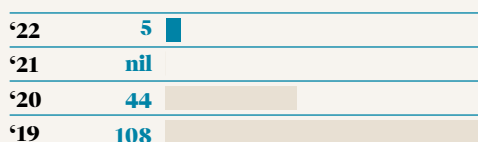
**£141m**



## 5 Shareholder returns

Total shareholder returns (£m)

**£5m**



## Overview

Adjusted EBITDA (before application of IFRS 16) up £228m, from £80m in 2021 to £308m in 2022, reflecting the great progress we made in restructuring our centre costs, mitigating the inflationary impacts and benefiting from increasing revenue.

Overheads as a % of revenue before adjusting items were well controlled at 15.5%.

Group overheads for 2022, increased 27% at constant currency to £427m (2021: £328m). This increase reflects the successful investment in our in-country sales teams and our marketing to support our pivot to capital-light growth, yielding strong results with 462 new deals signed in 2022.

We continue to add quality, convenience and choice to our network in a carefully controlled and risk-managed way. Overall, we rationalised 121 locations during 2022, with 152 new high-quality locations added to maintain the largest global and most widely distributed network.

During 2022 net growth capital expenditure was £141m, reflecting centres we signed in prior years. This investment resulted in our highest-ever network footprint of more than 65 million sq. ft.

Given the continuing macroeconomic and geopolitical tensions, we believe it was prudent to protect our liquidity and as a result there was no cash distribution to shareholders in 2022. We did however make a number of small-scale share repurchases, in total acquiring 2.1m shares to be held in treasury at a cost of £5m.

## Future ambitions and risk

More companies are permanently embracing hybrid working and IWG, as the global industry leader, is set to benefit most from these fundamental changes to how work is conducted. We believe that maintaining our strong focus on capital-light growth, creating the world's largest digital workspace platform and continued cost discipline, together with increasing revenue, will drive improving profitability.

We will continue to focus on controlling overhead cost to deliver operational efficiency. This will be balanced with investments in overhead cost, where necessary, to improve the performance of our well invested operating platform, processes and people and delivery of the Group's capital-light strategy.

Macroeconomic and geopolitical uncertainties are likely to persist in many regions in 2023, which may lead to further rationalisation of the network. However, we remain clearly focused on accelerating growth through our capital-light and partnering strategy. Simultaneously we will continue to develop our brands to enhance the choice available to more customers.

In 2022 we signed a total of 462 new centre deals (2021: 193 deals signed) which will be added to our global and widely distributed network in the future. 91% or 421 deals out of these 462 deals in total were capital-light which will result in significantly reduced net growth capital expenditure investments in future years.

Our capital allocation policy remains in place, prioritising investment in the long-term development of our business and distributions to shareholders. We intend to return, at the earliest possible date, to providing attractive returns to shareholders through dividend distributions and share repurchase programmes.

# 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. Here, we describe the brands that help to make this possible.**

IWG provides a world-leading hybrid working 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.

**19**  
brands  
**3,314**  
locations  
**8m+**  
users

Regus

SPACES.

HQ



Signature

stop@work  
by Regus

too  
THE OFFICE OPERATORS

No18



CENTRAL  
WORKING

worka

Rovva

THE  
CLUBHOUSE  
by Regus



COPERNICO

Managed  
Office Solutions

Meetingo

Openoffice

BASEPOINT

Home  
towork

EasyOffices





## 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.

## 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.



**SPACES.**



## 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.

## 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, community programme of partnerships, professional events and hospitality services.



Signature



## 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**

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**

by Regus

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.

**too**

THE OFFICE OPERATORS

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**

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.

**Openoffice**

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

**No18**

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**

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.

**COPERNICO**

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

During 2022, IWG's digital brands were combined with The Instant Group to create Worka, the world's leading integrated independent workspace digital platform for serving the needs of the broader flexible workspace market.



## The app containing every hybrid work solution

Worka will bring together every type of flexible workspace in one easy-to-use app.

Users will be able to search and compare over 30,000 global locations and instantly book a range of hybrid working solutions including office space, coworking and meeting rooms.

With the largest offering of flexible workspace and real-time availability, Worka meets the needs of all hybrid workers globally.



## 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.



# 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.

## Partners



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

### 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.

### 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.

### 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.

## Customers



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

### 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.

### 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.

### 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.





## 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 2022, our Investor Relations function held more than 500 meetings with investors and analysts. These meetings were held both virtually and in person.

# Growing rapidly and profitably

2022 has been an extraordinary year for the Group, demonstrating the ability to deliver its highest-ever system-wide revenue of £3.1bn in IWG's 34-year history whilst simultaneously increasing operating profit and cash generation. Combining the Group's unique brand strategy and unrivalled global network with historic investment in new centre capacity positions the business well for 2023.

## Financial performance

The Group reports 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.

Group income statement (£m)	2022	2021	Constant currency	Actual currency
System-wide revenue	3,086	2,498	+18%	+24%
<b>Group revenue</b>	<b>2,751</b>	<b>2,227</b>	<b>+17%</b>	<b>+24%</b>
<b>Gross profit</b>	<b>575</b>	<b>243</b>	<b>+124%</b>	<b>+137%</b>
Overheads	(427)	(328)	+27%	+30%
Joint ventures	(1)	(2)		
<b>Operating profit/(loss)</b>	<b>147</b>	<b>(87)</b>	<b>n.m.</b>	<b>n.m.</b>
Net finance cost	(252)	(172)		+47%
<b>Loss before tax from continuing operations</b>	<b>(105)</b>	<b>(259)</b>		<b>-59%</b>
Taxation	(16)	(10)		
Effective tax rate	-15%	-4%		
<b>Loss after tax from continuing operations</b>	<b>(121)</b>	<b>(269)</b>		
Profit after tax from discontinued operations	1	59		
<b>Loss for the period</b>	<b>(120)</b>	<b>(210)</b>		
Basic EPS (p)				
From continuing operations, adjusted	(10.1)	(23.4)		
Attributable to shareholders	(11.2)	(20.4)		
Depreciation & amortisation	1,189	1,110	+2%	+7%
Profit on discontinued operations	-	3		
<b>EBITDA</b>	<b>1,336</b>	<b>1,026</b>	<b>+22%</b>	<b>+30%</b>
Network rationalisation charge	58	71		
Reversal of impairment of PP&E	(73)	(125)		
Provision for expected credit losses	-	53		
Asset impairment of Russia & Ukraine	9	-		
Other one-off items incl. restructuring	19	32		
Total adjusting items	13	31		
<b>EBITDA adjusted</b>	<b>1,349</b>	<b>1,057</b>	<b>+20%</b>	<b>+28%</b>



## Changes to segmental reporting

In March 2022 we invested in The Instant Group, which is the world's largest independent marketplace for flexible working solutions for a smarter working world, with an innovative technology platform and award-winning digital marketing capabilities (refer to note 28 for financial details). As stated at the time of the investment in The Instant Group, the intention was to combine this business with some of IWG's other assets, including digital assets, to form Worka. During the year this integration progressed as planned and as a result we have made changes to our segmental reporting. Worka is operated by an independent management team.

We have also split the Group pre-Worka into three principal geographical segments: the Americas, Asia and EMEA (Continental Europe including UK, Middle East and Africa). As part of our focus on operational efficiency we have organised our main management functions and processes on a global basis. These geographical segments reflect how we practically exercise our global management through groupings based on time zones, economic relationships, market characteristics, cultural similarities, and language clusters. As a result, the UK is now included in the EMEA segment reporting.

## Revenue

System-wide revenue increased by 24%, or 18% at constant currency, to £3,086m. Group revenue also increased by 24%, or 17% at constant FX, to £2,751m. All three geographic regions reported good year-on-year revenue growth. In particular, our largest region of EMEA had strong revenue growth to £1,199m (17% at constant FX) and Americas to £1,024m (8% at constant FX). Asia still had significant COVID-19 restrictions throughout much of 2022, in particular in China, and therefore revenue growth was weaker to £248m (2% at constant FX). Worka grew to £271m (103% at constant FX) impacted in particular by investment in The Instant Group in March 2022. On a pro-forma basis, had we consolidated The Instant Group for the full year in 2022, Worka had revenue of approximately £304m.

Revenue (£m)	2022	2021	Constant currency
EMEA	1,199	1,027	+17%
Americas	1,024	836	+8%
Asia	248	231	+2%
Other	9	1	n.m.
<b>Group pre-Worka</b>	<b>2,480</b>	<b>2,095</b>	<b>+12%</b>
Worka	271	132	+103%
<b>Group</b>	<b>2,751</b>	<b>2,227</b>	<b>+17%</b>
Worka pro-forma <sup>1</sup>	304	132	+128%

1. Pro-forma for Instant Group investment for the full year





## Gross Profit

Revenue improvement coupled with cost control resulted in a 124% improvement of gross profit to £575m (2021: £243m).

Gross Profit (£m)	2022	2021	Constant currency
EMEA	191	78	+141%
Americas	184	73	+123%
Asia	51	20	+153%
Other	11	(6)	n.m.
<b>Group pre-Worka</b>	<b>437</b>	<b>165</b>	<b>+148%</b>
Worka	138	78	+76%
<b>Group</b>	<b>575</b>	<b>243</b>	<b>+124%</b>

## Overheads

We are pleased that investment in our in-country sales teams and our marketing to support our pivot to capital-light growth is yielding results with 462 new deals signed in 2022. This investment to grow our network, coupled with the investment to fill our centres and the impact of The Instant Group investment, resulted in Group increased overheads of £(427)m (2021: £(328)m).

## Operating Profit/(Loss) adjusted – continuing operations

In 2022 our results recovered strongly and we are pleased to report an operating profit for year of £147m compared to a loss of £(87)m in 2021.

## EBITDA

The Group's EBITDA increased by 22% at constant currency to £1,336m from £1,026m in 2021. This EBITDA improvement demonstrates the great progress we made in restructuring our centre costs, mitigating the inflationary impacts and benefiting from increasing revenue.

The Group reports 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. Results are additionally presented before the application of IFRS 16 (in accordance with IAS 17 accounting standards) as it provides useful information to stakeholders on how the Group is managed, and reporting for bank covenants and certain lease agreements. The primary difference between the two standards is the treatment of operating lease liabilities. There is no difference between underlying cash flow.

Before the application of IFRS 16 the Group's EBITDA increased by 389% at constant currency to £317m from £59m in 2021.

To bridge the Group's EBITDA of £1,336m under the IFRS 16 standard to £317m under IAS 17, we need to recognise rental income on subleases which are recognised as lease receivables under IFRS 16, rental costs on our lease portfolio reflected as lease liabilities under IFRS 16 and centre closure and other costs which are reflected as impairments under IFRS 16.

EBITDA bridge (£m)	2022	2021
<b>EBITDA</b>	<b>1,336</b>	<b>1,026</b>
Rent income	50	-
Rent expense	(1,059)	(997)
Centre closure & other cost	(10)	30
<b>EBITDA before application of IFRS 16</b>	<b>317</b>	<b>59</b>
Network rationalisation charge	25	60
Closure cost provision release	(71)	(125)
Provision for expected credit losses	-	53
Asset impairment of Russia & Ukraine	19	-
Other one-off items incl. restructuring	18	33
Total adjusting items	(9)	21
<b>Adjusted EBITDA before application of IFRS 16</b>	<b>308</b>	<b>80</b>

All our segments reported strong results, led by EMEA with EBITDA up 26% at constant FX from £474m to £597m, Asia up 19% at constant FX from £115m to £144m and Americas up 15% at constant FX from £451m to £588m. Worka EBITDA was at £112m (2021: £75m) positively impacted by The Instant Group investment in March 2022. On a pro-forma basis, i.e. including The Instant Group for full 12 months, Worka EBITDA was at £117m.

EBITDA by segment (£m)	FY 2022	FY 2021	Constant currency
EMEA	597	474	+26%
Americas	588	451	+15%
Asia	144	115	+19%
Other	(105)	(108)	-2%
<b>Group pre-Worka</b>	<b>1,224</b>	<b>932</b>	<b>+23%</b>
Worka	112	75	+48%
<b>Continuing operations</b>	<b>1,336</b>	<b>1,007</b>	<b>+25%</b>
Discontinuing operations	-	19	
<b>Group</b>	<b>1,336</b>	<b>1,026</b>	<b>+22%</b>
Worka (pro-forma) <sup>1</sup>	117	75	

1. Pro-forma for Instant Group investment for the full year

## Adjusting items

As in prior years, in order to improve the transparency and usefulness of the financial information presented and to improve year-on-year comparability the Group identified net adjusting items on operating profit of £13m compared to £31m in 2021, of which all £13m are non-cash items (2021: £8m).

These adjusting items in 2022 primarily reflect COVID-19 related network rationalisation charges of £58m vs. £71m in 2021, a reversal of impairment of property, plant and equipment of £(73)m vs. £(125)m in 2021 and other one-off items including restructuring costs of £19m vs. £32m in 2021. Additionally, a charge related to the asset impairment of Russia and the Ukraine of £9m as a result of the ongoing geopolitical tensions was also recognised.

## Foreign exchange

The overall impact of exchange rate movements over the course of the year increased revenue by £133m and EBITDA by £79m. The Group's results are exposed to translation risk from the movement in currencies. During 2022 key exchange rates moved, as shown in the table below.

£ sterling	At 31 Dec			Average		
	2022	2021	%	2022	2021	%
US dollar	1.21	1.35	-10%	1.23	1.38	-11%
Euro	1.13	1.19	-5%	1.17	1.16	1%

## Network growth

Our focus has been and will continue to be on the expansion through partnerships. 91% (or 421 deals out of 462) of deals we signed in 2022 in total were capital-light. As a result, we are continuing to improve the quality of our portfolio as we grow our global network.

Total occupancy of the Group's continued operations improved strongly by 530 bps in 2022 to 73.5% (2021: 68.2%). This is a great achievement. It also means that we still have 26.5% of centre capacity to grow revenues at low marginal cost and with minimal further investment.

The Group's overall pricing continued to improve throughout the year and importantly ahead of cost inflation, with year-on-year pricing increasing by 7%, albeit down from the all-time high of Q1 2020. Our ability to increase prices is tied closely to macroeconomic inflation rates, and therefore we expect that our ability to pass on inflationary increases to customers will slow as inflation reduces globally.

We continue to manage prices appropriately and continue to mitigate ongoing inflationary pressures through our strong focus on supplier consolidation and renegotiation, further strengthening our industry cost leadership. Cost efficiency and focus on profitable growth is our key focus area together with our focus on capital-light growth.

Revenue (£m)	2022	2021	Constant currency
<b>Number of centres</b>	<b>3,345</b>	<b>3,314</b>	<b>+31</b>
Centre openings	152	146	
Centre rationalisations	(121)	(145)	
<b>Number of SQFT</b>	<b>65.1m</b>	<b>64.1m</b>	<b>+2%</b>
<b>Total new centre deals signed</b>	<b>462</b>	<b>193</b>	<b>+139%</b>
Of which capital light	421	182	
<b>Average total occupancy</b>	<b>73.5%</b>	<b>68.2%</b>	<b>+530 bps</b>
<b>Embedded price, indexed*</b>	<b>95</b>	<b>89</b>	<b>+7%</b>

\* Price per square foot, Q1 2020 = 100

## Finance costs and taxation

The Group reported a net finance expense for the year of £(252)m (2021: £(172)m). The net finance expense includes interest on the Group's lease liabilities of £(230)m (2021: £(166)m) and borrowing facilities of £(22)m (2021: £(6)m). The increase in the finance expense related to the borrowing facilities is driven by increased interest rates globally and increased debt related to the investment in The Instant Group in March 2022 mitigated by a £27m gain on the mark-to-market of the option element of the convertible bond (gain of £23m). Excluding the mark-to-market of the convertible bond the financial expense related to the borrowing facilities was £(49)m (2021: £(29)m).

The effective tax rate is -15% (2021: -4%). 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

Earnings per share improved in the year from a loss of (26.2)p to a loss of (11.3)p. Earnings per share from continuing operations on an adjusted basis was a loss of (10.1)p compared to a loss of (23.4)p in 2021.

Diluted earnings per share for the year was a loss of (11.3)p (2021: loss of (26.2)p). Diluted earnings per share on a continuing basis on an adjusted basis for the year was a loss of (10.1)p (2021: loss of (24.2)p).

The weighted average number of shares in issue during the year was 1,006,884,755 (2021: 1,007,214,854). The weighted average number of shares for diluted earnings per share was 1,090,855,142 (2021: 1,102,444,936). 2,174,738 shares were acquired in the period to be held in treasury to satisfy future exercises under various Group long-term incentive schemes. The Group reissued 1,442,606 shares from treasury to satisfy such exercises during the year. At 31 December 2022 the Group held 50,564,853 treasury shares (2021: 49,832,721).

## Cash flow – continuing operations

In 2022 we demonstrated that actions taken to manage cost tightly, restructure centres where necessary and improve revenue resulted in £151m of cash inflow from business activities compared to an outflow of £(219)m in 2021. Net maintenance capital expenditure was £5m lower in 2022 at £(90)m (2021: £(95)m).

Cash inflow before growth capex and corporate activities was £90m (2021: outflow of £(240)m).

Net growth capital expenditure was at £(141)m (2021: £(104)m) mainly due to centres we signed in prior years. It is important to note that in 2022 we signed a total of 462 new centre deals (2021: 193 deals signed) which will be added to our global and widely distributed network in the future. 91% or 421 deals out of these 462 deals in total were capital-light which will result in significantly reduced net growth capital expenditure investments in future years.

Net cash for the year increased by £77m as cash outflow before investments, share repurchase and dividends of £(359)m (2021: £(334)m) was financed through net proceeds on transactions of £54m and net proceeds from loans of £386m.

Cashflow (£m)	2022	2021
<b>Operating profit/(loss)</b>	<b>147</b>	<b>(87)</b>
Depreciation & amortisation	1,189	1,110
Profit on discontinued operations	-	3
<b>EBITDA</b>	<b>1,336</b>	<b>1,026</b>
Rent income	50	-
Rent expense	(1,059)	(997)
Centre closure & other costs	(10)	30
<b>EBITDA before application of IFRS 16</b>	<b>317</b>	<b>59</b>
Working capital (excl. amortisation of partner contributions)	22	(129)
Working capital related to the amortisation of partner contributions	(104)	(95)
Maintenance capital expenditure (net)	(90)	(95)
Other items <sup>1</sup>	6	41
<b>Cash inflow/(outflow) from business activities<sup>2</sup></b>	<b>151</b>	<b>(219)</b>
Tax paid	(24)	(5)
Finance costs on bank & other facilities	(37)	(16)
<b>Cash inflow/(outflow) before growth capex and corporate activities</b>	<b>90</b>	<b>(240)</b>
Gross growth capital expenditure	(180)	(154)
Growth-related partner contributions	39	50
Net growth capital expenditure	(141)	(104)
Purchase of subsidiary undertakings (net of cash)	(307)	11
<b>Cash outflow before corporate activities</b>	<b>(358)</b>	<b>(333)</b>
Purchase of shares	(5)	-
Investment-related loan receivable	-	283
Net proceeds on transactions	54	19
Net proceeds from loans	386	36
<b>Net cash inflow for the year</b>	<b>77</b>	<b>5</b>
Opening net cash	78	71
FX movements	6	2
<b>Closing cash</b>	<b>161</b>	<b>78</b>

1. Includes capitalised rent related to centre openings (gross growth capital expenditure) of £(12)m (2021: £(20)m)

2. Cash flow before growth capex, corporate activities, tax and finance cost on bank & other facilities



Cash at year-end 2022 was £161m (2021: £78m). Mainly due to the investment in The Instant Group we increased our loan balance by £(386)m to £(861)m and non-cash movements, which was further impacted by foreign exchange losses of £(12)m. This resulted in net debt before application of IFRS 16 of £(712)m (2021: £(397)m).

Under IFRS, we are obliged to report net debt including operating leases which comprise c.90% of our net debt balance. During 2022 we paid principal and interest on finance leases of £1,227m and recognised new principal and interest on net lease investments of £(48)m. Non-cash movements and currency impact on lease liabilities and investments increased the liability by £(950)m. Hence, total IFRS 16 related lease liabilities at the end of 2022 were £(5,892)m (2021: £(6,121)m).

As a result, net debt at the end of 2022 was at £(6,604)m compared with £(6,518)m at the end of 2021. Again, the increase in net debt was primarily driven by £(307)m of acquisitions (predominantly The Instant Group in March 2022), growth capex related to centre openings which we signed in prior years and the impact of currency changes.

Net debt (£m)	2022	2021
Closing cash	161	78
Opening loans	(475)	(422)
Net proceeds from issue & repayment of loans	(386)	(36)
Non-cash movements & FX impact on loans	(12)	(17)
<b>Net financial debt</b>	<b>(712)</b>	<b>(397)</b>
Opening lease liabilities	(6,121)	(6,559)
Principal & interest payments on finance leases	1,227	1,032
Non-cash movements (net)	(524)	(712)
Principal & interest received on net lease investment	(48)	-
FX impact on lease liabilities & investments (net)	(426)	118
<b>Net debt</b>	<b>(6,604)</b>	<b>(6,518)</b>

## Risk management

Effective management of risk is an everyday activity for the Group and, crucially, integral to our growth 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 44 to 53 of this report. The principal risks and uncertainties are unchanged, other than climate change risk, where an inadequate ESG strategy would mean that IWG is unable to manage climate related exposures. IWG manages this risk in the following ways:

- ESG is firmly on the agenda for the Board;
- IWG is exposed to physical and transitional climate related risks and are exposed to assessment throughout the year; and
- ESG considerations are an integral part of our businesses, and our strategy will continue to evolve to address climate related risks and opportunities. The Group continually reviews its product offering to provide low carbon services; and In changing asset allocations towards decarbonising operations and value chains.

## 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 twelve months ended 31 December 2022. Details of related party transactions that have taken place in the period can be found in note 31.

## Dividends and share repurchase

Given continuing macroeconomic uncertainties and geopolitical tensions the Group continued to focus on maintaining sufficient funding. As a result, dividend payments currently remain on hold with a clear intention to return to our progressive dividend policy at the earliest possible opportunity. During the year the Group made a number of small-scale share repurchases, in total acquiring 2.1m shares to be held in treasury at a cost of £5m.

## Financing

The Group has a combination of debt financing instruments, including:

- Convertible bond of £318m (face value £350m, 2021: £308m) with an interest rate of 0.5%, due for repayment in 2027 with an option for the bondholders to put the instrument back to the Group in 2025 at par; and
- Net financial debt (excluding the convertible bond) at 31 December 2022 of £394m. This includes a non-recourse bridge facility against the Worka group, the gross balance of which was £270m at 31 December 2022

As at year-end 2022 the Group complied with all facility covenants. The financial instruments are discussed in relation to the going concern assessment below.

## Going Concern

The Group reported a loss after tax of £(121)m (2021: £(269)m) from continuing operations for the year, while net cash of £1,147m (2021: £735m) was generated from operations during the year. Although the Group's balance sheet at 31 December 2022 reports a net current liability position of £1,868m (2021: £1,435m) which could give rise to a potential liquidity risk, the Directors concluded and are satisfied after a comprehensive review that no liquidity risk exists after taking into account the following considerations:

1. The Group has funding available under the Group's £750m revolving credit facility. £173m (2021: £530m) was available and undrawn at 31 December 2022. This facility is committed until March 2025 with an option to extend until 2026 (note 25);
2. The Group's initial £330m non-recourse bridge facility, to fund the investment in The Instant Group, matures in September 2023. The Instant Group, combined with the IWG digital assets in Worka, has been highly cash generative and reduced its net debt to £176m, excluding £4m of lease liabilities, at 31 December 2022. Based on the modelled scenarios the Directors expect that Worka will continue to reduce its net debt position by September 2023, and has already been doing so at the start of 2023. The Group is pursuing various options available to address the bridge facility refinancing, including but not limited to: repaying the bridge facility through asset sales, cash generated from operations, and/or the extension or replacement of this facility to ensure continued funding of this highly successful and cash generative business; and

3. The Group maintains a 12-month rolling forecast and a three-year strategic outlook. It also monitors 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:

- i. the potential cash generation of the Group against a range of illustrative scenarios (including a severe but plausible outcome); and
- ii. mitigating actions to reduce operating costs and optimise cash flows during any ongoing global restrictions.

Details of the principal risks, outcomes of modelled and stress tested scenarios are set out in the Viability statement review on page 53.

Based on the above, the Directors consider that the Group is well placed to successfully manage the actual and potential liquidity risks faced by the organisation subject to successful resolution of the uncertainty with regard to the bridge facility referred to in section 2 above.

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.

### Charlie Steel

Chief Financial Officer

20 March 2023

# Managing risk in an uncertain world

**Risk management is an integral part of IWG's strategic planning process. The importance of having robust and effective enterprise risk management is vital to the achievement of our goals, 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 appropriate 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.

## **Risk Management Approach**

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

→ See diagram on page 45

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 74 to 83.

In 2022, 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 the Group's control were considered in 2022 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 2022. 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 is on track to achieve carbon neutrality during 2023. We participate annually in the Carbon Disclosure Programme and maintained a stronger rating than the global and industry averages for our carbon and water submissions. At its core, IWG embraces the 15-minute commute and advocates a hybrid working environment.

## **Principal risks to the achievement of our strategy in 2022**

Our principal risks are linked to our key business objectives and overall strategy and in 2022 were considered in the context of the ongoing pandemic, economic downturn and climate change.

A critical component of the risk management process is assessing 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

- Approves 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

### 1<sup>st</sup> 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

### 2<sup>nd</sup> 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

### 3<sup>rd</sup> Line

- Independent assurance
- Tests the design and operation of controls in place including policies, and procedures implemented by the 1<sup>st</sup> and 2<sup>nd</sup> 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

## Strategic risks

Risk description	Mitigation	Change / improvement since 2021
<b>Growth risk</b>		
<p>IWG continues to undertake significant Global growth.</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>IWG mitigates this risk as follows:</p> <ol style="list-style-type: none"> <li>1. A strong capital-light growth structure is implemented, enabling low-cost investment.</li> <li>2. All investments or acquisitions are subject to review and approval by the Investment Committee.</li> <li>3. New leases are principally required to be variable in nature.</li> <li>4. 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.</li> <li>5. Monthly Business Reviews take place to monitor spend and profitability. A quarterly review process is in place to monitor new centre performance profitability. As part of the annual planning process, a growth plan is agreed for each country which clearly sets out the annual growth objectives and means to achieve those goals.</li> </ol>	<p>Throughout 2022 additional resource investment took place for network development teams to focus on capital-light growth.</p> <p>Strong growth plans were implemented and monitored.</p> <p>New centre opening strength that occurred in 2021, continued throughout 2022.</p>
<b>Transformation risk</b>		
<p>Execution and delivery of programmes are not achieved within desired timelines or do not meet the desired outcomes.</p>	<p>This risk is mitigated as follows:</p> <ol style="list-style-type: none"> <li>1. Governance Committee in place for all transformation programmes. Clear timelines and expected outcomes are monitored and managed.</li> <li>2. Programme management team is in place to ensure programmes are monitored and properly managed.</li> <li>3. 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.</li> </ol>	<p>We have recruited a number of senior roles to provide additional expertise.</p> <p>We have a coordinated transformation programme in place to align multiple transformational activities.</p> <p>External expertise is called on as and when required to assist in the delivery of our transformation.</p>
<b>Lease obligations</b>		
<p>The Group's portfolio of leases gives rise to an inherent risk in relation to lease obligations and associated financial commitment. The lives 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> <p>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.</p> <p>Additionally, close to 40% of all our open centres as at December 2022 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 reduce the overall risk to our business. Additionally, our capital-light growth model together with Increased partner agreements reduces the overall risk to the Group. Each year a significant number of leases in our portfolio reach a natural break point further reducing the risk.</p>	<p>Approximately 96% of our leases are flexible giving the Group the agility to change to economic conditions.</p> <p>At the end of 2022, we were operating 3,345 locations of which approximately 40% are variable deals.</p> <p>Further, more than 90% of new deals signed in 2022 were variable in nature.</p>

Risk description	Mitigation	Change / improvement since 2021
<b>Prolonged economic downturn</b>		
<p>A prolonged economic downturn in key and emerging markets, or changes in market conditions, could adversely impact our global market share, operating revenue and profit performance.</p> <p>The Group is operationally leveraged, resulting in profitability moving up and down with relatively small changes in revenue.</p>	<p>The Group has taken a number of actions to mitigate this risk:</p> <ol style="list-style-type: none"> <li>1. The Group has a strategy in place, which is reviewed and approved by the Board.</li> <li>2. Approximately 40% of all our leases are variable in nature and our rental payments, if any, vary with the performance of the centre.</li> <li>3. Lease contracts include break clauses when leases can be terminated at our behest.</li> <li>4. We review our customer base to assess exposure to a particular customer or industry group and take action where necessary to manage any risk.</li> <li>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 any single market or region.</li> </ol>	<p>The number of 'flexible' leases as a percentage of the total remained at 96%.</p> <p>Our monthly business performance reviews provide early warning of any impact on our business performance and allow management to react with speed.</p> <p>The Board reviewed the potential impact of an economic downturn and addressed a range of potential impacts when making its annual Viability statement.</p>
<b>Innovation and competitive advantage</b>		
<p>Failure to innovate and respond to market demand could result in IWG's leading market share being compromised.</p>	<p>IWG's strategy includes investment in innovation to develop new products and services to further increase its competitive advantage, protect current revenue and unlock potential new sources of revenue.</p>	<p>2022 saw continued modernisation of the technology used by IWG. The adoption of the Microsoft suite of ERP 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. 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>
<b>Partner portfolio</b>		
<p>The continued expansion of our franchising and managed partnerships is key to the Group's capital-light growth strategy. Achieving our partner model objectives will require the continued development of our skills, services and resources.</p>	<p>This risk is mitigated as follows:</p> <ol style="list-style-type: none"> <li>1. A Partner Committee oversees key programmes connected with the franchising model and the managed partnership model and ensures that significant risks are identified and mitigated.</li> <li>2. We have regular communications with franchise partners including sharing best practices to drive performance and deliver consistent service to our customers.</li> </ol>	<p>In 2022, more countries and partners were added in our partner portfolio.</p> <p>Partner development and support teams were further strengthened in 2022 with the recruitment of dedicated sales and development and support personnel in key markets. We have implemented hands-on targeted support for our partners with monthly reviews to drive performance and review of processes to identify improvement opportunities.</p>
<b>Increased competition</b>		
<p>The residual impact from the pandemic and the 'great resignation' has solidified hybrid working as the 'new normal'. 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. As market leaders, IWG also responded quickly to the pandemic and offered clients its unique "hub and spoke" model.</p> <p>IWG also offers a diverse product range under its different brands to cater to multiple customer segments. This allows us to capture and maintain market share across the flexible workspace market. We explore new and emerging markets to ensure our supply of products meets demand. 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 2022. We continue our efforts to offer an unrivalled global network and varied product range to suit the different requirements of our customers. In 2022, we added 20 new towns and cities.</p> <p>In addition to our global network and product range we maintained cost leadership which is pivotal for a sustainable business.</p>



## Strategic risks continued

Risk description	Mitigation	Change / improvement since 2021
<b>Geopolitical instability</b>		
Increasing geopolitical instability and conflicts are directly impacting some of our markets. Continued escalation and sanctions could lead to broader economic impacts.	The geographies most directly impacted to date will not have a material effect on our global operations or results and we have exited some markets impacted. Our broader economic downturn scenario planning considers a range of economic downturns, irrespective of the cause.	The risk of broader economic impacts from geopolitical instability, conflict and sanctions is increasing. IWG has taken concerted action during 2022 to reduce risk relating to geopolitical conflict and to ensure there is a robust KYC process in place.
<b>(NEW) Climate change risk</b>		
Inadequate ESG Strategy would mean that IWG is unable to manage climate-related exposures.	<p>IWG manages this risk in the following ways:</p> <ol style="list-style-type: none"> <li>1. ESG is firmly on the agenda for the Board.</li> <li>2. IWG is exposed to physical and transitional climate-related risks and are exposed to assessment throughout the year.</li> <li>3. ESG considerations are an integral part of our businesses, and our strategy will continue to evolve to address climate-related risks and opportunities. The Group continually reviews its product offering to provide low carbon services; and in changing asset allocations towards decarbonising operations and value chains.</li> </ol>	The Group adopted greenhouse gas emission reduction goals and a commitment to achieve carbon neutrality during 2023. This was communicated in our 2021 annual report.

## Financial risks

Risk description	Mitigation	Change / improvement since 2021
<b>Business planning and forecasting</b>		
The Group is exposed to constantly changing external environment (e.g.: geopolitical risks and global inflation rises) which can impact business planning and forecasting.	<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>Business plans, forecasts and review processes are embedded into the Group to provide timely and reliable information for short-, mid- and long-term opportunities. Any risks to performance will be identified by early warning indicators so that they can be addressed on a proactive basis.</p>	The existing forecasting process was enhanced by creating different scenarios to reflect various economic environments and financial outcomes. The focus has been on cash generation by reducing cost, renegotiating rents and rationalising the network.
<b>Funding</b>		
The Group relies on external funding to support a net financial debt position of £712m at the end of 2022. Any change to this support would result in liquidity risk for the Group.	<p>This risk is mitigated in a number of ways:</p> <ol style="list-style-type: none"> <li>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.</li> <li>2. The Group also stress tests these forecasts with downside scenario planning to assess risk and determine potential action plans (Refer to the Viability statement on Page 53).</li> <li>3. The Board intends to maintain a prudent approach to the Group's capital structure and constant review of the maturity profile of external funding is in place.</li> <li>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.</li> </ol>	<p>The Group's funding comprises of a GBP 350m convertible bond with a fixed 0.5% interest rate, a GBP 750m Revolving Credit Facility (RCF) and a GBP 270m non-recourse Bridge Facility as at December 2022.</p> <p>The convertible bond matures in 2027 with an option for the bondholders to put the instrument back to the Group in 2025.</p> <p>The RCF is committed until March 2025 with an option to extend until 2026.</p> <p>The non-recourse Bridge Facility, to fund the investment in The Instant Group in March 2022, matures in September 2023. The Group is pursuing various options available to address the bridge facility refinancing, including but not limited to: repaying the bridge facility through asset sales, cash generated from operations, and/or the extension or replacement of this facility to ensure continued funding of this highly successful and cash generative business.</p>

Risk description	Mitigation	Change / improvement since 2021
<b>Inflation risk</b>		
Increasing global inflationary pressures may impact the Group's costs, including financing charges, impacting profitability and cash flows.	<p>Mitigating actions include:</p> <ol style="list-style-type: none"> <li>1. The short-term nature of most customer contracts allows the possibility for prices to be adjusted in consideration of the evolution of costs.</li> <li>2. The Group's capital-light strategy includes a focus on flexible leases and management contracts which reduce the negative impacts of inflation.</li> <li>3. The Group constantly monitors interest rates exposure and has a fixed rate coupon on its £350m convertible bond up to 2027.</li> </ol>	<p>Inflationary pressures are expected to increase.</p> <p>Continued pricing management and focus on cost and efficiencies are largely mitigating inflationary pressure.</p>
<b>Exchange rates</b>		
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 currency volatility can impact revenue. The Group does not undertake any speculative transactions to manage risk.	<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>In 2022, exchange rates had a positive impact on results.</p> <p>Revenue increased during the year by £133m and EBITDA by £79m.</p>

## Operational risks

Risk description	Mitigation	Change / improvement since 2021
<b>High level recruiting and succession planning</b>		
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>Mitigating actions include:</p> <ol style="list-style-type: none"> <li>1. Resource Committee in place for key resource positions.</li> <li>2. Succession planning discussions are an integral part of our business planning and review process.</li> <li>3. Part of the annual planning process is the Human Resources Plan, and performance against this Plan is reviewed through the year.</li> <li>4. Regular external and internal evaluation of the performance of the Board, including succession planning.</li> </ol>	<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 in 2022 met demand and we expect more of the same in 2023 to meet the growing needs of the business.</p> <p>The Board of Directors was increased by an additional Non-Executive Director with three of the Board members being newly appointed during 2022.</p>

## Operational risks *continued*

Risk description	Mitigation	Change / improvement since 2021
<b>Employee engagement and retention</b>		
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>One of the key items in the Human Resources Plan is the Global Induction &amp; 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 world to support continuously giving customers a great day at work.</p> <p>In 2022, the Group issued a number of employee engagement surveys across specific functions and to the Group as a whole, with positive results.</p>
<b>Ethics and compliance</b>		
Ethical misconduct by our employees or non-compliance with regulation, whether inadvertently, knowingly or negligently, could lead to financial loss/penalties, reputational damage, loss of business and impact on staff morale.	<p>IWG manages this risk through:</p> <ol style="list-style-type: none"> <li>1. Visible ethical leadership.</li> <li>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).</li> <li>3. Centralised procurement contracts with suppliers for key services and products.</li> <li>4. Standardised processes to manage and monitor spend including controls over supplier on-boarding and payments approval.</li> <li>5. Regular reviews to monitor effectiveness of controls.</li> <li>6. Independent and confidential ethics hotline available to employees, contractors and third parties.</li> <li>7. Independent investigation of fraud incidents and allegations of misconduct with Board-level oversight.</li> </ol>	<p>We continue to actively monitor and respond to reports via 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 and the Investment Committee presides over key decisions.</p> <p>A dedicated cost function to review spend across all categories and detect anomalies or exceptions is in place.</p>



Risk description	Mitigation	Change / improvement since 2021
<b>Data protection and privacy</b>		
<p>IWG is required to comply with legislation in the jurisdictions in which it operates including the new General Data Protection Regulation (GDPR) and other local data privacy laws.</p> <p>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"> <li>1. IWG operates a comprehensive programme that covers all aspects of data privacy and data protection.</li> <li>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.</li> <li>3. We apply the principle of 'least access' privilege and separation of duties to safeguard our data.</li> <li>4. All credit card data is stored on PCI-accredited payment service providers and not on IWG systems.</li> </ol>	<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 &amp; 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>
<b>Cyber security</b>		
<p>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"> <li>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.</li> <li>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.</li> <li>3. The programme is delivered in collaboration with external specialists across our environments.</li> <li>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.</li> <li>5. IWG transfers residual risk through its comprehensive cyber insurance coverage provided by a global leader in cyber insurance.</li> <li>6. We have a robust security incident management process which and coordinates our response in the event of a security incident.</li> <li>7. Security awareness training is mandatory for all employees that covers Information Security, PCI and Privacy.</li> </ol>	<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 require 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 continually implement new security features to improve our processes and controls in this area, keeping pace with the ever-changing best-practice.</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 with which all centres need to comply.</p>

### Operational risks *continued*

Risk description	Mitigation	Change / improvement since 2021
<b>Business continuity</b>		
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>IWG manages this risk through:</p> <ol style="list-style-type: none"> <li>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.</li> <li>2. 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.</li> <li>3. A robust managed services and managed security services agreement in place with leading vendor.</li> <li>4. 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.</li> <li>5. Appropriate business interruption insurance is in place.</li> <li>6. Country Business Continuity Plan and Centre Disaster Recovery Plan are in place and regularly reviewed.</li> </ol>	<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 &amp; 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>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 should the worst case scenario occur in both production and DR sites simultaneously being rendered inaccessible.</p>

## Viability statement

In accordance with the UK Corporate Governance Code published by the Financial Reporting Council in July 2018, 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 is cognizant of the maturing Bridge Facility in September 2023. The Group has various options to address this, including: repaying the bridge facility via asset sales, cash generated from operations, or refinancing via extension or replacement of the facility.

