

ABM INDUSTRIES INC /DE/

Form DEF 14A

February 06, 2004

**SCHEDULE 14A INFORMATION**

**PROXY STATEMENT PURSUANT TO SECTION 14(a) OF THE  
SECURITIES EXCHANGE ACT OF 1934**

(AMENDMENT NO. \_\_\_)

Filed by the Registrant  [ X ]

Filed by a Party other than the Registrant  [ ]

Check the appropriate box:

[ ] Preliminary Proxy Statement  
 [ X ] Definitive  
Proxy  
Statement  [ ]  
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Use of the  
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(as permitted by  
Rule 14a-6(e)(2))  [ ]  
Definitive  
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Soliciting  
Material Pursuant  
to sec.  
240.14a-11(c) or  
sec. 240.14a-12

**ABM Industries Incorporated**

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(Name of Registrant as Specified In Its Charter)

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(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

[ X ] Fee not required.  
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computed on  
table below per  
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and 0-11.  
(1) Title of each  
class of securities  
to which

transaction  
applies:

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(2) Aggregate  
number of  
securities to  
which transaction  
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price or other  
underlying value  
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Exchange Act  
Rule 0-11 (set  
forth the amount  
on which the  
filing fee is  
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state how it was  
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(5) Total fee  
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Fee paid  
previously with  
preliminary  
materials.  Check  
box if any part of  
the fee is offset as  
provided by  
Exchange Act  
Rule 0-11(a)(2)  
and identify the  
filing for which  
the offsetting fee  
was paid  
previously.  
Identify the  
previous filing by  
registration  
statement  
number, or the  
Form or Schedule  
and the date of its  
filing.

(1) Amount  
Previously Paid:

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(2) Form,  
Schedule or  
Registration  
Statement No.:

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(3) Filing Party:

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(4) Date Filed:

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160 Pacific Avenue, Suite 222  
San Francisco, California 94111

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February 7, 2004

Dear Stockholders:

ABM Industries Incorporated will hold its 2004 Annual Meeting of Stockholders in the Union Square Room of the Omni Hotel, 500 California Street, San Francisco, California 94104, on Tuesday, March 9, 2004. At the meeting, stockholders will elect three directors to serve three-year terms, vote on approval of the 2004 Employee Stock Purchase Plan, and vote on such other matters as may properly come before the meeting.

On behalf of the Board of Directors and employees of ABM, we cordially invite all stockholders to attend the annual meeting in person. Whether or not you plan to attend the meeting in person, please take the time to vote, either by telephone or by mailing your proxy. As explained in the Proxy Statement, you may withdraw your proxy at any time before it is actually voted at the meeting.

Only stockholders of record at the close of business on January 23, 2004, will be entitled to vote at the meeting and any adjournments thereof. A list of stockholders on that date will be available for inspection by any stockholder for ten days prior to the meeting during normal business hours at ABM's corporate headquarters.

If you plan to attend the meeting in person and vote at the meeting, please remember to bring a form of personal identification with you. If you are acting as a proxy for another stockholder, please bring appropriate documentation from the record owner that you are acting as a proxy. If you will need special assistance at the meeting, please contact ABM at (415) 733-4014 prior to the meeting.

We look forward to seeing many of you at the meeting.

Martinn H. Mandles  
Chairman of the Board of Directors

Henrik C. Slipsager  
President & Chief Executive Officer

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160 Pacific Avenue, Suite 222  
San Francisco, California 94111

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**NOTICE OF THE 2004 ANNUAL MEETING OF STOCKHOLDERS**

**Tuesday, March 9, 2004**

**10:00 A.M.**

**YOUR VOTE IS IMPORTANT**

ABM Industries Incorporated will hold its Annual Meeting of Stockholders in the Union Square Room of the Omni Hotel, 500 California Street, San Francisco, California 94104, on Tuesday March 9, 2004, at 10:00 a.m. At the Annual Meeting, stockholders will (1) elect three directors to serve three-year terms, (2) vote on approval of the 2004 Employee Stock Purchase Plan, and (3) transact such other business as may properly come before the meeting. The accompanying proxy is solicited on behalf of the Board of Directors of ABM Industries Incorporated for use at the 2004 Annual Meeting.

You may vote in any one of three ways: in person by attending the 2004 Annual Meeting, by telephone, or by mail using the enclosed proxy card. Specific voting information is included under the caption Voting Procedures. Stockholders of record at the close of business on January 23, 2004, are entitled to vote. On that day 48,557,248 shares of ABM common stock were outstanding. Each share entitles the holder to one vote.

The ABM Board of Directors asks you to vote in favor of the director nominees and the 2004 Employee Stock Purchase Plan. This Proxy Statement provides you with detailed information about each of these matters. We encourage you to read this Proxy Statement carefully. In addition, you may obtain information about ABM from the 2003 ABM Stockholder Report, the annual report on Form 10-K included with this notice and from additional documents that we have filed with the SEC.

