Rentokil Initial

Protecting People. Enhancing Lives.

The great Hygiene reset

Expanding Hygiene to meet new attitudes towards health, hygiene and wellbeing

Race to protect people

2,000 colleagues completed the Race to Kigali to highlight the global fight against malaria

Digitally charged Pest Control

PestConnect is leading the strong execution of our innovation strategy globally

Reshaping our business

to serve a changing world

Rentokil Initial plc
Annual Report 2021

Performance

KPIs, pages 24 to 27

Ongoing Revenue (at CER)

£3,063.5m

+9.8%

Ongoing Operating Profit (at CER)

£458.7m

+19.5%

Free Cash Flow

£326.5m

107% cash flow conversion

Revenue (at AER)

£2,956.6m

+5.5%

Profit before tax (at AER)

£325.1m

+41.5%

2021 dividend payment

6.39p

Lost time accident (LTA)

0.38

-2.6%

Total colleague retention

84.4%

-420bps

Total client retention

85.3%

+80bps

Contents

The Financial Review on pages 144 to 149 forms part of the Strategic Report

Alternative Performance Measures

This Annual Report includes certain financial performance measures, summarised below, which are not GAAP measures as defined under International Financial Reporting Standards (IFRS). These include Ongoing Revenue, Ongoing Operating Profit, Adjusted Profit Before Tax and Free Cash Flow. Management believes these measures provide valuable additional information for users of the Financial Statements in order to understand the underlying trading performance.

An explanation of the measures used along with reconciliation to the nearest IFRS measure is provided in the Notes to the Accounts, Section E – Alternative Performance Measures on pages 193 to 199.

	2021 AER £m	2021 CER £m	Use of metric
Ongoing Revenue	**2,953.9**	**3,063.5**	Performance of continuing operations of the Group (including acquisitions). Excluding disposed or closed businesses. Presented at CER unless otherwise stated.
Revenue – disposed and closed businesses	2.7	2.7	
Revenue	**2,956.6**	**3,066.2**	
Ongoing Operating Profit	**441.5**	**458.7**	Performance of continuing operations of the Group (including acquisitions). Excluding disposed or closed businesses. Presented at CER unless otherwise stated.
Ongoing Profit – disposed and closed businesses	–	–	
Adjusted operating profit	**441.5**	**458.7**	
One-off items and amortisation and impairment of intangible assets	(95.0)	(98.6)	
Operating profit	**346.5**	**360.1**	Presented at CER unless otherwise stated.
Share of profit from associates before tax	8.1	8.9	
Net adjusted interest payable and net interest adjustments	(29.5)	(30.3)	
Profit before tax	**325.1**	**338.7**	
One-off items, net interest adjustments, and amortisation and impairment of intangible assets	91.4	94.9	
Adjusted Profit Before Tax	**416.5**	**433.6**	Excludes certain items that could distort the underlying trading performance.
Basic earnings per share	14.16p	14.77p	
Basic adjusted earnings per share	18.07p	18.81p	

The content of this Annual Report reflects the views, opinions and status of the Company as at 3 March 2022.

We are reshaping our business to serve a changing world

In 2021, we continued to succeed in supporting our customers, strengthening our services and extending our reach, while maintaining industry-leading safety standards and minimising our environmental impact. Today, we are global leaders in both pest control and hygiene, markets that have grown in importance as people's expectations of health and hygiene have changed, perhaps forever, because of the COVID-19 pandemic. Our Pest Control category has made excellent progress this year, demonstrating a clear return to growth, and in December, we announced our agreement to acquire Terminix, creating what will be the clear No.1 player in North America and globally.

In September, we announced the next evolution of our RIGHT WAY plan from 1 January 2022: the creation of a new, larger business, Hygiene & Wellbeing, combining our existing Hygiene operations with our Ambius, Dental Hygiene and Cleanroom operations; new Group medium-term targets; and a revised regional structure. We believe this will create a business fit to meet the changing needs of our customers.

We have an incredible team performing strongly right across our organisation. Together, we're confident about the future and committed to achieving the demanding new financial targets we've set ourselves for the medium term.

Andy Ransom
Chief Executive

Over the following 14 pages we talk about our purpose and ambition

Our Business at a Glance on page **16**

Features

A **global leader** in an outstanding **growth industry**

87
countries

56
leading positions

Global pest control market is worth

c.$**22**bn

Expected to continue to grow at

4.5%–**5**%
per annum over the medium term

The combination of excellent Pest Control structural growth drivers, our own organic growth levers such as innovation, digital technology and sustainability, and the continuation of our M&A programme, both in North America and in the major global Cities of the Future, means that, over the next five years and beyond, we can continue to strengthen our already leading position in the global pest control market. We are growing organically, adding M&A on top of this base, and enhancing net operating margins through greater density.

Stuart Ingall-Tombs
Chief Financial Officer

The global pest control market continues to expand in the wake of the COVID-19 crisis, and remains an essential service in protecting public health. The industry's key market drivers have not weakened since the pandemic, with every market, in every region, increasing its per-capita spend on pest control services and products. New research shows that the most important factors influencing the decision-making process of commercial customers when selecting a pest control provider include service reliability, innovation, digital solutions and sustainability, all themes that play to our strengths. Pest Control remains our main platform for medium-term growth as we push deeper into key markets, target higher-growth customer sectors and enter key emerging cities for future growth. Based on our past performance and our expectations for the future, we announced at our Capital Markets Day in September a new medium-term Organic Revenue growth target for Pest Control of between 4.5% and 6.5% a year from 2022.

Read more about **Pest Control** on pages **32** to **39**

Inside the washroom...

The pandemic has profoundly changed attitudes and behaviour.

According to our 2021 survey into attitudes and behaviours towards hygiene:

66% of people say they have changed their hygiene behaviours

84% of people who work think it is important that their employer prioritises creating a safe and hygienic workplace

71% of respondents are now more fearful of the spread of germs from surfaces they touch

Read more about our Global Hygiene Reset survey on page **43**

and beyond...

In response to rising expectations for hygiene standards around the world, we have created our Hygiene & Wellbeing category to meet the future needs of our customers – inside and outside the washroom.

Initial Hygiene is a global leader in hygiene services, with 22 market-leading positions, and top-three positions in 38 of its 67 markets.

We offer a wide range of high-quality washroom products and services to meet the needs of our customers across the three main sectors of hand hygiene, air hygiene and in-cubicle hygiene.

New proprietary research we have commissioned from 20 markets internationally shows that the benchmark of what constitutes good hygiene is now set at a far higher level, and that the drivers of growth have changed significantly since the pandemic.

In 2021, we announced a new medium-term Organic Revenue growth target for Hygiene & Wellbeing of between 4% and 6% a year from 2022. We would expect washroom services to generate around 50% of that growth through enhanced washroom hygiene services, such as no-touch and digital products, and for the other 50% to be generated from a combination of premises hygiene and enhanced environments outside the washroom – such as air-purification services – and from extending our geographic reach.

Read more about **Hygiene** on pages **40** to **46**

We believe our new Hygiene & Wellbeing category will create the right business, at the right time, to help our customers keep their customers and employees safe, in a less safe world.

Andy Ransom
Chief Executive

Upweighting our medium-term growth targets

In February 2014, and for the first time in the Company's history, we put in place Group medium-term targets for revenue, profit and cash. Having consistently beaten these targets in each successive year, we increased them in 2017.

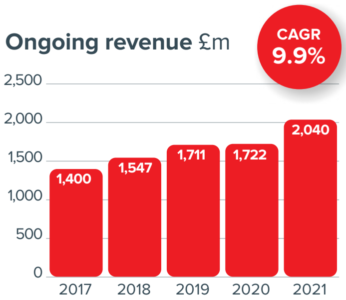
Our performance against these targets from 2017 to 2021 has remained strong and, given the new medium-term organic targets we have announced both for Pest Control and for Hygiene & Wellbeing, we are once again revising our medium-term targets upwards, to reflect our confidence and ambition for the future. These medium-term targets came into force at the start of 2022.

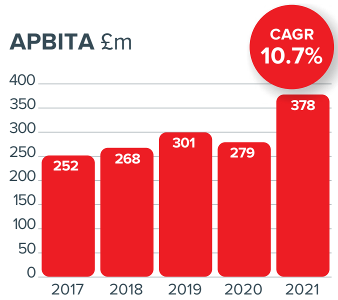
Read more about our **financial performance** on pages **144** to **149**

Previous targets		New targets
	Organic Revenue growth	
Group 3-4%	→	Group 4-5%
Pest Control 4-6%	→	Pest Control 4.5-6.5%
Hygiene 2-3%	→	Hygiene & Wellbeing 4-6%
	Ongoing Revenue growth	
5-8%		6-9% (of which M&A c.2%–5%)
	Ongoing Operating Profit	
c.10%		10%+
	Free Cash Flow	
c.90% cash conversion		c.90% cash conversion

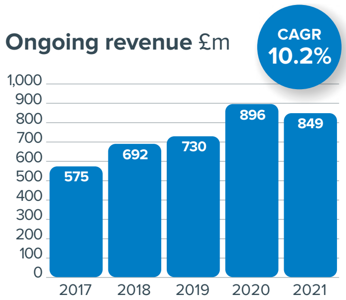
The charts below illustrate the substantial value our operating model has created in Pest Control since 2017 and demonstrate our recovery from the impact of the pandemic in 2020. The bar chart on the left shows that we have grown revenues by 46% to 2021, a CAGR of 9.9%. Looking at operating profit growth (adjusted profit before interest, tax and amortisation) on the right-hand side, this has risen by £126m since 2017, a CAGR of 10.7% to 2021.

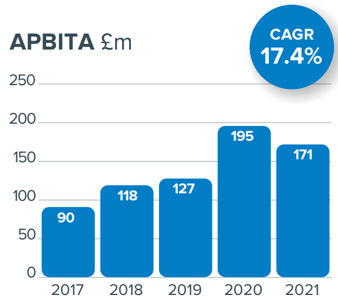
Substantial value creation FY2017 – FY2021





Substantial value creation FY2017 – FY2021





The charts above illustrate the value created in Hygiene & Wellbeing since 2017. The chart on the left-hand side shows that we have grown revenues by 48% to 2021, a CAGR of 10.2%. The bar chart on the right shows that operating profit has increased by 90% since 2017 (including the contribution from disinfection services) with a compound annual growth rate of 17.4%.

Our commitment to customer partnerships

Protecting people

Through our Hygiene services we play our part by helping our customers protect their customers, enabling them to operate safely in a changing and challenging environment. In 2021 Initial Hygiene was appointed Specialist Hygiene Services Partner of the Australian Open Tennis Tournament and London's The O2 arena.

Enhancing lives

As the world's most popular music, entertainment and leisure venue, The O2 arena welcomed its first live audience in more than a year on 11 May 2021 for the BRIT Awards – part of the government's Event Research Programme. Rentokil Initial was proud to be awarded a Specialist Hygiene Services Partnership with The O2, helping to provide enhanced health and safety measures at the venue, including installation of VIRUSKILLER™ air purification technology, which is proven to kill 99.9999% of viruses, including Coronavirus[1].

Read more about **Air care** on page **46**

Product innovation

VIRUSKILLER™ is now being sold to a range of customers including car showrooms, hotels, offices, venues and UK embassies. VIRUSKILLER™ kills Coronavirus in the air[1], and unlike traditional air purifiers that can 'trap' airborne particles and microbes, VIRUSKILLER™ also decontaminates the air, by not only trapping but also killing airborne viruses, bacteria[2] and fungi.

> Live entertainment is a truly special and inimitable experience. We want to assure spectators that by partnering with Rentokil Initial, we are working hard to provide the safest experience possible for fans to enjoy the best live entertainment has to offer.
>
> **Liana Mellotte**
> Director, Global Partnerships, AEG Europe (operator of The O2)

1. When independently tested against Coronavirus DF2 (a surrogate for Coronavirus), Adenovirus, Influenza and Polio, the unit was found to kill 99.9999% of viruses on a single air pass.
2. When independently tested against reference bacteria (Klebsiella pneumoniae, Mycobacterium tuberculosis, Staphylococcus aureus subsp. Aureus, Streptococcus pneumoniae, Streptococcus pyogenes, Escherichia coli), the unit was found to kill 99.9999% of bacteria on a single air pass.

Our commitment to being a world-class employer of

cho

Continuing our journey as an Employer of Choice
Rentokil Initial aims to be a world-class Employer of Choice – attracting, training and retaining great people from the widest possible pool of talent. In 2021, we ran a global diversity, equality and inclusion initiative for approximately 1,000 managers and leaders. The programme featured two elements: 'Include', focusing on how to foster an inclusive environment; and 'Decide', looking at bias and how to mitigate it. Feedback was very positive and we will roll out the programme further in 2022.

Driving ongoing improvements in colleague retention is key to greater customer retention and we were pleased that retention across Sales and Service remained high during the year, despite challenges from post-pandemic employment shifts. Listening to colleagues is also part of our culture, and in 2021 a record 91% of colleagues completed the Your Voice Counts survey. Scores improved for many themes, including Strategic Direction (+4% points), Collaboration (+3% points), Line Manager Index (+3% points) and Diversity, Equality and Inclusion (+3% points). The Equal Opportunities question scored 10 percentage points ahead of the global high-performance norm of leading companies.

Read more about our colleagues and culture on pages **51** to **54**

Sustainability and innovation are at the forefront. This is a global company that feels like a family.

Rosa :)

Leadership in innovation

product

Product innovation is second nature to us. Among our many firsts in recent years, we have been the first to develop connected pest control devices, the first to use carbon dioxide in rodent control, and the first to deploy LED lights for highly effective and sustainable insect control.

Innovation strengthens our brand and cements our leadership position in the pest control industry, differentiating us from our competitors, particularly in the area of digital technology, and giving us a first-mover advantage.

It also helps us provide an enhanced service to customers, target key growth sectors (such as rodents), enhance our ability to up-sell additional products and service lines, and retain customers. In addition, it lowers our operating costs and enhances our sustainability credentials.

Read more at **rentokil-initial.com/our-services/innovation**

digital technology

Rentokil has developed the world's leading digital pest control platform, providing an unmatched level of monitoring, reporting and insight for our customers, who face the risk of increased fines or censure without effective pest management and reporting.

digital ecosystem

One of the key drivers of our growth will be our digital ecosystem – the combination of digital hand-held devices, remote monitoring, online portals and data analysis. It's proven, robust and secure; it's responding to customer needs; and it's achieving high levels of customer satisfaction.

Paul Donegan
Digital Innovation Director

science

In 2021, we opened our new Technology Centre in the UK to provide a dedicated home for the testing and validation of new Initial Hygiene products. The facility includes: environmental testing (e.g. testing products at different temperatures, humidity levels, UV weathering, etc.); functional testing (e.g. service time, tamper resistance); and being able to carry out thousands of repetitive tasks to ensure validation of sales and marketing claims. The new site will also serve as a Hygiene Innovation and Product Development Centre as the testing of new products and services is phased in through 2022. The building achieved a BREEAM Excellent rating for sustainability performance.

Value-creating M&A and new focus on Hygiene

M&A remains an important part of our growth strategy and our proven acquisition model continues to create significant value for our shareholders, building density and margin. We have the in-house capability to identify, evaluate, execute and integrate acquisitions at pace.

Our M&A programme extends from North America to the rest of the world, where we actively seek to build local density in the c.1,000 cities we are already in – as well as targeting Cities of the Future that will deliver even higher growth levels over future decades.

M&A strategy and opportunity

Pest Control

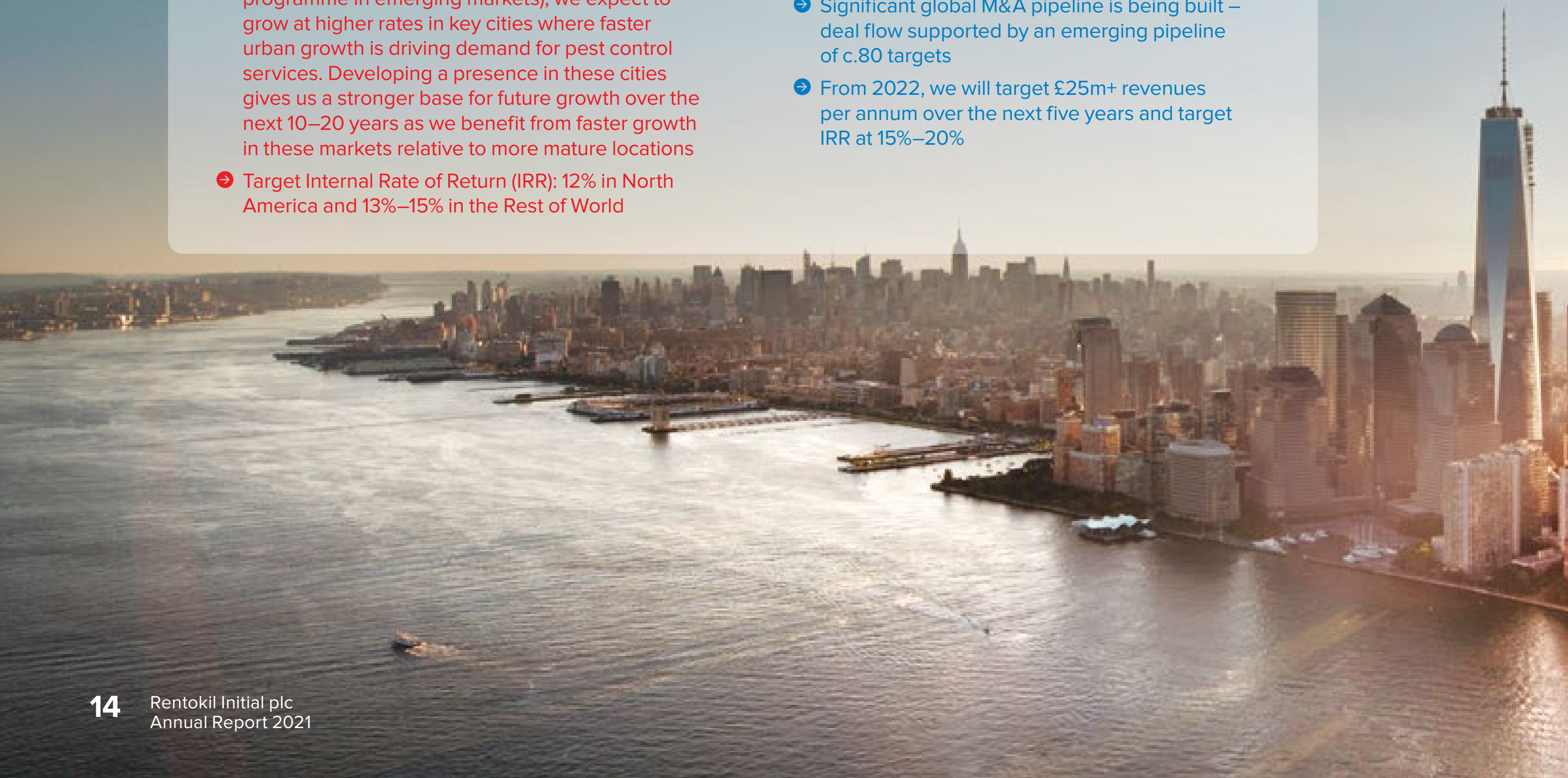
Since 2016, we have acquired 245 businesses, mostly in pest control with acquired revenues of around £950m, and the pipeline of opportunities in both Growth and Emerging markets remains strong as we continue to execute a proven strategy:

- We have the network, know-how and proven acquisition model – and with a deep understanding of density
- Highly fragmented global pest control market, and we remain the buyer of choice – c.40,000 pest control companies globally with c.50% in North America
- Through Cities of the Future (our focused M&A programme in emerging markets), we expect to grow at higher rates in key cities where faster urban growth is driving demand for pest control services. Developing a presence in these cities gives us a stronger base for future growth over the next 10–20 years as we benefit from faster growth in these markets relative to more mature locations
- Target Internal Rate of Return (IRR): 12% in North America and 13%–15% in the Rest of World

Hygiene & Wellbeing

We will apply the same proven, value-creating model in Pest Control to our Hygiene & Wellbeing category, with a focus on building our density across our cities and supporting extension areas defined as part of our growth plans, including air care, surface hygiene, safety and digital monitoring.

- M&A creates value through city-based density building. Deal economics are generally better – prices and competition for target assets are lower than in pest control
- Expertise and systems in place
- Proven ability to drive margins through density building
- Significant global M&A pipeline is being built – deal flow supported by an emerging pipeline of c.80 targets
- From 2022, we will target £25m+ revenues per annum over the next five years and target IRR at 15%–20%



245
businesses acquired since 2016

£950m
revenue acquired through M&A

52
businesses acquired in 2021

£495.5m
total consideration for M&A in 2021

Acquisition of Terminix

In December 2021, we announced an agreement under which Rentokil Initial will acquire Terminix Global Holdings Inc. (Terminix), the most recognised brand in US termite and pest management services and now a singularly focused pest management company, with a low cost structure and strong balance sheet.

The combination, which is conditional on regulatory and shareholder approvals, is expected to create significant value, enhance long-term growth potential, be highly cash generative and present a compelling industrial logic, supported by:

1 Increased scale and leadership in the global pest control market

- Combined group will be the leading global pest control company
- c.4.9 million customers worldwide
- Complementary strengths in North American residential and termite sectors and global commercial pest control
- Well positioned in an attractive global industry with estimated annual growth at 4.5%–5%+ over the medium term
- Adding c.84% to our Pest Control business in revenue
- Significantly enhanced network and route density

2 Substantially increased scale in North America, providing an enlarged platform for profitable growth

- The world's largest pest control market – highly competitive and fragmented, with c.20,000 pest control companies
- Creates the pest control leader in North America and adds c.$2.0bn pest control revenues
- Additional scale will enable further investment in people, service, quality, innovation, digital technology & applications, and sustainability
- New science and innovation centre planned in the US focused on termite and residential pest control

3 A complementary and synergistic portfolio combination

- Strong operational and cultural fit, creating significant synergy opportunities
- Complementary service lines and geographic footprint
- Our innovation and technology can be rolled out to Terminix's 2.9 million pest control customers
- Further differentiation from competition through strong focus on people, customers and ESG
- Attractive synergy potential – at least $150m (£113m) annual net cost synergies by the third full year post completion

4 An attractive financial profile

- Balance sheet strength to support growth
- Highly cash generative – combined pro forma FY2021 Free Cash Flow of $0.7bn (£0.5bn)
- Creates a larger and more diversified North America business
- Limited integration risk – both companies have strong M&A track record
- Ongoing commitment to strong, complementary Hygiene & Wellbeing business
- Our medium-term target growth rates, commitment to our current progressive dividend policy, and investment grade credit rating maintained

Our Business at a Glance

Two strong businesses, one unifying culture

Rentokil Initial is a global leader in the provision of route-based services that protect people and enhance lives. We operate in 88 countries around the world, in more than 90 of the world's 100 leading cities – from Los Angeles to Amsterdam, and Shanghai to Auckland. As of 1 January 2022, we operate in, and will report on going forwards, two restructured business categories, Pest Control and Hygiene & Wellbeing (which combines our existing Hygiene operations with our Ambius, Dental Hygiene and Cleanroom operations), accounting for 67% and 28% of Ongoing Revenue respectively, with the remainder in France Workwear which operates alongside as a standalone business. We employed around 46,000 people in 2021.

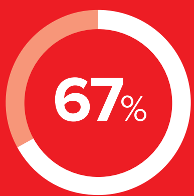
Pest Control

Rentokil Pest Control is the world's leading international commercial pest control service provider, offering the highest levels of risk management, reassurance and responsiveness to customers.

Ongoing Revenue at CER:

£2,040.2m

+18.5%



Ongoing Revenue at AER: £1,953.7m

Countries operating in:

87

Market leader in:

56

Commercial customers with access to myRentokil online customer portal:

over 98%

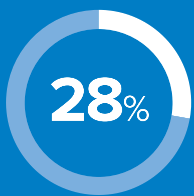
Hygiene & Wellbeing

Initial Hygiene & Wellbeing offers a wide range of services to meet today's growing expectations for hygiene, including our core washroom services, specialist services in air care and clinical-waste management, and environment-enhancing services including scenting, plants and air monitoring.

Ongoing Revenue at CER:

£848.6m

-5.3%



Ongoing Revenue at AER: £829.9m

Countries operating in:

67

Market leader in:

22

Subscription business with multiple growth levers:

c.90%

Our purpose

Our purpose is to protect people and enhance lives, everywhere. We protect people from the dangers of pest-borne disease and the risks of poor hygiene. We enhance lives with services that protect the health and wellbeing of people and the reputation of our customers' brands.

Rising standards of public health, stricter food safety legislation and the need to comply with workplace safety regulations are driving demand for our service expertise.

As a business, we also create value for our shareholders through our economic success.

Our values

Three core values underpin everything we do.

Service We are passionate about delivering excellent customer service to every customer, on time and as promised.

Relationships We value long-lasting relationships with our colleagues and customers and keep them informed about changes that affect them. We listen and act upon people's needs and concerns and are honest and straightforward in our conversations with them.

Teamwork Our business is all about great teamwork – getting it right, for our colleagues and customers.

Our culture

Our culture is characterised as customer focused, commercial, diverse, down to earth and innovative. We have highly engaged colleagues, willing to go the extra mile, and a drive within the business to keep improving, whether through learning and development, the roll-out of innovations or the introduction of industry-leading digital tools.

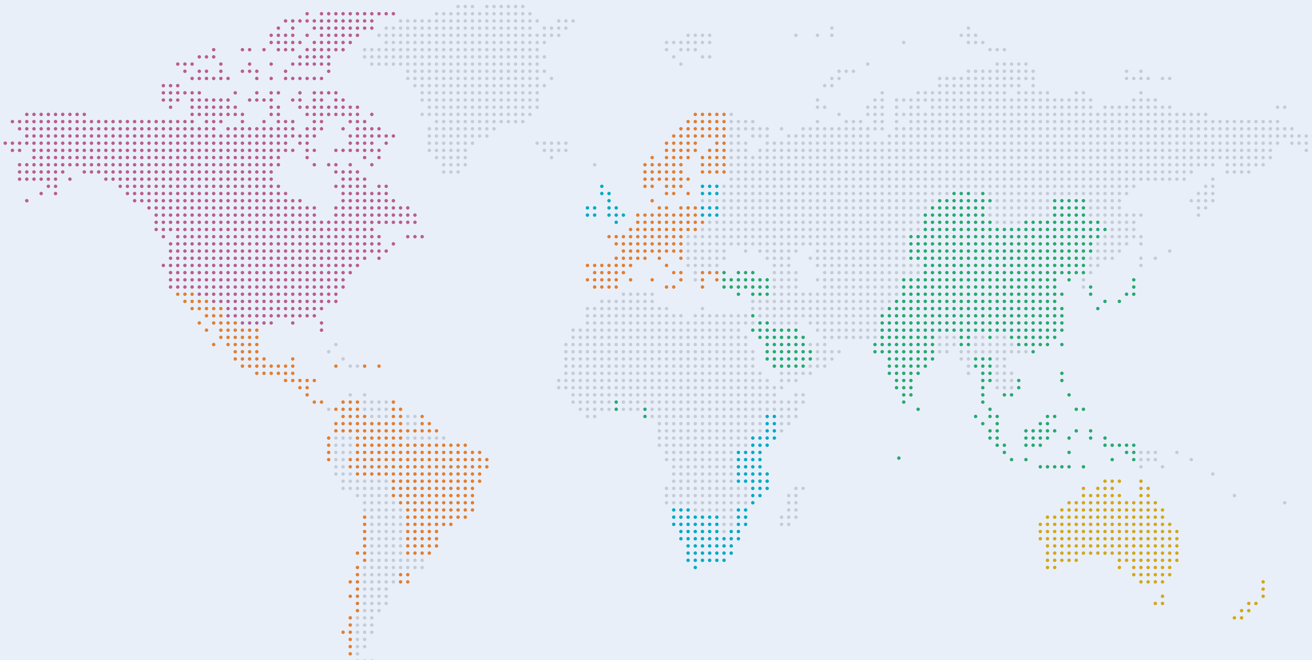
Our colleagues Our 46,000 colleagues work across 88 countries and six regions with 22% in North America, and 35% in Asia, our two largest regions by headcount.

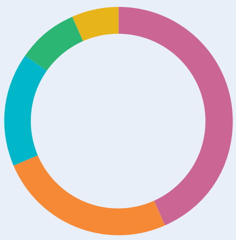
Our RIGHT WAY plan

Our **RIGHT WAY** plan divides our business into five geographic regions and two core categories, all operating on a low-cost, single-country operating structure. Since 2014, we have consistently implemented an effective strategy at pace and this has delivered consistent progress against our financial targets.

We are a strong and focused business, operating in higher growth markets, with improving levels of organic growth, reduced capital intensity, high levels of cash generation, and a proven and successful M&A capability.

Ongoing Revenue by region at CER





North America
£1,365.7m
+14.1%

Asia & MENAT
£285.7m
+8.5%

Europe (inc. Latin America)
£855.3m
+4.2%

Pacific
£192.8m
+8.7%

UK & Sub-Saharan Africa
£359.5m
+9.8%

Ongoing Revenue £m	North America	Europe (inc. Latin America)	UK & Sub-Saharan Africa	Asia & MENAT	Pacific	Total
Pest	1,215.5	360.7	176.1	200.0	87.9	**2,040.2**
Hygiene & Wellbeing	150.2	324.4	183.4	85.7	104.9	**848.6**
Workwear	–	170.2	–	–	–	**170.2**
Total	**1,365.7**	**855.3**	**359.5**	**285.7**	**192.8**	**3,063.5**[1]

1. Total includes £4.5m of central & regional overheads.

Changes to our segmental structure from 1 January 2022

Old business structure

Pest Control

Hygiene

Protect & Enhance

Comprising:
- UK Property Care
- Ambius
- Dental Services
- France Workwear

New business structure

Pest Control

Hygiene & Wellbeing

Workwear

Old regional structure

North America

Europe (inc. LATAM)

UK & Rest of World
(inc. Ireland & Baltics)
- Nordics, Poland, Caribbean
- Sub-Saharan Africa
- MENAT

Asia

Pacific

New regional structure

North America

Europe (inc. LATAM)

UK & Sub-Saharan Africa
(inc. Ireland & Baltics)

Asia & MENAT

Pacific

Q&A with Andy Ransom, Chief Executive

The right business at the right time to meet the future needs of customers

We said we would come out of the pandemic stronger and more resilient, and we have. Our people delivered an outstanding year, growing revenue, profit and cash ahead of our new medium-term growth targets. We also entered into a transaction which will make us the number one player in North America, the world's largest pest control market.

Andy Ransom
Chief Executive

All the questions in this section have been posed by investors over the past year.

Q

The COVID-19 pandemic has continued to impact the world in 2021. How has the Group performed this year?

A

The Group's performance overall has been exceptional in my view. We have delivered excellent growth, including a high level of organic growth in our core businesses. We have grown our profits at nearly 20% over the last year as well as delivering a very high level of cash conversion, and we have put that cash to work including 52 acquisitions across the world. Undoubtedly, the key to our success in 2021 has been the remarkable performance of our colleagues around the world, in particular our frontline colleagues, who have continued to deliver for our customers, day in, day out, despite the ongoing challenges that we have all faced with respect to COVID-19.

At the height of the pandemic in 2020, we were able to pivot quickly into offering additional services to customers in the disinfection space, where our highly trained colleagues would use their skills and highly effective disinfection products to make places of work and customer premises safe. In 2020, these additional revenues represented £221m. We said at the time these revenues would decline as we moved into 2021 – as customers no longer required the services, as other competitors entered the space and as the price for disinfection services dropped. This has indeed occurred and disinfection revenues in 2021 were £104m lower than they were in 2020. Despite this significantly lower contribution in 2021, we nonetheless grew our Company revenue by almost 10%, nearly 15% if we exclude the impact of disinfection.

Find out more on pages **144** to **149**

Q

Innovation is a core component of growth for the Group. Has the pandemic caused any slowdown or delays to your programme?

A

Innovation in Rentokil Initial is more of a philosophy, a state of mind rather than a function or a department in the Company, and in 2021 our people had to demonstrate a high level of innovation, flexibility and creativity to ensure that our customers received the very best service notwithstanding the ongoing challenges presented by the COVID-19 crisis. During the year, we continued to make excellent progress in connected technologies and our PestConnect service offering went from strength to strength, growing by 58%, or 87,000 additional units in the field despite a global shortage of printed circuit boards and chips. We also made excellent progress with the deployment of recent innovations such as Lumnia (our LED illuminated light trap which uses less power than a conventional blue lamp light trap and reduces carbon emissions by 62%) where our sales were up by 65% in the year.