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, 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;
- £ sterling appreciation; and
- Significant cybersecurity or data breach event.

Two scenarios (likely-case and worst-case) modelled for revenue shortfall, 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.

The impact on performance was assessed over a three-year period (2023–25) and on account of individual risks as well as a combination of risks materialising.

The modelling for worst case revenue shortfall reflects the low starting point given the recovery from COVID-19 and the worst case for cyber/data event reflects the limited private data held and other steps taken to limit the risk/impact of such events.

In the event of extreme worst-case scenarios there are actions that could/would be taken including an accelerated sale of properties, cutting growth and related capex and costs, etc. The significant potential benefits from such actions have not been reflected in the modelling.

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 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.

In making its assessment, the Board considered the outcome of each modelled scenario against the Group's current and projected future net cash/(debt) and liquidity position, specifically:

1. The Group had funding available under the Group's £750m revolving credit facility. As at 31 December, £173m (2021: £530.1m) was available and undrawn under this facility. This facility is committed until March 2025 with an option to extend until 2026;
2. The Group's initial £330m non-recourse bridge facility, to fund the investment in The Instant Group, matures in September

2023. The Instant Group, combined with the IWG digital assets in Worka, has been highly cash generative and reduced its net debt to £176m, excluding £4m of lease liabilities, at 31 December 2022. Based on the modelled scenarios the Directors expect that Worka will continue to reduce its net debt position by September 2023, and has already been doing so at the start of 2023. The Group is pursuing various options available to address the bridge facility refinancing, including but not limited to: repaying the bridge facility through asset sales, cash generated from operations, and/or the extension or replacement of this facility to ensure continued funding of this highly successful and cash generative business.

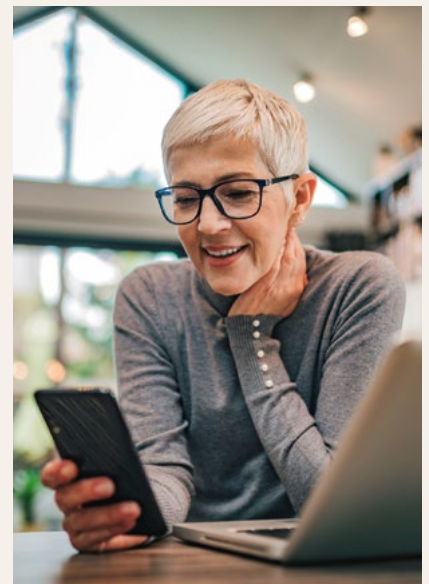
# IWG puts people and planet first



**Climate change is at a pivotal moment – I believe it is critical that IWG plays its part. We have amplified our efforts in this space to ensure we deliver an environmentally friendly and inclusive space for all customers.”**

**Mark Dixon**

Chief Executive Officer



**Teams across IWG collaborate to continuously improve and innovate ensuring our business delivers against our main ambitions:**

## **Our carbon reduction journey**

- We are reducing carbon emissions across all IWG spaces, investing in buildings that have recognisable sustainable credentials and reducing waste across operations
- We remain on track to deliver carbon neutrality during 2023 and have set a target to reach Net Zero by 2040

## **Being a socially responsible employer**

- We continue to invest in recruiting and training the best talent and are proud to be recognised as a leading employer
- Our teams and customers have made huge contributions to charitable organisations in the communities where we operate in across the world

## **Providing transparent and regular information**

- We have improved the transparency of our ESG data
- This year we have disclosed our carbon footprint for 2021 and 2022



# ESG Highlights

Adopting hybrid working brings considerable sustainability benefits. It can provide a major pillar in any company's ESG strategy and the foundation of a new approach that benefits work and life for both the planet and its people.

At IWG we continue to push our ESG agenda so that we and our customers can make a difference and contribute to the global climate challenge.

This year, we have delivered our strongest performance to date.

## 2040

Target to achieve Net Zero

### 2023

On track to deliver carbon neutrality

### AA

Rated by MSCI

### 9.2

Rated by Sustainalytics

### FORESTS

Large scale investments globally

### 100%

Green electricity target by 2030

### B

CDP score for Climate Change & Water Security

### SCOPE 3

Reduction through improved supply chain

### £474k

Provided to charitable organisations

### TOP 1%

Won the UK Leading Employer Award

### Our carbon reduction journey

**Environmental sustainability remains a global imperative and partnering with IWG for flexible workspaces is a form of climate action.**

This year, IWG collaborated with renowned consultancy, Arup, to independently verify the impact of hybrid working on carbon emissions. This analysis demonstrates that hybrid working reduces carbon emissions through improved commuting options and building efficiency – the impact per person can drive a 70% reduction in carbon emissions.

We place great importance on ensuring our business activities achieve the highest level of environmental sustainability.

As part of this, we're pleased to remain on track to deliver carbon neutrality across our operations globally (Scope 1 and 2). Our continued progress has made us more determined and we have set out a transition plan to reach Net Zero emissions by 2040.

We continue to remain mindful of the wider impacts of our actions and strive to support the protection of the planet, including reducing our impact on natural resources, biodiversity and pollution.

### Transition plan to reach Net Zero emissions by 2040

Since embarking on our environmental journey, we have continually broadened our ambitions. Following our progress last year, we have calculated our Scope 1 and 2 greenhouse gas emissions for 2021 and 2022.

Our initial transition plan to support our target to Net Zero emissions by 2040 features a working group focused on converting the energy we use to green. This will initially prioritise electricity, but will also address all forms of energy through innovative solutions and collaboration with our partners and suppliers.

As we continue on our journey, we are developing reduction plans across the spaces we operate to reduce our energy intensity. These plans focus on optimising our buildings with energy-efficient equipment, evolving our operational practices to be more sustainable, and working with our customers to reduce the energy they use in their spaces. Where we have emissions that we have not yet been able to eliminate, we will compensate through investments in carbon removal solutions.

## HYBRID WORKING AS A FORM OF CLIMATE ACTION

**IWG and ARUP partnered to investigate the carbon impact of new ways of working compared with the traditional commute into the city centre. Our research was conducted across six cities and uses disaggregated calculations for transport and building emissions. The study highlights that modern hybrid working reduces employees carbon emissions.**

As anticipated, less commuting to city centre locations reduces carbon emissions.

Surprisingly, however, even where people drive to local offices the carbon emissions are still lower than the traditional five-day city centre commute. Hybrid working at a local office in Los Angeles demonstrated a 70% reduction in carbon emissions, despite widespread reliance on cars.

Where employees chose to work in an office close to home, their total emissions are lowest – although commuting emissions increase, sharing resources within a building provides the lowest overall carbon emissions. In LA the 'close to home' or

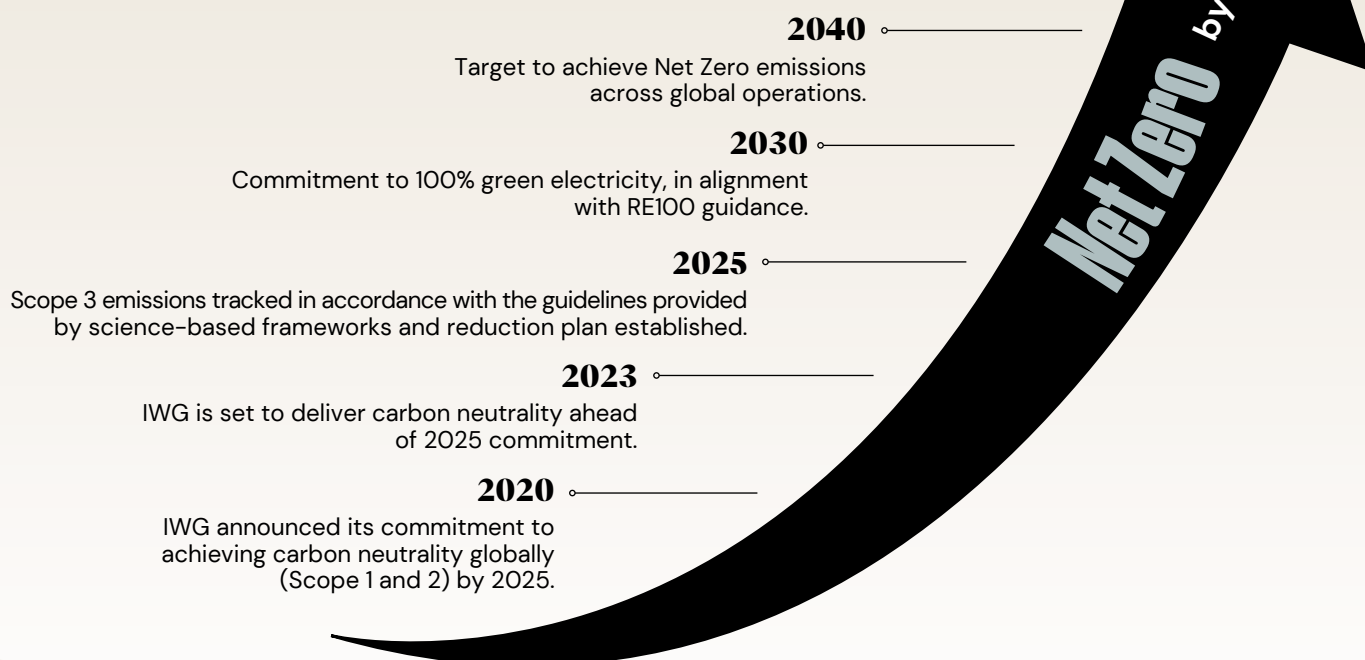
hybrid scenario consistently emits 41%+ less emissions than the traditional five-day city centre scenario.

The widespread adoption of hybrid working has accelerated changes in our society, creating new possibilities for the future. Beyond the potential to tackle the emission of greenhouse gases, hybrid working supports the United Nations' 17 Sustainable Development Goals including economic growth, sustainable cities and communities, gender equality, good health and wellbeing and clean energy and climate action.



# NET ZERO BY 2040

## OUR TRANSITION PLAN



### Key actions to deliver



### **Making our global office spaces sustainable**

To embed sustainability in our capital allocation and long term investment decisions, we have introduced IWG's Centre Sustainability Assessment Framework. This toolkit is designed to identify and acquire less-energy intensive buildings that align with our Net Zero trajectory. It also helps us monitor criteria such as on-site renewable energy or green building certification, to ensure our investments promote sustainable practices.

Additionally, we are utilising the assessment to analyse our existing portfolio and help us identify further opportunities to reduce the energy intensity of our buildings. By developing an internal metric, we can evaluate carbon risks and opportunities, to feed into our investment decision-making in line with our wider climate targets.

Our internal framework is aligned to international sustainable building standards, so that IWG can continue to demonstrate leadership in promoting sustainable workspace standards in our building selection, internal fit-out and operations. We will continue to seek opportunities to use recognised green certifications (e.g. LEED or BREEAM). Given our global reach, we will work in close partnership with landlords and partners that share our ambition.

### **Reducing our operational footprint**

This year we expanded sustainable practices at community and operational levels, including establishing an eco-friendly cleaning programme. This approach places emphasis on minimising water usage and waste generated, allowing us to reduce our carbon footprint and contribute to delivering a healthier environment for our customers and colleagues.

In 2022, we announced the launch of our UK electric vehicle scheme, in partnership with Tusker. This is another example of our green efforts that enable customers and colleagues to reduce their carbon emissions from commuting. To further encourage uptake, we are committed to expanding electric vehicle (EV) charging point availability at our centres.

### **Building understanding of our Scope 3 emissions**

Part of our plan is to ensure we have a reliable and responsible supply chain for customers, through working with our suppliers to embed sustainability into the value chain. This year, our thorough review of our supply chain including logistics, enabled us to consolidate our regional hubs where possible, reducing carbon emissions and improving logistical efficiency.

Our supply chain transparency has increased dramatically through monthly measurement of new suppliers. During 2022, we launched an audit into the sustainability credentials of our top suppliers globally using our Supply Chain ESG Framework. Responses are collated and analysed, including innovations and opportunities to improve the sustainability of the products and processes bought through third parties.

Alongside this, our procurement team regularly communicates our responsible sourcing requirements, and ESG ambitions to all suppliers.

### **Addressing embodied carbon**

As part of our Net Zero transition plan, we have identified fit-out of new centres as a key driver of lifecycle emissions. We are therefore setting targets for fit-out projects.

To enable this, we are developing relevant criteria to assess development projects from the beginning of design to construction and through to the ultimate impact on the in-use building. This has highlighted the importance of product innovation to support delivery of our circular design principles that will reduce the climate impact of our products and processes.

We are also working concurrently with our partners to drive decisions towards low carbon products, sustainable raw materials and low-energy manufacturing processes. This includes avoiding the use of materials with high carbon intensity and instead using locally sourced materials with high recycled content and innovative low-carbon materials. Our long-term partnership with strategic suppliers enables the identification of low-carbon products and consolidation of our supply chain to support reductions in logistics related emissions.

We intend to evolve our frameworks over time through collaboration with partners and suppliers.



# Achieving carbon neutrality

To reduce our environmental impact, we recognise the need to take action to address the emissions we can't yet avoid.

As part of this commitment, we are dedicated to preserving the environment and investing in nature-based solutions that offer both ecological and social benefits. By supporting the restoration and protection of forests, we can help preserve biodiversity, enhance ecosystems, and mitigate climate change impacts.



We continue to take our responsibility seriously and are committed to investing in projects that align with our ESG strategy and also generate additional co-benefits to help meet some of the the United Nations' 17 Sustainable Development Goals. Our carefully designed project selection process is focused on identifying high quality carbon investments that contribute to improved economic growth and opportunities (Goal #8), addressing climate change (Goal #13) and species protection (Goal #15).

# A socially responsible employer for colleagues

## Advancing our talent strategy

The year 2022 turned out to be one of the most dynamic job markets that the world has seen for decades. Phenomenal career opportunities combined with increases in inflation and energy costs gave rise to an exciting race to hire and retain great talent. The IWG recruitment model, our technology and investments in marketing and recruitment delivered highly productive results with over 4,000 people starting new careers with IWG around the world.

Our IWG people promises are:

- Interesting work
- A manager and company that cares
- An opportunity to develop & grow your career

In order to give customers a great day at work, we have to ensure our team members also have a great day at work. The two are inextricably linked and we are delighted to say that IWG has again won the UK Leading Employer Award, in December 2022 for the year 2023, which is awarded to the top 1% of employers.



Our People Plan for 2022 focused on six essential strategies:

- The development of our global HR information and administration platform in Manila
- The acquisition of new talent
- Training and careers
- Diversity, equity and inclusion
- Communication and recognition
- Reward

## HR platform

As our team grows in numbers across the world, we continue to build on the global HR platform that is accessible to all team members 24/7, 365 days a year. This is a single ticketed system to get answers on all topics from global policies, processes and documents to accessing the IWG Learning Academy and much more in terms of best working practices.

The development of this platform is key for franchise and property partners to manage their own teams locally with efficiency and consistency. In addition, all our team members use a unique app that they can access on any device, day or night, called TeamHub. This app had broad functionality from resource allocation to absence management.

## Talent acquisition

2022 was the most challenging year in our history. We pride ourselves on best-in-class career opportunities combined with technology and ways of working that allow IWG and its partners the capability to recruit any talent, in any location, quickly and effectively. The team that looks after our customers is of prime importance.

We added new opportunities in product development, finance, country management, sales, a new technology hub in Porto, franchising, property partnerships and project management, all focused on delivering and deploying innovation, automation and network growth across the business.

Our Apprenticeship Programme, where individuals can attain formal qualifications while working proved to be an excellent channel for new talent and the retention of this cadre of our team was very high at more than 85%.

## Diversity, equity and inclusion

Diversity of talent continues to be a focus for us, and our recruitment channels and processes offer opportunity to everybody. In 2022 IWG offered new and existing talent a range of opportunities that can be done on a part-time basis, entirely from home, to suit individuals that have diverse personal priorities that makes it difficult for them to commute or be based in an office. This new talent pool will continue to be an important part of our strategy.

Our current global gender split is 65% female and 35% male. At regional leadership level our split is 42% female and 58% male. At senior leadership level, which includes our Senior Leadership Team of global geographic and functional leaders as well as our country leadership, our gender split is 25% female and 75% male, with the gender representation similar in both of these groups.

Based on the colleagues who were happy to disclose their data, further information regarding our diversity picture is as follows:

White	52%
Hispanic	19%
Black	18.5%
Asian	6.3%
Mixed	2.5%
Pacific Islander	1.5%

We have continued our Board diversification with two new Non-Executive Directors in 2022.

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

In 2021 we started our global Voice Councils and these continued into 2022. Hosted by a senior audience, our team drives the agenda with recommendations for improvement and innovation documented and actioned as appropriate.

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.

## Learning, development and careers

2022 was another record year for IWG. With much success in our recruitment drive, onboarding and induction was re-designed from scratch with a huge improvement in the number of those new people successfully completing their induction and within their first 30 days of employment. The year ended with a 95% success.

We filled 25,000 training slots (webinars) from induction to skills development in key areas such as customer service, sales and communication.

We continued our core programmes on important topics such as health and well-being, technology skills and hybrid working.

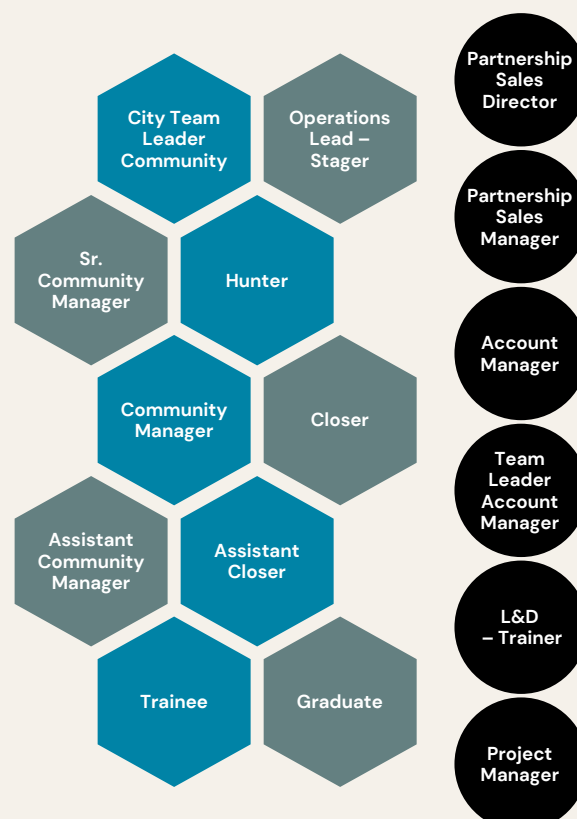
We launched a new compliance programme which all our team members completed. This extends to all employees including part-time and contractors and covers topics from anti-money laundering to cyber-attacks, given this education becomes ever more important.

## OPPORTUNITIES TO PROGRESS AT IWG

Retaining great talent is about leaders focusing on talent development and supporting individuals to progress their careers at IWG.

- Great opportunity to progress vertically and cross-functionally
- Training programmes focused on career progression and development of high potentials
- 2023 management focus on talent development and succession planning

**“A true leader’s legacy is the number of people we have helped grow and progress”**



Our learning and development curriculum is focused on giving our team members the right start at IWG. Then, it is about developing the skills and knowledge of our team members to offer them an opportunity to develop and take the next step on their career ladder. Our customer-facing teams have a defined career path with multiple opportunities in front of them.

We place great importance on continuous learning and have established partnerships to accelerate growth of our employees. Engagement with strategic collaborators and industry experts, including Cornedel, allows IWG to deliver professional learning and our team members the opportunity to develop new skills, enhance

their expertise, and reach their full potential. We also continue to deliver Content Club training into our academy forums.

### Communication and recognition

Communication and connectivity in a globally dispersed workforce is a critical agenda point. Regular calls on performance, new partnerships and innovation with new ways of working underpin our annual communication calendar.

Investment in leadership meetings, monthly performance reviews and monthly town halls create a drum beat for the organisation that gives absolute focus on performance and objectives.

Intertwined with this are initiatives on staying healthy, career opportunities and charity events that combine driving performance with a sense of pride and return on investment.

We held a full global engagement survey in 2022 and are thrilled with the results. By continually seeking out and valuing the opinions of our team members, we are able to maintain a workplace that is responsive and fosters a culture of open communication and collaboration.

Over 78% of IWG employees said they would recommend IWG as an employer to friends and family, as endorsed by our UK Leading Employer Award.

## 2022 ENGAGEMENT SURVEY FINDINGS

98%

of our team members are clear about their role, KPIs and contribution to IWG

82%

of our team members think our technology is relevant and effective

85%

of our team members confirm they have the resources and tools to be successful

88%

of our team members have regular communication with their manager

78%

would recommend IWG to family and friends as an employer

30%

want even more improvement in ways of working

23%

want better training and coaching

25%

want more recognition for the job that they do



There is additional work to do on careers, process improvement and recognition in 2023 and this will be a continued focus in the coming months.

We held four regional leadership conferences holding two in North America and the UK in December 2022 with a further two conferences for Europe, Middle East and Africa and Asia Pacific in January. Holding regional rather than global conferences requires additional investment in time, however we deemed getting closer to our leadership teams in country to be critical given we have not been together in person since January 2020.

Our ongoing recognition programme continues with recognition pins given out to colleagues on the spot for exceptional behaviours and to other team members where people have gone above-and-beyond for their customers or colleagues.

Every new person in IWG will get their own tree to plant in IWG forests. As their career grows, so their contribution to saving the planet grows. Team members receive additional trees for great work and exceptional performance, promotions and milestone events such as long service. As a united team we believe we can contribute significantly to tackling climate change, being carbon neutral during 2023 and doing our part collectively to protect the planet.

## Reward

IWG reviewed salary bands for customer-facing employees on a continuous basis throughout 2022, increasing base pay and salary bands accordingly. In some high-inflation markets this required several reviews throughout the year.

Incentives were simplified in the second half of the year making it easier for team members to earn performance-related incentives as a key part of total compensation.

The Remuneration Committee also reviewed total leadership compensation and a new grant of options was made to critical executives around the world.

New benefits such as the opportunity to buy an electric vehicle or a bicycle through salary sacrifice programmes are supporting team member requests for different, more interesting benefit packages.

As we extend our health and well-being offerings to customers we will look to extend these to our team members at the same time. GP services, nutrition and gym facilities are all programmes of work for the forthcoming year.

Balancing progressive, happy and productive work environments with health and well-being whilst helping the climate is a foundation for our team members and for our customers.



# Engaging with the communities in which we operate

**Our business puts people and planet first, especially through the collective IWG desire to make a difference in the lives of our customers and our communities.**

As a global organisation, we continue to invest in our communities to create opportunities that promote a fairer and more inclusive society for all. We achieve this through a combination of monetary donations, strategic partnerships with customers and charities that align with our brands, gifts in kind, and active engagement campaigns with local communities. This year, we are pleased to have **donated a total of £474k to charitable and environmental organisations.**

**“Cancer awareness is a cause that is near and dear to me, and I was touched by how many of our team members thanked our group for supporting this, as they and their loved ones had also been impacted.”**

**Bonnie Fisher**

IWG Sales Director



## Raising awareness

Our teams across California, together with our clients, have joined forces to raise awareness of Breast Cancer. Several awareness campaigns were set up throughout Cancer Awareness Month, including fun photo booths in the centre, a designated day of wearing pink and pink potluck events with clients. Some of our team members also participated in “Making Strides” – a renowned charity run – to raise money for the American Cancer Society.

Additionally, IWG colleagues in the UK organised “Bridging the Gap”, a networking event to connect mental health professionals in the community and raise awareness of the importance of supporting mental health.

Our office spaces hosted 35 senior managers, clinicians, and mental health allies and welcomed the Mayor of Sutton Councillor, the Mayor’s Consort and the Vice Chair of Healthwatch. A display of mental health recognition resources including poetry books and artwork were also available as supplementary resources.

**“We were at Spaces when the idea for the Bridging the Gap event was born. We’d met many mental health professionals doing amazing work but noticed they were working in silos. We wondered if we, as a creative partnership, could smash the silos as well as the stigma.”**

**Zoe Hannam**

Carer Peer Support Worker,  
UK NHS



### Spreading a smile

For the second successive year, the IWG team in the UK took part in the Giving Tree initiative to buy gifts and raise money for the KidsOut Foundation. This non-profit organisation makes Christmas wishes for underprivileged children come true – many of whom have escaped domestic violence, being forced to flee their homes quickly and leave all possessions behind. During the life of this outstanding partnership, our people raised an amazing **£55k** and donated over **4k physical toys**.



In Mexico, IWG partnered with Asilo Primavera, a children's home, to ensure underprivileged children were able to celebrate "El día de Reyes" or Three Kings Day. Our team members organised toy collections and were excited to deliver gifts and spread kindness throughout the festive season.

**"It has been wonderful to see our local Regus centre taking part in such well deserving charity events this year. Well done KidsOut and thanks to the staff at Regus for promoting awareness."**

**Steve Taylor**

IWG customer, IceBlue

**"Thanks Regus team to put this together, we're all going to make happy children on Christmas Day!"**

**Toni Lleo**

IWG customer, Laminam UK



**"We stand united in support of our colleagues, customers, and everyone impacted at this unimaginably difficult time."**

**Mark Dixon**

Founder & CEO, IWG

### Supporting humanitarian war relief

This year, IWG has set up a fundraising appeal in partnership with the Ukraine Humanitarian Fund established by UNICEF – a global charity that has committed to providing vital support to millions of children and families impacted by the war in Ukraine.

In total, IWG colleagues globally have raised **£23k** and continued to support our teams and customers in Ukraine throughout a difficult year. Several centres across Poland, France and Romania have arranged collections of essential supplies – including food, clothing, medication, and tents for refugees fleeing the war – playing a key role in relief efforts.



### Movement to work

Continuing efforts from last year, our colleagues in Denmark once again partnered with a non-profit bottle collection service that provides socially disadvantaged people with concrete work.

By donating empty bottles, our teams helped vulnerable citizens seize opportunities to put homelessness behind them.



# Transparent information for investors

**IWG supports the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD). These are designed to encourage consistent and effective reporting of climate-related risks and opportunities. IWG has adopted the following key themes: (i) Governance; (ii) Strategy; (iii) Risk Management; and (iv) Metrics & Targets.**

This year, we have evolved our climate strategy and taken necessary steps to further integrate climate change within our governance and risk management frameworks. The findings of our first scenario-based climate risk assessment have further strengthened our understanding of the potential impacts of climate change on our business.

## Transparent and regular ESG information

We have a long-standing commitment to the environment and believe that transparency is a key part to achieving our goals.

In order to drive progress, we have prioritised data visibility, leveraging our carbon footprint analysis, and engaging our partners to determine the sustainability performance of our existing portfolio. Additionally, we have initiated the tracking of our Scope 3 emissions through the use of our Supply Chain ESG Framework.

Our progress has not gone unnoticed, as demonstrated by our strong AA rating from MSCI and negligible risk score of 9.2 from Sustainalytics. Additionally, our efforts to address climate change and water security were recognised with a B score in our submissions to the Carbon Disclosure Project, surpassing both global and industry averages.

In our continued efforts to provide transparency, we have completed a comprehensive Climate-related Financial Disclosure in accordance with TCFD recommendations, and include a summary of our first Climate Scenario Analysis in this report.

## Governance







The Chairman of the Board has overall responsibility for sustainability supported by the Board with clear roles and responsibility assigned. Successful implementation of our approved sustainability and climate change strategies is a critical element of IWG's purpose and drives our culture and values.

Our ability to deliver on our sustainability and climate change objectives underpins our overall strategy. These are key considerations in Board and Committee decision making, including major actions and project decisions, risk management policies, annual budgets and in setting our performance objectives. For further information see pages 70 and 74 to 121.



## Risks & opportunities




A summary of six most material risks and opportunities.

Risks		Category	Impact	Impact Rating*
Physical	• <b>Extreme weather</b> impacting IWG centres, resulting in loss of customers and certain markets	Acute/Chronic	Revenue	
	• <b>Operating costs</b> (including insurance costs) rising due to increased frequency of extreme weather	Acute/Chronic	Cost	
Transition	• Rising <b>carbon tax</b> increasing IWG's operational cost	Regulation/Compliance	Cost	
	• IWG not meeting <b>externally stated commitments</b> (including meeting existing and emerging regulations) resulting in reputational damage	Reputation	Market cap. Revenue	
	• <b>Supply chain disrupted</b> due to climate-related risks impacting operations and increased costs	Supply Chain/Market	Ops. disruption Cost	
Opportunities		Category		
Transition	• Establish <b>market leadership</b> in providing <b>sustainable workspaces</b>	Reputation	Revenue	

\* Impact Rating

(Project Management Institute – risk analysis & management for financial impact)  
Based on estimated % impact on cost or revenue, against 2021 revenue and cost.

Rating: Financial impact:

-  Low 0–5%
-  Medium 5–10%
-  High >15%

## Strategy

### Climate-risk analysis

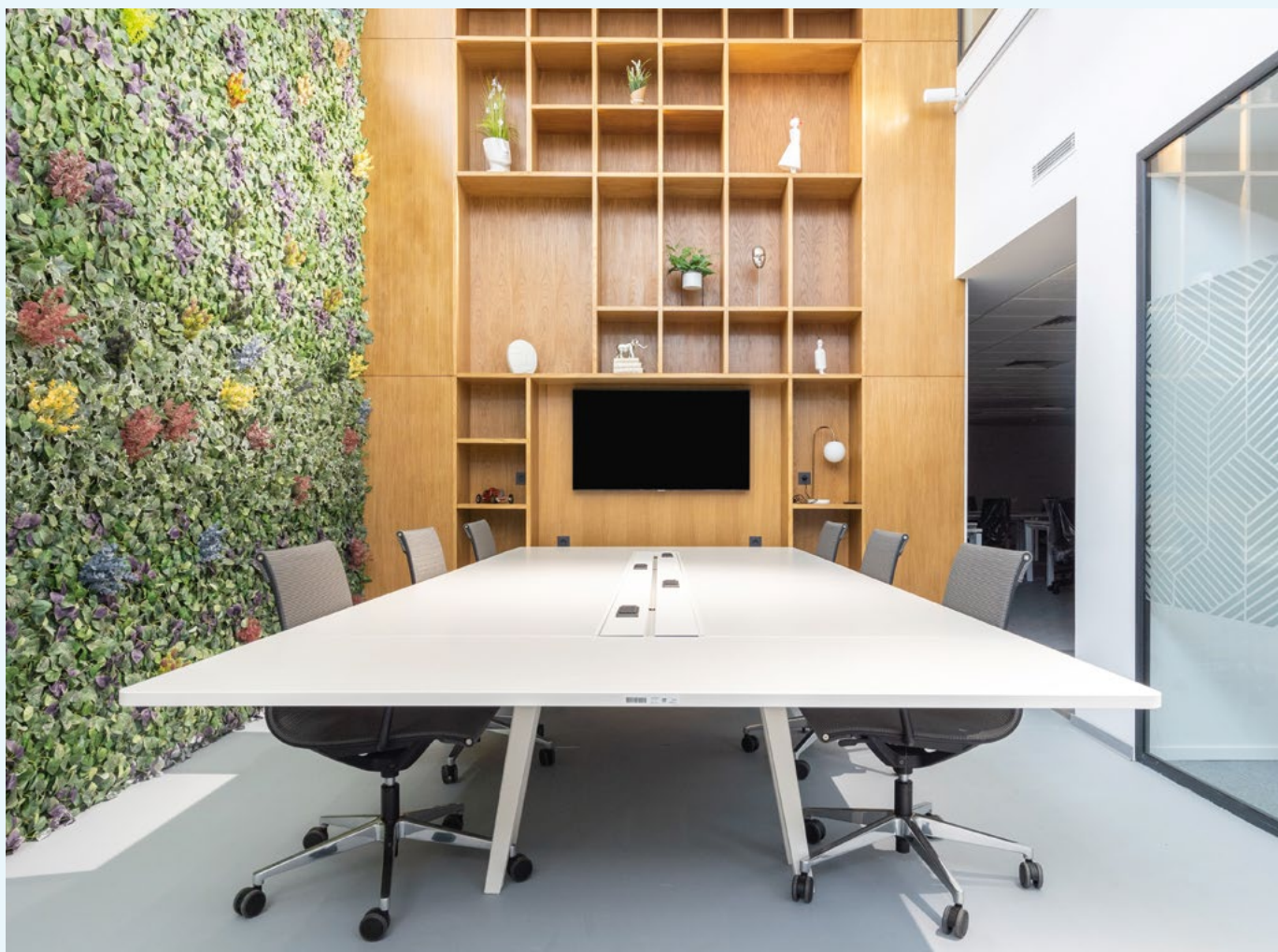
IWG has an acute understanding that climate-related risks and opportunities have the potential to impact our work and stakeholders. In response, we have taken the necessary steps to identify and assess the potential materiality of these, in accordance with TCFD recommendations.