Certain stockholders who hold their shares in the name of their bank or broker and live in the same household may receive only one copy of this Proxy Statement. This practice is known as householding. If you hold your shares in your broker's name and would like additional copies of these materials, please contact your broker. If you receive multiple copies and would prefer to receive only one, please contact your broker as well. ABM does not currently use householding for record holders and will send notice to record holders before using householding, giving record holders the opportunity to continue to receive multiple copies in the same household.

This Notice and the accompanying Proxy Statement and form of proxy are dated February 7, 2004 and were first mailed to stockholders on or about February 7, 2004.

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## VOTING PROCEDURES

Your vote is important. Please refer to the proxy card or other voting instructions included with these proxy materials for information on the voting methods available to you.

### How to Vote

If you are a stockholder of record, you can save ABM expense by voting by telephone. The telephone procedures use a control number to authenticate stockholders of record and allow you to vote your shares and confirm that your instructions have been properly recorded. If you vote by telephone, you do not need to return your proxy card. You may revoke your proxy at any time before it is actually voted at the 2004 Annual Meeting by delivering a written notice to the Secretary of ABM, submitting a later-dated proxy or a later-dated vote by telephone, or voting by ballot at the Annual Meeting.

If your shares are held in the name of a bank or broker, you may be able to vote by telephone or on the Internet by following the instructions on the proxy form you receive from your bank or broker. If your shares are held in the name of your broker and you do not vote your shares, your broker can vote your shares in the election of directors, but your broker may not vote your shares for or against the Employee Stock Purchase Plan. If you don't give your broker instructions on how to vote your shares on the Employee Stock Purchase Plan, your votes will be broker non-votes. If you give instructions on how to vote to your bank or broker, you may revoke the instructions by taking the steps described in the information that you receive from your bank or broker.

### How the Votes are Counted

A quorum, which is a majority of the outstanding shares as of the Record Date, must be present to hold the Annual Meeting. A quorum is based on the number of shares represented by the stockholders attending in person and by their proxy holders. If you withhold your votes for the director candidates or if you indicate an abstention as your voting preference on the Employee Stock Purchase Plan, your shares will be counted toward a quorum.

The vote required for the matters to be considered at the Annual Meeting is as follows:

#### *Proposal 1 Election of Directors*

The three persons who receive a plurality of the votes cast will be elected as directors. If you do not wish your shares to be voted for a particular nominee, you may withhold authority in the space provided on the proxy card or withhold authority as prompted during the telephone voting instructions. Withheld votes do not affect the voting calculation.

#### *Proposal 2 Approval of the 2004 Employee Stock Purchase Plan*

This proposal will be approved if the number of shares voted in favor exceeds the number of shares voted against. Abstentions and broker non-votes do not affect the voting calculations.

We encourage you to vote and to vote promptly. Voting promptly may save ABM the expense of a second mailing.

### Confidential Voting

ABM has a confidential voting policy to protect our stockholders' voting privacy. Under this policy, ballots, proxy cards and voting instructions returned by brokerage firms, banks and other holders of record are treated as confidential. Only the proxy tabulator and the Inspector of Election have access to the ballots, proxy cards and voting instructions. None of these persons is an ABM director, officer or employee.

The proxy tabulator will disclose information taken from the ballots, proxy cards and voting instructions only in the event of a proxy contest or as otherwise required by law.

The proxy tabulator will forward comments written on the proxy forms to management but will not disclose your identity unless you request it in writing.



**Method and Cost of Soliciting and Tabulating Votes**

Following the mailing of this proxy statement and proxy card, ABM officers and employees may, for no additional compensation, solicit your proxy voting instructions personally or by telephone.

ABM will reimburse brokers, banks, and other holders of record for their reasonable out-of-pocket expenses for forwarding these proxy materials.

Mellon Investor Services LLC will be the proxy tabulator and will act as the Inspector of Election.

**Proposal 1 Election of Directors**

The Board of Directors is divided into three classes, serving staggered three-year terms. The Board currently has nine directors and each class consists of three directors. Three directors will be elected at the Annual Meeting to serve three-year terms expiring at ABM's Annual Meeting in 2007. Each nominee elected as a director will continue in office until his successor has been elected and qualified, or until his earlier death, resignation or retirement.

The Board of Directors has proposed the following nominees for election as directors with terms expiring in 2007: Luke S. Helms, Henry L. Kotkins, Jr., and William W. Steele. Your shares will be voted in accordance with your directions. If you sign and return your proxy card, but do not give directions, the persons named on the enclosed proxy card intend to vote the proxy For the election of each of the three nominees.

We expect each nominee for election as a director to be able to serve if elected. If any nominee is not able to serve, proxies will be voted in favor of the remainder of those nominated and may be voted for substitute nominees, unless the Board chooses to reduce the number of directors serving on the Board.

All ABM directors are encouraged to attend the Annual Meeting. All ABM directors attended the 2003 Annual Meeting and are expected to attend the 2004 Annual Meeting.

The principal occupation and certain other information about the nominees and other directors whose terms of office continue after the Annual Meeting are set forth on the following pages.

