



ISS A/S

STATUTORY REPORT ON CORPORATE GOVERNANCE FOR THE FINANCIAL YEAR 2018

cf. Section 107b of the Danish Financial Statements Act

This report on corporate governance for ISS A/S, (CVR no. 28504799), ("ISS" or the "Company") has been prepared pursuant to Section 107b of the Danish Financial Statements Act and the Rules for Issuers of Shares of Nasdaq Copenhagen A/S ("Nasdaq Copenhagen"). The report includes a description of the Company's governance structure and an overview of ISS' position on the Danish Recommendations on Corporate Governance issued by the Danish Committee on Corporate Governance and most recently updated in November 2017, which have been incorporated in the Rules for Issuers of Shares of Nasdaq Copenhagen. The Danish Recommendations on Corporate Governance are available at www.corporategovernance.dk. This report is available on our website, <http://inv.issworld.com/governancereport>.

ISS' GOVERNANCE STRUCTURE

The shareholders of ISS A/S exercise their rights at the general meeting which is the supreme governing body of ISS and which elects the Board of Directors.

ISS has a two-tier governance structure consisting of:

- the Board of Directors, and
- the Executive Group Management Board.

The Board of Directors is responsible for the overall management and strategic direction of the ISS Group and supervises the work of the Executive Group Management Board. The primary task of the Executive Group Management Board is to carry out the day-to-day management of the ISS Group. No person serves as a member of both of these corporate bodies.

Board of Directors

Currently, the Board of Directors has six members elected by the general meeting for a term of one year. The Board of Directors has elected the Chairman and the Deputy Chairman among its members. Board members are eligible for re-election. All members elected by the general meeting, including the Chairman, are considered independent. In addition to the Board members elected by the general meeting, three employee representatives serve on the Board of Directors. They have been elected on the basis of a voluntary arrangement regarding group representation for employees of ISS World Services A/S as further described in the Articles of Association. Employee representatives serve for terms of four years. The current employee representatives joined the Board after the annual general meeting in April 2015. New employee representatives were elected at the beginning of 2019 and will join the Board of Directors after the annual general meeting in April 2019. Employee representatives are not considered independent. For information on Board members, please see our 2018 Annual Report or our website (www.issworld.com).



The Board of Directors convenes at least six times per year, including for one strategy meeting each year. In 2018, the Board of Directors convened ten times.

The Board of Directors evaluates its performance on an annual basis and evaluates (i) the work of the Board of Directors, (ii) the performance of the individual members of the Board of Directors and (iii) the collaboration between the Executive Group Management Board and the Board of Directors. In December 2018, the Board concluded the annual Board evaluation performed with the assistance of an external consultant. Please refer to 3.5.1 below for further information about the 2018 Board evaluation.

Board committees

The Board of Directors has established an Audit and Risk Committee, a Remuneration Committee, a Nomination Committee and a Transaction Committee. Each committee has a charter, which sets out purpose, assignments and procedural matters. The committees report to the Board of Directors.

Audit and Risk Committee

The Audit and Risk Committee evaluates the external financial reporting and significant accounting estimates and judgement, and reviews and monitors systems of internal controls and risk management. Its duties also include monitoring of the Group internal audit function and evaluation of the risk management procedures, Financial Policy, Dividend Policy and Tax Policy. In addition, the Audit and Risk Committee considers the independence of and relationship with the auditors, reviews the audit process and recommends auditors to the Board.

Remuneration Committee

The Remuneration Committee assists the Board of Directors with reviewing and making recommendations in respect of the Remuneration Policy, the Overall Guidelines on Incentive Pay, the remuneration of the members of the Board of Directors and the Executive Group Management Board as well as a remuneration policy applicable to ISS in general.

Nomination Committee

The Nomination Committee assists the Board of Directors with ensuring that appropriate plans and processes are in place for nomination of candidates to the Board of Directors and the Executive Group Management Board and evaluating the composition of these boards. Furthermore, the Nomination Committee makes recommendations for nomination or appointment of members of the Board of Directors, the Executive Group Management Board and the committees established by the Board of Directors.

Transaction Committee

The Transaction Committee makes recommendations to the Board of Directors in respect of certain large acquisitions, divestments and customer contracts, reviews the transaction pipeline, considers ISS' procedures for large transactions, and evaluates selected effected transactions.

For further information on composition of Board committees, meetings and activities, please see our website (<https://www.issworld.com/about-iss/get-to-know-iss/management-and-organisation/board-of-directors>).



Executive Group Management Board

The Board of Directors has appointed an Executive Group Management Board consisting of the Group CEO and the Group CFO as the registered management of ISS A/S. Together with the other members of the executive group management, their primary tasks are to carry out the day-to-day management of the ISS Group, develop and implement strategic initiatives and Group policies, monitor Group performance and evaluate investments as well as acquisitions, divestments and large customer contracts.