This year, we commissioned a third-party independent assessment to identify the climate-related risks and opportunities that are most relevant to our business model. We identified five climate-related risks and one climate-related opportunity that could have the potential to materially impact our business under three plausible climate scenarios (1.5°C, 2°C and 2.5°C).

Our scenario analysis has allowed us to be more targeted in our understanding of the current resilience to climate change and focus on developing appropriate mitigation strategies at the Group, regional and local levels. The table above summarises the findings of our scenario assessment – identifying the potential impact of both physical and transition risks and opportunities.

### Scenario analysis findings

Based on our climate scenario analysis, we have determined that our strategic plans and capabilities position us effectively to address risks and opportunities associated with climate change. As the world continues to evolve, certain areas of our business will face greater challenges than others, but our modelling indicates that we have a robust strategy that aligns with our purpose of helping everyone have a great day at work, whilst protecting people and planet.



In particular, our analysis indicates that IWG centres are at low risk of significant impact from the physical risks of extreme weather and temperature rises. Furthermore, the direct financial impact to IWG is limited due to our low freehold model, partnership growth strategy and our Centre Sustainability Framework which enables the early identification of climate risks in our investment process.

Financial impacts of operating costs and insurance due to physical climate risks, are able to be mitigated through stringent cost management and rate inflation. To minimise disruptions caused by physical climate risks, IWG will maintain robust tenancy contracts and business continuity plans, including displacement procedures.

Transition risks, including existing and emerging policy, markets and technology, have been classified as 'low' risk. This is due to IWG transitioning away from carbon intensive operations and continuing to drive a localised supply chain model. Whilst the potential to impact remains, these risks are expected to be minimised through delivery of our Net Zero strategy and continued collaboration with relevant partners.

Our analysis also presents significant opportunities for IWG due to the increasing requirement to reduce employee commuting and ensure workspace buildings are sustainable. Given IWG's leading position and existing investment in sustainable workspaces, the Company is well-positioned to align with emerging regulations, drive relevance and growth in both existing and new markets – particularly in urban and rural areas.

We fully recognise that scenario analysis is a dynamic process and iterative exercise and our findings are not a definitive prediction of the future but rather to help us envision potential future outcomes.

## Risk management

IWG operates an enterprise-wide risk management process in order to identify and report key business and strategic risks. We have renewed our overall approach to climate risk management and fully integrated climate risk considerations into our Group-wide risk management framework. As a result, climate change was formally considered a standalone principal risk to the business in 2022. This risk is managed through the three lines of defence, to ensure robust oversight – see page 45 for further information.

Furthermore, our sustainability objectives are reflected in our risk management frameworks to ensure our risk appetite is aligned with wider business objectives and external commitments.

As part of our wider strategic process, we continue to carry out risk assessments throughout the year. Annual disclosures to frameworks, including CDP, allows risk management processes to be captured, and mitigation measures assessed. For more information on IWG's risk management, please see pages 44 to 53.

## Metrics and targets

IWG has successfully established the metrics and targets for the effective management of our impact on the environment. This includes monitoring and reporting our global Scope 1 and 2 emissions – in alignment with guidance provided by the Greenhouse Gas Protocol. Our Scope 1 and 2 greenhouse gas emissions information has received limited assurance for 2021 and 2022 through independent third parties.

Our methodology uses available data from Scope 1 and 2 activities to develop energy consumption averages per built square meter (SQM). These averages are extrapolated across IWG's operational boundary to estimate our carbon footprint. For the year 2022, we have calculated our Scope 1 emissions to be 87k tCO<sub>2</sub>e, while our Scope 2 emissions amounted to 138k tCO<sub>2</sub>e.

Our carbon footprint tCO <sub>2</sub> e	2022	2021
Total carbon emissions (Scope 1 & 2) <sup>1</sup>	<b>225k</b>	240k

We intend to take further steps during 2023 to improve data quality and consistency used in our total carbon emissions calculations. Furthermore, IWG's 2030 target is to source 100% green electricity, introduce innovative services and solutions for a more sustainable future and help our customers achieve their own climate commitments. These achievements will accelerate our push towards Net Zero operations.

→ For more information, please see page pages 56–59.

## The path forward

As a global organisation, managing climate-related risks and opportunities remains a top business priority. IWG will continue to progress the journey to Net Zero for our customers and employees.

We have used guidance from the Transition Pathway Initiative's four-level staircase to assess our progress and are pleased to have reached level 2 awareness. We recognise that our commitment to driving positive change will require progressive changes and we expect to continue driving towards a low-carbon future for our people and the communities we serve.



1. GHG Conversion Factors for Company Reporting 2022 (Scope 1) and the International Energy Agency (Scope 2)



## ESG – Governance

Robust 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.

Full details of our Corporate Governance Framework can be found on pages 72 to 121.

### Board sustainability oversight

The Chairman of the Board has responsibility for the oversight of IWG's ESG agenda. He leads the Board in setting the Company's sustainability and climate change strategy and monitoring implementation against agreed milestones.

The Board receives updates at all scheduled Board meetings from the Executive Directors. During 2022 three ESG sessions were held during Board meetings, these sessions focused on refreshing our climate strategy and detailed reviews of the progress made towards achieving the milestones in the plan to achieve Net Zero carbon emissions by 2040.

The Nomination Committee ensures that the Board has the skill set needed to implement and oversee its sustainability strategy and on 1 December 2022, Sophie L'Hélias, who has significant corporate governance and relevant ESG experience, was appointed as a Non-Executive Director.

The Board also receives regular updates on employee engagement and corporate social responsibility initiatives through Nina Henderson, the Non-Executive Director who has oversight of these areas on behalf of the Board.

### 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.

## “IWG will continue to look for ways to lead the journey to Net Zero for our customers and employees.”

**Douglas Sutherland**

Chairman

The Board delegates responsibility for risk management, including the impact of climate change on financial statements to the Audit Committee. Further details are available on pages 92 and 93.

Climate change risk is recognised as a standalone principal risk to the business. 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. We detail key risks and actions to mitigate these in our Risk report on pages 44 to 52 and in our TCFD disclosures on pages 67 to 69.

### 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 investments in this area to ensure that the IWG Information Security Management System (ISMS) meets the Group's objectives. A summary of the policies, procedures, structures and technologies used to implement effective controls can be found on page 51.

IWG's data privacy policy 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.

All sensitive information is encrypted and all systems are compliant with data protection and privacy regulation of all the markets in which we operate. Security awareness training is mandatory for all employees and contractors and covers Information Security, PCI and GDPR. Our commitment to safeguarding personal information is set out in our Terms and Conditions and Privacy Policy.

Visit [www.iwgplc.com](http://www.iwgplc.com) to learn more.

### 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 including for local legislation to all employees and encourage them to make use of our whistleblowing channel without fear of repercussions. See pages 77 to 78 and page 93 for further details.





## Ethics and compliance

The Board is committed to instilling an ethical and conscientious culture, ensuring that IWG does what is right for people and planet and that our people act fairly and professionally in all business activities.

For more information on our suite of compliance training courses see pages 61 and 62 and for information on our independent whistleblowing channel see pages 77, 78 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 page 85.

## Bribery and corruption

We give all employees training on our Bribery and Corruption Policy, and you can see our Statement of Commitment at [www.iwgplc.com](http://www.iwgplc.com).

For more information on our 'Right to Speak' policy and our robust whistleblowing procedure where issues can be raised anonymously to an independent third party see pages 77, 78, and 93.

## 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 can be found on the Company's website: [www.iwgplc.com](http://www.iwgplc.com). We give all employees training through the IWG Learning Academy.

# Leading the way



**Douglas Sutherland**  
Chairman



**Mark Dixon**  
Chief Executive Officer



**Laurie Harris**  
Independent Non-Executive Director



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

N

## Appointment\*

27 August 2008

## Nationality

American and Luxembourgish

## 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., a Director of Medtop Group S.A., and a member of the board of managers of Al Monet Parento S.à.r.l.

\* Independent on appointment as Chairman on 18 May 2010.

## Founder

1989

## Nationality

British

## 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.

A R N

## Appointment

14 May 2019

## Nationality

American

## 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 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 an affiliate of an investment fund managed by the Blackstone Group (NYSE: BX).

A R N

## Appointment

20 May 2014

## Nationality

American

## 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 and Chair of their Remuneration Committee. She is also Director of CNO Financial Inc. (Bankers Life, Washington, National and Colonial Penn insurance companies) and Chair of their Human Resource Compensation Committee. Nina is also Vice Chair of Drexel University's Board of Trustees, Commissioner of the Smithsonian National Portrait Gallery and a Director of the Foreign Policy Association and VNS Health. Nina holds a Bachelor of Science with honours from Drexel University.

## Committee membership key

- A Audit
- R Remuneration
- N Nomination
- Chair



**Tarun Lal**

Independent  
Non-Executive Director

A N

### Appointment

10 May 2022

### Nationality

American

### Experience

Tarun, born in Bhagalpur and raised in Delhi, India, brings extensive franchising expertise to the Board from over 25 years with Yum! Brands, Inc., where he currently serves as President of KFC U.S. and has previously held executive roles, including KFC's Global Chief Operating Officer and Managing Director – KFC Middle East, Pakistan, Turkey, Africa, and India.

### External appointments

Tarun is the President of KFC U.S.



**Sophie L'Hélias**

Independent  
Non-Executive Director

A R

### Appointment

1 December 2022

### Nationality

French

### Experience

Sophie is President of LeaderXXchange™ which advises investors and companies on diversity, sustainability and ESG. She initially practised as a M&A lawyer and later specialised in finance as Managing Director of a New York-based investment fund. She also launched an investor consulting business focused on corporate governance investment strategies and is a co-founder of the International Corporate Governance Network. She has served as Chair of Suez SA and Lead Independent Director of Kering.

### External appointments

Sophie serves as Non-Executive Director on the Boards of: Herbalife (NYSE); Africa50; Agence France-Locale; Echiquier Positive Impact Europe funds; and the ECGI (European Corporate Governance Institute). She is a member of the HCGE (Haut Comité de Gouvernement d'Entreprise) and is a Senior Fellow at The Conference Board ESG Center in New York.



**François Pauly**

Senior Independent  
Non-Executive Director

A R N

### Appointment

19 May 2015

### Nationality

Luxembourgish

### 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 Boards of several charitable organisations.



**Charlie Steel**

Chief Financial Officer

### Appointment

1 November 2022

### Nationality

British and Irish

### Experience

Before joining IWG, Charlie was CFO of Babylon Holdings (NYSE: BBLN). As CFO at Babylon, Charlie had oversight of Finance, Legal, Property, Procurement, Risk and Compliance, and was heavily involved in the formulation and execution of strategy. Prior to Babylon, Charlie was Global Head of Corporate Development at CMC Markets Plc (LSE: CMCX) and was also a Vice President in the Investment Banking Division at Deutsche Bank AG. Charlie holds a degree in Economics and Management from the University of Oxford.

### External appointments

Charlie is also a Non-Executive Member on the Transformation Advisory Committee at the Department of Work and Pensions in the UK Government.

# Managing our business responsibly

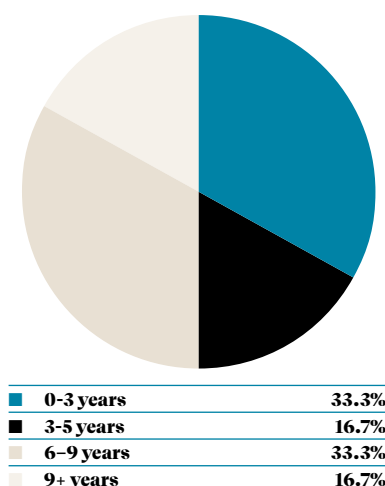
**Sustainability and social responsibility underpin our strategy; they are key considerations in all Board decision-making.”**

**Douglas Sutherland**  
Chairman

Members	Attendance (out of possible maximum number of meetings)
Douglas Sutherland, Chairman	11/11
Mark Dixon	11/11
Laurie Harris	11/11
Nina Henderson	11/11
Glyn Hughes <sup>1</sup>	10/10
Tarun Lal <sup>2</sup>	5/5
Sophie L'Hélias <sup>3</sup>	1/1
François Pauly	10/11
Florence Pierre <sup>4</sup>	10/10
Charlie Steel <sup>5</sup>	1/1

1. resigned 31 October 2022
2. appointed 10 May 2022
3. appointed 1 December 2022
4. resigned 30 November 2022
5. appointed 1 November 2022

**Length of tenure of Non-Executive Directors**



## Dear Shareholder,

I am pleased to introduce the Corporate Governance report for 2022. This report explains our approach to corporate governance and details the governance structure we have implemented to facilitate an effective Board and entrepreneurial management whilst ensuring the long-term sustainable success of the Company for the benefit of our stakeholders.

## Sustainability and social responsibility

Delivering a sustainable business for the benefit of our customers, employees, partners, investors and society is a critical element of IWG's purpose and drives our culture and values. Sustainability and social responsibility underpin our strategy; they are key considerations in all Board decision-making.

As Chairman of the Board I have overall responsibility for the oversight of corporate sustainability; this year the Board has been actively engaged in refreshing our climate policy to meet the expectations of our stakeholders and ensure we work to benefit society. Further details of our climate policy and how we measure success are detailed on pages 66 to 69.

We are on track to achieve our target of carbon neutrality during 2023. We are working to continuously reduce emissions, targeting Net Zero carbon emissions no later than 2040. Further information on our carbon reduction journey and





the milestones we have set ourselves for achieving Net Zero carbon emissions can be found on pages 56 to 59.

Targets related to achieving our environment and climate change objectives continue to be incorporated as targets in our annual bonus plan for Executive Directors. Further information can be found in our Directors' Remuneration report on pages 96 to 117.

## Establishment of Worka

During 2022 the Board approved and oversaw the merger of certain digital assets with The Instant Group to create Worka, the world's leading fully integrated independent workspace platform. Enlarging the hybrid work marketplace, through the creation of Worka, will enable more corporates to transition to hybrid working, creating clear benefits for the planet and the work-life balance of the global workforce. The Board is committed to the independent management and continued growth of Worka. Further Information on the Board's decision making can be found on page 78.

During 2022 the Board carefully monitored the establishment of Worka, receiving regular updates from Worka's independent management team. The Audit Committee oversaw the successful coordination of Worka with our reporting and annual Audit as further detailed in the Audit Committee report on pages 90 to 95.

The Remuneration Committee made the successful establishment of Worka part of the strategic objectives in relation to the 2022 annual bonus plan for Executive Directors, further information on our assessment of the objective can be found on page 110.

## Board changes

During 2022 we continued our work of creating a stronger and more diverse Board. We increased our Board membership to eight and welcomed three new Board members.

As reported in last year's annual report, in March 2022 we were pleased to announce the appointment of Tarun Lal. Tarun joined the Board as Non-Executive Director on 10 May 2022 and we are benefiting from his extensive franchising industry expertise gained from over 25 years with Yum! Brands, Inc.

In September 2022 we were pleased to announce the appointment of Charlie Steel as Chief Financial Officer in place of Glyn Hughes. Charlie joined the Board on 1 November 2022 and brings with him a proven track record of formulating and delivering strategy, most recently in his role as CFO at Babylon Holdings.

On 1 December 2022 we welcomed Sophie L'Hélias, who has extensive corporate governance experience and relevant ESG knowledge, to the Board as Independent Non-Executive Director.

Sophie was appointed in place of Florence Pierre who stepped down after nine years of committed service to IWG as Non-Executive Director. During her tenure IWG continued to strengthen its position as the global leader in the rapidly developing flexible workspace market and we were fortunate to benefit from her expertise.

In recommending new Board appointees the Nomination Committee took into account all elements of diversity. Further information on the Board changes and the application of our Board

Diversity Policy can be found in our Nomination Committee Report on pages 84 to 89.

## UK Corporate Governance Code

During 2022 we have complied with the UK Corporate Governance Code published by the Financial Reporting Council in July 2018 (the "Code"), except for provision 10. My time as Chairman has exceeded 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 in consideration of the Group's near-term strategic objectives, it remains in the best interests of our stakeholders 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](http://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 9 May 2023.

## Douglas Sutherland

Chairman

## In this section

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### Board effectiveness

Our governance framework aims to ensure the Board is effective and able to provide leadership and oversight of the Company within a framework of effective controls that enables risk to be assessed and managed and where assumptions and ideas can be challenged and debated. Our framework enables the Board to function as an effective team in order to develop and promote its collective vision of the Company's purpose, its culture, and the behaviours that the Board wishes to promote in conducting business.

### Board composition

Our Board is made up of eight unique individuals with a diverse combination of skills, drive, beliefs, knowledge, personal attributes and experiences. Individual biographies can be found on pages 72 and 73.

The benefits of having a strong and diverse Board are clear and in its regular review of Board composition the Nomination Committee considers how new appointments can strengthen our decision-making by increasing Board diversity and ensuring we have the expertise needed to meet our strategic ambitions.

Further information on the work of the Nomination Committee, including our Board Diversity Policy, succession planning and annual performance review, can be found in our Nomination Committee report on pages 84 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 2022 with additional meetings to be arranged as needed to ensure the Board was kept abreast of our strategic projects and to respond to business challenges and opportunities in a timely manner.

In total the Board met 11 times during 2022, including 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 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, including the monthly Board Report and Business Review. 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 2022.

### Matters reserved for the Board

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

- approval of long-term objectives and commercial strategy;
- approval of the annual plan;
- 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](http://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.

### 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 Tarun Lal are included here. Induction programmes for Charlie Steel and Sophie L'Hélias are in progress and will be reported on in our 2023 Annual Report.**

## 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

creation framework on pages eight and nine. 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 annual deep-dive strategic assessment. This included a review of performance, purpose and culture, personnel and ESG as well as presentations from key areas of the business.

The Board is also responsible for approving the Group's operating model and annual plan, 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 71.

## 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 the importance of our climate policy. We continue to identify climate change as a standalone principal risk and have carefully monitored progress made towards our goal of achieving carbon neutrality during 2023 as well as steps being taken across the Group to reduce our emissions. This year we refreshed our climate strategy and have set a target of achieving Net Zero carbon emissions by 2040. Further information on this can be found in our Environment report on pages 56 to 59.

As a Board we aim to balance the benefits of meeting in person with our environmental goals and accordingly we use commercial flights, avoid unnecessary air travel and choose environment-friendly options for travel where possible.

To support our culture, values and ethics we provide access to the IWG Learning Academy to all employees. The platform includes training on our Code of Conduct, compliance policies and approach to diversity and inclusion.

Our "Right to Speak" policy encourages employees to speak out without fear of repercussions or retaliation. We have implemented a robust and confidential whistleblowing procedure where issues can be raised anonymously; this is operated by an independent third party ensuring protection for whistleblowers against retaliation. During 2022 we received 41 reports through our whistleblowing channel; 14 of these were classified as requiring further investigation and were reported to the Audit Committee; of these 14 reports, 11 have been resolved to date and the remaining reports, are under investigation.

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

Tarun Lal was appointed as Non-Executive Director on 10 May 2022. 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; ESG, stakeholder engagement; remuneration; talent; succession planning; governance and legal.
Visits	Tarun spent time with geographic leadership while visiting our offices in Dubai and our operations in Dallas, USA.

During 2022 four instances of bribery and corruption were investigated and reported to the Audit Committee along with the steps taken to prevent recurrence.

### 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 for 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 page 135, and reviewing the stress testing and analysis which underpins the Viability statement as detailed on page 53.

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

- the Group's carbon footprint and progress made in achieving the agreed milestones;
- 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 ESG can be found on pages 54 to 71.

### 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, both financial and non-financial, and the steps taken to manage and mitigate them which were reviewed and approved by the Board, are detailed on pages 44 to 52. Information on climate change risk can also be found on pages 67 to 69.

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 92 and 93.

### 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 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:

#### Net Zero carbon emissions by 2040

We are committed to achieving Net Zero carbon emissions by 2040 and have set milestones to ensure this is achieved.

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 social responsibility and the views of our stakeholders, including our employees, customers, franchise partners, landlords and shareholders.

Further information can be found in our Environment report on pages 56 to 59.

#### Establishment of Worka

The Board made a detailed review of its organisational structure in 2021. In our review we considered the best structure to position the Company to meet the future

demands for hybrid working and achieve the long-term success of the Company for the benefit of our customers, employees, partners and investors. Our review was informed by the results of pulse surveys undertaken with employees and business leaders on the future of work and discussions with our customers, landlords, franchise partners and investors to understand their views.

A particular focus was on how we could enlarge the hybrid work marketplace to enable more corporates to transition to hybrid working, creating clear benefits for the planet and the work-life balance of the global workforce.

Our review concluded that our stakeholders would benefit from a structural separation of some of the Group's operating assets and capabilities. As a result, in 2022, the Board approved and oversaw the separation of certain digital assets, which were then merged with The Instant Group to create Worka, the world's leading fully integrated independent workspace platform.



## Key activities of the Board in 2022

### Strategy

- Approved the purpose and values
- Approved strategy and objectives
- Refreshed our climate strategy
- Set milestones to achieve Net Zero carbon emissions by 2040
- Approved the three-year plan
- Approved the operating model and annual plan
- Regular review of forecast, strategy and objectives
- Approved the separation of IWG's digital assets and their subsequent merger with The Instant Group to create Worka
- Monitored and reviewed the Group's response to COVID-19
- Monitored and reviewed the Group's response to the war in Ukraine and sanctions on Russia and Belarus
- Approved strategic projects and monitored implementation

### Financing

- Regular review of the Group's financial structure and approval of amendments
- Approval and monitoring of share buybacks
- Determined that no final dividend should be declared in respect of the financial year ended 31 December 2021 and that no interim dividend should be declared in respect of the financial year ended 31 December 2022

### 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
- 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
- Reviewed and agreed a new Board Reporting process.
- 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 strategy and culture

### Stakeholder engagement

- Received policy statements provided by significant shareholders
- Received reports from the Chairman, CEO and CFO on feedback from shareholder meetings and correspondence
- Engaged with shareholders to further understand the significant minority vote against our 2021 Annual Report on Remuneration
- Consulted with shareholders regarding the Remuneration Policy update
- 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 including our 2022 global engagement survey
- Reviewed updates on ESG activities and 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 Tarun Lal as Non-Executive Director
- Appointment of Charlie Steel as Chief Financial Officer
- Appointment of Sophie L'Hélias as Non-Executive Director
- Monitored employee engagement and ESG
- Reviewed the performance of the Board, its Committees and all Directors
- Approved the Board Diversity Policy and reviewed our performance against prior year
- Reviewed and approved statements on anti-slavery and human trafficking, and anti-bribery and corruption

## **The Chairman, Chief Executive Officer and Chief Financial Officer maintain a close dialogue with institutional investors on the Company's performance, sustainability initiatives, governance, plans and objectives.**

### **Stakeholder engagement**

Building and maintaining strong relationships with our stakeholders is key to the long-term success of our business. During 2022 we 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 2022 included; pulse surveys with business leaders and employees about the workplace and preferred ways of working; our Global Engagement Survey which sought feedback from all employees; the employee engagement programme overseen from the Board by Nina Henderson; our global Voice Councils; and initiatives to engage with the Group's strategic franchise partners, many of whom attended the Company's virtual Leadership

conference held in January 2022 and our Regional Leadership conferences which were held in person at the end of 2022 and in January 2023.

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 of how we create value for our primary stakeholders can be found on pages 20 and 21.

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 on pages 64 and 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 2022 investor relations held over 500 meetings with investors and analysts.

The Chairman, Chief Executive Officer and Chief Financial Officer maintain a close dialogue with institutional investors on the Company's performance, sustainability initiatives, 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 and the Chief Executive regularly update 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 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.

All Directors attended our 2022 annual general meeting in person and were also available to respond to shareholder queries outside of the meeting. All resolutions were voted on separately by means of a poll and the final results were published after the meeting.

All resolutions were passed with at least 91.8% of votes in favour except for resolution 2, the advisory vote in relation to our 2021 Annual Report on Remuneration which was passed by 72.6%. The Board recognised the significant minority vote against the Annual Report on Remuneration and we announced the steps that would be taken to understand the reasons behind the vote following the annual general meeting. In September 2022 we provided an update on the steps taken which included engagement with the dissenting shareholders.

Further information on this can be found in our Directors' Remuneration report on pages 98 and 117.

The 2023 annual general meeting will be held on Tuesday 9 May 2023. Notice of the meeting will be in a separate document sent out at least 20 working days before the meeting. As always, the Directors will be available on request to respond to any shareholder queries outside of the meeting and will publish plans to understand any significant votes against any resolutions.

#### Company website

Our website [www.iwgplc.com](http://www.iwgplc.com) has a dedicated Investor Relations 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 2022 Nina continued her programme of meeting with our global workforce and had the privilege to interact with a wide variety of employees through; our on-line leadership conference with 300 managers in January 2022 and through site visits and on-line meetings with smaller groups of employees throughout the year. Most recently she attended one of our Regional Leadership conferences which were held in person for the first time since the COVID-19 pandemic. Employees provided

her with their reactions and views on our strategic endeavours, sustainability initiatives, reward plans and the resources available to them to deliver job performance.

Nina ensures that the Board are aware of the views of employees and the feedback she receives through her role. This year she was delighted to report the results of our 2022 Global Engagement survey to the Board, which showed that 77% of IWG employees recommend IWG as an employer to friends and family; this was also endorsed by our UK Leading Employer Award.

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 provides the Board with valuable insights from these interactions.

In 2022 the Board continued to support and monitor the success 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 needs in the business.

Regional webinars are held 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



**77%**  
of IWG employees  
recommend IWG  
as an employer to  
friends and family.

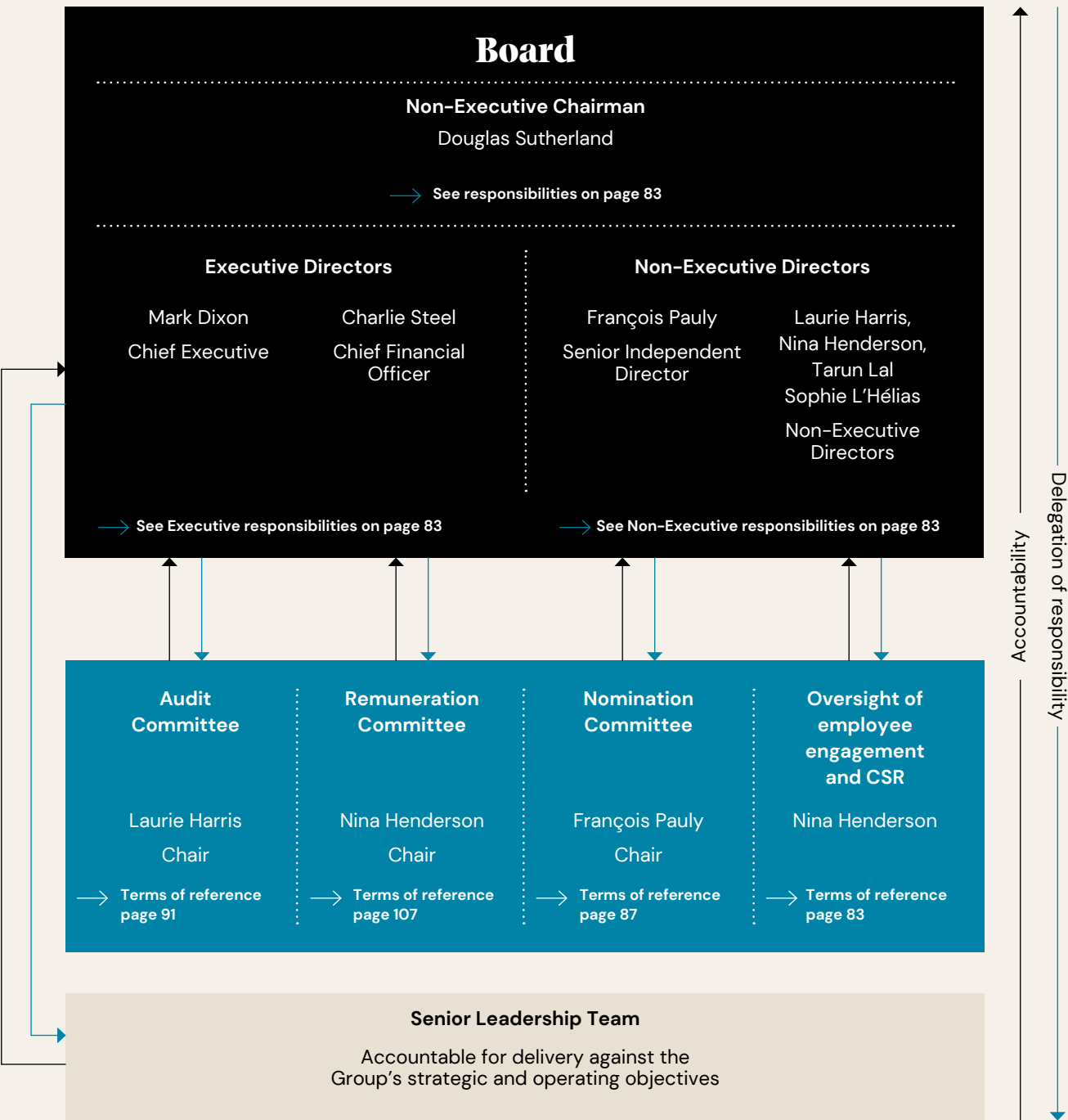
improved sense of team work and empowering our employees. We believe this is an effective way to learn from our employees and forms a key part of our commitment to deliver on our promise to give team members interesting and achievable work.

We also continue to operate our confidential 'Right to Speak' policy, encouraging employees to make use of our third party managed whistleblowing system without fear of retaliation. 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 to 63.

Division of responsibilities

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





## 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.iwgplc.com](http://www.iwgplc.com).

### Douglas Sutherland Chairman

The Chairman is responsible for leading the Board, setting high governance standards and focusing the Board on strategic matters. He oversees the Group's business and implementation of the Group's sustainability policies and strategy.

The Chairman sets the Board's agenda ensuring adequate time is available for all agenda items, particularly strategic issues. He monitors the effectiveness of the Board and ensures effective communication with shareholders and that the Board is aware of the views of all major stakeholders.

He facilitates the contribution of the Non-Executive Directors and ensures constructive relations between the Executive Directors and Non-Executive Directors. He 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.

### Charlie Steel 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

The Non-Executive Director with oversight of employee engagement and CSR 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 as to 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.

# Achieving strength, diversity and sustainability



**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.”**

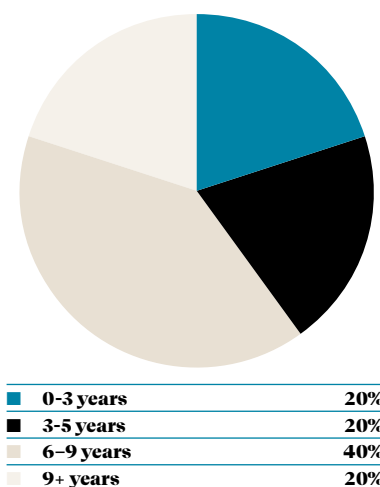
**François Pauly**  
Chair, Nomination Committee

Members	Attendance (out of possible maximum number of meetings)
<b>François Pauly</b>	5/5
Laurie Harris	5/5
Nina Henderson	5/5
Tarun Lal <sup>1</sup>	3/3
Florence Pierre <sup>2</sup>	3/3
Douglas Sutherland	5/5

1. Tarun Lal joined the Committee on 10 May 2022
2. Florence Pierre stepped down as Committee member on 10 May 2022

All members of the Committee are independent.

**Length of tenure of Non-Executive Directors within the Committee**



## Dear Shareholder,

I am pleased to present to you our report on the work of the Nomination Committee (the “Committee”) during 2022.

During 2022, in recognition of the skill set needed to achieve the Company’s strategic plans, we increased the size and skill set of our Board. In accordance with our Board Diversity Policy objectives for 2022 we have 37.5% female Board representation and we also made our first appointment aimed at broadening the ethnic diversity of our Board.

Key activities Included:

- identifying and recommending the appointment of Tarun Lal as Non-Executive Director;
- identifying and recommending the appointment of Charlie Steel as Chief Financial Officer and Director;
- identifying and recommending the appointment of Sophie L’Hélias as Non-Executive Director;
- measuring the effectiveness of our Board through our Internal 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 2023.



## Board composition

As at the date of this report, your Board comprised eight members (seven in 2021), being: the Non-Executive Chairman (independent at the time of appointment); two Executive Directors; and five independent Non-Executive Directors. The biographies of Board members can be found on pages 72 and 73.

In last year's annual report we reported on our nomination of Tarun Lal as Non-Executive Director. Tarun was elected at our annual general meeting and joined the Board on 10 May 2022. His appointment increased the ethnic diversity of our Board and also made a significant addition to our franchising expertise.

Charlie Steel was appointed as Chief Financial Officer and Director on 1 November 2022 in place of Glyn Hughes; details of the Committee's search and ultimate nomination of Charlie can be found on page 86. Charlie will seek election by our shareholders at the 2023 annual general meeting.

During 2022 we led a search to identify a new Non-Executive Director or Directors. In our search and when drawing up our longlist of candidates we considered all aspects of diversity and ultimately recommended the appointment of Sophie L'Hélias. Sophie will seek election by our shareholders at our 2023 annual general meeting. Further Information on the search and nomination of Sophie can be found on page 86.

We consider that the Board changes made in 2022 have strengthened our Board, adding new viewpoints and positions to our Board discussions and supporting our ongoing efforts to maintain an independent and challenging Board.

## 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, neurocognition, ethnicity, sexual orientation and political beliefs.

Progress made against the Diversity objectives we set ourselves for 2022 can be found on page 89. Our objectives for 2023 which will be reported on in 2024 are to:

- maintain a level of at least 37.5% female Directors on the IWG plc Board in the short term rising to 40% in the medium term;
- 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;
- consider candidates for appointment as Non-Executive Directors from a wide international pool including those with little or no previous FTSE Board experience;
- ensure Non-Executive Director longlists 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.

## 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. The last external Board review was conducted in respect of 2021 by Condign Board Consulting and was reported on in last year's Annual Report.

The 2022 Board Evaluation was conducted internally by our Chairman through a series of one-to-one discussions with Board members. 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 2022; 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.

### Senior Leadership Team

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

### Appointment of Charlie Steel

In drawing up a profile for the role of Chief Financial Officer, the Committee reviewed the balance of existing skills, knowledge and experience both on the Board and within the Senior Leadership Team and considered the strategic plans for the Group.

The Committee provided its search criteria to Korn Ferry, who provide executive search consultancy and have no other connection to the Company. Korn Ferry identified a longlist of candidates from diverse backgrounds and all candidates were considered on merit against the criteria set by the Committee giving due regard to all aspects of 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 Charlie Steel who brought highly relevant experience to the role from his previous positions.

The Board accepted the recommendation of the Committee and Charlie was appointed to the Board as Chief Financial Officer with effect from 1 November 2022. His biography can be found on page 73.

### Appointment of Sophie L'Hélias

Following a review of the balance of existing skills, knowledge, diversity and experience on the Board and the results of the 2021 Board Evaluation, the Committee commenced a search for a Non-Executive Director or Directors with a requirement that 50% of all candidates longlisted reflect aspects of diversity including gender, ethnicity and disability.

The Committee used Audeliss Executive Search, 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 longlist 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 Sophie L'Hélias be appointed as Non-Executive Director. The Board accepted the recommendation of the Committee and Sophie was appointed to the Board on 1 December 2022. Sophie is a trained lawyer with strong knowledge of financial markets, extensive corporate governance experience and relevant ESG knowledge. Her biography can be found on page 73.



## Succession planning

We monitor 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 Company'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 18 May 2010 having been a Non-Executive Director of the Company since 27 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 2022 Internal Board Review as well as the 2021 External Board Review, and in consideration of the Group's near-term strategic objectives, the Committee considers that it is in the best interests of its stakeholders 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:

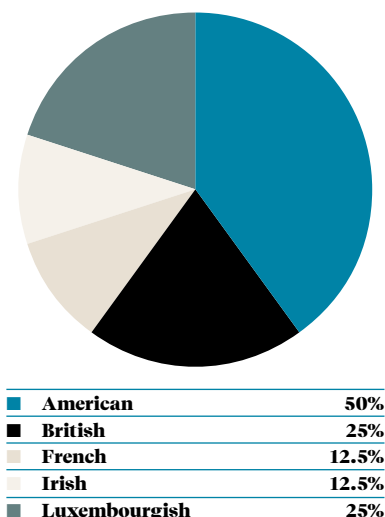
- **Board appointment and composition:** to regularly review the structure, size and composition of the Board and make recommendations on the role and nomination of Directors for appointment and re-appointment to the Board.
- **Board Committees:** to make recommendations to the Board in relation to the 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](http://www.iwgplc.com).