Name	Age	Position, Principal Occupation, Business Experience and Directorships
<b>Nominees For Election As Directors with Terms Expiring in 2007</b>		
Luke S. Helms	60	Managing Partner, Sonata Capital Management since June 2000; Vice Chairman of KeyBank from April 1998 to March 2000; Vice Chairman of BankAmerica Corporation and Bank of America NT&SA from May 1993 to October 1996. Chairman of the Board and a director of vCustomer Corp., a privately held company. ABM director since 1995.
Henry L. Kotkins, Jr.	55	Chairman & Chief Executive Officer and a director of Skyway Luggage Company. Also a director of Cutter & Buck, a publicly-held company. ABM director since 1995.
William W. Steele	67	Chairman of the Executive Committee of the Board of Directors since November 2000; President & Chief Executive Officer from November 1994 to October 2000. Mr. Steele retired from ABM in 2000 after 43 years of service. A director of Labor Ready, Inc., a publicly-held company. ABM director since 1988.

Name	Age	Position, Principal Occupation, Business Experience and Directorships
<b>Directors with Terms Expiring in 2005</b>		
Maryellen C. Herringer	60	Attorney-at-law; Executive Vice President & General Counsel of APL Limited, an international provider of transport and logistics services, from March 1995 to December 1997, Senior Vice President & General Counsel of APL Limited from July 1991 to March 1995. A director of Golden West Financial Corporation, a publicly-held company, and World Savings Bank, a wholly-owned subsidiary of Golden West Financial Corporation. ABM director since 1993.
Charles T. Horngren	77	Edmund J. Littlefield Professor of Accounting, Emeritus, Stanford Business School; author and consultant. A director of Interplast, Inc., a privately-held company. ABM director since 1973.
Martinn H. Mandles	63	Chairman of the Board since December 1997; Chief Administrative Officer from November 1991 to July 2002; Executive Vice President from November 1991 to December 1997. ABM director since 1991.
<b>Directors with Terms Expiring in 2006</b>		
Linda L. Chavez	56	President of the Center for Equal Opportunity; author and nationally syndicated columnist and television commentator. ABM director since 1997.
Theodore T. Rosenberg	95	Vice Chairman of the Executive Committee since November 2000; Chairman of the Executive Committee from January 1990 to October 2000. Mr. Rosenberg retired from ABM on December 31, 1989, after sixty-one years of service. ABM director since 1962.
Henrik C. Slipsager	49	President & Chief Executive Officer since November 2000; Executive Vice President and President of ABM Janitorial Services from November 1999 to October 2000; Senior Vice President and Executive Vice President of ABM Janitorial Services from January 1997 to October 1999. ABM director since 2000.

**THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS VOTES**

**FOR THE ELECTION OF THE NOMINEES AS DIRECTORS**

**Proposal 2 Adoption of 2004 Employee Stock Purchase Plan**

Since 1970, ABM's stockholders have approved seven consecutive employee stock purchase plans to provide employees with an opportunity to purchase ABM common stock through payroll deductions. It is now time for stockholders to consider an eighth employee stock purchase plan. The last employee stock purchase plan was approved by stockholders and became effective in March 1985, and additional shares for this plan were authorized by stockholders in 1996, 1999, and 2001. As of December 1, 2003, the 17.2 million shares authorized under the prior plan had been issued, and, by its terms, the plan

terminated. On December 9, 2003, the Board of Directors adopted a resolution to submit for stockholder approval at the 2004 Annual Meeting the 2004 Employee Stock Purchase Plan, which is described below.

Under the proposed 2004 Plan, as was the case for the prior plan, every employee of ABM and its domestic subsidiary corporations is eligible to participate, except that an employee is not eligible if he or she owns or has the right to acquire five percent or more of ABM's voting stock or of any future parent or subsidiary of ABM. There are no such employees at this time. As of the date of this Proxy Statement, approximately 64,000 employees were eligible to participate. Under the prior plan, approximately 3,000 employees were purchasing approximately 60,000 shares per month at the end of fiscal year 2003.

The 2004 Plan will be administered by the Compensation Committee of the Board. The Compensation Committee has the authority to make rules and regulations to administer the 2004 Plan. The interpretations and decisions of the Committee are final and conclusive.

The Board has the discretion to amend or terminate the 2004 Plan at any time, except that any amendment required to maintain the 2004 Plan's qualifications under Rule 16b-3 promulgated under the Securities Exchange Act of 1934, as amended, shall be subject to stockholder approval. The 2004 Plan shall continue until the earliest of: (i) the day on which participating employees become entitled to purchase a number of shares equal to or greater than the number of shares available for purchase under the 2004 Plan, (ii) the termination of the 2004 Plan at any time at the discretion of the Board, or (iii) March 9, 2014. Upon termination of the 2004 Plan, any cash balance in the payroll deduction accounts of participating employees will be refunded. An aggregate of 2,000,000 shares may be issued under the plan. Should the utilization of the 2004 Plan be at similar rates to the former plan, the authorized shares will be sufficient for more than two years. In the event of any stock split or other change in the capital structure of ABM, appropriate adjustments will be made in the number, class and purchase price of the shares available for purchase under the 2004 Plan.