ISS' POSITION ON THE DANISH RECOMMENDATIONS ON CORPORATE GOVERNANCE

As a company incorporated in Denmark with its shares listed on Nasdaq Copenhagen A/S, ISS A/S shall either comply with or explain deviations from the Danish Recommendations on Corporate Governance. It is important to ISS to comply with good corporate governance practices, including statutory requirements and the Corporate Governance Recommendations. Accordingly, our Board of Directors regularly reviews its rules of procedure, charters, policies and practices.

In 2018 ISS A/S complied with all of the Danish Recommendations on Corporate Governance.

This report forms part of the Management Review in ISS A/S' 2018 Annual Report but is not covered by the auditors' report in the 2018 Annual Report.

Approved by the Board of Directors of ISS A/S on 22 February 2019.



Recommendation	ISS complies	ISS does not comply	The company complies / explanation for not complying with the recommendation
1. Communication and interaction by the company with its investors and other stakeholders			
<i>1.1. Dialogue between company, shareholders and other stakeholders</i>			
1.1.1. The Committee recommends that the board of directors ensure ongoing dialogue between the company and its shareholders, so that the shareholders gain relevant insight into the company and in order for the board of directors to be aware of the shareholders' views, interests and opinions in relation to the company.	X		<p>ISS maintains ongoing dialogue with its shareholders and investors, for example by hosting investor presentations, calls and webcasts, investor relations activities including road shows, through company announcements and press releases, interim and annual reports, ISS' website, investor portal, etc.</p> <p>ISS has adopted an Investor Relations Policy, a Communication and Stakeholder Policy and a Corporate Responsibility Policy with a view to ensuring a high level of transparency and dialogue with shareholders as well as other stakeholders. The policies are available on the Company's website (http://inv.issworld.com/policies-and-guidelines).</p> <p>In addition to the quarterly investor calls, ISS hosted an investor call on 10 December 2018 to provide a strategy update outlining the next steps of the journey to deliver on the strategy with investor meetings held thereafter.</p> <p>The Executive Group Management Board reports on an ongoing basis to the Board of Directors on the dialogue with shareholders and investors.</p>
1.1.2. The Committee recommends that the board of directors adopt policies on the company's relationship with its stakeholders, including shareholders, and that the board of directors ensures that the interests of the stakeholders are respected in accordance with company policies.	X		<p>ISS has adopted a Code of Conduct, an Investor Relations Policy, a Communication and Stakeholder Policy, a Tax Policy, a Corporate Responsibility Policy and a number of other policies on the relations with its stakeholders, which are available on the Company's website (http://inv.issworld.com/policies-and-guidelines). The ISS Group has adopted a whistleblower policy</p>



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			<p>(named the ISS Speak Up Policy) to enable employees, business partners and other stakeholders to report any serious and sensitive concerns.</p> <p>The Board of Directors and the Audit and Risk Committee review relevant matters in respect of the Code of Conduct and Speak Up Policy as well as whether the interests of the Company's stakeholders are respected in accordance with adopted policies.</p>
1.1.3. The Committee recommends that the company publish quarterly reports.	X		ISS published quarterly reports in 2018. Quarterly reports are prepared and released in English. Investor presentations are held via live webcast/telephone conference in connection with release of quarterly and annual reports and audio-cast of investor presentations are subsequently made available on ISS' website.
<i>1.2. General meeting</i>			
1.2.1. The Committee recommends that in organising the company's general meeting, the board of directors plans the meeting to support active ownership.	X		<p>The Board of Directors strives to plan the general meetings in a manner that encourages active ownership of shareholders, including by announcing the date of the general meeting well in advance.</p> <p>Every shareholder is entitled to have specific business transacted at the annual general meeting, provided that a written request is submitted in accordance with the Articles of Association. Furthermore, all shareholders may attend general meetings together with an adviser and ask questions.</p> <p>Shareholders may vote without physical attendance at the general meeting, including by voting through ISS' web-based shareholder portal or by submitting a proxy or vote by correspondence form.</p> <p>Admission and means of attending and voting at the general</p>



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			meeting is described in detail in the notice to convene the annual general meeting.
1.2.2. The Committee recommends that proxies or votes by post for the general meeting allow shareholders to consider each individual item on the agenda.	X		Proxy and vote by correspondence forms (including on ISS' web-based shareholder portal) for the general meeting allow shareholders to consider each individual item on the agenda.
1.3. Takeover bids			
1.3.1. The Committee recommends that the company set up contingency procedures in the event of takeover bids, from the time that the board of directors has reason to believe that a takeover bid will be made. The contingency procedures should establish that the board of directors should not without the acceptance of the general meeting, attempt to counter the takeover bid by making decisions which in reality prevent the shareholders from deciding on the takeover bid themselves.	X		The Board of Directors has adopted a Takeover Response Manual which complies with the recommendation. The Takeover Response Manual was updated in 2018.
2. Tasks and responsibilities of the board of directors			
2.1. Overall tasks and responsibilities			
2.1.1. The Committee recommends that at least once annually the board of directors considers the matters that should be included in the board's performance of its responsibilities.	X		The Board of Directors has identified its key responsibilities in its Rules of Procedure which are reviewed at least once annually. The Board of Directors furthermore has an annual overview of recurring matters to be transacted to ensure that it performs its responsibilities. As part of the annual review, the Board of Directors defines its material tasks in relation to the financial and managerial control of the Company. Furthermore, the Board of Directors convenes at least six times per year, including for one strategy