### François Pauly

Chairman,  
Nomination Committee

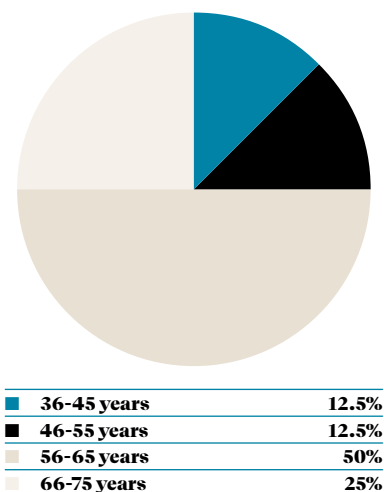
## Board Diversity

Nationality split of the Board

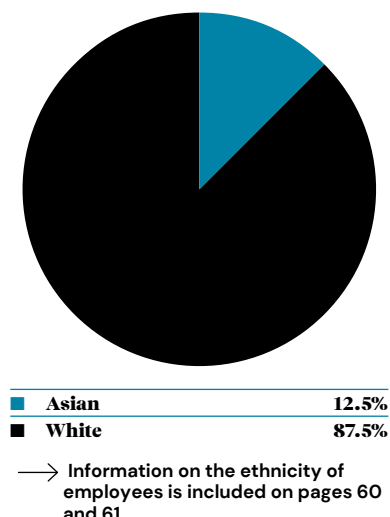


Two directors are dual nationals.

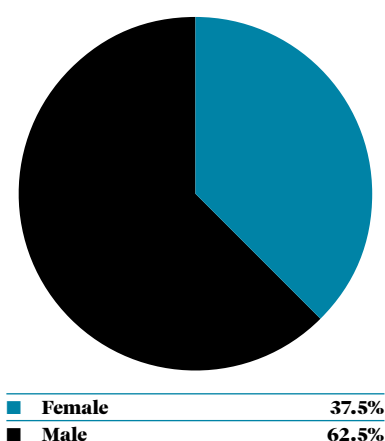
Age split of the Board



Ethnicity split of the Board



Gender split of the Board



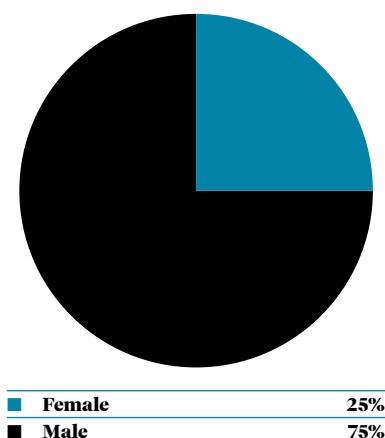
Experience of the Board

Number of Directors

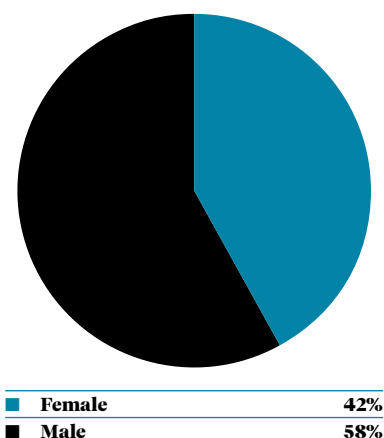
Corporate Governance	7	
Working Internationally	8	
Rapid Growth Strategies	5	
Digital Transformation	6	
Franchising	3	
Enterprise Risk Management	7	
Outsourcing	4	
Mergers and acquisitions	8	

## Employee Diversity

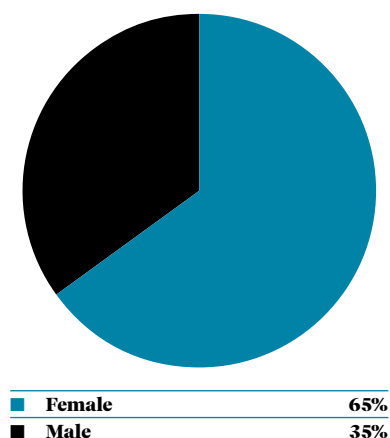
Gender split of Senior leadership



Gender split of Regional Leadership



Gender split of all employees



→ Further information on employee diversity is available on pages 60 and 61

## Performance against 2022 Diversity objectives

Objective	Performance achieved
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.	Throughout 2022 we have had three female Board members, currently representing 37.5% of our Board.
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 to 63.
Consider candidates for appointment as Non-Executive Directors from a wider pool including those with little or no previous FTSE Board experience.	Our profile resulting in the appointment of Sophie L'Hélias was drawn up to allow us to consider a wider pool of talent; FTSE experience was not a pre-requisite.
Ensure Non-Executive Director longlists have at least 50% of candidates reflecting diversity including women and candidates with different racial and ethnic backgrounds.	Our profile resulting in the appointment of Sophie L'Hélias was drawn up to ensure that longlists reflect our desire to continue to improve the 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.
Engage executive search firms who have signed up to the November 2017 Voluntary Code of Conduct on gender balance, diversity and best practice.	During 2022 we worked with Audeliss Executive Search, Korn Ferry and Spencer Stuart, each of whom are signatories to the November 2017 Voluntary Code of Conduct.

# Managing our business ethically and responsibly



**Responsible corporate behaviour is an integral part of the overall governance framework and our management structures.”**

**Laurie Harris**

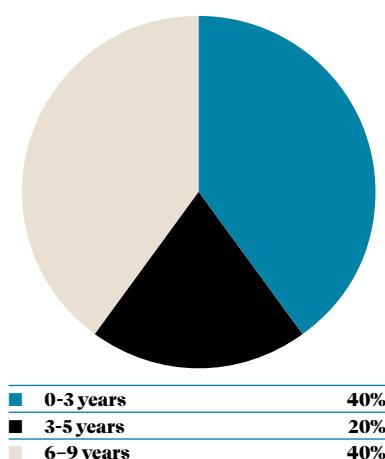
Chair, Audit Committee

Members	Attendance (out of possible maximum number of meetings)
Laurie Harris	6/6
Nina Henderson	6/6
Tarun Lal <sup>1</sup>	3/3
Sophie L'Hélias <sup>2</sup>	1/1
François Pauly	6/6
Florence Pierre <sup>3</sup>	5/5

1. Tarun Lal joined the Committee on 10 May 2022
2. Sophie L'Hélias joined the Committee on 1 December 2022
3. Florence Pierre stepped down as Committee member on 30 November 2022

All members of the Committee are independent.

**Length of tenure of Non-Executive Directors within the Committee**



## Dear Shareholder,

I am pleased to present you with this report on the work of the Audit Committee (the “Committee”) during 2022.

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.

This year has been a busy year for the Committee with key activities including:

- Overseeing the coordination of Worka with our reporting, following its establishment through the acquisition of The Instant Group in March 2022 and the merger of certain digital assets.
- Interacting with KPMG with regard to their planning and execution of the Group audit. In particular, detailed discussions were held with KPMG in relation to the coordination of Worka into our annual audit. The acquisition of The Instant Group involved a number of judgements and assumptions in determining the fair value of assets and liabilities acquired by the Group on completion of the transaction which required our involvement.





- Review of management's assessment of the impact on the Company's operations and financial statements caused by the war in Ukraine and the resulting sanctions. It was concluded that there were no material impacts on the financial statements of the Group.
- Monitoring the Group's implementation of its policies and targets on climate change. This included reviewing the limited assurance work performed by an independent third party on our Scope 1 and 2 greenhouse gas emissions information included on page 69, as well as the Committee's assessment of the impact of climate change on the Group's financial statements as detailed in note 2 on page 134. The Committee also reviewed the enhanced disclosures on climate change provided on pages 66 to 69 in compliance with the framework provided by the Task Force on Climate-Related Financial Disclosure.

## 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.

Six 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](http://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.

## Activities of the Audit Committee during the year

This section summarises the main focus areas of the Committee during 2022 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 to confirm it is fair, balanced and understandable.

The Committee formally considers (and minutes) key audit matters as detailed on page 94 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.

### Climate change risk

Climate change risk is recognised as a standalone principal risk to the business. 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. Further information can be found on page 48 and pages 67 to 69.

### 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 are presented on pages 44 to 52 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 2022, 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 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 plan 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 through the IWG Learning Academy;
- formal procedures for the review and approval of all investment and acquisition projects. The Group's 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 IWG Learning Academy;
- 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 2022 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

A whistleblowing channel, hosted by an independent third party and which may be used anonymously, is available to all employees via email, the web, or on the IWG Learning Academy. We operate a "Right to Speak" policy, the aim of which is to encourage all employees, regardless of seniority, to bring matters that cause them concern to the attention of the Committee, through the whistleblowing channel, without fear of repercussions or retaliation. 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.

During 2022 we received 41 reports through our whistleblowing channel. 14 of these were classified as requiring further investigation and were reported to the Committee; of these 14 reports, 11 have been resolved to date and the remaining reports, which were received are under investigation. Four of the reports involved instances of bribery and corruption; these were investigated and reported to the Committee along with the steps taken to prevent recurrence.

## Significant financial reporting judgements

The Committee discussed and reviewed the following significant issues with KPMG and management in relation to the financial statements for 2022. 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
<b>Goodwill and intangible assets</b>	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.
<b>Valuation of intangibles – The Instant Group acquisition</b>	The Committee considered and discussed with management the key assumptions used in determining the fair value of assets and liabilities acquired and was satisfied that the process and assumptions used in determining the fair values of assets and liabilities in conjunction with management's independently engaged experts had been appropriately challenged and were sufficiently robust. The Committee agreed with management's assessment of the fair values of assets and liabilities acquired through business combinations and was satisfied that the related disclosures required under IFRS 3 were complete, accurate and understandable. See note 28 for further information.
<b>Recognition of deferred tax assets</b>	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 associated with the Group's intellectual property 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.
<b>Impairment of leasehold property, plant and equipment ("PPE") and right-of-use ("ROU") assets</b>	The Committee reviewed the process used by management during 2022 to assess all open, non-franchise business centres across the Group for indicators of impairment. 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.

## 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 2021 and completed a review of the half-year results of the Group for the period to 30 June 2022.

The value of non-audit services provided by KPMG in 2022 amounted to £0.3m (2021: £0.3m). Non-audit services primarily related to assurance and audit related services.

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) and assurance on finance-related projects;
- 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. Our lead audit partner rotated onto our account in respect of 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 2022 can be found in note 5 on page 145.

In assessing the effectiveness of the external audit process for 2022 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 exercise by the external audit team of its professional scepticism during the 2022 audit process and its ability to challenge management assumptions where necessary such as in the valuation of The Instant Group's intangible assets;
- 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 2022 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 2023 be proposed at the annual general meeting.

## Corporate governance changes

During 2022 we have also discussed the consultation paper published by BEIS on restoring trust in audit and corporate governance and are assessing the potential implications to the Group.

### Laurie Harris

Chair, Audit Committee

# Fostering the long-term success of the Company



**The Committee has designed performance-driven remuneration policies that reward delivery of our strategic priorities and support our culture and values to foster the Group's sustainable long-term success."**

**Nina Henderson**

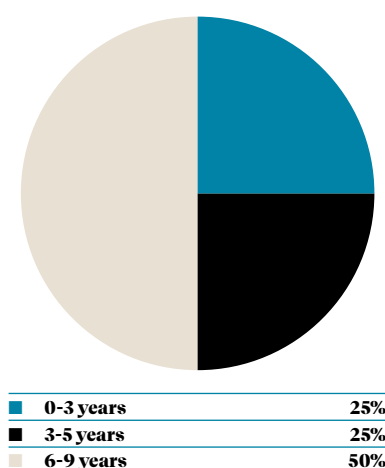
Remuneration Committee Chair

Members	Attendance (out of possible maximum number of meetings)
<b>Nina Henderson</b>	<b>7/7</b>
Laurie Harris	7/7
François Pauly	7/7
Florence Pierre <sup>1</sup>	6/6
Sophie L'Hélias <sup>2</sup>	1/1

1. Resigned 30 November 2022
2. Appointed 1 December 2022

All members of the Committee are independent.

**Length of tenure of Non-Executive Directors within the Committee**



## Dear Shareholder,

On behalf of the Board's Remuneration Committee (the "Committee"), I present the 2022 Directors' Remuneration report. The Committee has designed performance-driven remuneration policies that reward delivery of our strategic priorities and support our culture and values to foster the Group's sustainable long-term success.

A challenging 2022 was marked by COVID-19's continuing impact combined with macroeconomic headwinds of inflation, currency movements, and a highly competitive marketplace for talent. The seismic shift in how and where work is conducted continues with the widespread adoption of hybrid working. IWG has continued to execute its strategy to meet the needs created by this evolving shift in how work is conducted. IWG's intention is to assure its position as the preeminent provider of global hybrid work solutions.

Achievements during 2022 include: the record signing of 462 new capital-light contracts; merging key digital assets with The Instant Group to create the leading digital platform, Worka, to serve the broader flexible office market; improving margins through actively managing sequential occupancy and pricing improvements; as well as minimising the impacts of inflationary pressures through Group-wide cost control initiatives.



These accomplishments, requiring current investment, will continue to provide future benefits and create value for all stakeholders.

## Remuneration Policy

Our Remuneration Policy (the "Policy") was last approved by shareholders at the 2020 annual general meeting, receiving widespread support from 94.3% of shareholders. As three years have now passed, we are required to submit our Policy for shareholder approval.

The Committee carefully considered whether any changes were required to the Policy, to ensure it allows the Company flexibility to implement remuneration in line with our evolving strategy and aligns with best practice governance expectations.

The Chair of the Committee and the Board Chairman consulted with shareholders regarding the Policy and after consideration of the consultations and the strong level of support in 2020 the Committee are confident that the current Policy is the right one for the immediate future. As such the proposed Policy being submitted for approval at the 2023 annual general meeting is effectively unchanged from 2020.

The Chair of the Committee and Board Chairman will continue to consult with shareholders to assure the alignment of Policy to strategy implementation and creation of value for all stakeholders.

The full Policy can be found on pages 100 to 106 of this Annual Report.

## 2022 Remuneration Outcomes

### Annual bonus

At the start of the year, the Committee set targets for three measures for the annual bonus, each with an equal weighting. These were operating profit, relative TSR, and strategic objectives. The achieved results for operating profit and TSR were below the targets set. Although these measures continued to be impacted by significant unforeseen circumstances, no annual bonus for 2022 will be payable under these two measures.

The Committee considered delivery against the strategic objectives set at the start of the year. A comprehensive disclosure of this assessment can be found on page 110, with the Committee determining that the strategic objectives had been achieved in full. This resulted in an overall formulaic outcome of 33.33% of maximum for the 2022 annual bonus.

### Performance Share Plan ("PSP")

The Committee acknowledges the unprecedented trading conditions of the last three years for providers of workspaces and the associated negative impact on IWG's financial outcomes and relative TSR.

The PSP award was made in March 2020, shortly before the potential severity of the COVID-19 pandemic began to emerge. At that time, the Company's share price was experiencing all-time highs.

The award was subject to a relative TSR condition only. Performance was assessed as below the median of the FTSE350 (excluding investment trusts). Therefore, the 2020 PSP award will lapse in full in March 2023.

Whilst the 2020-2023 award will lapse in full and no discretionary adjustments will be made, the Committee considers management's performance and stewardship of the group to have been exceptional during this period.

Specifically, management has navigated the Group through the pandemic impacts and unforeseen macroeconomic factors, delivering significant achievements, including:

- Renegotiating the majority of over 3,400 lease agreements, significantly reducing the Group's cost base.
- Accelerating capital-light network expansion through management agreements to provide more convenient locations to support hybrid working; 91% of the Group's network locations were signed as capital-light, partnered deals.
- Ongoing cost reduction programmes to improve margins and address inflationary pressures.
- Investing in expanding digital capabilities through in-house developed offerings and acquisitions.
- Merging key digital assets with The Instant Group to create Worka, the leading digital platform for independently serving the entire flexible office market.

In the Committee's judgement, management's leadership of the Group through this period has been noteworthy. Their actions have not only seen the Group navigate the challenges created by the non-predictive pandemic, but have also positioned the Company to capture the unique opportunities created by the shift to hybrid working.

### Response to 2022 annual general meeting outcome

Whilst a significant majority of shareholders (72.6%) approved our Annual Report on Remuneration in 2022, the level of votes against was higher than we typically receive. The Committee is aware that the shareholders who voted against the Annual Report on Remuneration last year did not agree with the Committee applying its discretion by considering management's achievements in mitigating the unexpected negative impact of new COVID-19 variants, which led to additional lockdowns, when determining the Executive Director bonus outcome for 2021.

The Committee consulted with shareholders prior to the annual general meeting, the majority of whom were supportive of the rationale for the Committee's decision-making. Following the annual general meeting, the Committee Chair and the Board Chairman contacted major shareholders who had not supported our Annual Report on Remuneration to understand the reasons for their vote and to offer further engagement to understand.

Following our engagement, we are comfortable that those shareholders who voted against the Annual Report on Remuneration for 2022 did not have ongoing concerns with the overall approach to remuneration at IWG.

We are thankful for all engagement with our shareholders on this matter over the last year. No discretion has been used in determining incentive outcomes in 2023.

### The year ahead

Assuming shareholder approval of the Policy originally designed and approved in 2020, the Committee plans implementation of 2023 remuneration as follows:

- Executive Director salaries will be subject to the annual salary review process.
- The maximum annual bonus will remain unchanged at 150% of base salary for Executive Directors with half of any bonus paid deferred in shares which vest after three years. Performance will be measured against EBITDA, net debt reduction and strategic metrics.
- Awards of 250% of base salary were granted under the PSP in line with the approved Policy. 100% of these awards will vest subject to a relative TSR target measured over three financial years, 2023–2025. Any award that vests will be subject to an additional two-year holding period.

The Committee is satisfied that our variable pay model remains fit for purpose in the face of pandemic impacts and the hybrid work evolution, and ensures alignment between pay and performance through robust target setting.

The Committee has considered the pay and conditions across the Group's workforce, the experiences of the Company and its stakeholders along with the need to reward executive performance that enables the future success of the Company.

### Executive changes

As previously announced, Charlie Steel was appointed to the Board as Chief Financial Officer with effect from 1 November 2022. Upon appointment Charlie'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. He received a buy-out award to replace the value of incentives he was forgoing as a result of his recruitment. The Committee sought to ensure this award was granted on a 'like for like' basis with that forgone, including the application of performance conditions. Full details are provided on page 112.

Upon departure, the Committee determined an appropriate exit package for Glyn Hughes 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 page 117.

### Workforce engagement and wider workforce pay

Through my role as Non-Executive Director with oversight of employee engagement I have continued my programme of meeting with our global workforce. During 2022 I had the privilege to interact with a wide variety of employees through our online leadership conference with 300 managers in January 2022 and through site visits and online meetings with smaller groups of employees throughout the year.



Most recently I attended one of our Regional Leadership conferences which were held in person for the first time since the COVID-19 pandemic. Employees provided me with their reactions and views on our strategic endeavours and reward plans and resources available to them to deliver job performance.

I ensure that the Committee and the Board are aware of the views of employees and the feedback I receive through my role. This year I was delighted to report the results of our Global Engagement survey to the Board. The results showed that 77% of IWG employees recommend IWG as an employer to friends and family, and this was endorsed by our UK Leading Employer Award.

I also 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. This enables me to provide the Committee with insights from these interactions.

I provide a sounding board for the team designing IWG's climate and environmental initiatives. During 2022, I met with the team over seven times and coordinated regular Board updates on their progress.

In addition to its review of executive remuneration, the Committee reviews the remuneration approaches and practices in place across the Group. The Committee ensures that there is strong rationale for how compensation approaches evolve across different levels of the organisation and that we offer competitive and fair pay across the Group which is free from all forms of discrimination.

The majority of our approximately 10,000 employees' remuneration is determined by role, performance, location, and longevity within the Group compared to marketplace benchmarks. Salaries are reviewed annually, and all eligible employees share in our success through performance related incentives. The average pay rise awarded to employees who received an increase in respect of 2022 is 3%.

### Annual general meeting

Shareholders will be asked to approve resolutions in support of the 2022 Annual Report on Remuneration and the 2023 Policy.

On behalf of the Committee, I commend this report to you and look forward to your support for the resolutions 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, to be proposed to shareholders at the annual general meeting on 9 May 2023, from which date the Policy will apply if approved.

### 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 2018;
- to align management and shareholder interests through building material share ownership over time;
- to reflect the remuneration received by the wider employees, 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 equality; diversity and inclusion; and
- to reflect the global operating model of the Group whilst taking account of governance best practice.

### Policy table for Executive Directors

Component	Purpose/link to strategy	Operation	Maximum	Performance framework
Base salary	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.	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	To provide a competitive benefits package.	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.  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).	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

Component	Purpose/link to strategy	Operation	Maximum	Performance framework
Pension	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 arrangement in response to changes in legislation or similar developments.</p>	Set at a level commensurate with the workforce in the executive's location (currently 7% of base salary for existing Directors)	N/A
Annual bonus	To incentivise and reward annual performance and create further alignment with shareholders through 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.</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> <p>Recovery and withholding provisions apply to bonus awards (see note 1 below).</p>	150% of base salary per annum.	<p>Performance metrics are selected annually based on the current business objectives. At least 70% will be linked to key financial metrics, of which there will typically be a significant profit-based element</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")	<p>Motivates and rewards the creation of long-term shareholder value.</p> <p>Aligns executives' interests with those of the shareholders.</p>	<p>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.</p> <p>Awards vest three years following grant, subject to performance against pre-determined targets which are set and communicated at the time of grant.</p> <p>Vested awards are 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.</p> <p>Recovery and withholding provisions apply to PSP awards (see note 1 below).</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>	The normal plan limit is 250% of base salary.	<p>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. The Committee may introduce or reweight performance measures so that they are directly aligned with the Company's strategic objectives for each performance period.</p> <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%.</p>

## Directors' Remuneration report *continued*

Component	Purpose/link to strategy	Operation	Maximum	Performance framework
Shareholding guidelines	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 through 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	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.		

### Notes to the policy table:

- Recovery and withholding provisions may be applied in circumstances which include misconduct or material error by a participant, material misstatement in the Company's audited accounts or a material downturn in the performance of the Company, or error in the assessment of performance and in other circumstances in which the Committee thinks the operation of the process is appropriate, including a failure in risk management or material reputational damage. Awards subsequent to the grant, but before the expiry of the holding period, may be reduced or an Executive Director may be required to repay an award at any time within three years of the date on which the award vests. All annual cash and share bonuses alongside long-term incentives are subject to a malus and clawback policy.
- For the avoidance of doubt, by approval of the Policy, authority has been given to the Company to honour any commitments entered into with current or former Directors (such as the payment of a pension or the unwinding of legacy share schemes) that have been disclosed to shareholders in previous Directors' Remuneration reports. Details of any payments to former Directors will be set out in the Annual Report on Remuneration as they arise.
- As IWG operates in a number of geographies, employee remuneration practices vary across the Group to reflect local market practice. However, employee remuneration policies are based on the same broad principles. Our primary objective in awarding variable pay is to drive achievement of results, according to role, and to recognise and reward excellent performance. Accordingly, to account for variances in responsibilities, influence and seniority, incentive schemes are not uniform in approach. Performance targets are set annually taking into account a number of internal and external reference points including: the level of performance that is achievable over a sustained period of time; historic performance and internal forecasts of future performance; market expectations, and any guidance provided to the market.
- In order to ensure that the Policy achieves its intended aims, the Committee retains discretion over the operation of certain elements of the variable pay policy. This includes the discretion to adjust the annual bonus and PSP outcome if it is not considered to be reflective of the wider performance of IWG and to ensure that it can, in appropriate circumstances, override formulaic outcomes. In addition, the Committee may adjust elements of the plans including but not limited to:
  - participation;
  - in exceptional circumstances determining that any share-based award (or any dividend equivalent) will be settled (in full or in part) in cash;
  - determining the extent of payment or vesting of an award based on the assessment of any performance condition, including discretion as to the basis on which performance is to be measured if an award vests in advance of normal timetable (on cessation of employment as a good leaver or on the occurrence of a corporate event) and whether (and to what extent) pro-rata will apply in such circumstances;
  - whether (and to what extent) recovery and/or withholding will apply to any award;
  - ability to adjust the number of shares under the DSBP, PSP or other share-based award to take into account a variation in the share capital;
  - the timing of the grant of award and/or payment;
  - the size of an award (up to plan limits) and/or payment within the limits set out in the policy table above;
  - discretion relating to the measurement of performance within the limits set out in the policy table above in the event of a change of control;
  - determination of a good leaver (in addition to any specified categories) for incentive plan purposes;
  - adjustments required in certain circumstances (e.g. rights issues, corporate restructuring and special dividends); and
  - the ability to adjust existing performance conditions for exceptional events at any point before vesting so that they can still fulfil their original purpose. Should any such discretions be exercised, an explanation would be provided in the following Annual Report on Remuneration and may be subject to shareholder consultation as appropriate.
- For the avoidance of doubt, in approving this Policy, authority is given to the Company to make payments and honour any prior commitments entered into with current or former Directors (such as the payment of pension or the unwinding of legacy share schemes prior to the approval of the current Policy). Details of any payments will be set out in the Annual Report on Remuneration as they arise. The Committee reserves the right to make any remuneration payments and payments for loss of office (including exercising any discretions available to it in connection with such payments) notwithstanding that they are not in line with the Policy set out above where the terms of the payment were agreed (i) before the Policy came into effect or (ii) at a time when the relevant individual was not a Director of the Company and, in the opinion of the Committee, the payment was not in consideration for the individual becoming a Director of the Company. For these purposes "payments" include the Committee satisfying awards of variable remuneration and, in relation to an award over shares, the terms of the payment are "agreed" at the time the award is granted.



## Policy table for the Chairman and Non-Executive Directors

Component	Purpose/link to strategy	Operation	Maximum
Chairman fees	<p>Normally reviewed, but not necessarily increased, annually and as determined by the Committee. The Committee will consider, where appropriate, pay data at companies of a similar scale and relevant multi-country operating model.</p> <p>A single fee which reflects all Board and Committee duties.</p> <p>Set at a level sufficient to attract and retain individuals with the required skills, experience and knowledge to allow the Board to effectively carry out its duties.</p>	There is no prescribed maximum although fees and fee increases will be considered in line with the increases of the wider workforce and market rates.	The Chairman is not eligible for any performance-related remuneration.
Non-Executive Director fees	<p>Normally reviewed, but not necessarily increased, annually and as determined by the Chairman and the Executive Directors.</p> <p>The Committee will consider, where appropriate, pay data at companies of a similar scale and relevant multi-country operating model.</p> <p>A base fee is payable with additional fees for chairing key Board Committees, for being the Senior Independent Director and for being responsible for the oversight of employee engagement and CSR.</p> <p>Set at a level sufficient to attract and retain individuals with the required skills, experience and knowledge to allow the Board to effectively carry out its duties. Any reasonable business-related expenses (including tax thereon) can be reimbursed if determined to be a taxable benefit. Additional fees may be payable in relation to extra responsibilities undertaken such as chairing a Board Committee or other similar duties or being a member of a committee. If there is a temporary yet material increase in the time commitments for Non-Executive Directors, the Board may pay extra fees on a pro-rata basis to recognise the additional workload.</p> <p>Fees are paid entirely in cash.</p>	There is no prescribed maximum although fees and fee increases will be considered in line with the increases of the wider workforce and market rates.	The Non-Executive Directors are not eligible for any performance-related remuneration.

### Consideration of conditions elsewhere in the Group

The Committee has regard to the pay and employment conditions of employees within the Group when it sets the Policy for the remuneration of Executive Directors, the first layer of management below the Board, the Company Secretary and the Chairman of the Board. The Committee does not consult directly with employees. However the Committee Chair is the dedicated NED responsible for employee engagement and ensuring a two way dialogue between the Board and the workforce. A summary of some of the activities undertaken is included on pages 98 to 99 and all information gathered from this engagement

is considered by the Committee and informs the overall decision making. This Policy is unchanged from our previous Policy, which provides consistency and means there are no changes in how executive policy aligns with our Policy more broadly.

The general principles of the Policy are broadly applied throughout the Group and are designed to support recruitment, motivation and retention as well as to reward high performance in a framework of approved risk management, and to promote the long-term sustainable success of the Company.

The structure of total remuneration packages for those within the Committee's remit and for the broader employee population is similar, comprising

salary, pension and benefits and eligibility for a discretionary annual bonus. The level of bonus opportunity is determined by role and responsibility. Executive Directors, the first layer of management below the Board and other selected senior executives participate in the Company's share schemes to aid retention and motivate the delivery of long-term growth in shareholder value and to align their interests with those of shareholders. Annual base pay increases for the Executive Directors and the first layer of management below the Board are normally limited to the average base pay increase for the wider employee population unless there are exceptional circumstances such as a change in role or salary progression for a newly appointed Director.

### Consideration of shareholder views

The Committee is dedicated to ensuring that shareholders understand and support our remuneration structures. Accordingly, where changes are being made to the Policy, or in the event of a significant exercise of discretion, we will consult with shareholders, as appropriate, to explain our approach and rationale fully. Additionally, the Committee considers shareholder feedback received in relation to each annual general meeting alongside any views expressed during the year. We actively engage with our largest shareholders and consider the range of views expressed. In exceptional circumstances, the members of the Committee, including the Committee Chair, attend the Company's annual general meeting and are available to listen to views and to answer shareholders' questions about Directors' remuneration.

The Committee also reviews the executive remuneration framework in the context of published shareholder guidelines.

### Approach to recruitment remuneration

When determining the remuneration package for a newly appointed Executive Director, the Committee would seek to apply the following principles:

- The package must be sufficiently competitive to facilitate the recruitment of individuals of the highest calibre and experience needed to shape and execute the Company's strategy. At the same time, the Committee would seek to pay no more than necessary.
- The remuneration package for a new Executive Director would be set in accordance with the terms of the Policy in force at the time of the

appointment. Salaries would reflect the skills and experience of the individual, and may (but not necessarily) be set at a level to allow future salary progression to reflect performance in the role. Where salaries are set below market, multi-year staged increases may be awarded to achieve the desired market positioning over time. Where necessary these increases may be above those of the wider workforce but will be subject to continued development in the role.

- Benefits will be limited to those outlined in the Policy, with relocation assistance provided where appropriate. Where provided, relocation assistance will normally be for a capped amount and/or limited time. Pension provisions will be set in line with the Policy.
- The Committee may offer additional cash and/or share-based payments in the year of appointment when it considers these to be in the best interests of the Company and, therefore, shareholders. In accordance with the Policy, the maximum level of variable remuneration which may be awarded is 400% of salary (of which 250% is permitted under the PSP under the exceptional circumstances limit and 150% under the annual bonus plan). Performance conditions for variable pay in the year of appointment may be different to those applying to other Directors, which would be subject to stretching performance conditions.
- Depending on the timing of the appointment, the Committee may deem it appropriate to set different performance conditions to the current Executive Directors for the first performance year of appointment. A long-term incentive award can be made shortly following an appointment (assuming the Company is not in a close period).

- Where an individual forfeits remuneration at a previous employer as a result of appointment to the Company, the Committee may offer compensatory payments or awards to facilitate recruitment. Such payments or awards could include cash as well as performance and non-performance-related share awards and would be in such form as the Committee considers appropriate taking into account all relevant factors such as the form, expected value, anticipated vesting and timing of the forfeited remuneration. The aim of any such award would be to ensure that, so far as possible, the expected value and structure of the award will be no more generous than the amount forfeited.
- Any share-based awards referred to in this section will be granted as far as possible under the Company's existing share plans. If necessary, awards may be granted outside of these plans as permitted under the Listing Rules, and in line with the approach and the limits set out above.
- In the case of an internal appointment, variable pay awarded in respect of the incumbent's prior role may pay out according to its terms of grant. In addition, any other ongoing remuneration obligations prior to their appointment may continue, provided that they are put to shareholders for approval at the first annual general meeting following their appointment.
- For an overseas appointment, the Committee will have discretion to offer cost-effective benefits, including expatriate benefits, and pension provisions which reflect market practice and relevant legislation.

The remuneration package for a newly appointed Non-Executive Director would normally be in line with the structure set out in the Policy table for Non-Executive Directors on page 103.

## Service contracts

Executive Directors have service contracts with the Group which can be terminated by the Company or the Director by giving 12 months' notice. The service contract policy for new appointments will be on similar terms as those for existing Executive Directors, with the facility to include a notice period of no more than 12 months. The Company may terminate employment of the Executive Directors by making a payment in lieu of notice which would not exceed 12 months' salary.

Under the current service agreements, Mark Dixon's contract provides that, on a change of control, he may terminate the contract by giving one month's notice and will, in addition to contractual payments for the one-month notice period, receive a payment equal to 12 months' salary, and remain eligible for a discretionary bonus.

The Chairman and Non-Executive Directors are appointed for a three-year term, which is renewable, 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.

## Policy on payment for loss of office

Where an Executive Director leaves employment, the Committee's approach to determining any payment for loss of office will normally be based on the following principles:

- The Committee's objective is 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. Payments in lieu of notice will not exceed 12 months' salary and benefits.

- Treatment of annual bonus:

There is no contractual right to receive an annual bonus in the year of termination. However, the Committee has discretion, for certain leavers, to make a payment under the annual bonus entirely in cash. This will reflect the period of service during the year and performance (measured at the same time as performance for other plan participants, if feasible). Should the Committee make a payment in these circumstances, the rationale would be set out in the following Annual Report on Remuneration.

- Treatment of share plans:

If an Executive Director leaves employment with the Company, unvested PSP and deferred bonus shares will lapse unless the Committee in its absolute discretion determines otherwise (good leaver) for reasons including, amongst others, injury, disability, retirement, redundancy and death or in any other circumstances at the discretion of the Committee.

In such circumstances an Executive Director's award will vest at the normal vesting date, may be pro-rated, and will be subject to achievement of performance criteria. Any post-vesting or post-cessation holding requirements, as defined in the Policy, will also normally apply.

Should the Committee adjust the time pro-rating, then this would be explained in the following Annual Report on Remuneration. If the Executive Director ceases to be an employee for any reason other than those specified above then the award shall lapse immediately on such cessation.

Awards will vest on the normal vesting date unless the Committee determines, in its discretion, that awards will vest at the date of cessation.

- The Committee reserves the right to make additional exit payments where such payments are made in good faith in discharge of an existing legal obligation (or by way of damages for breach of such an obligation) or by way of settlement or compromise of any claim arising in connection with the termination of a Director's office or employment. The Committee may also pay reasonable outplacement and legal fees where considered appropriate.

## Policy in respect of external Board appointments for Executive Directors

It is recognised that external non-executive directorships may be beneficial for both the Company and Executive Directors. At the discretion of the Board, Executive Directors are permitted to retain fees received in respect of any such non-executive directorship.

## Illustration of Remuneration Policy

The charts below illustrate the application of the Policy set out in the Policy table for Executive Directors. This assumes the level of fixed remuneration (salary, benefits and pension) as at 1 January 2023 and the following in respect of each scenario:

- "Fixed" represents fixed remuneration only (i.e. current salary, benefits and pension).
- "Target" represents fixed remuneration plus an annual at target bonus of 90% of salary and 50% of salary (20% of maximum) vesting of the maximum PSP award. Note, target levels of award are for illustrative purposes only.
- "Maximum" represents the maximum annual bonus of 150% of salary and full vesting of the PSP grant of 250% of base salary.
- "Maximum + 50% share price growth" represents maximum levels of award plus the impact of 50% share price growth on the PSP award.