ABM views the continued employment and performance of those participating employees as consideration for the granting of each employee's rights under the 2004 Plan. Eligible employees can voluntarily elect to invest from one to ten percent of their cash compensation through after-tax payroll deductions for the purchase of shares of ABM common stock under the 2004 Plan. Employees elect to participate for offering periods which last six months, commencing May 1 and November 1 of each year. After an offering period has begun, an employee may increase or decrease his or her contribution percentage subject to the applicable provisions of the 2004 Plan. Employees who have joined the 2004 Plan are automatically re-enrolled for the next offering period, provided, however, that an employee may cancel his or her enrollment at any time, subject to the applicable provisions of the 2004 Plan.

Shares of ABM common stock are purchased on the last business day of each month of the offering period. The purchase price of the shares purchased is eighty-five percent of the lower of: (i) the Fair Market Value of ABM common stock on the first business day of the offering period, or (ii) the Fair Market Value of ABM common stock on purchase date. Fair Market Value means the average of the highest and lowest reported trades of ABM Common Stock on the New York Stock Exchange for that date or, if there were no trades on that date, the Fair Market Value per share on the nearest trading day before that date. However, during any calendar year, no employee may purchase more than \$25,000 of ABM common stock under the 2004 Plan, based on the Fair Market Value of ABM common stock on the first day of the applicable offering periods.

Employees may not sell ABM common stock acquired under the 2004 Plan for six months after the date of purchase.

An employee's participation in the 2004 Plan ends when: (i) the employee withdraws from the 2004 Plan, (ii) the employee's employment with ABM ceases for any reason, or (iii) the 2004 Plan is amended or terminated in such a way that the employee is no longer eligible to participate.

Because the number of shares that may be purchased under the 2004 Plan is determined, in part, by the Fair Market Value of ABM common stock on the first business day of the offering period or on the date of purchase, and because

each employee's participation in the 2004 Plan is voluntary, the actual number of shares of ABM common stock that may be purchased by any or all participants cannot be determined in advance.

Based on the ABM's interpretation of current federal income tax law, the tax consequences of selling shares of ABM common stock purchased under the 2004 Plan generally are as follows:

The 2004 Plan is intended to qualify under Section 423 of the Internal Revenue Code of 1986, as amended. An employee will not have taxable income when shares of ABM common stock are purchased under the 2004 Plan, but income taxes will generally be due when the employee sells or otherwise disposes of stock purchased through the 2004 Plan.

For shares of ABM common stock that are not disposed of until more than two years after the first day of the applicable offering period (the holding period), any gain up to the amount of the discount (if any) from the market price of ABM common stock on the first day of the offering period is taxed as ordinary income. Any additional gain above that amount is taxed at capital gain rates. If, after the two-year holding period, the employee sells the stock for less than the purchase price, the difference is capital loss. For shares that are sold within the two-year holding period, the discount from the market price of ABM common stock on the purchase date is taxed as ordinary income. Additional gain or loss is treated as a capital gain or loss. The purchase date begins the holding period for determining whether any gain or loss is short-term or long-term.

ABM generally receives a deduction for federal income tax purposes for the ordinary income an employee recognizes when the employee disposes of stock purchased under the 2004 Plan within the two-year holding period. ABM does not receive a deduction for shares disposed of after such two-year holding period.

The following table sets forth: (i) the aggregate number of shares of ABM common stock which were purchased under ABM's previous Employee Stock Purchase Plan during fiscal year 2003 by the named executive officers and Mr. Mandles, and (ii) the average price per share paid for such shares.

**Employee Stock Purchase Plan Fiscal 2003**

Name And Position	Number of Shares	Average Per Share Purchase Price(\$)
Henrik C. Slipsager, President & Chief Executive Officer	1,668	\$ 13.49
Jess E. Benton, Executive VP & Chief Operating Officer	1,666	13.37
James P. McClure, Executive VP & President, ABM Janitorial Services	1,767	12.76
George B. Sundby, Senior VP & Chief Financial Officer	345	12.49
Steven M. Zaccagnini, Senior VP & President, ABM Facility Services	1,522	11.98
Executive Officer Group	10,393	12.63
Martinn H. Mandles, Chairman of the Board	1,665	13.47
Non-Employee Director Group <sup>(1)</sup>	N/A	N/A
Non-Executive Officer Employee Group	897,251	12.20

(1) Directors who are not employees of ABM are not eligible to participate in the Plan.

The following table sets forth: (i) the aggregate number of shares of ABM common stock to be issued upon the exercise of outstanding options, warrants, and rights under ABM's equity compensation plans, the weighted average exercise price, and the number of shares available for future issuance as of December 31, 2003. All equity compensation plans have been approved by ABM stockholders.

**Equity Compensation Plan Information**

As of December 31, 2003

Plan category	Number of securities to be issued upon exercise of outstanding options, warrants and rights	Weighted-average exercise price of outstanding options, warrants and rights	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column(a))
(a)	(b)	(c)	
Equity compensation plans approved by security holders	7,226,000	\$ 13.02	4,728,000
Equity compensation plans not approved by security holders	-0-	-0-	-0-
Total	7,226,000	\$ 13.02	4,278,000

The Board of Directors believes that the 2004 Plan provides ABM with an effective competitive employee program which is vital to long term retention by providing among other benefits, retirement planning incentives to employees.

