

2019

REMUNERATION REPORT



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REMUNERATION REPORT 2019

The purpose of the Remuneration Report is to describe the remuneration to the members of the Executive Group Management Board and the Board of Directors.

The principles outlined in the remuneration policy for EGMB also apply to members of the Executive Group Management.

The Remuneration Report for 2019 is the first stand-alone report issued separately from the Annual Report.

It partially implements the requirements of the Shareholder Rights Directive. The Remuneration Report for 2020 is expected to be compliant with the Shareholder Rights Directive, including being subject to an advisory vote at the Annual General Meeting.

EXECUTIVE GROUP MANAGEMENT

The Executive Group Management Board (EGMB) comprise the Group CEO and the Group CFO. Together, they form the management registered with the Danish Business Authority.

The members of the Executive Group Management (EGM) comprise the EGMB and Corporate Senior Officers of the Group.

REMUNERATION REPORT 2019

REMUNERATION COMMITTEE

The Board of Directors (Board) has established a Remuneration Committee (Remuneration Committee or Committee). The Committee assists in preparing the Remuneration Policy, including the overall guidelines on incentive pay of the Group. In addition, it recommends the remuneration of the Board and the Executive Group Management Board (EGMB) members, and approves remuneration of the Executive Group Management (EGM).

The Committee reviews the Remuneration Policy at least once a year and evaluates and make recommendations for the remuneration of the Board and EGMB members and ensures that the remuneration is in compliance with the Remuneration Policy.

The Committee may engage independent external advisers to advise the Committee in matters relating to remuneration and other related matters comprised by the tasks of the Committee.

ACTIVITIES IN 2019

In 2018, the Committee conducted a review of remuneration and incentives of the EGMB supported by Kepler, its external advisor. The Committee concluded that remuneration of the EGMB was broadly competitive and could become more competitive through the following adjustments, which were all implemented in 2019:

- base salary adjustments for both Group CEO and Group CFO to remain competitive on total remuneration, see base salary in the table on p. 7
- for the Group CEO, the Long-Term Incentive Programme (LTIP) grant was increased from 125% to 150% to remain competitive
- enhanced focus on transparency and shareholder value creation in the Short-Term Incentive Programme (STIP) for 2019; thus, Operating profit was changed to include “restructuring

costs”, the employee engagement measure was changed from Employee Net Promoter Score to Employee Turnover, and the Customer Experience measure was changed from Customer Net Promoter Score to Customer Retention. These new and better KPIs drives specific outcomes and supports the enhanced key account focus.

Furthermore, a special incentive programme, the Accelerated Growth Award, was introduced to incentivise the accelerated strategy execution for select key leaders. The programme measures key financial KPIs on the continuing operations and is granted as Performance Share Units (PSU) for vesting in March 2020, subject to achievement of performance conditions. As the performance criteria have not been achieved, none of the PSUs granted under the programme will vest.

REVISED REMUNERATION POLICY WITH EFFECT FROM 2020

In 2019, the Committee focused on the introduction of the Shareholder Rights Directive into Danish law and revised the Remuneration Policy to ensure compliance with the Directive. The revised policy will be submitted to the Annual General Meeting on 2 April 2020 for approval.

EGM REMUNERATION ELEMENTS

The annual base salary for the members of the EGM shall be in line with market practice of comparable listed companies and based on the individual member's experience, qualifications, responsibilities and performance. The annual base salary primarily serves the purpose of being able to attract and retain high-performing leaders.

In addition to the annual base salary, the members of the EGM may receive variable remuneration. Such variable remuneration shall be based on performance and accountability in relation to

REMUNERATION POLICY

At ISS, remuneration is based on responsibilities, competencies and performance and is designed to be competitive, affordable and in line with market practice of comparable listed companies. The overall objectives are:

- 1 Attract, motivate and retain high-performing leaders
- 2 Provide strong link between remuneration and achievement of our strategic goals and financial performance
- 3 Align interest of EGMB with shareholders by providing a significant portion of remuneration as share-based payments.

The current Policy was approved by the annual general meeting held in April 2018. Both the Remuneration Policy and the Remuneration Report comply with the current Danish Corporate Governance Recommendations.

The Policy is reviewed at least annually by the Remuneration Committee. The principles outlined in the Policy also apply to members of the EGM in addition to the EGMB.