## Remuneration Policy

### Chief Executive Officer

<b>Minimum</b>	<b>£944</b>	<b>100%</b>		
<b>Target</b>	<b>£2,169</b>	<b>44%</b>	<b>36%</b>	<b>20%</b>
<b>Maximum</b>	<b>£4,444</b>	<b>21%</b>	<b>30%</b>	<b>49%</b>
<b>Maximum, with 50% share price growth</b>	<b>£5,538</b>	<b>17%</b>	<b>24%</b>	<b>59%</b>

### Chief Financial Officer

<b>Minimum</b>	<b>£479</b>	<b>100%</b>		
<b>Target</b>	<b>£1,095</b>	<b>44%</b>	<b>36%</b>	<b>20%</b>
<b>Maximum</b>	<b>£2,239</b>	<b>21%</b>	<b>30%</b>	<b>49%</b>
<b>Maximum, with 50% share price growth</b>	<b>£2,789</b>	<b>17%</b>	<b>24%</b>	<b>59%</b>

■ Fixed pay  
■ Annual bonus  
■ Long-term incentives

All figures in £'000s and rounded to the nearest thousand.

Benefits and pension values are based on the value of benefits received in relation to 2022 calculated on a full-year-basis.



## 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 96. 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](http://www.iwgplc.com).

### Implementation of the Remuneration Policy for 2023

This Annual Report on Remuneration (and the Committee Chair's annual statement) will be put to a single advisory shareholder vote at the 2023 annual general meeting. The information below includes how we intend to operate our Policy in 2023 and the pay outcomes in respect of the 2022 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

The current salaries as at 1 January 2023 (and compared to 2022) are as follows:

	Effective 1 Jan 2023 (£'000)	Effective 1 Jan 2022 (£'000)	Percentage change
Mark Dixon	£875	£875	0%
Charlie Steel	£440	£440 <sup>(1)</sup>	0%

1. Charlie Steel was appointed on 1 November 2022.

For context, the average base salary increase for eligible employees in respect of 2022 is 3%.

### Benefits and pension

Benefits and pension provisions will operate in line with the approved Policy.

### Annual bonus

For 2023 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 2023 annual bonus will be based 50% on measurement against EBITDA targets, 20% on measurement against net debt reduction targets and 30% against measurement of strategic targets, a portion of which will be focused on achieving specific environment and climate change objectives. 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.

## Directors' Remuneration report *continued*

### 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 have been 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 2025.

The awards are 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 are 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

The current fees as at 1 January 2023 (and compared to 2022) are as follows:

	2023 (£'000)	2022 (£'000)	Percentage change
Non-Executive Chairman	300	300	0%
Basic fee for Non-Executive Director	62	62	0%
<b>Additional fees:</b>			
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 <sup>(1)</sup>	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 2022

### Single total figure of remuneration table (Audited)

The following table shows the total remuneration in respect of the year ending 31 December 2022, together with the prior year comparative.

### Executive Directors

£'000	Salary		Benefits		Pension		Other		Annual bonus		Long Term Incentive Awards		Total		Total fixed		Total variable	
	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
Mark Dixon	875	875	–	–	61	84	–	–	438	656	–	274	1,374	1,890	936	959	438	931
Charlie Steel	74	–	–	–	6	–	74	–	–	–	–	–	154	–	154	–	–	–
Glyn Hughes	366	291	–	–	26	20	–	–	183	218	–	–	575	528	392	310	183	218

## Non-Executive Directors

£'000	Fees		Benefits		Pension		Annual bonus		Long Term Incentive Awards		Total	
	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
Douglas Sutherland	300	300	–	–	–	–	–	–	–	–	300	300
Laurie Harris	87	87	–	–	–	–	–	–	–	–	87	87
Nina Henderson	102	102	–	–	–	–	–	–	–	–	102	102
Tarun Lal	46	–	–	–	–	–	–	–	–	–	46	–
Sophie L'Hélias	6	–	–	–	–	–	–	–	–	–	6	–
Florence Pierre	61	67	–	–	–	–	–	–	–	–	61	67
François Pauly	82	82	–	–	–	–	–	–	–	–	82	82

Annual bonus – The bonus shown is the full award in respect of the relevant financial year. Half of the bonus awarded to Executive Directors was deferred into shares for three years.

Pension – This includes a cash payment to Charlie Steel in lieu of a pension contribution.

Other – This includes a bonus award that was agreed to be paid to Charlie Steel as part of his recruitment, given he joined IWG towards the very end of the financial year. See page 112 for further information.

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 2019 PSP award (118,054 shares) vested in March 2022 based on performance until 31 December 2021; the value of this is shown in 2021 and reflects a price on the date of vesting of 232.4p. None of the 2019 PSP value of £274.4k was attributable to share price increase.

Charlie Steel was appointed as Director and Chief Financial Officer on 1 November 2022. Remuneration detailed above reflects time served in respect of the role during the relevant period.

Glyn Hughes was appointed as Director and Chief Financial Officer on 25 March 2021 and resigned on 31 October 2022. Remuneration detailed above reflects time served in respect of the role during the relevant period.

Tarun Lal was appointed as Non-Executive Director on 10 May 2022. Remuneration detailed above reflects time served in respect of the role during the relevant period.

Sophie L'Hélias was appointed as Non-Executive Director on 1 December 2022. Remuneration detailed above reflects time served in respect of the role during the relevant period.

Florence Pierre resigned as Non-Executive Director on 30 November 2022. Remuneration detailed above reflects time served in respect of the role during the relevant periods.

## Determination of 2022 annual bonus (Audited)

The targets set for the 2022 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) (33.3% weighting)	33%	£117m	£130m	£150m	£(48)m <sup>(1)</sup>
Relative TSR versus FTSE 350 (excluding investment trusts) (33.3% weighting)	25%	Median	–	Exceeds the median by 10%	Below median
Strategic objectives (including ESG) (33.3% weighting) <sup>(2)</sup>	N/A	N/A	N/A	Targets met in full	Targets met in full

1. Reflects the achieved pre-IFRS 16 operating profit after adjusting items.

2. Assessment of the strategic objectives is shown below.

The strategic objectives for the annual bonus were assessed against two equally weighted measures. The targets and outcome against each measure were as follows:

Measure	Assessment	Outcome
Successful establishment of Worka through the combination of IWG digital assets with The Instant Group (50%) comprising:  <ul style="list-style-type: none"> <li>Strategic development (1/3)</li> <li>Financial performance (1/3)</li> <li>Migration of assets (1/3)</li> </ul>	<p><b>Strategic development</b> During the year under review executive leadership actions were taken to ensure that Worka was created, through the combination of IWG digital assets with The Instant Group, to operate as a standalone entity serving the flexible workspace industry.</p> <p><b>Financial performance</b> The 2022 financial performance targets for Worka were achieved, resulting in an EBITA of £115m.</p> <p><b>Migration of assets</b> The migration of relevant IWG digital assets into Worka was successfully achieved, contributing to meeting the strategic and financial objectives.</p>	100%
Environment and climate change (50%):  Clear actions and commitment to achieve Net Carbon Neutrality during 2023 (1/2), with meaningful targets and plans with interim milestones for achieving the conversion to green certified electricity and Net Zero carbon emissions (1/2)	<p>The Executives have been active in refreshing our climate strategy during 2022 and have put measures in place to ensure that we are continuously working to reduce carbon emissions. As a result of management's actions during 2022 we are on track to achieve our target of carbon neutrality during 2023 and have put in place plans to enable us to target attainment of 100% certified green energy by 2030 and Net Zero carbon emissions no later than 2040. Full achievement was based on environment and climate change objectives being fully integrated into our strategy.</p> <p>During 2022 we were rated as an AA organisation by the MSCI index. Further information on our achievements in 2022 and our carbon reduction journey can be found in our Environment report on pages 56 to 59.</p>	100%

Director	Bonus maximum (% of base salary)	Bonus awarded (% of award)	Bonus awarded (£'000)	Cash bonus (£'000)	Deferred shares (£'000) <sup>(1)</sup>
Mark Dixon	150%	33.33%	438	219	219
Glyn Hughes <sup>(2)</sup>	150%	33.33%	183	92	92

1. Half of the bonus was awarded in cash, with half deferred in shares which vest after three years.

2. Glyn Hughes resigned on 31 October 2022. Bonus detailed reflects time served in respect of the role.



## PSP awards vesting in 2023 (Audited)

The award made to Executive Directors under the PSP in 2020 was subject to a TSR performance metric measured over the three financial years ending 31 December 2022. Performance and vesting are as detailed below.

Performance conditions	Threshold vesting	Threshold performance	Maximum vesting	Maximum performance	Performance achieved	Actual % vesting
Relative TSR versus FTSE 350 excluding investment trusts (100% weighting)	25%	Median	100%	10% compound annual growth above median	Below median	0%

## PSP awards vesting in 2024 (Audited)

PSP awards granted to Executive Directors on 9 March 2022 which vest subject to a three-year performance period ending 31 December 2024 were as follows:

Executive	Number of share options	% of base salary	Value of award (£'000) <sup>(1)</sup>	% of maximum amount receivable for threshold vesting
Mark Dixon	857,844	250%	£2,187	25%
Glyn Hughes <sup>(2)</sup>	431,373	250%	£1,100	25%

1. Based on a face value grant of 250% of salary and using the share price of 255.0p on 9 March 2022.

2. Glyn Hughes' award has lapsed following his resignation on 31 October 2022.

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.

## DSBP awards granted in the year

DSBP awards granted to Executive Directors on 9 March 2022 as a deferred bonus in respect of the financial year ended 31 December 2021 and which become exercisable on the third anniversary after the date of grant, subject to continuous employment, were as follows:

Executive	Number of share options	% of 2021 bonus	Value of award <sup>(1)</sup> (£'000)
Mark Dixon	128,677	50%	£328
Glyn Hughes	42,738	50%	£109

## Recruitment terms for new CFO

To facilitate the recruitment of Charlie Steel, a one-off award was granted at the time of his appointment in recognition of the awards being forgone in leaving his previous employer.

The Committee considered the value and nature of awards being forgone when determining the form of any replacement award. The Committee determined to grant the buyout award through a PSP with forward looking performance conditions, as this ensures that the incoming executive is aligned to IWG performance and shareholders' interests immediately. The Committee sought to replicate the target value of awards being forgone when determining the value of the buyout award.

The below award will vest five years from the date of grant, and the number of interests granted was as follows:

Executive	Number of share options	Value of award (£'000) <sup>(1)</sup>	% of maximum amount receivable for threshold vesting
Charlie Steel	511,751	£675	25%

1. Determined by reference to the middle market quotation at close on 1 November 2022, being 131.9p.

The award is subject to a TSR performance metric, assessed over a three-year performance period beginning on 23 August 2022. This condition is 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

In addition, to facilitate his recruitment and in recognition of a 2022 bonus award being forgone and the fact that he joined IWG towards the end of the financial year, the Committee agreed to award a bonus at 100% of salary for 2022, pro-rated for when he commenced employment. Given his start date of 1 November 2022, the total bonus awarded is £73k. 50% of this award will be deferred into shares under the DSBP which will vest after three years, in line with our general policy for Executive Directors. This provides further immediate alignment to IWG share price.

## 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 on page 108.

## 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 through 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 2022 alongside the interests in share schemes for the Executive Directors. Details for Glyn Hughes are as at 31 October 2022 when he resigned as Director and Chief Financial Officer. Details for Florence Pierre are as at 30 November 2022 when she resigned as Non-Executive Director.

Shareholding guidelines								
	Shares held outright	% of salary required	Guideline met?	% of salary attained <sup>(1)</sup>	Deferred Share Bonus Plan options <sup>(2)</sup>	PSP options subject to performance conditions <sup>(3)</sup>	PSP options for which performance conditions have been achieved <sup>(4)</sup>	Options under the Share Option Plan or as a One Off Award subject to performance conditions)
<b>Executive Directors</b>								
Mark Dixon	289,178,386	200%	Yes	54,761.3%	301,031	1,495,972	945,190	–
Charlie Steel	–	200%	No	–	–	–	–	511,751 <sup>(5)</sup>
Glyn Hughes	–	200%	No	–	42,738	752,260	–	300,000 <sup>(6)</sup>
<b>Non-Executive Directors</b>								
Douglas Sutherland	400,000							
Laurie Harris	15,000							
Nina Henderson	30,800							
Tarun Lal	–							
Sophie L'Hélias	–							
François Pauly	125,000							
Florence Pierre	–							

- Based on a share price of 166p and base salary as at 31 December 2022.
- Half of any bonus awarded is deferred in share options which vest after three years, subject to continued employment but no further performance targets.
- Unvested awards under the 2021 and 2022 PSP are subject to further performance conditions. PSP awards granted to Glyn Hughes lapsed following his resignation on 31 October 2022.
- Options under the PSP 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.
- On 2 November 2022 Charlie received a conditional award over 511,751 shares at nil cost. This was granted as a one-off award arrangement established under Listing Rule 9.4.2(2) in order to facilitate his recruitment. The level of the award was determined by reference to compensation otherwise due Charlie, that he gave up upon accepting employment with IWG. See further information on page 112.
- 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. These options lapsed following his resignation on 31 October 2022.

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. Movements in Directors' share interests since year end to the date of this report are as follows:

- On 8 March 2023 1,139,027 options were issued to Mark Dixon under the PSP as further detailed on page 108.
- On 8 March 2023 572,768 options were issued to Charlie Steel under the PSP as further detailed on page 108.
- On 8 March 2023 113,903 options were issued to Mark Dixon under the DSBP as part of the 2022 annual bonus as further detailed on page 110.
- On 8 March 2023 19,145 options were issued to Charlie Steel under the DSBP as part of a bonus to facilitate his recruitment as detailed on page 112.

## Supporting disclosures and additional context

### Percentage change in remuneration of Directors compared to employees

The table below shows the percentage change in remuneration of each Director compared to our employees in Switzerland (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 2022. Comparisons have been made to employees on a full time-equivalent basis.

	Year-on-year change in Directors' and employees' pay								
	2022			2021 <sup>(1)</sup>			2020		
	Base salary % change	Benefits % change	Annual bonus % change	Base salary % change	Benefits % change	Annual bonus % change	Base salary % change	Benefits % change	Annual bonus % change
<b>Executive Directors</b>									
Mark Dixon	0%	–	(33)%	0%	–	NM <sup>(4)</sup>	6%	–	(100)% <sup>(2)</sup>
Charlie Steele	–	–	–	–	–	–	–	–	–
Glyn Hughes <sup>(5)</sup>	26%	–	(19)%	–	–	NM <sup>(4)</sup>	–	–	–
<b>Non-Executive Directors</b>									
Douglas Sutherland	0%	–	–	0%	–	–	20%	–	–
Laurie Harris	0%	–	–	0%	–	–	12%	–	–
Nina Henderson	0%	–	–	0%	–	–	33%	–	–
Tarun Lal	–	–	–	–	–	–	–	–	–
Sophie L'Hélias	–	–	–	–	–	–	–	–	–
François Pauly	0%	–	–	0%	–	–	12%	–	–
Florence Pierre <sup>(6)</sup>	(8)%	–	–	0%	–	–	9%	–	–
<b>Employees</b>	<b>3%</b>	<b>(1)%<sup>(7)</sup></b>	<b>3%</b>	<b>6%</b>	<b>(3)%<sup>(7)</sup></b>	<b>NM<sup>(4)</sup></b>	<b>9%</b>	<b>2%</b>	<b>(100)%<sup>(3)</sup></b>

- 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 (Nina Henderson's responsibilities increased to include oversight of employee engagement and CSR) 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 reflects the % changes excluding the effect of these voluntary waivers and deferrals during the height of the COVID-19 pandemic.
- No annual bonus was paid to Mark Dixon in respect of 2020. A bonus of £1,237.5k was paid in respect of 2019.
- No annual bonuses were paid to employees in Switzerland in respect of 2020.
- The percentage change is not meaningful due to no annual bonuses being paid in respect of 2020.
- Glyn Hughes was appointed as Director and Chief Financial Officer on 25 March 2021 and resigned on 31 October 2022. Bonus and base salary changes are calculated with reference to time served in the role in the relevant period.
- Florence Pierre resigned on 30 November 2022. Remuneration detailed above reflects time served in respect of the role during the relevant period.
- Reductions in employee benefits during 2021 and 2022 were primarily due to reductions in disturbance allowances and car allowances resulting from changes in the way employees worked during the COVID-19 pandemic.

### 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 2022 and 31 December 2021 and the percentage changes between years:

	2022	2021	Change 2021 to 2022
Total employee remuneration	£423m	£342m	23.7%
Distributions to shareholders via dividends and share buybacks	£6m	£0m	NM <sup>(1)</sup> %

- No distributions to shareholders were made in respect of 2021, in 2022 2.1m shares were repurchased.



## Chief Executive Officer's pay ratio

The table below shows our voluntary disclosure of the Chief Executive Officer's pay ratio information from 2019 and the required disclosure from 2020 to 2022 at the 25<sup>th</sup>, 50<sup>th</sup> and 75<sup>th</sup> 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. No element was omitted for the purpose of the calculation.

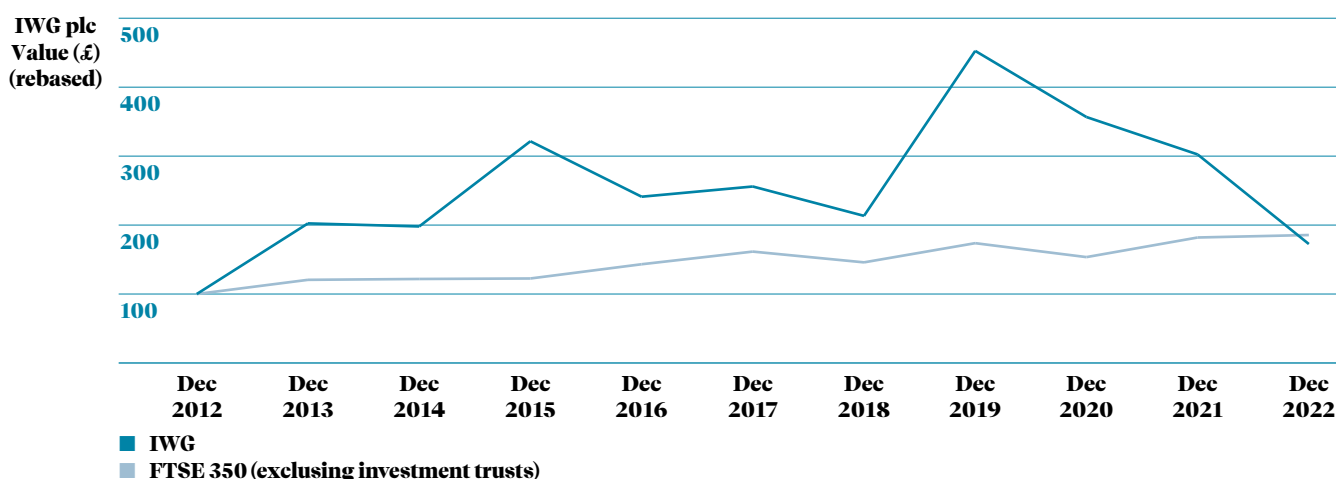
The median pay ratio was lower this year as compared with last year largely due to the CEO's bonus for 2022 being awarded at 33.33% of maximum compared to the 2021 bonus which was awarded at 50% of maximum. Due to the differences in remuneration structure between the CEO and employees and the higher 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
2022	Option A	49:1	36:1	24:1
<b>2022</b>	Mark Dixon (£'000)	P25 (£'000)	P50 (£'000)	P75 (£'000)
Total pay	1,374	28	38	57
Base salary	875	27	36	51

## Performance graph and table

The graph below shows the TSR of IWG in the ten-year period to 31 December 2022 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.



Source: Eikon from Refinitiv

This graph shows the value, by 31 December 2022, of £100 invested in IWG plc on 31 December 2012, compared with the value of £100 invested in the FTSE 350 (excluding investment trusts) Index on the same date.

## Directors' Remuneration report *continued*

The table below provides remuneration data for the Chief Executive Officer for each of the ten financial years over the equivalent period.

	2013	2014	2015	2016	2017	2018	2019	2020	2021 <sup>1)</sup>	2022
Single total figure of remuneration	£1,854k	£2,770k	£1,968k	£3,035k	£1,132k	£1,451k	£4,181k	£1,454k	£1,890k	<b>£1,374k</b>
Bonus (% of maximum)	79%	100%	100%	93%	0%	43%	100%	0%	50%	<b>33%</b>
Long-term incentive vesting (% of maximum)	35%	86%	97%	91%	11%	2%	100%	33%	17.1%	<b>0%</b>

1. The single total figure of remuneration has been restated to reflect that the share price for the 2019 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 2022. Charlie Steel and Sophie L'Hélias will seek election at the 2023 annual general meeting when all other directors, except those retiring, will seek re-election.

	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
<b>Executive Directors</b>				
Mark Dixon	Appointment agreement – 19 December 2016 Director service agreement – 1 July 2020	Founder	–	Founder
Charlie Steel	Appointment agreement – 23 August 2022 Employment agreement – 23 August 2022	1 November 2022	–	2 months
<b>Non-Executive Directors</b>				
Douglas Sutherland	Appointment agreement – 16 February 2017	27 August 2008	–	14 years 5 months (11 years 8 months as Chairman)
Laurie Harris	Appointment agreement – 14 May 2019	14 May 2019	–	3 years 8 months
Nina Henderson	Appointment agreement – 19 December 2016	20 May 2014	–	8 years 8 months
Tarun Lal	Appointment agreement – 7 March 2022	10 May 2022	9 May 2025	8 months
Sophie L'Hélias	Appointment agreement – 30 November 2022	1 December 2022	1 December 2025	1 month
François Pauly	Appointment agreement – 19 December 2016	19 May 2015	–	7 years 8 months

## Payments to past Directors/payments for loss of office – Glyn Hughes (Audited)

Glyn Hughes stepped down from the Board on 31 October 2022.

In respect of 2022 the Committee determined that Glyn would remain eligible to receive a bonus for 2022, pro-rated for time served to 31 October 2022. They also determined that Glyn would not be eligible to receive a PSP award in respect of 2022.

In relation to unvested equity awards, the Committee determined that Glyn was a good leaver, under the terms of the relevant share plan rules. In line with the 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.

In its absolute discretion the Committee determined that the following awards would lapse in their entirety:

- Share Option Plan award granted on 5 August 2020 (prior to joining the Board); and
- PSP awards granted on 26 March 2021 and 9 March 2022.

The awards granted under the DSBP on 9 March 2022 and 8 March 2023, will become exercisable at the normal times, on 9 March 2025 and 8 March 2026 respectively, subject to the rules of the DSBP.

## Advisors to the 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. The fees charged by PwC for the provision of independent advice to the Committee during 2022 were £37k (2021: £19k). 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 10 May 2022 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 annual general meeting	727,136,890	94.33%	43,747,207	5.67%	770,884,097	1,177,273
Approval of the Annual Report on Remuneration for year ending 31 December 2021	598,542,469	72.6%	225,876,892	27.4%	824,423,243	3,882

Whilst the resolution approving the Annual Report on Remuneration on for the financial year ending 31 December 2021 on an advisory basis was supported by a clear majority of shareholders the significant minority vote against was recognised. The Committee consulted with shareholders before the 2022 annual general meeting. The majority of shareholders who the Committee engaged were supportive of the rationale used in applying its discretion in respect of the Executive Director bonus outcome for 2021 but the Committee recognises the views of some shareholders and proxy advisors who did not support this use of discretion. Overall the Committee believes that it acted fairly and appropriately in determining the bonus outcome for Executive Directors in 2021. Following the 2022 annual general meeting, Nina Henderson, the Committee Chair, and Douglas Sutherland, the Chairman of the Board, contacted major shareholders who had not supported the Annual Report on Remuneration to understand the reasons for their vote and to offer further engagement.

For and on behalf of the Committee

### 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 2022.**

## Directors

The Directors of the Company who held office during the financial year under review were:

### Executive Directors

- Mark Dixon
- Charlie Steel (appointed 1 November 2022)
- Glyn Hughes (resigned 31 October 2022)

### Non-Executive Directors

- Douglas Sutherland (Chairman)
- Laurie Harris
- Nina Henderson
- Tarun Lal (appointed 10 May 2022)
- Sophie L'Hélias (appointed 1 December 2022)
- Florence Pierre (resigned 30 November 2022)
- François Pauly

Biographical details for the current Directors are shown on pages 72 and 73.

Details of the Directors' interests and shareholdings are given in the Directors' Remuneration report on page 113.

Details of the role of the Board can be found on pages 82 and 83, and the process for the appointment of Directors can be found on page 86.

The Directors' biographies, Corporate Governance report, Nomination Committee report, Audit Committee report, Directors' Remuneration report and Directors' statement on pages 72 to 117 and 121 all form part of this report.

## Corporate Governance Statement

The Governance section of this Annual Report on pages 72 to 121, together with information contained in the Shareholder information section on page 190, constitutes our Corporate Governance Statement. This includes:

- information on how the Company complies with the UK Corporate Governance Code published by the Financial Reporting Council in July 2018 (the "Code"), and where the Code is publicly available (page 75);
- a description of the main features of our internal control and risk management arrangements in relation to the financial reporting process (pages 92 and 93);
- a description of the composition and operation of the Board and its Committees (pages 74 to 117); and
- our Board Diversity Policy set out on page 85.

## 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 71 as follows:

- The Chief Executive Officer's review and Chief Financial Officer's review, on pages 14 to 17 and 36 to 43 respectively, address:
  - the review of the Company's business (pages 14 to 17);
  - an indication of the likely future developments in the business (pages 16 and 17);
  - the development and performance of the business during the financial year (pages 36 to 40); and
  - the position of the business at the end of the year (pages 40 to 43).
- The Risk management and principal risks report, on pages 44 to 52, includes a description of the principal risks facing the Company, including financial risks, and the steps taken and policies implemented to mitigate those risks.
- Climate change has been identified as a stand-alone principal risk and the steps taken to manage this risk are detailed on page 48 and pages 67 to 69.
- The Company's activities in research and development are detailed on page 25 and in the Risk management and principal risks report on page 47.



- The ESG section, on pages 54 to 71, includes the following reports:
  - Environment Report on pages 56 to 59;
  - Social Report on pages 60 to 65 covering employee development, diversity and performance, and community engagement; and
  - Task Force on Climate Related Financial Disclosures on pages 66 to 69.
- The Nomination Committee report on pages 84 to 89 covers our approach to Board diversity.
- The Directors' statement on page 121 includes 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](http://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](http://www.iwgplc.com).

## Results and dividends

The loss before taxation for the year was £105m (2021: loss of £259m).

No interim dividend has been paid and the Directors do not recommend a final dividend in respect of the 2022 financial year (2021: £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 £0.5m during the year (2021: £0.4m).

## 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 (2021: 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 26 of the notes to the accounts on pages 168 to 175. 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 10 May 2022 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 conclusion of the Company's next annual general meeting or 9 August 2023.

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 (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 2022. 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.

## Power for the Company to repurchase shares

At the Company's annual general meeting held on 10 May 2022 the shareholders of the Company approved a resolution giving authority for the Company to purchase in the market up to 100,717,023 ordinary shares representing approximately 10% of the issued share capital (excluding treasury shares) as at 5 April 2022.

## Substantial interests

At 17 March 2023, 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 <sup>(1)</sup>	289,178,386	28.73%
Toscafund Asset Management LLP	146,625,056	16.80%

1. Mark Dixon owns 100% of Estorn Limited.

1,479,685 shares were repurchased during 2022, the purpose of which was to satisfy share option obligations and as part of a share buyback programme supporting the Board's prudent approach to managing its capital structure.

## 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 129 to 182.

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 14 to 17, as well as the Group's principal risks and uncertainties as set out on pages 44 to 52 and the outcomes of modelled and stress-tested scenarios set out in the Viability statement on page 53.

Further details on the going concern basis of preparation can be found in note 2 of the notes to the accounts, on page 135.

## Post balance sheet events

Subsequent events are detailed in note 34 of the notes to the accounts on page 175.

## 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 20 March 2023.

On behalf of the Board

**Timothy Regan**

Company Secretary

20 March 2023

# 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.

In accordance with the Companies (Jersey) Law 1991 (the "Law") the Directors are responsible for preparing Group financial statements each financial year using generally accepted accounting principles ("GAAP") as prescribed in the Law. The Directors use International Financial Reporting Standards ("IFRS") as adopted by the EU which have been specified as meeting the Law's prescribed standards.

In accordance with the 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 the Group financial statements, the Directors are required to:

1. select suitable accounting policies and then apply them consistently;
2. make judgements and estimates that are reasonable and prudent;
3. state which prescribed GAAP the financial statements have been prepared in accordance with; and
4. 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 Law 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 Directors' 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 website.

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 this Directors' statement 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:

1. 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;
2. 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
3. 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

**Charlie Steel**

Chief Financial Officer

20 March 2023

## 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 2022 set out on pages 129 to 182, 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 2022 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 7 financial years ended 31 December 2022. 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 Risk 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.

Except for the 'Valuation of intangible assets arising on acquisition of The Instant Group', the key audit matters are consistent with our 2021 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 – £1,148 million (2021: £782 million)**

Refer to pages 138 (accounting policy) and pages 152 to 155 (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 (including Worka) country operations accounts for 78% of the total carrying amount with the latter having limited headroom in the impairment model.

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 control 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 value in use for the Group as a whole to the Group's market capitalisation and noted that the Group's market capitalisation exceeded the net book value of assets at year end.

We compared the key assumptions to external industry specific and general economic data and performed sensitivity analysis considering various downside scenarios which were more pessimistic than those considered by the Group. The key judgement in our approach to addressing the key audit matter was that we focused on the assumptions around carrying value of UK goodwill due to the limited headroom in the UK operations in the past, and given its significance to the Group's goodwill balance.

The Group's impairment model identified an impairment of £3 million at 31 December 2022 relating to the Group's Brazilian Goodwill. 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.

### **Valuation of intangible assets arising on acquisition of The Instant Group – £324 million**

Refer to page 138 (accounting policy) and page 176 (financial disclosures)

#### **The Key Audit Matter**

During the year, the Group acquired a majority shareholding in 'The Instant Group' as highlighted in Note 28.

At the date of initial recognition, the Group is required to quantify the fair value of the identifiable net assets acquired, the fair value of the consideration transferred and the amounts allocated to intangibles and goodwill. The identification of intangible assets and the measurement of fair values involves a significant degree of judgement and estimation.

We focused on this area due to the significance of the goodwill and intangible assets acquired on acquisition and due to the judgement and estimation involved in the identification, recognition, valuation of intangibles and allocation of this value to each intangible component.

## How the matter was addressed in our audit

We obtained and documented our understanding of the process surrounding acquisition and valuation of intangibles and tested the related design and implementation of the relevant control.

Our audit procedures in this area, among others, included inspection of the underlying legal agreement and related documentation to ensure the appropriateness of the acquisition accounting applied including the date at which control is deemed to have passed.

We challenged the Group's critical assumptions in relation to the identification and valuation of intangible assets by assessing whether intangible assets have been appropriately identified, whether the useful lives determined are appropriate and by ensuring the mathematical accuracy of the calculations underpinning the values.

With the assistance of our in-house valuation specialists, we evaluated the appropriateness of the methodology used to value the intangibles by comparing the key assumptions used to external data and by evaluating the work completed by external experts used by management to assist in preparing the valuation.

We also considered the adequacy of the disclosures in respect of new acquisition to ensure that they are in compliance with IFRS 3.

We found the judgements made by the Group in the valuation of intangible assets on acquisition of The Instant Group is reasonable and the disclosures in the financial statements is appropriate.

## Recognition of Deferred Tax Assets associated with the Group's intellectual property in Switzerland – £77 million (2021: £70 million)

Refer to pages 140 and 141 (accounting policy) and pages 147 to 149 (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 2022 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 control therein. In addition, we used our own tax specialists to assist us in evaluating and challenging the key assumptions used by the Group 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 developing their capital light model 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.

## **Impairment of Leasehold Property, Plant and Equipment ('PPE') and Right of Use ('ROU') assets – £52 million net reversal of impairment (2021: £54 million net reversal of impairment)**

Refer to pages 136 and 138 (accounting policy) and page 156 (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 Group's ongoing network rationalisation programme which has resulted in the closure and planned closure of certain centres. 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 2021 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 2022. 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 assessing 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 control. 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 assumptions in relation to 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 £39 million and £13 million related to Right of Use assets and Leasehold Improvements PPE respectively in the year ended 31 December 2022. 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. We also considered the adequacy of the disclosures to ensure that they are in compliance with IAS 36 including the presentation of the net impairment reversal as 'business as usual' and 'adjusting items'.

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 calculation of the impairment charge and impairment charge reversal recognised in the year were accurately recorded.

### **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 (2021: £9 million) which is 0.33% (2021: 0.40%) of total revenues. In 2022, consistent with 2021, we have used revenue as the benchmark for materiality. Consistent with 2021, we determined that adjusted profit before tax was not an appropriate benchmark in 2022 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.

In line with our audit methodology, our procedures on individual account balances and disclosures were performed to a lower threshold, performance materiality, so as to reduce to an acceptable level the risk that individually immaterial misstatements in individual account balances add up to a material amount across the financial statements as a whole. Performance materiality was set at 75% (2021: 75%) of materiality for the financial statements as a whole, which equates to £6.8 million (2021: £6.8 million) for the group. We applied this percentage in our determination of performance materiality because we did not identify any factors indicating an elevated level of risk.

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 (2021: £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 twelve identified key reporting components, augmented by risk focused audit procedures which were performed for certain other components. These audits covered 83% (2021: 81%) of total Group revenue and 84% (2021: 95%) 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 £1m 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 Alternative Performance Measures, summarised extract of the unaudited Company balance sheet, 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 Code published by the Financial Reporting Council in July 2018 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 121;
- Directors' explanation as to its assessment of the Group's prospects, the period this assessment covers and why the period is appropriate set out on page 121;
- Directors' statement on whether it has a reasonable expectation that the Group will be able to continue in operation and meets its liabilities set out on page 121;
- 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 121;
- 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 44 to 53;
- The section of the annual report that describes the review of effectiveness of risk management and internal control systems set out on page 92; and
- The section describing the work of the audit committee set out on pages 90 to 95.

### **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 118, the directors are responsible for: the preparation of the financial statements in accordance with IFRS as adopted by the European Union and otherwise comply with the Companies (Jersey) Law 1991 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](http://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**

20 March 2023

for and on behalf of KPMG

1 Stokes Place,  
St. Stephen's Green,  
Dublin 2,  
Ireland

# Consolidated income statement

£m	Notes	Year ended 31 Dec 2022	Year ended 31 Dec 2021 Restated <sup>(1)</sup>
<b>Revenue</b>	3	<b>2,751</b>	2,227
<b>Total cost of sales</b>		<b>(2,182)</b>	(1,885)
Cost of sales		(2,169)	(1,869)
Adjusting items to cost of sales <sup>(2)</sup>		(65)	(70)
Net reversal of impairment of property, plant, equipment and right-of-use assets <sup>(2)</sup>	3,5	52	54
Expected credit reversal/(losses) on trade receivables <sup>(2)</sup>	5	6	(99)
<b>Gross profit (centre contribution)</b>	3	<b>575</b>	243
<b>Total selling, general and administration expenses</b>		<b>(427)</b>	(328)
Selling, general and administration expenses		(406)	(295)
Adjusting items to selling, general and administration expenses	10	(21)	(33)
Share of loss of equity-accounted investees, net of tax	21	(1)	(2)
<b>Operating profit/(loss)</b>	5	<b>147</b>	(87)
Finance expense	7	(287)	(198)
Finance income	7	35	26
<b>Net finance expense</b>		<b>(252)</b>	(172)
<b>Loss before tax for the year from continuing operations</b>		<b>(105)</b>	(259)
Income tax expense	8	(16)	(10)
<b>Loss after tax for the year from continuing operations</b>		<b>(121)</b>	(269)
Profit after tax for the period from discontinued operations	9	1	59
<b>Loss for the year</b>		<b>(120)</b>	(210)
Attributable to equity shareholders of the Group		(117)	(205)
Attributable to non-controlling interests	23	(3)	(5)
<b>Loss per ordinary share (EPS):</b>			
<b>Attributable to ordinary shareholders</b>			
Basic (p)	11	(11.2)	(20.4)
Diluted (p)	11	(11.2)	(20.4)
<b>From continuing operations</b>			
Basic (p)	11	(11.3)	(26.2)
Diluted (p)	11	(11.3)	(26.2)

1. The comparative information has been restated to reflect the impact of discontinued operations (note 9).

2. The net reversal of adjusting items of £17m (2021: £2m) 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 £73m (2021: £125m), impairment of Ukraine and Russia of £9m (2021: £nil), the adjusting items to costs of sales of £65m (2021: £70m) and £nil (2021: £53m) 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 2022	Year ended 31 Dec 2021
<b>Loss for the year</b>		<b>(120)</b>	<b>(210)</b>
Other comprehensive income/(loss) that is or may be reclassified to profit or loss in subsequent periods:			
Foreign exchange recycled to profit or loss from discontinued operations	9	–	–
Foreign currency translation gain/(loss) for foreign operations		5	(20)
<b>Items that are or may be reclassified to profit or loss in subsequent periods</b>		<b>5</b>	<b>(20)</b>
Other comprehensive income that will never be reclassified to profit or loss in subsequent periods:			
<b>Items that will never be reclassified to profit or loss in subsequent periods</b>		<b>–</b>	<b>–</b>
<b>Other comprehensive profit/(loss) for the period, net of tax</b>		<b>5</b>	<b>(20)</b>
<b>Total comprehensive loss for the year, net of tax</b>		<b>(115)</b>	<b>(230)</b>
Attributable to shareholders of the Group		<b>(112)</b>	<b>(225)</b>
Attributable to non-controlling interests	23	<b>(3)</b>	<b>(5)</b>

The above consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.



