



## **ISS A/S**

### **STATUTORY REPORT ON CORPORATE GOVERNANCE FOR THE FINANCIAL YEAR 2014**

This report on corporate governance for ISS A/S, (CVR no. 28504799), ("ISS" or the "Company") has been prepared pursuant to the Section 107B of the Danish Financial Statements Act and the Rules for Issuers of Shares of NASDAQ OMX 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 in May 2013 (as updated in November 2014), 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](http://www.corporategovernance.dk). This report is available on our website, <http://inv.issworld.com/governancereport.cfm>.

#### **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 seven 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. Only persons who are younger than 70 years at the time of election may be elected to the Board of Directors. All members, 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, and the term of the existing employee representatives expires in connection with the Annual General Meeting on 15 April 2015, after which date new employee representatives, elected by the employees of ISS World Services A/S in March 2015, will start serving on the Board of Directors of ISS A/S.

The Board of Directors convenes at least six times per year, including for one strategy meeting each year.



The Board of Directors evaluates its performance on an annual basis and will evaluate (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.

### **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 is responsible for the review and monitoring of the Group's risk management and internal controls related to financial reporting. Furthermore, the committee evaluates the external financial reporting as well as the main accounting policies and estimates. Its duties also include supervision of the external auditor and the group internal audit function in addition to considering the relationship with the external auditors.

#### *Remuneration Committee*

The Remuneration Committee assists the Board of Directors in its preparation of the Remuneration Policy and the Overall Guidelines on Incentive Pay and recommends to the Board of Directors the remuneration of the members of the Board of Directors and the Executive Group Management Board as well as a general remuneration policy for the Company.

#### *Nomination Committee*

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

#### *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.

### **Executive Group Management Board**

The Board of Directors has appointed an Executive Group Management Board consisting of four members. The primary tasks of the Executive Group Management Board are to carry out the day-to-day management of the ISS Group, develop and implement strategic initiatives, develop 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 Danish listed company, 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. ISS A/S is in compliance with the Danish Recommendations on



Corporate Governance in all material respects, with one exception that concerns recommendation 4.1.4 on share-based remuneration. In two aspects, our current incentive programmes do not comply with the recommendation that share-based remuneration should have a maturity of three years from date of allocation:

Firstly, the Company's transition share programme ("TSP") was established as a once only programme to ensure a possibility of share-related instruments vesting in the first two-year period after completion in March 2014 of the listing of ISS A/S on Nasdaq Copenhagen. Accordingly, the performance based share units ("PSUs") granted under the Company's TSP vest, subject to achievement of certain bonus objectives, earlier than three years from the date of the grant. The TSP will end after the vesting of PSUs in 2016.

Secondly, the Company's short term incentive programme ("STIP") is a cash based bonus with a deferral element to link a portion of the paid cash bonus to the price of the Company's shares as 1/3 of any cash bonus payable (net of taxes) is settled in restricted share units ("RSUs") when the cash bonus is paid. The RSUs are converted into shares on the first and second anniversary following the payment of the cash bonus with 50% each time. 50% of the RSUs received under our STIP can be converted into shares earlier than three years from the date of the grant of the bonus.

Reference is also made to the comments to recommendation 4.1.4 in the report below.

This report is not covered by the auditors' report in ISS A/S' 2014 Annual Report.

Approved by the Board of Directors of ISS A/S on 12 March 2015.



Recommendation	ISS complies	ISS does not comply	The company complies / explanation for not complying with the recommendation
<b>1. Communication and interaction by the company with its investors and other stakeholders</b>			
<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 in order for the shareholders to gain relevant insight into the company's potential and policies, and in order for the board of directors to be aware of the shareholders' views, interests and opinions on the company.	<b>X</b>		<p>ISS is committed to maintaining ongoing dialogue with its shareholders and investors, for example by hosting investor presentations, calls and webcasts, investor relations activities, through company announcements and press releases, interim and annual reports, ISS' website, investor portal, etc. The first annual general meeting as a publicly listed company will take place in April 2015.</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 (<a href="http://www.issworld.com">www.issworld.com</a>).</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 other investors, and that the board ensures that the interests of the stakeholders are respected in accordance with company policies.	<b>X</b>		<p>ISS has adopted a Code of Conduct, Investor Relations Policy, a Communication and Stakeholder Policy and a Corporate Responsibility Policy. The Code of Conduct and the policies are available on the Company's website. The ISS Group has adopted a whistleblower policy to enable employees, business partners and other stakeholders to report any serious and sensitive concerns.</p> <p>The Board of Directors reviews relevant matters in respect of the Code of Conduct 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.	<b>X</b>		ISS publishes quarterly reports. Quarterly reports are prepared and released in English. Investor presentations are held via live webcast/telephone conference in connection with release of