Your shares will be voted in accordance with your directions. If you sign your proxy card, but do not give directions, the persons named in the enclosed proxy card intend to vote the proxy For approval of the 2004 Employee Stock Purchase Plan.

**THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS A VOTE FOR THE PROPOSAL TO APPROVE THE 2004 EMPLOYEE STOCK PURCHASE PLAN**

**CORPORATE GOVERNANCE**

**Corporate Governance Principles, Bylaws, and Committee Charters**

In 2003 the Board of Directors adopted Corporate Governance Principles to reflect its commitment to corporate governance and the role of governance in building long-term stockholder value. The actions of the Board in this area are discussed more fully in the Governance Committee Report in this Proxy Statement. In connection with the adoption of Corporate Governance Principles, the Board amended ABM's Bylaws to reflect these principles and revised the Charters of the Audit Committee, Compensation Committee and Governance Committee to more fully set forth the duties and responsibilities of these Committees as well as to meet new regulatory standards. These documents, with ABM's Certificate of Incorporation, constitute the basic ABM governance documents and are available on ABM's Website under Corporate Governance at [www.abm.com/ir](http://www.abm.com/ir). The Audit Committee Charter is also attached as Appendix A to this Proxy Statement. The Board has four Committees, the Audit Committee, Compensation Committee, Governance Committee and Executive Committee. Each is described more fully below.

**Code of Business Conduct and Ethics**

All employees, including the Chief Executive Officer, Chief Financial Officer and Chief Accounting Officer, are required to comply with the ABM Code of Business Conduct and Ethics to ensure that ABM's business is conducted in a consistently legal and ethical manner. This Code forms the foundation of a comprehensive process that includes compliance with corporate policies and procedures and an open relationship among colleagues that contributes to good business conduct. ABM's policies and procedures cover all areas of professional conduct, including employment policies, conflicts of interest, and the protection of confidential information, as well as strict adherence to all laws and regulations applicable to the conduct of our business.

Employees are required to report any conduct that they believe in good faith to be an actual or apparent violation of the Code of Business Conduct and Ethics. ABM has procedures in place to receive, retain and treat complaints received



regarding accounting, internal accounting controls or auditing matters and to allow for the confidential and anonymous submission by employees of concerns regarding questionable accounting or auditing matters.

The full text of the ABM Code of Business Conduct and Ethics is published on our Website under Corporate Governance at [www.abm.com/ir](http://www.abm.com/ir). ABM will disclose any amendments to, or waivers from, certain provisions of this Code for the Chief Executive Officer, Chief Financial Officer and Chief Accounting Officer on its Website within two business days following the date of such amendment or waiver. To date no waivers have been requested or granted.

#### **Audit Committee**

The Audit Committee oversees the corporate financial reporting process and the internal and independent audits of ABM, and ensures that there is effective communication among the Board, management and the independent auditor. The responsibilities of the Audit Committee include: (1) naming the independent auditor, (2) approving the fees for the independent auditor, (3) ensuring the independence of the independent auditor, (4) overseeing the work of the independent auditor, and (5) reviewing ABM's system of internal accounting controls. The members of the Audit Committee are: Mr. Horngren, Chair, Mr. Helms, and Ms. Herringer.

The Board of Directors has determined that each member of the Audit Committee is independent and meets the definition adopted by the New York Stock Exchange as well as the independence requirements for Audit Committees under Rule 10A-3 promulgated under the Securities Exchange Act of 1934. In addition, each member of the Committee is financially literate and each member of the Audit Committee qualifies as an audit committee financial expert under the definition set forth in Item 401 of Regulation S-K. Mr. Horngren's expertise stems from his accounting expertise and experience in accounting and assessing the performance of companies with respect to the preparation of financial statements, including his experience on the ABM Audit Committee. Mr. Helms' financial expertise derives from his experience overseeing the performance of companies in the banking industry with respect to the preparation of financial statements and his experience on the ABM Audit Committee. Ms. Herringer has relevant experience as a partner in the corporate and business law departments at two of the nation's major corporate law firms in which she advised clients about securities filings, corporate transactions, corporate governance, and other matters. In addition, the internal audit function at APL reported to Ms. Herringer during part of her tenure there. Ms. Herringer is a member of the Audit Committee of Golden West Financial Corporation, a public company.

#### **Compensation Committee**

The Compensation Committee's responsibilities include (1) approving the Chief Executive Officer's compensation, (2) reviewing and recommending to the Board the compensation and other contractual terms and conditions for employment of ABM's executive and corporate officers, and (3) administering ABM's stock option plans and authorizing stock option grants. The Board of Directors has determined that each member of the Compensation Committee is independent and meets the definition of independence adopted by the New York Stock Exchange. The members of the Compensation Committee are: Ms. Herringer, Chair, Ms. Chavez, and Mr. Kotkins.