# Consolidated statement of changes in equity

£m	Notes	Issued share capital	Share premium	Treasury shares	Foreign currency translation reserve	Other reserves <sup>(1)</sup>	Retained earnings	Total equity attributable to equity shareholders	Non-controlling interests	Total equity
<b>Balance at 1 January 2021</b>		<b>10</b>	<b>313</b>	<b>(154)</b>	<b>36</b>	<b>26</b>	<b>283</b>	<b>514</b>	<b>–</b>	<b>514</b>
<b>Total comprehensive income/(loss) for the year:</b>										
Loss for the year		–	–	–	–	–	(205)	(205)	(5)	(210)
<b>Other comprehensive income/(loss):</b>										
Foreign exchange recycled to profit or loss from discontinued operations	9	–	–	–	–	–	–	–	–	–
Foreign currency translation gain/(loss) for foreign operations		–	–	–	(20)	–	–	(20)	–	(20)
<b>Other comprehensive income/(loss), net of tax</b>		<b>–</b>	<b>–</b>	<b>–</b>	<b>(20)</b>	<b>–</b>	<b>–</b>	<b>(20)</b>	<b>–</b>	<b>(20)</b>
<b>Total comprehensive income/(loss) for the year</b>		<b>–</b>	<b>–</b>	<b>–</b>	<b>(20)</b>	<b>–</b>	<b>(205)</b>	<b>(225)</b>	<b>(5)</b>	<b>(230)</b>
<b>Transactions with owners of the Company</b>										
Share-based payments	6	–	–	–	–	–	6	6	–	6
Ordinary dividend paid	12	–	–	–	–	–	–	–	–	–
Purchase of shares	22	–	–	–	–	–	–	–	–	–
Proceeds from exercise of share awards	22	–	–	3	–	–	(2)	1	–	1
<b>Total transactions with owners of the Company</b>		<b>–</b>	<b>–</b>	<b>3</b>	<b>–</b>	<b>–</b>	<b>4</b>	<b>7</b>	<b>–</b>	<b>7</b>
Acquisition of subsidiary with non-controlling interests	23	–	–	–	–	–	–	–	14	14
<b>Balance at 31 December 2021</b>		<b>10</b>	<b>313</b>	<b>(151)</b>	<b>16</b>	<b>26</b>	<b>82</b>	<b>296</b>	<b>9</b>	<b>305</b>
<b>Total comprehensive income/(loss) for the year:</b>										
Loss for the year		–	–	–	–	–	(117)	(117)	(3)	(120)
<b>Other comprehensive income/(loss):</b>										
Foreign exchange recycled to profit or loss from discontinued operations	9	–	–	–	–	–	–	–	–	–
Foreign currency translation gain/(loss) for foreign operations		–	–	–	5	–	–	5	–	5
<b>Other comprehensive income, net of tax</b>		<b>–</b>	<b>–</b>	<b>–</b>	<b>5</b>	<b>–</b>	<b>–</b>	<b>5</b>	<b>–</b>	<b>5</b>
<b>Total comprehensive income/(loss) for the year</b>		<b>–</b>	<b>–</b>	<b>–</b>	<b>5</b>	<b>–</b>	<b>(117)</b>	<b>(112)</b>	<b>(3)</b>	<b>(115)</b>
<b>Transactions with owners of the Company</b>										
Share-based payments	6	–	–	–	–	–	4	4	–	4
Ordinary dividend paid	12	–	–	–	–	–	–	–	–	–
Purchase of shares	22	–	–	(5)	–	–	–	(5)	–	(5)
Proceeds from exercise of share awards	22	–	–	4	–	–	(4)	–	–	–
<b>Total transactions with owners of the Company</b>		<b>–</b>	<b>–</b>	<b>(1)</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>(1)</b>	<b>–</b>	<b>(1)</b>
Acquisition of subsidiary with non-controlling interests	23	–	–	–	–	–	–	–	53	53
Divestiture of subsidiary with non-controlling interests	23	–	–	–	–	–	–	–	(7)	(7)
<b>Balance at 31 December 2022</b>		<b>10</b>	<b>313</b>	<b>(152)</b>	<b>21</b>	<b>26</b>	<b>(35)</b>	<b>183</b>	<b>52</b>	<b>235</b>

1. Other reserves include £11m 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, £38m arising from the Scheme of Arrangement undertaken on 14 October 2008, £6m relating to merger reserves and £nil to the redemption of preference shares, partly offset by £29m 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 2022	As at 31 Dec 2021
<b>Non-current assets</b>			
Goodwill	13	934	704
Other intangible assets	14	214	78
Property, plant and equipment	15	6,234	6,376
Right-of-use assets	15	5,009	5,254
Other property, plant and equipment	15	1,225	1,122
Non-current net investment in finance leases	24	95	–
Deferred tax assets	8	350	327
Other long-term receivables	16	57	50
Investments in joint ventures	21	45	45
Other investments		–	–
<b>Total non-current assets</b>		<b>7,929</b>	<b>7,580</b>
<b>Current assets</b>			
Inventory		1	1
Trade and other receivables	17	919	734
Current net investment in finance leases	24	52	–
Corporation tax receivable	8	19	19
Cash and cash equivalents	24	161	78
<b>Total current assets</b>		<b>1,152</b>	<b>832</b>
<b>Total assets</b>		<b>9,081</b>	<b>8,412</b>
<b>Current liabilities</b>			
Trade and other payables (incl. customer deposits)	18	1,202	923
Deferred revenue		455	346
Corporation tax payable	8	45	36
Bank and other loans	19,24	285	22
Lease liabilities	24	1,002	932
Provisions	20	31	8
<b>Total current liabilities</b>		<b>3,020</b>	<b>2,267</b>
<b>Non-current liabilities</b>			
Other long-term payables		11	10
Deferred tax liability	8	145	141
Bank and other loans	19,24	588	453
Lease liabilities	24	5,037	5,189
Derivative financial liabilities	25	–	27
Provisions	20	37	12
Provision for deficit on joint ventures	21	6	6
Retirement benefit obligations	27	2	2
<b>Total non-current liabilities</b>		<b>5,826</b>	<b>5,840</b>
<b>Total liabilities</b>		<b>8,846</b>	<b>8,107</b>
<b>Total equity</b>			
Issued share capital	22	10	10
Issued share premium		313	313
Treasury shares	22	(152)	(151)
Foreign currency translation reserve		21	16
Other reserves		26	26
Retained earnings		(35)	82
<b>Total shareholders' equity</b>		<b>183</b>	<b>296</b>
<b>Non-controlling interests</b>	23	<b>52</b>	<b>9</b>
<b>Total equity</b>		<b>235</b>	<b>305</b>
<b>Total equity and liabilities</b>		<b>9,081</b>	<b>8,412</b>

The financial statements on pages 129 to 182 were approved by the Board on 20 March 2023

**Mark Dixon**

Chief Executive Officer

**Charlie Steel**

Chief Financial Officer

The above consolidated balance sheet should be read in conjunction with the accompanying notes.

# Consolidated statement of cash flows

£m	Notes	Year ended 31 Dec 2022	Year ended 31 Dec 2021 Restated <sup>(1)</sup>
<b>Operating activities</b>			
<b>Loss for the year from continuing operations</b>		<b>(121)</b>	<b>(269)</b>
Adjustments for:			
Profit from discontinued operations	9	–	2
Net finance expense <sup>(2)</sup>	7	<b>252</b>	173
Share of loss on equity-accounted investees, net of tax	21	<b>1</b>	2
Depreciation charge	15	<b>1,145</b>	1,096
Right-of-use assets	15	<b>955</b>	893
Other property, plant and equipment	15	<b>190</b>	203
Loss on impairment of goodwill	13	<b>3</b>	–
Loss on disposal of property, plant and equipment	5	<b>34</b>	64
Profit on disposal of right-of-use assets and related lease liabilities	5,24	<b>(31)</b>	(42)
Profit on sales of current assets		–	(1)
Loss on disposal of intangible assets	5	–	–
Net reversal of impairment of property, plant and equipment	5,15	<b>(13)</b>	(7)
Net reversal of impairment of right-of-use assets	5,15	<b>(39)</b>	(47)
Amortisation of intangible assets	5,14	<b>44</b>	14
Negative goodwill arising on an acquisition	28	–	(1)
Tax expense	8	<b>16</b>	10
Expected credit reversal/(losses) on trade receivables	5	<b>(6)</b>	99
Increase/(decrease) in provisions	20	<b>40</b>	(15)
Share-based payments	6	<b>4</b>	6
Other non-cash movements		<b>(3)</b>	(11)
<b>Operating cash flows before movements in working capital</b>		<b>1,326</b>	1,073
Proceeds from partner contributions (reimbursement of costs) <sup>(4)</sup>	15	<b>19</b>	20
Increase in trade and other receivables		<b>(97)</b>	(127)
Increase/(decrease) in trade and other payables		<b>191</b>	(40)
<b>Cash generated from operations</b>		<b>1,439</b>	926
Interest paid and similar charges on bank loans and corporate borrowings		<b>(38)</b>	(19)
Interest paid on lease liabilities	24	<b>(230)</b>	(167)
Tax paid		<b>(24)</b>	(5)
<b>Net cash inflows from operating activities</b>		<b>1,147</b>	735
<b>Investing activities</b>			
Purchase of property, plant and equipment	15	<b>(242)</b>	(221)
Payment of initial direct costs related to right-of-use assets		<b>(1)</b>	–
Interest received on net lease investment	7	<b>7</b>	–
Payment received from net lease investment	24	<b>41</b>	–
Purchase of subsidiary undertakings, net of cash acquired	28	<b>(307)</b>	11
Purchase of intangible assets	14	<b>(39)</b>	(34)
Purchase of other investments		–	(33)
Proceeds on the sale of discontinued operations, net of cash disposed of	9	<b>1</b>	52
Proceeds on sale of property, plant and equipment		<b>1</b>	1
Proceeds on other current receivables <sup>(3)</sup>	17	–	283
Interest received	7	<b>1</b>	3
<b>Net cash (outflows)/inflows from investing activities</b>		<b>(538)</b>	62
<b>Financing activities</b>			
Proceeds from issue of loans	24	<b>1,340</b>	983
Repayment of loans	24	<b>(954)</b>	(947)
Payment of lease liabilities	24	<b>(997)</b>	(865)
Proceeds from partner contributions (lease incentives) <sup>(4)</sup>	15	<b>31</b>	36
Proceeds from Non-controlling interests	23	<b>53</b>	–
Purchase of treasury shares	22	<b>(5)</b>	–
Proceeds from exercise of share awards		–	1
Payment of ordinary dividend	12	–	–
<b>Net cash outflows from financing activities</b>		<b>(532)</b>	(792)
<b>Net increase in cash and cash equivalents</b>		<b>77</b>	5
Cash and cash equivalents at beginning of the year		<b>78</b>	71
Effect of exchange rate fluctuations on cash held		<b>6</b>	2
<b>Cash and cash equivalents at end of the year</b>	24	<b>161</b>	78

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 £27m (2021: £23m).

3. Included in other receivables at 31 December 2020 was mezzanine and senior debt recognised at amortised cost of £276m. This receivable balance was fully repaid to the Group in February 2021, in addition to associated costs reimbursements, resulting in an additional £1m gain on settlement.

4. The total proceeds from partner contributions relating to the reimbursement of costs and lease incentives of £50m (2021: £56m) are allocated between maintenance partner contributions of £11m (2021: £6m) and growth partner contributions of £39m (2021: £50m), on pages 185 and 186.

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 Company's ordinary shares are traded on the London Stock Exchange. The Group and Company financial statements for the year ended 31 December 2022 were authorised for issue by the Board of Directors on 20 March 2023 and the balance sheets were signed on the Board's behalf by Mark Dixon and Charlie Steel. The audited Group accounts are included from pages 129 to 182.

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 32, and information on other related party relationships of the Group is provided in note 31.

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 183.

## 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 2022 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 2022, with no material impact on the Group:

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Onerous contracts – Cost of Fulfilling a Contract (Amendments to IAS 37)

Annual Improvements to IFRS Standards 2018–2020

Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16)

Reference to the Conceptual Framework – Amendments to IFRS 3

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These Group consolidated financial statements are presented in pounds sterling (£), which is IWG plc's functional currency, and all values are in million pounds, except where indicated otherwise.

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.

The attributable results of those companies acquired or disposed of during the year are included for the periods of ownership.

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 33.

### Climate change

The potential climate change-related risks and opportunities to which the Group is exposed, as identified by management, are disclosed in the Group's TCFD disclosures on pages 67 and 68. Management has assessed the potential financial impacts relating to the identified risks, primarily considering the useful lives of, and retirement obligations for, property, plant and equipment, the possibility of impairment of goodwill and other long-lived assets and the recoverability of the Group's deferred tax assets. Management has exercised judgement in concluding that there are no further material financial impacts of the Group's climate-related risks and opportunities on the consolidated financial statements. These judgements will be kept under review by management as the future impacts of climate change depend on environmental, regulatory and other factors outside of the Group's control which are not all currently known.



## Going concern

The Group reported a loss after tax of £121m (2021: £269m) from continuing operations for the year, while net cash of £1,147m (2021: £735m) was generated from operations during the year. Although the Group's balance sheet at 31 December 2022 reports a net current liability position of £1,868m (2021: £1,435m) which could give rise to a potential liquidity risk, the Directors concluded and are satisfied after a comprehensive review that no liquidity risk exists after taking into account the following considerations:

1. The Group had funding available under the Group's £750m revolving credit facility. £173m (2021: £530m) was available and undrawn at 31 December 2022. This facility is committed until March 2025 with an option to extend until 2026 (note 25);
2. The Group's £330m non-recourse bridge facility, to fund the investment in The Instant Group, matures in September 2023. The Instant Group, combined with the IWG digital assets in Worka has been highly cash generative and reduced its net debt to £176m, excluding £4m of net lease liabilities, at 31 December 2022. Based on the modelled scenarios the Directors expect that Worka will continue to reduce its net debt position by September 2023. The Group is pursuing various options available to address this, including repaying the bridge facility through asset sales, cash generated from operations, and/or the extension or replacement of this facility to ensure continued funding of this highly successful and cash generative business; and
3. The Group maintains a 12-month rolling forecast and a three-year strategic outlook. It also monitors 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.

Details of the principal risks, outcomes of modelled and stress-tested scenarios are set out in the Viability statement review on page 53.

Based on the above, the Directors consider that the Group is well placed to successfully manage the actual and potential liquidity risks faced by the organisation subject to successful resolution of the uncertainty with regard to the bridge facility referred to in section 2 above.

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.

## IFRS not yet effective

The following new or amended standards and interpretations that are mandatory for 2023 annual periods (and future years) are not expected to have a material impact on the Group financial statements:

Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to IAS 12	1 January 2023
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.

### 2. Accounting policies *continued*

#### 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 primarily 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.

##### 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. 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.

## 6. 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.

## 7. 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.

## 8. Net investment in finance leases

The Group acts as an intermediate lessor where certain commercial office real estate properties, rented under a separate 'head' lease agreement, are sublet as part of a separate sublease agreement. Interest in the 'head' lease and sublease are accounted for separately, with the classification of the sublease assessed with reference to the right-of-use assets arising from the head lease (not with reference to the underlying asset).

The initial net investment in finance leases is equal to the present value of the lease receipts during the lease term that have not yet been paid. The right-of-use asset arising from the head lease is offset by the initial measurement of the net investment in the finance lease, plus any additional direct costs associated with setting up the lease.

If the sublease agreement contains lease and non-lease components, the Group applies IFRS 15 in determining the allocation of the agreement consideration.

Client contributions are contributions received from sub-lessees towards the initial costs of preparing the commercial property for their use, including the fit-out of the property. These contributions represent a reimbursement of costs incurred by the Group and are accounted for as agency arrangements, and form part of the sub-lessees' assets.

## 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 2022. 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.

At each reporting date, the Group assesses whether there is an indication that a previously recognised impairment loss has reversed because of a change in the estimates used to determine the impairment loss. If there is such an indication, and the recoverable amount of the impaired asset or CGU subsequently increases, then the impairment loss is generally reversed.

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.

## 2. Accounting policies *continued*

### 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 – service agreements	2 years
Customer lists – sublease agreements	Up to 5 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 <sup>(1)</sup>	Over the lease term
Buildings	50 years
Leasehold improvements <sup>(1)</sup>	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 is the provision of fully integrated, end-to-end 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 workspace bookings, meeting rooms and inventory management) 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.

## Deferred revenue

Invoices issued in advance of services provided, in accordance with contractual arrangements with customers, are held on the balance sheet as a current liability until the services have been rendered.

## 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, geopolitical circumstances in the Ukraine and related sanctions against Russia, have been deemed to meet the definition of adjusting items. Each of these items is 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 33. 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.

### 2. Accounting policies *continued*

#### 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 26 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.

## Derivative financial instruments

The Group's policy on the use of derivative financial instruments can be found in note 25. 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.

### 2. Accounting policies *continued*

#### 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, on either a 12-month or a 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 coordinated 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	
	2022	2021	2022	2021
US dollar	1.21	1.35	1.23	1.38
Euro	1.13	1.19	1.17	1.16

## 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 two operating segments. The Group's primary operating segment is managed through three principal geographical segments: the Americas; EMEA (Continental Europe including UK, Middle East and Africa); and Asia Pacific. The results of business centres in each of these regions, based on time zones; economic relationships; market characteristics; cultural similarities; and language clusters, form the basis for reporting geographical results to the chief operating decision-maker. As a result, the UK is now included in the EMEA regional reporting. These geographical segments exclude the Group's non-trading, holding and corporate management companies, which are included in the Other segment. The impact from The Instant Group investment (note 28) has been incorporated into Worka, which is disclosed as a separate operating segment. The combined digital assets in Worka, represents the world's leading fully integrated workspace platform. 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.

£m	Americas		EMEA <sup>(2)</sup>		Asia Pacific		Other		Pre-Worka		Worka		Total	
Continuing operations	2022	2021 Restated <sup>(1)</sup>	2022	2021 Restated <sup>(1)</sup>	2022	2021 Restated <sup>(1)</sup>	2022	2021 Restated <sup>(1)</sup>	2022	2021 Restated <sup>(1)</sup>	2022	2021 Restated <sup>(1)</sup>	2022	2021 Restated <sup>(1)</sup>
Reported revenue <sup>(3)</sup>	1,024	836	1,199	1,027	248	231	9	1	2,480	2,095	271	132	2,751	2,227
Rent income	–	–	–	–	–	–	–	–	–	–	50	–	50	–
Revenue on pre-IFRS 16 basis	1,024	836	1,199	1,027	248	231	9	1	2,480	2,095	321	132	2,801	2,227
Workstation revenue <sup>(4)</sup>	709	611	904	793	188	179	–	–	1,801	1,583	50	–	1,851	1,583
Fee income	3	1	19	13	10	10	2	–	34	24	–	–	34	24
Customer Service income <sup>(5)</sup>	312	224	276	221	50	42	7	1	645	488	271	132	916	620
Gross profit/(loss) (centre contribution)	82	(8)	120	14	26	3	13	(5)	241	4	142	78	383	82
Share of loss of equity-accounted investees	–	–	(1)	(2)	–	–	–	–	(1)	(2)	–	–	(1)	(2)
Operating (loss)/profit	(23)	(94)	23	(78)	2	(19)	(130)	(130)	(128)	(321)	85	73	(43)	(248)
Finance expense	–	–	–	–	–	–	–	–	(37)	(31)	(13)	–	(50)	(31)
Finance income	–	–	–	–	–	–	–	–	27	26	–	–	27	26
(Loss)/profit before tax for the year	–	–	–	–	–	–	–	–	(138)	(326)	72	73	(66)	(253)
Depreciation and amortisation	166	147	116	111	27	27	21	16	330	301	30	1	360	302
Impairment of assets	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Assets <sup>(3)</sup>	3,587	3,364	3,782	3,937	549	532	475	535	8,393	8,368	688	44	9,081	8,412
Liabilities <sup>(3)</sup>	(3,445)	(3,232)	(3,559)	(3,682)	(538)	(540)	(752)	(645)	(8,294)	(8,099)	(552)	(8)	(8,846)	(8,107)
Net assets/(liabilities)	142	132	223	255	11	(8)	(277)	(110)	99	268	136	36	235	305
Non-current asset additions <sup>(6)</sup>	131	50	211	172	32	48	29	82	403	352	24	–	427	352

1. Restated to exclude revenue from discontinued operations (note 9) and/or the separate disclosure of the Worka segment.

2. Includes UK performance as follows: Revenue of £386m (2021: £346m), gross profit of £34m (2021: loss of £11m) and operating profit of £13m (2021: loss of £34m).

3. Presented on a basis consistent with IFRS 16.

4. Includes customer deposits.

5. Includes membership card income.

6. Excluding deferred taxation.



## Notes to the accounts *continued*

### 3. Segmental analysis *continued*

Operating profit in the 'Other' category is generated from services related to the provision of workspace solutions, offset by corporate overheads.

The operating segment's results presented on a pre-IFRS 16 basis reconcile to the financial statements as follows:

£m	Americas		EMEA		Asia Pacific		Other		Pre-Worka		Worka		Total	
Continuing operations	2022	2021 Restated <sup>(1)</sup>	2022	2021 Restated <sup>(1)</sup>	2022	2021 Restated <sup>(1)</sup>	2022	2021 Restated <sup>(1)</sup>	2022	2021 Restated <sup>(1)</sup>	2022	2021 Restated <sup>(1)</sup>	2022	2021 Restated <sup>(1)</sup>
Gross profit/(loss) (centre contribution) – pre-IFRS 16	82	(8)	120	14	26	3	13	(5)	241	4	142	78	383	82
Rent income	–	–	–	–	–	–	–	–	–	–	(50)	–	(50)	–
Rent	434	414	443	448	126	116	8	4	1,011	982	47	1	1,058	983
Depreciation of property, plant and equipment including right-of-use assets	(345)	(317)	(389)	(378)	(90)	(91)	(3)	(5)	(827)	(791)	(1)	–	(828)	(791)
Other	13	(16)	17	(6)	(11)	(8)	(7)	–	12	(30)	–	(1)	12	(31)
Gross profit/(loss) (centre contribution)	184	73	191	78	51	20	11	(6)	437	165	138	78	575	243

1. Restated to reflect the impact of discontinued operations on a pre-IFRS 16 basis and/or the separate disclosure of the Worka segment.

£m	Americas		EMEA		Asia Pacific		Other		Pre-Worka		Worka		Total	
Continuing operations	2022	2021 Restated <sup>(1)</sup>	2022	2021 Restated <sup>(1)</sup>	2022	2021 Restated <sup>(1)</sup>	2022	2021 Restated <sup>(1)</sup>	2022	2021 Restated <sup>(1)</sup>	2022	2021 Restated <sup>(1)</sup>	2022	2021 Restated <sup>(1)</sup>
Operating profit/(loss) – pre-IFRS 16	(23)	(94)	23	(78)	2	(19)	(130)	(130)	(128)	(321)	85	73	(43)	(248)
Rent income	–	–	–	–	–	–	–	–	–	–	(50)	–	(50)	–
Rent	434	414	443	448	126	116	9	5	1,012	983	47	–	1,059	983
Depreciation of property, plant and equipment including right-of-use assets	(345)	(317)	(389)	(378)	(90)	(91)	(4)	(7)	(828)	(793)	(1)	–	(829)	(793)
Other	11	(16)	15	(7)	(11)	(9)	(5)	2	10	(30)	–	1	10	(29)
Operating profit/(loss)	77	(13)	92	(15)	27	(3)	(130)	(130)	66	(161)	81	74	147	(87)

1. Restated to reflect the impact of discontinued operations on a pre-IFRS 16 basis (note 5) and/or the separate disclosure of the Worka segment.

£m	Americas		EMEA		Asia Pacific		Other		Pre-Worka		Worka		Total	
Continuing operations	2022	2021 Restated <sup>(1)</sup>	2022	2021 Restated <sup>(1)</sup>	2022	2021 Restated <sup>(1)</sup>	2022	2021 Restated <sup>(1)</sup>	2022	2021 Restated <sup>(1)</sup>	2022	2021 Restated <sup>(1)</sup>	2022	2021 Restated <sup>(1)</sup>
Depreciation and amortisation – pre-IFRS 16	166	147	116	111	27	27	21	16	330	301	30	1	360	302
Depreciation of property, plant and equipment including right-of-use assets	345	317	389	378	90	91	4	7	828	793	1	–	829	793
Depreciation and amortisation	511	464	505	489	117	118	25	23	1,158	1,094	31	1	1,189	1,095

1. Restated to reflect the impact of discontinued operations on a pre-IFRS 16 basis (note 5) and/or the separate disclosure of the Worka segment.

£m	Americas		EMEA		Asia Pacific		Other		Pre-Worka		Worka		Total	
Continuing operations	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
Impairment of assets – pre-IFRS 16	–	–	–	–	–	–	–	–	–	–	–	–	–	–
(Net reversal) /impairment of property, plant and equipment including right-of-use assets	(30)	(56)	(16)	(3)	(6)	5	–	–	(52)	(54)	–	–	(52)	(54)
(Net reversal) /impairment of assets	(30)	(56)	(16)	(3)	(6)	5	–	–	(52)	(54)	–	–	(52)	(54)

#### 4. Segmental analysis – entity-wide disclosures

The Group's primary activity is the provision of global workplace solutions, therefore all revenue is attributed to a single group of similar products and services. Relevant product categories have; however, been included in the segmental analysis in note 3. 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	2022		2021	
	External revenue	Non-current assets <sup>(1)</sup>	External revenue	Non-current assets <sup>(1)</sup>
Country of tax domicile – Switzerland	5	–	4	–
United States of America	868	2,787	694	2,737
EMEA	1,199	3,264	1,027	3,467
Worka	271	429	132	34
All other countries <sup>(2)</sup>	408	1,099	370	1,015
	<b>2,751</b>	<b>7,579</b>	<b>2,227</b>	<b>7,253</b>

1. Excluding deferred tax assets.

2. Revenue of £nil (2021: £34m) is included in discontinued operations (note 9).

#### 5. Operating profit/(loss) – continuing operations

Operating profit/(loss) has been arrived at after crediting/(charging):

£m	Notes	2022	2021 Restated <sup>(1)</sup>
Revenue		<b>2,751</b>	2,227
Depreciation on property, plant and equipment <sup>(2)</sup>	15	<b>(1,145)</b>	(1,081)
Right-of-use assets	15	<b>(955)</b>	(880)
Other property, plant and equipment	15	<b>(190)</b>	(201)
Amortisation of intangible assets	14	<b>(44)</b>	(14)
Variable property rents payable in respect of leases	24	<b>(68)</b>	(63)
Lease expense on low-value assets	24	–	(1)
Staff costs	6	<b>(423)</b>	(342)
Facility and other property costs		<b>(496)</b>	(414)
Expected credit reversal/(losses) on trade receivables <sup>(3)</sup>	25	<b>6</b>	(99)
Loss on disposal of property, plant and equipment		<b>(34)</b>	(64)
Profit on disposal of right-of-use assets and related lease liabilities		<b>31</b>	42
Impairment of goodwill	13	<b>(3)</b>	–
Net reversal of impairment of property, plant and equipment <sup>(4)</sup>	15	<b>52</b>	54
Net reversal of impairment of other property, plant and equipment	15	<b>13</b>	7
Net reversal of impairment of right-of-use assets	15	<b>39</b>	47
Negative goodwill arising on acquisition	28	–	1
Other costs		<b>(479)</b>	(331)
Operating profit/(loss) before equity-accounted investees		<b>148</b>	(85)
Share of loss of equity-accounted investees, net of tax	21	<b>(1)</b>	(2)
<b>Operating profit/(loss)</b>		<b>147</b>	(87)

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

2. Excludes depreciation expenses related to discontinued operations for right-of-use assets of £nil (2021: £13m) and other property, plant and equipment of £nil (2021: £2m).

3. Of the £6m reversal of expected credit loss (2021: charge of £99m), £nil (2021: £53m) relates to COVID-19 adjusting items (note 10).

4. The net reversal of impairment of £52m (2021: £54m) includes an additional impairment of £39m (2021: £97m), offset by the reversal of £91m (2021: £151m) previously provided for (note 15).

£m	2022	2021
Fees payable to the Group's auditor and its associates for the audit of the Group accounts	<b>(2)</b>	(1)
Fees payable to the Group's auditor and its associates for other services:		
The audit of the Company's subsidiaries pursuant to legislation	<b>(3)</b>	(3)
Other services pursuant to legislation	–	–
Other non-audit services	–	–

## Notes to the accounts *continued*

### 6. Staff costs

£m	2022 <sup>(1)</sup>	2021 Restated <sup>(1)</sup>
<b>The aggregate payroll costs were as follows:</b>		
Wages and salaries <sup>(2)</sup>	357	281
Social security	55	50
Pension costs	7	5
Share-based payments	4	6
	<b>423</b>	<b>342</b>

1. Excludes staff costs related to discontinued operations of £nil (2021: £2m).

2. Includes worldwide financial support schemes disclosed in note 10.

	2022 Average full-time Equivalents <sup>(1)</sup>	2021 Average full-time Equivalents <sup>(1)</sup>
<b>The average number of persons employed by the Group (including Executive Directors), analysed by category and geography, was as follows:</b>		
Centre staff	6,572	6,142
Sales and marketing staff	532	510
Finance staff	647	640
Other staff	1,005	947
	<b>8,756</b>	<b>8,239</b>
Americas	2,778	2,518
EMEA	3,356	3,129
Asia Pacific	995	998
Corporate functions	1,627	1,594
	<b>8,756</b>	<b>8,239</b>

1. The average full-time equivalents exclude employees for disposals during 2022 of 2 (2021: 65).

Details of Directors' emoluments and interests are given on pages 96 to 117 in the Directors' Remuneration report, with audited schedules identified where relevant.

### 7. Net finance expense

£m	Notes	2022	2021 Restated <sup>(1)</sup>
Interest payable and similar charges on bank loans and corporate borrowings		(39)	(42)
Interest payable on lease liabilities <sup>(2)</sup>		(230)	(166)
<b>Total interest expense</b>		<b>(269)</b>	<b>(208)</b>
Other finance costs <sup>(3)</sup>		(18)	10
Unwinding of discount rates		–	–
<b>Total finance expense</b>		<b>(287)</b>	<b>(198)</b>
Interest income		1	3
Interest received on net lease investment		7	–
Fair value gain on financial liabilities measured at FVTPL	19	27	23
<b>Total finance income</b>		<b>35</b>	<b>26</b>
<b>Net finance expense</b>		<b>(252)</b>	<b>(172)</b>

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

2. Excludes lease liability finance expense related to discontinued operations of £nil (2021: £1m).

3. Excludes interest expense related to discontinued operations of £nil (2021: £nil).

## 8. Taxation

### (a) Analysis of charge in the year

£m	2022	2021 Restated <sup>(1)</sup>
<b>Current taxation</b>		
Corporate income tax	(40)	(24)
Previously unrecognised tax losses and temporary differences	6	8
Over provision in respect of prior years	1	5
<b>Total current taxation</b>	<b>(33)</b>	<b>(11)</b>
<b>Deferred taxation</b>		
Origin and reversal of temporary differences	9	1
Previously unrecognised tax losses and other differences	8	–
<b>Total deferred taxation</b>	<b>17</b>	<b>1</b>
<b>Tax charge on continuing operations</b>	<b>(16)</b>	<b>(10)</b>

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

### (b) Reconciliation of taxation charge

	2022		2021 Restated <sup>(1)</sup>	
	£m	%	£m	%
<b>Loss before tax from continuing operations</b>	<b>(105)</b>		<b>(259)</b>	
<b>Tax on profit at 11.9% (2021: 11.9%)</b>	<b>13</b>	<b>(12)</b>	<b>31</b>	<b>(12)</b>
Tax effects of:				
Expenses not deductible for tax purposes	(34)	32	(29)	11
Items not chargeable for tax purposes	12	(11)	34	(13)
Previously unrecognised temporary differences expected to be used in the future	14	(14)	8	(3)
Current year temporary differences not currently expected to be used	(55)	52	(113)	44
Adjustment to tax charge in respect of previous years	1	(1)	5	(2)
Differences in tax rates on overseas earnings	33	(31)	54	(21)
	<b>(16)</b>	<b>15</b>	<b>(10)</b>	<b>4</b>

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.

£m	2022	2021
2022	–	33
2023	54	41
2024	40	48
2025	56	49
2026	65	70
2027	72	36
2028	341	37
2029	71	25
2030 and later	1,434	1,431
	<b>2,133</b>	<b>1,770</b>
Available indefinitely	1,468	1,302
<b>Tax losses available to carry forward</b>	<b>3,601</b>	<b>3,072</b>
Amount of tax losses recognised in deferred tax assets	64	125
<b>Total tax losses available to carry forward</b>	<b>3,665</b>	<b>3,197</b>

Additional tax losses have been generated in 2022. The above loss expiry table excludes £254m (2021: £238m) US state tax losses.

## Notes to the accounts *continued*

### 8. Taxation *continued*

The following deferred tax assets have not been recognised due to uncertainties over recoverability.

£m	2022	2021
Intangibles	368	390
Accelerated capital allowances	33	30
Tax losses	852	758
Rent	63	49
Leases	37	30
Short-term temporary differences	11	7
	<b>1,364</b>	<b>1,264</b>

#### (d) Corporation tax

£m	2022	2021
Corporation tax payable	(45)	(36)
Corporation tax receivable	19	19

#### (e) Deferred taxation

The movement in deferred tax is analysed below:

£m	Intangibles	Property, plant and equipment	Tax losses	Rent	Leases	Other temporary differences	Total
<b>Deferred tax asset</b>							
At 31 December 2020	22	(78)	257	63	107	(182)	189
Current year movement	–	1	(17)	5	4	18	11
Prior year movement	–	–	(199)	–	–	–	(199)
Disposals	–	–	–	–	–	–	–
Transfers <sup>(1)</sup>	48	77	–	–	1	200	326
Exchange rate movements	–	–	–	–	–	–	–
At 31 December 2021	70	–	41	68	112	36	327
Current year movement	12	(4)	(16)	(4)	8	25	21
Prior year movement	1	13	(14)	(3)	–	3	–
Disposals	–	–	–	–	–	–	–
Transfers	–	–	–	–	–	–	–
Exchange rate movements	(6)	(9)	4	8	–	5	2
<b>At 31 December 2022</b>	<b>77</b>	<b>–</b>	<b>15</b>	<b>69</b>	<b>120</b>	<b>69</b>	<b>350</b>
<b>Deferred tax liability</b>							
At 31 December 2020	–	–	–	–	–	–	–
Current year movement	(3)	(6)	–	–	(5)	1	(13)
Prior year movement	–	–	–	–	–	198	198
Disposals	–	–	–	–	–	–	–
Transfers <sup>(1)</sup>	(48)	(77)	–	–	(1)	(200)	(326)
Exchange rate movements	–	–	–	–	–	–	–
At 31 December 2021	(51)	(83)	–	–	(6)	(1)	(141)
Current year movement	(6)	2	–	(1)	2	(1)	(4)
Prior year movement	–	–	–	–	–	–	–
Disposals	–	–	–	–	–	–	–
Transfers	–	–	–	–	–	–	–
Exchange rate movements	–	–	–	–	–	–	–
<b>At 31 December 2022</b>	<b>(57)</b>	<b>(81)</b>	<b>–</b>	<b>(1)</b>	<b>(4)</b>	<b>(2)</b>	<b>(145)</b>

1. In 2021 the Group 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.



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 £350m (2021: £327m) and a deferred tax liability of £145m (2021: £141m).