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			quarterly and annual reports and audio-cast of investor presentations are subsequently made available on ISS' website.
<b>1.2. General meeting</b>			
1.2.1. THE COMMITTEE RECOMMENDS that, when organising the company's general meeting, the board of directors plans the meeting to support active ownership.	<b>X</b>		<p>The Board of Directors will strive to plan the general meetings in a manner that encourages active ownership of shareholders. The first annual general meeting as a publicly listed company will be held in April 2015.</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>
1.2.2. THE COMMITTEE RECOMMENDS that proxies granted for the general meeting allow shareholders to consider each individual item on the agenda.	<b>X</b>		The first annual general meeting as a publicly listed company will be held in April 2015. Proxies for the general meeting will allow shareholders to consider each individual item on the agenda.
<b>1.3. Takeover bids</b>			
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. According to such contingency procedures, 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.	<b>X</b>		The Board of Directors has adopted a Takeover Defence Manual which complies with the recommendation.



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<b>2. Tasks and responsibilities of the board of directors</b>			
<i>2.1. Overall tasks and responsibilities</i>			
2.1.1. THE COMMITTEE RECOMMENDS that at least once a year the board of directors take a position on the matters related to the board's performance of its responsibilities.	<b>X</b>		The Board of Directors has identified its key responsibilities in its Rules of Procedures which are reviewed at least once annually. The Board of Directors furthermore has an annual agenda 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 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.
2.1.2. THE COMMITTEE RECOMMENDS that at least once a year the board of directors take a position on the overall strategy of the company with a view to ensuring value creation in the company.	<b>X</b>		At least once a year, the Board of Directors reviews and approves the overall strategy, business and action plan with a view to sustain value creation in the Company. The Board of Directors conducts an annual strategy meeting in June each year where the overall strategy, business and action plan is reviewed and updated, if required.
2.1.3. THE COMMITTEE RECOMMENDS that the board of directors ensure that the company has a capital and share structure ensuring 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 presents this in the management commentary of the company's annual report and/or on the company's website.	<b>X</b>		Review of the capital and share structure is an annually recurring item on the agenda of 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 and is reflected in the annual report.
2.1.4. THE COMMITTEE RECOMMENDS that the board of directors annually review and approve guidelines for the	<b>X</b>		The Board of Directors has adopted Rules of Procedures for the Executive Group Management Board, which are subject to annual



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executive board; this includes establishing requirements for the executive board on timely, accurate and adequate reporting to the board of directors.			review. The Rules of Procedures of the Executive Group Management Board include specific reporting requirements to the Board of Directors and well as a description of overall duties and obligations and specific authorisations within which the Executive Group Management Board may transact business.
2.1.5. THE COMMITTEE RECOMMENDS that at least once a year the board of directors discuss the composition of the executive board, as well as developments, risks and succession plans.	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.
2.1.6. THE COMMITTEE RECOMMENDS that once a year the board of directors discuss the company's activities to ensure relevant diversity at management levels, including setting specific goals and accounting for its objectives and progress made in achieving the objectives in the management commentary on the company's annual report and/or on the website of the company.	X		<p>In respect of ensuring diversity at management levels of the Company, the Board of Directors has adopted principles regarding competencies and diversity in 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. Further, the Company has laid down a target for international experience in the Executive Group Management Board. The Board of Directors is of the opinion that by considering these principles regarding competencies and diversity when nominating new candidates to the Board of Directors or members of the Executive Group Management Board, it complies with the recommendation as there is no other management at ISS A/S. The composition of the Board of Directors and the Executive Group Management Board, respectively, is diverse in many aspects. The Board of Directors considers that the Executive Group Management Board meets the target for international experience. Once a year, the Board of Directors discusses the Company's activities to ensure relevant diversity at management levels, including by reviewing the principles regarding competencies and diversity of members of the Board of Directors and the Executive Group Management Board.</p> <p>Presently, ISS A/S has no employees. ISS World Services A/S,</p>