#### **Governance Committee**

The Governance Committee is responsible for: (1) making recommendations to the Board as to the optimal number of directors on the Board, (2) reviewing and recommending criteria and candidates for selection of new directors and the re-election of incumbent directors, (3) reviewing and recommending management succession plans, and (4) other matters of corporate governance. The Board of Directors has determined that each member of the Governance Committee is independent and meets the definition of independence adopted by the New York Stock Exchange. The members of the Governance Committee are: Mr. Helms, Chair, Ms. Chavez, and Mr. Kotkins.

#### **Executive Committee**

The Executive Committee has the authority to exercise all power and authority of the Board in the management of the business and affairs of ABM, except for: (1) any functions delegated to other committees of the Board, and (2) any powers which, under Delaware law, may only be



exercised by the full Board. The members of the Executive Committee are: Mr. Steele, Chair, Ms. Herringer, and Messrs. Mandles, Rosenberg, and Slipsager. Mr. Horngren serves as an alternate member of this Committee when Ms. Herringer is unable to attend.

### **Meetings and Attendance**

During the 2003 fiscal year, the Board of Directors met 13 times, the Audit Committee met 19 times, the Compensation Committee met 7 times, the Executive Committee met 18 times, and the Governance Committee met 4 times. During this period, no director attended fewer than 92 percent of the total number of meetings of the Board and of the Committees of which he or she was a member.

### **Governance Committee Report**

ABM has a longstanding commitment to building stockholder value. The Board believes that corporate governance plays a vital role in establishing long term success.

ABM's Board is gratified that many of the good governance practices that some companies have been scrambling to implement have been a part of ABM's culture for a number of years. A majority of ABM's directors have been independent for 27 years, the Audit Committee has consisted only of independent directors for 30 years, and the Chairman and CEO positions have been held by different individuals for 41 years.

A 2003 review of governance best practices identified by leading governance authorities led the Governance Committee to recommend that the Board implement some new practices and formalize its many ongoing best practices in a statement of Corporate Governance Principles that govern the selection of Board candidates, director compensation, Board and Committee evaluation and stockholder rights. The Board adopted the Corporate Governance Principles after determining that these principles reflect appropriate standards for ABM and its stockholders.

In 2003 and early 2004, the Board at the recommendation of the Governance Committee, also took a number of related governance actions, including:

The adoption of amended and restated Charters for the Audit Committee, Compensation Committee, and Governance Committee;

The adoption of amended and restated Bylaws to update the Bylaws with respect to the Corporate Governance Principles;

Modification of the Code of Business Conduct and Ethics;

The determination of financial experts for the Audit Committee; and

Establishing an email and mail address for issues to be brought directly to the attention of non-management directors.

The Governance Principles, Committee Charters, Bylaws, and Code of Business Conduct and Ethics, including the contact information for non-management directors, are available on ABM's website under "Corporate Governance" at [www.abm.com/ir](http://www.abm.com/ir). We encourage each of our stockholders to review these documents.

#### Governance Committee

Luke S. Helms, Chair

Linda L. Chavez

Henry L. Kotkins, Jr.

### **New Director Nominees**

ABM's Corporate Governance Principles, which are available on ABM's website under "Corporate Governance" at [www.abm.com/ir](http://www.abm.com/ir), set forth the criteria that apply to Board candidates. The Governance Committee of the Board is responsible for reviewing with the Board the requisite skills and characteristics of new Board candidates in the context of the current composition of the Board. This assessment includes experience in industry, finance, administration, operations and marketing, as well as diversity. Director candidates should be able to provide insights and practical wisdom based on their experience and expertise.

Directors are expected to rigorously prepare for, attend and participate in Board meetings and meetings of the Committees of the Board of



Directors on which they serve, to ask direct questions and require straight answers, and to spend the time needed and meet as frequently as necessary to properly discharge their responsibilities and duties as directors. Each Board member is expected to ensure that other existing and planned future commitments do not materially interfere with the member's service as an outstanding director. Ordinarily, directors who are fulltime employees of ABM shall not serve on more than two other boards of publicly-traded companies. Service on other boards and other commitments is considered by the Governance Committee and the Board when reviewing Board candidates and in connection with the Board's annual self-assessment process.

### **Selection of Director Candidates**

The Board is responsible for selecting director candidates. The Board delegates the screening process involved to the Governance Committee, with the expectation that other members of the Board and executives will be asked to take part in the process as appropriate. Candidates recommended by the Governance Committee are subject to approval by the Board. The Governance Committee is composed entirely of independent directors who qualify as independent under the New York Stock Exchange requirements.