REMUNERATION COMMITTEE

The members of the Remuneration Committee are Lord Allen of Kensington Kt CBE (Chairman), Claire Chiang and Cynthia Trudell.

Six meetings were held in 2019 and all members attended all meetings.

Total remuneration to EGM other than EGMB members is disclosed in note 5.1 in the Annual Report 2019.

The Remuneration Policy and Overall Guidelines on Incentive Pay are available at <http://inv.issworld.com/policies-and-guidelines>

established objectives, both short and long-term, as well as the overall performance of ISS. The members of the EGM may be granted customary non-monetary benefits such as company car, insurance, communication and IT equipment, etc.

REMUNERATION ELEMENTS

All remuneration elements are summarised in the table to the right and apply to the EGM unless otherwise stated. Unless stated specifically, the Group CEO and Group CFO are subject to the same performance criteria and terms and conditions.

The STIP and LTIP are subject to clawback if in exceptional cases, it is subsequently determined that payment was based on manifestly misstated information. Reclaim in full or in part of this variable component is determined at the discretion of the Board. The clawback has not been applied for 2019 or any preceding years.

No members of the EGM receive additional remuneration from other companies within the ISS Group.

ISS does not provide loans to the members of the EGM.

SHORT-TERM INCENTIVE PROGRAMME

Members of the EGM participate in the STIP consisting of the possibility of receiving a cash bonus. The STIP shall be designed to motivate performance that promotes sustained growth and secures a strong focus on achieving the strategic objectives and creating shareholder value.

The STIP is subject to achievement of financial and non-financial KPIs, which are measured annually. The target STIP, KPIs and their weight are described in the table to the right.

ELEMENT	OBJECTIVE	AWARD LEVEL	PERFORMANCE MEASURES 2019
Annual base salary	Attract and retain high-performing leaders	Take into account competitive market rate of industry peers, competencies and experience	Reviewed annually based on individual responsibilities, qualifications and performance
Short-Term Incentive Programme (STIP)	Drive delivery of short-term financial results, implementation of The ISS Way strategy and behaviour consistent with the ISS Values and Leadership Competency Framework	<p>Target STIP is up to (of annual base salary):</p> <ul style="list-style-type: none"> • 66% for Group CEO/CFO • 45%/60% for EGM <p>Maximum STIP opportunity is awarded for performance significantly above target and is up to:</p> <ul style="list-style-type: none"> • 100% for Group CEO/CFO • 67%/90% for EGM 	<p>Financial and non-financial KPIs weighting:</p> <ul style="list-style-type: none"> • Operating margin (25%) • Organic growth (30%) • Free cash flow conversion (20%) • Employee engagement, customer experience and health and safety (15%) • Individual objectives (10%). <p>Performance is measured annually. Pay-out is subject to certain profit and free cash flow targets being achieved</p>
Long-Term Incentive Programme (LTIP)	Drive delivery of long-term financial results, retention of leaders and alignment to shareholder value creation	<p>Face value of grant of PSUs (% of annual base salary):</p> <ul style="list-style-type: none"> • 150% for Group CEO • 100% for Group CFO • 70% for other EGM members 	The performance criteria of the LTIP are TSR measured against peers and growth in EPS (equally weighted). Performance conditions are measured over three years
Non-monetary benefits	Benefits (such as company car, insurance, communication and IT equipment) to support recruitment and retention	Benefits corresponding to market standards	N/A
Pension	Members of the EGM (except for two) are not covered by an ISS Group pension plan	N/A	N/A

ACCELERATED GROWTH AWARD

The Accelerated Growth Award (AGA) was granted in March 2019 as Performance Share Units (PSUs) with vesting on 2 March 2020 subject to performance criteria. These are operating margin, organic growth and free cash flow conversion on continuing operations in 2019 and they are subject to pre-requisites on nominal profit and free cash flow.

LONG-TERM INCENTIVE PROGRAMME

EGM members participate in a long-term incentive programme (LTIP) for which the EGM shall be eligible to receive a number of PSUs subject to fulfilment of certain key operational objectives or other objectives to be determined by the Board. The LTIP and the key operational objectives applied are designed with a purpose to sustainably support the Group's strategy and long-term interests by aligning the interests of the EGM with the interests of the Group and the shareholders by providing a significant proportion of the total remuneration as shares and/or as share-related instruments.