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			<p>meeting each year and additional meetings are convened when required or requested by a member of the Board of Directors or the Executive Group Management Board or the Company's auditor.</p> <p>In 2018, the Board of Directors convened ten times.</p>
2.1.2. The Committee recommends that at least once annually the board of directors considers the overall strategy of the company with a view to ensuring value creation in the company.	X		<p>At least once a year, the Board of Directors reviews and approves the overall strategy plan with a view to sustain value creation in the Company. The Board of Directors conducts an annual strategy process where the overall strategy, business and action plan is reviewed and discussed and subsequently approved.</p> <p>In 2018, the Board strategy process resulted in a strategy update announced to the market on 10 December 2018 regarding ISS' ambition to increase organic growth by accelerating its transition towards key account customers.</p>
2.1.3. The Committee recommends that the board of directors ensure that the company has a capital and share structure which supports that the strategy and long-term value creation of the company are in the best interest of the shareholders and the company, and that the board of directors explain this in the management commentary and/or on the company's website.	X		<p>Review of the capital and share structure is an annually recurring item on the agenda of the Board of Directors to ensure that the strategy and long-term value creation of the Company are in the best interest of the shareholders and the Company. The Board's view is reflected in the annual report.</p>
2.1.4. The Committee recommends that the board of directors annually review and approve guidelines for the executive board; this includes establishing requirements for the executive board's reporting to the board of directors.	X		<p>The Board of Directors has adopted Rules of Procedure for the Executive Group Management Board, which are subject to annual review. The Rules of Procedure of the Executive Group Management Board include specific reporting requirements to the Board of Directors as well as a description of overall duties and obligations and specific authorisations within which the Executive Group Management Board may transact business.</p>



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2.1.5. The Committee recommends that at least once annually, the board of directors discuss the composition, developments, risks and succession plans of the executive board.	X		At least once annually, the Board of Directors discusses the composition of the Executive Group Management Board as well as developments, risks and succession plans.
<i>2.2. Corporate social responsibility</i>			
2.2.1. The Committee recommends that the board of directors adopt policies on corporate social responsibility.	X		<p>The Board of Directors has adopted a Corporate Responsibility Policy, which is available on ISS' website. A description of corporate responsibility initiatives is included in ISS' Annual Report and furthermore ISS annually issues a CR Report as per section 99a of the Danish Financial Statements Act to present the ISS Group's approach to Corporate Responsibility.</p> <p>ISS has made a strong commitment as a signatory and supporter of the United Nations Global Compact since its inception in 1999. In line with the membership regulations, ISS is committed to aligning its strategy and business operations with the ten principles on human rights, labour rights, environmental protection and anti-corruption and the United Nations Guiding Principles on Business and Human Rights.</p> <p>ISS' website has a separate Corporate Responsibility section.</p>
<i>2.3. Chairman and vice-chairman of the board of directors</i>			
2.3.1. The Committee recommends appointing a vice chairman of the board of directors, who will assume the responsibilities of the chairman in the event of the chairman's absence, and who will also act as effective sparring partner for the chairman.	X		According to the Articles of Association, the Board of Directors shall elect a Deputy Chairman among its members, which shall take place at the constitutional board meeting held after the annual general meeting each year. According to the Rules of Procedure of the Board of Directors and the Charter for the Chairman, the Deputy Chairman will act as chairman and assume the chairman's responsibilities in the Chairman's absence. The role of the Deputy

