



Overall Guidelines on Incentive Pay

ISS A/S

CVR no. 28 50 47 99



Overall Guidelines on Incentive Pay of ISS A/S

1 Preamble

- 1.1 These overall guidelines on incentive pay (the “Incentive Guidelines”) of ISS A/S, CVR no. 28 50 47 99 (“ISS” or the “Company”) have been adopted by the Board of Directors pursuant to section 139 of the Danish Companies Act, according to which the board of directors of a listed company is required to establish overall guidelines for incentive pay before entering into a specific agreement on incentive pay with a member of the company’s board of directors or executive management board.
- 1.2 These Incentive Guidelines are supplemented by the Company’s remuneration policy which is available at the Company’s website (www.issworld.com).
- 1.3 These Incentive Guidelines provide a framework for the incentive pay, which may be offered to members of the Executive Group Management Board of ISS in addition to their fixed annual salary. The Executive Group Management Board means the executive officers of the management board of ISS, registered as such, with the Danish Business Authority. The Incentive Guidelines apply to incentive pay received by members of the Executive Group Management Board for work performed for ISS including all companies in the ISS Group.

2 The Board of Directors

- 2.1 The members of the Board of Directors shall be remunerated with fixed annual fees approved by the general meeting for the current financial year. Remuneration of members of the Board of Directors shall not include share or warrant related incentive programmes.

3 General principles on incentive pay to the Executive Group Management Board

- 3.1 The overall objectives of the Incentive Guidelines are (i) to attract, motivate and retain qualified members of the Executive Group Management Board and talent for key positions, by providing competitive incentives that recognise high performance and support our Leadership Principles; (ii) to create a strong link between remuneration and achievement of our strategic goals and financial performance— both short-term and long-term – for the Executive Group Management Board and other employees in key positions, by providing a significant proportion of their total remuneration in performance-based incentives; and (iii) to align the interests of the Executive Group Management Board and other employees in key positions with the interests of our shareholders by providing a significant proportion of their total remuneration as shares and/or as share-related instruments and to require or recommend a certain amount of shares and/or share-related instruments to be held by members of the Executive Group Management Board and other employees in key positions.
- 3.2 Incentive schemes to the Executive Group Management Board shall be designed to support the strategic short and long-term goals of ISS and to promote value creation for the benefit of the shareholders of ISS.



- 3.3 The Board of Directors seeks to design incentive schemes to the Executive Group Management Board in a manner that is competitive with and reflects the dynamics of the market in which ISS competes for talent.
- 3.4 Incentive pay further serves the purpose of rewarding individual effort and performance of members of the Executive Group Management Board so that the aggregate remuneration paid to a member of the Executive Group Management Board is in line with market practice of comparable listed companies.
- 3.5 The incentive schemes of ISS may consist of any form of variable remuneration components, as determined by the Board of Directors including, *inter alia*:
- (a) short-term based incentives, such as cash bonus, shares or other share related instruments (e.g. share options, restricted share units, performance based share units, warrants and phantom shares), and which may include a recurring annual bonus scheme as well as single or event-based bonus scheme, and
 - (b) long-term based incentives, such as shares or other share related instruments, (e.g. share options, restricted share units, performance based share units, warrants and phantom shares).
- 3.6 The amount and composition of the incentive pay for each member of the Executive Group Management Board shall support the achievement of the short and long-term goals of ISS. Key operational objectives on strategic targets and priorities, including cash, growth, profit, earnings per share, return on capital employed and total shareholder return relative to other Danish listed companies and/or ISS' peers or other bonus objectives as determined by the Board of Directors may be used as a measure of the performance. In addition, the historic and expected performance of the Executive Group Management Board, motivation and loyalty factors and the general situation and development of ISS may also form part of the terms and conditions of the incentive pay.
- 3.7 The incentive agreements with the members of the Executive Group Management Board shall entitle the Company in exceptional cases, at the discretion of the Board of Directors, to reclaim in full or in part variable remuneration that was paid on the basis of information, which subsequently proves to be manifestly misstated (claw back).
- 3.8 Any agreement on incentive pay made with individual members of the Executive Group Management Board shall be subject to these Incentive Guidelines.
- 3.9 The Board of Directors shall ensure that the incentive agreements with the members of the Executive Group Management Board are based on actual achievements over a period of time with a view to long-term value creation and provide a reasonable balance between short and long-term incentives.
- 3.10 Long-term incentive programmes shall be designed to promote the creation of long-term value and thereby seek to discourage behaviour that leads to excessive risk. Both short-



term and long-term incentives programmes shall be awarded annually or as otherwise decided by the Board of Directors to ensure a rolling programme of variable incentives.