LTIP is granted as PSUs and the annual grant has a value of 150% of the annual base salary for the Group CEO, 100% for the Group CFO and 70% for other members of the EGM. PSUs have performance criteria of total shareholder return (TSR) compared to peers and earnings per share (EPS) annual growth, equally weighted, to emphasise shareholder value creation and dividend payment opportunity. TSR peers are a group of comparable international service companies and the Nasdaq Copenhagen OMX C25. The performance criteria and peer groups are outlined in the table to the right. PSUs vest three years after grant, provided the performance conditions are met. Prior to

vesting, holders of PSUs do not have any of the rights that holders of shares would otherwise be entitled to, such as voting rights. LTIP participants are compensated for any dividend distributed between time of grant and time of vesting.

Unvested PSUs will lapse in the event an employee terminates employment.

TERMINATION AND SEVERANCE PAYMENT

The employment contracts of the Group CEO and the Group CFO may be terminated at 24 months' and 18 months' notice, respectively. The employment contracts of the other members of the EGM may be terminated at 12 months' notice. Members of the EGM may terminate their positions at six months' notice, except for one member who has a 12-month termination notice. Members of the EGM are not entitled to severance payment, except for the Group CFO who is entitled to 6 months' severance payment. The employment contracts contain no special termination rights and no change of control clauses.

SHARE OWNERSHIP

Both the Group CEO and the Group CFO have built their minimum required shareholding. Other members of the EGM are expected to build up a holding of shares equivalent to 35% of their annual base salary.

All members of the EGMB and the EGM are required to retain a minimum of received shares from the LTIP, i.e. it is required that at least 50% of any shares received are retained following disposals of shares in order to meet any tax and other associated obligations until the required holding is met.

THRESHOLD	VESTING	TSR	EPS ANNUAL GROWTH ¹⁾		
			LTIP 2017	LTIP 2018 ²⁾	LTIP 2019 ²⁾
Below threshold	0%	Below median of peers	< 3%	< 3%	< 4%
Threshold	25%	At median of peers	3%	3%	4%
Maximum	100%	At upper quartile of peers or better	9%	9%	12%

TSR PEERS					
International service companies					
ABM Industries, Adecco, Aramark, Bunzl, Compass Group, Capita, Elis (2018 and 2019 only), G4S, Mitie Group, Randstad, Rentokil Initial, Securitas, Serco, Sodexo. Interserve omitted due to bankruptcy in March 2019.					
OMX C25					
A.P. Møller – Mærsk A, A.P. Møller – Mærsk B, Ambu (2019 only), Bavarian Nordic (2018 only), Carlsberg, Chr. Hansen Holding, Coloplast, Danske Bank, Demant, DSV, FLSmidth & Co (2018 and 2019 only), Genmab, GN Store Nord, Jyske Bank, Lundbeck, NKT (2018 only), Nordea Bank (2018 only), Novo Nordisk, Novozymes, Pandora, Rockwool International (2019 only), Royal Unibrew (2019 only), SimCorp (2019 only), Sydbank (2019 only), Tryg (2018 and 2019 only), Vestas Wind Systems, Ørsted.					
¹⁾ Adjusted earnings per share excluding Other income and expenses, net. EPS growth is measured as compound annual growth rate (CAGR).					
²⁾ Adjusted for discontinued operations.					

SHARE OWNERSHIP GUIDELINES

At 31 December 2019	Jeff Gravenhorst	Pierre-François Riolacci
Share ownership of annual base salary (over time)	125%	70%
Actual holding	91,691	12,500
Actual holding in % of annual base salary	149%	28%
Unvested PSUs	206,248	95,979

EGMB REMUNERATION 2019

Remuneration to the EGMB for 2019 was DKK 20.5 million (2018: 29.4). The remuneration for 2019 and 2016-2018, including the Performance Share Units (PSUs) granted under the LTIP is disclosed in the table on p. 7.

In 2019, the Group CFO received the second tranche of a retention bonus. The first tranche of the retention bonus was paid in 2018, and the third and last tranche will be paid in 2020 subject to continued employment.

The remuneration granted to the EGMB for 2019 is in compliance with the Remuneration Policy.