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			Chairman is described in the Rules of Procedure of the Board of Directors and in the Charter for the Chairman.
2.3.2. The Committee recommends that, if the board of directors, in exceptional cases, asks the chairman of the board of directors or other board members to perform special activities for the company, including briefly participating in the day-to-day management, a board resolution to that effect should be passed to ensure that the board of directors maintains its independent, general management and control function. Resolutions on the chairman's or other board members' participation in day-to-day management and the expected duration hereof should be publicly announced.	X		According to the Rules of Procedure of the Board of Directors as well as the Charter for the Chairman, any special tasks for the Company, including temporary involvement in the day-to-day management, shall only in exceptional cases be undertaken by a member of the Board of Directors, including the Chairman and the Deputy Chairman. Such special tasks shall be confined to a limited period of time and shall be subject to the prior approval of the Board of Directors and measures ensuring that the Board of Directors retains independent overall management and control. Any such resolutions, including the expected duration, will be publicly disclosed.
3. Composition and organisation of the board of directors			
<i>3.1. Composition</i>			
3.1.1. The Committee recommends that the board of directors annually evaluates and in the management commentary accounts for <ul style="list-style-type: none"> the competencies that it must have to best perform its tasks, the composition of the board of directors, and the special competencies of each member. 	X		<p>The 2018 Annual Report of the Company contains a description of the composition of the Board of Directors and special competencies of each Board member. The board members' biographies are also available on ISS' website.</p> <p>The Board of Directors has adopted and annually reviews "Competencies and diversity policy for the Board of Directors and other management levels of ISS A/S" containing guidelines in respect of determining the appropriate qualifications, experience and competencies required of board candidates in order for the Board of Directors to best perform its tasks, taking into account ISS' needs and the current composition of the Board of Directors as well as the need for integration of new talent and diversity, including in relation to age, international experience and gender.</p>



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			<p>The “Competencies and diversity policy for the Board of Directors and other management levels of ISS A/S”, is available on ISS’ website (http://inv.issworld.com/policies-and-guidelines).</p> <p>The nomination of candidates in connection with the annual general meeting reflects the Board of Directors’ and the Nomination Committee’s considerations on the qualifications, experience and competencies required to best perform the tasks of the Board of Directors.</p>
<p>3.1.2. The Committee recommends that the board of directors annually discuss the company’s activities to ensure relevant diversity at management levels and prepares and adopts a policy on diversity. The policy should be published on the company’s website.</p>	<p>X</p>		<p>The Board of Directors has adopted “Competencies and diversity policy for the Board of Directors and other management levels of ISS A/S” as well as a target for the underrepresented gender on the Board of Directors in accordance with Danish legislation as described in the management review of the Annual Report.</p> <p>The “Competencies and diversity policy for the Board of Directors and other management levels of ISS A/S” was most recently updated in December 2018 and is available on ISS’ website (http://inv.issworld.com/policies-and-guidelines).</p> <p>At least annually, the Board of Directors discusses the Company’s activities to ensure relevant diversity at management levels, including by reviewing the above-mentioned policy. The composition of the Board of Directors and the Executive Group Management Board, respectively, is considered diverse in many aspects.</p> <p>Presently, ISS A/S has no employees. ISS World Services A/S, which is a direct subsidiary of ISS A/S, employs the ISS Group’s head office employees and ISS World Services A/S has adopted a Diversity Policy, which includes a gender diversity policy pursuant</p>



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			<p>to the Danish rules regarding the underrepresented gender.</p> <p>Reporting in respect of cultivating gender diversity according to the Danish rules on the underrepresented gender is carried out by the relevant legal entities in the ISS Group, including by ISS A/S in the Annual Report with respect to the Board of Directors.</p>
<p>3.1.3. The Committee recommends that the selection and nomination of candidates for the board of directors be carried out through a thorough and transparent process approved by the board of directors. When assessing its composition and nominating new candidates, the board of directors should, in addition to the need for competencies and qualifications, take into consideration the need for integration of new talent and diversity.</p>	<p>X</p>		<p>According to its Rules of Procedure, the Board of Directors shall ensure a formal, thorough and transparent process for selection and nomination of candidates to the Board of Directors.</p> <p>The Board of Directors has adopted and annually reviews “Competencies and diversity policy for the Board of Directors and other management levels of ISS A/S” containing guidelines in respect of determining the appropriate qualifications, experience and competencies required of board candidates in order for the Board of Directors to best perform its tasks, taking into account ISS’ needs and the current composition of the Board of Directors as well as the need for integration of new talent and diversity, including in relation to age, international experience and gender. The policy is reviewed in light of the outcome of the annual Board evaluation.</p> <p>The Nomination Committee conducts the preparatory work for the Board of Directors, which also takes into account feedback from the annual Board evaluation. Nomination of candidates to the Board of Directors in connection with general meetings will be accompanied by information about the candidate in question.</p>
<p>3.1.4. The Committee recommends that the notice convening a general meeting where the agenda includes the election of members to the board of directors, include (in addition to the statutory requirements) a description of the qualifications of</p>	<p>X</p>		<p>A description of nominated candidates’ qualifications, competencies, other executive functions, board and committee memberships, demanding organisational tasks and independence is sent out together with the notice convening general meetings</p>