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			<p>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 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 will be carried out by the relevant legal entities in the ISS Group, including ISS A/S with respect to members of the Board of Directors.</p>
<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 CR, governance, initiatives in people, planet and profit.</p> <p>ISS has made a strong commitment as a signatory and supporter of the United Nations Global Compact (UNGC) 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.</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	X		According to the Articles of Association, the Board of Directors shall elect a Deputy Chairman among its members, which shall take





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responsibilities of the chairman in the event of the chairman's absence, and who will also act as effective sparring partner for the chairman.			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 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 ensuring that, if the board of directors, in exceptional cases, asks the chairman of the board of directors to perform special operating activities for the company, including briefly participating in the day-to-day management, a board resolution to that effect be passed to ensure that the board of directors maintains its independent, overall management and control function. Resolutions on the chairman's participation in day-to-day management and the expected duration hereof should be published in a company announcement.	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 the 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 the overall management and control. Any such agreement with the Chairman, including the expected duration, will be published in a company announcement.
<b>3. Composition and organisation of the board of directors</b>			
<b>3.1. Composition</b>			
3.1.1. THE COMMITTEE RECOMMENDS that the board of directors annually accounts for <ul style="list-style-type: none"> <li>the skills it must have to best perform its tasks,</li> <li>the composition of the board of directors, and</li> <li>the special skills of each member.</li> </ul>	X		<p>The 2014 Annual Report of the Company contains a description of the composition of the Board of Directors and competencies and special skills of each board member. The board members' biographies are also available on ISS' website.</p> <p>The nomination of candidates in connection with the annual general meeting will reflect 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>



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<p>3.1.2. THE COMMITTEE RECOMMENDS that the selection and nomination of candidates for the board of directors be carried out through a thoroughly transparent process approved by the overall board of directors. When assessing its composition and nominating new candidates, the board of directors must take into consideration the need for integration of new talent and diversity in relation to age, international experience and gender.</p>	<p><b>X</b></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 “Competencies and diversity in 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 in relation to age, international experience and gender.</p> <p>The Nomination Committee conducts the preparatory work for the Board of Directors. 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>3.1.3. THE COMMITTEE RECOMMENDS that a description of the nominated candidates’ qualifications, including information about the candidates’</p> <ul style="list-style-type: none"> <li>• other executive functions, e.g. memberships in executive boards, boards of directors, and supervisory boards, including board committees in foreign enterprises, be accompanied by the notice convening the general meeting when election of members to the board of directors is on the agenda.</li> <li>• demanding organisational tasks, and information</li> <li>• about whether candidates to the board of directors are considered independent.</li> </ul>	<p><b>X</b></p>		<p>A description of nominated candidates’ qualifications, other executive functions, demanding organisational tasks and independence will be sent out together with notice convening general meeting where new board members are to be elected.</p>