STIP 2019

The STIP pay-out for 2019 for the Group CEO and the Group CFO were 27% and 27% of target. Organic growth was achieved well above target, but as a profit pre-requisite was not achieved, there is no pay-out for organic growth. Employee engagement, customer experience and health and safety were achieved above target, while the operating margin and free cash flow conversion were achieved below threshold. All objectives are measured on continuing operations except for free cash flow conversion, which is measured on continuing and discontinued operations. An overview of minimum, target, maximum and Actual 2019 remuneration for 2019 to the Group CEO and Group CFO is illustrated to the right.

ACCELERATED GROWTH AWARD

In March 2019, the Group CEO and the Group CFO were granted PSUs under the Accelerated Growth Award Programme; 30,932 and 10,993 PSUs were granted, respectively. The PSUs are subject to performance criteria of operating margin, organic growth and free cash flow conversion and pay out depends on achievement of prerequisites on nominal profit and free cash flow.

In March 2020, the Accelerated Growth Award will vest. As the performance criteria have not been achieved as described for STIP 2019, none of the PSUs granted under the programme will vest. Thereafter the programme will lapse.

LTIP 2017

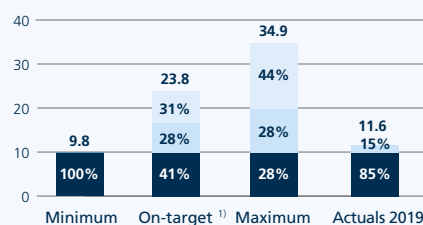
Based on the achievement of the performance criteria (annual EPS and TSR performances for 2017, 2018 and 2019), none of the PSUs granted under the LTIP 2017 will vest on 2 March 2020. TSR of 10.5% negative annual growth for the period from 2017 and ending on 31 December 2019 was below the median (14th) of our industry peers (weight 25%) and below the median (12th) of our Danish peers (weight 25%). On EPS, the annual growth in EPS (weight 50%) over a three-year period was 13.9% negative, which was below the vesting threshold (25%) of 3.0% annual growth. For historic actual vesting data, we refer to the graph to the right.

REMUNERATION 2019

Jeff Gravenhorst

DKK million

%



Minimum No STIP pay-out. No vesting under the LTIP
On-target Target STIP pay-out. 50% vesting under the LTIP
Maximum 150% of target STIP pay-out. Full vesting under the LTIP
Actuals 2019 STIP pay-out 27%. No vesting under LTIP

¹⁾ 59% of the remuneration is performance-based.

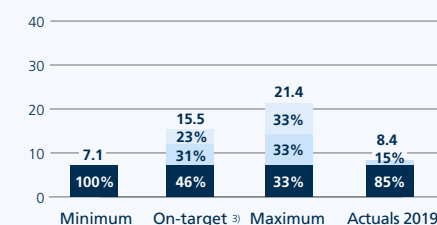
²⁾ The Group CFO also receives a retention bonus in 2018-2020.

³⁾ 54% of the remuneration is performance-based.

Pierre-François Riolacci ²⁾

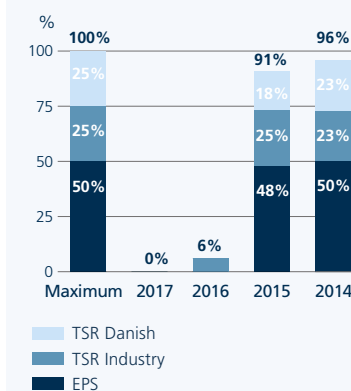
DKK million

%



LTIP
 STIP
 Base salary and non-monetary benefits

ACTUAL VESTING OF LTIP



REMUNERATION AWARDED TO THE EGMB

	2019		2018		2017		2016	
DKK thousand	Jeff Gravenhorst	Pierre-François Riolacci	Jeff Gravenhorst	Pierre-François Riolacci	Jeff Gravenhorst	Pierre-François Riolacci	Jeff Gravenhorst	Pierre-François Riolacci ¹⁾
Base salary	9,828	7,140	9,450	6,750	9,000	5,712	8,600	576
Non-monetary benefits	311	264	290	331	236	267	242	639
Short-term incentive programme	1,736	1,261	6,853	5,053	5,479	3,239	6,183	535
Long-term incentive programme	0	0	622	101	7,716	0	13,278	0
Total remuneration	11,875	8,665	17,215	12,235	22,431	9,218	28,303	1,750
Retention bonus ¹⁾	-	4,200	-	5,600	-	-	-	-
Total award-based	11,875	12,865	17,215	17,835	22,431	9,218	28,303	1,750

¹⁾ Covering the period from 7 November to 31 December 2016.