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<p>nominated candidates, including information about the candidates'</p> <ul style="list-style-type: none"> other executive functions, including membership of executive boards, boards of directors and supervisory boards, including board committees, in Danish and foreign enterprises, and demanding organisational tasks. <p>Furthermore, it should be indicated if the candidates to the board of directors are considered independent.</p>			where board members are to be elected.
3.1.5. The Committee recommends that members of the company's executive board not be members of the board of directors and that a resigning chief executive officer not be directly elected as chairman or vice chairman for the same company.	X		ISS complies with the recommendation.
3.1.6. The Committee recommends that members of the board of directors elected by the general meeting be up for election every year at the annual general meeting.	X		According to the Articles of Association, all members of the Board of Directors elected by the general meeting are elected for a term of one year. Re-election may take place.
<i>3.2 Independence of the board of directors</i>			
<p>3.2.1. The Committee recommends that at least half of the members of the board of directors elected by the general meeting be independent persons, in order for the board of directors to be able to act independently of special interests.</p> <p>To be considered independent, this person may not:</p> <ul style="list-style-type: none"> be or within the past five years have been a member of the executive board, or senior staff member in the company, a subsidiary or an associated company, 	X		All members of the Board of Directors elected by the general meeting are considered independent based on the definitions outlined in the recommendation.



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<ul style="list-style-type: none"> • within the last five years, have received significant remuneration from the company/group, a subsidiary or an associated company in a different capacity than as member of the board of directors, • represent or be associated with a controlling shareholder, • within the past year, have had significant business relations (e.g. personally or indirectly as partner or employee, shareholder, customer, supplier or member of management in companies with corresponding connection) with the company, a subsidiary or an associated company. • be or within the past three years have been employed or been a partner in the same company as the auditor elected by the general meeting, • be part of the executive management in a company with cross-management representation in the company, • have been a member of the board of directors for more than 12 years, or • be a close relative with persons who are not considered independent. <p>Even if a member of the board of directors is not covered by the above criteria, certain conditions may exist that may lead the board of directors to decide that one or more members cannot be regarded as independent.</p>			



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<i>3.3. Members of the board of directors and the number of other management functions</i>			
3.3.1. The Committee recommends that each member of the board of directors assesses the expected time commitment for each function so that the member does not take on more functions than he/she can undertake at a satisfactory level for the company.	X		The recommendation is included in the Rules of Procedure of the Board of Directors. Each member of the Board of Directors is expected to ensure that he/she is able to allocate the time required to fulfil the duties as a member of the Board of Directors and any committees and is expected only to undertake other or additional positions if the tasks and duties of each such position can be carried out without interfering with or affecting the satisfactory fulfilment of the work and duties as a member of the Board of Directors.
<p>3.3.2. The Committee recommends that the management commentary, in addition to the provisions laid down by legislation, includes the following information about the members of the board of directors:</p> <ul style="list-style-type: none"> • the position of the relevant person, • the age and gender of the person in question, • the person's competencies and qualifications that are relevant to the company • whether the member is considered independent, • the member's date of appointment to the board of directors, • expiry of the current election term, • the member's participation in the meetings on the board of directors and committee meetings, • other management functions, including memberships in executive boards, boards of directors, and supervisory boards, including board committees in Danish and foreign enterprises and demanding organisational tasks, and • the number of shares, options, warrants and similar 	X		The Company's 2018 Annual Report includes the recommended information.



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owned by the member in the company and other group companies, as well as changes to the member's portfolio of the mentioned securities which have occurred during the financial year.			
3.3.3. The Committee recommends that the annual evaluation procedure, cf. section 3.5, include an evaluation of what is regarded as a reasonable level for the number of other management functions, where the number, level and complexity of the other individual management functions are taken into account.	X		The annual Board evaluation includes an assessment of what the Board considers a reasonable level of other management functions and is furthermore considered by the Board when nominating Board members to the annual general meeting.
3.4. Board committees			
3.4.1. The Committee recommends that the company publish the following on the company's website: <ul style="list-style-type: none"> the terms of reference of the board committees, the most important activities of the committees during the year and the number of meetings held by each committee, and the names of the members of each committee, including the chairmen of the committees, as well as information regarding which members are independent members and which members have special competencies. 	X		ISS' website includes the recommended information on the Board committees' mandates, key activities, number of meetings held, and the names of the members and chairs of the Board committees as well as information on independence and special competencies of Board committee members.
3.4.2. The Committee recommends that a majority of the members of a board committee be independent.	X		All members of the Board committees are considered independent.