### **Stockholder Nominees**

The policy of the Governance Committee is to consider properly submitted stockholder nominations for directors as described below under Identifying and Evaluating Nominees for Directors. In evaluating such nominations, the Governance Committee seeks to address the criteria set forth under New Director Nominees. Any stockholder nominations proposed for consideration by the Governance Committee should include the nominee's name and qualifications for Board membership and should be addressed to:

Corporate Secretary  
ABM Industries Incorporated  
160 Pacific Avenue, Ste. 222  
San Francisco, CA 94111

In addition, the ABM Bylaws permit stockholders to nominate directors for consideration at an annual stockholders meeting. ABM's Bylaws provide that stockholders intending to nominate candidates for election as directors at an annual meeting of stockholders must give notice in writing to the Corporate Secretary at least sixty days prior to the first anniversary of the mailing of the proxy statement in connection with the previous year's annual meeting. The notice must include the full name and address of the nominee and the person making the nomination, other information about the nominee that must be disclosed in proxy solicitations under Rule 14(a) of the Securities Exchange Act of 1934, the nominee's consent to the nomination and to serve, if elected, and certain other information set forth in the Bylaws.

### **Identifying and Evaluating Nominees for Directors**

The Governance Committee utilizes a variety of methods for identifying and evaluating nominees for director. The Governance Committee regularly assesses the appropriate size of the Board, and whether any vacancies on the Board are expected due to retirement or otherwise. In the event that vacancies are anticipated, or otherwise arise, the Governance Committee considers various potential candidates for director. Candidates may come to the attention of the Governance Committee through current Board members, professional search firms, stockholders or other persons. These candidates are evaluated at regular or special meetings of the Governance Committee, and may be considered at any point during the year. As described above, the Governance Committee will consider properly submitted stockholder nominations for candidates for the Board. The Committee received no stockholder nominations in 2003. Following verification of the stockholder status of persons proposing candidates, the Committee will consider the candidates at a regularly scheduled meeting, which is generally the first or second meeting prior to the issuance of the proxy statement for ABM's annual meeting. If any materials are provided by a stockholder in connection with the nomination of a director candidate, such materials will be forwarded to the Governance Committee. The Governance Committee may also review materials provided by professional search firms or other parties in connection with a nominee. In evaluating such nominations, the Governance Committee seeks to achieve a balance of knowledge, experience and capability on the Board.

There is no nominee for election to the ABM Board this year who has not previously served as an ABM director.

### **Communications to Non-Management Directors**

The Board of Directors has established an email address for communications to the non-management directors: nonmanagementdirectors@abm.com. Stockholders may also communicate by mail to: Non-management Directors, ABM Industries Incorporated, 160 Pacific Ave., San Francisco, CA 94111. All mail addressed in this manner will be delivered to the Chair or Chairs of the Committees with responsibilities touching most closely on the matters addressed in the communication.

### **FURTHER INFORMATION CONCERNING THE BOARD OF DIRECTORS**

#### **Chairman's Compensation**

Mr. Mandles and ABM entered into an agreement in November 2002 that replaced and superseded his prior employment agreement. This agreement was entered into as a result of the elimination of the position of Chief Administrative Officer. The November 2002 agreement, which contains several terms and conditions that are generally similar to ABM's standard executive employment agreements, provides that Mr. Mandles will continue to serve as Chairman of the Board, subject to the pleasure of the Board. Under the terms of the agreement, from November 1, 2002, through November 1, 2004, Mr. Mandles will receive, as an employee of ABM, an annual salary based on his fiscal year 2003 rate of pay, a bonus for fiscal year 2003 based on ABM profits and a one-time bonus of \$25,000 in November 2002. In fiscal year 2003, Mr. Mandles received an annual salary of \$464,377 and bonuses of \$170,949. Under the agreement Mr. Mandles received title to an ABM-leased automobile on November 1, 2003 and he is eligible to receive (i) a \$103,000 payment on November 1, 2004, and (ii) a \$5,000 payment upon the conclusion of his employment.

In fiscal year 2003, ABM also contributed \$8,000 to the 401(k) plan on behalf of Mr. Mandles. From November 1, 2003, through November 1, 2004, Mr. Mandles' fringe benefits are limited to group health and life insurance benefits and participation in any employee stock purchase and deferred compensation plans. The November 2002 agreement requires Mr. Mandles pay ABM \$103,000 on November 1, 2004 to reimburse it for the cost of a club membership. The November 2002 agreement further provides that Mr. Mandles is entitled to receive all compensation and benefits if he becomes disabled. ABM has accrued supplementary executive retirement benefits for Mr. Mandles or his estate, which shall be payable in 120 monthly installments of \$4,167, beginning after his resignation, retirement or other termination from full-time employment with ABM (but payments begin no earlier than Mr. Mandles sixty-fifth birthday).