REMUNERATION ACCORDING TO IFRS

DKK thousand	2019		2018		2017		2016	
Base salary	9,828	7,140	9,450	6,750	9,000	5,712	8,600	576
Non-monetary benefits	311	264	290	331	236	267	242	639
Short-term incentive programme	1,736	1,261	6,853	5,053	5,479	3,239	6,183	535
Long-term incentive programme	2,872	1,166	2,307	1,175	4,171	466	6,014	252
Total remuneration	14,747	9,831	18,900	13,309	18,886	9,684	21,039	2,002
Retention bonus	-	2,722	-	9,878	-	-	-	-
Total IFRS-based	14,747	12,553	18,900	23,187	18,886	9,684	21,039	2,002

LONG-TERM INCENTIVE PROGRAMME

Number of PSUs	2019		2018		2017		2016	
Outstanding at 1 January	147,629	55,586	128,387	22,995	134,602	7,524	86,756	-
Granted	77,235	37,409	56,831	32,591	44,259	15,471	47,546	7,524
Vested	(3,096)	(500)	(34,308)	-	(48,470)	-	-	-
Cancelled	(46,452)	(7,509)	(3,281)	-	(2,004)	-	-	-
Outstanding at 31 December ¹⁾	175,316	84,986	147,629	55,586	128,387	22,995	134,602	7,524

¹⁾ In March 2020, the LTIP 2017 will vest. Based on the annual EPS and TSR performance for 2017, 2018 and 2019, none of the PSUs will vest.

AWARD VS. IFRS

Remuneration calculated in accordance with IFRS does not for all elements correspond to the amount awarded. We have therefore elected to disclose remuneration to the EGMB in two tables; an award-based and an IFRS-based. The award-based amounts reflect the cash value of remuneration earned for the year. The IFRS-based amounts correspond to the amounts recognised in the Group's consolidated financial statements, note 5.1, Remuneration to the Board of Directors and the Executive Group Management.

Base salary, non-monetary benefits and short-term incentive programmes are identical under the two methods, whereas the value of long-term incentive programmes and retention bonus differ.

Long-term incentive programme

The award-based amounts represent the fair value at 31 December of the shares to be received in March the following year, when the LTIP programme vests. In 2019, the value is calculated as the actual number of shares received in March 2020 multiplied by the share price at 31 December 2019. For previous years, the amount is calculated based on the share price at the time of vesting. According to IFRS, the expensed amount is measured at fair value at grant date.

Retention bonus

The award-based amounts correspond to the amounts paid out on the basis of the respective years. According to IFRS, amounts are expensed when the criteria related to the bonus have been achieved.

DEVELOPMENT IN REMUNERATION – AWARD-BASED

DKK thousand (unless otherwise stated)	2019	2018	2017	2016
Jeff Gravenhorst				
Base salary	9,828	9,450	9,000	8,600
Increase/(decrease), %	4.0%	5.0%	4.7%	6.0%
Total remuneration, award-based	11,875	17,215	22,431	28,303
Increase/(decrease), %	(31)%	(23)%	(21)%	38%
Pierre-François Riolacci ¹⁾				
Base salary	7,140	6,750	5,712	576
Increase/(decrease), %	5.8%	18.2%	N/A ¹⁾	N/A ¹⁾
Total remuneration, award-based	8,665	12,235	9,218	1,750
Increase/(decrease), %	(29)%	33%	N/A ¹⁾	N/A ¹⁾
ISS Group				
Organic growth	7.1%	3.9%	2.9%	3.4%
Increase/(decrease), %-point	3.2	1.0	(0.5)	(1.0)
Operating profit (DKK million) ²⁾	3,290	3,698	3,995	4,403
Increase/(decrease), %	(11)%	(7.4)%	(9.3)%	0.9%
Operating margin, %	4.2%	5.0%	5.4%	5.6%
Increase/(decrease), %-point	(0.8)	(0.4)	(0.2)	0.1

¹⁾ Pierre-François Riolacci joined ISS as Group CFO on 7 November 2016.

²⁾ Before other items.

The development in pay-out for the EGMB demonstrates a clear link between pay and performance and, thus, is aligned with the shareholder's return.

On the total remuneration for the Group CEO, this decreased by more than 30% from 2017 to 2018 and again from 2018 to 2019. This decrease is caused by significantly lower pay-out on the short-term incentive programme and no vesting on the long-term incentive programme based on 2019 results. We refer to page 6 for a description of how each incentive programme paid for 2019.