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 include assets 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 assets can be utilised over a period of three years, based on the period corresponding to the Group's business forecasting processes. Recent 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.

In 2022 the deferred tax asset recognised in respect of the fair market value of IP resulting from a group restructure in 2019, in relation to which the amortisation is deductible for Swiss corporate income tax purposes, increased to £77m (2021: £70m) and this is included as Intangibles in the deferred tax table above. Recognition of this deferred tax asset is based on the approved three-year forecast.

To address concerns about uneven profit distribution and tax contributions of large multinational corporations, various agreements have been reached at the global level, including an agreement by over 135 jurisdictions to introduce a global minimum tax rate of 15%. In December 2021, the Organisation for Economic Co-operation and Development (OECD) released a draft legislative framework, followed by detailed guidance released March 2022, that is expected to be used by individual jurisdictions that signed the agreement to amend their local tax laws. Once changes to the tax laws in any jurisdiction in which the Group operates are enacted or substantively enacted, the Group may be subject to top-up tax. At the date when the financial statements were authorised for issue, one jurisdiction in which the Group operates had enacted or substantively enacted the tax legislation related to the top-up tax. The Group may be potentially subject to the top-up tax because it operates in countries where the statutory tax rate is below 15%. Management is closely monitoring the progress of the legislative process in each jurisdiction in which the Group operates in. At 31 December 2022 the Group did not have sufficient information to determine the potential quantitative impact.

## 9. Discontinued operations

During 2022, 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. Closures in the ordinary course of business are not considered part of discontinued operations.

### Disposal of operations

During the year, the Group completed the sale of individually immaterial operations for the consideration of £1m (2021: £52m). The results of these operations up to the date of disposal were as follows:

£m	2022	2021 Restated <sup>(1)</sup>
Revenue	–	34
Expenses	–	(31)
Operating profit	–	3
Net finance expense	–	(1)
Profit before tax for the year	–	2
Income tax expense	–	(4)
Loss after tax for the year	–	(2)
Gain on the sale of discontinued operations	1	61
<b>Profit after tax for the year</b>	<b>1</b>	<b>59</b>

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

## Notes to the accounts *continued*

### 9. Discontinued operations *continued*

The assets and liabilities of these operations at their respective dates of disposal were as follows:

£m	2022	2021
Total assets	1	72
Total liabilities	(1)	(82)
Net liabilities	–	(10)
Costs directly associated with the disposal	–	1
Foreign exchange recycled to profit and loss	–	–
	–	(9)
Consideration on disposal (net of cash and debt) <sup>(1)</sup>	1	52
<b>Gain on sale of discontinued operations</b>	<b>1</b>	<b>61</b>

1. The consideration recognised includes a non-cash element of £nil (2021: £33m).

The net cash flows incurred by these operations are as follows:

£m	2022	2021 Restated <sup>(1)</sup>
Operating	–	48
Investing	–	(2)
Financing	(1)	(46)
<b>Net cash outflow</b>	<b>(1)</b>	<b>–</b>

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

### 10. Adjusting items

The Group has recognised the following adjusting items for the year ended 31 December 2022:

£m	2022	2021
COVID-19 related adjusting items	4	31
Impairment of Ukraine and Russia	9	–
<b>Total adjusting items</b>	<b>13</b>	<b>31</b>

#### COVID-19 related adjusting items

Following the declaration by the World Health Organization of the COVID-19 pandemic 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 continued to see significant volatility and business disruption, impacting performance in 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 recognised a net charge of £4m (2021: £31m) 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 significant in both nature and value to the results of the Group in the current period. Reversals of £17m (2021: £2m) have been recognised as adjusting items to cost of sales and charges of £21m (2021: £33m) 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:

£m	2022		2021	
	Cost of sales	Selling, general and administration costs	Cost of sales	Selling, general and administration costs
Net reversal of impairment of property, plant and equipment (including right-of-use assets)	(73)	–	(125)	–
Impairment of goodwill	–	3	–	–
Provision for expected credit losses	–	–	53	–
Network rationalisation	58	–	71	–
Other one-off items including restructuring <sup>(1)</sup>	(2)	18	(1)	33
<b>Total COVID-19 related adjusting items</b>	<b>(17)</b>	<b>21</b>	<b>(2)</b>	<b>33</b>

1. Included as adjusting items in selling, general and administration except for £2m (2021: £1m) 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 some of the Group's markets, continues to prolong the impact on our business in 2022. As a result of these measures, management continues to carry 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 ongoing rationalisation process undertaken 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 2022. Following this review, a net reversal of £73m (2021: net reversal of £125m) was recognised within cost of sales. Of this net reversal, £22m (2021: £38m) and £51m (2021: £87m) were recognised against property, plant and equipment and right-of-use assets respectively.

- **Impairments of goodwill**

COVID-19 and linked restrictions impacted our ability to trade our way to sustainable profitable growth in certain markets. As a result, the projected cash flows for these markets continued to be evaluated to determine the carrying value of the CGUs, with an additional impairment of £3m taken during 2022 (2021: £nil).

- **Provision for expected credit losses**

The Group continues to review the recoverability of its trade and other receivables portfolio; however, no additional expected credit loss was deemed necessary (2021: £53m). The provision for expected credit losses reflecting the greater likelihood of credit default by the Group's debtors, directly attributable to the impact of COVID-19, is fully utilised as at 31 December 2022.

- **Network rationalisation**

£58m (2021: £71m) 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 £nil (2021: £6m) has also been recorded which is not included as adjusting items.

- **Other one-off items including restructuring**

During the year, the Group incurred £nil (2021: £1m) of transaction costs in respect of master franchise agreements that did not complete due to the outbreak of COVID-19.

Other charges of £18m (2021: £32m) 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 2022, as well as claims in respect of centre closures. In addition, during the year, the Group received a total of £2m (2021: £1m) in respect of worldwide financial support schemes.

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.

#### **Impairment of Ukraine and Russia**

As a result of geopolitical circumstances in the Ukraine and related sanctions against Russia, the Board has taken the decision to recognise a total provision of £9m against the gross assets of both its Russian and Ukrainian operations. These operations are not material to the Group, representing less than 1% of both total revenue and net assets of the Group. Accordingly, the Group's significant accounting judgements, estimates and assumptions have not changed.

## **11. Earnings per ordinary share (basic and diluted)**

	2022	2021
Basic and diluted loss for the year attributable to shareholders (£m)	(120)	(210)
Basic loss per share (p)	(11.2)	(20.4)
Diluted loss per share (p)	(11.2)	(20.4)
Basic and diluted loss for the year from continuing operations (£m)	(121)	(269)
Basic loss per share (p)	(11.3)	(26.2)
Diluted loss per share (p)	(11.3)	(26.2)
Basic and diluted profit for the year from discontinued operations (£m)	1	59
Basic earnings per share (p)	0.1	5.9
Diluted earnings per share (p)	0.1	5.4
Weighted average number of shares for basic EPS	1,006,884,755	1,007,214,854
Weighted average number of shares under option	35,393,807	39,512,057
Weighted average number of shares that would have been issued at average market price	(29,608,587)	(22,437,997)
Weighted average number of share awards under the CIP, PSP, DSBP and One-off Award	1,776,964	1,747,819
Weighted average number of shares on convertible bonds	76,408,203	76,408,203
Weighted average number of shares for diluted EPS	1,090,855,142	1,102,444,936

**11. Earnings per ordinary share (basic and diluted) *continued***

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 £350m of convertible bonds in December 2020. The bond issue creates a potential 76,408,203 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 207.05p (2021: 321.95p), with a high of 302.10p on 4 January 2022 and a low of 115.40p on 12 October 2022.

**12. Dividends**

£m	2022	2021
Dividends per ordinary share proposed	–	–
Interim dividends per ordinary share declared and paid during the year	–	–

Given continuing macroeconomic uncertainties and geopolitical tensions, the Group's capital allocation policy remains unchanged, prioritising investment in the long-term growth of our business and dividend distribution to shareholders.

In order to protect our liquidity in the short-term, no dividend will be paid for the year ended 31 December 2022 (2021: £nil) and future dividend payments continue to be placed on hold, with the intention to review the return to our progressive dividend policy when appropriate.

**13. Goodwill**

£m	Total
<b>Cost</b>	
At 31 December 2020	696
Recognised on acquisition of subsidiaries <sup>(1)</sup>	16
Goodwill derecognised on sale of subsidiaries	(1)
Goodwill impairment	–
Exchange rate movements	(7)
At 31 December 2021	704
Recognised on acquisition of subsidiaries <sup>(1)</sup>	188
Goodwill derecognised on sale of subsidiaries	–
Goodwill impairment	(3)
Exchange rate movements	45
<b>At 31 December 2022</b>	<b>934</b>
<b>Net book value</b>	
At 31 December 2021	704
<b>At 31 December 2022</b>	<b>934</b>

1. Net of £nil 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 and Worka 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 and Worka level and is subject to impairment reviews based on the cash flows of the CGUs within that country and the Worka segment.

The carrying amount of goodwill attributable to the reportable business segments is as follows:

£m	2022	2021 Restated <sup>(1)</sup>
Americas	314	283
EMEA	373	367
Asia Pacific	27	25
Worka <sup>(2)</sup>	220	29
	<b>934</b>	<b>704</b>

1. Restated to reflect the impact of the separate disclosure of the Worka segment.

2. Includes goodwill of £183m relating to the acquisition of The Instant Group and £5m from other immaterial acquisitions (note 28).

The carrying value of goodwill and indefinite life intangibles allocated to the USA, UK and Worka is material relative to the total carrying value, comprising 78% of the total. The remaining 22% of the carrying value is allocated to a further 38 countries. The goodwill and indefinite life intangibles allocated to the USA, UK and Worka are set out below:

£m	Goodwill	Intangible assets <sup>(1)</sup>	2022	2021 Restated <sup>(2)</sup>
USA	290	–	<b>290</b>	262
United Kingdom	219	11	<b>230</b>	230
Worka <sup>(3)</sup>	220	–	<b>220</b>	29
Other countries	205	–	<b>205</b>	194
	<b>934</b>	<b>11</b>	<b>945</b>	<b>715</b>

1. The indefinite life intangible asset relates to the Regus brand.

2. Restated to reflect the impact of the separate disclosure of Worka.

3. Includes goodwill of £183m relating to the acquisition of The Instant Group and £5m from other immaterial acquisitions (note 28).

The value-in-use for each country and Worka has been determined using a model which derives the present value of the expected future cash flows for each individual country and Worka. 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.



### 13. Goodwill *continued*

The following key assumptions have been used in calculating the value-in-use for each country and Worka:

- 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 2023, 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 increased from 7.5% in 2021 to 9.1% in 2022 (post-tax WACC: 6.7%). The country-specific pre-tax WACC reflecting the respective market risk adjustment has been set between 8.1% and 11.0% (2021: 7.2% to 9.7%).

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 only result in a recognised impairment of £3m (2021: £nil), in respect of individually immaterial 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 21% (2021: 24%) over the next five years. A terminal value centre gross margin of 23% is adopted from 2027, with a 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 8.5% (2021: 8.3%).

The UK model assumes an average centre contribution of 13% (2021: 18%) over the next five years. A terminal value centre gross margin of 20% is adopted from 2027, with a 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 9.1% (2021: 7.5%).

The Worka model assumes an average contribution of 36% over the next five years. A terminal value centre gross margin of 38% is adopted from 2027, with a 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 9.1%.

Management has considered the following sensitivities:

- Market growth and REVPOS – Management has considered the impact of a variance in market growth and REVPOS. The value-in-use calculation shows that if the long-term growth rate is nil, the recoverable amount of the US, UK and Worka 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 216.6% (2021: 88.1%) for the US, 14.4% (2021: 25.3%) for the UK and 12.0% for Worka.
- 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 17.1% (2021: 23.0%) for the US and 8.1% (2021: 12.0%) for the UK.

## 14. Other intangible assets

£m	Brand	Customer lists	Software	Total
<b>Cost</b>				
At 31 December 2020	65	31	83	179
Additions at cost	–	–	34	34
Acquisition of subsidiaries	2	2	1	5
Disposals	–	–	–	–
Exchange rate movements	–	–	–	–
At 31 December 2021	67	33	118	218
Additions at cost	–	–	39	39
Acquisition of subsidiaries	24	77	40	141
Disposals	–	–	–	–
Exchange rate movements	–	1	2	3
<b>At 31 December 2022</b>	<b>91</b>	<b>111</b>	<b>199</b>	<b>401</b>
<b>Amortisation</b>				
At 31 December 2020	42	31	53	126
Charge for year	1	1	12	14
Disposals	–	–	–	–
Exchange rate movements	–	–	–	–
At 31 December 2021	43	32	65	140
Charge for year	2	17	25	44
Disposals	–	–	–	–
Exchange rate movements	–	2	1	3
<b>At 31 December 2022</b>	<b>45</b>	<b>51</b>	<b>91</b>	<b>187</b>
<b>Net book value</b>				
At 31 December 2020	23	–	30	53
At 31 December 2021	24	1	53	78
<b>At 31 December 2022</b>	<b>46</b>	<b>60</b>	<b>108</b>	<b>214</b>

During the year ended 31 December 2022, the Group completed the investment in The Instant Group. As part of the purchase price allocation, the Group engaged with third party experts in recognising acquired brands valued at £24m, customer lists from sublease agreements of £77m and digital asset software of £40m.

Included within the brand value is £11m 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**

£m	Right-of-use assets <sup>(1)</sup>	Land and buildings	Leasehold improvements	Furniture and equipment	Computer hardware	Total
<b>Cost</b>						
At 31 December 2020	9,530	150	1,521	775	129	12,105
Additions	176	11	110	73	7	377
Modifications <sup>(2)</sup>	479	–	–	–	–	479
Acquisition of subsidiaries	78	–	23	2	–	103
Disposals <sup>(4)</sup>	(852)	(1)	(147)	(33)	(6)	(1,039)
Exchange rate movements	(123)	–	(22)	(6)	(2)	(153)
At 31 December 2021	9,288	160	1,485	811	128	11,872
Additions	253	–	139	78	6	476
Modifications <sup>(2)</sup>	313	–	–	–	–	313
Acquisition of subsidiaries	4	–	16	–	–	20
Disposals <sup>(4)</sup>	(826)	–	(84)	(36)	(6)	(952)
Exchange rate movements	622	–	149	70	10	851
At 31 December 2022	9,654	160	1,705	923	138	12,580
<b>Accumulated depreciation</b>						
At 31 December 2020	3,883	8	836	421	101	5,249
Charge for the year <sup>(3) (6)</sup>	893	3	134	58	8	1,096
Disposals <sup>(4) (5)</sup>	(675)	–	(66)	(24)	(5)	(770)
Net reversal of impairment <sup>(7)</sup>	(47)	–	(7)	–	–	(54)
Exchange rate movements	(20)	–	–	(4)	(1)	(25)
At 31 December 2021	4,034	11	897	451	103	5,496
Charge for the year <sup>(3) (6)</sup>	955	3	115	65	7	1,145
Disposals <sup>(4) (5)</sup>	(563)	–	(61)	(25)	(5)	(654)
Net reversal of impairment <sup>(7)</sup>	(39)	–	(13)	–	–	(52)
Exchange rate movements	258	–	103	42	8	411
At 31 December 2022	4,645	14	1,041	533	113	6,346
<b>Net book value</b>						
At 31 December 2020	5,647	142	685	354	28	6,856
At 31 December 2021	5,254	149	588	360	25	6,376
At 31 December 2022	5,009	146	664	390	25	6,234

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 £nil (2021: £13m) and other property, plant and equipment of £nil (2021: £2m).
4. Includes disposals related to discontinued operations for right-of-use assets of £1m (2021: £39m) and other property, plant and equipment of £nil (2021: £24m).
5. Disposals are net of £9m (2021: £19m) in respect of COVID-19 related adjusting items previously provided for (note 10).
6. Depreciation is net of £11m (2021: £25m) in respect of COVID-19 related adjusting items previously provided for (note 10).
7. The net reversal of impairment of £52m (2021: £54m) includes an additional COVID-19 related impairment of £22m (2021: £70m), offset by the reversal of £75m (2021: £15m) 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 2 and 33.

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, 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 2022, the Group recorded a net reversal of impairment charges of £39m (2021: £47m) in respect of right-of-use assets and a net reversal of £13m (2021: £7m) in respect of leasehold improvements.

## 16. Other long-term receivables

£m	2022	2021
Deposits held by landlords against rent obligations	57	50
Other receivables	–	–
	57	50

## 17. Trade and other receivables

£m	2022	2021
Trade receivables, net	395	262
Prepayments and accrued income	152	134
Other receivables	174	146
Partner contributions receivables	23	30
VAT recoverable	172	159
Deposits held by landlords against rent obligations	3	3
	919	734

## 18. Trade and other payables (including customer deposits)

£m	2022	2021
Customer deposits	447	385
Other accruals	252	189
Trade payables	220	163
VAT payable	119	104
Other payables	147	67
Other tax and social security	17	15
	1,202	923

During 2021 the Group conducted a review of its customer deposits for inactive customer accounts. Based on this review, the Group released the financial liabilities in respect of such deposits where the obligation qualified for derecognition. The effect of these changes was an increase in operating profit of £22m in 2021.

## 19. Borrowings

The Group's total loan and borrowing position at 31 December 2022 and at 31 December 2021 had the following maturity profiles:

### Bank and other loans

£m	2022	2021
Repayments falling due as follows:		
In more than one year but not more than two years	5	5
In more than two years but not more than five years <sup>(1)</sup>	581	446
In more than five years	2	2
<b>Total non-current</b>	<b>588</b>	<b>453</b>
<b>Total current</b>	<b>285</b>	<b>22</b>
<b>Total bank and other loans</b>	<b>873</b>	<b>475</b>

1. Includes convertible bond debt of £318m (2021: £308m).

The Group issued £350m convertible bonds in December 2020, raising £343m, net of transaction fees. At the date of issue, the convertible bonds were bifurcated between:

- A financial liability recognised at amortised cost of £298m, by using the discounted cash flow of interest payments and the bonds' nominal value; and subsequently remeasured at amortised cost of £318m (2021: £308m) at 31 December 2022. 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 £52m, not being closely related to the host financial liability, was recognised separately and measured at fair value through profit or loss (note 25). A gain has been recognised at 31 December 2022 of £27m (2021: £23m) through net finance expenses, resulting in a year-end liability of £nil (2021: £27m).

Further information regarding the committed borrowings and the convertible bonds can be found on page 167 in note 25.

**20. Provisions**

£m	2022			2021		
	Closures	Other	Total	Closures	Other	Total
At 1 January	13	8	21	24	7	31
Acquired in the period	7	–	7	–	4	4
Provided in the period	38	6	44	12	3	15
Utilised in the period <sup>(1)</sup>	(1)	(6)	(7)	(22)	(7)	(29)
Exchange rate movements	3	–	3	(1)	–	(1)
<b>At 31 December</b>	<b>60</b>	<b>8</b>	<b>68</b>	<b>13</b>	<b>7</b>	<b>20</b>
Analysed between:						
Current	23	8	31	1	7	8
Non-current	37	–	37	12	–	12
<b>At 31 December</b>	<b>60</b>	<b>8</b>	<b>68</b>	<b>13</b>	<b>7</b>	<b>20</b>

1. Includes provisions release related to discontinued operations of £nil (2021: £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 2022, 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**

£m	Investments in joint ventures	Provision for deficit in joint ventures	Total
At 31 December 2020	11	(5)	6
Acquisition of joint ventures <sup>(1)</sup>	33	–	33
Share of loss	–	(2)	(2)
Exchange rate movements	1	1	2
<b>At 31 December 2021</b>	<b>45</b>	<b>(6)</b>	<b>39</b>
Acquisition of joint ventures	–	–	–
Share of loss	(1)	–	(1)
Exchange rate movements	1	–	1
<b>At 31 December 2022</b>	<b>45</b>	<b>(6)</b>	<b>39</b>

1. The acquisition of joint ventures was settled via a non-cash transaction of £33m.

The Group has 82 centres operating under joint venture agreements (2021: 82) 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:

£m	2022	2021
<b>Income statement</b>		
Revenue	86	35
Expenses	(88)	(38)
Loss before tax for the year	(2)	(3)
Tax charge	(1)	–
<b>Loss after tax for the year</b>	<b>(3)</b>	<b>(3)</b>
<b>Balance sheet</b>		
Non-current assets	153	137
Current assets	329	169
Current liabilities	(322)	(160)
Non-current liabilities	(139)	(126)
<b>Net assets</b>	<b>21</b>	<b>20</b>

## 22. Share capital

### Ordinary equity share capital

	2022		2021	
	Number	Nominal value £m	Number	Nominal value £m
<b>Authorised</b>				
Ordinary 1p shares in IWG plc at 1 January	8,000,000,000	80	8,000,000,000	80
Ordinary 1p shares in IWG plc at 31 December	8,000,000,000	80	8,000,000,000	80
<b>Issued and fully paid up</b>				
Ordinary 1p shares in IWG plc at 1 January	1,057,248,651	10	1,057,248,651	10
Ordinary 1p shares issued for cash in the year	–	–	–	–
Ordinary 1p shares in IWG plc at 31 December	1,057,248,651	10	1,057,248,651	10

### Treasury share transactions involving IWG plc shares between 1 January 2022 and 31 December 2022

During the year, 2,174,738 shares were purchased in the open market and 1,442,606 treasury shares held by the Group were utilised to satisfy the exercise of share awards by employees. As at 7 March 2023, 50,564,853 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.

	2022		2021	
	Number of shares	£m	Number of shares	£m
1 January	49,832,721	151	50,677,280	154
Purchase of treasury shares in IWG plc	2,174,738	5	–	–
Treasury shares in IWG plc utilised	(1,442,606)	(4)	(844,559)	(3)
31 December	50,564,853	152	49,832,721	151

## 23. Non-controlling interests

During 2022, the Group completed the investment in The Instant Group, acquiring 100% of the equity voting rights. In a separate transaction, the Group sold a 13.4% non-controlling equity interest in a subsidiary of the Worka structure for a consideration of £53m. The Group no longer exercises control of its 57% investment in The Wing and disposed of the remaining £7m non-controlling interest during the year.

The following table summarises the information relating to each of the Group's subsidiaries that have a material non-controlling interest.

£m	2022	2021
<b>NCI percentage</b>	<b>13.4%</b>	<b>43%</b>
Non-current assets	413	42
Current assets	282	11
Non-current liabilities	(131)	(24)
Current liabilities	(163)	(7)
<b>Net assets</b>	<b>401</b>	<b>22</b>
Net assets attributable to NCI	52	9
Revenue	138	1
Loss after tax	(13)	(12)
Other comprehensive income	–	–
<b>Total comprehensive income</b>	<b>(13)</b>	<b>(12)</b>
Loss allocated to NCI	(3)	(5)
Other comprehensive income allocated to NCI	–	–
Cash flows from operating activities	31	(14)
Cash flows from investing activities	49	29
Cash flows from financing activities	(33)	(7)
<b>Net increase in cash and cash equivalents</b>	<b>47</b>	<b>8</b>

## 24. Net debt analysis

£m	Notes	2022	2021
Cash and cash equivalents		161	78
Current net investment in finance leases		52	–
Non-current net investment in finance leases		95	–
<b>Gross cash and lease receivables</b>		<b>308</b>	<b>78</b>
Debt due within one year		(285)	(22)
Debt due after one year <sup>(1)(2)</sup>		(588)	(453)
Lease due within one year <sup>(3)</sup>		(1,002)	(932)
Lease due after one year <sup>(3)</sup>		(5,037)	(5,189)
<b>Gross debt</b>		<b>(6,912)</b>	<b>(6,596)</b>
<b>Net debt</b>		<b>(6,604)</b>	<b>(6,518)</b>
Derivative liability	19	–	(27)
		<b>(6,604)</b>	<b>(6,545)</b>

1. Includes £318m (2021: £308m) convertible bond liability.

2. Excludes the convertible bond derivative liability element at 31 December 2022 of £nil (2021: £27m).

3. There are no significant lease commitments for leases not commenced at 31 December 2022.

The following table shows a reconciliation of net cash flow to movements in net debt:

£m	2022	2021
Net debt at 1 January	(6,518)	(6,910)
Net increase in cash and cash equivalents	77	5
Interest received on net lease investment	(7)	–
Payment received from net lease investment	(41)	–
Proceeds from issue of loans	(1,340)	(983)
Repayment of loans	954	947
Interest paid on lease liabilities	230	167
Payment of lease liability	997	865
Non-cash movements <sup>(1)</sup>	(534)	(729)
Exchange rate movements	(422)	120
<b>Net debt at 31 December</b>	<b>(6,604)</b>	<b>(6,518)</b>

1. Includes acquired debt of £nil (2021: £6m), interests accrued on the convertible bond liability of £10m (£10m) and movements on leases in relation to new leases, lease modifications/re-measurements and lease cessations of £524m (2021: £713m). Early termination of lease liabilities represent £294m (2021: £232m) of the non-cash movements, including £1m (2021: £52m) related to discontinued operations.

Cash and cash equivalent balances held by the Group that are not available for use amounted to £7m at 31 December 2022 (2021: £7m). Of this balance, £1m (2021: £2m) is pledged as security against outstanding bank guarantees and a further £6m (2021: £5m) is pledged against various other commitments of the Group.

Cash flows on debt 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 £nil (2021: £27m) derivative liability recognised separately.

The following amounts are included in the Group's consolidated financial statements in respect of its leases:

£m	2022	2021
Depreciation charge for right-of-use assets	(955)	(893)
Principal lease liability repayments	(997)	(865)
Interest expense on lease liabilities	(230)	(167)
Expenses relating to leases of low-value assets	–	1
Expenses relating to variable lease payments not included in lease liabilities	68	63
Total cash outflow for leases comprising interest and capital payments	1,227	1,032
Additions to right-of-use assets	253	176
Acquired right-of-use assets	4	78
Interest income on net lease investment	7	–
Principal payments received from net lease investment	41	–

Total cash outflows of £1,295m (2021: £1,095m) for leases, including variable payments of £68m (2021: £63m), were incurred in the year.

## 25. 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 71 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 36 to 43 within the Strategic Report reviews the trading performance, financial position and cash flows of the Group. The Group's net debt position increased by £86m (2021: decreased by £392m) to a net debt position of £6,604m (2021: £6,518m) as at 31 December 2022.

Excluding the IFRS 16 net investment in finance leases and lease liabilities, the net debt position increased to £712m (2021: £397m). 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 £750m 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 2022, £173m (2021: £530m) of the RCF was available and undrawn.

Although the Group has net current liabilities of £1,868m (2021: £1,435m), 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 £455m (2021: £346m) which will be recognised in future periods through the income statement. The Group holds customer deposits of £447m (2021: £385m) 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.

### 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.

£m	2022	2021 Restated <sup>(1)</sup>
Americas	151	103
EMEA	192	135
Asia Pacific	28	22
Worka	24	2
	395	262

1. Restated to reflect the impact of the separate disclosure of the Worka segment.

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:

£m	2022		2021	
	Gross	Provision	Gross	Provision
Not overdue	312	–	220	–
Past due 0 – 30 days	40	–	21	–
Past due 31 – 60 days	19	–	7	–
Past due 61 – 90 days	15	–	4	–
Past due more than 90 days	19	(10)	38	(28)
	405	(10)	290	(28)

At 31 December 2022, the Group maintained a provision of £10m for expected credit losses (2021: £28m) arising from trade receivables. The Group had provided £nil (2021: £99m) in the year, utilised £12m (2021: £98m) and released £6m (2021: £nil). Customer deposits of £447m (2021: £385m) 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, on either a 12-month or a 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 ongoing political and economic uncertainty, the Group continues to focus on cash generation by reducing cost, renegotiating rents and rationalising the network, resulting in short-term or long-term cash benefits. The Group has free cash and liquid investments (excluding blocked cash) of £154m (2021: £71m). In addition to cash and liquid investments, the Group had £173m (2021: £530m) 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 2022, the amount of the facility is £750m (2021: £950m) and the final maturity was extended in March 2020 to March 2025 with an option to extend until 2026.

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 £30m and a fixed rate of 1.2%.

### 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 2022 no cash was invested for a period exceeding three months (2021: £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 36% (2021: 35%) of the Group's revenue being attributable to the US dollar and 23% (2021: 23%) 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.



**25. Financial instruments and financial risk management *continued***

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	2022		
	GBP	EUR	USD
Trade and other receivables	–	4	7
Trade and other payables	(1)	(11)	(15)
<b>Net statement of financial position exposure</b>	<b>(1)</b>	<b>(7)</b>	<b>(8)</b>

£m	2021		
	GBP	EUR	USD
Trade and other receivables	–	2	1
Trade and other payables	(1)	(8)	–
<b>Net statement of financial position exposure</b>	<b>(1)</b>	<b>(6)</b>	<b>1</b>

**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 2022, 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 £4m (2021: £1m) 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 £2m for the year ended 31 December 2022 (2021: £1m). 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 £3m for the year ended 31 December 2022 (2021: £nil).

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 £5m for the year ended 31 December 2022 (2021: £8m). 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 £2m for the year ended 31 December 2021 (2021: £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 74. 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 96 to 117. 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 2022 and 31 December 2022**

During the year, 2,174,738 shares were purchased in the open market and 1,442,606 treasury shares held by the Group were utilised to satisfy the exercise of share awards by employees. As at 31 December 2022, 50,564,853 treasury shares were held.

The Company declared and paid no interim dividend per share during the year ended 31 December 2022 (2021: nil pence per share) and proposed no final dividend per share (2021: 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 2022

£m	Effective interest rate %	Carrying value	Contractual cash flow	Less than 1 year	1-2 years	2-5 years	More than 5 years
Cash and cash equivalents	0.3%	161	161	161	–	–	–
Trade and other receivables <sup>(1)</sup>	–	767	767	767	–	–	–
Net investment in finance leases	5.6%	147	172	60	36	51	25
Other long-term receivables	–	57	57	–	29	28	–
<b>Financial assets<sup>(2)</sup></b>		<b>1,132</b>	<b>1,157</b>	<b>988</b>	<b>65</b>	<b>79</b>	<b>25</b>
Non-derivative financial liabilities <sup>(3)</sup> :							
Bank loans and corporate borrowings	4.8%	(266)	(266)	–	–	(266)	–
Convertible bonds – debt host	3.8%	(318)	(356)	(2)	(2)	(352)	–
Lease liabilities	4.1%	(6,039)	(8,235)	(1,264)	(1,203)	(2,795)	(2,973)
Other loans	0.0%	(289)	(289)	(283)	(3)	(1)	(2)
Deferred and contingent consideration	–	(8)	(8)	(4)	(2)	(2)	–
Trade and other payables	–	(1,198)	(1,198)	(1,198)	–	–	–
Other long-term payables	–	(7)	(7)	–	(7)	–	–
Derivative financial liabilities:							
Convertible bonds – embedded conversion option	–	–	–	–	–	–	–
<b>Financial liabilities</b>		<b>(8,125)</b>	<b>(10,359)</b>	<b>(2,751)</b>	<b>(1,217)</b>	<b>(3,416)</b>	<b>(2,975)</b>

As at 31 December 2021

£m	Effective interest rate %	Carrying value	Contractual cash flow	Less than 1 year	1-2 years	2-5 years	More than 5 years
Cash and cash equivalents	0.0%	78	78	78	–	–	–
Trade and other receivables <sup>(1)</sup>	–	600	600	600	–	–	–
Net investment in finance leases	–	–	–	–	–	–	–
Other long-term receivables	–	50	50	–	25	25	–
<b>Financial assets<sup>(2)</sup></b>		<b>728</b>	<b>728</b>	<b>678</b>	<b>25</b>	<b>25</b>	<b>–</b>
Non-derivative financial liabilities <sup>(3)</sup> :							
Bank loans and corporate borrowings	4.0%	(137)	(137)	(1)	–	(136)	–
Convertible bonds – debt host	3.8%	(308)	(357)	(2)	(2)	(353)	–
Lease liabilities	3.3%	(6,121)	(7,869)	(1,095)	(1,069)	(2,564)	(3,141)
Other loans	0.0%	(30)	(30)	(21)	(5)	(2)	(2)
Deferred and contingent consideration	–	(12)	(12)	(8)	–	(2)	(2)
Trade and other payables	–	(915)	(915)	(915)	–	–	–
Other long-term payables	–	(6)	(6)	–	(6)	–	–
Derivative financial liabilities:							
Convertible bonds – embedded conversion option	–	(27)	(27)	–	–	(27)	–
<b>Financial liabilities</b>		<b>(7,556)</b>	<b>(9,353)</b>	<b>(2,042)</b>	<b>(1,082)</b>	<b>(3,084)</b>	<b>(3,145)</b>

1. Excluding prepayments.

2. Financial assets are all held at amortised cost.

3. All financial instruments are classified as variable rate instruments.

**25. Financial instruments and financial risk management *continued*****Fair value disclosures**

The fair values together with the carrying amounts shown in the balance sheet are as follows:

31 December 2022

£m	Carrying amount			Fair value			
	Cash, loans and receivables	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	161	–	161	–	–	–	–
Trade and other receivables <sup>(1)</sup>	767	–	767	–	–	–	–
Other long-term receivables	57	–	57	–	–	–	–
Derivative financial liabilities	–	–	–	–	–	–	–
Bank loans and corporate borrowings	–	(266)	(266)	–	–	–	–
Convertible bonds	–	(318)	(318)	–	–	(318)	(318)
Other loans	–	(289)	(289)	–	–	–	–
Deferred and contingent consideration	–	(8)	(8)	–	–	(8)	(8)
Trade and other payables	–	(1,198)	(1,198)	–	–	–	–
Other long-term payables	–	(7)	(7)	–	–	–	–
	985	(2,086)	(1,101)	–	–	(326)	(326)

31 December 2021

£m	Carrying amount			Fair value			
	Cash, loans and receivables	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	78	–	78	–	–	–	–
Trade and other receivables <sup>(1)</sup>	600	–	600	–	–	–	–
Other long-term receivables	50	–	50	–	–	–	–
Derivative financial liabilities	–	(27)	(27)	–	–	(27)	(27)
Bank loans and corporate borrowings	–	(137)	(137)	–	–	–	–
Convertible bonds	–	(308)	(308)	–	–	(308)	(308)
Other loans	–	(30)	(30)	–	–	–	–
Deferred and contingent consideration	–	(12)	(12)	–	–	(12)	(12)
Trade and other payables	–	(915)	(915)	–	–	–	–
Other long-term payables	–	(6)	(6)	–	–	–	–
	728	(1,435)	(707)	–	–	(347)	(347)

1. Excluding prepayments.

At the date of issue, the £350m was bifurcated at £298m and £52m between corporate borrowings (debt) and a derivative financial liability respectively. At 31 December 2022, the debt was valued at its amortised cost, £318m (2021: £308m) and the derivative liability at its fair value, £nil (2021: £27m).

During the years ended 31 December 2022 and 31 December 2021, 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 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.
Contingent consideration, 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

### Committed borrowings

£m	2022		2021	
	Facility	Available	Facility	Available
Revolving credit facility	750	173	950	530
Bridge facility	330	–	–	–

The Group maintains a revolving credit facility provided by a group of international banks. At 31 December 2022, the amount of the facility remains £750m (2021: £950m) and the final maturity was extended in March 2020 to March 2025 with an option to extend until 2026. As at 31 December, £173m (2021: £530m) was available and undrawn under this facility.

