

ISS Annual General Meeting: 13th April 2022

Thank you for the floor. My name is Anders Folmer and I represent ATP.

Thank you to the Chairman, CEO and the CFO for their reports and the presentation of the results for 2022.

Last month it was announced that Jacob Aarup-Andersen will step down as CEO of ISS. This was not something we and the stock market had hoped for.

While we think that the timing for a CEO change is less optimal. The good news is that ISS is in a much better place today than it was a couple of years ago. The divestment program is completed. Operational excellence is strengthened. ISS has consistently delivered on guidance and market expectations. Financials KPI's are back in healthy territory, and lastly, we have gladly noticed that pay-out to shareholders is back on the agenda for this general meeting.

All in all, a very good progress, but - the job is not done. The OneISS strategy is in place and financial targets are set for the coming years. Now it is about execution. At the capital markets day in November in London. We had the pleasure of meeting some of the management group, and we are optimistic about, that ISS possess the necessary execution power to deliver. We also hope that a new CEO is in place earlier than the notice period allows.

We have asked our self. When is ISS a success? And have come to the following three steps

Step 1: Deliver on guidance and expectations

As also mentioned earlier. ISS has created a very fine track record of delivering on the expectations put out there. Something that was troublesome a couple of years ago, and this has meaningfully increased confidence from the financial markets.

Step 2 of making ISS a success is to deliver on historical performance.

There you are not yet. But this is what you are working towards with a target of 4-6% organic growth and above 5% in operating margin in 2024.

Step 3 of making ISS a real success is to deliver best in class on financials KPI

This comes after step 2, but must be kept as a long-term vision

And, if we link this kind of thinking to ISS's M&A strategy. Our view is that M&A, should be very selective until you are performing in line or above the sector.

If we look at sector performance and compare the guidance of ISS to peers. ISS is guiding 4-6% organic growth while Sodexo is guiding for 11% growth, Compass is guiding for 15%. We know that they are more exposed to catering, but **is it your view that the whole difference can be explained by different exposures, or has ISS room for improvement?**

Also, ISS is currently experiencing a significant tailwind from inflation. But still the revenue target for 2023 is in line with your medium-term target? **Maybe, the management can share some reflection on this also?**

At last, I would like to mention that ATP are voting against the proposed new remuneration policy in item 10b. The main reason is the increase in variable pay, making the variable element too big relative to the fixed part of the salary. On the other side we very much welcome ESG KPI's to be included in the remuneration policy going forward.

With these words, I would like to wish management and employees all the best with the work ahead in 2023

Thank you for the attention.



*Anders Folmer, Senior Portfolio
Manager – Danish Equities
ATP Pensions & Investments*

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