Find out more on pages **37** and **38** and pages **55** to **57**

Q

The Company's smaller, bolt-on M&A strategy has worked very well for the Group over the last few years. Your transaction to acquire Terminix seems a clear departure from this. Why this combination, and why now?

A

We have been explicitly targeting growth in the highly attractive North America pest control market for some years now. Approximately 50% of the world's pest control market is in the United States and it is a market that continues to grow at around 4.5%–5% per annum. Over the last few years, we have been highly successful in building out our network of city-based businesses in the US, and increasing the density of our operations in those cities, both by driving up our organic growth but also by a series of in-fill or bolt-on acquisitions. To illustrate, in 2021 we executed 17 acquisitions in the US market. The opportunity to join forces with Terminix – which already enjoys a high level of city density across over 300 locations in the country – was simply too good to miss. Terminix is one of the leading consumer brand names for residential pest control and termite control in the United States and is a highly complementary operation to Rentokil, where we are the global leader in commercial pest control.

By bringing together these two businesses, we believe we can become a clear global leader in residential, termite and commercial pest control, with each of us bringing our respective strengths to the combined business. Rentokil leads with technology and innovation in commercial pest control and has a global presence in nearly 90 countries around the world. Terminix has an outstanding US business focused on residential and termites and by uniting the companies with a best of breed approach (by which I mean creating a single management team from the best of both companies and, for example, harmonising IT systems and selecting the best from both businesses) we believe we can become a genuine global leader in our industry.

Find out more on pages **15** and **145**

Q

The Company hosted an in-depth Capital Markets Day in September focusing on Hygiene & Wellbeing. Does the Terminix transaction alter your focus on the newly enlarged category?

A

Not at all. The Capital Markets Day in September gave us a platform to showcase what a strong, attractive business and opportunity we have in the broadened Hygiene & Wellbeing category. As the world begins to come to terms with a post-pandemic environment, people are increasingly focused on providing safe environments in their buildings: whether that may be an office where employers are looking to reassure their employees that it is safe to return to work, or a restaurant or hotel seeking to demonstrate to their returning customers that their facilities not only have clean surfaces but also that the air in these buildings is clean and safe.

We already have a strong presence within the washroom – through our traditional Initial Washroom service business, as well as in our Ambius business – but we also see strong opportunities to grow our hygiene service offering both outside the washroom, by focusing on new opportunities such as air and by also expanding in new geographies, and in 2020 we entered 20 new countries in Hygiene around the world.

We indicated at the Capital Markets Day in September that we believe we can grow this category by 4.0% to 6.0% each year and that we plan to invest further in the business, both in terms of innovation and product development, but also by investing in acquisitions. We have said that we aim to acquire £25m of additional revenues from new businesses each year from 2022. The Terminix deal in no way detracts from the opportunities we see in Hygiene & Wellbeing, particularly as we see much of the opportunity in this category as being in our existing geographies, all of which are outside of the United States (the Terminix business is over 90% within the US). So, while our North America teams will be very busy for the next two to three years integrating our respective pest control businesses in the US, our global teams will be focused on the Hygiene & Wellbeing opportunities in their markets as well as of course pursuing other pest control opportunities across the world.

Find out more on pages **43** to **46**

Q

Sustainability has taken a big step up the agenda for shareholders in recent years. Can you talk us through your strategy here and your key aims for the future?

A

In my 35 years in business, I have never seen an issue rise to prominence so significantly, so quickly and so comprehensively, as the urgent need to take action to protect our planet.

At Rentokil Initial, not only are we committed to playing our role – and specifically we have committed to achieving net zero emissions by 2040 because it is the right thing to do – but we also believe that by focusing on creating sustainable products delivered through sustainable operations from sustainable premises, we can differentiate our service offering from that of our competitors and therefore it becomes good business, as well as being the appropriate and right thing to do.

We also see that by leading our industry in sustainability, we make ourselves a more attractive employer of choice at a time when the war for talent has never been more intense. I am satisfied with the level of overall progress we are making on the sustainability agenda, but there is no hiding from the fact that we will all need to move much faster, think more deeply and act more thoroughly in our responses to this challenge, if we are to make the progress over the next few years that we all need.

Find out more on pages **49** to **72**

Andy Ransom
Chief Executive

Our 'Big Six' Challenges

Our strategic priorities

We regularly assess our strengths and weaknesses and examine the opportunities and threats to our business going forward. In this section, we give a brief overview of our 'Big Six' challenges, with links to further details and financial metrics.

Scan to find out more about our VIRUSKILLER™ air purification range

1

Employer of Choice/retention

Our people are our biggest competitive advantage and the key to profitable growth. Our challenge is to be an Employer of Choice and to drive ongoing improvements in colleague retention which in turn leads to greater customer retention.

Key actions taken in 2021

- Delivered the next phase in our long-term Employer of Choice programme by rolling out a new diversity, equality and inclusion upskilling initiative to approximately 1,000 managers and leaders.
- Colleague retention remained high at 84.4%, although slightly behind 2020 levels, and new job applications received through our Careers portal increased by 52%. Our U+ (our online university) training usage saw record highs, with 4.3m training content views and 500 pieces of new training content created.

Priorities for 2022

- Deliver the next phase in our new diversity, equality and inclusion programme to managers across the Group.
- Maintain a high level of U+ training, helping colleagues to develop a lasting career with the Company.
- Focus on effective recruitment practices and delivering even higher levels of colleague retention.

Find out more about our colleagues and culture on pages **51** to **54**

2

Driving Organic Revenue growth in Pest Control

Our challenge is to drive sustainably higher rates of organic growth across the business, particularly in our key North America market.

Key actions taken in 2021

- North America was our best performing region in 2021, growing revenues by 24.3%, 8.9% Organic.
- Group Pest Control revenues grew by 18.6%, (8.1% Organic), despite Australia, New Zealand, Malaysia and Indonesia operations being materially impacted by lockdowns.
- Revenues from data, product and service innovations have continued to grow this year. We increased our installation of PestConnect units by 58% in 2021, with 235,000 units now in 13,000 customer locations. By the end of the year, we had sold more than 260,000 units of our Lumnia LED fly trap, with sales increasing by 65% in the year.
- Integration of pest control data into our customer systems began in 2021, with 34 customers across six customer portals now benefiting from automatic access to our data from their sites.

Priorities for 2022

- Maintain growth in North America, consolidating our position in Pest Control through the completion and integration of our acquisition of Terminix, and initiation of synergy cost savings programme.
- Continue to deploy product and service innovations and digital applications, including further roll-out of PestConnect towards our targeted goal of 25% of commercial customers by 2026.
- Ongoing development of sustainable, non-toxic and humane pest solutions.
- Achieve higher medium-term target of 4.5%–6.5% Organic Revenue growth.

8.1%
organic growth in 2021

Find out more on pages **32** to **39**

3

Building our Hygiene business

Our challenge is to build our global Hygiene business into a second powerhouse alongside Pest Control. In response to the pandemic and the growing importance of hygiene, we announced the expansion of the category into a larger Hygiene & Wellbeing business, from 1 January 2022.

Key actions taken in 2021

- Delivered 7.4% organic growth despite ongoing challenges in a number of markets, achieved through return to regular core service provision and growth from product and service initiatives, including our Rapid Smart Hygiene range and air purification offer, installing over 11,000 air purification units into customer sites across 31 countries.
- Upweighted Organic Revenue growth target for the new category (excluding disinfection) to medium-term Organic Revenue growth of 4%–6% from 2022.
- Acquired four new businesses to build density and achieved significant momentum in building our global M&A pipeline, now with c.80 attractive targets. From 2022, we will target £25m+ revenues p.a. over the next five years, targeting IRRs at 15%–20%.

Priorities for 2022

- Executing our growth strategy within four high-growth areas: inside the washroom, digital leadership, international expansion and outside the washroom.

7.4%
organic growth in 2021

Find out more on pages **40** to **46**

4

M&A execution

Our challenge is to maintain a strong pipeline of high-quality opportunities and to integrate acquisitions quickly and effectively.

Key actions taken in 2021

- Following a slowdown in M&A at the height of the pandemic, our pipeline of deals returned strongly, and we acquired 52 new businesses in Pest Control and Hygiene & Wellbeing.
- Acquisition of the Middle East's leading independent pest control provider, Boecker World Holding SAL, operating (including with joint venture partners and associates) across the UAE, KSA, Jordan, Kuwait, Lebanon, Nigeria and Qatar, and doubling the scale of our operations in the Middle East.
- Announcement in December of acquisition of Terminix targeting the creation of the global leader in Pest Control and the No.1 pest control company in North America.
- New M&A revenue targets set for Hygiene & Wellbeing from 2022 (as above).

Priorities for 2022

- Pursue high-quality pest control companies in Growth and Emerging markets, with ongoing focus on building local density in key Cities of the Future.
- Continue to build Hygiene & Wellbeing M&A pipeline, acquiring attractive businesses with a focus on higher growth extension areas (e.g. air care and surface hygiene), and achieving targeted £25m+ per annum of acquired revenues.

£495.5m
Total consideration for M&A assets in 2021

c.£250m
Target spend on M&A in 2022

5

Creating value through product and service innovations and digital applications

Our challenge is to drive further organic growth through product and service innovation and digital applications.

Key actions taken in 2021

- Delivered a 65% increase in installations of Lumnia LED Insect Light Traps, totalling over 260,000 (2020: 168,850).
- Launched Eradico globally – our new fully recyclable, single-solution rodent control unit which addresses 57 different needs and market requirements.
- Unveiled development of Crawl Connect, our new connected device for crawling insects and RADAR X, our multi-catch mouse control unit for better efficacy and reduced servicing.
- Became the first company to use data and proprietary analysis tools, together with third-party mapping, to assess resistance to rodenticide in rodents and therefore target alternative, effective solutions.
- Further development of our Rapid Smart Hygiene range to enhance cost effectiveness and scalability, with products including taps, soap dispensers, toilet sanitisers and cubicle availability lights.

Priorities for 2022

- Continue to develop key sector products with potential for non-toxic solutions.
- Drive sales growth in Lumnia products and further roll-out of PestConnect.
- Complete technical sign off of Rapid Smart range to align with PestConnect technology and pilot products in the field, and implement field trials of Crawl Connect.
- Further evolve digital activity, leveraging current and new technology.
- Continue to actively market air purification products and services in key markets, to drive enhanced customer take up.

Find out more on pages **37** to **39** and page **45**

6

Managing a responsible business

Our challenge is to create a safe, diverse and engaging workplace, deliver customer service responsibly, and support our communities and environment effectively.

Progress against 2021 priorities

- Delivered strong levels of colleague safety, training and retention in 2021.
- Commenced implementation of our plan to achieve net zero emissions by the end of 2040: eight work streams underway and country teams now executing their plans.
- 14.9% reduction in emissions intensity index since 2019, good progress towards our emissions target of 20% reduction by 2025 – we have begun to migrate our fleet, with 177 ultra-low emission vehicles and renewable energy contracts introduced for our properties around the world (Italy is our first country operation to use 100% renewable electricity).
- 2,000 colleagues from around the world completed the Race to Kigali, our major colleague-led initiative to support our charity partner, Malaria No More.

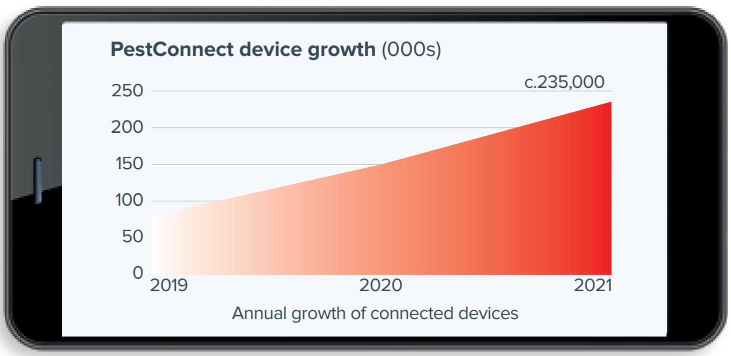
Priorities for 2022

- Maintain high levels of safety, training and retention.
- Deliver environment improvement plans in all regions.

14.9%
improvement in carbon emissions per £m revenue since 2019

Find out more on pages **49** to **71**

rentokil-initial.com/responsible-delivery



Reasons to Invest

We believe that Rentokil Initial represents a compelling, compounding growth opportunity for investors

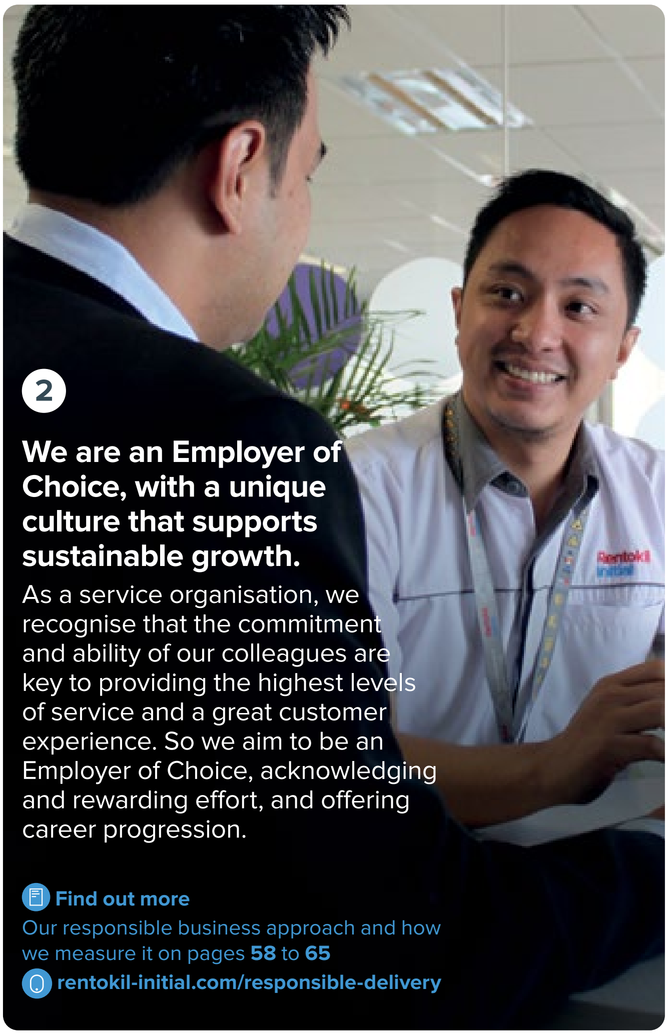
Rentokil Initial is a strong, global business with leading positions in structural growth markets. We believe there are excellent opportunities to consolidate our positions in existing markets, to enter new markets, and to lead the industry by investing in innovation in products and services, alongside disciplined and accretive M&A. Our strategy, culture of outperformance, and consistent, proven business model, allow us to achieve strong and sustainable value for our shareholders. We see the following as principal reasons to invest.

1

We are a leader in our chosen, structural growth markets in two major categories.

These generate high returns with good opportunities for further growth. Rentokil is the world's leading commercial pest control business, which is our principal engine for growth, and we believe our technical expertise is unrivalled. Initial is the largest hygiene services provider in the world, aiming to grow market share by focusing on quality of service, and drive management and back office synergies with other business lines.

Find out more
Pest Control business on pages **32** to **39**
Hygiene business on pages **40** to **46**



2

We are an Employer of Choice, with a unique culture that supports sustainable growth.

As a service organisation, we recognise that the commitment and ability of our colleagues are key to providing the highest levels of service and a great customer experience. So we aim to be an Employer of Choice, acknowledging and rewarding effort, and offering career progression.

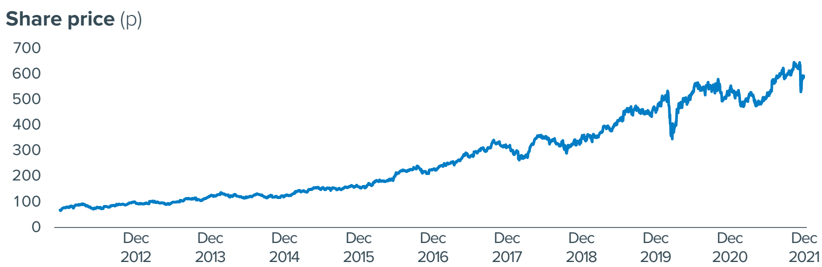
Find out more
Our responsible business approach and how we measure it on pages **58** to **65**
rentokil-initial.com/responsible-delivery

3

Our strong record of growing revenue and profits generates high returns, strong cash flow and a strong credit rating.

Since February 2014, we have implemented an effective and consistent strategy – called our **RIGHT WAY** plan – and this has brought consistent progress towards our financial targets.

Find out more
KPIs and their link to strategy on pages **24** to **27**
Financial Review on pages **144** to **149**



4

Our consistent performance allows reinvestment in our business, helping to compound growth.

Our financial model creates a virtuous circle, founded on achieving organic growth while conducting M&A to increase our density, which correlates directly to improved gross margins. This, combined with our low-cost operating model, brings strong profitable growth and sustainable free cash flow. We deploy this on our financially disciplined M&A programme and operational investment, and into maintaining our progressive dividend policy.

Find out more
Our Business Model on pages **28** and **29**

5

We have a fundamental understanding of density.

This helps us consolidate our positions in existing markets and improve margins, in part by focusing on increasing the density of our routes, whether through organic activity or by acquisition.

Find out more
M&A in Pest Control on page **34** and in Hygiene on page **45**

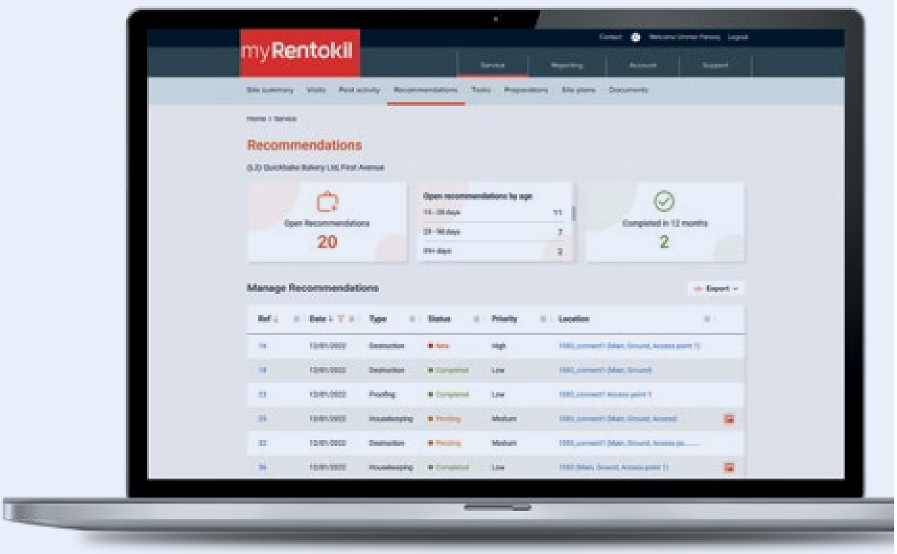
6

We see considerable opportunities for broader growth.

We see further growth opportunities through entering new markets, from increased innovation in products and services, and by deploying digital applications.

Find out more
Global growth drivers for Pest Control on page **33** and Hygiene on page **41**

Scan to find out more about myRentokil



Key Performance Indicators

Very strong progress | Strong progress | Good progress | Further work required | Disappointing progress

Colleagues

Ensuring everyone goes home safe

Lost Time Accident (LTA) rate

0.38

-2.6% improvement on 2020

2021	0.38
2020	0.39
2019	0.53
2018	0.63
2017	0.58

LTA rate defined as number of Lost Time Accidents per 100,000 standard working hours.

Working Days Lost (WDL) rate

8.71

-3.0% down on 2020

2021	8.71
2020	8.46
2019	10.99
2018	14.77
2017	11.65

WDL rate defined as number of Working Days Lost as a result of LTAs per 100,000 standard working hours.

Link to strategy

- As a service organisation, our people make our Company what it is.
- Our priority is ensuring everyone goes home safe.
- Health and safety is the first agenda item in all senior management meetings (including Executive Leadership Team and Board).

Link to remuneration

- Both LTA and WDL rates are part of the personal objectives of the Chief Executive and have an impact on the level of annual bonus achieved.

Commentary on performance

- 2021 was our best ever full-year performance on LTA, and we delivered world-class safety (LTA <1.0) in every region.
- In WDL we delivered world-class safety performance but were marginally behind our ambitious target for 2021.
- Very strong progress in deployment of our Site Risk Assessment app in 2021, 2.2m assessments were conducted using the app, enhancing compliance and pre-job safety for our colleagues.
- Operating during the COVID-19 pandemic represented additional challenges for our frontline colleagues, navigating frequently changing public health restrictions and very different arrangements implemented by governments across the world.
- In 2021, there were no work-related fatalities (2020: 1). However, regrettably, four people died in incidents associated with our activities including a pedestrian in South Africa who unexpectedly ran across a motorway in front of one of our vehicles, a colleague who suffered a heart attack while at work, and two colleagues who died in road traffic accidents on the way to or from work, in France and Thailand respectively.

Colleagues

Employer of Choice

Sales colleague retention

82.9%

-4.8% points

2021	82.9
2020	87.7
2019	85.3
2018	82.1
2017	77.3

Service colleague retention

82.4%

-4.5% points

2021	82.4
2020	86.9
2019	86.1
2018	85.1
2017	76.0

Defined as total Sales and Service colleagues retained in year as a percentage of Sales and Service headcount at start of year.

Link to strategy

- We invest in training and development to ensure that our colleagues' expertise is unrivalled.
- We recruit, appoint and promote on merit.
- We listen to our colleagues via Your Voice Counts (YVC) surveys and act on feedback to make improvements.
- By retaining our people, we also retain and build deeper relationships with our customers, which underpins our organic growth.

Link to remuneration

- A Performance Share Plan (PSP) performance measure and included in annual bonus personal objectives.

Commentary on performance

- Total colleague retention remained solid in 2021 at 84.4%, although 4.2% points lower than the prior year.
- This is a result of colleagues who joined the business at the height of the pandemic and employment uncertainty last year, leaving the Company in 2021 as other sectors recovered.
- Service colleague retention fell by 4.5% points to 82.4% and Sales colleague retention fell by 4.8% points to 82.9%.
- Total colleague retention has gone backwards in all regions with the Pacific seeing the biggest fall at -7.4% points for overall colleague retention, driven by a -15.8% points drop in Sales retention and a -7.5% points drop in Service retention.
- North America has also seen a decline in all three areas and Service Technician retention has slipped below the 80% mark for the rolling 12-month period, alongside the Pacific and the UK.
- Europe and Asia have maintained an outstanding colleague retention performance with full-year results in the high 80s or 90s, which is especially pleasing given the landscape of the 'Big Resignation'.

Customers

Delivering outstanding customer service

State of Service (SoS)

92.9%

+3.5% points

2021	**92.9**
2020	89.4
2019	97.2
2018	97.9
2017	97.8

Defined as total number of service visits performed as a percentage of total number of visits due.

Link to strategy

- We are passionate about delivering excellent service to every customer and keeping our promises to them.
- Excellent service helps us retain customers and build deeper relationships with them.

Commentary on performance

- Group State of Service rose by 3.5% points to 92.9% in 2021 (2020: 89.4%), with all regions reporting higher scores on the prior year. This reflects the return to more regular service provision across our key categories and regions as restrictions implemented as a result of the COVID-19 crisis eased across our markets and as temporary customer suspensions and closures reduced.
- North America was once again our highest performing region at 97.2%, an increase of 0.7% points, closely followed by Europe at 96.4% (2020: 93.8%), Pacific at 96.0% (2020: 95.2%), UK & Rest of World at 93.6% (2020: 88.8%) and Asia at 91.2% (2020: 87.6%).
- H2 2021 still saw disruption from public health restrictions in a number of important markets such as Australia, Malaysia, Indonesia and New Zealand.

Customers

Keeping promises to customers

Customer Voice Counts (CVC)

45.1

+7.1 points

2021	**45.1[1]**
2020	38.0[2]
2019	44.5
2018	43.0
2017	44.0

Measured by the implementation of an average Net Promoter Score across all branches, including in-year acquisitions. CVC score represents the net balance of those customers promoting our service, compared with those neutral or not promoting.

1. Based on both telephone and digital survey channels.
2. Years prior to 2021 have been based on telephone surveys only. 2020 has been recalibrated to include both telephone and digital survey channels (which was introduced for the first time during the pandemic).

Link to strategy

- Our business model depends on servicing the needs of our customers in line with internal high standards and to levels agreed in contracts. Strong performance on CVC is linked to retention and sale of additional services to customers. Measuring customer satisfaction allows us to identify unhappy customers, reduce customer attrition and increase revenue, profit and cash.

Link to remuneration

- Improving Customer Voice Counts is one of the performance conditions of the PSP, which covers around 850 colleagues across the Group.

Commentary on performance

- Overall Net Promoter Score (NPS) for 2021 was 45.1 (all regions and categories), an increase of 7.1 points on the prior year but slightly down (-0.8 points) on 2019.
- Calls to our customers in 2021 asked them to rate us on five service elements: technician, complaint handling, customer contact, product quality and documentation.
- Our category analysis shows that Pest Control is our highest rated category, at 52.8 points (an increase of 3.0 points on prior year), with most markets seeing increases in scores with the exception of North America (down 2.9 points) and UK, Ireland and Baltics (down 0.6 points).
- Initial Hygiene scored 43.7 points this year, an increase of 20.1 points on 2020 and with all regions achieving increases on the prior year. Notable performances were delivered from Europe (up 13.9 points) and Rest of World (up 15.4 points).
- Our Ambius businesses received a CVC score of 52.7 points, an increase of 7.5 points on the prior year.
- Our lowest performing category was Workwear, which received a negative CVC score of -26.4 points. However, this was a 7.1 points improvement on 2020.

Key Performance Indicators
continued

●●● Very strong progress ●●○ Strong progress ●○○ Good progress ● Further work required ● Disappointing progress

Customers

Retaining our customers

Customer retention ●●○

85.3%
+0.8% points

2021	**85.3**
2020	84.5
2019	86.2
2018	85.8
2017	85.7

Defined as total portfolio value of customers retained as a percentage of opening portfolio.

Link to strategy

- Customer retention is crucial to our long-term success.
- Benefits include: increased purchasing and cross-selling; lower terminations; greater willingness to accept price increases; positive customer recommendations; and a strengthened unique selling point.

Commentary on performance

- Despite the ongoing COVID-19 pandemic, overall customer retention increased by 0.8% points to 85.3% (2020: 84.5%).
- In North America, we have seen little change to customer termination rates, which remain within normal ranges. Customer retention for the region rose by 1.2% points to 84.1%.
- In Europe, customer retention rose by 0.8% points to 87.5%.
- Customer retention for UK and RoW fell very slightly by 0.8% points to 85.5%; however, customer reviews of our UK businesses on Trustpilot.com have returned to pre-pandemic 'world-class' levels.
- Asia customer retention increased by 2.4% points to 80.9%, despite ongoing pandemic related challenges across the region.
- In the Pacific, overall customer retention for the region remained ahead of our expectations, at 89.0%, an increase of 2.2% points.

Shareholders

Driving higher revenue
Medium-term financial target: 6%–9% Ongoing Revenue growth (of which M&A is c.2%–5%)

Ongoing Revenue growth at CER

+9.8%

2021	**9.8**
2020	5.9
2019	8.6
2018	12.3
2017	13.9

Defined as revenue growth at CER from the continuing operations of the Group including acquisitions, after removing the effect of disposed or closed businesses.

Revenue at AER

2021	2020	2019	2018	2017
2,956.6m (+5.5%)	£2803.3m (+3.7%)	£2,704.1m (+9.8%)	£2,463.8m (+2.5%)	£2,404.6m (+10.9%)

Link to strategy

- We aim to drive shareholder value through driving higher revenues from our core Pest Control and Hygiene businesses, and also from our Protect & Enhance businesses, supported by M&A investment.

Link to remuneration

- Revenue targets are one of the Company's performance elements of the annual bonus which covers the Executive Directors and managers across the Group and they have an impact on the level of annual bonus achieved.

Target and key activities	Performance	Progress in 2021
6% to 9% Ongoing Revenue growth (of which M&A is c.2%–5%)	9.8% growth in Ongoing Revenue, demonstrating the clear recovery of our core businesses despite continued challenges presented by the ongoing COVID-19 pandemic in a number of our markets.	●●●
Ongoing Revenue growth in Pest Control	18.6% growth in Pest Control, +8.1% Organic, delivered through further improvements across all regions.	●●●
Supported by further momentum in Hygiene	8.2% growth in core Hygiene, +7.4% Organic, aided by return to more normalised levels of regular service provision as lockdown restrictions eased across many of our markets.	●●●
Improved performance from Protect & Enhance businesses, including France Workwear	5.6% growth in Protect & Enhance, +4.9% Organic, all four businesses (France Workwear, Ambius, UK Property Care and Dental Hygiene Services) returning to Organic growth.	●●●
Continued execution of M&A	Outstanding M&A in 2021, with 52 acquisitions – 48 Pest Control acquisitions and four in Hygiene & Wellbeing – in 25 countries and all regions, including 17 in North America, for a total consideration of £495.5m. Agreement announced in December 2021 to acquire Terminix Global Holdings, Inc., significantly increasing our scale and density, and enhancing our position in the US, the world's largest pest control market.	●●●
Sustained progress in product innovation and capability	Our proprietary, next generation pest control innovations continue to differentiate Rentokil and set new standards of performance in support of our customers. Our pipeline of innovations remains strong with 50 projects underway and 17 patent applications.	●●○
Ongoing development of digital products and applications	PestConnect continues to provide our customers with a complete remote pest detection solution and full traceability. Building on 2020's growing demand, 2021 has seen further roll-out with c.87,000 devices installed – a 58% increase year on year – taking the total to c.235,000 units in c.13,000 sites.	●●○

Shareholders

Achieving greater profitability

Medium-term financial target: Ongoing Operating Profit growth of 10%+

Ongoing Operating Profit growth at CER

+19.5%

2021	**19.5**
2020	5.5
2019	10.4
2018	13.6
2017	14.8

Defined as operating profit at CER from the continuing operations of the Group including acquisitions, after removing the effect of disposed or closed businesses. Adjusted Ongoing Operating Profit is an 'adjusted' measure and is presented before amortisation and impairment of intangible assets (excluding computer software) and one-off items.

Operating Profit at AER

2021	2020	2019	2018	2017
£346.5m (+17.9%)	£293.8m (+10.6%)	£265.6m (+8.2%)	£245.5m (-16.0%)	£292.4m (+25.8%)

Link to strategy

Our objective is to deliver sustainable profit growth by growing Group revenues.

Link to remuneration

Profit targets are one of the Company's performance elements of the annual bonus which covers the Executive Directors and managers across the Group and impacts the level of annual bonus achieved.

Target and key activities	Performance	Progress in 2021
Year-on-year improvement in Ongoing Operating Profit	19.5% growth in Ongoing Operating Profit, reflecting growth in all major reporting countries, regions and categories. Statutory profit before tax up 41.5% to £325.1m (at AER).	
Improvement in Net Operating Margin	Net Operating Margin of 15.0% (at CER), a 120 basis points improvement on 2020, reflecting stronger trading, higher service levels and a continued significant focus on improving cash collections, supported by £20.0m of revenue provision releases and £12.0m of bad debt provision releases from the prior year.	
Improvement in Net Operating Margin in Pest Control	Pest Control Net Operating Margin improvement of 210 basis points to 18.6% (at CER).	
Improvement in Net Operating Margin in Hygiene	Hygiene Net Operating Margin of 21.0%, a 250 basis points decline on 2020, reflecting lower contribution from emergency one-time disinfection services during the year as COVID-19 restrictions eased.	
Progress towards 18% North America margin target	North America Net Operating Margin of 16.7%, reflecting incremental return to more normalised trading, together with ongoing cost initiatives and benefits from IT enabled Best of Breed programme. We remain on track to achieve our 18% margin target by the end of 2022.	
Above-the-line restructuring costs maintained at or below £10m	Restructuring costs of £10.2m at CER (2020: £13.2m) consisted mainly of costs associated with North America transformation programme, together with integration costs of smaller acquisitions.	

Shareholders

Delivering sustainable Free Cash Flow

Medium-term financial target: Free Cash Flow conversion of c.90%

Free Cash Flow conversion

107.3%

2021	**107.3**
2020	111.8
2019	98.6
2018	94.2
2017	87.0

Free Cash Flow is measured as net cash from operating activities, adjusted for cash flows related to the purchase and sale of property, plant, equipment and intangible fixed assets, and dividends received from associates.