The £750m revolving credit facility is subject to financial covenants which include EBITDA, minimum liquidity, interest cover and net debt to EBITDA ratio. The Group continued to operate in compliance with the covenants agreed with the lenders.

A £330m non-recourse bridge facility specifically to fund the investment in The Instant Group, has been fully utilised. The bridge facility, with an outstanding balance of £270m, has a maturity in September 2023. This facility is secured and is subject to interest cover and net debt to EBITDA covenants. The Instant Group, combined with the IWG digital assets in Worka has reduced its net debt to £176m, excluding £4m net lease liabilities, at 31 December 2022 and continues to be highly cash generative.

### Convertible bonds

In December 2020 the Group issued a £350m convertible bond, issued by IWG Group Holdings S.à r.l. and transferred in the year to IWG International Holdings S.à r.l., 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 £350m was bifurcated at £298m and £52m between corporate borrowings (debt) and a derivative financial liability, respectively. At 31 December 2022, the debt was valued at its amortised cost, £318m (2021: £308m) and the derivative liability at its fair value, £nil (2021: £27m).

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 £1m (2021: £1m).

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.

## 26. 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 eligible employees to purchase shares in IWG plc. In accordance with this programme, holders of vested options are entitled to purchase shares at the mid-market closing 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

	2022		2021	
	Number of share options	Weighted average exercise price per share	Number of share options	Weighted average exercise price per share
At 1 January	42,827,743	195.65	42,926,841	184.38
Granted during the year	18,603,116	130.85	3,508,813	313.90
Lapsed during the year	(7,829,580)	215.97	(2,566,253)	190.35
Exercised during the year	(1,297,155)	118.47	(1,041,658)	142.60
Outstanding at 31 December	52,304,124	171.48	42,827,743	195.65
Exercisable at 31 December	12,273,441	213.23	11,694,349	198.51

Date of grant	Numbers granted	Weighted average exercise price per share	Lapsed	Exercised	At 31 Dec 2022	Exercisable from	Expiry date
13/06/2012	11,189,000	84.95	(3,944,407)	(7,244,593)	– <sup>(1)</sup>	13/06/2015	13/06/2022
12/06/2013	7,741,000	155.60	(4,306,000)	(3,061,233)	373,767 <sup>(1)</sup>	12/06/2016	12/06/2023
20/05/2014	1,845,500	187.20	(1,658,500)	(160,300)	26,700 <sup>(1)</sup>	20/05/2017	19/05/2024
05/11/2014	12,875,796	186.00	(9,366,754)	(1,671,285)	1,837,757 <sup>(2)</sup>	05/11/2017	04/11/2024
19/05/2015	1,906,565	250.80	(1,862,565)	–	44,000 <sup>(2)</sup>	19/05/2018	18/05/2025
22/12/2015	1,154,646	322.20	(395,186)	(25,000)	734,460 <sup>(1)</sup>	22/12/2018	22/12/2025
29/06/2016	444,196	272.50	(389,150)	(11,009)	44,037 <sup>(2)</sup>	29/06/2019	29/06/2026
28/09/2016	249,589	258.00	(214,313)	(7,055)	28,221 <sup>(2)</sup>	28/09/2019	28/09/2026
01/03/2017	1,200,000	283.70	–	–	1,200,000 <sup>(1)</sup>	01/03/2020	01/03/2027
21/12/2018 (Grant 1)	300,000	203.10	(75,000)	–	225,000 <sup>(2)</sup>	21/12/2021	21/12/2028
28/12/2018 (Grant 2)	20,900,000	199.80	(8,841,662)	(166,668)	11,891,670 <sup>(2)</sup>	28/12/2021	28/12/2028
15/05/2019	613,872	341.90	(595,834)	–	18,038 <sup>(2)</sup>	15/05/2022	15/05/2029
13/09/2019	196,608	402.30	(156,608)	–	40,000 <sup>(2)</sup>	13/09/2022	13/09/2029
19/12/2019	108,349	408.60	(81,428)	–	26,921 <sup>(2)</sup>	19/12/2022	19/12/2029
02/04/2020	20,325,000	165.00	(4,020,834)	–	16,304,166 <sup>(3)</sup>	02/04/2023	02/04/2030
15/05/2020	450,000	202.00	(300,000)	–	150,000 <sup>(3)</sup>	15/05/2023	15/05/2030
05/08/2020	300,000	222.60	(300,000)	–	– <sup>(1)</sup>	05/08/2023	05/08/2030
09/09/2020	173,148	291.00	(155,964)	–	17,184 <sup>(3)</sup>	09/09/2023	09/09/2030
26/03/2021	466,377	342.80	(58,345)	–	408,032 <sup>(3)</sup>	26/03/2024	26/03/2031
11/05/2021	318,645	376.60	–	–	318,645 <sup>(3)</sup>	11/05/2024	11/05/2031
28/06/2021	487,964	307.40	(487,964)	–	– <sup>(1)</sup>	28/06/2024	28/06/2031
12/08/2021	580,655	310.00	(161,292)	–	419,363 <sup>(3)</sup>	12/08/2024	12/08/2031
10/11/2021	1,500,000	297.70	(1,500,000)	–	– <sup>(1)</sup>	10/11/2024	10/11/2031
09/12/2021	155,172	290.00	(155,172)	–	– <sup>(1)</sup>	09/12/2024	09/12/2031
09/03/2022	204,659	255.00	–	–	204,659 <sup>(3)</sup>	09/03/2025	09/03/2032
10/05/2022 (Grant 1)	1,042,774	222.10	–	–	1,042,774 <sup>(3)</sup>	10/05/2025	10/05/2032
17/05/2022 (Grant 2)	382,791	242.30	–	–	382,791 <sup>(3)</sup>	17/05/2025	17/05/2032
14/10/2022 (Grant 1)	15,087,586	117.95	(406,953)	–	14,680,633 <sup>(3)</sup>	14/10/2025	14/10/2032
17/10/2022 (Grant 2)	600,000	122.25	–	–	600,000 <sup>(3)</sup>	17/10/2025	17/10/2032
01/12/2022	1,285,306	159.35	–	–	1,285,306 <sup>(3)</sup>	01/12/2025	01/12/2032
	104,085,198		(39,433,931)	(12,347,143)	52,304,124		

1. These options have fully vested as of 31 December 2022.

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 2022, there were 12,273,441 (2021: 11,649,349) outstanding share options which had fully vested with no further performance or holding period requirements and which had a weighted average exercise price of £213.23 (2021: £198.51).

### Performance conditions for share options

#### June 2013 share options

The share options outstanding under this grant at 31 December 2022 reflect the options that have been awarded and vested, based on achievement against the relevant performance targets and are now exercisable with an expiry date of June 2023.

#### May 2014 share options

The share options outstanding under this grant at 31 December 2022 reflect the options that have been awarded and vested, based on achievement against the relevant performance targets and are now exercisable with an expiry date of May 2024.

#### November 2014 share options

The share options outstanding under this grant at 31 December 2022 reflect the options that have been awarded and vested, based on achievement against the relevant performance targets and are now exercisable with an expiry date of November 2024.

#### May 2015 share options

The share options outstanding under this grant at 31 December 2022 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 2022 reflect the options that have been awarded and vested, based on achievement against the relevant performance targets and are now exercisable with an expiry date of December 2025.

#### June 2016 share options

The share options outstanding under this grant at 31 December 2022 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 2022 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 2022 reflect the options that have been awarded and vested, based on achievement against the relevant performance targets and are now exercisable with an expiry date of March 2027.

#### December 2018 (Grant 1) share options

The share options outstanding under this grant at 31 December 2022 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 December 2021 and ending December 2023.

#### December 2018 (Grant 2) share options

The share options outstanding under this grant at 31 December 2022 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 2022 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 May 2022 and ending May 2024.

#### September 2019 share options

The share options outstanding under this grant at 31 December 2022 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 2022 and ending September 2026.

#### December 2019 share options

The share options outstanding under this grant at 31 December 2022 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 2022 and ending December 2026.

## 26. Share-based payments *continued*

### April 2020 share options

The share options outstanding under this grant at 31 December 2022 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.

### May 2020 share options

The share options outstanding under this grant at 31 December 2022 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.

### September 2020 share options

The share options outstanding under this grant at 31 December 2022 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 2022 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 2022 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.

### August 2021 share options

The share options outstanding under this grant at 31 December 2022 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.

### March 2022 share options

The share options outstanding under this grant at 31 December 2022 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 2025 and ending March 2027.

**May 2022 (Grant 1) share options**

The share options outstanding under this grant at 31 December 2022 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 2025 and ending May 2027.

**May 2022 (Grant 2) share options**

The share options outstanding under this grant at 31 December 2022 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 2025 and ending May 2027.

**October 2022 (Grant 1) share options**

The share options outstanding under this grant at 31 December 2022 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 October 2025 and ending October 2027.

**October 2022 (Grant 2) share options**

The share options outstanding under this grant at 31 December 2022 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 October 2025 and ending October 2027.

**December 2022 share options**

The share options outstanding under this grant at 31 December 2022 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 2025 and ending December 2027.

**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 2022	October 2022 (Grant 2)	October 2022 (Grant 1)	May 2022 (Grant 2)	May 2022 (Grant 1)	March 2022
Share price on grant date	159.35p	122.25p	117.95p	242.30p	222.10p	255.00p
Exercise price	159.35p	122.25p	117.95p	242.30p	222.10p	255.00p
Expected volatility	54.01% – 59.92%	53.34% – 58.16%	53.30% – 58.05%	53.48% – 56.71%	54.59% – 56.66%	54.33% – 57.32%
Option life	3–5 years	3–5 years	3–5 years	3–5 years	3–5 years	3–5 years
Expected dividend	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Fair value of option at time of grant	106.53p – 113.10p	81.12p – 85.29p	78.24p – 82.21p	153.52p – 158.97p	142.70p – 145.61p	162.79p – 168.44p
Risk-free interest rate	3.22% – 3.24%	3.22% – 3.24%	3.22% – 3.24%	1.42% – 1.60%	1.42% – 1.60%	1.41% – 1.49%

**26. Share-based payments *continued***

	August 2021	May 2021	March 2021	September 2020	May 2020	April 2020	December 2019	September 2019
Share price on grant date	310.00p	376.60p	342.80p	291.00p	202.00p	165.00p	408.60p	402.30p
Exercise price	310.00p	376.60p	342.80p	291.00p	202.00p	165.00p	408.60p	402.30p
Expected volatility	53.67% – 57.07%	53.78% – 59.19%	53.64% – 59.13%	51.81% – 62.96%	50.15% – 61.06%	49.02% – 59.29%	36.24% – 44.72%	36.33% – 44.83%
Option life	3–5 years	3–5 years	3–5 years	3–5 years	3–5 years	3–5 years	3–7 years	3–7 years
Expected dividend	1.12%	0.96%	1.00%	2.39%	3.44%	4.21%	1.59%	1.62%
Fair value of option at time of grant	163.92p – 171.67p	202.75p – 217.81p	183.02p – 196.95p	122.93p – 146.68p	71.39p – 86.80p	50.79p – 62.29p	141.77p – 172.84p	137.79p – 169.19p
Risk-free interest rate	0.37% – 0.49%	0.16% – 0.34%	0.15% – 0.33%	(0.08%) – (0.04%)	0.00% – 0.06%	0.00% – 0.06%	0.57% – 0.65%	0.48% – 0.50%

	May 2019	December 2018 (Grant 2)	December 2018 (Grant 1)	March 2017	September 2016	June 2016	December 2015	May 2015
Share price on grant date	341.90p	199.80p	203.10p	283.70p	258.00p	272.50p	322.20p	250.80p
Exercise price	341.90p	199.80p	203.10p	283.70p	258.00p	272.50p	322.20p	250.80p
Expected volatility	38.84% – 45.75%	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	3–5 years	3–7 years	3–7 years	3–7 years	3–7 years
Expected dividend	1.85%	2.95%	2.90%	1.80%	1.80%	1.71%	1.40%	1.59%
Fair value of option at time of grant	120.77p – 141.08p	58.77p – 69.33p	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	0.52% – 0.60p	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%

**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**

	2022 Number of awards	2021 Number of awards
At 1 January	3,160,617	3,237,768
PSP awards granted during the year	1,289,217	959,015
Lapsed during the year	(1,324,583)	(1,036,166)
Exercised during the year	(583,039)	–
Outstanding at 31 December	2,542,212	3,160,617
Exercisable at 31 December	–	–

There were 583,039 shares which were exercised during the year ended 31 December 2022 (2021: nil). The weighted average share price at the date of exercise for share awards exercised during the year ended 31 December 2022 was 256.00p (2021: nil pence).

Plan	Date of grant	Numbers granted	Lapsed	Exercised	At 31 Dec 2022	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	(848,474)	–	210,104	07/03/2024
PSP	04/03/2020	915,739	(306,407)	–	609,332	04/03/2025
PSP	26/03/2021	959,015	(320,887)	–	638,128	26/03/2026
PSP	09/03/2022	1,289,217	(431,373)	–	857,844	09/03/2027
		6,596,305	(3,471,054)	(583,039)	2,542,212	

## 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:

	March 2022	March 2021	March 2020	March 2019	March 2018
Share price on grant date	255.00p	346.40p	356.50p	244.90p	240.90p
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	0.00%	1.00%	1.95%	2.57%	2.37%
Fair value of award at time of grant	167.75p – 254.14p	206.19p – 312.37p	292.36p – 192.98p	124.38p – 188.43p	124.92p – 189.26p
Risk-free interest rate	1.45%	0.33%	0.06%	0.79%	1.21%

It is recognised by the Remuneration Committee that the 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.

### 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.

Based on results as of 31 December 2021, the relative TSR target of exceeding the comparator group median TSR by less than 10% was achieved, resulting in the vesting of 118,055 shares subject to a holding period ending March 2023. The performance targets for EPS and ROI were not met and the share awards pursuant to these targets lapsed.

### 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 relative 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%



**26. Share-based payments *continued*****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 relative 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%

**2022 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 2022. Thus, conditional on meeting these performance targets, these shares will vest in March 2027.

The relative 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%

**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**

	2022 Number of awards	2021 Number of awards
At 1 January	376,291	376,291
DSBP awards granted during the year	683,166	–
Lapsed during the year	–	–
Exercised during the year	(112,014)	–
Outstanding at 31 December	947,443	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 2022 was 256.00p (2021: nil pence).

Plan	Date of grant	Numbers granted	Lapsed	Exercised	At 31 Dec 2022	Release date
DSBP	07/03/2019	112,014	–	(112,014)	–	07/03/2022
DSBP	04/03/2020	264,277	–	–	264,277	04/03/2023
DSBP	09/03/2022	171,415	–	–	171,415	09/03/2025
DSBP	02/11/2022	511,751	–	–	511,751	02/11/2027
		1,059,457	–	(112,014)	947,443	

## 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:

	November 2022	March 2022	March 2020	March 2019
Share price on grant date	131.90p	255.00p	356.50p	244.90p
Exercise price	nil	nil	nil	nil
Number of simulations	–	–	–	–
Number of companies	–	–	–	–
Award life	5 years	3 years	3 years	3 years
Expected dividend	0.00%	0.00%	1.95%	2.57%
Fair value of award at time of grant	131.18p	254.14p	292.36p	188.42p
Risk-free interest rate	3.24%	1.41%	0.00%	0.68%

## 27. 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:

£m	2022			2021		
	Switzerland	Philippines	Total	Switzerland	Philippines	Total
Fair value of plan assets	6	–	6	5	–	5
Present value of obligations	(7)	(1)	(8)	(6)	(1)	(7)
<b>Net funded obligations</b>	<b>(1)</b>	<b>(1)</b>	<b>(2)</b>	<b>(1)</b>	<b>(1)</b>	<b>(2)</b>

## 28. Acquisitions

### Current period acquisitions

#### The Instant Group

On 8 March 2022, the Group completed the investment in The Instant Group, acquiring 100% of the equity voting rights, for a total consideration of £324m. The primary reason for the investment was to combine The Instant Group with the IWG digital assets, to form Worka.

In a separate transaction on 8 March 2022, the Group sold a 13.4% non-controlling equity interest in a subsidiary of the Worka structure, for a consideration of £53m.

£m	Book value	Final fair value adjustments	Final fair value
<b>Net assets acquired</b>			
Intangible assets	2	139	141
Right-of-use assets	3	–	3
Other property, plant and equipment	15	–	15
Net investment in finance leases	177	–	177
Cash	25	–	25
Other current and non-current assets	64	–	64
Lease liabilities	(172)	–	(172)
Provisions due within one year	(7)	–	(7)
Current liabilities	(111)	6	(105)
	(4)	145	141
Goodwill arising on acquisition			183
<b>Total consideration</b>			324
<b>Cash flow on acquisition</b>			
Cash paid			324
Less: cash acquired			(25)
<b>Net cash outflow</b>			299

The goodwill arising on this acquisition reflects the future benefits anticipated by the IWG Group.

If the above acquisition had occurred on 1 January 2022, the revenue and net retained loss arising from this acquisition would have been £121m and £10m respectively. In the year, this acquisition contributed revenue of £104m and net retained loss of £11m.

There was no deferred or contingent consideration arising on this acquisition.

The acquisition costs associated with this transaction were £11m, recorded within administration expenses in the consolidated income statement.

### Other immaterial acquisitions

During the year ended 31 December 2022 the Group made various other individually immaterial acquisitions for a total consideration of £5m.

£m	Book value	Provisional fair value adjustments	Provisional fair value
<b>Net assets acquired</b>			
Right-of-use assets	1	–	1
Other property, plant and equipment	1	–	1
Lease liabilities	(1)	–	(1)
Current liabilities	(1)	–	(1)
	–	–	–
Goodwill arising on acquisition			5
<b>Total consideration</b>			5
Less: deferred consideration			(1)
Less: contingent consideration			(1)
<b>Cash flow on acquisition</b>			
Cash paid			3
<b>Net cash outflow</b>			3

The goodwill arising on these other immaterial 2022 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, £5m is expected to be deductible for tax purposes.

If the above acquisitions had occurred on 1 January 2022, the revenue and net retained profit arising from these acquisitions would have been £2m and £nil respectively. In the year, the acquisitions contributed revenue of £1m and net retained profit of £nil.

Deferred consideration of £1m arose on the acquisitions made in the year and is held on the Group's balance sheet at 31 December 2022. In addition, £5m deferred consideration relating to prior period acquisitions is held on the Group's balance sheet at 31 December 2022.

Contingent consideration of £1m arose on the 2022 acquisitions. Contingent consideration of £5m was paid and £1m released, during the current year, with respect to milestones, achieved or not achieved, on previous acquisitions. In addition, £1m contingent consideration is held on the Group's balance sheet at 31 December 2022.

The acquisition costs associated with these transactions were £nil, recorded within administration expenses in the consolidated income statement.

For acquisitions completed in 2022, except for The Instant Group, 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.

Goodwill of £188m arose relating to 2022 acquisitions.

## Notes to the accounts *continued*

### 28. Acquisitions *continued*

#### Prior period acquisitions

During the year ended 31 December 2021 the Group made acquisitions for a total consideration of £30m.

£m	Book value	Provisional fair value adjustments	Final fair value adjustments	Final fair value
<b>Net assets acquired</b>				
Intangible assets	1	–	–	1
Right-of-use assets	78	–	–	78
Other property, plant and equipment	25	–	–	25
Cash	32	–	–	32
Other current and non-current assets	13	–	–	13
Lease liabilities	(81)	–	–	(81)
Current liabilities	(27)	–	–	(27)
Provisions due after one year	(4)	–	–	(4)
Non-current liabilities	(7)	–	–	(7)
	30	–	–	30
NCI based on their proportionate interest in the recognised amounts of the assets and liabilities of The Wing				(15)
Goodwill arising on acquisition				16
Negative goodwill arising on acquisition				(1)
<b>Total consideration</b>				30
Less: deferred consideration				(5)
Less: contingent consideration				(4)
<b>Cash flow on acquisition</b>				
Cash paid				21
<b>Less: cash acquired</b>				(32)
<b>Net cash inflow</b>				(11)

Goodwill of £16m arose relating to 2021 acquisitions. Goodwill arising on acquisitions in 2021 includes negative goodwill of £1m, 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, £16m is expected to be deductible for tax purposes.

Deferred consideration of £5m arose on the acquisitions made in the year and was held on the Group's balance sheet at 31 December 2021.

Contingent consideration of £4m arose on the 2021 acquisitions. 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 £1m, 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 2022.

### 29. Capital commitments

£m	2022	2021
Contracts placed for future capital expenditure not provided for in the financial statements	76	89

These commitments are principally in respect of centre fit-out obligations. There are £1m (2021: £1m) of capital commitments in respect of joint ventures and no significant lease commitments for leases not commenced at 31 December 2022.

### 30. 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 £337m (2021: £309m). There are no material lawsuits pending against the Group.



## 31. 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
<b>2022</b>			
<b>Joint ventures</b>	<b>6</b>	<b>51</b>	<b>49</b>
<b>2021</b>			
Joint ventures	4	20	20

As at 31 December 2022, none of the amounts due to the Group have been provided for as the expected credit losses arising on the balances are considered immaterial (2021: £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:

£m	2022	2021
Short-term employee benefits	6	4
Retirement benefit obligations	–	–
Share-based payments	3	2
	<b>9</b>	<b>6</b>

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 £6m (2021: £6m). These awards are subject to performance conditions and vest over three, four and five years from the award date (note 26).

### Transactions with related parties

During the year ended 31 December 2022 the Group acquired goods and services from a company indirectly controlled by a Director of the Company amounting to an insignificant amount of £19,015 (2021: £27,319). There was a £5,217 balance outstanding at the year-end (2021: £6,751).

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.

**32. Principal Group companies**

The Group's principal subsidiary undertakings at 31 December 2022, 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
<b>Trading companies</b>			<b>Management companies</b>		
Regus Australia Management Pty Ltd	Australia	100	RGN Management Limited Partnership	Canada	100
Regus Belgium SA	Belgium	100	Pathway IP II S.à r.l.	Switzerland	100
Regus do Brasil Ltda	Brazil	100	Franchise International GmbH	Switzerland	100
Regus Business Service (Shenzen) 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 S.r.l.	Italy	100	<b>Holding and finance companies</b>		
Regus Management Malaysia Sdn Bhd	Malaysia	100	IWG Enterprise S.à r.l.	Switzerland	100
Regus Management de Mexico, SA de CV	Mexico	100	IWG Group Holdings S.à r.l.	Luxembourg	100
Regus New Zealand Management Ltd	New Zealand	100	IWG International Holdings S.à r.l.	Luxembourg	100
Regus Business Centre Norge AS	Norway	100	Genesis Finance S.à r.l.	Switzerland	100
IWG Management Sp z.o.o.	Poland	100	Pathway Finance S.à r.l.	Switzerland	100
Regus Business Centre, Lda	Portugal	100	Pathway Finance EUR 2 S.à r.l.	Switzerland	100
Regus Management Singapore Pte Ltd	Singapore	100	Pathway Finance USD 2 S.à r.l.	Switzerland	100
Regus Management España SL	Spain	100	Regus Group Limited	United Kingdom	100
IWG Management (Sweden) AB	Sweden	100	Global Platform Services GmbH	United Kingdom	100
Avanta Managed Offices Ltd	United Kingdom	100	Ibiza Holdings Limited	Jersey	86.6
Basepoint Centres Limited	United Kingdom	100	Ibiza Finance Limited	Jersey	100
Green (Topco) Limited	United Kingdom	86.6	Regus Corporation	United States	100
HQ Global Workplaces LLC	United States	100			
RGN National Business Centre LLC	United States	100			
RB Centres LLC	United States	100			
Regus Management Group LLC	United States	100			

### 33. 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, geopolitical circumstances in the Ukraine and related sanctions against Russia, have been deemed to meet the definition of adjusting items. Each of these items is considered to be significant in nature and/or size and is 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 2022, 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.

### **33. 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.

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.

### **34. Subsequent events**

In December 2022, TKP Corporation sold its Japanese operations to Mitsubishi Estate Co. which entered into a new 10-year master franchise agreement with the Group. The transaction received regulatory approval in February 2023, when the transaction became effective, and the Group received and recognised a settlement fee of £18m post year-end.

Concurrently the Group acquired the Taiwanese operations from TKP Corporation for a consideration of £6m.

# Parent Company Accounts

## Summarised extract of unaudited company balance sheet

(Accounting policies are based on the Swiss Code of Obligations)

£m	As at 31 Dec 2022	As at 31 Dec 2021
Trade and other receivables	2	2
Prepayments	–	–
<b>Total current assets</b>	<b>2</b>	<b>2</b>
Investments	3,069	3,069
<b>Total non-current assets</b>	<b>3,069</b>	<b>3,069</b>
<b>Total assets</b>	<b>3,071</b>	<b>3,071</b>
Trade and other payables	45	22
Accrued expenses	1	1
<b>Total short-term liabilities</b>	<b>46</b>	<b>23</b>
Long-term interest-bearing liabilities	99	99
Other long-term liabilities	–	–
<b>Total long-term liabilities</b>	<b>99</b>	<b>99</b>
<b>Total liabilities</b>	<b>145</b>	<b>122</b>
Issued share capital	10	10
Reserves from capital contributions	2,439	2,439
Retained earnings	650	875
Loss for the year	(21)	(224)
Treasury shares	(152)	(151)
<b>Total shareholders' equity</b>	<b>2,926</b>	<b>2,949</b>
<b>Total liabilities and shareholders' equity</b>	<b>3,071</b>	<b>3,071</b>

The values of the investments recognised have been considered by the Directors and are considered fully recoverable.

Approved by the Board on 20 March 2023

**Mark Dixon**  
Chief Executive Officer

**Charlie Steel**  
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 2022, 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.



## Reconciliation for alternative performance measures

### Alternative performance measurement adjustments recognised

The purpose of these unaudited pages is to provide a reconciliation from the 2022 financial results to the alternative performance measures 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 recognition of these adjustments will not impact the overall cash flows of the Group or the cash generation per share.

#### 1. Rent income and finance income

Under IFRS 16, where the sublease is assessed with reference to the right-of-use assets arising from the head lease, conventional rent income is not recognised in the profit or loss. The receipts associated with this income instead are used to determine the net investment in finance leases noted above. The net investment in finance leases is measured in subsequent periods using the effective interest rate method, based on the applicable interest rate. The related finance income arising on subsequent measurement is recognised directly through profit or loss.

#### 2. Rent expense 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. The related finance costs arising on subsequent measurement are recognised directly through profit or loss.

#### 3. Depreciation, lease payments and lease receipts

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 on head leases reduce the lease liabilities recognised in the balance sheet. Lease receipts on subleases reduce the net investment in finance leases recognised in the balance sheet.

#### 4. 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 EBITDA (unaudited)

Year ended 31 December 2022

£m	Notes	As reported	Rent income	Rent expense	Depreciation	Other adjustments <sup>(1)</sup>	pre-IFRS 16
<b>EBITDA</b>		<b>1,336</b>	<b>50</b>	<b>(1,059)</b>	<b>–</b>	<b>(10)</b>	<b>317</b>
Depreciation on property plant and equipment	5	(1,145)	–	–	829	–	(316)
Amortisation of intangible assets	5	(44)	–	–	–	–	(44)
<b>Operating profit/(loss)</b>		<b>147</b>	<b>50</b>	<b>(1,059)</b>	<b>829</b>	<b>(10)</b>	<b>(43)</b>
Operating profit/(loss) from discontinued operations	9	–	–	–	–	–	–
<b>Operating profit/(loss) from continuing operations</b>	<b>5</b>	<b>147</b>	<b>50</b>	<b>(1,059)</b>	<b>829</b>	<b>(10)</b>	<b>(43)</b>

1. Includes £52m of net reversals of impairment of property, plant and equipment including right-of-use assets.

Year ended 31 December 2021

£m	Notes	As reported	Rent income	Rent expense	Depreciation	Other adjustments <sup>(1)</sup>	pre-IFRS 16
<b>EBITDA</b>		<b>1,026</b>	<b>–</b>	<b>(997)</b>	<b>–</b>	<b>30</b>	<b>59</b>
Depreciation on property plant and equipment	5	(1,096)	–	–	805	–	(291)
Amortisation of intangible assets	5	(14)	–	–	–	–	(14)
<b>Operating (loss)/profit</b>		<b>(84)</b>	<b>–</b>	<b>(997)</b>	<b>805</b>	<b>30</b>	<b>(246)</b>
Operating (loss)/profit from discontinued operations	9	(3)	–	14	(12)	(1)	(2)
<b>Operating (loss)/profit from continuing operations<sup>(2)</sup></b>	<b>5</b>	<b>(87)</b>	<b>–</b>	<b>(983)</b>	<b>793</b>	<b>29</b>	<b>(248)</b>

1. Includes £54m of net reversals of impairment of property, plant and equipment including right-of-use assets.

2. Restated to reflect the impact of discontinued operations on a pre-IFRS 16 basis.

## Working capital (unaudited)

Year ended 31 December 2022

£m	Reference	As reported	Rent income & expense and finance income & costs	Depreciation and lease payments	Other adjustments	pre-IFRS 16
Partner contributions – reimbursement	Statement of cash flows, p133	19	–	(19)	–	–
(Increase)/decrease in trade and other receivables	Statement of cash flows, p133	(97)	(54)	–	–	(151)
Increase/(decrease) in trade and other payables	Statement of cash flows, p133	191	852	(906)	(29)	108
<b>Working capital</b>		<b>113</b>	<b>798</b>	<b>(925)</b>	<b>(29)</b>	<b>(43)</b>
Analysed as:						
Working capital (excluding amortisation of partner contributions)	CFO review, p41					22
Working capital related to the amortisation of partner contributions	CFO review, p41					(104)
Growth-related partner contributions	CFO review, p41					39

Year ended 31 December 2021

£m	Reference	As reported	Rent income & expense and finance income & costs	Depreciation and lease payments	Other adjustments	pre-IFRS 16
Partner contributions – reimbursement	Statement of cash flows, p133	20	–	(20)	–	–
(Increase)/decrease in trade and other receivables	Statement of cash flows, p133	(127)	20	–	–	(107)
(Decrease)/increase in trade and other payables	Statement of cash flows, p133	(40)	829	(809)	(47)	(67)
<b>Working capital</b>		<b>(147)</b>	<b>849</b>	<b>(829)</b>	<b>(47)</b>	<b>(174)</b>
Analysed as:						
Working capital (excluding amortisation of partner contributions)	CFO review, p41					(129)
Working capital related to the amortisation of partner contributions	CFO review, p41					(95)
Growth-related partner contributions	CFO review, p41					50

## Partner contributions receivables (unaudited)

£m	Reference	2022	2021
Opening partner contribution receivables	Note 17	30	34
Net partner contributions recognised	Statement of cash flows, p133	50	56
• Maintenance partner contributions	CFO review, p41	11	6
• Growth partner contributions	CFO review, p41	39	50
Settled in the period		(59)	(59)
Exchange differences		2	(1)
<b>Closing partner contribution receivables</b>	Note 17	<b>23</b>	<b>30</b>

## Reconciliation for alternative performance measures *continued*

### Capital expenditure (unaudited)

Year ended 31 December 2022

£m	Reference	Rent income & expense and finance income & costs		
		As reported	pre-IFRS 16	
Purchase of property, plant and equipment	Statement of cash flows, p133	(242)	(12)	(254)
Purchase of intangible assets	Statement of cash flows, p133	(39)	–	(39)
<b>Total capital expenditure</b>		<b>(281)</b>	<b>(12)</b>	<b>(293)</b>

Analysed as:		Net capital expenditure	Partner contributions	Gross capital expenditure
Net maintenance capital expenditure	CFO review, p41	(90)	11	(101)
Gross growth capital expenditure	CFO review, p41	(141)	39	(180)
Capitalised rent related to centre openings	CFO review, p41	(12)	–	(12)
		<b>(243)</b>	<b>50</b>	<b>(293)</b>

Year ended 31 December 2021

£m	Reference	Rent income & expense and finance income & costs		
		As reported	pre-IFRS 16	
Purchase of property, plant and equipment	Statement of cash flows, p133	(221)	(20)	(241)
Purchase of intangible assets	Statement of cash flows, p133	(34)	–	(34)
<b>Total capital expenditure</b>		<b>(255)</b>	<b>(20)</b>	<b>(275)</b>

Analysed as:		Net capital expenditure	Partner contributions	Gross capital expenditure
Net maintenance capital expenditure	CFO review, p41	(95)	6	(101)
Gross growth capital expenditure	CFO review, p41	(104)	50	(154)
Capitalised rent related to centre openings	CFO review, p41	(20)	–	(20)
		<b>(219)</b>	<b>56</b>	<b>(275)</b>

## Five-year summary

£m	31 Dec 2022	31 Dec 2021 Restated <sup>(1)</sup>	31 Dec 2020 Restated <sup>(1)</sup>	31 Dec 2019 Restated <sup>(1)</sup>	31 Dec 2018 Restated <sup>(1)</sup>
<b>Income statement (full year ended)</b>					
<b>Revenue</b>	<b>2,751</b>	2,227	2,432	2,593	2,355
Cost of sales	(2,182)	(1,885)	(2,377)	(2,043)	(1,975)
Expected credit reversal/(losses) on trade receivables	6	(99)	(35)	(2)	(18)
<b>Gross profit (centre contribution)</b>	<b>575</b>	243	20	548	362
Selling, general and administration expenses	(427)	(328)	(367)	(279)	(247)
Share of (loss)/profit of equity-accounted investees, net of tax	(1)	(2)	(3)	3	(2)
<b>Operating profit/(loss)</b>	<b>147</b>	(87)	(350)	272	113
Finance expense	(287)	(198)	(266)	(229)	(16)
Finance income	35	26	3	1	1
<b>(Loss)/profit before tax for the year from continuing operations</b>	<b>(105)</b>	(259)	(613)	44	98
Income tax (expense)/credit	(16)	(10)	(30)	22	(29)
<b>(Loss)/profit for the year from continuing operations</b>	<b>(121)</b>	(269)	(643)	66	69
Profit/(loss) after tax for the year from discontinued operations	1	59	(4)	385	37
<b>(Loss)/profit after tax for the year</b>	<b>(120)</b>	(210)	(647)	451	106
<b>(Loss)/earnings per ordinary share (EPS):</b>					
<b>Attributable to ordinary shareholders</b>					
Basic (p)	(11.2)	(20.4)	(67.9)	50.5	11.7
Diluted (p)	(11.2)	(20.4)	(67.9)	49.6	11.6
Weighted average number of shares outstanding ('000s)	1,006,885	1,007,215	892,738	892,738	907,077
<b>From continuing operations</b>					
Basic (p)	(11.3)	(26.2)	(67.8)	7.4	7.6
Diluted (p)	(11.3)	(26.2)	(67.8)	7.3	7.5
Weighted average number of shares outstanding ('000s)	1,006,885	1,007,215	892,738	892,738	907,077
<b>Balance sheet data (as at)</b>					
Intangible assets	1,148	782	749	720	722
Right-of-use assets	5,009	5,254	5,647	5,917	–
Property, plant and equipment	1,225	1,122	1,209	1,273	1,751
Net investment in finance leases	147	–	–	–	–
Deferred tax assets	350	327	188	195	31
Other assets	1,041	849	1,100	781	848
Cash and cash equivalents	161	78	71	67	69
<b>Total assets</b>	<b>9,081</b>	8,412	8,964	8,953	3,421
Current liabilities	3,020	2,267	2,435	2,140	1,430
Non-current liabilities	5,826	5,840	6,015	5,933	1,240
Equity	235	305	514	880	751
<b>Total equity and liabilities</b>	<b>9,081</b>	8,412	8,964	8,953	3,421

1. The comparative information has been restated to reflect the impact of discontinued operations (note 9).

## Glossary

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.

### **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.

### **Net debt**

Operations cash and cash equivalents, adjusted for both short-term 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 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-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.

**TSR**

Total shareholder return.

**System wide revenue**

Total reported revenue generated, including revenue from franchise, managed centre and joint-venture partners, but excluding fee income.

### Corporate directory

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Tim Regan, Company Secretary  
IWG plc

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