BOARD REMUNERATION

The members of the Board shall be remunerated with fixed annual fees approved by the annual general meeting for the current financial year. The fee is designed to be able to attract and retain competent members to the Board. Remuneration of members of the Board, except employee representatives, shall not include share-related incentive programmes.

COMPOSITION OF BOARD FEES

Members of the Board receive remuneration for duties performed on behalf of ISS A/S and other companies of the ISS Group approved at the general meeting for the current year. In addition to the base fee, the chairman of the Audit and Risk Committee and other committee chairmen receive 100% and 75% of the base fee, respectively, while members of the Audit and Risk Committee and other committees receive 50% and 37.5% of the base fee, respectively.

Expenses, such as for travel and accommodation incurred in relation to board-related duties, relevant training and reasonable office expenses for the Chairman, are reimbursed by ISS. A fixed daily travel allowance is paid to Board members who are required to travel to attend board and ISS meetings.

FEES TO BOARD MEMBERS FOR 2019

In 2019, fees to Board members were DKK 8,751 thousands (2018: DKK 8,818 thousands). The fees are specified in the table to the right.

Except for employee representatives, members of the Board did not receive any performance- or share-based remuneration in 2019.

At the 2018 general meeting, it was decided that the Board fees will be subject to minor annual adjustments.

In 2019, the base fee increased by 2.4% and the total fees to Board decreased by 0.8%.

BOARD HOLDINGS OF ISS A/S SHARES

There is no policy requirement or guideline for board members to hold ISS A/S shares. The actual holding of ISS A/S shares is described in the table to the right.

BOARD AND BOARD COMMITTEES

DKK thousand	Base fee	Committee fee	Travel allowance	2019	2018	2017	2016
Lord Allen of Kensington Kt CBE (Chairman)	1,308.0	981.0	92.1	2,381.1	2,446	2,317	2,100
Thomas Berglund (Deputy chairman)	654.0	381.5	38.4	1,073.9	1,057	1,058	900
Claire Chiang	436.0	327.0	215.0	978.0	896	930	985
Henrik Poulsen	436.0	599.5	15.4	1,050.9	1,057	1,058	950
Ben Stevens	436.0	381.5	69.1	886.6	896	892	525
Cynthia Mary Trudell	436.0	327.0	261.0	1,024.0	1,053	975	985
Nada Elboayadi ¹⁾	316.3	-	15.4	331.7	-	-	-
Joseph Nazareth	436.0	-	15.4	451.4	471	420	400
Elsie Yiu ¹⁾	316.3	-	15.4	331.7	-	-	-
Pernille Benborg	120.9	-	-	120.9	471	420	400
Palle Fransen Queck	120.9	-	-	120.9	471	420	400
Total	5,016.4	2,997.5	737.2	8,751.1	8,818	8,490	7,645
Increase, %	-	-	-	(0.8)%	3.9%	11.1%	13.1%

¹⁾ Joined the Board in April 2019 replacing Pernille Benborg and Palle Fransen Queck.

BOARD HOLDINGS OF ISS A/S SHARES

Number of shares	1 January 2019	Additions	Disposals	31 December 2019
Lord Allen of Kensington Kt CBE (Chairman)	86,843	-	-	86,843
Thomas Berglund (Deputy chairman) ¹⁾	2,000	-	-	2,000
Claire Chiang	-	-	-	-
Henrik Poulsen	26,052	-	-	26,052
Ben Stevens	2,000	-	-	2,000
Cynthia Mary Trudell	-	-	-	-
Nada Elboayadi	-	-	-	-
Joseph Nazareth	6,811	148	-	6,959
Elsie Yiu	-	-	-	-
Total	123,706	148	-	123,854

¹⁾ The shares are owned by Tatihou Limited (100% owned by Thomas Berglund).

CONTACT INFORMATION

ISS A/S

Buddingevej 197
DK-2860 Søborg
Denmark
Tel.: +45 38 17 00 00
Fax: +45 38 17 00 11
www.issworld.com
CVR 28 50 47 99

INVESTOR RELATIONS

Martin Kjær Hansen
Head of Group Investor Relations
Tel. +45 38 17 00 00

DESIGN & PRODUCTION

KIRK & HOLM
Rosendahls