Link to strategy

We are a highly cash-generative business and, after dividend and interest payments have been made, we reinvest our cash into the business for future growth through people, technology and M&A.

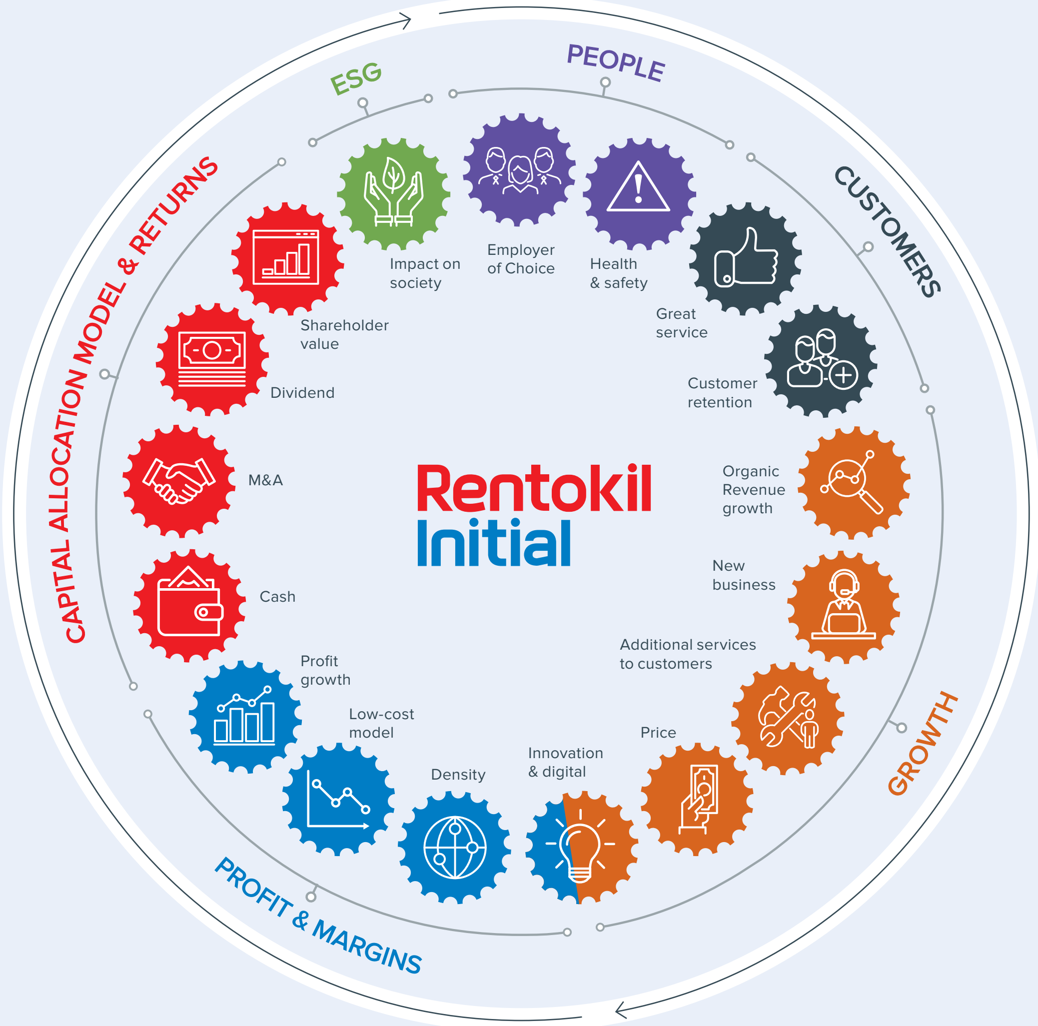
Link to remuneration

Free Cash Flow is a gateway target for the annual bonus, which covers the Executive Directors and managers across the Group. Failure to meet this target results in no bonus being payable regardless of how well the Company performs against revenue and profit targets.

Target and key activities	Performance	Progress in 2021
Free Cash Flow conversion target c.90%	Free Cash Flow conversion of 107.3% in 2021, ahead of target 90% for second consecutive year. Increase principally driven by £57.5m increase in Adjusted Operating Profit (at AER) offset by higher capex and one-off items.	
Net debt	Cash spend on acquisitions of £463.1m and dividend payments of £138.7m contributing to underlying increase in net debt of £288.9m. Favourable FX and other items of £19.5m primarily due to the strengthening of sterling against the euro and US dollar, leading to increase in net debt of £269.4m and closing net debt of £1,284.7m.	
Fully funded pension scheme	The buy-out and wind-up of the Company's pension plan will complete in 2022. The Trustee agreed a pre-tax partial refund of surplus of £13m paid in December 2020, with the balance of the refund of the surplus of c.£18m expected to be paid on completion of the buy-out in Q4 2022.	
S&P credit rating	In December 2021, S&P affirmed the Group's BBB rating. We remain committed to maintaining a BBB investment grade rating and are confident of doing so.	

Our Business Model

A cash-compounding subscription model… with people at the top



Our people are at the heart of our business, as we continue to protect public health and ensure safe working environments around the world. We help our people provide a better service, this retains more customers, to whom we sell additional services, to ultimately create shareholder value.

Thanks to our colleagues' unwavering commitment and dedication to our customers around the world, the wheel keeps turning. We refer to the wheel – our model – as the machine. Each spoke is related to the others and measured consistently at Group, business, country and branch level. By focusing on consistently executing our model, we continue to succeed.

Due to our decentralised geographic approach – our businesses are grouped into five strong regions, with local-market operations – our business model also provides a natural resilience to fluctuations in market dynamics in these individual markets, as well as geopolitical and trade risks.

This simple decentralised approach features single-country management teams operating in 88 countries (with 90% of our revenues derived from outside of the UK). Each country team leads integrated, multi-local and multi-service operations, using combined back-office functions underpinned by shared systems and processes, such as route optimisation and measurement of customer satisfaction. All follow the business model shown above.

High retention, recurring revenues

We are a subscription-based business, servicing over a million customers, from the largest multinational pharmaceutical, industrial and food production companies to local shops, restaurants and homes. Over 70% of revenues from customers are protected by annual contract – c.64% of Pest Control and c.90% of Hygiene & Wellbeing, generating 90%+ Free Cash Flow. In most regions we are able to increase prices in line with inflation, while retaining high levels of customer retention, with rates c.85%[1] in both businesses.

70%+
of revenues from customers are protected by annual contract

1. Five-year average

ESG

We have made a good start on our journey to net zero by 2040. Vehicle migration to ultra-low emissions fleet is underway with 177 vehicles, and renewable energy contracts have been introduced for our properties around the world, with Italy our first country operation to use 100% renewable electricity. Approximately 750,000 fluorescent tubes have been removed from the waste stream by using LED lamps in our Lumnia LED fly units and we have also saved 10 tonnes of plastic by changes in our packaging.

Find out more
Responsible Business on page **58**

Customers

Customer service

Our Trustpilot review scores remain very strong. In 2021, customers rated us with five stars for Rentokil (90% of 5.5k customer reviews rated us as 'excellent') and Initial (6.5k reviews, over 90% 'excellent'). Customer retention rose by 0.8% points to 85.3%.

Find out more
Our Stakeholders on page **30**

Profit & margins

Profitable growth

Ongoing Operating Profit rose by 19.5% to £458.7m, reflecting growth across all major reporting countries, regions and categories. In the UK, 38% of contact with pest control prospects and customers in 2021 was via our digital channels. Our chatbots are becoming increasingly popular, with 92% of sales enquiries received via our chatbots coming from new customers and with 56% of total chatbot interactions coming outside of 'normal working hours'.

People

In 2021, we received 68,900 applications through the Careers Portal, an increase of 52% on last year and filling 12,200 vacancies. Career+ generated 15,000 applications via 64,000 social media job shares. Our U+ online university saw 4.3m training content views online and with 500 new courses created in-house. Total colleague retention in 2021 remained high, at 84.4%.

Find out more
Responsible Business on page **51**

World-class safety

We achieved high levels of colleague safety in 2021, achieving our target Lost Time Accident rate of 0.38 per 100,000 hours worked and with Working Days Lost less than nine days per 100,000 hours worked. We were proud to have received a Gold Award in 2021 from the Royal Society for the Prevention of Accidents, one of the most prestigious and recognised schemes in the world with almost 2,000 entries every year, nearly 50 countries and a reach of over seven million employees.

Growth

Organic Revenue

We delivered an excellent revenue performance in 2021, demonstrating a clear recovery of our core businesses during the year. Excluding disinfection services, organic growth in our core business was 7.5%, in excess of our recently upweighted organic growth guidance of 4%–5%.

Find out more
Business reviews on pages **32, 40** and **47**

Price

While our businesses have experienced some inflationary pressures on their cost base throughout the year, these have largely been passed on through annual price increases (APIs) to customers, in line with normal policy.

Capital allocation model & returns

Cash

We delivered excellent Free Cash Flow of £326.5m (107.3% cash conversion) in 2021, as a result of continued strength in customer collections and no material escalation in bad debts or major insolvencies.

M&A

2021 was an outstanding year for M&A. We acquired 52 new businesses – 48 in Pest Control and four in Hygiene & Wellbeing in 25 countries, including 17 in North America, for a total consideration of £495.5m.

Shareholder value

In 2021, we continued to deliver strong returns for investors with our share price rising by 15% and ahead of the FTSE 100 for the seventh consecutive year.

Reflecting the strength of our performance in 2021, we increased our interim dividend by 38% (versus 2019), and recommended a final dividend of 4.30p per share. This equates to a full-year dividend of 6.39p per share, an increase of 18.1% on the prior year.

Our Stakeholders

Understanding expectations

Our business, its strategies, processes and our behaviour, are influenced by the needs of our stakeholders. We recognise the importance of their views and ensure we engage with them across the world to fully understand and act upon their issues and concerns.

We have a broad range of stakeholders who influence, or are affected by, our day-to-day activities, and have varying needs and expectations. Our aim at Rentokil Initial is to develop and maintain positive and productive relationships with them all.

As communicated in last year's Annual Report, we conducted a stakeholder-mapping exercise in 2019 to ensure the groups we have identified as key stakeholders remained appropriate. There were no significant changes to the Group's businesses or operations which merited a further review during 2020 or 2021, and the key stakeholders, as set out opposite, are the same as last year. Following the acquisition of Terminix Global Holdings, Inc., which is due to complete in 2022 subject to regulatory and shareholder approvals, we will revisit this at the appropriate point given the enhanced scale of our Group.

We also have other wider stakeholders, and key partnerships or business relationships, such as with the general public, government and regulators, and industry bodies. We consider the environment in relation to all our key stakeholder groups but include it principally as part of our consideration and engagement with communities. We approach stakeholder engagement at a Group, country and local level, to ensure all stakeholder groups have access to information about our business and activities, and can identify issues important to them.

Our purpose, as set out on page 16, to protect people and enhance lives, and our core values of service, relationships and teamwork, reaffirm the central importance of our stakeholders to our business.

You can find details of how the Board receives information from our stakeholder groups, with examples of the outcomes of this, in the Corporate Governance Report, primarily on pages 96 to 98. You can find more information on our responsible business approach on pages 49 to 72 and in our separate Responsible Business Report for 2021 on our website at **rentokil-initial.com/responsible-delivery**.

Colleagues by region	
North America	10,316
Europe	7,018
Latin America	2,368
UK & Rest of World	7,833
Asia	16,216
Pacific	2,280
Total	**46,031**

Colleagues

We employ around 46,000 colleagues in 88 countries. Our colleagues are those who are directly employed by us, which excludes contractors.

Key issues for stakeholder
- Health and safety
- Training and career development
- Tools to do the job
- Wellbeing
- Reward
- Culture and values
- Community support

Why we engage
We rely on the skills, experience and commitment of our people to meet our business goals.

Impact/value created
We aim to be a world-class Employer of Choice providing a safe working environment and development opportunities.
- Pay and benefits to colleagues
- Training and development opportunities

Methods of engagement
All employees are provided with information on matters of concern to them in their work, through regular briefing meetings and internal publications. To inform employees of the economic and financial factors affecting our business, regular updates are posted on our intranet and engagement events are hosted by individual businesses such as conferences, town halls and senior executive updates, which provide briefings on specific areas of the business. Other methods include:
- Your Voice Counts employee survey every two years and periodic pulse surveys
- Annual personal development reviews and line manager training
- The **RIGHT WAY** magazine published online quarterly
- Quarterly global internal update by the Chief Executive
- Speak Up ethics hotline
- Works councils including an EU Forum

Measurements
We measure our impact by monitoring our total headcount, diversity, the amount of new online training content made available and online learning views, the talent pipeline of graduate schemes and apprenticeships, and our Core Culture Index (see page 51). We also monitor external ratings, such as Glassdoor.

84.4%
colleague retention, down from 88.6% in 2020

Customers

Our customers range from global food producers to hotel chains, and industrial goods businesses and restaurants to individual residential customers.

Key issues for stakeholder
- Health, safety and sustainability
- Expertise and service quality
- Innovation
- Digital portals
- Transparency
- Quality assurance and insights
- Cost
- Regulatory compliance

Why we engage
The Company's purpose is to protect people and enhance lives, and in a service industry we succeed or fail by the quality of the service we offer our customers.

Impact/value created
- Brand value
- Regulatory compliance (food safety, health and safety, etc.)
- Sustainability

Methods of engagement
- Management of ongoing customer relationships
- Customer satisfaction surveys/CVC (NPS)
- Participation in industry forums and events, such as the Global Food Safety Initiative and thought leadership
- Annual Report and industry-focused publications
- Websites
- Innovation showcase, e.g. visits to our dedicated research, development and training facility, the Power Centre
- Provision of training for customers' staff

Measurements
We measure our impact by monitoring our net gain and portfolio development, operating margin and density, and opportunity pipeline. We also monitor customer satisfaction and external ratings and measurements, such as Trustpilot.

45.1
Customer Voice Counts (CVC) score in 2021

c.130k
Customer Voice Counts respondents in 2021

Find out more

- Our responsible business approach on pages **49** to **72**
- Section 172(1) statement on page **72**
- Board engagement with stakeholders on pages **96** to **98**
- Our Key Performance Indicators (which are grouped by stakeholder) on pages **24** to **27**
- **rentokil-initial.com/responsible-delivery**

Shareholders

Our shareholders range from global investment funds and institutions based primarily in the UK, North America and Europe, to small private investors, who are often current or former employees.

Key issues for stakeholder
- Growth in revenue (organic/M&A) and profit
- Cash flow and returns, e.g. dividends
- Brand and market leadership
- Innovation and digital differentiation
- Consistent execution of **RIGHT WAY** strategy
- Environmental, social and governance (ESG) performance

Why we engage
Our investors are the owners of the business. Continued access to capital is vital to our long-term performance. We want our investors and investment analysts to have a strong understanding of our business, strategy and performance, and we want to understand their priorities.

Impact/value created
We aim to generate long-term profitable growth to help deliver value for our shareholders.
- Internal rate of return
- Earnings per share
- Compounding model
- Dividends
- Free Cash Flow

Methods of engagement
- Institutional investor meetings
- Capital Markets Days
- Investor roadshows
- Annual General Meeting
- Correspondence with retail shareholders
- Annual Report & Financial Statements
- Corporate website
- Results presentations
- Our Responsible Business Report

Measurements
We measure our impact by monitoring our share price and reviewing analyst notes on us.

41%
of our total share register were represented at investor meetings held in 2021

8
dedicated ESG sessions held with investors in 2021

Communities

Our communities are those who live in areas where we work, such as local residents, businesses, schools and charities.

Key issues for stakeholder
- Jobs and investment
- Contribution to public health and safe environment
- Environmental impact

Why we engage
We respect the communities in which we operate and employ people, but we also accept a wider responsibility to key communities and environments around the world.

Impact/value created
We partner with charities and community initiatives in communities where we operate and aim to minimise our environmental impacts.
- Tax paid
- Charitable donations
- Energy and fuel-derived emissions (a negative impact which we reduce or offset where possible)

Methods of engagement
- Employment of approximately 46,000 individuals
- Sponsorship and colleague volunteering
- Partnerships with schools, colleges and universities

Measurements
We monitor our impact by measuring the amount of charitable cash donations made each year, our inclusion in ESG indices, and our carbon emission ranking with the CDP. More information can be found on our responsible business priorities of the environment on pages 58 to 65, and communities on pages 66 to 69 in the Responsible Business section.

£361,000
charitable donations in 2021

£200,000
raised by 2,000 colleagues in the Race to Kigali for Malaria No More UK

Suppliers

Our suppliers range from major manufacturers of key products and consumables to our global business, to suppliers of indirect goods and services used to support our operations. Products supplied include pest control bait, paper, soaps and waste disposal units, while indirect suppliers include technology services, fleet vehicles and telecommunications.

Key issues for stakeholder
- Long-term engagement and innovation
- Control of price increases and delivery of cost savings
- Continuous improvement approach
- High standards of product quality and service delivery
- ESG matters, including human rights, data protection and modern slavery
- Minimum environmental standards and improvement plans

Why we engage
Our major suppliers must share our corporate standards and values as these strategic partnerships deliver significantly more value to our business and our customers than short-term deals.

Impact/value created
- Optimised supply chain from manufacturer to end customer
- Joint development of bespoke products and service innovations
- Efficient sourcing of proprietary products from global and local suppliers

Methods of engagement
The global procurement team manages the relationships with major suppliers, with senior management involvement where appropriate. We carry out comprehensive audits of all critical suppliers, including factory inspections, system reviews and ESG factors. The supplier audit programme resumed in 2021 following the pandemic, employing a combination of in-house and third-party auditors to overcome travel restrictions.

Measurements
We monitor our impact by measuring our monthly On Time In Full (OTIF) delivery metrics, lead times, quality complaints, annual revenue development, product innovations and pricing management. We also track the scores from supplier audits, ESG accreditations and suppliers completing our in-house training on modern slavery awareness.

65%
increase of Lumnia LED insect light traps devices supplied in 2021 over 2020

Pest Control

Trading under the Rentokil brand, our pest control specialists protect people and enhance lives by providing pest control solutions that ensure public health and protect the environment through energy efficient and sustainable pest control services. We offer a complete range of pest control services and solutions for commercial and residential properties, from common pests such as rodents, flies, stored product insects, biting insects and birds to other kinds of wildlife. We have extensive experience across a wide range of industries and use both preventative and responsive strategies to enhance protection for our customers through holistic, integrated pest management programmes.

Our unique selling points

- **Global leader** – we are No.1 in 56 of our 87 markets
- **Strong Employer of Choice programme** – with outstanding technical training, building expertise and careers
- **Powerful brand** – leading commercial pest control brand in the world
- **Core strength in attractive commercial sector**
- **Leaders in digital** – connected devices, data, AI, customer portal and apps
- **Unmatched capabilities in innovation** – with strong pipeline of tools and expertise
- **Disciplined M&A** – highly fragmented market of c.40,000 companies, c.50% in North America

Ongoing Revenue at CER

£**2,020.0**m +18.6%

2021	**2,020.0**
2020	1,703.9
2019	1,696.4
2018	1,528.8
2017	1,365.0

Ongoing Operating Profit at CER

£**375.8**m +33.4%

2021	**375.8**
2020	281.7
2019	308.1
2018	273.9
2017	249.4

Net Operating Margin at CER

18.6% +210bps

2021	**18.6**
2020	16.5
2019	18.2
2018	17.9
2017	18.3

Note: 2020 revenue and margin numbers have been adjusted as a result of prior year restatements. See page 149 for more detail.

We are the world's leading commercial pest control company with an unrivalled global position in a resilient and non-cyclical industry characterised by strong long-term structural growth drivers, which we present in global market drivers below.

Our Pest Control business is a route-based business where profit growth is driven by a fundamental understanding of the importance of density. We have strengthened our position as global leaders in pest control through increased organic growth and by establishing stronger market positions, through the introduction of innovative products and services, acquisitions to build scale and density, and our determination to be an Employer of Choice across our global operations. The business has delivered a seven-year CAGR of 14.4%.

The pest control market and industry

The global pest control market is an attractive, non-cyclical market worth some c.$22.0bn per annum and continues to grow at c.4.5% to 5% plus annually. Pest Control is a largely non-discretionary and essential service and our medium-term growth opportunities are strengthened post COVID-19. We have increased confidence in our powerful platform for growth, with every market in every region increasing its per capita spend on pest control products and services, leading us to set a new organic growth target for our Pest Control category of 4.5% to 6.5% p.a. over the medium term from 2022.

The primary function of the professional pest control industry is to maintain hygienic surroundings for customers which are free of pests that could either damage commercial interests and reputation or endanger public health.

Pest control contracts typically specify a certain level of preventative work be undertaken, such as the number of visits to customer premises, while reactive enquiries for one-off jobs require quick and efficient treatment for specific issues.

Competitors

The pest control market is highly fragmented with an estimated 40,000 operators globally, c.20,000 of which are in North America. Key international competitors of Rentokil include Orkin, Ecolab and Anticimex. Over the last 12 months there has been further M&A activity across the sector with major players targeting acquisitions in Growth and Emerging markets. In addition, new technology solutions and increased digital marketing are driving inbound leads for national and smaller independent operators.

In December 2021, we announced an agreement under which Rentokil Initial will acquire Terminix, to create the global leader in pest control, and the leader in the pest control business in North America. This transaction is expected to complete in H2 of 2022.

Our customers

In 87 countries, businesses and homeowners trust Rentokil to solve their pest problems and prevent them from reoccurring. While the residential market is important to Rentokil, commercial pest control services account for 75% of our total pest control revenue, with residential pest control representing approximately 25% – over 85% of this coming from the US and Australia. Our key commercial customer sectors include food and beverage processing, hospitality, facilities management, offices and administrative, and logistics and warehousing. On a per capita basis, both the US and Australia have much larger residential markets for pest control than in Europe, primarily because of the presence of termites and wooden housing. Industries are increasingly adopting a 'zero tolerance' attitude towards pests to protect their customers and reputations, and as a result, we continue to set new standards for service excellence through market-leading technical training, innovation and digital tools.

Global market drivers

Across the globe, pest control management continues to thrive post crisis and is an essential service protecting public health, driven by increasing populations, urbanisation, globalisation and changing demographics and standards, with every region growing its per capita spend on pest control driven by global trends influencing increased demand. Stricter regulations and technology developments are important factors contributing to future pest management growth.

Growing population

The global population is growing by 80 million people each year and is forecast to reach 9.1 billion by 2050, creating further demand from pest proximity.

Urbanisation

By 2050, 68% of the population will live in urban areas, (versus 55% in 2018), where pest issues are most prevalent.

Rising middle classes

160 million more people join the middle classes every year, with increasing hygiene standards and lower pest tolerance.

Vector-borne diseases

More than 3.9 billion people in over 128 countries are at risk of contracting dengue fever, with 96 million cases estimated per year.

Rising standards

Increasing global convergence and transparency in global hygiene standards, particularly in emerging markets, is fuelling demand for pest control services.

Increasing business pressure

22% of facilities across the global food chain have some record of pest activity at any given time which carries significant reputational risk.

Climate change

By 2050, climate change is expected to cause approximately 250,000 deaths each year from malnutrition, malaria and other diseases.

Rise of pest intolerance

Pest infestations cost businesses c.£5.8bn each year (source: The Rentokil Report 2015).

Rise of pests

Global rat population set to increase to 7bn and increasing demand for non-toxic solutions (source: The Rentokil Report 2015).

COVID-19 pandemic-driven trends

Pest brands people trust
Brands face a fundamental reordering of priorities, with 53% of respondents believing that trust in the company that owns a brand is one of the most important factors in the purchasing decision (source: Edelman Trust Barometer Report 2020).

Increased awareness of pests as vectors
The pandemic has elevated awareness of pest risks and the potential of virus and disease transfer to humans.

Increasing focus on sustainability
Customers are seeking safer pest control through the use of lower toxic solutions, including biological and physical methods and better waste management.

Rising demand for remote monitoring solutions
Customers sought to minimise physical interaction with service providers during the pandemic, requesting a variety of technology and sensors for the remote monitoring of pests. In addition, customers are demanding increased transparency of data from connected products across their estate.

Overview of performance in 2021

Pest Control delivered a very strong performance overall during the year, with Ongoing Revenue growth of 18.6% to £2,020m (8.1% organic) aided by an excellent performance from our North America business, slightly offset by weaker performances from our Australian, New Zealand, Malaysian and Indonesian operations which were materially impacted by lockdowns in H2. Despite some labour shortages in H2 due to a number of colleagues either off work with COVID-19 or self-isolating, our Pest Control business in North America was our best performing region, growing revenues by 24.3% (8.9% organic). Ongoing Revenue in our Growth and Emerging markets grew by 19.2% and 14.5% respectively.

Ongoing Operating Profit increased by 33.4% as the business returned to organic growth, supported from releases of bad debt and revenue provisions. Net operating margins increased by 210 basis points to 18.6%.

Growth markets

These markets include North America, the UK and Ireland, Pacific, Germany, Benelux and the Caribbean. They represent 87% of total Pest Control Ongoing Revenue and 92% of category Ongoing Operating Profit and have delivered a five-year revenue CAGR of 11.6%. Our Pest Control operations in these markets grew by 19.2% in 2021.

In North America we have seen good growth in our residential Pest Control portfolio (which represents 36% of our North America Pest Control business), from acquisitions in 2020 and 2021, and continued marketing and sales focus. Residential revenues grew by 31% in 2021, aided by a continuation of the working from home business environment.

Our acquisition of Environmental Pest Service (now part of Rentokil North America), which completed at the end of December 2020, has performed strongly and we are benefiting from the business' residential concentration in three important markets: Florida, Georgia and North Carolina.

Our North America commercial Pest Control business (64% of our Pest Control business) grew by 21% in 2021, aided by good volumes of work broadly across most markets, and improvements in bird and mosquito work. Our distribution business performed strongly throughout the year and reflects the general market recovery of the pest services sector and the continued high demand for lawn, golf and turf products.

Trading conditions in our UK businesses, which were significantly impacted by lockdowns in Q1 2021, improved significantly from the second quarter and into H2 as a result of continued progress with the UK's vaccination programme and subsequent easing of restrictions. Building on last year's success, the roll-out of our PestConnect product and service continued at pace during 2021 as we installed more units across more customer sites in the UK. Our digital Connect strategy now covers around 11% of the UK portfolio, with some 86,000 devices installed across 6,779 sites by December and representing growth in site numbers of over 200% year-on-year.

Our Europe region has continued to experience disruption from lockdowns and intermittent restrictions throughout 2021. Despite these ongoing challenges, our Pest Control operations in Europe are demonstrating good growth.

Overall Pest Control in the Pacific region performed robustly despite intermittent lockdowns in Australia and ongoing tight restrictions in New Zealand. Pacific Pest Control grew by 10.3% in the year with commercial Pest Control performing particularly well. Caribbean Pest Control grew by 7.7% despite the region continuing to be impacted by lower tourism.

Emerging markets

We have a strong and rapidly growing position in the markets of Asia, Latin America, MENAT and Central America, which combined represent a strong platform for delivering sustainable, profitable growth. They represent 13.1% of Group Ongoing Revenue and 8.5% of Group Ongoing Operating Profit and have delivered a five-year revenue CAGR of 17.4%.

Our Asia region has delivered an improving performance in 2021 but real recovery has been held back by difficult trading conditions in Malaysia, Indonesia, Vietnam and Thailand as a result of very restrictive lockdowns from late Q2 and into H2. With fewer restrictions and a higher vaccination rate, China has performed considerably better, delivering Pest Control growth of 18.2%.

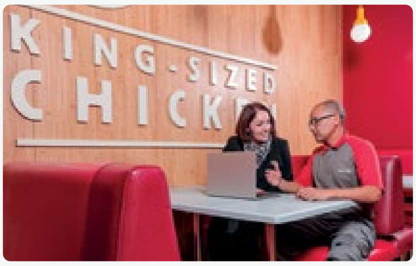
Cities of the Future is our focused M&A programme in Emerging markets, where higher growth in big cities in the region is driving demand for pest control services. Developing a Rentokil presence in these cities gives us a stronger base for future growth over the next 10–20 years as we benefit from faster growth in these markets relative to more mature locations.

Growth through M&A

Acquisitions are a core part of our Pest Control growth strategy – they enable us to build further scale and density, increase our competitive positioning and improve our ability to service customers. We have the in-house capability to identify, evaluate and execute acquisitions at pace and have built a long track record of successful delivery. Our model for value-creating M&A is structured around the disciplined evaluation of targets, execution of detailed integration programmes and careful stewardship of new businesses under our ownership.

In 2021, we acquired 48 pest control companies building on our track record of delivery. We acquired businesses in 24 countries including: Australia, Brazil, Chile, China, Colombia, France, Lebanon, Norway, Poland, Singapore, Spain, Taiwan, UAE and the USA. Our pipeline of opportunities in both Growth and Emerging markets is very strong and we are confident of further delivery of high-quality acquisitions in 2022.

Growth market characteristics



North America is the world's largest pest control market representing c.50% of the global market and estimated to be worth c.$11bn. It is highly competitive and fragmented, comprising five larger players – Rollins, Terminix, Rentokil, Anticimex and Ecolab – and more than 20,000 regional or local independents. Commercial pest control is the largest segment in North America at c.45%, with residential comprising c.35% and termites at c.20%. Market trends include an improving housing market and economy fuelling termite and commercial pest control, and rising demand for ant, bed bug and mosquito control services.

Key market trends in Australia and New Zealand are rising hygiene standards, legislation and regulation, and free trade agreements with China and India, which will fuel export demands and impact the pest and fumigation industry. Major players here are Ecolab, Rollins and Anticimex.

Rentokil is a market leader in the UK, Germany and Benelux, followed by a number of businesses with scale to service larger accounts and many other smaller providers. Leading European operators include Ecolab and Anticimex. Key value drivers are sales capability, customer retention, upselling additional service lines easing technician productivity and optimising business mix. Pest pressures include biting insects, pigeons, rodents and other small mammals. Main customer segments are food manufacturing, processing and retail, pharmaceutical, industrial and manufacturing, hotels, offices and residential.

Our strategy for pest control M&A is predicated on continuing to target acquisitions in key markets to build density, targeting acquisitions in new countries and in mega and large cities where we have identified strong growth potential.

Growing demand despite current market volatility

Many positive macro-economic trends continue to drive growth in the pest control industry. While the economic landscape is challenging and many customer groups have been impacted by the pandemic, pest control remains a critical service requirement for both commercial and residential customers. In addition, the pest control market continues to consolidate, presenting strong M&A opportunities for active industry participants.

Navigating the customer landscape to maximise the opportunity in targeted growth and resilient sectors, while protecting our position in more vulnerable customer groups, will be critical as we go forward. While our pest control offer is strong and compelling, brand trust, differentiated expert service delivery (including innovation), and an increasing desire for digital customer engagement solutions, are all areas in which we will continue to focus and invest.

Emerging market characteristics

These are fast-growing markets linked to economic and social development. Growing population, rising middle class and increased government regulation on hygiene and sanitation are fuelling growth. Market trends include strict regulations on food safety, health and the environment, the use of extranets to provide pest control monitoring and performance tracking for customers, the use of mobile technologies by pest control companies to enhance service productivity and a rising customer demand for eco-friendly services and products.

The market is highly fragmented with the majority of pest control companies being made up of small, local businesses. Rentokil is a market leader and the most recognisable and trusted brand. Pest pressures include termites, mosquitoes, ants, cockroaches, rodents and flying insects. Cockroaches, carriers of diseases such as salmonella and gastroenteritis, are high-risk pests in homes. Main customer segments are food processing, food retail chains, industrial and manufacturing, hotels and resorts, and offices and residential.

WE ARE...

A strong tech partner

Technology and innovation influencing customer decision-making

We offer our commercial customers the latest in technology and pest insights to deliver the most effective pest control solutions to keep them pest free and protected. In 2021, we commissioned a global survey, asking 3,000 respondents in 10 countries 15 questions, focusing on the key factors influencing our commercial customers' decision-making process when selecting and working with a pest control provider and how important technology is as part of this process.

We focused on six key sectors: food processing and manufacturing; food logistics and warehousing; food retail; non-food manufacturing; hotels; and restaurants and leisure.

The survey allowed us to respond directly to customer requirements and understand the importance they attribute to certain deciding factors, including attitudes towards sustainability, technology and competency. The majority of our commercial customers believe that technology and innovation are important and are also helping them to meet their own sustainability goals.

74% said the ability to offer remote monitoring of pests is an important deciding factor

75% of respondents said the ability to deliver new innovations is important when selecting a pest control provider

81% believe their pest control provider should reduce pesticides to support their sustainability agenda

45% believe that minimising the amount of chemicals used is one of the top ways innovation helps deliver better pest control

Our Pest Control strategy

Pest Control is our core business line and our main engine for growth. Our strategy for Pest Control remains on course as we transition from the pandemic to a post-COVID-19 world.