#### **Compensation of Non-Employee Directors**

During fiscal year 2003, non-employee directors received retainer fees of \$2,000 per month for the months of November and December 2002, and \$3,000 per month beginning in January of 2003, \$1,000 for each telephonic Board or committee meeting of less than two hours duration, and \$2,000 for each Board or committee meeting attended in person and for each telephonic Board or committee meeting lasting two hours or more. Mr. Rosenberg and Mr. Steele, however, receive no meeting fees for meetings of the Executive Committee. The Chairs of the Audit Committee, Compensation Committee, and Governance Committee received an additional retainer of \$2,000 per year. In fiscal year 2003, the aggregate amount paid to non-employee directors for meeting and retainer fees was \$555,000. Mr. Steele receives an annual fee of \$100,000 as a consulting director, which includes his responsibilities as Chairman of the Executive Committee. Mr. Rosenberg receives an annual fee of \$100,000 for consulting services, which includes his responsibilities as Vice-Chairman of the Executive Committee. Pursuant to the terms of ABM's Time-Vested Incentive Stock Option Plan, on the first day of each fiscal year each non-employee director receives the grant of a stock option for 10,000 shares of ABM common stock, with an exercise price set at the fair market value on the day of grant. The stock options vest over five years. The exercise price of the 2003 grants is \$14.87 per share. In addition, in fiscal year 2003, Mr. Steele received \$8,400 for additional services authorized by the Board. ABM also reimburses its non-employee directors for expenses incurred in

attending Board and committee meetings and for certain other out-of-pocket expenses.

Non-employee directors who have completed at least five years of service are eligible to receive ten years of monthly retirement benefits equal to the monthly retainer fee received prior to retirement, reduced on a pro-rata basis for fewer than ten years of service. Benefit payments commence at the later of the respective retirement dates of those directors or age 62 (early retirement) or 72 (senior retirement) and end at the earlier of the 121<sup>st</sup> month after retirement or the death of the director. Non-employee directors who retire after the age of 70 have the option to receive a lump sum payment equal to the present value of the monthly payments discounted at eight percent.

Mr. Steele retired as an officer and employee of ABM in October 2000. Pursuant to his previous employment contract, ABM is paying retirement benefits of \$8,333 per month to Mr. Steele for a ten-year period ending June 2011. ABM also contributes \$901 per month toward medical and dental insurance for Mr. Steele and his wife (until each is age seventy-five) and provides him with \$150,000 in life insurance coverage. In addition, under the terms of the previous employment contract, ABM pays certain club dues for Mr. Steele, which totaled \$2,865 in fiscal year 2003.

ABM has also entered into indemnification agreements with its directors. These agreements, among other things, require ABM to indemnify its directors against certain liabilities that may arise in connection with their services as directors to the fullest extent provided by Delaware law.

The late Sydney J. Rosenberg, brother of Theodore Rosenberg, retired as a director, officer and employee of ABM in December 1997. Pursuant to his previous employment contract, ABM began making payments to Sydney J. Rosenberg and will continue making payments to his estate of \$8,333 per month for a period of ten years ending November 2007. Under the same agreement, ABM also pays \$6,000 per year to the widow of Sydney J. Rosenberg to assist with medical and dental expenses for the same ten-year period.

## EXECUTIVE COMPENSATION

## Compensation of Executive Officers

The compensation of the Chief Executive Officer, and the four other most highly compensated executive officers of ABM during the fiscal years ended October 31, 2003, 2002 and 2001 is set forth below. Columns regarding Other Annual Compensation, Restricted Stock Awards, and Long-Term Incentive Plan Payouts are excluded because no reportable payments in those categories were made to these persons in or for the relevant years.

Name and Principal Position	Fiscal Year	Annual Compensation		Long-Term Compensation Awards	All Other Compensation(\$)
		Salary(\$) <sup>(1)</sup>	Bonus(\$)	Securities Underlying Options(#)	
Henrik C. Slipsager President & Chief Executive Officer	2003	677,950	185,922	0	4,000 <sup>(3)</sup>
	2002	650,000	175,179	100,000	0
	2001	650,000	195,365 <sup>(2)</sup>	125,000	0
Jess E. Benton Executive VP & Chief Operating Officer	2003	469,350	98,438	0	8,000 <sup>(3)</sup>
	2002	450,000	114,259	80,000	8,000 <sup>(3)</sup>
	2001	450,000	94,791	0	0
James P. McClure Exec. VP & President of ABM Janitorial Services	2003	422,415	105,273	0	9,621 <sup>(3)</sup>
	2002	392,500	126,905	80,000	5,869 <sup>(3)</sup>
	2001	375,450	134,648	65,000	54,818 <sup>(4)</sup>
George B. Sundby <sup>(5)</sup> Senior VP & Chief Financial Officer	2003	312,900	105,496	0	10,154 <sup>(3)</sup>
	2002	300,000	99,238	180,000	4,136 <sup>(3)</sup>
	2001	104,790	60,767	0	0
Steven M. Zaccagnini <sup>(6)</sup> Senior VP & President of ABM Facility Services	2003	287,500	75,000	60,000	82,601 <sup>(7)</sup>
	2002	148,077	0	40,000	0

(1) Annual compensation includes amounts deferred under ABM's Deferred Compensation Plan.

(2) Includes \$50,000 paid upon Mr. Slipsager's election as President & Chief Executive Officer in November 2000.

(3) ABM's contribution to the 401(k) Plan, in which all employees are generally eligible to participate.

(4) Reimbursement of relocation expenses.

(5) Mr. Sundby began employment at ABM in June 2001.

(6) Mr. Zaccagnini began employment at ABM in April 2002.

(7) Includes \$78,465 in reimbursement of relocation expenses and \$4,136 that was ABM's contribution to the 401(k) Plan.