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3.4.3. The Committee recommends that the board of directors among its members set up an audit committee and that a chairman is appointed who is not the chairman of the board of directors.	X		<p>The Board of Directors has established an Audit and Risk Committee. Both the Rules of Procedure of the Board of Directors and the Charter for the Audit and Risk Committee set out that the Chairman of the Board of Directors may not also be the chairman of the Audit and Risk Committee.</p> <p>In 2018, the Audit and Risk Committee convened six times.</p>
<p>3.4.4. The Committee recommends that, prior to the approval of the annual report and other financial reports, the audit committee monitors and reports to the board of directors about:</p> <ul style="list-style-type: none"> • significant accounting policies, • significant accounting estimates, • related party transactions, and • uncertainties and risks, including in relation to the outlook for the current year. 	X		<p>The recommendation is included in the Charter for the Audit and Risk Committee as tasks and the Audit and Risk Committee monitors and reports to the Board of Directors accordingly when relevant.</p>
<p>3.4.5. The Committee recommends that the audit committee:</p> <ul style="list-style-type: none"> • annually assesses the need for an internal audit function and, in such case, presents mandates and recommendations on selecting, appointing and removing the head of the internal audit function and on the budget of the internal audit function, • ensures that if an internal audit has been established, a description of its functions is available and approved by the board of directors, • ensures that if an internal audit has been established, adequate resources and competencies are allocated to carry out the work, and • monitors the executive board's follow-up on the 	X		<p>A Group Internal Audit function has been established to support and control the ISS Group's internal control and risk management systems. The Board of Directors has defined the mandate, tasks and responsibilities of Group Internal Audit in a Charter. The Board of Directors and the Audit and Risk Committee meet at least annually with the Head of Group Internal Audit.</p> <p>Any appointment and dismissal of the Head of Group Internal Audit as well as any material amendment to the terms of employment of the Head of Group Internal Audit shall be approved by the Board of Directors.</p> <p>The Audit and Risk Committee regularly reviews the work, recommendations and follow-up as well as adequacy of and</p>

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conclusions and recommendations of the internal audit function.			resources and competencies of Group Internal Audit. The recommendation is reflected as tasks in the Charter for the Audit and Risk Committee.
<p>3.4.6. The Committee recommends that the board of directors establish a nomination committee, which is at least responsible for the following preparatory tasks:</p> <ul style="list-style-type: none"> describing the qualifications required by the board of directors and the executive board and for a given position, indicating the time expected to be spent carrying out a specific position, as well as assessing the competencies, knowledge and experience found in the two governing bodies, annually assessing the structure, size, composition and results of the board of directors and the executive board and recommend any changes to the board of directors, annually assessing the competencies, knowledge, experience and succession of the individual members of management and report to the board of directors in this respect, recommending candidates for the board of directors and the executive board, and proposing an action plan to the board of directors on the future composition of the board of directors, including proposals for specific changes. 	X		<p>The Board of Directors has established a Nomination Committee.</p> <p>The Charter of the Nomination Committee and the tasks performed by the Committee comply with the recommendation. Reference is also made to the comments to 3.1.3 above.</p> <p>In 2018, the Nomination Committee convened six times.</p>
<p>3.4.7. The Committee recommends that the board of directors establish a remuneration committee, which is at least responsible for the following preparatory tasks:</p>	X		<p>The Board of Directors has established a Remuneration Committee.</p> <p>The Charter of the Remuneration Committee and the tasks</p>

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<ul style="list-style-type: none"> recommending the remuneration policy (including the “General Guidelines for incentive-based Remuneration”) to the board of directors and the executive board for approval by the board of directors prior to approval by the general meeting, making proposals to the board of directors on remuneration for members of the board of directors and the executive board, as well as ensuring that the remuneration is in compliance with the company’s remuneration policy and the assessment of the performance of the persons concerned. The committee should have information on the total remuneration that members of the board of directors and the executive board receive from other companies in the group, recommending a remuneration policy applicable for the company in general and assisting with the preparation of the annual remuneration report. 			<p>performed by the Committee comply with the recommendation.</p> <p>In 2018, the Remuneration Committee convened nine times.</p>
<p>3.4.8. The Committee recommends that the remuneration committee do not consult with the same external advisers as the executive board of the company.</p>	<p>X</p>		<p>The recommendation is included in the Rules of Procedure of the Board of Directors as well as in the Charter for the Remuneration Committee.</p> <p>The Remuneration Committee complies with the recommendation as it has engaged Kepler to advise the Committee as external and independent adviser.</p>
<p>3.5. <i>Evaluation of the performance of the board of directors and the executive board</i></p>			
<p>3.5.1. The Committee recommends that the board of directors establish an evaluation procedure for an annual evaluation of the board of directors and the individual</p>	<p>X</p>		<p>The Board of Directors conducts an annual evaluation, which complies with the recommendation.</p>