Key strategic themes

Further growth by building on our global leadership, through further expansion in Growth (particularly North America) and Emerging markets, both organically and through M&A.	In North America, we will continue to leverage our scale and build market share through a balanced programme combining organic initiatives (including new products and innovation, national accounts, digital marketing, Employer of Choice and the Best of Breed transformation programme) and targeted M&A to build density.	We will also aim to further develop our expertise in new pest control sectors such as vector control and lake management.
Differentiation through our innovation pipeline, with an increasing focus on non-toxic pest control solutions.	Our culture of constant innovation drives our success, with science at the heart of our approach by our experts in our global innovation centre. We have invested c.£20m across the world in Pest Control R&D with 3,000 colleagues supporting our innovation agenda, and with over 50 partners working with us to deliver best quality solutions at pace. 100% of our pipeline solutions are being developed to have a positive impact on environmental performance.	Since 2017, we have launched a significant number of product innovations, including RapidPro rodenticide, RADAR and Autogate rodent units, fluorescent rodent tracking gel, Entotherm heat treatment for bed bugs, Lumnia LED electronic fly traps and Multi-Mouse Riddance products. We were the first to deploy connected pest control, LED insect light traps and to use CO_2 in rodent control.
Harness the digital opportunity – using our digital expertise, including web, apps, portals and services to lead digital pest control.	Rentokil has developed the world's leading technology 'ecosystem' for pest control, providing an unmatched level of 24/7 monitoring, reporting and insight for commercial customers who face the risk of increased fines and censure without effective pest management and reporting. We have also begun to integrate our data automatically into customers' own internal reporting platforms.	We have made a long-term commitment to our digital ecosystem, developing multiple generations of systems and software over the last decade. Our technology infrastructure includes: connected pest control devices, colleague and customer apps, our myRentokil online customer portal, Command Centre and data mining and trend analysis.
The No.1 brand in pest control.	Rentokil is the leading commercial pest control brand in the world. We continue to focus on building this brand through our ongoing investment in people, service, innovation, digital and sustainability, and to support our customers across multiple sectors, including: high-dependency customers such as food suppliers; employee locations such as offices and manufacturing facilities; and guest locations such as leisure, hotels, education and food and beverage.	Our aim is to be recognised as the world's leading expert provider of pest control – leading in innovation, digital and sustainability.
Continued M&A strategy to expand the city footprint and density.	Acquisitions are a core part of our Pest Control growth strategy – they enable us to build further scale and density and increase our competitive positioning. We have the in-house capability to identify, evaluate and execute acquisitions at pace and have built a long track record of successful delivery.	We maintain our Cities of the Future focus where we expect to grow at higher levels in key urban areas and we target 13%+ IRR in Growth markets (12%+ in North America) and 15%+ IRR in Emerging markets. Our pipeline of opportunities in both Growth and Emerging markets remains strong and we are confident of further delivery of high-quality acquisitions in 2022.

Pest Control growth in a post-pandemic world

Despite the continuing impact from the COVID-19 pandemic in 2021, our core strategy remains on course.

The key components to growth are:

- increasing brand marketing activity in all markets with a brand recognised as the leader in pest control;
- enhancing digital communication platforms through the customer journey to engage customers and convert opportunities;
- continuing our successful M&A strategy to expand and strengthen our footprint;
- owning the position of the world's most sustainable pest control service company;
- implementing differentiated innovation, marketing and targeting activities built on robust data and insights; and
- expanding our digital pest control offer and increasing customer penetration.

On page 34 and over the following pages, we will provide more details about our four key pillars for growth: brand strength and engagement; M&A; digital infrastructure and capability; and innovation.

Brand strength

Rentokil is the leading commercial pest control brand in the world and a leading commercial brand in North America. Terminix, who we will acquire in 2022 subject to regulatory and shareholder approval, is the most recognised brand for termite and pest management in the US, performing c.50,000 customer visits each day from 375 locations across 47 states.

We continue to focus on building this brand through our ongoing investment in people, service, innovation, digital and sustainability, and to support our customers across multiple sectors, including: high-dependency customers such as food suppliers; employee locations such as offices and manufacturing facilities; and guest locations such as leisure, hotels, education and food and beverage. Our aim is to be recognised as the world's leading expert provider of pest control – leading in innovation, digital and sustainability.

We are driving our brand alignment efforts for a unified, consistent global presence to build trust and credibility, and effectively track and measure our brand equity. This is through central deployment of global campaigns with supporting toolkits for local activation via a wide range of communication channels including online, social media, global and national sales, third-party events and webinars.

Digital infrastructure and capability

Digital innovation in pest control is necessary to meet the needs of an evolving world. Macro trends are increasing demand for digital solutions and these include demand for more remote monitoring solutions.

PestConnect is the world's most advanced digital system for pest control. It provides our customers with a complete remote pest detection solution and full traceability 24/7/365. We saw increased demand for the product in 2021 with 87,000 units installed, a 58% year-on-year increase. Since launch, we have installed 235,000 PestConnect units into 13,000 customer premises across the world and we continue to expand our range of connected devices. In H2 2021, the Company set a new ambition for c.25% of its commercial customers to be PestConnect customers by 2026.

In addition, we have now begun to integrate our pest control data into the systems of our customers. The first customer systems integration began in 2021 with 34 customers across six customer portals now with automatic access to our pest control data for their sites, in their own systems, in the same format as their other KPIs. This automated 164,000 work orders in 2021.

Rentokil has developed the world's leading technology 'ecosystem' for pest control, providing an unmatched level of 24/7 monitoring, reporting and insight for our commercial customers who face the risk of increased fines and censure without effective pest management and reporting.

We have made a long-term commitment to our digital ecosystem, developing multiple generations of systems and software over the last decade. Today, we have a proven, robust, scalable and secure global infrastructure in place.

Since its launch in 2019, our connected portfolio has grown by more than 4x and is now c.10% of our portfolio. In addition, our PestConnect Floor Plan app to manage PestConnect at scale across customer sites (providing technicians with paperless, on-site real-time access to pest control products on customer sites) is now available in 34 markets.

Our myRentokil online customer portal provides secure 24/7 access to real-time information that provides easy access to documentation required for pest control, including reviewing service recommendations and responding to audits. Currently over 1 million customer sites are using myRentokil in 46 countries, with over 98% of commercial customers having access to myRentokil.

WE ARE...

Pest experts

Innovation

Innovation is in our DNA. We have a strong track record of developing award-winning solutions and services and have extended this to our innovation in data-driven tech.

Regulatory and technical compliance

Our in-house teams of regulatory and analytical experts have extensive industry-leading global experience navigating the regulatory, legislative and safety requirements.

Global centre for science and innovation

Our Technology Centre in the UK (the Power Centre) is one of the pest industry's largest centres for innovation, science and technology training. Our team of PhD scientists developing and testing innovative pest control solutions are at the forefront of behaviour science and observational research.

Training and skills

We have a strong culture of engagement and outstanding technical training across our 20,000+ highly qualified and experienced technicians.

Command Centre is our central information hub containing data compiled from over 50 countries with over 20 billion records and populated with historic and current data to track pest trends and identify emerging risks. A total of 15 million messages were sent or received across our digital pest control network every day in 2021, recorded on the central Command Centre and stored on Google Cloud Platform.

Innovation

Innovation is a core component of growth and embedded within our cultural DNA, driven by our goal to maintain our position as the best pest control company in the world. We encourage and empower all our colleagues to innovate with the desire to improve customer service. We deploy innovation consistently, targeted at key pest sectors and with potential for new non-toxic and sustainable solutions, which are increasingly becoming an important source of differentiation. Our core innovation categories are stored product infestation, rodents, and crawling and flying insects.

Rodents

Rodent control accounts for c.$2.4bn of the global pest control market and continues to grow at c.6.4% p.a. (source: Allied Analytics). Recent new product innovations include Dual AutoGate Connect, Riddance Connect, Rodent Ceiling Trap (a ceiling solution for rodent control in gaps above ceilings and which provides indicator alerts to a capture) and our Multi-Mouse Riddance product (a monitoring sensor that can be attached to several live catch products for real-time reporting, allowing for early technician support).

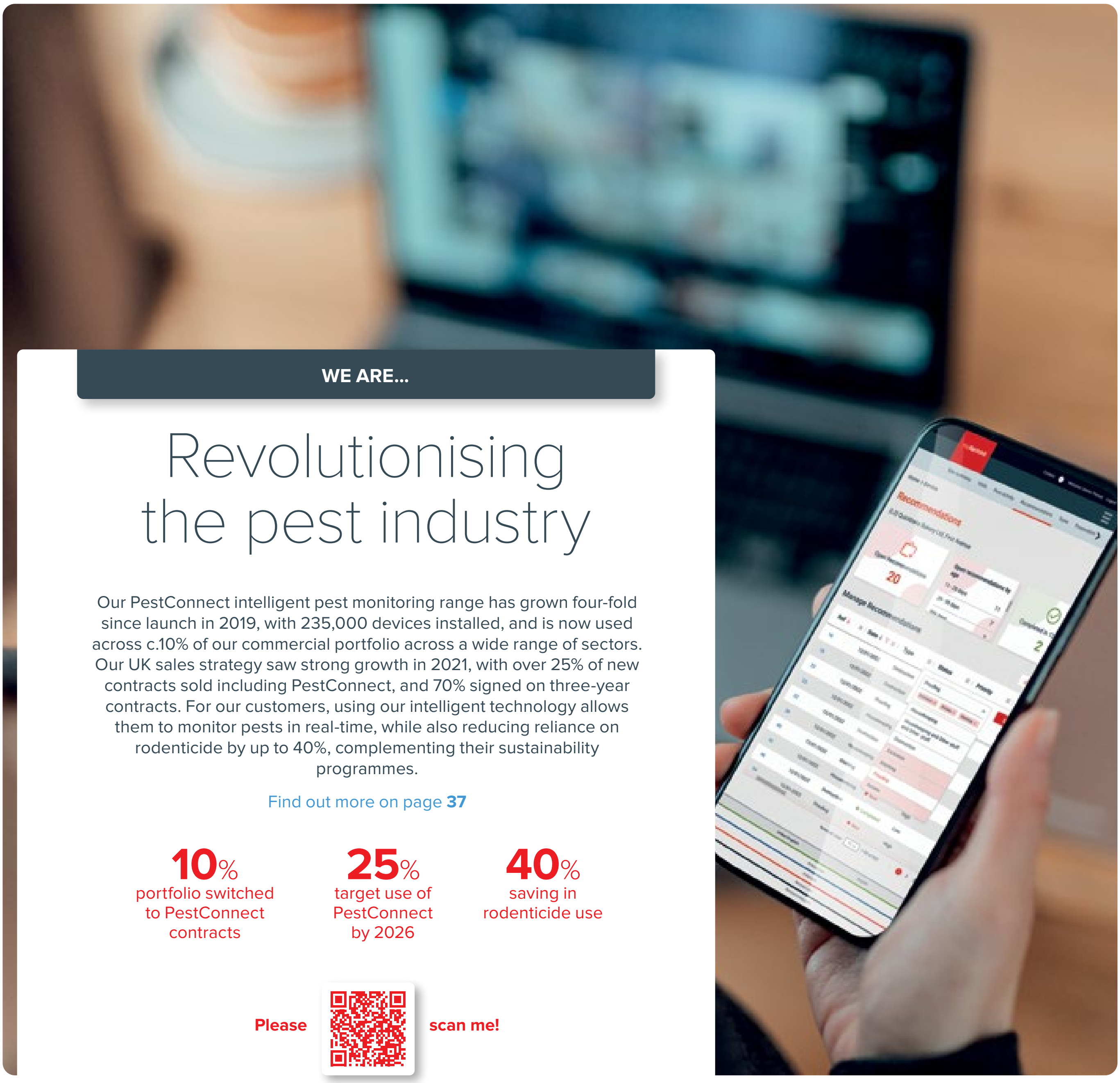
In 2021, we launched Flexi Armour, a range of unique proprietary proofing solutions for sealing gaps, cracks and crevices in and around buildings. This range is being rolled out across our markets globally with further innovation due for the range in 2022. In 2021, and after four years of development and testing, we launched Eradico, our new Global Bait Box. Find out more on page 39.

A connected version of the system, called RADAR X, a next generation CO_2 connected mouse riddance unit, is in our pipeline for future launch.

Flying insects

We have sold c.260,000 Lumnia solutions across 61 countries since launch in 2017, with 2021 accounting for 35% of the sales volume, a year-on-year growth of 65%. Lumnia is the world's first range of illuminated fly traps to use patented LED lighting technology rather than traditional fluorescent tubes.

Lumnia attracts, kills and encapsulates insects hygienically – eliminating the risks of contamination – and is suitable for a wide



WE ARE...

Revolutionising the pest industry

Our PestConnect intelligent pest monitoring range has grown four-fold since launch in 2019, with 235,000 devices installed, and is now used across c.10% of our commercial portfolio across a wide range of sectors. Our UK sales strategy saw strong growth in 2021, with over 25% of new contracts sold including PestConnect, and 70% signed on three-year contracts. For our customers, using our intelligent technology allows them to monitor pests in real-time, while also reducing reliance on rodenticide by up to 40%, complementing their sustainability programmes.

Find out more on page 37

10% portfolio switched to PestConnect contracts

25% target use of PestConnect by 2026

40% saving in rodenticide use

Please scan me!

WE ARE...

Continually innovating

In 2021, we launched Eradico, our new Global Bait Box, an innovative, single-solution, flexible, technology-enabled rodent solution, which addresses 57 different needs and market requirements. Eradico is made from 100% recycled polymer, derived entirely from the plastic parts of scrapped cars and is 100% recyclable at the end of its life.

Eradico will lead to a diversion of c.377 tonnes of virgin plastic annually from the Rentokil Initial supply chain, reducing our energy and CO_2 impact.

Eradico was a finalist in the prestigious Plastics Recycling Awards Europe 2021, being recognised for innovation driving the circular and sustainable use of plastics.

100%
made from recycled polymer from scrapped cars

377 tonnes
of virgin plastic will be diverted each year from our supply chain diverted from Rentokil Initial supply chain

range of internal environments. It is also more environmentally friendly than traditional units, reducing energy use and carbon emissions by c.62%.

Our products include Lumnia Standard (for offices, shops, food retailers), Lumnia Compact (a lower energy consumption unit for use in low risk areas) and Lumnia Ultimate (which uses second generation lamps for high-dependency customers). We have now added to this range with Lumnia Colour (offering customers a choice of coloured units to match their interior décor) and Lumnia Slim. In 2021, we launched our new Lumnia Suspended model, designed to control flying insects in high dependency locations. This was approved for launch in 18 countries, with all other markets available to launch in 2022.

Our future pipeline for launch includes our new Lumnia Connect model, trialled during 2021, fitted with camera technology for better risk management and greater audit trail transparency, and Crawling Insect Connect, which will be positioned in no-tolerance areas in customer food processing sites to primarily target moths and cockroaches.

Non-toxic solutions

Customer and regulatory requirements are leading to an increasing demand for innovative, non-toxic solutions in pest control. Our aim is to become the leaders in sustainable pest control and to do this we need to find better ways to exclude, remove, destroy and monitor pests with the lowest possible impact on the environment. This impact must be sustainable, taking into account the impact of the hardware we use, consumables required and cost of service to the environment. Sustainable innovations are required both internally, where premises require safer pest control from lower toxic solutions using biological and physical methods and lower waste management, and externally, where we need to develop and promote solutions and service cycles to reduce our environmental footprint. We continue to expand and develop our range of sustainable, non-toxic and humane solutions across all pest types.

Global and national accounts

We have seen a strong performance this year from globally managed customers, particularly in the logistics, property and facilities management sector, with total revenue across all categories remaining strong at £111.3m for the full year. Our relationships with key partners – including Kerry Ingredients, Mondelez, Sodexo, ISS, JLL, CBRE and a strategic online retailer – have continued to develop in 2021 as we work together in existing geographies and expand into new ones.

Demand for our core services in pest control rebounded particularly in the fourth quarter as customers settled into their new normal and returned to seeking high-quality, compliant and consistent services across their global estates. We continue to make good progress with new account wins across a range of customer sectors, including the pharmaceutical industry, IT, food processing and logistics, and our pipeline of new business continues to grow.

Outlook

The Pest Control business is performing in line with our expectations, resulting from organic growth delivery and the flow through of revenues from our excellent M&A performance in 2021. Although we will have to contend with ongoing macro-economic uncertainty, we expect Pest Control to deliver good operational and financial progress in the coming year.

In line with our M&A strategy we will continue to pursue high-quality Pest Control acquisitions around the world. We also expect to complete our acquisition of Terminix in H2, becoming the leading pest control company in our largest market, North America.

Hygiene

At Rentokil Initial our Hygiene technicians provide hygiene services to business environments to make them cleaner, safer, healthier and more pleasant places in which to operate. Establishing good hygiene practices throughout an organisation reduces the risk of infection being passed from person to person. As a result, fewer days are lost to sickness, which translates directly into real cost savings and increased productivity. Trading under the Initial brand, we offer the widest range of washroom hygiene services, including the provision and maintenance of products such as air fresheners, sanitisers, feminine hygiene units, hand dryers, paper and linen towel dispensers, soap dispensers, toilet paper dispensers and floor protection mats. Our two hygiene ranges, Signature and Reflection, offer a full range of services and a consistent look and feel across a customer's washroom.

Our unique selling points

- **Global leader** – No.1 in 22 of the 67 markets (top 3 in 38 markets); 20 new markets in last two years
- **Recognised and trusted hygiene brand**
- **Award-winning product range**
- **Digital, connected devices and data expertise shared with Pest Control**
- **Operational focus** – postcode and product density, shared overhead
- **Disciplined M&A** – city-focused strategy building geographic density
- **Strong Employer of Choice programme** – outstanding engagement and training

Ongoing Revenue at CER

£673.4m -8.4%

2021	**673.4**
2020	735.0
2019	538.8
2018	512.0
2017	413.0

Ongoing Operating Profit at CER

£141.2m -18.3%

2021	**141.2**
2020	172.8
2019	94.4
2018	88.9
2017	73.2

Net Operating Margin at CER

21.0% -250bps

2021	**21.0**
2020	23.5
2019	17.5
2018	17.4
2017	17.7

Hygiene is a strong, complementary business to Pest Control. Both businesses service the same types of customer and share country management, technology, infrastructure and back-office services. They are route-based businesses where profit growth is driven by deep understanding of the importance of density.

Initial Hygiene has an unrivalled global position in core hygiene services – operating in 67 markets and with 22 market-leading positions (top three in 38). In addition, we have entered into 20 new markets over the last two years. Initial is the regional leader in Asia, Pacific and the Caribbean, as well as the UK.

Margins are driven through postcode density (the number of customers on a route), product density (the number of products/service lines in each customer premises), as well as shared overheads with Pest Control (infrastructure and back office) and M&A (building further geographic density).

The megatrends in the hygiene sector – and the importance of being able to prevent the spread of diseases, germs and bacteria – are fuelling demand for our services (see global market drivers and pandemic-driven trends below). Over the past seven years, our core Hygiene business has delivered a CAGR of 6.9%, established a strong product range, launched the myInitial customer portal for enhanced customer insight and engagement and has begun to acquire bolt-on businesses to build scale and density. Hygiene's five-year average Net Operating Margin is 16.2%, excluding disinfection services.

Hygiene is the new Pest Control

In September, we announced our intention to create an enlarged category, Hygiene & Wellbeing, in response to the pandemic and increasing importance of hygiene and wellbeing services – creating the right business at the right time to meet the future needs of our customers. We firmly believe our Hygiene business has the ability to become the next Pest Control.

What gives us confidence are consistent market growth drivers; a shared successful operating model focused on people, services and profit and a particular focus on density economics; organic growth inside the washroom; a shared commitment to innovation and digital; organic growth outside the washroom, in premises and wellbeing and environment; and extending our footprint organically and through M&A.

We have the operational model in place; a global footprint and a large existing customer base; we have a proven innovation capability and digital expertise; and, most importantly, we have highly motivated people and a great Initial brand. Over the medium term from 2022 we have set ourselves a target to deliver 4%–6% organic growth on the enlarged category (excluding disinfection).

Attractive and growing market

Our Hygiene businesses operate in an attractive industry offering strong growth opportunities as expectations around standards of hygiene have increased post pandemic. Like Pest Control, Hygiene is an essential, non-discretionary business and we believe its medium-term opportunities are enhanced by rising demand for global hygiene services.

Competitors

There are many routes to satisfy washroom hygiene needs with competitors providing a wide range of supply solutions. Regional, full-service companies provide service solutions, either direct or via cleaning companies/facility management, differentiating on services, products and coverage. In several markets, washroom requirements can be met by facilities management or cleaning companies directly.

Global market drivers

While the COVID-19 crisis has brought the short-term impact of lockdowns, it has also brought what we believe will be a longer-term change in attitudes towards the importance and perception of health, hygiene and wellbeing, and hygiene has moved from being viewed as a basic commodity to an essential service.

Growing population

The global population is growing by 80 million p.a. and forecast to reach 9.1 billion by 2050, creating further demand for hygiene services.

Growth in air purification market

The air purification market is expected to grow at a CAGR of 42% to 2025, to reach revenues of c.$90bn, with Asia Pacific the fastest-growing region and contributing 41% of market share.

Growth in hand sanitiser market

Valued at $2.6bn in 2019 and forecast to grow at a CAGR of 9.2% to 2026, this growth is driven by increasing health consciousness among consumers and rising incomes.

Initial Hygiene is a high-quality business ideally positioned to capitalise on new growth opportunities as the growing importance of hand, surface and air hygiene, tighter regulation, higher standards and increased usage of hygiene products and services rises around the world.

Urbanisation

By 2050, 68% of the global population will live in urban areas, (versus 55% in 2018), where hygiene and sanitation issues are most prevalent.

Increasing legislation driving improved hygiene standards

This is particularly so in the food industry, considered to pose greater risks to public health than non-food sectors.

Rising middle classes

160 million people join the middle classes every year, with increasing hygiene standard expectations and a growing health consciousness afforded by more disposable income.

Rise of millennial population

This generation is highly focused on health and wellbeing and vocal about its importance.

COVID-19 pandemic-driven trends

Brand trust and expertise
In this unprecedented period of extreme uncertainty and conflicting information, customers seek greater reassurance than ever from service providers, with brand trust being paramount.

Sustainability
In addition to the need to offer effective COVID-19 protection and significantly enhanced hygiene solutions, there is also a related and underpinning requirement to ensure that all solutions are delivered in the most sustainable way possible.

Air hygiene
Increased sensitivities around air filtering, air purification and air quality monitoring driven by stricter regulations and standards are presenting significant new opportunities for air hygiene.

Legislation
The speed of onset and global spread of COVID-19 led to significant local government and agency response, along with rapidly evolving guidelines. A period of legislative changes is now expected.

Surface hygiene
COVID-19 has led to an explosion of sensitivity around microbe transmission points and surfaces being carriers of risk. This has led to wide-scale surface disinfection and significantly enhanced cleaning regimes and protocols.

Social distancing
This is expected to continue in many countries for the foreseeable future, driving degrees of sustained or permanent behavioural change.

Hand hygiene
Good hand hygiene has been shown as one of the most basic yet powerful ways in which individuals can protect themselves from COVID-19 and other similar diseases.

COVID-19 and its impact on global hygiene standards

Since the start of the COVID-19 crisis, we have seen elevated standards for health and hygiene, particularly in the workplace, and, as a result, hygiene has arguably become one of the most important business categories in the world. Industry commentators believe this heightened focus will not be a temporary blip, rather a long-term change which will create ongoing market opportunities from which our business can benefit.

In addition to structural growth trends which will support long-term growth of our Hygiene category and which are essential for the continued success and growth of our business, our own commissioned research study of 20,000 respondents in 20 key markets (see page 43) has also identified new trends, attitudes and behaviours towards hygiene which are being compounded by pandemic-driven factors.

Hygiene markets

Initial has a No.1 position in 22 countries, a No.2 position in 13, and leading regional market positions in the Pacific, Asia, and Caribbean and the UK. Characteristics of the global hygiene market differ by country, with regional variances based on social and legislative standards. For example, in countries such as the UK and Australia, where there is tight legislation and very high standards surrounding the disposal of sanitary waste, the feminine hygiene market is particularly important.

In Asia, air care and air quality are of paramount importance to consumers, driving high growth in this sector. In Europe, there is a strong focus on textiles; for example, roller towels and floor care, such as dust mats. In developing countries around the world, where there is growing awareness concerning sanitation, public health and hand wash support is a key market sector.

Customers and service culture

Our key Hygiene customer segments are manufacturing, facilities management, offices and administrative, hospitality, retail and education. We achieve high customer satisfaction levels and believe this is a key competitive advantage. We have account management processes in place for contacting customers at least annually to confirm service requirements are being met. We use feedback from our Customer Voice Counts surveys to improve service levels and every detractor score is followed up with a call from an account or branch manager to discuss service improvements.

Overview of performance in 2021

Our core Hygiene business (excluding disinfection) delivered a good performance in 2021, returning to organic growth and aided by return to more normalised levels of regular service provision.

As with Pest Control, our operations in Australia, New Zealand, Indonesia and Malaysia however, were held back by significant challenges associated with ongoing lockdowns and movement restrictions.

We have acquired three small Hygiene businesses this year, with annualised revenues in the year prior to acquisition of £2.0m. Our M&A team continues to build a good pipeline of high-quality hygiene assets, worth some £80m.

In 2021, our core Hygiene business, excluding disinfection, delivered an 8.2% increase in Ongoing Revenue to £555.6m, 7.4% organic, reflecting good performances in the UK, Europe and Latin America.

The rapid deployment of disinfection services across 60 countries enabled the Company to generate £221.4m of revenues in 2020. Customers who used our services (such as offices, shops, schools, airports, emergency vehicles and public transport) typically did so to remain open during lockdown conditions.

As lockdown conditions have generally reduced around the world and our core services have returned, customer requirements for emergency disinfection services have significantly decreased and therefore, revenue from disinfection services has tapered in line with our expectations to £117.8m (H1: £98.3m, H2: £19.5m), a decline of £103.6m on 2020. We anticipate disinfection revenues in 2022 of around £10m to £20m, as services further unwind.

Hygiene Ongoing Revenue and Ongoing Operating Profit fell by 8.4% and 18.3% respectively in 2021. Net Operating Margins also fell by 250 basis points to 21.0%, reflecting reduced revenues from disinfection.

Regional performance

Hygiene operates across all five regions with Ongoing Revenue in Europe accounting for 33% and UK and Sub-Saharan Africa 31%. Pacific, Asia and North America are the smallest and emerging regions by revenue, accounting for 14%, 12% and 10% respectively. In North America, Hygiene sales focus is now directed primarily towards air disinfection, including our VIRUSKILLER™ product.

Our overall performance in 2021 has also been positively impacted by the recovery of our other commercial businesses: Brand Standards, which was significantly impacted in 2020 by temporary customer closures in the quick serve restaurant sector, returned to more regular trading with c.95% of customers by the end of 2021.

Our Hygiene operations in Europe (excluding disinfection) grew by 4.2% in 2021 with most growth generated in H1 as we lapped the impact from lockdowns in H1 2020. Sales campaigns during the year have focused on customers' return to work, school and venues and we have also expanded our product and service range to include air hygiene. Full recovery of our Hygiene operations remains dependent on employee return to the office and higher tourism, particularly in southern Europe.

In 2021, we developed and launched our Hygiene 360 proposition, which expands our service offering outside of the traditional washroom environment to include surface and air hygiene solutions as a response to the pandemic. To support its roll-out, we have trained 100% of our Hygiene sales colleagues to a single, consistent standard that enables them to speak as experts in building a hygiene offering with customers. To complement this, we also developed, tested and commenced deployment of our Hygiene Inspection Tool, which guides sales people through a professional site hygiene survey and provides our customers with insight into the current status of the hygiene programmes on their premises.

Our UK Hygiene businesses performed strongly throughout the year, achieving record levels of revenue growth in our Medical operations (up £21.3m) and record levels of profitability in our Washroom Hygiene business (up £24.2m), driven by strong organic performances and the full-year performance of the integrated Cannon Hygiene business.

In the Pacific, core service provision is recovering well, although H2 saw some weakening in service levels due to temporary site closures. Portfolio growth has been strong, however, with customers responding positively to our Air Hygiene proposition (a major source of growth) and our hand sanitiser portfolio has largely been maintained.

In Asia, Hygiene continued to feel the impact of the ongoing pandemic and lockdowns in 2021, with temporary customer suspensions peaking at 7.9% in August but falling to 2.8% by the year end as our markets recovered and our ability to service customers improved. Emergency disinfection services were broadly similar in H1 and H2, providing a hedge to disruption of regular core service provision. Following the launch of VIRUSKILLER™ in H1, the region has made good progress with its air hygiene service offering, generating £1.6m in revenues across Malaysia, Hong Kong, Singapore and Indonesia.

WE ARE...

Expanding outside the washroom

The Global Hygiene Reset

In 2021, we commissioned a major survey in 20 key markets, with a total of 20,000 respondents, to examine the impact of the COVID-19 pandemic on attitudes and behaviours towards hygiene and how it has impacted on mental health and wellbeing, employee and organisational expectations as well as hygiene awareness.

Our research findings explored how people worldwide have adopted stringent hygiene practices as a result of the pandemic to keep themselves and others safe. Not only have attitudes shifted, but so have expectations. The benchmark of 'good' hygiene is far higher than it used to be, and is expected to continue.

The pandemic has profoundly changed attitudes and behaviours

66% of people say they have changed their hygiene behaviours

71% of respondents are now more fearful of the spread of germs via the surfaces they touch

72% of people, when thinking about indoor air quality, are more concerned about the spread of germs via the air they breathe

84% of people who work think it is important that their employer prioritises creating a safe and hygienic workplace

47% of people would leave a public venue if it did not appear to have good hygiene measures in place

Please **scan me!**

Capitalising on an evolving hygiene landscape

Our success in growing our Hygiene category in a post-COVID world will be dependent on:

- being the experts in hygiene and wellbeing – through service, product innovation and sales capability;
- having a compelling proposition to capture growth in each of the three key areas of washroom, premises and environment;
- creating differentiated propositions, such as our Rapid range of hygiene products;
- targeting sales growth in sectors less impacted by the pandemic (e.g. logistics, food, health and education);
- geographic expansion through organic growth and M&A;
- replicating the proven, repeatable, low-cost operating model that is Pest Control;
- investing in our brand in order to be recognised in all our markets as the global leader;
- leading sustainable provision of hygiene and wellbeing services; and
- investing in digital infrastructure to capture future opportunities.

Growth opportunities

We see four main opportunities for growth for our Hygiene category. They are:

- **Inside the Washroom** – which are high-risk areas for COVID-19 and other viruses. We offer a complete range of innovative products and services for creating safer washrooms, particularly no-touch, to avoid cross-infection.
- **Digital leadership** – we continue to develop digital products for enhanced services combined with greater reporting and insight through customer portals and apps.
- **International expansion** – we plan to enter new markets in both established and Emerging markets.
- **Outside the Washroom** – expanding into additional hand hygiene products and services, surface hygiene and disinfection services.

Our Hygiene & Wellbeing strategy

Our strategy is to deliver continued growth through a combination of strong operational focus and targeted M&A to build city density. Central to this is the delivery of excellent customer service, product innovation, service line extensions and improvements to productivity through digital products and applications.