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3.1.4. THE COMMITTEE RECOMMENDS that the company's articles of association stipulate a retirement age for members of the board of directors.	X		According to article 10.4 of the Articles of Association, only persons who are younger than 70 years at the time of election may be elected to the Board of Directors by the general meeting.
3.1.5. 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. To be considered independent, this person may not:</p> <ul style="list-style-type: none"> <li>• be or within the past five years have been member of the executive board, or senior staff member in the company, a subsidiary undertaking or an associate,</li> <li>• within the past five years, have received larger emoluments from the company/group, a subsidiary undertaking or an associate in another capacity than as member of the board of directors,</li> <li>• represent the interests of a controlling shareholder,</li> <li>• within the past year, have had significant business relations (e.g. personal or indirectly as partner or employee, shareholder, customer, supplier or member of the executive management in companies with corresponding connection) with the company, a subsidiary undertaking or an associate,</li> <li>• be or within the past three years have been employed or partner at the external auditor,</li> </ul>	X		Currently, 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"> <li>• have been chief executive in a company holding cross-memberships with the company,</li> <li>• have been member of the board of directors for more than 12 years, or</li> <li>• have been close relatives with persons who are not considered independent.</li> </ul>			
<b>3.3. Members of the board of directors and the number of other executive functions</b>			
<p>3.3.1. THE COMMITTEE RECOMMENDS that each member of the board of directors assesses the expected time commitment for each function in order that the member does not take on more functions than he/she can manage satisfactorily for the company.</p>	<b>X</b>		<p>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>
<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"> <li>• the position of the relevant person,</li> <li>• the age and gender of the relevant person,</li> <li>• whether the member is considered independent,</li> <li>• the date of appointment to the board of directors of the member,</li> <li>• expiry of the current election period,</li> <li>• other executive functions, e.g. memberships in executive boards, boards of directors, and supervisory boards, including board committees in</li> </ul>	<b>X</b>		<p>The Company's 2014 Annual Report includes the recommended information.</p>



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<p>foreign enterprises and</p> <ul style="list-style-type: none"> <li>• demanding organisational tasks, and</li> <li>• the number of shares, options, warrants and similar in the company, and other group companies of the company, owned by the member, as well as changes in the portfolio of the member of the securities mentioned which have occurred during the financial year.</li> </ul>			
<b>3.4. Board committees</b>			
<p>3.4.1. THE COMMITTEE RECOMMENDS that the company publish the following on the company's website:</p> <ul style="list-style-type: none"> <li>• the terms of reference of the board committees,</li> <li>• the most important activities of the committees during the year, and the number of meetings held by each committee, and</li> <li>• the names of the members of each committee, including the chairmen of the committees, as well as information on which members are independent members and which members have special qualifications.</li> </ul>	<b>X</b>		ISS' website includes the recommended information on the board committees' mandates, key activities, number of meetings held, and the names of the members and chairmen of the board committees as well as information on independence and special qualifications of board committee members.
<p>3.4.2. THE COMMITTEE RECOMMENDS that a majority of the members of a board committee be independent.</p>	<b>X</b>		All members of the board committees are considered independent.
<p>3.4.3. THE COMMITTEE RECOMMENDS that the board of directors set up a formal audit committee composed such that</p>	<b>X</b>		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



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<ul style="list-style-type: none"> <li>the chairman of the board of directors is not chairman of the audit committee, and</li> <li>between them, the members should possess such expertise and experience as to provide an updated insight into and experience in the financial, accounting and audit aspects of companies whose shares are admitted to trading on a regulated market.</li> </ul>			<p>Chairman of the Board of Directors may not also be the chairman of the Audit and Risk Committee.</p> <p>Between them, the members of the Audit and Risk Committee possess such expertise and experience to meet the requirements set out in this recommendation.</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"> <li>significant accounting policies,</li> <li>significant accounting estimates,</li> <li>related party transactions, and</li> <li>uncertainties and risks, including in relation to the outlook for the current year.</li> </ul>	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"> <li>annually assesses the need for an internal audit, and in such case, makes recommendations on selecting, appointing and removing the head of the internal audit function and on the budget of the internal audit function, and</li> <li>monitor the executive board's follow-up on the conclusions and recommendations of the internal audit function.</li> </ul>	X		<p>A Group Internal Audit function has been established to support and control of the ISS Group's internal control and risk management systems. The Board of Directors has defined the 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 recommendation is included in the Charter for the Audit and</p>