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<p>members. External assistance should be obtained at least every third year. The evaluation should inter alia include:</p> <ul style="list-style-type: none"> • contribution and results, • cooperation with the executive board, • the chairman's leadership of the board of directors, • the composition of the board of directors (including competencies, diversity and the number of members), • the work in the committees and the committee structure, and • the organisation and quality of the material that is submitted to the board of directors. <p>The evaluation procedure and the general conclusions should be described in the management commentary and on the company's website. The chairman should account for the evaluation of the board of directors, including the process and general conclusions at the general meeting prior to the election of the board of directors.</p>			<p>In 2016, the Board carried out an evaluation process with the assistance of an external consultant.</p> <p>In 2017, the Board carried out an internal evaluation led by the Chairman. At the annual general meeting on 11 April 2018, the Chairman reported on the 2017 Board evaluation, including the process followed and overall conclusions prior to the election of members to the Board of Directors.</p> <p>In 2018, the Board actioned all the focus areas identified in the 2017 Board evaluation, including strengthening executive succession processes and review of diversity at Group management levels as well as implementing consistent follow-up on and review of past key Board decisions. As part of the continuous development plan for Board members, the Board covered elements of the ISS Advantage executive management program through a series of meetings and strategy sessions in 2018.</p> <p>In 2018, the Board carried out a Board evaluation process with the assistance of an external consultant which complied with the recommendation.</p> <p>The evaluation procedure consisted of (1) an extensive questionnaire covering a broad range of Board related matters completed by all Board members, the Group CEO and Group CFO; (2) one-to-one sessions between the external consultant and Board members, Group CEO and Group CFO; (3) observation of a Board meeting by the external consultant, (4) one-to-one sessions between the Chairman and Board members, Group CEO and Group CFO where feedback on individual performance was also discussed; and (5) a presentation to the Board in December 2018 by the external consultant on the outcome of the evaluation and</p>



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			<p>discussion hereof by the Board.</p> <p>The overall outcome was a high level of performance and furthermore overall improvement and good progress on all matters covered by the questionnaire compared to 2017. A key finding was a significant level of trust, alignment and commitment of Board members. The collaboration between the Executive Group Management Board and the Board of Directors had further strengthened in 2018 and there was strong engagement between Board members and members of the broader executive group management team. The quality and efficiency of the Board meetings increased in 2018 with more time allocated to discussions, improved balance between strategy and operations and strong alignment on strategic priorities.</p> <p>For 2019, the Board decided to focus on review of competencies required for future Board member(s), to review key external topics (to be determined by the Board), to continue to strengthen Board and executive succession processes and to review how to strengthen diversity efforts at management levels, in addition to continued improvement of Board meeting quality and efficiency.</p> <p>The Board evaluation procedure and general conclusions are not described separately in the 2018 Annual Report, as this Corporate Governance Report forms part of the Management Review of the Annual Report.</p>
3.5.2. The Committee recommends that at least once annually, the board of directors evaluate the work and performance of the executive board in accordance with pre-defined criteria. Furthermore, the board of directors should evaluate the need for changes to the structure and composition of the executive board, in light of the company's	X		The Board of Directors annually evaluates the work, performance and results of the Executive Group Management Board in accordance with pre-defined criteria/key performance indicators, including financial and strategic objectives, as well as the need for changes to the organisation and structure and the composition of the Executive Group Management Board in light of the strategy.



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strategy.			
3.5.3. The Committee recommends that the executive board and the board of directors establish a procedure according to which their cooperation is evaluated annually through a formalised dialogue between the chairman of the board of directors and the chief executive officer, and that the outcome of the evaluation be presented to the board of directors.	X		<p>The Chairman of the Board of Directors and the Group CEO have an ongoing dialogue through which the cooperation between the Board of Directors and the Executive Group Management Board is evaluated. The ongoing evaluation is discussed as required at Board meetings.</p> <p>Furthermore, an evaluation of the cooperation between the Board of Directors and the Executive Group Management Board is done and reviewed as part of the annual Board evaluation.</p>
4. Remuneration of management			
<i>4.1. Form and content of the remuneration policy</i>			
<p>4.1.1. The Committee recommends that the board of directors prepares a remuneration policy for the board of directors and the executive board, which includes</p> <ul style="list-style-type: none"> • a detailed description of the components of the remuneration for members of the board of directors and the executive board, • the reasons for choosing the individual components of the remuneration, • a description of the criteria that form the basis for the balance between the individual components of the remuneration, and • an explanation for the correlation between the remuneration policy and the company's long-term value creation and relevant related goals. <p>The remuneration policy should be approved by the general meeting at least every fourth year and upon any material</p>	X		<p>The Board of Directors has adopted a Remuneration Policy which was approved by the general meeting in 2014 and last updated and approved by the general meeting in 2018 and is available on ISS' website (http://inv.issworld.com/policies-and-guidelines). The Remuneration Policy complies with the recommendation.</p>