Key strategic themes

Focus on operational execution – build margins through postcode and product density.	With typical growth levels at c.GDP, our focus in our core Hygiene business has been on operational excellence. We aim to achieve this through the commitment of our people and the respect we have earned over the years for our brand and reputation. Creating a high-quality customer service culture and offering the best product ranges and delivering our services, on time and in full, is core to our value proposition.	Margins are driven through postcode density (the number of customers on a route), product density (the number of products/service lines in each customer premises), as well as shared overheads with Pest Control (infrastructure and back office) and M&A (building further geographic density). Analysis of our current footprint supported by the right sales incentives and selling methods will drive behaviours that will lead to improved density.
Offer a complete product range to avoid cross-infection Inside the Washroom.	Washrooms are high-risk areas for viruses: they are small spaces, with smooth surfaces and high levels of traffic. Our services Inside the Washroom provide a range of innovative products for creating safer environments, including hand hygiene (soaps and dryers), air care (purification and scenting), in-cubicle (feminine hygiene units), no-touch products and digital hygiene services.	Customer sectors range from public sector (schools, government buildings) and facilities management through to hotels, bars and restaurants, industrials and retail. At our Capital Markets Day in 2021 we stated that c.50% of our new 4%–6% medium-term organic growth target would be delivered through the Inside the Washroom sector.
Take our Hygiene services everywhere – expanding Outside the Washroom.	From a relatively low interest sector, hygiene is now one of the world's most important, presenting opportunities for us to expand Outside the Washroom into high-growth areas. Premises Hygiene – The COVID-19 pandemic is creating greater customer need for premises hygiene solutions as well as evolving societal expectations. We provide products in multiple environments, including offices, kitchens and reception areas, leveraging our expertise into air purification, disinfection, mats, hand sanitisers and dispensers, and surface hygiene.	There is a growing requirement for mature markets to improve occupant experience in Enhanced Environments (see page 46). Opportunities include increasing global awareness of the health impact of poor indoor air quality – exploiting opportunities such as premium scenting; increasing regulation and focus on sustainable waste management – leveraging our core expertise for fast deployment into new markets in response to the waste management requirement created by the pandemic; and demand for healthy buildings – focusing on plants, biophilic design and large projects expertise to enhance public spaces.
Harness the digital opportunity, developing digital innovations to address customer needs and increase productivity.	The global smart washrooms market is estimated to deliver an 11.5% CAGR to 2027, reaching a value of some $6.5bn (source: Grand View Research, August 2020). We continue to develop digital products for enhanced services combined with greater reporting and insight. We believe the pandemic will provide a springboard for increased digital hygiene services and are taking our digital expertise from Pest Control and expanding into Hygiene.	Increased regulations and the threat of fines and reputational damage may prompt early take-up of digital applications in hygiene, as it has done in pest control. Our connected hygiene solutions currently comprise digital taps and soap dispensers, hand wash and footfall monitoring and air care. Our myInitial online reporting platform provides transparency of service, including signature capture, service history and details, dates of visits and reporting facilities.
Geographic expansion – through organic actions.	Our core Hygiene services currently operate in 67 countries and we aim to increase the reach and density of our footprint in new markets through leveraging our brand and expertise, starting with core hygiene service provision Inside the Washroom, and then extending into Premises Hygiene and Enhanced Environments.	Our strategy is to expand in five key areas – North & Latin America, Europe, Middle East and North Africa, building on our existing customer relationships and routes in Pest Control and targeting North America, using our existing Ambius and Pest Control businesses.
Geographic expansion – through targeted, city-based M&A to build density and grow profits.	Our M&A focus in Hygiene & Wellbeing is on building city density and supporting extension areas that we have defined as part of our growth plans. M&A in Hygiene & Wellbeing has similar characteristics and the same disciplined approach as Pest Control and creates value through city-based density building. The economics of hygiene M&A are generally better, asset prices are cheaper than pest control and competition for targets is less fierce.	We have the necessary expertise and systems in place and a proven ability to drive margins through density building. Momentum is growing as we build a significant global M&A pipeline, now with c.80 attractive targets. We will also be open to the potential for larger transactions, should these become available. From 2022, we will target £25m+ revenues p.a. over the next five years, targeting IRR at 15%–20%.

Inside the Washroom

Washrooms are potentially higher-risk areas for COVID-19 and other viruses and no-touch washrooms are the most effective way to avoid cross-contamination, particularly within cubicle settings. Toilet paper dispensers that seal away paper until use, no-touch feminine hygiene units and toilet seat cleaners all prevent cross-contamination. Our Signature Range of washroom products have antimicrobial surfaces which helps reduce cross-contamination, as do our no touch auto-lift lids on bins and auto dispense of paper towels and soaps. Air care quality is also an important indicator of washroom cleanliness, with air purification units providing an ongoing method of removing potentially harmful pathogens from the air. The greater awareness of cubicle and washroom hygiene is providing more opportunities for new products and services for inside washrooms; expanding into new services for existing customers (e.g. Air Hygiene and Digital Washrooms Hygiene); new sales channels for existing Washroom customers through the use of technology; satisfying demand for new more sustainable services; and range extensions. We are launching a new Rapid>Smarthygiene high-end range of washroom products in 2022 and further innovation is planned in air purification for the washroom.

Digital leadership

The COVID-19 pandemic has provided a springboard for increased digital hygiene services and we are taking our digital expertise from Pest Control and expanding it into Hygiene. Increased standards and regulations and the threat of fines and reputational damage drove early take-up of digital pest control services and we anticipate the same trend will occur within Hygiene.

Digital products

In 2020, we launched our first range of digital no-touch products, which includes taps, soap dispensers, hand wash monitoring and cubicle sanitisers. Digital monitoring of consumables enables more efficient washroom operations at lower cost, with a reduced environmental impact and offering a better guest experience. We are expanding our Rapid>Smart Hygiene range into new customers and regions, with customer trials currently under way in offices, retail malls, airports, leisure facilities and tourist attractions across five countries.

Digital sales and service tools

Our digital sales and service tools are also increasing productivity and are being used to build customer awareness of Initial's multiple product offerings. Our online Hygiene customer portal, myInitial, is being developed to highlight the full spectrum of Hygiene solutions on its home page and is now used in 18 countries. In addition, we now track sales leads per driver on a monthly basis and the current average across the Hygiene category is 1.89 leads per technician per month, up from 1.29 last year, with UK colleagues performing particularly well, averaging 4.12 leads.

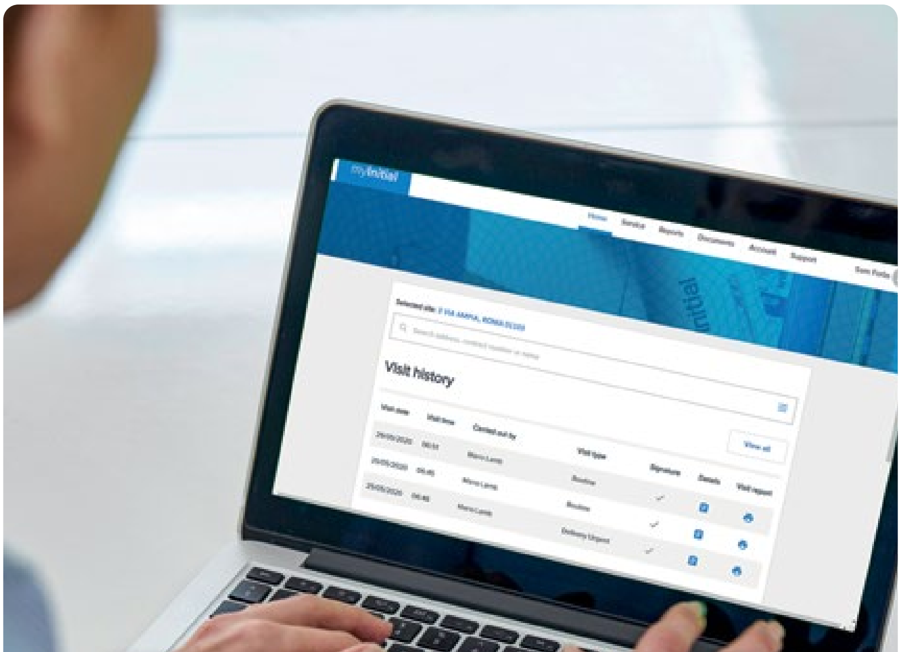
Our smartphone field service app, ServiceTrak, also improves productivity and leads to better colleague retention, higher gross margins achieved through greater service productivity and cost savings, and more professional service delivery. Across 33 countries (2020: 30), our technicians used the app to record 7.3 million service visits – for example, start time, services performed, customer recommendations, customer signatures and end time. New for this year, we have received over 1.63 million responses to our digital customer satisfaction surveys, with an average score of 4.88 out of 5 in Hygiene.

International expansion

We believe Hygiene has a strong growth opportunity through M&A, replicating the successful Pest Control model, which has similar characteristics, and we have set ourselves a target of generating £25m+ revenues per annum.

Our M&A focus in Hygiene is on building our density across our cities and supporting extension areas that we have defined as part of our growth plans, including air care, surface hygiene, safety and digital monitoring. The Hygiene economics are generally better – prices and competition for assets are lower and we have a proven ability to drive margins through density building.

While the pandemic has slowed M&A progress again this year, we acquired four specialist hygiene businesses in Australia and the USA. The Boecker acquisition in the Middle East in 2021 has provided a further platform for new hygiene service market growth with operations in the Middle East including Lebanon and United Arab Emirates.



WE ARE...

Giving customers information at their fingertips

myInitial is our bigger and better customer portal, enabling customers in 18 countries to self-serve, accessing service visit reports and carrying out a contract overview; and provides early warning signs of issues, logging of service requests and bespoke reporting.

It is making it easier for customers to do business with us, should benefit customer retention and frees up people resource to focus on the right things.

Please scan me!

Outside the Washroom

From a relatively low interest sector, hygiene has now become one of the world's most important, presenting opportunities for us to expand outside of the washroom into high-growth areas including air care, air enhancement and purification, sustainable waste management, products and expertise to enhance public spaces and buildings, route-based service extensions (such as first aid) and digital products and applications. Expanding Hygiene into new areas such as indoor air and surface hygiene for multiple locations from offices to retail; specialist hygiene services (such as medical waste removal); new service lines; and the alignment of hygiene with the importance of wellbeing.

Air care

Air care is a particular focus for the Group. The global air care market is estimated to reach revenues of more than $90bn by 2025 and is expected to deliver a 42% CAGR to 2025 (source: Arizton Advisory and Intelligence, July 2020). There is no safe level of airborne pollutants and, according to the World Heath Organization, 68% of all diseases are related to air pollution. Evidence showed that COVID-19 is transmitted predominantly through the air – by people talking and breathing out large droplets and smaller particles called aerosols. Therefore, efforts are increasing to prevent transmission by improving ventilation or installing rigorously tested air purifiers. Our current air care product range features air purification, air sterilisation and air scenting products. In 2020, we launched two important new air filtration products: Inspire Air72 and VIRUSKILLER™ Air Purifier. When independently tested against Coronavirus DF2 (a surrogate for Coronavirus), Adenovirus, Influenza and Polio, VIRUSKILLER™ was found to kill 99.9999% of viruses on a single air pass. To date we have installed over 13,800 air purification units into customer sites across 40 countries, generating c.£9m of revenues.

We have been actively marketing VIRUSKILLER™ across all regions in 2021, and are seeing rising levels of customer interest and particularly encouraging progress in Italy, Spain, Hong Kong, Singapore and the UK. VIRUSKILLER™ is now sold to a range of customers including car showrooms, hotels, offices, venues and UK embassies. Initial Hygiene was appointed Specialist Hygiene Services Partner of London's The O2 arena, with the installation of VIRUSKILLER™ central to the agreement, and we successfully installed the units in time for this year's BRIT Awards. As part of the agreement, we also installed a range of washroom products and services for visitors to the venue.

Enhanced Environments

The impact of the global pandemic has catalysed a shift in global mindset where health is a priority – not just avoiding being sick, but proactively being well in a holistic sense. The global corporate wellness market is set to grow at 7% CAGR to 2028 (source: Grandview research 2021) as people search for a healthier lifestyle across work, home and leisure. Our Enhanced Environments businesses, (the non-washroom part of the new Hygiene & Wellbeing category) improve the occupant experience throughout premises. They bring together Ambius plants and scenting, Dental Hygiene and Cleanroom services (which moved from Protect & Enhance category on 1 January 2022). Growth opportunities include increased awareness of the health impact of poor air quality, increasing regulation and focus on sustainable waste management and demand for healthy buildings.

Outlook

Our newly enlarged Hygiene & Wellbeing category has made a good start to the year and we are seeing continuing momentum in core service provision in our markets. Although we will lap strong disinfection revenues in H1 and will have to contend with ongoing macro-economic uncertainty, we expect Hygiene & Wellbeing to deliver good progress in the coming year.

We have made good progress in building a pipeline of attractive Hygiene acquisition opportunities and remain committed to acquiring annual revenues of £25m+ from 2022.

WE ARE...

Advanced air safety

Providing spectator safety at the Australian Open

As the Official Hygiene Partner of the Australian Open 2022, Rentokil Initial installed 70 VIRUSKILLER™ air purifiers in indoor spaces and 800 hand sanitisers and antibacterial wipe stations around the tennis precinct. The best-in-class VIRUSKILLER™ air purification technology deployed to provider cleaner air for patrons is shown to kill 99.9999% of Coronavirus in the air[1] and is an Australian-first for a major international sporting event. More than just an air purifier, VIRUSKILLER™ is also a filtration and decontamination device that safely disinfects indoor air, providing real-time protection from airborne viruses and bacteria.[2]

1. When independently tested against Coronavirus DF2 (a surrogate for Coronavirus), Adenovirus, Influenza and Polio, the unit was found to kill 99.9999% of viruses on a single air pass.

2. When independently tested against reference bacteria (Klebsiella pneumoniae, Mycobacterium tuberculosis, Staphylococcus aureus subsp. Aureus, Streptococcus pneumoniae, Streptococcus pyogenes, Escherichia coli), the unit was found to kill 99.9999% of bacteria on a single air pass.

Protect & Enhance

The four businesses which were included in our Protect & Enhance category in 2021 are Ambius (Global), Property Care (UK), Dental Services (Germany and Sweden) and Workwear (France). Ambius is the world's leading commercial provider of plants and scenting. The business installs and services flower displays, replica foliage, Christmas decorations and ambient scenting. It has No.1 or No.2 positions in 11 of its 17 countries. Our UK Property Care business provides damp proofing, property conservation, woodworm treatment and wood rot treatment services. Our France Workwear business has a No.2 position in France and specialises in the supply and maintenance of garments, such as workwear and PPE. These businesses within Protect & Enhance have a high exposure to the food service and hotel industries – for which we supply interior plants, ambient scenting and workwear. Our Dental Services business operates principally from two main hubs and specialises in the recycling and disposal of dental waste.

Category restructure

In September 2021, we announced that in response to the increasing importance of hygiene and wellbeing services, we are expanding our Hygiene category with effect from 1 January 2022. The enlarged category, called Hygiene & Wellbeing, comprises our current Hygiene operations together with our Ambius, Dental Hygiene and Cleanroom services operations. Property Care will move to Pest Control and France Workwear will remain a standalone business. Our Protect & Enhance category will cease to be managed and reported as a separate category.

Ongoing Revenue at CER

£**365.6**m +5.6%

2021	**365.6**
2020	346.2
2019	394.1
2018	379.8
2017	378.1

Ongoing Operating Profit at CER

£**43.2**m +36.8%

2021	**43.2**
2020	31.6
2019	46.0
2018	44.1
2017	40.3

Net Operating Margin at CER

11.8% +270bps

2021	**11.8**
2020	9.1
2019	11.7
2018	11.6
2017	10.7

Overview of performance in 2021

Following a challenging 2020 for Protect & Enhance, caused by significant disruption from the COVID-19 crisis, 2021 has seen considerable trading improvement across the businesses as restrictions were eased across most of our territories, offices once again opened up, and the hospitality sector welcomed back customers.

Our UK Property Care business also benefited from the buoyant recovery in the residential housing market which continued throughout 2021 and the partial recovery in the commercial property sector.

Our Protect & Enhance category represents 11.9% of Group Ongoing Revenue and 7.7% of Ongoing Operating Profit. In 2021, Ongoing Revenue and Ongoing Operating Profit increased by 5.6% and 36.8% respectively, with all four businesses returning to organic growth from Q2. Net Operating Margins rose by 270 basis points to 11.8%.

Workwear

Approximately half of category revenue is generated from our France Workwear business, which specialises primarily in the supply and laundering of workwear, uniforms, cleanroom garments and personal protective wear. The business generated Ongoing Revenue growth of 1.9% to £178.1m, of which 1.9% was organic growth, reversing the declines it experienced in 2020 caused by the impact of COVID-19 lockdowns.

In France, lockdowns began to ease in May 2021 with fewer restrictions on restaurants and as a result, we have seen an improving performance from our Workwear business. While this is encouraging, as-used volumes (where the customer only pays for specific garments laundered) are still behind pre-COVID levels, impacted by ongoing temporary customer suspensions in H1 and reduced tourism in France in H2.

As previously noted, from 1 January 2022 France Workwear will be reported as a standalone business and will be run separately from our Hygiene operations in France, which will now be reported within the new Hygiene & Wellbeing category.

WE ARE...

Creating award-winning installations

The 2022 International Plantscape Awards were held in Florida in January, and the US Ambius team brought home 17 awards, including four Gold awards for client installations in 2021 in North America. The awards are the premium industry awards, recognising outstanding achievements in interior plantscape design, installation, creativity, renovation and innovation. Ambius are experts in building the right interior environment for businesses with growing operations in Europe and North America, South Africa, Australia, New Zealand and Malaysia.

Please scan me!

Ambius

Ambius operates in 17 countries and has No.1 positions in eight of its markets (including in the US, Canada, Australia and New Zealand). Its product offering is broadly consistent across the world and includes interior landscaping, Christmas decorations and premium scenting. The US business comprises c.55% of total Ambius revenues. Key customer segments are offices, facilities management, hospitality, food and non-food retail, leisure, healthcare and education.

Our products and services in Ambius have a strong link with health and wellbeing, and service quality, expertise and customer retention metrics are high. Our strategic focus is on higher-margin green (living) walls and premium scenting, expanding and exploiting international agreements and driving lead generation through digital applications.

Our Ambius business performed well, growing contract portfolio strongly in H2 as the challenge to make office spaces suitably appealing for employee return stimulated demand for our products and services. Operations returned to pre-pandemic trading levels, delivering growth of 8.5% on the prior year with Ongoing Revenue and Ongoing Operating Profit increasing by 7.3% and 83.0%. This reflects the discretionary nature of its products and services during the year.

Property Care

Our Property Care business is based in the UK. Services include dry rot and woodworm treatment and damp proofing. We have a leading position in the industry and have developed a strong operational capability with certified teams undertaking work in commercial properties and social housing.

The business has an excellent reputation for customer service and a loyal customer base. Trading is directly impacted by the health of the UK property market. The business performed well in 2021, with revenues benefiting from strong domestic customer demand in the UK residential housing market and signs of recovery in the commercial property market, and with profits enhanced by a number of systems, process, productivity and pricing initiatives implemented in 2020. While the business is relatively small, it generated revenues of £24.1m in 2021.

Dental Services

Medentex is headquartered in Germany and specialises in the professional and compliant recycling and disposal of dental waste. It provides waste separating products to customers in Germany, Netherlands, Sweden, Norway, UK and the US. It is a small, profitable business with revenues of £12.9m.

Responsible Business

Putting our purpose into action

For Rentokil Initial, being a responsible and sustainable business means helping colleagues to have safe and fulfilling work lives, supporting customers by developing and delivering innovative products and services, and benefiting society and the environment by acting in the most responsibly effective manner.

Q&A with Andy Ransom, Chief Executive

Q

Safety and people start every management meeting in Rentokil Initial, so how would you sum up the progress in 2021?

A

This year we delivered a very high level of colleague safety with a record low Lost Time Accident rate of 0.38 per 100,000 hours worked and Working Days Lost of 8.71 – both at world-class standards and this was reflected in the Company receiving a Gold Award from the Royal Society for the Prevention of Accidents.

Rentokil Initial is committed to being a world-class Employer of Choice – attracting, training and retaining great people from the widest possible pool of talent.

In 2021, the Company deployed a global diversity, equality and inclusion upskilling initiative to 1,000 managers and leaders. The programme featured two elements: 'Include' where sessions focused on how to foster an inclusive environment, and 'Decide' which focused on bias and how to mitigate it. Feedback has been very positive, and this upskilling programme will roll out further in 2022.

Training colleagues, so that they are able to build their career with us and deliver a better performance for customers, is a very important part of our strategy and our in-house 'university' U+ created more than 500 pieces of training content in the year and colleagues undertook more than 4.3m pieces of training content views.

Listening to colleagues is also part of our culture and in 2021 our Your Voice Counts survey was completed by a record 91% of colleagues. Scores were compared with the pre-pandemic 2019 survey and showed improvements across many themes including: Strategic Direction (+4%); Collaboration (+3%); Line Manager Index (+3%); and Diversity, Equality and Inclusion (+3%), while the question about equal opportunities was scored by colleagues at 10% above the global high-performance norm of leading companies.

Q

A year ago, you announced the Company's ambition and plan to achieve net zero carbon emissions by 2040. How did year one go?

A

We made good progress in 2021 as we began to implement our plan. Our eight workstreams are underway and our country teams have developed and begun to execute their plans. We have a multi-local operating model, and our environmental ambitions will be delivered through the same multi-local approach and teams. Just to give one example, the availability of ultra-low emission vehicles (ULEVs) is different by market, but from our market-by-market analysis we can see progress being made over the last 12 months in the supply chain, with 177 ULEVs now in our fleet, particularly in the UK and parts of Europe. This gives us more confidence in the delivery of the vehicle-based element of our 2040 target (see Our 'Big Six' Challenges on page 20).

The most important part of our programme to get right in 2021 was to engage with our colleagues about our plan and goals, and so I was particularly pleased to see the response in our all-colleague survey that 85% of colleagues agreed that when asked 'The Company is making the right decisions to ensure we operate sustainably' and with just 3% disagreeing.

We remain 100% committed to our net zero by 2040 target.

Q

Are colleagues actively encouraged to support charities in Rentokil Initial?

A

Yes, absolutely. I find it hugely engaging to actively support charities – through my own work with Street League and Malaria No More UK – and I know colleagues across the Rentokil Initial world do too. That's why we set up Rentokil Initial Cares, using unclaimed dividends to match those monies raised by colleagues and to support charities and those in need in line with our purpose of protecting people and enhancing lives.

In 2021, around 2,000 colleagues participated in a virtual team race, the Race to Kigali, to raise funds for malaria eradication – it was our largest ever charity event and the response from colleagues was outstanding. We also supported many local initiatives by colleagues in our branches around the world. In addition, we continue to support charities which protect biodiversity and rainforests, and promote public health in Asia (see pages 66 and 67).

I'd like to take this opportunity to thank all Rentokil Initial colleagues who supported their communities and charities in 2021.

Andy Ransom
Chief Executive

Highlights from 2021

Colleagues and culture
See pages **51** to **54**

Health and safety
0.38
Lost Time Accident Rate in 2021 (0.39 in 2020)

Training
500+
pieces of training content created in-house in 2021. Record U+ usage – 4.3 million content views for the year (3.2m in 2020)

Board diversity
37.5%
of Board members were female; 25% of Rentokil Initial's Board is ethnically diverse

Talent pipeline
52%
68,900 applications through the Careers Portal, up 52% on 2020. 12,200 vacancies filled. 330+ graduates in 2021

Service and innovation for customers
See pages **55** to **57**

Customer satisfaction
45.1
our Group-wide Net Promoter Score of customer satisfaction – up by 7.1 on prior year

Trustpilot score
90%
5-star Trustpilot reviews for Rentokil and Initial – with c.12,000 reviews and over 90% 'excellent'

Website visitors
15.4%
increase in Pest market web enquiries in 2021 compared with 2020 and up 4.5% on total sessions

PestConnect
87,000
units installed in 2021, a 58% increase

Environment
TCFD report see pages **58** to **65**

Targets
20%
target reduction in kilogrammes of emissions per £m of revenues by 2025. Net zero by 2040

Carbon efficiency
14.9%
carbon emissions reduction per £m of revenue since 2019. On track to meet target

Waste reduction
10tonnes
of waste packaging removed from six products including RADAR units

Recycling
200,000+
Hygiene units refurbished in France and Italy over four years

Communities
See pages **66** to **69**

Charitable donations
£361,000
(2020: £184,000), excludes donations in kind

Community events
£200,000
raised by 2,000 colleagues in the Race to Kigali for Malaria No More UK

Pandemic support
£2.5m
worth of PPE donated to hospitals in India in 2021

RI Cares donations
supported a wide range of charities in 2021, including Angels Orphanage, Malaria No More UK and Cool Earth

Independent accreditation

We aim to positively engage and support all independent analysis of our ESG activities and continue to receive high relative scores and ratings.

Dow Jones Sustainability Index (DJSI)
4% improvement in our score to 69% (65% 2020 & 2019). DJSI Europe and DJSI World members

Vigeo Eiris (VE)
3rd out of 103 companies in our sector and 66th in the overall assessment of all 4,963 companies

Carbon Disclosure Project
Improved positioning to C rating (2020: D)

MSCI
AA ESG rating maintained

Open Corporation
10th out of their 100 leading companies listing

ISS ESG
Prime rating (with a decile rank of 1 indicating a high relative ESG performance) maintained

Sustainalytics
Low ESG Risk rating maintained

Responsible business priorities

Our responsible business priorities are aligned with those of our key stakeholders (see page 30) and driven by the Chief Executive who has Board accountability for responsible business delivery, as well as engagement with our wider stakeholder groups.

Further details about our Board engagement can be found in the section 172(1) statement on page 72 and in the Corporate Governance Report on page 96.

Our responsible business priorities are: Colleagues and culture, Service and innovation for customers, Environment, and Communities. Governance and transparency also continue to remain central to our responsible business approach, as set out in the Corporate Governance Report.

Further information

- Additional information about our practices can be found on our responsible business website: **rentokil-initial.com/responsible-delivery**
- Company policies: **rentokil-initial.com/responsible-delivery/policies**
- Gender Pay Report: **rentokil-initial.com/responsible-delivery/gender-pay-gap-report**
- Modern Slavery Statement: **rentokil-initial.com/responsible-delivery/modern-slavery-statement**

Colleagues and culture
A culture of high performance

Rentokil Initial is committed to being a world-class Employer of Choice. We employ c.46,000 colleagues in 88 countries – an increase from c.44,500 in 2020. Over four years we have increased our headcount by around 10,000 colleagues (average headcount basis including agency colleagues).

Underpinning everything we do is our 'One Rentokil Initial' culture. We have a one team mentality with a common purpose and set of values, focused on delivering a great customer experience. As you can see below, our culture is characterised as customer focused, commercial, diverse, down to earth and innovative.

Details of how the Board of Directors monitors and assesses culture can be found in the Corporate Governance Report on page 81.

2021 culture survey

We measure our culture independently within our all-colleague survey which takes place every two years. Each of the five cultural themes (outlined below) has questions aligned, measured and an overall score obtained which we monitor over time. This was measured in 2017, 2019 and 2021 – providing insight into how the Company's culture has developed over time. Despite the global pandemic, the scores for each of the five themes remain strong – all within the 80% to 90% score range. The strongest cultural characteristic is 'Diverse' with a score of 86% (see below).

Finally, we take an average of 12 core questions to provide a Core Culture Index score. The overall Core Culture Index score for 2021 was 81% (+1% versus 2019 and +2% versus 2017) showing encouraging survey-on-survey improvements.

81%
The overall Core Culture Index score for 2021

Our culture model

Our culture model includes our purpose and values, and five core culture themes.

Our culture themes

Customer focused
Firstly, we're a service company. We strive to meet our customers' needs and our people go the extra mile to do so. We work hard to support our customers and each other. When things go wrong, we put them right, fast.

Commercial
We employ and incentivise smart people to help the Company grow by making good decisions that benefit our customers. We constantly seek out new opportunities for growth and ways to work more effectively.

Diverse
We want our workforce to reflect the diverse customers we serve. We value everyone's talents and abilities, and strive to attract, recruit and retain the best people from the widest possible pool of talent.

Down to earth
We don't like big egos. People who succeed with us are friendly, comfortable in their own skin, straightforward, seek to improve, with practical ideas and experiences, and they acknowledge the contribution of others.

Innovative
We use the latest advancements to build an innovation pipeline that sets us apart from the competition. We embrace digital technologies that help create new products and make us more efficient.

Cultural survey scores for 2021

Customer focused	Commercial	Diverse	Down to earth	Innovative
80%	81%	86%	80%	83%





Keeping our colleagues safe

Nothing is more important in Rentokil Initial than ensuring everyone goes home safe at the end of their working day. Health and safety (H&S) is the first item on the agenda at every management meeting including the Executive Leadership Team and Board meetings.

Our safety performance has improved consistently – with our LTA rate improving from 2.06 in 2008 to 0.38 in 2021 – the lowest LTA rate ever achieved by the Group.

Our key health and safety initiatives in 2021 included:

- Reviewing all Group Safety, Health and Environment (SHE) policies, consolidating information and creating an H&S policy framework, including:
  - H&S policy statement
  - H&S management standard
  - H&S operational standards
  - H&S guidance documents
  - Regional/Country H&S management systems
- Site Risk Assessment (SRA) app: live now and being rolled out across the Group. 2.2 million SRAs were completed in the app in 2021.

The safety performance targets we set at the end of the previous year were achieved in 2021 in relation to Lost Time Accidents and was narrowly missed in relation to Working Days Lost. Both maintained their world-class standards. Regrettably, we had four non-work related fatalities across the Group: three road traffic accidents and one heart attack.

Key Performance Indicators	2021	2020	2019	2018	2017
Lost Time Accidents (LTA)[1]	**0.38**	0.39	0.53	0.63	0.58
Working Days Lost (WDL)[2]	**8.71**	8.46	10.99	14.77	11.65

1. The LTA rate is calculated as the number of Lost Time Accidents (injuries and illnesses) per 100,000 hours worked.
2. The WDL rate is calculated as the number of working days that colleagues could not work because of Lost Time Accidents (injuries and illnesses) per 100,000 hours worked.

Your Voice Counts

Listening to the opinions of our colleagues will always be an important part of our culture.

In 2021, we undertook Your Voice Counts (YVC), a global, confidential survey providing every colleague with the opportunity to give feedback on workplace culture, leadership, customer focus, development and line manager performance.

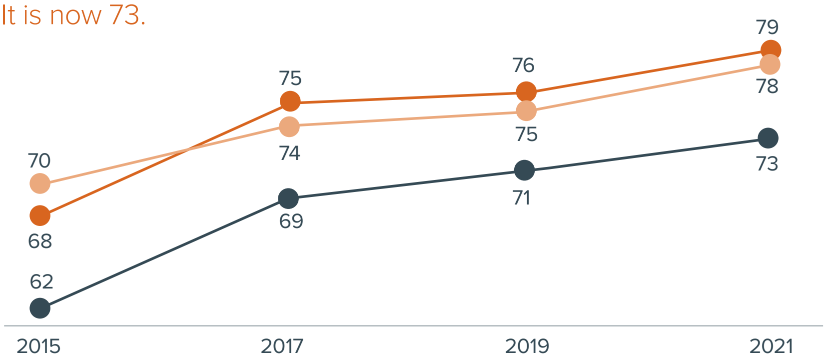
With a record high response rate of 91%, we maintained high levels of colleague engagement (80%) and colleague enablement (83%), and 25 questions saw improvements in their scores over pre-pandemic 2019 levels.

Strong improvements were made with colleagues feeling informed about news concerning the Company and the Company's overall strategic direction (both by +4%). We were particularly proud to note our scores for equal opportunities scored 10% higher than the global high-performance norm of leading companies. Areas of focus moving forward include further recognition and greater coaching by managers.

More than 3,000 senior leaders and local managers received a dedicated report to engage their teams with comparisons to global and country norms, and survey-on-survey trend and to take actions.

Key line manager behaviours over time

In 2015, "coaching from my manager" scored 62. It is now 73.



My manager provides clear and regular feedback on my performance

My manager is good at recognising my performance when I do a good job

My manager coaches me in my development

2021 results

- Company has a clear sense of direction: +4%
- My manager keeps me informed: +4%
- Tools and equipment to do my job well: +4%
- Collaboration: +3%
- Line Manager Index: +3%
- Treated with respect as an individual: +3%

Note: all scores as versus YVC survey in 2019.

Diversity, equality and inclusion

Rentokil Initial is a diverse organisation by its nature, operating in 88 countries and with more than 40 languages.

We strive to ensure that our local businesses reflect the countries, markets and communities in which they operate and to create an environment where everyone's view is heard, everyone's contribution matters, and everyone has equal opportunities to succeed.

Our new workplace strategy through to 2024 places even greater emphasis on wider diversity where everyone, regardless of gender identity, race, colour, nationality, age, sexual orientation, physical ability or background, can build a long-term career with the Company and reach their potential.

In support of this strategy, this year the Company deployed a global diversity, equality and inclusion (DE&I) upskilling initiative to managers and leaders across the Company. The programme featured two elements: 'Include', where sessions focused on how to foster an inclusive environment, and 'Decide', which focused on bias and how to mitigate it. In 2021, c.1,000 leaders engaged in this programme and, with highly positive feedback, plans are in place to roll this out further in 2022, with the intention to ensure all line managers have received the training.

In June 2021, we reviewed and updated our Group Diversity, Equality & Inclusion Policy to further strengthen our focus on equality. This policy is published internally on our intranet and externally on the Rentokil Initial corporate website.