4 Short-term based incentives

- 4.1 Members of the Executive Group Management Board are offered to participate in a short-term incentive programme. The short-term incentive programme shall be designed to motivate performance that promotes sustained growth and secures a strong focus on achieving the strategic objectives and creating shareholder value. The members of the Executive Group Management Board can receive an annual performance based cash bonus with a maximum pay-out of up to 100% of their annual base salary. Performance shall be measured for each financial year and the cash bonus achieved becomes payable in full or in arrears as soon as practically possible after the Board of Directors or such other person authorised thereto has determined the amount of the bonus, however, no later than one month after the Board of Directors' approval of the annual report the following year unless otherwise decided by the Board of Directors.
- 4.2 ISS intends to purchase treasury shares to satisfy obligations (if any) assumed by ISS under the short-term incentive programme.
- 4.3 In extraordinary circumstances, as determined at the discretion of the Board of Directors, the Executive Group Management Board may be offered to receive a separate cash or share or share instrument based bonus up to 100% of the annual base salary or other extraordinary incentive pay, e.g. retention bonus, severance payment, sign-on bonus, transaction related bonus or other similar schemes.

5 Long-term based incentive schemes

- 5.1 The Board of Directors has decided to establish a long-term incentive programme for members of the Executive Group Management Board according to which the Executive Group Management Board shall be eligible to receive a number of performance based share units ("PSUs" and each a "PSU") and/or restricted share units ("RSUs" and each a "RSU"), subject to fulfilment of certain key operational objectives or other bonus objectives to be determined by the Board of Directors or such other person authorised thereto.
- 5.2 Upon vesting, each PSU and/or RSU entitles the holder to receive one share in ISS at no cost. Prior to vesting, holders of PSUs and/or RSUs shall not have any of the rights that holders of shares would otherwise be entitled to, such as voting rights, except as set out in clause 5.3 below.
- 5.3 In the event the Company distributes dividend (ordinary or extraordinary) in the period between grant and vesting of PSUs/RSUs, the number of PSUs/RSUs which have been granted in the Annual Grant (as defined below) in 2016 and any subsequent grants under the long-term incentive schemes (including extraordinary grants and additional grants in accordance with this clause 5.3) will be increased through an additional grant of PSUs/RSUs. The number of additional PSUs/RSUs granted will reflect the value of the dividend which should have been paid to holders of PSUs/RSUs had these vested and been converted into shares at the time of distribution of such dividend.



- 5.4 PSUs and/or RSUs are expected to be granted annually (the “**Annual Grant**”). PSUs and/or RSUs shall at the sole discretion of the Board of Directors be granted, subject to fulfilment of certain key operational objectives or other bonus objectives determined by the Board of Directors.
- 5.5 PSUs granted as a part of an Annual Grant shall, subject to fulfilment of certain key operational objectives, hereunder targets for earnings per share and total shareholder return compared against Danish listed companies and international service companies or other bonus objectives as determined by the Board of Directors vest on the date of the third anniversary from the relevant grant date. RSUs granted as a part of an Annual Grant shall vest no later than on the date of the third anniversary from the relevant grant date.
- 5.6 The value of PSUs and/or RSUs granted under the long-term incentive programme to an individual member of the Executive Group Management Board in a given financial year may not exceed 200% of that individual member’s annual base salary at the time of grant for each financial year. The number of PSUs and/or RSUs granted as a part of an Annual Grant shall be based on the average trading price of ISS shares on Nasdaq Copenhagen A/S during the past 30 trading days prior to the grant or such shorter period as determined by the Board of Directors.
- 5.7 ISS intends to purchase treasury shares to satisfy obligations assumed by ISS under the long-term incentive programme.
- 5.8 The aggregate value of the long-term incentive programme shall be disclosed in the annual reports of ISS.
- 6 Amendment of and discontinuation or termination of incentive programmes**
- 6.1 The Board of Directors is entitled to amend or discontinue one or more incentive programmes established in accordance with these Incentive Guidelines, provided such amendment fall within the general principles described in clause 3 and does not affect the overall scope and objective of the approved incentive programme(s). Substantial amendments are subject to approval by the general meeting.
- 6.2 The Board of Directors may decide that specific terms shall apply for accelerated vesting or exercise as well as for adjustment of the incentive programmes in case of a take-over in whole or in part, significant divestiture of activities, demerger, merger or other amalgamation of the Company. Finally, the Board of Directors may lay down terms governing adjustment of the exercise price, performance targets, etc. in the event that the Company’s capital structure is changed, or in the event of other material events, which would otherwise influence adversely the value or effect of the incentive programmes.
- 6.3 The Board of Directors may lay down specific terms governing the termination of incentive programmes or the reduction of variable remuneration, including lapse in cases of serious non-compliance with the Company’s reporting or accounting standards, failure to react to internal audit reports, significant audit adjustments and material legal issues (e.g. anti-competition, corruption and fraud), or manifest errors in the accounting figures or other basis for award or vesting under an incentive programme.



7 Approval and publication of the overall guidelines on incentive pay

- 7.1 These Incentive Guidelines have been approved by the Board of Directors on 1 March 2016 and adopted by the general meeting of ISS on 5 April 2016. These Incentive Guidelines shall apply to any remuneration, bonus or grant of incentives awarded in the financial year 2016 and any subsequent financial year. The Incentive Guidelines shall be posted on the Company's website (www.issworld.com) specifying the date of adoption.

Approved by the Board of Directors on 1 March 2016 and adopted by the general meeting of ISS A/S on 5 April 2016.