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			Risk Committee as tasks.
<p>3.4.6. THE COMMITTEE RECOMMENDS that the board of directors establish a nomination committee chaired by the chairman of the board of directors with at least the following preparatory tasks:</p> <ul style="list-style-type: none"> <li>• describe the qualifications required by the board of directors and the executive board, and for a specific membership, state the time expected to be spent on having to carry out the membership, as well as assess the competences, knowledge and experience of the two governing bodies combined,</li> <li>• annually assess the structure, size, composition and results of the board of directors and the executive board, as well as recommend any changes to the board of directors,</li> <li>• annually assess the competences, knowledge and experience of the individual members of management, and report to the board of directors in this respect,</li> <li>• consider proposals from relevant persons, including shareholders and members of the board of directors and the executive board for candidates for the board of directors and the executive board, and</li> <li>• propose an action plan to the board of directors on the future composition of the board of directors, including proposals for specific changes.</li> </ul>	<b>X</b>		<p>The Board of Directors has established a Nomination Committee. The Chairman of the Board of Directors is also chairman of the 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 3.1.2 above.</p>
<p>3.4.7. THE COMMITTEE RECOMMENDS that the board of directors establish a remuneration committee with at least the following preparatory tasks:</p>	<b>X</b>		<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"> <li>to recommend 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,</li> <li>make proposals to the board of directors on remuneration for members of the board of directors and the executive board, as well as ensure 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 about the total amount of remuneration that members of the board of directors and the executive board receive from other companies in the group, and</li> <li>recommend a remuneration policy applicable for the company in general.</li> </ul>			performed by the Committee comply with the recommendation.
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.	X		<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 Associates to advise the Committee as external and independent advisors.</p>
<b>3.5. Evaluation of the performance of the board of directors and the executive board</b>			
3.5.1. THE COMMITTEE RECOMMENDS that the board of directors establish an evaluation procedure where contributions and results of the board of directors and the individual members, as well as collaboration with the executive board are annually evaluated. Significant changes deriving from the evaluation should be included in the	X		The Board of Directors conducts an annual evaluation, where the work, contributions and performance are assessed as is the collaboration with the Executive Group Management Board. The Chairman of the Board of Directors is responsible for the process.





Recommendation	ISS complies	ISS does not comply	The company complies / explanation for not complying with the recommendation
management commentary or on the company's website.			
3.5.2. THE COMMITTEE RECOMMENDS that in connection with preparation of the general meeting, the board of directors consider whether the number of members is appropriate in relation to the requirements of the company. This should help ensure a constructive debate and an effective decision-making process in which all members are given the opportunity to participate actively.	X		In connection with preparation of the annual general meeting and nomination of candidates, the Board considers whether the Board of Directors has an appropriate size and competencies to meet the requirements of ISS and to ensure a constructive and efficient debate and decision-making process.
3.5.3. THE COMMITTEE RECOMMENDS that at least once every year the board of directors evaluate the work and performance of the executive board in accordance with predefined clear criteria.	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.
3.5.4. 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		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 and a formal evaluation is an annually transacted by the Board of Directors.
<b>4. Remuneration of management</b>			
<i>4.1. Form and content of the remuneration policy</i>			
4.1.1. THE COMMITTEE RECOMMENDS that the board of directors prepare a clear and transparent remuneration policy for the board of directors and the executive board, including <ul style="list-style-type: none"> <li>a detailed description of the components of the remuneration for members of the board of directors and the executive board,</li> </ul>	X		The Board of Directors has adopted a Remuneration Policy which has been approved by the general meeting in 2014 and is available on ISS' website ( <a href="http://inv.issworld.com/policies.cfm">http://inv.issworld.com/policies.cfm</a> ). The Remuneration Policy complies with the recommendation. Amendments to the Remuneration Policy will be approved by the general meeting.



Recommendation	ISS complies	ISS does not comply	The company complies / explanation for not complying with the recommendation
<ul style="list-style-type: none"> <li>the reasons for choosing the individual components of the remuneration, and</li> <li>a description of the criteria on which the balance between the individual components of the remuneration is based.</li> </ul> <p>The remuneration policy should be approved by the general meeting and published on the company's website.</p>			
<p>4.1.2. THE COMMITTEE RECOMMENDS that, if the remuneration policy includes variable components,</p> <ul style="list-style-type: none"> <li>limits be set on the variable components of the total remuneration package,</li> <li>a reasonable and balanced linkage be ensured between remuneration for governing body members, expected risks and the value creation for shareholders in the short and long terms,</li> <li>there be clarity about performance criteria and measurability for award of variable components,</li> <li>there be criteria ensuring that qualifying periods for variable components in remuneration agreements are longer than one calendar year, and</li> <li>an agreement is made which, in exceptional cases, entitles the company to reclaim in full or in part variable components of remuneration that were paid on the basis of data, which proved to be misstated.</li> </ul>	X		<p>The Remuneration Policy complies with the recommendation and is available on ISS' website.</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>
<p>4.1.3. THE COMMITTEE RECOMMENDS that remuneration of members of the board of directors does not include share options.</p>	X		<p>As set out in the Company's Overall Guidelines on Incentive Pay as well as in the Remuneration Policy (both available at <a href="http://inv.issworld.com/policies.cfm">http://inv.issworld.com/policies.cfm</a>), 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 programmes or be entitled to variable remuneration.</p>