DE&I in Rentokil Initial

44th
Rentokil Initial was placed 44th in the first FTSE Women Leaders Review in the FTSE 100 rankings for women on boards and senior leadership

29%
of our senior leaders (Executive Leadership Team and their direct reports) are women (2020: 30%)

20%
of our senior leaders are defined or self-identify as people of colour which is consistent with last year (as at 31 December 2021)

11,047
(24%)
colleagues are female

34,984
(76%)
colleagues are male

37.5%
of Board Directors are female (50% in 2020)

96%
in our 2021 Your Voice Counts survey, stated that they do not feel we preclude men and women from having equal opportunities to succeed in Rentokil Initial

Diversity survey

In addition to the new upskilling programme, our first dedicated diversity survey was carried out in 2021 among 1,800 managers.

Key questions at or above the high-performance (HP) company norm included:

- My manager treats all colleagues fairly, regardless of their backgrounds: **11% above HP norm**
- I am given opportunities to grow and develop in my current role: **8% above HP norm**
- I feel like I really belong at this company: **6% above HP norm**
- My opinions matter: **4% above HP norm**
- I am treated with respect as an individual: **in line with the HP norm at 91%**

Age: Across most questions, scores were higher by age. The average score for under 30s was 75% favourable versus 87% favourable for colleagues in their 50s.

Social mobility: Whether colleagues had been to university or not, there were very similar scores for the questions around 'opportunities to grow and develop in my current role' and 'equal opportunities'. The average of all questions for those with or without a university education showed just 1% difference.

Fairness: 97% of colleagues responded favourably or neutrally to the question 'my manager treats all colleagues fairly, regardless of their backgrounds'.

Investing in our colleagues' careers

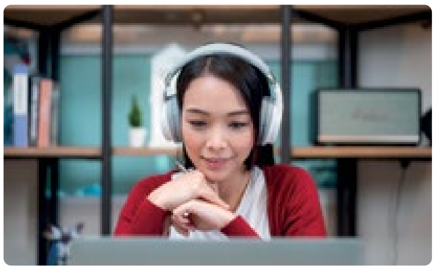
In 2021, our U+ courses were viewed 4.3 million times (3.2 million in 2020, a 34% increase), and more than 500 new pieces of learning content (videos, courses, etc.) were created by our in-house content development team.

This equates to an average of 107 content views per colleague throughout 2021, up from 79 views per colleague in 2020 (an increase of 26%) with each colleague completing a U+ training course on average every two working days during 2021.

Our investment in talent development is showing strong returns, both for individuals and the Company overall, with 82% of the participants in our global talent pools prior to 2021 having been promoted to more senior roles since 2017. Our 2021 talent pools already have a promotion rate of 48% despite participants only being in the programme for less than a year.

In 2021, we also took part in the UK government's Kickstart Scheme in our corporate head office. The Kickstart Scheme is aimed at people aged 16–24 who are currently claiming Universal Credit and are at risk of long-term unemployment. We had 12 people join us for work experience as part of this scheme. 50% of those who took part were offered either permanent or contract roles with Rentokil Initial on completing the scheme, and a further 25% were able to find permanent employment in other organisations as a result of their placement and job experience with Rentokil Initial.

During 2021, we have continued to provide employment and development opportunities to young people, employing over 350 apprentices and over 330 graduates across our UK business.



4.3million

Views of U+ content in 2021, up by 34%

Colleague Support Fund

With the outbreak of the COVID-19 pandemic creating many challenges for our colleagues and their families, in 2020 we established a Colleague Support Fund of c.£450,000 to aid those within the Group in countries where government support schemes were insufficient for the severe difficulties they faced.

This was created using funds from RI Cares together with a voluntary salary waiver by the Chief Executive of 65% of his Q2 2020 salary (having already waived 35% as part of the Company's response to the pandemic), together with salary or Director's fee waivers by several of the Board and a number of senior managers.

In 2021, the fund continued to be used to support colleagues, principally in India, Indonesia and Vietnam, taking the total funds committed to around £375,000.

In 2021, the Company also shipped PPE worth c.£2.5m to India to support the COVID-19 relief effort – including coveralls, face masks, gloves, hand soap and sanitiser with dispensers. The PPE was sent to around 500 hospitals across the country.

£375,000

Funds used to support colleagues to date, in particular need of support due to the pandemic

The UK and India have always shared a very close bond and benefited from enduring economic cooperation. The global challenge of the pandemic must be tackled on a united front if we are ultimately going to control the spread of this virus. It's been so inspiring to see Rentokil Initial immediately come forward to supply critical PPE and sanitiser and help the people of India through this unprecedented crisis.

Lord Bilimoria
CBI President

Service and innovation for customers
Leading in innovation and digital

Innovation is an integral part of our culture. New projects are mainly developed in-house, either by our Science & Innovation team or as a result of insights gained from our businesses around the world. Other projects are initiated as a collaboration with external partners who bring their own specialised expertise to a project. Our partners engage with our scientific and technical teams to turn ideas into new and exciting solutions to meet customer needs now and in the future.

We have an established system in place to enable colleagues from across the business to approach our Marketing & Innovation (M&I) team with innovative concept ideas. The M&I team then works alongside these colleagues to help bring promising proposals to life. Currently, we have a pipeline of around 50 projects in process – all are sustainable, non-toxic or digital.

This year, we submitted a new rodenticide formulation for approval, containing 50% reduced active ingredient. This would substantially reduce the environmental exposure to the main chemical used in rodent control, which remains the largest sector of the pest control business. We have also identified, by working with a large customer in the UK, how PestConnect can reduce the use of rodenticide bait by up to 40%.

Investing in a sustainable future

The Power Centre is our industry-leading centre for science and innovation. We focus on four main areas: Non-toxic, Monitor and detection, Sustainable, and Digital.

Non-toxic

In commercial pest control the use of chemicals is not our first thought. Before any treatment is considered we survey the premises and consider barriers, such as proofing and exclusion materials under doors or in gaps next to pipes, that might solve the pest problem. We then have a range of non-toxic solutions, such as the use of heat treatments, rather than traditional chemicals, for the control of bed bugs and insects.

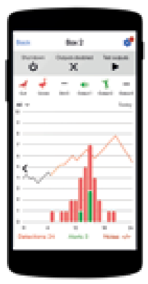
- 2021 saw the introduction of a new system to track chemical usage across our operations, now in place in 14 countries and in the implementation stages in six more. This will enable us to better understand the chemicals we use most, and how best to reduce the most environmentally damaging of them.
- The new non-toxic Rat Riddance Connect sits within our family of digitally connected rodent control solutions for indoor pest control. It is part of Rentokil's award winning PestConnect system, which includes RADAR Connect, a further non-toxic rodent control solution.
- We have also begun an exciting new innovation project to bring to market a new non-toxic rodent control unit with the outer structure made from recycled polymer. Throughout 2021, we took this from idea to successful proof of concept, and signed a 10-year exclusive deal including licensing and development agreements with a third-party supplier. In 2022, we will focus on testing and field trials.

Non-toxic
- Biotechnology
- Lures
- Heat
- Proofing/Exclusion

Monitor and detection
- Beam-break technology
- Scent detection
- Presence detection

Sustainable
- Recyclable material
- Resistance testing
- Lifetime use

Digital
- Cameras
- Remote management
- Data



- Birds, such as gulls, geese, pigeons and starlings, can spread disease with their droppings, damage buildings and equipment, create health and safety risks, and give customers, staff and the general public a bad impression of a business. Launched in 2021, Rentokil Intelligent Bird Scaring is an effective and non-toxic device that has been designed to deter birds without harm, 24/7, and can be controlled and monitored remotely via a tablet or smartphone app. The device has an intelligent built-in listening system that recognises different bird species and identifies the best scare tool from a broad range of sounds to deter each of them.

Investing in a sustainable future

Sustainable

Rentokil Initial offers a range of services that support our customers' own sustainability programmes. For instance:

- Following the successful launch of Lumnia, the world's first range of LED-based insect control units, in 2021, Rentokil Initial continued to build on this innovation with the launch of Lumnia Suspended. This ceiling-suspended unit is specially designed for use in industrial facilities that have a zero-tolerance requirement for pests, and offers significantly reduced running and energy cost savings compared with traditional units. By the end of 2021, in total, 260,000+ Lumnia units had been sold since launch in 2017 across 60+ countries.

62%
Lumnia LED lamps save up to 62% energy and emissions compared with fluorescent bulb tubes

750,000
fluorescent tubes – which use mercury – removed from the waste stream, by using LED lamps that last three years (versus one year for the tubes)

PlanetMark

- After successful trials last year, we were pleased to launch Eradico in 2021, our first global bait box and our first hardware product made entirely from recycled polymer, meaning we expect to use 377 tonnes less of virgin plastic each year in the Rentokil Initial supply chain. This new bait box meets all required local legislation and has improved functionality over traditional models. The single multi-functional unit can be used in a variety of locations and climates and can be used as a connected or non-connected unit. We were delighted to see Eradico nominated as a finalist for the Plastics Recycling Awards Europe 2021, recognising the innovation in sustainability.

377tonnes
less of virgin plastic each year in the Rentokil Initial supply chain

Monitor and detection

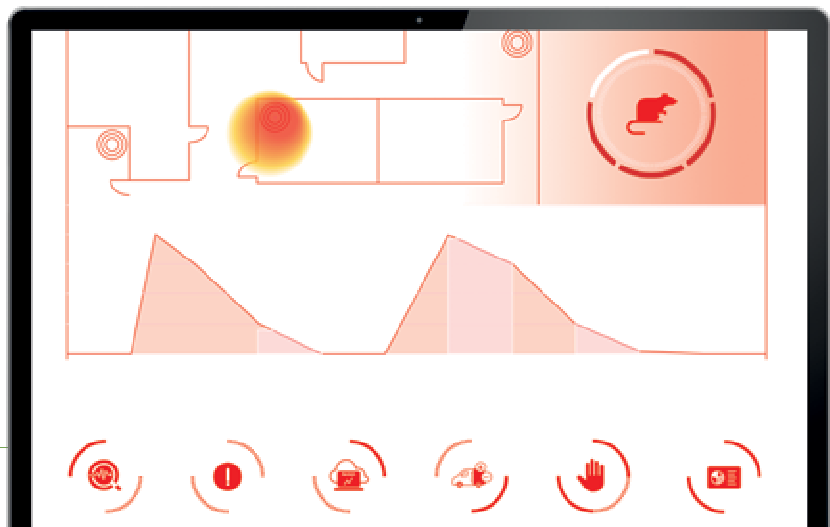
PestConnect provides a real-time, early warning system for the monitoring and control of rodents. This digital connected pest management system offers 24/7 effective monitoring and fast control of rodent pests, saving customers time and money dealing with costly infestations. Our innovative system uses non-toxic and highly targeted treatments that help reduce the rodenticide impact on wildlife.

PestConnect
As at the end of 2021, there were more than 235,000 PestConnect units installed in c.13,000 sites across the globe (2020: 150,000+ units). This unit complies with the Campaign for Responsible Rodenticide Use (CRRU) and can enable customers to reduce their use of rodenticide by up to 40%.

In 2021, Rentokil and our partner, Vodafone, began to pilot the use of rich media and AI to enhance pest control services. This pilot solution revolutionises the way we can monitor and diagnose pest issues by directly tracking rodent activity, uncovering behaviours through data and analytics, and giving our technicians a new level of insight.

We have a range of new connected devices in development including Crawl Connect for crawling insects and Lumnia Connect for flying insects, plus new rodent devices.

THINK WILDLIFE
Campaign for Responsible Rodenticide Use



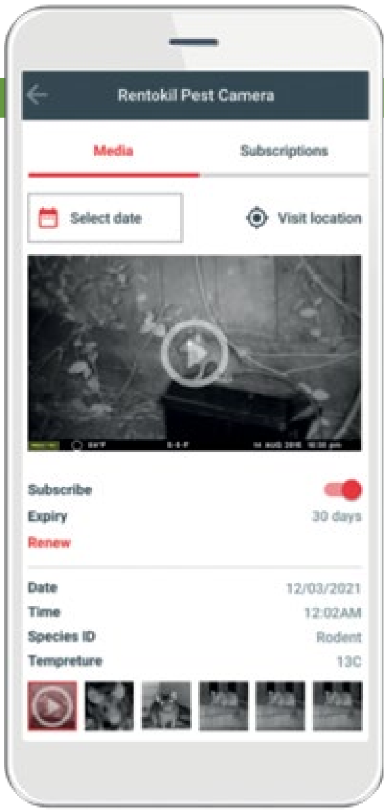
Digital

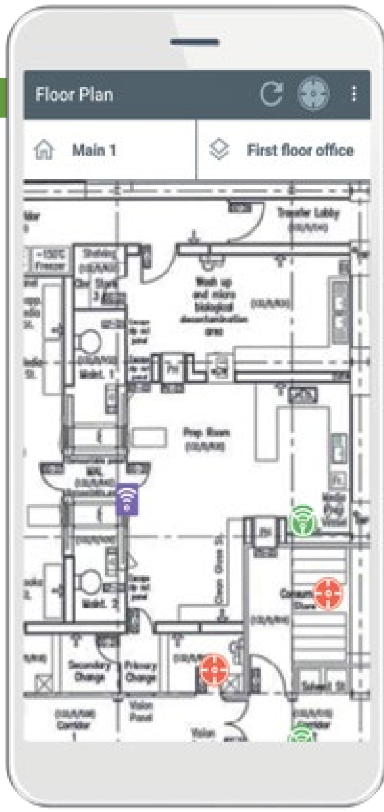
Rentokil Initial uses digital technology to improve the colleague experience, enhance services and reporting transparency for customers, and improve operational efficiency. Our workforce is enabled with smartphone technology and a wide range of apps to improve efficiency.

ServiceTrak – our smartphone field service app improves productivity and leads to a more professional service. This is available across 33 countries with our technicians using the app to record over 7 million service visits in 2021 – for example, start time, services performed, customer recommendations, customer signatures and end time. In addition, we have received over 1.6 million responses to our digital customer satisfaction surveys, with an average score of 4.88 out of 5 in Hygiene.

Customer Site Risk Assessment (SRA) app – has been rolled out to 35 markets where 2.2 million surveys were submitted in 2021. This has enabled us to remove the use of paper in our risk assessment process.

Command Centre – brings together the data from our Internet of Things devices in the field with c.15 million records processed each day. Cloud-based data storage and our own visualisation tools ensure that we can support customers with the highest standard of pest control data analysis.





Our new digital floor plan app is now live in 34 markets.

Customer back office automation – we have begun to take the next step in customer management by integrating our myRentokil system data automatically into customers' own systems. This is now live with 34 customers, and successfully automated 164,000 work orders in 2021.

Digital Hygiene – in 2021, manufacturing was moved in-house to Dudley Industries in the UK and design components changed to enable a better cost and scalability. The products passed Wi-Fi security and CE approval for Europe. Eight Digital Hygiene products will now be aligning to the PestConnect-based technology infrastructure in 2022.

Continued investment

New Technology Centre

In 2021, we launched a new Hygiene Technology Centre in the UK, built to high sustainability standards and achieving a BREEAM excellence rating. The centre is a hub for our Hygiene & Wellbeing product development team and includes facilities to develop, test and validate our innovation products. It includes warm and analytic rooms, digital hygiene development and testing, as well as an archive and product sample storage.

Environment
Our journey to net zero

Our journey to net zero emissions is not only the right thing to do for society, but it is also the right thing for our business. All of our stakeholders support our environmental ambitions. Over the last 10 years, we have met our targets for 10% (2011–15) and a further 20% (2016–19) carbon efficiency improvements and, in 2020, we committed to achieving net zero emissions from our operations by the end of 2040. Our 2021 TCFD report can be found over the following pages including governance, strategy, executing our strategy, risks, opportunities and metrics.

Our Task Force on Climate-related Financial Disclosures (TCFD)

We are pleased to share our disclosures in response to the recommendations of the TCFD. One of our main priorities over the last year was to commence the implementation, embedding and tracking of progress against our plan to achieve net zero by the end of 2040. This has included implementing country-level operational-based environment plans around our eight specialist workstreams.

1 2 3 4 5 6

Governance

The Rentokil Initial Board has responsibility for oversight of the long-term climate change strategy of the Group, including considering climate-related issues, investments, opportunities and risks.

In 2021, a Safety, Health and Environment update was the first item on every Board agenda. The Board held separate sessions to discuss and analyse different aspects of our approach to the environment, including a progress update on Rentokil Initial's journey to net zero against the key milestones in our transition plan. In addition, regional operating plans, presented to the Board through the year, included their environmental priorities and actions.

Both the Audit Committee and the Board received a paper outlining the accounting considerations regarding climate change reporting, following a detailed review, across the Group. During the year, the Board held an innovation day that included new sustainable products and also discussed the investment and environmental criteria of the new Technology Centre, opened in 2021.

Our Chief Executive (CEO) has overall responsibility for environmental, social and governance (ESG) matters and our operationally focused response to the risks and opportunities of climate change. However, our Directors bring a variety of skills and experience as set out on pages 84 and 85.

Responsibility for the delivery of our climate change plans is integrated into roles and responsibilities of senior managers, including: marketing and innovation, supply chain, legal and compliance, communications, and in particular our country and regional managing directors. The CEO's monthly performance reviews with each regional leadership team includes progress against their ESG plans.

The Group's Executive Leadership Team (ELT) and Senior Leadership Forum (SLF) meetings have Environment (following Safety and People) on every agenda. The vehicle emissions intensity for the 20 largest operations have been presented to the ELT and SLF monthly, for the last three years. This tracks the vehicle fuel efficiency performance for each country against the prior year, per thousand litres of fuel used, per million of revenue in local currency.

Our Group Risk Committee considers the risk framework, including key and emerging risks. In 2020, the Committee assessed that the risk profile had increased around climate-related risks, including local extreme weather events and potential changes to legislation. This led to initial work being undertaken in 2021 around climate-related scenario analysis, details on pages 62 to 64. This Committee sits within our governance framework as set out on page 90.

An Environment Action Plan Coordinating Group, consisting of three members of the ELT and specialists from the eight workstreams, meet on a quarterly basis to review progress. We have created working parties around some of the key areas of our approach, including:

- **Sustainable Mobility Forum** – sharing of best practice, providing updates on electric vehicle readiness and product deployment strategies; and
- **Sustainable Plastics Forum** – a Company-wide body working to implement plans to reduce the usage of virgin plastic products throughout our business, it shares ideas and knowledge both internally and with suppliers.

Engagement with our key stakeholders, particularly colleagues, customers, suppliers, shareholders and analysts, about our environmental plan, progress and targets continued throughout 2021 and we welcome opportunities to discuss and review.

TCFD index

Governance	Describe the Board's oversight of climate-related risks and opportunities.	Risk Management, page 73; Governance, page 83 and 92; Audit Committee Report, pages 104 and 106
	Describe management's role in assessing and managing climate-related risks and opportunities.	Governance, page 92; Audit Committee Report, page 10; Our 'Big Six' Challenges, page 21
Strategy	Describe the climate-related risks and opportunities the organisation has identified.	TCFD, pages 62 to 64
	Describe the impact of climate-related risks and opportunities on the Organisation's businesses, strategy and financial planning.	TCFD, pages 59 to 64; Risk Management, page 78; Audit Committee Report, page 107
	Describe the resilience of the Organisation's strategy, taking into consideration different climate-related scenarios.	Strategy, page 59; Executing our strategy, pages 60 to 64
Risk management	Describe the Organisation's processes for identifying and assessing climate-related risks.	TCFD, pages 62 to 64; Risk Management, page 78
	Describe the Organisation's processes for managing climate-related risks.	Risk Management, page 78; Governance, page 92; Audit Committee Report, page 106; TCFD, pages 62 to 64; See infographics on pages 59 and 60
	Describe how processes for identifying, assessing and managing climate-related risks are integrated into the Organisation's overall risk management.	Risk Management, pages 74 and 78
Metrics and targets	Disclose the metrics used by the Organisation to assess climate related risks and opportunities in line with its strategy and risk management process.	Metrics and targets, page 65
	Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas (GHG) emissions and the related risks.	Metrics and targets, page 65
	Describe the targets used by the Organisation to manage climate-related risks and opportunities and performance against targets.	Our transition to net zero, page 60; Our 'Big Six' Challenges, page 21

1 2 3 4 5 6

Strategy

In 2020, we developed a business-wide operational approach to environmental sustainability and 2021 saw us begin to execute against our new plan. This is fully aligned with our business plan and operations, has clear deliverables, and is one of the ways in which we deliver with impact our social purpose of Protecting People and Enhancing Lives.

We believe that our goal to be at net zero emissions from our operations by the end of 2040 is bold and stretching, given we operate in 88 countries, including many Emerging markets. We believe this will unlock a new level of energy and innovation as we seek to establish the Company as the leader in environmental sustainability in its industry.

Our Environment Action Plan, which will be delivered through our country operations, is built on three pillars: Sustainable Solutions, Sustainable Operations and Sustainable Workplace; with eight workstreams underpinning them, specific actions and individual short to medium-term targets.

Our net zero plan is underpinned by a robust commitment to stakeholder engagement which will ensure, in particular, that our colleagues are involved, informed and given the opportunity to put forward their own ideas.

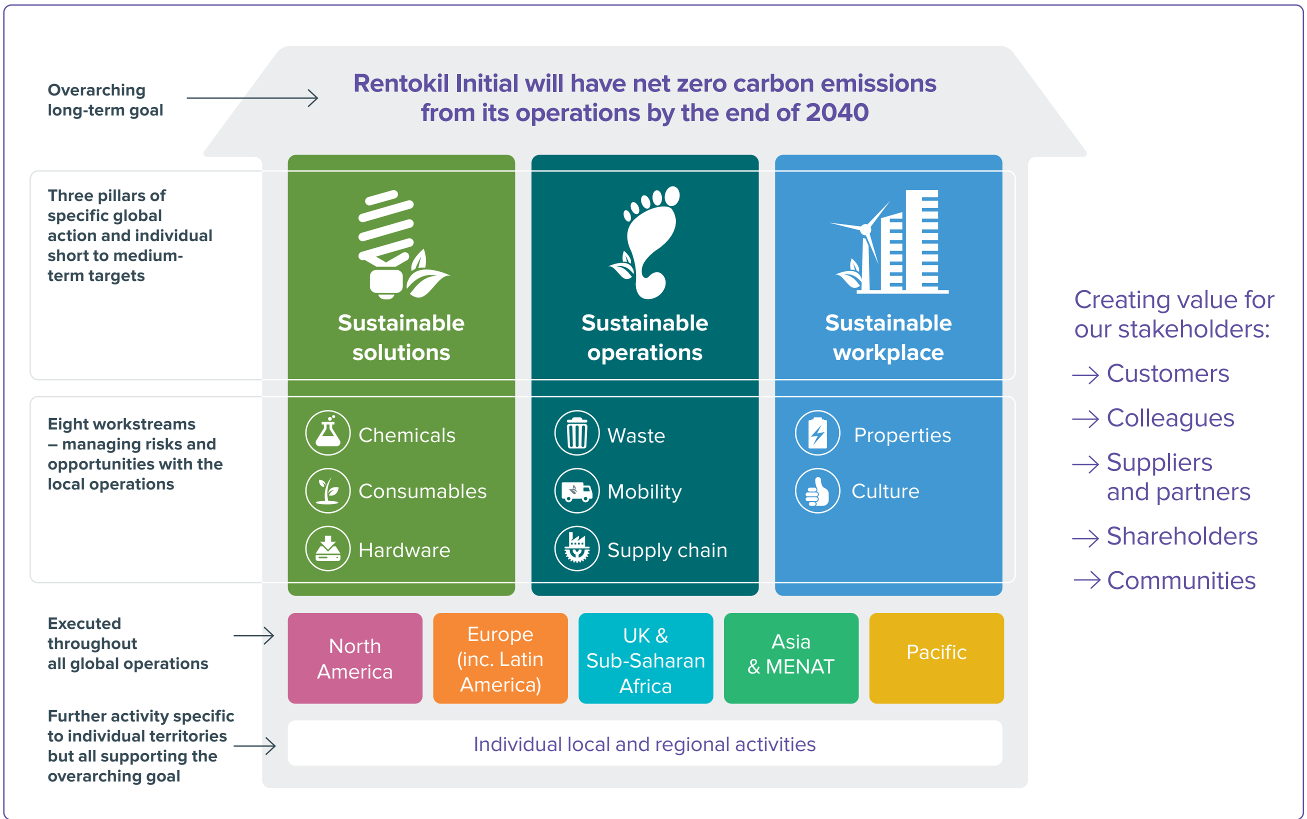
For the first time in 2021, questions around our environment activities were included in the Your Voice Counts all-colleague survey, giving us a better understanding of the views of our colleagues on our commitments and efforts towards our climate targets. These questions found that, after the first year of executing our plan, among our colleagues:

85%
agreed that the Company delivers products and services responsibly and sustainably*

85%
agreed that the Company is making the right decisions to ensure we operate as an environmentally friendly business*

78%
agreed the Company is committed to reducing carbon emissions from its operations*

* With just 3% disagreeing.



Executing our strategy

Our pathway to net zero by the end of 2040 includes a number of milestones along the way. Key elements of the plan include our transition to a low-emission fleet, the reduction in our energy emissions through the transition to renewable property electricity, and reduction in emissions from the use of chemicals, each of which are underway, and are detailed below.

Transitioning to an ultra-low emissions fleet

The implementation of our strategy to transition our current fleet of internal combustion engine (ICE) vehicles to ultra-low emission vehicles (ULEVs) is gaining momentum. We now have a range of ULEVs across our fleet including electric vehicles (EVs), plug-in hybrid EVs, non-plug-in hybrids, e-motorbikes, hybrid motorbikes and e-trikes. 157 ULEVs were delivered in 2021 (total now 177), with our businesses in Europe and the UK leading the way.

One of our key transitional risks is access to suitable low emission vehicles. Battery electric vehicles remain our primary focus, secondly plug-in hybrids and then, where technology is not readily available or not yet cost effective, non-plug-in hybrid products will be used to reduce our CO_2 emissions. We have also considered the reputational transitional risk of not having a more sustainable fleet.

Although the EV market has good product coverage for cars, and increasingly small vans, we anticipate from 2023 larger electric battery vans will have better capability and we are also looking at hydrogen vehicles as an alternative, as they become viable. In 2021, we also commenced a pilot of natural gas vehicles, giving us further options for ULEV fleet vehicles.

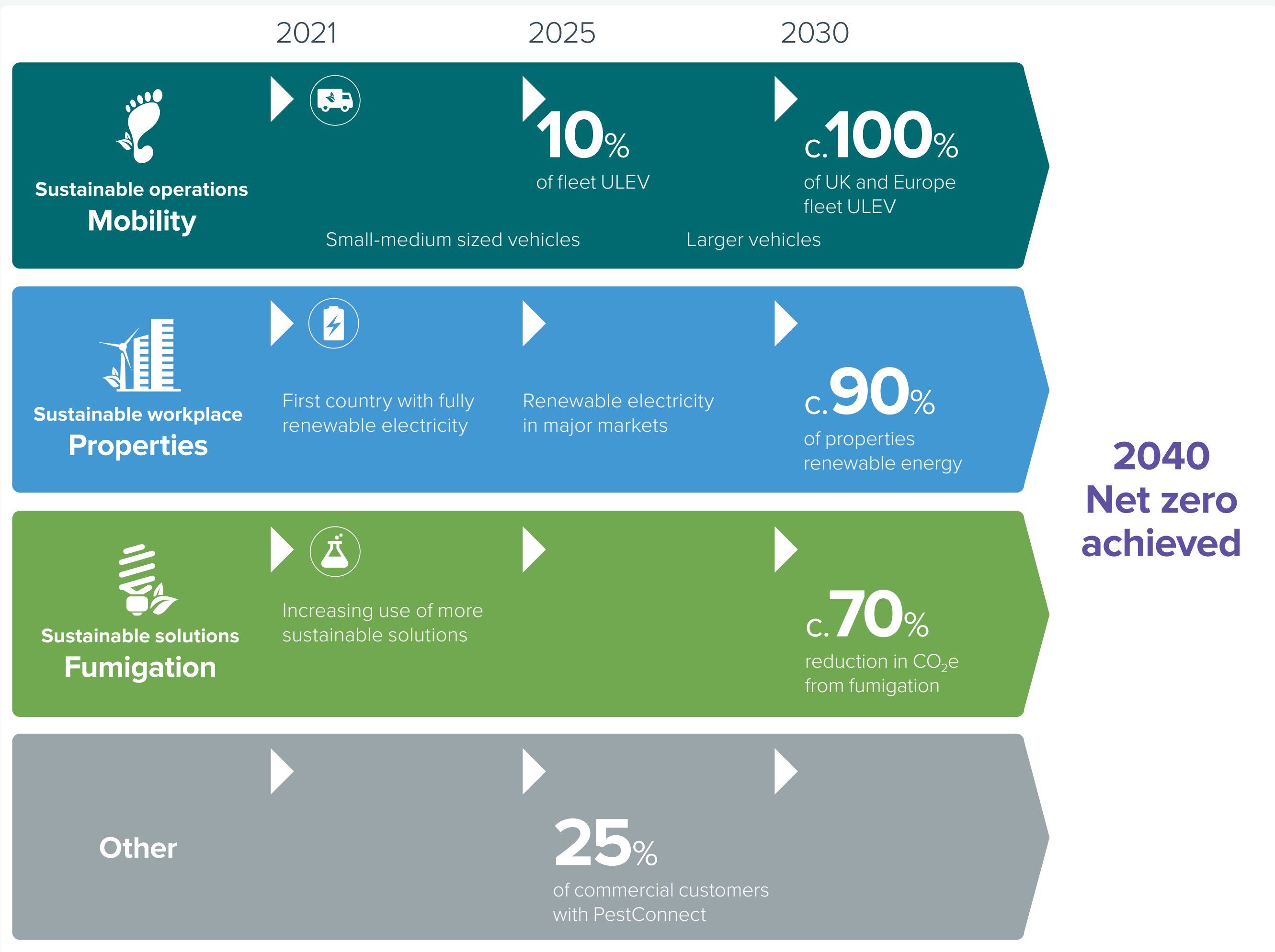
In addition to our transition to ULEVs, we have a number of regional initiatives to implement telematics on our vehicles, delivering major benefits in vehicle emissions, driver behaviour and route management. We have also completed implementation of Solight boxes on trucks, which provide a 15% weight reduction.

- EV cars are becoming cost effective in many markets
- Small-mid size vans available in certain regions; however, larger EVs have some way to go
- Battery technology is continuing to improve range in all segments
- Charging infrastructure still requires major development
- Hydrogen being analysed (2025–2030)
- Our immediate target is to achieve 10% ULEV global fleet by 2025
- To reach c.100% in the UK and EU by 2030

Renewable electricity for our properties

Our approach to reducing our emissions from purchased electricity is to introduce green energy or renewable tariffs for our owned buildings, with the focus on our top 20 countries (accounting for over 85% of our global electricity consumption). Three of these operations have already begun to transition. Italy is our first country to be 100% renewable. In Australia, our main Sydney and Melbourne branches use fully renewable electricity, and our operation in the UK is at over 90% renewable electricity. In countries where renewable opportunities are extremely limited, due to energy supply arrangements and/or cost, our short-term focus is on reducing energy consumption through on-site options such as solar.

Illustration: our transition to net zero



As an example, this has been the approach we have taken for our new buildings in the UK, where our newly built Technology Centre uses photovoltaic roof panels and, at our head office in Crawley, we have introduced solar panels on the roof as well as e-charging points in the car park.

As well as focusing on energy efficiency at our larger facilities, we are also prioritising energy savings that we can make at a local level. These include installation of LED lighting in branches and warehouses, and new systems to switch off lights, heating and air conditioning, with motion sensors to switch off automatically.

Our immediate target is to have 5–10 major markets use 100% renewable electricity by 2025 and we currently estimate transitioning c.90% of properties by 2030.

Reducing our use of chemicals

Included in our pathway to net zero is not only our approach to reduce emissions from our properties and fleet, but also the emissions from fumigation services provided to customers. 2021 saw the introduction of a new system to track our chemical usage across our top 20 operating countries (equating to 90% of Group Ongoing Revenue). This greater analysis will enable us to target reductions in those chemicals that have the greatest environmental impact.

We currently estimate that, due to developing new more sustainable solutions for use in fumigation, we will have reduced emissions from fumigation by 70% by 2030. We believe we are leading the pest control industry in targeting these alternatives, which are often safer to use as well as less carbon-intensive. See page 65 for further details.

Other initiatives

Reducing our waste

Rentokil Initial is committed to reducing its environmental impact from waste and is continuing to make steps in this area. All our regions have begun to implement action plans to reduce, recycle or reform waste materials that would have previously been destined for landfill.