Recommendation	ISS complies	ISS does not comply	The company complies / explanation for not complying with the recommendation
amendments and it should be published on the company's website.			
<p>4.1.2. The Committee recommends that if the remuneration policy includes variable components,</p> <ul style="list-style-type: none"> • limits be set on the variable components of the total remuneration package, • a reasonable and balanced composition be ensured between remuneration for members of management and the value creation for shareholders in the short and long term, • clarity be established about performance criteria and measurability for the award of variable components, • it is ensured that variable remuneration not only consists of short-term remuneration components, and that long-term remuneration components must have a vesting or maturity period of at least three years, and • it be ensured that the company has the ability to reclaim, in full or in part, variable components of remuneration that were paid on the basis of information, which subsequently are found to be incorrect. 	X		<p>The Remuneration Policy complies with the recommendation and is available on ISS' website (http://inv.issworld.com/policies-and-guidelines).</p> <p>Agreements with members of the Executive Group Management Board entitle the Company under special circumstances to reclaim certain variable components of the remuneration that is paid on the basis of information, which subsequently prove to be manifestly misstated.</p>
4.1.3. The Committee recommends that remuneration of members of the board of directors does not include share options or warrants.	X		As set out in the Company's Overall Guidelines on Incentive Pay as well as in the Remuneration Policy (both available at http://inv.issworld.com/policies-and-guidelines), the members of the Board of Directors shall be remunerated with fixed annual fees approved by the general meeting and shall not be covered by incentive programs or be entitled to variable remuneration.
4.1.4. The Committee recommends that if, in relation to long-	X		Reference is made to the Remuneration Policy and Overall



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term incentive programmes, a share-based remuneration is used, the programmes should have a vesting or maturity period of at least three years after being allocated and should be roll-over programmes, i.e. the options should be granted periodically.			Guidelines on Incentive Pay (available on ISS' website). Performance Share Units ("PSUs") granted under the Company's long-term incentive program comply with the recommendation.
4.1.5. The Committee recommends that the total value of the remuneration relating to the notice period, including severance pay, does not exceed two years of remuneration, including all components of the remuneration.	X		The Company's Remuneration Policy complies with the recommendation. Current service agreements with the members of the Executive Group Management Board also comply with the recommendation.
<i>4.2. Disclosure of remuneration</i>			
4.2.1. The Committee recommends that the company's remuneration policy and compliance with this policy be explained and justified annually in the chairman's statement at the company's general meeting.	X		The Chairman's report at the annual general meeting will continue to include an explanation and justification of the Company's Remuneration Policy as well as compliance herewith.
4.2.2. The Committee recommends that shareholders at the general meeting transact proposal for approval of remuneration for the board of directors for the current financial year.	X		Pursuant to the Articles of Association the proposed remuneration to the Board of Directors for the pending financial year is a separate item on the agenda for the annual general meeting. The 2018 remuneration for the Board of Directors was approved at the annual general meeting on 11 April 2018.
4.2.3. The Committee recommends that the company prepares a remuneration report that includes information on the total remuneration received by each member of the board of directors and the executive board from the company and other companies in the group and associated companies for the last three years, including information on the most important content of retention and resignation arrangements and that the correlation between the remuneration and company strategy and relevant related goals be explained.	X		ISS annually prepares a Remuneration Report which is included in the Annual Report and available via ISS' website.



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The remuneration report should be published on the company's website.			
5. Financial reporting, risk management and audits			
<i>5.1. Identification of risks and transparency about other relevant information</i>			
5.1.1. The Committee recommends that the board of directors considers and in the management commentary account for the most important strategic and business-related risks, risks in connection with the financial reporting as well as for the company's risk management.	X		The Company's Annual Report contains information on the key strategic and business-related risks, risks in connection with financial reporting as well as the Company's overall risk management.
<i>5.2. Whistleblower scheme</i>			
5.2.1. The Committee recommends that the board of directors establish a whistleblower scheme for expedient and confidential notification of serious wrongdoing or suspicions thereof.	X		<p>A group-wide whistleblower policy was adopted in 2010 (renamed "ISS Speak Up Policy" in 2016). The Speak Up Policy is available on ISS' website. The Speak Up Policy is implemented through a reporting tool which is available in 20 languages via ISS' website and local ISS country websites enabling employees of ISS, business partners and other stakeholders to report any serious and sensitive concerns anonymously.</p> <p>Reports are reviewed by Group Internal Audit, and a summary of the reports received, and the actions taken by management are provided to the Audit & Risk Committee.</p>
<i>5.3. Contact to auditor</i>			
5.3.1. The Committee recommends that the board of directors ensure regular dialogue and exchange of information between the auditor elected by the general meeting and the board of directors, including that the board	X		The Board of Directors and the Audit and Risk Committee maintain a regular dialogue and exchange of information between the external independent auditors and the Board of Directors through the Audit and Risk Committee.



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of directors and the audit committee meet with the auditor elected by the general meeting at least once annually without the executive board present. This also applies to the internal auditor, if any.			The Board of Directors as well as the Audit and Risk Committee meet at least once annually with both the auditors and the Head of Group Internal Audit without the Executive Group Management Board being present.
5.3.2. The Committee recommends that the audit agreement and auditor's fee be agreed by the board of directors and the auditor elected by the general meeting based on a recommendation from the audit committee.	X		The terms of engagement and the fees of the Company's auditor are approved by the Board of Directors upon recommendation from the Audit and Risk Committee.