Recommendation	ISS complies	ISS does not comply	The company complies / explanation for not complying with the recommendation
4.1.4. THE COMMITTEE RECOMMENDS that if share-based remuneration is provided, such programmes be established as roll-over programmes, i.e. the options are granted periodically and should have a maturity of at least three years from the date of allocation.	X	X  X	<p>Reference is made to the Remuneration Policy and Overall Guidelines on Incentive Pay.</p> <p>Performance Share Units ("PSUs") and/or Restricted Share Units ("RSUs") granted under the Company's long-term incentive programme comply with the recommendations.</p> <p>The Company's Transition Share Programme ("TSP") was established to ensure a possibility of share-related instruments vesting in the first two-year period after completion of the Listing. Accordingly, the PSUs granted under the Company's TSP vest, subject to achievement of certain bonus objectives, earlier than three years from the date of the grant.</p> <p>The Company's STIP is a cash based bonus with a deferral element to link a portion of the paid cash bonus to the price of the Company's shares as 1/3 of any cash bonus payable (net of taxes) is settled in RSUs when the cash bonus is paid. The RSUs are converted into shares on the first and second anniversary following the payment of the cash bonus with 50% each time. 50% of the RSUs received under our STIP can be converted into shares earlier than three years from the date of the grant of the bonus.</p>
4.1.5. THE COMMITTEE RECOMMENDS that agreements on termination payments should not amount to more than two years' annual 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 the remuneration policy</i>			
4.2.1. THE COMMITTEE RECOMMENDS that the company's remuneration policy and compliance with this	X		The Chairman's report at the annual general meeting will include explanation and justification of the Company's Remuneration Policy



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policy be explained and justified annually in the chairman's statement at the company's general meeting.			as well as compliance herewith.
4.2.2. THE COMMITTEE RECOMMENDS that the proposed remuneration for the board of directors for the current financial year be approved by the shareholders at the general meeting.	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 2014 remuneration for the Board of Directors was approved at the annual general meeting on 3 March 2014.
4.2.3. THE COMMITTEE RECOMMENDS that the total remuneration granted to each member of the board of directors and the executive board by the company and other companies in the group, including information on the most important contents of retention and retirement/resignation schemes, be disclosed in the annual report and that the linkage with the remuneration policy be explained.	X		The information is disclosed in the 2014 Annual Report.
<b>5. Financial reporting, risk management and audits</b>			
<i>5.1. Identification of risks and transparency about other relevant information</i>			
5.1.1. THE COMMITTEE RECOMMENDS that the board of directors in the management commentary review and 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 decide whether to establish a whistleblower scheme for expedient and confidential notification of possible or suspected wrongdoing.	X		A group-wide Whistleblower Policy has been adopted in 2010. The Whistleblower Policy is available on ISS' website. The Whistleblower Policy is implemented through a reporting tool which also available on ISS' website enabling employees of ISS, business



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			partners and other stakeholders to report any serious and sensitive concerns.
<b>5.3. Contact to auditor</b>			
5.3.1. THE COMMITTEE RECOMMENDS that the board of directors ensure regular dialogue and exchange of information between the auditor and the board of directors, including that the board of directors and the audit committee at least once a year meet with the auditor without the executive board present. This also applies to the internal auditor, if any.	<b>X</b>		<p>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.</p> <p>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.</p>
5.3.2. THE COMMITTEE RECOMMENDS that the audit agreement and auditors' fee be agreed between the board of directors and the auditor on the basis of a recommendation from the audit committee.	<b>X</b>		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.