In 2021, in North America we appointed a single waste management provider to drive improvements across our property portfolio. There are now 136 locations covered with 18% of overall waste reported. Total recycled volumes have reached 71% in Europe, including battery recycling reaching 50%.

We have also established a Sustainable Plastics Forum to monitor our usage of virgin plastics and initiate proposals to reduce our consumption. Following suggestions by colleagues on how to reduce our use of product packaging, so far, we have reduced our plastic packaging by 10 tonnes annually. In the last, each individual RADAR pest control unit would be packaged in plastic, but today they are supplied in batches of 10 in a box.

In 2021, our France Workwear facilities made strides in organising waste to minimise the amount being sent to landfill, while increasing our cooperation with our suppliers to ensure sustainable waste treatment. Second-hand textile items that still meet quality standards are retained to be rented. Those garments, along with flat linens, that cannot be retained are recycled, making Rentokil Initial the only company in the industry in France to achieve this. In 2021, 435 tonnes (96%) of textiles were recycled.

Working with suppliers

In 2021, we established new standards to apply to all our global suppliers, ensuring they all meet comprehensive requirements for accreditation, performance tracking and sustainability improvement plans. Heading into 2022, we look to ensure that all of our critical suppliers have environmental improvement plans in place.

In addition to reducing our emissions and waste produced by our operation, our industry-leading centre for science and innovation, the Power Centre, has 100% of projects within the innovation pipeline as sustainable.

Spotlight

Uruguay

Entering the Pest Control market in 2019 and adding Hygiene in 2020, our business in Uruguay today has around 135 colleagues servicing shipping, retail and healthcare companies.

In 2021, the team launched a new electric fleet of three-wheel vehicles plus two four-wheeled light trucks representing around 30% of their fleet. Not only will this change see substantially reduced emissions and maintenance costs compared to motorcycles, but feedback from our technicians has been excellent as they expect to be more efficient; they can travel comfortably in the rain and carry more equipment with them.

The new fleet has been quite an attraction in Montevideo, attracting much admiration from passers-by!

71%

Recycled volumes have reached 71% in Europe, including battery recycling reaching 50%, and 43% in the Pacific

10tonnes

We've reduced our plastic packaging by 10 tonnes annually

200,000+

hygiene units refurbished over the last four years in France and Italy

Climate-related risk management

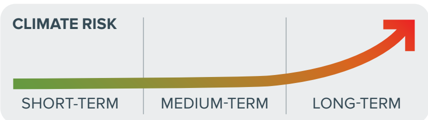
Climate-related risks are identified and analysed by our operational and functional teams. For example, our supply chain and procurement teams identify risks relating to the resilience of supply and access to materials, while our country and regulatory teams identify risks related to new laws and regulations, such as city-based low emission zones and associated access charging for commercial vehicles.

Risks and opportunities are discussed at the relevant Boards – Category Boards for Pest Control and Hygiene & Wellbeing, as well as the Executive Leadership Team, Audit Committee, and the Board of Directors.

There are two broad areas of climate-related risk:

1. Extreme local weather conditions, presenting potential health and safety hazards to our colleagues.

2. Legislation and changing expectations, requiring the business to alter its methods of operation.



Physical Climate Risk Assessment

This year, Rentokil Initial commissioned an external specialist organisation Verisk Maplecroft to conduct a Physical Climate Risk Assessment as a pilot to help the Company to understand the inherent risk profile, based on two Metropolitan Statistical Areas (MSAs) in North America (New York and Los Angeles), as well as specific reviews of each of the 33 facility locations located within them.

The results reinforced the Company's own analysis that the risk to the wider business was localised and unlikely to be material at a Group level, with most properties and customer bases not being at direct risk. It found that the majority of risk, such as the increased threat of heat stress, would require the Company to provide mitigations in support of colleagues in the field. We plan to build on this analysis in future years (see mitigation case study below).

The study

This study adopted a data-driven approach to identify and analyse the most material physical climate risks facing our operations in the two areas and how those risks may manifest differently under three emissions scenarios through to 2100. The physical risk survey was conducted across 16 climate risk areas, both acute and chronic.

Acute risks are typically high magnitude/severity events that occur over a short period of time, including:

- Coastal flood hazard
- Extratropical cyclone hazard
- Flood hazard
- Severe storm hazard
- Tropical storm and cyclone hazard
- Wildfire hazard

Chronic hazards are those that typically occur over a prolonged period of time, including:

- Climate change exposure
- Cooling degree days (current and future climate)
- Drought hazard
- Heating degree days (current and future climate)
- Heat stress (current and future climate)
- Sea level rise
- Water stress

Scenarios for each MSA

The study identified risks and how those risks may manifest differently under emissions scenarios: RCP2.6, RCP4.5 and RCP8.5. These RCPs (Representative Concentration Pathways) represent three potential trajectories of global emissions set by the IPCC. The pathways describe different climate futures, based on how aggressively the world moves to reduce emissions. The data provided was broken down for each MSA and 33 facility locations. See further details opposite.

The safety of our colleagues has always been our first priority. Recognising these increased local operational risks will ensure that our colleagues always remain safe when carrying out their roles. This pilot climate scenario report is part of our work to gain a greater understanding and consideration of climate risks.

In addition to this external study, an internal Climate Change report analysing the potential risks to the wider Company was produced in 2021. This study found 'minimal to moderate' risk to the Company as an ongoing venture, with any potential effects having little disruption to our global operations.

The disaggregated 'multi-local' nature of our operations makes it difficult for a single climate event to pose a material threat to the Company. Our two central warehouses (the only locations nearing material value), in the UK and Belgium, were determined not to be at any major risk of environmental damage, and emergency plans are in place should any unpredictable events occur.

Impact of climate change

Operating in 88 countries means we see the local impact of climate change and extreme weather conditions in the communities in which we operate. In 2021, this included:

January
Record breaking snow in Madrid, Spain, bringing transport to a standstill. In Fiji, Cyclone Ana hit just a month after Cyclone Yasa had reached the islands. More than 10,000 people were forced to take refuge in evacuation shelters.

February
Winter storms hit Texas, US, tragically leaving 210 casualties after the power grid failed.

March
Flooding in New South Wales, Australia, leading to rivers and dams overflowing, resulting in thousands being evacuated.

April
A tropical cyclone in Indonesia left 160 people dead, and another 22,000 displaced after triggering landslides and flash floods.

June
A record breaking heat wave hit the northwest coast of America – with outbreaks of wildfires.

July
Flooding along the River Ahr in Germany engulfed streets and homes.

August
Over a million homes in the southern US were left without power after Hurricane Ida. The storm travelled up the east coast, leading to subway stations and roads being flooded in New York.

December
Super Typhoon Rai in the Philippines and Malaysia resulted in many of our colleagues' homes being affected.

Our approach to risk management is covered in more detail from page 73.

Spotlight

Mitigating heat stress

The risk of extreme heat events is projected to become more frequent and intense under all emissions scenarios (see page 63). We already operate in parts of the world where extreme heat is common at certain times of the year. For instance, in the Middle East, during the summer months, all field colleagues are scheduled not to work outside between noon and 2pm and training is provided to all colleagues on staying healthy during the summer (rehydrating, sun protection, etc.). In Australia, we are currently introducing workwear uniforms made of lighter weight fabrics that have specialist cooling technology.

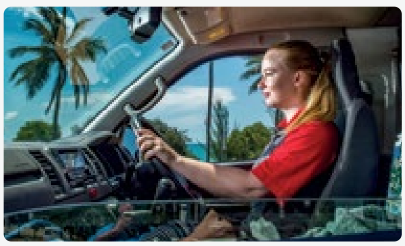
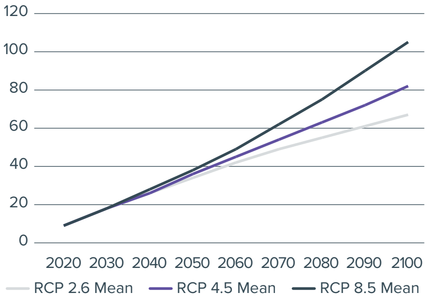
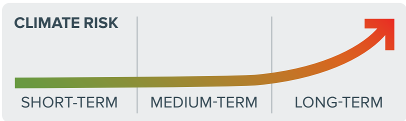


Illustration: New York

New York-Newark-Jersey City Sea Level Rise (in cm)



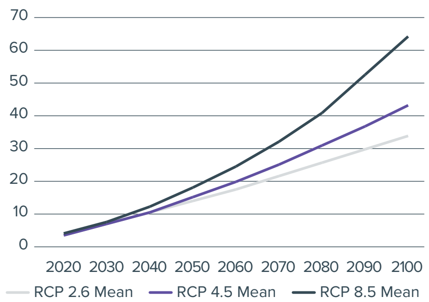


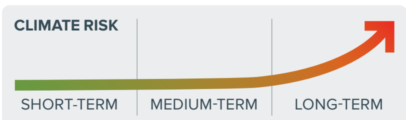
Key risk issues	Implications for Rentokil Initial operations	Climate change outlook
Heat stress	Increasing rates of heat stress expose employees to health risks, can lead to additional operational costs, and may prompt regulatory changes in the long term	Days on which extreme temperatures occur are projected to almost double under all scenarios by 2045
Water stress	Shortage of water supply can have broader implications and long-term trends such as population rise are likely to drive greater water stress	Though not significant, drought length increases under all emissions scenarios, as does heatwave duration, suggesting water resources could be placed under additional strain
Coastal flood	Coastal inundation can cause significant damage to properties and transport infrastructure	Sea level rise of up to 32cm by 2045 increases potential for more frequent and severe coastal flooding

In the New York–Newark–Jersey City MSA it was found that under all emissions scenarios annual precipitation is expected to increase, as is the proportion falling in extreme events. This will amplify localised flood risk, with culverts, sewers and basements becoming more prone to localised flash flooding and therefore increasingly hazardous. Increases in sea level in the region (see chart) are projected to be among the highest in the nation, suggesting densely populated, low-lying coastal communities will be increasingly vulnerable to coastal erosion and inundation during high tides and storms. Establishing systems and protocols to be put in place in the event of a sudden increased flood risk will likely become important in maintaining safety standards heading into the future, both in the New York MSA and other regions that face increased precipitation or rising sea levels. These factors also present a risk to the general ability to carry out our services in the local areas, should water levels rise sufficiently to disrupt or damage local infrastructure in these areas.

Illustration: Los Angeles

Los Angeles-Long Beach-Anaheim Sea Level Rise (in cm)





Key risk issues	Implications for Rentokil Initial operations	Climate change outlook
Heat stress	Increasing rates of heat stress expose employees to health risks, can lead to additional operational costs, and may prompt regulatory changes in the long term	Days on which extreme temperatures occur are projected to almost double under all scenarios by 2045
Drought	Short-term aridity can compound long-term trends such as population rise that drive water stress	Drought length falls under all emissions scenarios, but heatwave duration is projected to increase from 20.4 days to almost 85 days in 2045 under RCP8.5
Water stress	Shortage of water supply can have broader implications and long-term trends such as population rise are likely to drive greater water stress	Though not significant, drought length is projected to decrease under all emissions scenarios, but heatwave duration could quadruple under RCP8.5

In the Los Angeles–Long Beach–Anaheim MSA, extreme heat events are projected to become more frequent and intense under all emissions scenarios. Wildfire risks are likely to be amplified as higher temperatures, longer heatwaves and shifting rainfall patterns increase regional aridity. Larger and more frequent wildfires have the potential to affect larger areas. The greater risk is that of increased heat stress, as a result of higher temperature scenarios. The dangers posed by unventilated work areas are already taken into consideration when conducting health and safety surveys before each job, due to the nature of some pest control treatments. Expanding this to include heat risk would be possible within the existing health and safety systems we have in place. The demands on air-conditioning both for vehicles and properties could rise.

As 2021 has clearly shown, the increased temperature in already dry areas presents a serious risk of local wildfire outbreaks that represent a significant threat to public health including colleagues and customer residences, while the associated smoke can cause widespread and prolonged episodes of poor air quality that can negatively impact public health.

Financial impacts of climate-related risks

In 2021, both the Audit Committee and the Board received a paper outlining the accounting considerations regarding climate change reporting, following a detailed review across the Group. This included:

- our current understanding of the impacts of climate change;
- the dynamic of the Rentokil Initial business model presenting higher or lower impact risks;
- the applicable accounting standards; and
- how we have tied these impacts to the materiality of the business, its assets and liabilities.

These findings were used to establish any adjustments required and what reporting is necessary in our Financial Statements for 2021 under a 1.5–2.0-degree celsius pathway.

In addition, each element of the Company's commitment to reach net zero by 2040 was evaluated, to identify if any of these items were expected to be materially impacted in a negative or positive way by weather, legislative, societal or revenue/cost changes.

Although our goal to reach a fully electric fleet would represent a significant impact on cost if undertaken fully in the short term, our commitment to phase this transition in over the next two decades enables us to take advantage of new and improved technologies, as well as falling costs for ultra-low emission vehicles. Over this time frame, the cost is no longer deemed significant beyond the standard existing replacement of vehicle costs.

Overall, the conclusion of the review was that, while there will undoubtedly be impacts on the Company, the highly disaggregated nature of the operations of the Group significantly reduces the risk profile of the business to impacts from weather-related changes.

We have considered the impact of climate change on the Financial Statements and we have concluded that there is no material impact. See Basis of Preparation on page 155.

The changes necessary to achieve net zero will not have a materially adverse impact on the cash flows of the Group and indeed, warmer climates may present some opportunities. Societal and legislative impacts are not felt to have a material impact on any one segment.

For further details see Risks and Uncertainties on pages **73** to **79** and our viability statement on page **80.**

Environmental legislation and changing expectations of customers and society

Our Physical Climate Risk Assessment identified the possibility of increased or changed legislation around the effects of climate change both in the fields of worker safety and property maintenance. Rentokil Initial will continue to monitor any such changes to ensure we continue to remain fully compliant with all local, regional and national regulations. This risk is unlikely to be material at a Group level.

1 2 3 4 **5** 6

Climate-related opportunities

This year, as part of our wider review of the impacts of climate change we also looked at the opportunities for our business.

Pests are more of a burden in warmer climates and therefore, the impact of climate change is a factor in the growth of pest management.

Warmer temperatures mean longer breeding seasons and lower mortality rates during the milder winters. Along with growing urbanisation, this will drive more infestations. More volatility in temperatures and precipitation also has the potential to change the pest mix and demand for pest control over the medium to long term.

With market-leading positions in pest control, hygiene and wellbeing around the globe, Rentokil Initial can play an important role in helping customers to mitigate the effects of global warming on their businesses and on public health.

The Company is already seeing the impact of warmer temperatures. For instance, increased survival rates of mosquitoes and other insects in southern Europe, and rising concerns about vector-borne diseases. In the US, we are also seeing an increase in mosquito populations being reported due to increasing amounts of standing water following more severe hurricanes and storms.

One of the best examples is the Asian tiger mosquito. The native range of this mosquito is throughout the tropics of Southeast Asia, the Pacific and Indian Ocean Islands, north through China and Japan, and west to Madagascar.

However, the tiger mosquito has been one of the fastest-spreading animal species over the last two decades. To date, it has spread to at least 28 countries outside its native range around the globe. This is the mosquito that brought Chikungunya disease to Italy in 2007.

As with mosquitoes, flies thrive in warmer climates. According to the WHO publication, 'Public Health Significance of Urban Pests', climate change may have a significant impact on fly populations. A statement by the WHO, using predicted values for warmer temperatures, forecasts a potential increase in fly populations of 244% by 2080, compared with current levels. If this were to occur, concomitant increases in fly-borne diseases would be expected.

See Service and innovation for customers on page **55** for further information about our sustainable innovations, designed to meet the needs of our customers and their own sustainability ambitions.

244%

A statement by the WHO, using predicted values for warmer temperatures, forecasts a potential increase in fly populations of 244% by 2080

Metrics and targets

For over 15 years, we have published our emissions data and we continue to improve the quality of our environmental reporting. To further improve and extend our reporting we will be introducing a new technology platform in 2022 to capture the wide range of safety, health and environmental data.

The Company first set an emissions target in 2012 of a 10% reduction in our emissions intensity index by 2016, which was achieved in 2015. Then using 2015 data as the baseline it set a five-year emissions target to achieve a 20% reduction in this intensity index by the end of 2020, which we achieved a year early.

In 2020, the Board set a new target to reduce the emissions intensity index by a further 20% by the end of 2025 (using 2019 data as the baseline). As of the end of 2021 this index had reduced by 14.4% and, once the impact of our renewable contracts are included, this increases to a 14.9% reduction, since 2019. Our absolute emissions figures have increased in 2021 reflecting the 52 acquisitions made this year, which has contributed to an increase in fuel usage. In addition, as our data capture becomes more robust we have included emissions from aviation fuel used in large-scale vector control aircraft in the USA.

Our emissions are derived from the use of energy in our properties and vehicles and through the use of chemicals in fumigation projects. Our absolute values of tonnes of CO_2 are reported using UK government conversion factors for greenhouse gas reporting and International Energy Agency conversion factors for non-UK electricity.

The Task Force on Climate-related Financial Disclosures (TCFD) recommendations set an important framework for understanding and analysing climate-related risks, and we are committed to regular, transparent reporting to help communicate and track our progress. The information set out on pages 58 to 65 in this Annual Report and Accounts 2021 aims to provide key climate-related information and cross-references to where additional information can be found. In this context, we have considered our 'comply or explain' obligation under the UK's Financial Conduct Authority's Listing Rules, and confirm that we have made disclosures consistent with the TCFD recommendations.

Index of CO_2 emissions per £m revenue

Intensity indicator	**2021**	2020	2019	2018	2017
	75.05	75.36	87.75	87.04	100

The index of CO_2 emissions is calculated as an index of kilogrammes per £m revenue on a constant exchange rate (CER) basis, providing an accurate like-for-like performance comparison, removing the variables of currency, divestments and acquisitions.

Absolute values of energy and fuel-derived emissions – tonnes of CO_2 emissions

Type of scope	**2021**	2020	2019	2018	2017
Total Scope 1	**184,438**	170,655	176,599	160,024	164,745
Total Scope 2	**15,622**	15,581	17,289	16,604	17,638
Total Scope 3	**48,289**	43,262	44,094	40,270	39,916
Total outside scope	**7,299**	5,787	5,122	5,238	5,084
Total – all scopes and outside scope	**255,648**	235,285	243,104	222,136	227,383
Total Scope 2 market-based emission reduction	**(1,292)**	0	0	0	0
Total – all scopes and outside scopes (once market-based emissions deducted)	**254,356**	235,285	243,104	222,136	227,383

Scope 1 – emissions from our vehicles and the operation of our facilities, with the majority of emissions derived from the use of petrol and diesel across our fleet, with a small amount of gas, fuel oil and LPG. For the first time Scope 1 also includes emissions from aviation fuel used in large-scale vector control aircraft in North America (covering 2019–2021).

Scope 2 – emissions are derived from the purchase of electricity, reported using location-based emission factors. For the first time we are able to include reductions from our first renewable energy electricity contracts. See page 60 for details.

Scope 3 – Transmission & Distribution (T&D) and Well to Tank (WTT). This year we have started a programme which will begin to measure Scope 3 data in more detail and enhance future reporting. See our Responsible Business Report for more details.

Total outside scope – biogenic emissions.

Total – all scopes and outside scopes – consolidation of all the above scopes with no emissions deducted for renewables, to allow for direct comparisons across the five years.

Market-based emissions (deductions) – emissions deducted under the renewable electricity contracts we have implemented in the UK, Italy and Australia.

UK and global energy consumption

In 2021, UK emissions accounted for 23,822 tonnes of CO_2 (2020: 25,056) representing 9.3% of global emissions. Global energy consumption was 859,199 MWh with the UK representing 9.7%.

Total energy (MWh)	**Energy 2021**		Energy 2020		Energy 2019	
Source of energy	**Group**	**UK and offshore**	Group	UK and offshore	Group	UK and offshore
Scope 1 – energy consumed from combustion of fuel or the operation of a facility	**811,963**	**77,601**	744,402	82,350	760,926	81,524
Scope 2 – energy consumed resulting from the purchase of electricity	**47,236**	**5,377**	47,366	4,194	51,522	4,438
Total	**859,199**	**82,978**	791,768	86,544	812,448	85,962

Total energy – includes all activities for which the Company is responsible, as detailed in Scope 1 and 2. The energy consumption is calculated using electricity purchased (kWh) and fuel volumes converted to kWh using the UK government GHG Conversion Factors for Company Reporting, presented in MWh.

Fumigation-derived CO_2 emission

Several of our operations provide fumigation services that use sulphuryl fluoride (SF) as the fumigant.

Firstly, quarantine fumigation of items such as machinery which are being shipped internationally and where the use of SF is specified as a requirement by certain destination countries to prevent the spread of invasive pests, and secondly, for the control of termites in buildings and other pests, e.g. in food processing facilities.

CO_2 emissions from the use of SF were 792,744 tonnes in 2021 (2020: 814,700 tonnes[1]; 2019: 548,449 tonnes; 2018: 363,339 tonnes; 2017: 481,390 tonnes).

Although a number of fumigation orders scheduled to take place in 2020 were delayed to 2021 as a result of COVID-19 restrictions, this year's reduction was delivered through transitioning away from SF usage in our established markets and those where local regulations and customer demands make it possible.

The most notable success of this strategy was reductions in SF usage of nearly 40% in both France and Germany during 2021. This was achieved principally through switching away from fumigations to chemical-free heat treatments. The Company continues to target a 70% reduction in fumigation-related CO_2 emission equivalents by the end of 2030 and the full transition to net zero by 2040.

1. Our 2020 reported figure has increased as a result of an acquisition where its usage had not been included in the previously reported 2020 data.

Communities
Living our values

Our approach to charitable and community support is in line with our core social purpose – to Protect People and Enhance Lives. We also aim to make a meaningful contribution to the local economy and to support communities in which we operate. In 2021, we were proud to see the ongoing efforts of our colleagues, demonstrating our values and culture in support of their local communities and charities.

Rentokil Initial Cares is our charity and community programme which works alongside colleagues' own efforts locally, as well as national and global initiatives. It supports charities and good causes which have significant impact in many parts of the world, such as protecting families from the threat of malaria in Africa (see page 68, Malaria No More UK) and reducing deforestation in the Pacific and Africa (see page 67, Cool Earth).

This innovative programme was launched in 2019 and uses the Company's unclaimed shares and dividends to support our partner charities with a network of local ambassadors coordinating and championing the programme.

Better Futures is our community health and hygiene education programme in Asia. First launched in 2013, to date more than 27,000 people have participated in its educational events. In 2021, the Better Futures team, while continuing with their ongoing education initiatives, chose to provide direct support to two orphanages in Bangalore, India. The donation of £2,000 helped to provide food and safety for the most vulnerable children in their community, while also assisting the wider education programmes for women and children that the orphanages undertake. Additionally, support was given to a child safety charity in Taiwan, a medical facility in Thailand and a support centre for the disabled in Indonesia among other areas.

Charitable cash donations in 2021 (including matched donations) amounted to £361,000 (£184,000 in 2020) – this excludes the provision of value-in-kind and management time, as well as colleague-generated donations and efforts, which have both been particularly significant this year with the Race to Kigali (see page 68) among other initiatives that have been spearheaded by our colleagues. Our Community Involvement Policy sets out our principles for positive engagement.

As well as supporting local, national and international charities, Rentokil Initial also supports colleagues and communities with disaster relief. Like many across Europe, we were shocked at the devastation caused by the local flooding that took place in and around the river Rhine in 2021. While we remain extremely grateful that none of our colleagues were harmed during the floods, many had their homes and vehicles damaged. Our German team was quick to respond, setting up an internal task force to ensure the safety of our colleagues.

Offers of support came from across the business. We have also supported colleagues in Asia who lost homes and possessions following the Super Typhoon Rai and donated PPE worth c.£2.5m to hospitals across India in response to the COVID-19 crisis in the country.

27,000+
people since 2013 have participated in Better Futures, our community health and hygiene education programme in Asia

£361,000
charitable cash donations in 2021 (including matched donations) (£184,000 in 2020)

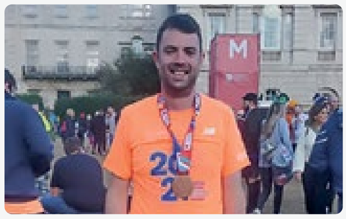
£2.5m
worth of PPE was donated to hospitals across India in response to the COVID-19 crisis

Steptember
181 colleagues in Australia completed 41,081,291 steps and raised $35,000, supporting people with cerebral palsy.

Hometown Heroes
A month of activities by colleagues in the US supporting their local public sector workers. 96 teams of colleagues supported more than 3,200 'Hometown Heroes' with gift packs and donated services.

Hoddesdon Round Table Pedalo Challenge
Intrepid colleague Steven Willis entered the Guinness World Records by travelling 128 miles along the River Thames, in a pedalo, for Mudlarks, a Hertford-based charity which supports adults and young people with learning disabilities.

The London Marathon
Three colleagues completed the London Marathon in 2021, raising more than £8,000 for Cool Earth, Malaria No More UK and Get Kids Going.



Our partnership with Cool Earth: Protecting biodiversity

2021 marks the fourth year that Rentokil Initial has supported the climate change charity, Cool Earth, working to protect endangered rainforests. Since 2018, by working with the local in-forest communities, we have supported the protection of over 42,000 hectares of rainforest, consisting of 20,224,222 trees. We have supported sanitation and water projects in Papua New Guinea, established sustainable local businesses in Mozambique and provided medical supplies during the COVID-19 crisis to communities in Cameroon.

2018

Rentokil Initial partners with Cool Earth, backing the people of Wabumari in Papua New Guinea in their fight against deforestation.

Supporting local and indigenous people in their work to protect over 800 acres of rainforest, preventing the release of the equivalent to 228,280 tonnes of carbon.

Investing in sanitation projects, providing community members in Wabumari access to training and skill building to build toilets and waste systems that are resistant to flooding.

Funding the installation of seven 9,000 litre rainwater-harvesting tanks to provide clean drinking water during droughts.

Supporting women in the community to grow a sustainable income by producing and selling coconut oil at local markets.

SUSTAINABLE DEVELOPMENT GOALS

Through its partnership with Cool Earth, Rentokil Initial is working towards the most urgent of the UN's Sustainable Development Goals.

2019

Rentokil Initial extends its community support to back people in Mozambique and Cameroon in their efforts to halt deforestation.

Funding 20 beekeepers in Mozambique to provide them with technical skills for honey harvest and a sustainable way of earning a living.

Supporting Cool Earth's biodiversity officers in Wabumari to help community members keep an eye on the wildlife that shares their forest.

Community members in Cameroon establishing cocoa and fruit tree nurseries with new sustainable and profitable agricultural techniques.

2020

834 households received food support in Cameroon. Much needed health supplies were delivered including 5,000 face masks, 500 sanitary pads and 5,000 bottles of hand sanitiser. 300 children received free malaria testing and instant treatment.

24 handwash facility stations across eight villages in Papua New Guinea have been built with 2,649 people having access to clean, drinking water as well as COVID-19 information.

2021

Work is underway to establish forest conservation programme activities in Papua New Guinea with training for forest guides and research assistants to set up forest health and carbon plots to monitor and survey plants.

In Cameroon, 15 community rainforest education and control groups have been formed.

Ten community tree nurseries out of a target of 20 have been established so far.

Supporting communities in the rainforests of Papua New Guinea and Cameroon, the custodians of over 42,000 hectares of rainforest, 20,224,222 trees and over 8 million tonnes of carbon stores.

Making Malaria No More. Our largest fundraising event: Race to Kigali

Since 2010, Rentokil Initial has supported Malaria No More UK in its mission to fight the deadly global disease malaria, raising around £500,000. This year, we were pleased to undertake our biggest-ever charity event, the Race to Kigali.

It was inspiring to see more than 2,000 colleagues from around the world, in teams of 20, join the Race to Kigali – covering the distance from our UK HQ to Kigali, proposed venue for the Commonwealth Heads of Government Summit, from running and walking to horse riding and rock climbing, coming together, not only for a fantastic cause, but to have some fun and engage in a bit of exercise.

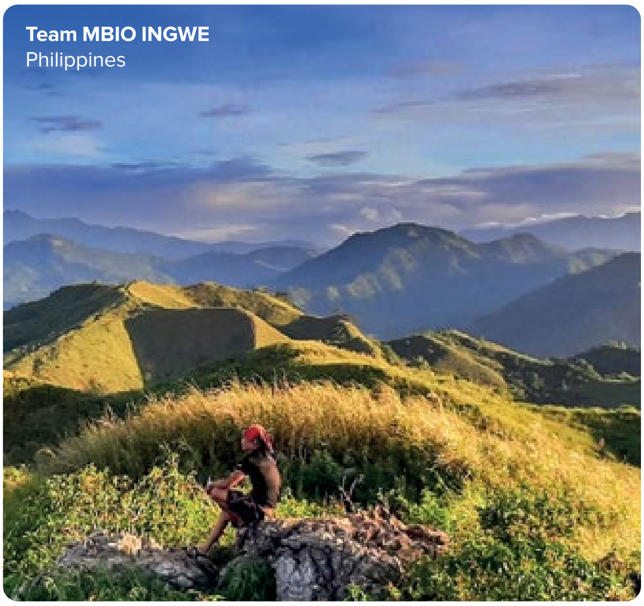
The initiative raised more than £200,000 to help the ongoing fight against malaria, including funding from the RI Cares fund, making it our most successful fundraising event. The funds raised will be used to support awareness, prevention and treatment programmes in Zambia and Kenya, as well as the Draw the Line campaign, which works to inspire young people to call on world leaders to work to end the threat from malaria within a generation.

The Mighty Turtle
Malaysia

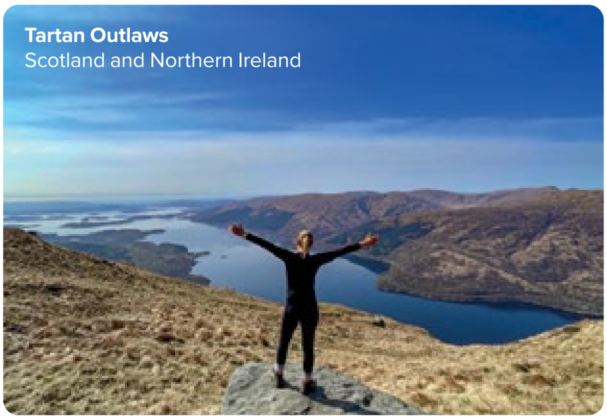
In it for the Buzz!!!
Scotland

Sole Survivors
North America

The RAISA
Indonesia



Team MBIO INGWE
Philippines



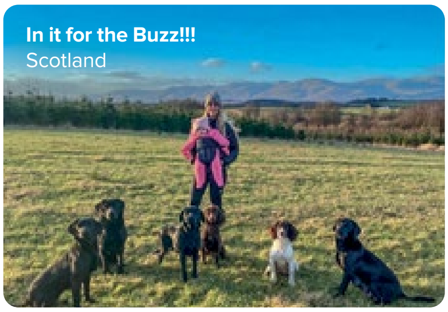
Tartan Outlaws
Scotland and Northern Ireland

Turn Back Covid
Indonesia

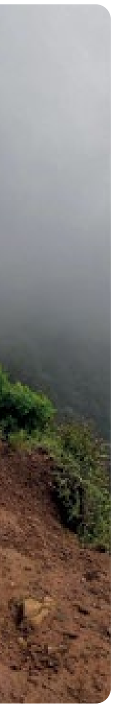
Pirates of the Caribbean
Martinique

GREAT WALL-kers of CHINA
Hong Kong

9,000km – So that's 000'6km Downunder?
New Zealand



In it for the Buzz!!!
Scotland



Hall of Fame

Thank you to all our 104 amazing teams

GoFAR (Indonesia)
Turn Back Covid (Indonesia)
Skeptical Technical
ROW Kings of Kigali
The Rita Road Fit Fat
& Elderly Dream Team
UNCANNY WARRIORS!
Team MBIO INGWE
Hygiene Maniac
Tartan Outlaws
Red Hot Chilli Steppers10
Steps to Kigali
Teen Squad (Indonesia)
Colombia
Team Carpe Diem
The Speed Racers
In it for the Buzz!!!
Simply the Pest
Sydney Swifts
Aussies Against Mozzies
"The Road to No Malaria" by Walking Heads
Kigali Wanderers
HR Hornets
KICKIN' IT TO KIGALI
Dragonflies
Vikings Have More Fun
The Producers
NOsquitos
Mozzie Smashers
European Dream Team
Run to Afica
TrackersontheDOG
ON TIME IN FULL
Team Singapore
GREAT WALL-kers of CHINA
Pest Efforts
Not Fast, Just Furious
Globetrotters
Northern Walkers
ITHY_Walker
The Simon Mwago Striders
We need more bikers
Danish Dynamite
Sweden Red Viking
Europe Unlocked
Ren to kill Malaria
The Mighty Turtle
Northern Lights
The RAISA
MENAT Mirages
Don't stop me now
Wonderful Indonesia
RNA Roadrunners
ROar
Brazil Vector Pest Busters III
Team IMBARAGA
#STAYHEALTHY
Athleticism Anonymous
9000km – So that's 0006km Downunder?
Sweden Green Walkers
Ready Steady Grow
TAIWAN NO. 1
Sole Survivors
Slow Patrol
Brazil Vector Pest Busters
Brazil Vector Pest Busters II
Twisted Blister
RIHK-Sales
RIHK – Alliance
Pirates of the Caribbean
I Love You 9000c
March4Health
Rentokil Racers
CR Liga Team
Healthy Hunter
The HR Globetrotters
Battleship Branch
HKPCOPS
Ticos Against Malaria
Love from the Heartland
Titans
Kita Boleh
Ini Kigali Lah!
Team HAKUNA MATATA
Azteca Runners
Musang King
RIHK – Finance
#LUASKAN KUASAMU
Sunda Empire
Mangu Power
HORE
Maya Runners
Mosquirix
Yogyakarta
Hyrule QA Warriors
Cikarang RICI
The Fab x5
RICO 515
Glutton
HR Power
ES The Roadrunner
Panda
Happy Feet
HR Team
Walkers

Governance, trust and transparency

Governance and policies
We ensure our responsible business priorities are part of our overall governance arrangements, the cornerstone of which is the Code of Conduct (available in 16 local languages and supported by training programmes). The Code of Conduct sets out a fundamental commitment to comply with all legal requirements that apply, and to operate with high ethical standards. It outlines responsibilities to colleagues, customers and the business, and highlights our determination to establish our values of service, relationships and teamwork, and a culture of integrity, everywhere within the business.

We have a rigorous policy framework for each of our key sustainability priority areas. We review policies periodically to ensure they meet current best practice and legislative needs and our technical and safety standards and practices often exceed local regulatory requirements. By establishing clear policies and procedures in areas such as ethical conduct, human rights, data security and suppliers, and by reporting openly on our progress, we can reduce risks to our business and our customers.

Our Supplier Code is designed to ensure our suppliers' standards align with our Code of Conduct. Available on our website in 18 languages, it outlines the standards and controls we expect within their operations. Since March 2019, we have required all critical suppliers and major local suppliers to acknowledge receipt of, and compliance with, the Supplier Code. In 2021, it was updated and re-issued to expand the remit of the environmental section and include new sections on quality of products or services, zero tolerance on tax evasion and protecting personal data. We inspect tangible aspects of the Supplier Code, such as safety standards, during periodic audits of critical and major suppliers.

During the year we also launched a supplier Speak Up service and encourage all supplier employees or other stakeholders to report genuine concerns over malpractice, illegal acts or failures to comply with recognised standards of ethical behaviour that they observe at any point within our global supply chain.

A full list of our key policies is available on our website. We monitor our impact using the performance metrics summarised overleaf and shown in this Responsible Business section.

Management and compliance
Adherence to corporate policies and the Code of Conduct is reinforced by an annual Letter of Assurance, signed by senior management to confirm that they personally, and those they are responsible for, are aware of and understand what is required of them, and have complied with it. They must provide details of any areas of non-compliance or uncertainty.

Monitored by the Company's Group General Counsel and Internal Audit team, adherence is supported by mandatory training on the U+ learning platform.

A review of the process is provided to the Audit Committee each year. The Internal Audit team also manages the confidential independent whistleblowing reporting channel, Speak Up (see page 110 of the Audit Committee Report). The Chief Executive has Board responsibility for our responsible business approach, including climate-related issues.

Information security
As with all organisations, the scale and complexity of cyber attacks on the business is increasing, and we continue to identify, monitor and mitigate the risk this presents (see pages 77 and 78). Despite repeated attempted attacks (including several serious attempts in 2021), the business has not had a material breach in the last three years. In 2021, we invested in the security tools and services we need to support the longer-term move to hybrid and home working, as well as managing the rising threat from malware (especially ransomware), and increased the protection for our online web presence and digital services. Rentokil Initial holds the ISO 27001 Certificate for Information Security Management, audited by the British Standards Institution (BSI), for the design, development and hosting of digital pest control services for remote monitoring, analysis and reporting for our global customers.

We maintain our investment in IT security to ensure the cyber resilience of systems and services stays at an appropriate level, and that we continually monitor and improve our cyber resilience. We run penetration testing exercises to test our detection and response capability and an information security awareness programme is helping reduce security incidents. In 2021, this included phishing simulation exercises over nine separate campaigns to an audience of approximately 13,500 colleagues per simulation, as well as workshops and online training packages. Improvements to our email security capability were also extended to enable our core user populations to identify high-risk emails and improve technical resilience to phishing attacks. Information security training programmes run at least annually for critical roles.

The IT security team briefs the Board directly at least annually and whenever operations security risk requires escalation, as well as reporting via the Group Risk Committee quarterly. We also monitor external ratings using the Assessment of Business Cyber Risk framework provided by the US Chamber of Commerce, and benchmark our cyber security wherever possible. We want to ensure we are doing the right things for our business and customers to be able to operate securely and safely. The Group has a cyber risk insurance policy in place.

Data privacy
We have a global data protection compliance programme based on the requirements of the EU General Data Protection Regulation (GDPR) and equivalent regulations globally. We require all our businesses to sign and abide by the terms of an inter-company data transfer agreement that incorporates EU standard model clauses. This demonstrates all businesses take privacy seriously. Our Group Data Protection Officer has established a global privacy network and all countries have assigned local privacy officers and/or privacy champions to support the programme. We provide them with support and guidance through regular newsletters, meetings, training and access to updated data protection compliance resources. In addition, all local privacy officers have been issued a comprehensive Data Protection Handbook to use in day-to-day compliance activities.

The main operational controls and compliance framework are underpinned by tools, systems, policies and processes. We implement privacy and data-management considerations in project and contract governance mechanisms. A privacy notice is available in 19 languages and over 50% of colleagues have completed basic data protection training, made available in 43 different languages. Since implementation, we have also provided functional training for teams such as marketing, HR, sales and IT, supplemented by support and guidance from the network of c.60 local privacy officers and over 200 privacy champions.

The Group Data Protection Officer reports any identified data protection risks, gaps and requirements via the Group General Counsel to the Group Risk Committee and the Audit Committee as well as periodic update to the Executive Leadership Team. We have created measures to assess the compliance status of countries and regions, based on data protection programme activities and risk levels associated with local regulatory requirements, enforcement action and breaches.

Tax
Our tax strategy is aligned with our wider business strategy, which we believe creates a responsible and sustainable tax strategy that will enhance long-term shareholder value. We will consider tax as part of every significant business transaction. When considering tax issues, we will always try to protect the Group's reputation and adhere to its Code of Conduct. We aim to meet all our legal obligations, filing all required tax returns accurately and on time, and paying the correct amount of tax when due. We aim to deal with HMRC and other tax authorities in an open and collaborative manner, aimed at reaching agreement on tax issues in good time, and minimising the risk of disputes arising. We will not undertake transactions where the sole purpose is to create a greater tax benefit than that intended by the relevant legislation. We aim to comply with both the spirit and letter of the law on tax matters, and will not establish companies in tax havens if there is no substantive economic reason to do so.

We operate appropriate tax risk governance processes, overseen by the Audit Committee and the Board. Our tax strategy applies to all Group business, sets out our approach to tax, and can be found on our website. Our Board reviews our tax strategy annually.

Non-financial information statement

Below is an overview of our approach to environmental matters, colleagues, social matters, human rights, and anti-corruption and anti-bribery. You can find further details throughout this Responsible Business section on pages 49 to 72. You will find details of our business model on pages 28 and 29, and our principal risks are on pages 74 to 79. Our key policies are published on our website at **rentokil-initial.com/responsible-delivery**.

Enabling **THE RIGHT PEOPLE** to do **THE RIGHT THINGS** in **THE RIGHT WAY**

Our approach and key policies	Outcomes of policies and impacts of activities	More information
Environmental matters		
Our **Code of Conduct** states that all our colleagues must conduct their work in a way that complies with environmental laws and minimises any adverse effect on the environment. Our **Environmental Policy** sets out our commitment to carrying out our business in an environmentally responsible way.	14.9% reduction in the emissions index since 2019. We mitigate our carbon emissions through our partnership with Cool Earth.	See page 58 for more information on environmental matters.
Colleagues		
Our colleagues are at the heart of our business. Our **Code of Conduct** sets out our Group standards and applies to everyone at Rentokil Initial. It includes sections on health and safety, equality and fairness, human rights and protecting personal information. There is nothing more important in Rentokil Initial than ensuring everyone goes home safe at the end of their working day. Our approach to making sure this happens is set out in our **Code of Conduct** and our **Health and Safety Policy**. We aim to be an inclusive employer and have a wide range of policies, including our **Group Diversity, Equality & Inclusion Policy, Dignity at Work** and **Rights of Employees**.	We aim to be an Employer of Choice and our c.46,000 colleagues are integral to our business model (see page 28). 0.38 Lost Time Accident rate in 2021. 8.71 Working Days Lost rate in 2021. 29% of our senior management are female.	Colleagues are one of our key stakeholders, as set out on page 30. Our colleagues and culture are described on pages 51 to 54.
Social matters		
Our purpose is to protect people and enhance lives and, as well as making a meaningful contribution to the economy, we aim to support communities where we operate. Our **Community Involvement Policy** sets out our principles for positive engagement and our commitment to support colleagues' efforts to raise funds for good causes through a matched-giving scheme. The **Code of Conduct** also contains a section on respecting the world we work in.	£360,000 donated to charity in 2021 (excludes donations in kind).	Read more about our engagement with the communities where we operate on page 66.
Respect for human rights		
We support the rights of all people as set out in the Universal Declaration of Human Rights. Our **Human Rights Policy** outlines the human rights principles that reinforce colleagues' expected behaviour in respecting the human rights of colleagues and business partners. We may operate in countries with potential human rights issues, but we would not tolerate any connection with abuse. As detailed in our **Code of Conduct** and our **Supplier Code**, we will employ only individuals who are working of their own free will, and we have a zero tolerance approach to child labour, bonded labour or other forms of slavery in any part of our business or their suppliers.	No human-rights violations were identified in 2021. We publish a Modern Slavery Statement each year, which is available on our website.	Read more about our Code of Conduct and Supplier Code on page 70.
Anti-corruption and anti-bribery		
We expect our colleagues to maintain the highest standards of conduct and act with integrity at all times. Anti-bribery and corruption policy and controls are addressed within the **Code of Conduct** and a separate **Anti-Bribery Policy**, and these are reinforced by mandatory online training, reviews and supplier audits, tracking registers, and our ethics reporting system, Speak Up.	c.36,500 Core Corporate Compliance training courses were completed by colleagues in 2021, with a 96% completion rate overall. There were no fines, penalties or settlements for corruption reported in 2021.	Read about our Board overseeing governance and compliance on page 102.

The icons used above correspond to our stakeholder groups as set out on pages **30** and **31.**

Colleagues Customers Shareholders Communities Suppliers

s172(1) statement

The aim of section 172(1) of the Companies Act 2006 is to try to ensure a comprehensive understanding of a company's key relationships with a broad range of interested groups, such as employees, suppliers and customers, and a proper consideration of external perspectives which will, ultimately, bring success over the long term. This statement intends to set out how our Board of Directors, both individually and collectively, have had regard to these factors when undertaking their duties during 2021.

Pages 91 to 95 in the Corporate Governance Report also form part of this statement, and is incorporated by reference into the Strategic Report. It sets out the Board's activities and principal decisions in 2021 and details the Board's consideration of the factors set out in section 172(1) in making those decisions.

Our stakeholders

We identify our key stakeholders as colleagues, customers, shareholders, communities and suppliers. We consider the environment to be strongly related to communities and often consider them together. However, we recognise that the environment also affects our customers and suppliers and is of increasing importance to our colleagues and shareholders. In discharging their section 172(1) duties, the Board has had regard to these key stakeholders, although some factors may have been more relevant than others. The Board also gave appropriate regard to other factors or interested parties relevant to each decision being made where applicable; for example, regulators, industry bodies and other business relationships.

Read more about engaging with stakeholders

- Our stakeholders on page 30 – an overview of our key stakeholders and how we measure the impact of our engagement
- Board engagement on pages 96 to 98 – the approach taken by the Board to understand and engage with our key stakeholders
- Our responsible business priorities on pages 51 to 54 and 66 to 69 – details of our commitment to acting responsibly and the impact on our colleagues and communities

Our responsible business

We are aware that there are potential incidences where our impact can be negative as well as positive; for example, as a result of the chemicals we use and the greenhouse gas emissions involved in providing services to our customers. We do not want the economic value of our business to be at a high environmental or societal cost. Our environmental strategy focuses on the operational risks and opportunities that we have identified and is embedded within our operating model as a multi-local, route-based business. We have also published the key activities to achieve net zero carbon emissions from our operations by the end of 2040 and are engaging with suppliers and developing innovative technology as part of this.

Our reputation is paramount to the success of our business, as we rely on the satisfaction of our customers and the continued investment of shareholders. Our culture model includes our purpose and values, along with our five core culture themes: customer focused, commercial, diverse, down to earth and innovative. We continue to monitor our culture, recognising the important role it plays in underpinning the business' sustainable long-term success. We have a comprehensive set of policies and procedures in place to ensure high standards of professional business conduct, including the adherence to our Code of Conduct. We strive to act fairly between shareholders of the Company at all times.

Read more about being a responsible business

- Culture on pages 51 and 89 – details of our culture model and how the Board monitors culture and helps set the tone from the top
- Our responsible business priorities on pages 58 to 65 – details of our commitment to acting responsibly, setting out our environmental strategy and our focus on service and innovation
- Q&A with our Chief Executive on pages 18 and 19 – answers to key questions about the Group posed by investors in 2021

Our strategic priorities

The Board aims to act in line with the Company's purpose of protecting people and enhancing lives while creating long-term value for our shareholders through our economic success. The Board agenda is set to ensure that key strategic priorities are considered throughout the year and the Board reviews and approves the long-term direction of the business at its annual strategy day. Sufficient information is provided by management to the Board in order that it may make an informed decision on any impact to stakeholders and have appropriate regard to their interests. Details of how our Board operates and the way it reaches decisions, including the matters discussed and debated during the year can be found in the Corporate Governance Report.

When considering the needs of relevant stakeholder groups, conflicting requirements inevitably arise and we aim to make judgements that serve the long-term interests of the stakeholders. We acknowledge that not every decision the Board makes will necessarily result in a positive outcome for all stakeholders. However, by considering key stakeholder groups and aligning our activities with our strategic plan, as well as the Company's culture and values, we aim to act fairly, transparently and in the best interests of the Company over the long term.

In making their decisions and choices, and in setting policies and strategy, our Directors also consider any associated risks when discharging their duties. Maintaining effective systems of risk management and internal control, reviewing and mitigating our principal risks and identifying emerging risks all help underpin the Group's overall strategy and allow the Board to have regard to factors that could affect stakeholder relationships and their impact on our long-term success.

Read more about strategic decision making

- Our 'Big Six' Challenges on pages 20 and 21 – an overview of our strategic priorities
- Board focus in 2021 on pages 91 to 93 – an overview of key areas considered by the Board during the year and their outcomes
- Principal decisions of the Board on pages 94 and 95 – detailed examples of the principal decisions taken by the Board during the year, the stakeholder considerations and impacts
- Risks and uncertainties on pages 73 to 79 – the approach to identifying and managing the Group's principal risks

Risks and Uncertainties

Managing risk and uncertainty within our business

Accurate identification, assessment and management of key risks is embedded in our processes and ensures appropriate actions to support our strategic objectives.

Risk management approach

The Group's overall risk management approach, described here and on page 108 is designed to provide reasonable, but not absolute, assurance at all levels of the Group that risks are being properly identified and effectively managed. This includes the provision of appropriate mechanisms to ensure that issues and concerns relating to risk can be escalated up through the organisation effectively and confidentially.

The Board has oversight of the Group's operations to ensure that internal controls are in place and operating effectively. This is achieved by reviewing the effectiveness of the risk management processes and managing the evolving risk environment as it approves the Group's overall strategy. Key components of the Board risk management process are:

- annual presentation and approval of risk process by the Audit Committee;
- review of Group Risk Committee minutes by the Audit Committee; and
- annual presentation and approval of the Group Strategy.

Management is responsible for effective operation of the internal controls and execution of the agreed risk mitigation plans. Key components of the risk management process by management are:

- identification and management of risk integrated into day-to-day operations by local and regional operational management;
- maintenance of a central risk register periodically reviewed with changes tracked;
- emerging risks and potential mitigations reviewed at quarterly Group Risk Committee meetings; and
- deep dives on specific or emerging risks at senior management meetings.

The risk management process was strengthened during 2021 by adding additional review of the risk register, inclusion of categories in the register and the introduction of deep dive sessions on specific or emerging risk topics at senior management meetings, e.g. Demographics – Gen Z Rising, Climate Change and Environmental Sustainability and Cyber Risk. An additional Audit Committee meeting was added in May each year.

The Board is satisfied that, through the processes set out above, it is able to effectively identify and manage risks. The Board is further satisfied that the responsible managers have the necessary skills and expertise to ensure that the relevant risk management process and control systems are in place and fully operative.

The Board relies on the assurances provided through the periodic reports presented to the Board and Audit Committee.

Using the process set out above, the Board believes that it has undertaken a robust assessment of the emerging and principal risks which threaten the implementation of the strategy and the long-term viability of the Group and is satisfied that appropriate mitigation plans are in place.

The Group's business model remained broadly the same in 2021 as in previous years. It incorporates a number of elements that moderate the risk profile of the Company.

- Low capital intensity and high portfolio retention rates: our categories exhibit strong defensive qualities, as density and efficiency gains are reflected in margin growth.
- Local market operations: the limited dependency on cross-border flows of people or products reduces the impact of geopolitical risks, and foreign exchange risk is muted since revenue is earned and costs are incurred in local currency, and there is natural resilience to fluctuations in market dynamics in individual markets and geopolitical and trade risks due to our local market operations.
- Clear and simple geographic model: our decentralised model has single-country management teams leading integrated operations with combined back office functions underpinned by shared systems.

Changes in risk profile of the Company in 2021

The impact of COVID-19 on the economy has reduced as vaccination rates rise, and governments' desire to impose lockdowns reduces.

While some sectors are still affected, and sporadic local lockdowns occur, the overall levels of service suspension have reduced during 2021; however, we continue to monitor the ongoing impact of COVID-19 within the principal risks. The proposed acquisition of Terminix has been considered and incorporated into our principal risks.

We continue to monitor existing and emerging risks regularly in both the Audit Committee (see pages 103 to 110) and the Group Risk Committee (see page 90), and take mitigating action as appropriate.

Areas where the risk profile of the business has improved in 2021 include:

- continuity of senior management in roles, maintaining corporate knowledge and experience;
- continued roll-out of our target financial and operational systems across the globe, combined with data analytics via our Command Centre platform;
- continued investment and standardisation in technical infrastructure to mitigate the risk of a successful cyber attack;
- continued strong cash flow giving financial headroom to continue to acquire businesses with good strategic fit;
- performing a detailed risk assessment seeking to clarify the impact of climate change on our financial statements;
- refreshed and simplified corporate policies and improvement to compliance training programme; and
- regular monitoring and adjustment for expected credit losses.

Areas where our risk profile has increased in 2021 include:

- reduction in colleague retention and increased time to recruit;
- increasing and fluctuating inflationary pressures;
- increased volume of cyber attacks; and
- integration risk in relation to acquisitions – both effective execution of integration plans and ensuring swift IT integration.

Identified risks

The principal risks most relevant to the Group are described in the table on pages 75 to 79, together with mitigating actions.

Full details of our financial risks can be found in Note C1 on pages 181 and 182. The exact financial impact of one or more of our principal risks materialising will depend on the precise operational impact of the risk, its interaction with other risks and whether mitigating actions are successful in reducing the overall financial impact. The Group is exposed to other risks and uncertainties related to environmental, political, social, economic and employment factors in the territories in which we operate. Additional risks and uncertainties not presently known to management or deemed to be of lower materiality may, if they manifest themselves, have an adverse impact on the Group's growth, profitability, cash flow and/or net assets.

Our risk management process

Emerging risk – Identification and escalation

Internal audits – Compliance verification

Audit Committee | **Board**

- Oversight via Audit Committee and Board meetings
- Approval of risk process annually
- Review of Group Risk Committee minutes
- Review of Group strategy annually

Executive management | **Group Risk Committee** | **Internal Audit function**

- Coordinate risk identification, reporting and governance activity via a central risk register updated twice a year
- Assessment and categorisation of risk
- Group mitigating actions
- Define/review Group policies and procedures annually
- Group Strategy definition annually
- Monitoring via regional monthly performance reviews

Regional management | **Functional management**

- Consolidation and assessment of country risks
- Regional mitigation actions
- Regional operational priorities definition
- Functional risk identification and assessment
- Monthly performance review process

Country management

- Review and assessment of local risks
- Country level mitigating actions
- Monitoring via monthly business unit reviews

Operational unit

- Local risk identification as part of day-to-day operations
- Local mitigating actions as part of day-to-day operations

Principal risks by category

People

Strategic

- **Failure to integrate acquisitions and execute disposals from continuing business**
- **Failure to develop products and services that are tailored and relevant to local markets and market conditions**

Find out more on pages **12** to **16**

Financial

- **Failure to grow our business profitably in a changing macro-economic environment**
- **Failure to mitigate against financial market risks**

Find out more on page **144** to **149**

Operational

- **Breaches of laws or regulations**
- **Failure to ensure business continuity in case of a material incident**
- **Fraud, financial crime and loss or unintended release of personal data**
- **Safety, health and the environment (SHE)**
- **Failure to deliver consistently high levels of service to the satisfaction of our customers**

Find out more on pages **24** to **27**

Low Medium High Stable Increasing Decreasing

Principal risks Strategic

Failure to integrate acquisitions and execute disposals from continuing business

The Company has a strategy that includes growth by acquisition, and acquired 52 new businesses in 2021. These companies need to be integrated quickly and efficiently to minimise potential impact on the acquired business and the existing business.

Impact should the risk materialise

If the Company fails to successfully integrate acquisitions into its existing organisational structures, fails to deliver the revenue and profit targets, or fails to deliver expected synergy savings, the business may not achieve the expected financial and operational benefits which may adversely impact growth, profitability and cash flow.

Business disposals also have to be managed efficiently to minimise risk to the businesses being disposed and the residual business.

Mitigating actions

- Integration plans considered by the Investment Committee as part of the acquisition approval process. Integration activities and progress discussed during monthly performance reviews.
- Dedicated project teams established for the largest acquisitions and demergers with clear deliverables over three months, six months and one year. Project team in place for the proposed acquisition of Terminix.
- Tried and tested induction programme for the first 100 days for all acquisitions.
- Continuity of management/leadership in acquired companies, where possible.
- Use of transaction structures including deferred consideration to mitigate deal risk.
- Group departments involved with acquisitions to drive integration plans and compliance with Group standards, especially when entering new geographies.
- Formal post-acquisition review of every acquisition by Investment Committee against original business plan within 18–24 months; Board post-investment review of acquisitions in aggregate every six months; Internal Audit review of acquisitions in new geographies within 12–18 months.
- Board oversight of acquisitions involving new countries, new business lines, or above a defined financial threshold.

Overall risk level (Medium)

Trend (Increasing)

Terminix transaction increases the scale of this risk, but extensive mitigation plans in place. Otherwise stable trend.

'Big Six' challenges 4

Changes 2021 versus 2020

- Additional resources provided to the US to support integration and replatforming
- Terminix acquisition agreed

Performance measures to monitor risk

- Integration plans (30 days, 100 days, 1 year)
- Reviews of integration plans for specific large acquisitions
- Post-acquisition review completions
- Post-investment review by the Board of aggregate performance of investment in M&A

Failure to develop products and services that are tailored and relevant to local markets and market conditions

We operate across markets that are at different stages in the economic cycle, at varying stages of market development and have different levels of market attractiveness. We must be sufficiently agile to develop and deliver products and services that meet local market needs.

Impact should the risk materialise

If we are not able to adapt to local business and consumer needs, our existing customers may choose not to renew contracts, or seek reductions in prices. This negatively impacts our ability to maintain or increase margins and cash flow.

Examples include:

- We must adapt to changes to the regulatory environment that may ban certain products or service models from being used, such as permanent rodent baiting.
- We need to respond to the expectations from customers and the wider populace for us to reduce our own environmental impact and support our customers in reducing their environmental impact.
- We need to develop products that are networked and capable of being monitored in real time, or react to competitor technology developments that are disruptive to the market.

Mitigating actions

- Acquisition of targets with specific capabilities that address future changes in our markets.
- Investment Committee to ensure targeted investment in innovation to meet market and regulatory needs.
- Category Boards for Pest Control and Hygiene & Wellbeing categories overseeing the roll-out of innovations at pace across our regional businesses.
- Continued investment in digital platforms to support Sales and Service frontline colleagues.
- Group KPIs for innovation at a customer and colleague level to monitor progress.
- Further develop our range of sustainable, non-toxic and humane pest control solutions.

Overall risk level (Medium)

Trend (Stable)

No significant changes resulting in a stable trend.

'Big Six' challenges 5

Changes 2021 versus 2020

- Introduction of Hygiene & Wellbeing category
- Expanding into high-growth areas including air care and route-based service extensions
- Increased penetration of digital technologies on customer sites
- Growth in use of digital platforms by customers
- Reorganisation of M&I function to ensure focus on innovation
- Increased use of data analytics via our Command Centre platform to provide business insight

Performance measures to monitor risk

- Sales growth for key innovations
- Percentage of sales revenue from innovation
- Number of sites with digital solutions
- Percentage of commercial customers registered for digital platforms
- Percentage of colleagues utilising digital applications

Find out more

1 – 6 Our 'Big Six' Challenges on pages **20** and **21**

Key Performance Indicators on pages **24** to **27**

Low · Medium · High · Stable · Increasing · Decreasing

Principal risks | Financial

Failure to grow our business profitably in a changing macro-economic environment

The Company's two core categories (Pest Control and Hygiene & Wellbeing since January 2022) operate in a global macro-economic environment that is subject to uncertainty and volatility.

Impact should the risk materialise
Changes in the macro-economic environment could have a number of different impacts on the ability of the business to grow profitably, to sustain recruitment and to deliver against targets.

Examples include:

- Recession and economic slowdown in some of our key markets.
- Ongoing impact of COVID-19 on some customer sectors and local lockdowns.
- Low-growth economies with inherent cost inflation, where the Company has weak pricing power may make it difficult to maintain profitability.
- Growing market presence of multinational competitors may increase the cost of acquisitions and drive down prices, impacting profitability.
- Shift to greater proportion of key accounts in some markets may drive down prices and make it difficult to maintain profitability.
- Political instability and civil unrest in some markets may cause localised revenue reductions.
- Legislation (including climate change legislation), regulation or society expectation limits our 'licence to operate'.
- Inflationary pressures drive cost higher but uncertainty on the longevity of these increases; customers may not accept price increases.

Mitigating actions

- Regular review of our capital allocation model which is differentiated by line of business to ensure that scarce resources are directed to countries and businesses with the most attractive prospects.
- Working with governments and regulators on implementation of new regulations.
- Low-cost operating model, focused IT investment, incentives to deliver efficient operations and back office process alignment and standardisation programme.
- International Key Accounts team developing business with multinational customers to take advantage of the unique global capabilities and new Hygiene & Wellbeing offerings.
- A regionally focused defined pricing programme to drive profitability on existing portfolio, build insight, and ensure profitable growth from new business and innovations.
- Group Procurement team tasked to deliver economies of scale while ensuring robust supply chain.
- Regular monitoring and adjustment of expected credit losses to ensure appropriate levels of provisioning.
- Tools (e.g. Adobe Sign) to facilitate and automate contract execution and renewal on Group standard terms and conditions.

Overall risk level (Medium)
Trend (Stable)
Additional risk in relation to inflation has been balanced by the reduced risk from COVID-19 resulting in an overall stable trend.
'Big Six' challenges 2 3

Changes 2021 versus 2020

- North America business now accounts for 44.9% of Ongoing Revenue at CER, up from 44%
- Further supply chain resilience through expanding local supply chains
- Introduction of combined Hygiene & Wellbeing category and additional service lines
- Regular review of inflation pressures at a local level
- Implementation of a comprehensive Quality of Earnings process
- Responsibility for monitoring pricing decisions allocated to specific regional colleagues
- Thematic audit review of debtors including expected credit loss provisions

Performance measures to monitor risk

- Group Ongoing Revenue growth, in total and by category
- Group Organic Revenue growth, in total and by category
- Revenue contribution from acquisitions
- Group Ongoing Operating Profit
- Group Net Operating Margin
- Free Cash Flow conversion
- Net capital expenditure
- Customer retention

Failure to mitigate against financial market risks

Our business is exposed to foreign exchange risk, interest rate risk, liquidity risk, counterparty risk and settlement risk.

Impact should the risk materialise
If any of the above risks materialise, this may have a negative impact on profitability, cash flow and financial statements, and may negatively impact financial ratios and credit ratings, impacting our ability to raise funds for acquisitions.

Mitigating actions

- Financing policy in place to ensure that the Company has sufficient financial headroom to finance operations and bolt-on acquisitions. Commitment to target credit rating of BBB.
- Treasury policies that limit the use of foreign exchange and interest rate derivatives, set limits for financial counterparty exposure, govern how financing is raised in bank and other debt capital markets and provide rules around Treasury-related matters at operating company level.
- Monthly Treasury Committee to report and monitor financial covenants and rating agency metrics and compliance with Treasury policies.
- Monitoring the impact of exchange rate movements on non-GBP profits and net debt.
- Cash pooling and debt financing arrangement to match, as far as possible, currency availability/demand across borders.
- Revolving credit facility (RCF).

Overall risk level (Low)
Trend (Stable)
No significant changes resulting in a stable trend.
'Big Six' challenges 6

Changes 2021 versus 2020

- Updated Treasury policies
- External audit of Treasury function completed

Performance measures to monitor risk

- Liquidity headroom at the year end of £785m
- Counterparty ratings above A-
- Monthly reporting against ratings metrics and financial covenants
- No unhedged foreign exchange positions above £500k; fixed interest >50%; and matching currency of net debt to underlying profitability
- Monitoring of amounts outstanding against counterparty credit limits

Principal risks — Operational

Breaches of laws or regulations (including tax, competition and anti-trust laws)

As a responsible company we aim to comply with all laws and regulations that apply to our businesses across the globe.

Impact should the risk materialise
Failure to comply with local laws covering bribery and corruption, anti-competitive practice, employment law, data privacy, health and safety, or financial and tax reporting requirements may result in fines or withdrawal of licence to operate, which could adversely impact growth, profitability and cash flow.

The Company operates across many different tax jurisdictions and is subject to periodic tax audits which sometimes challenge the basis on which local tax has been calculated and/or withheld. Successful challenges by local tax authorities may have an adverse impact on profitability and cash flow.

Mitigating actions
- Group Legal involvement in all acquisitions.
- Tax strategy re-issued and approved by the Board annually.
- All significant tax planning opportunities have to be pre-agreed with the Group Tax Director and Chief Financial Officer with independent tax advice taken where necessary.
- Regular review of tax exposures.
- Group authority schedule in place and regularly reviewed.
- Group and local policies in place and regularly reviewed.
- Requirement to report breaches in controls and/or laws to the Group General Counsel and the Director of Internal Audit & Risk. Follow-up by Group General Counsel of any significant regulatory breach in any country.
- Mandatory training on Code of Conduct and other core compliance topics, to instil a highly principled culture of ethical behaviour, completion rates reported to senior management monthly.
- All major business transactions or internal reorganisations are subject to a rigorous internal and external review.

Overall risk level
Trend
Focus on policy refresh, compliance training and increased visibility, and reporting of audit issues has resulted in a decreasing trend.
'Big Six' challenges 6

Changes 2021 versus 2020
- Enhance audit issue reporting and monitoring to drive timely resolution of issues identified, combined with the introduction of a specific tool to record and manage internal audits
- Email reminders to senior colleagues for mandatory online training completion
- Review and refresh of corporate policies to include owners, review dates, location of documents and a register to track changes
- Group authority schedule updated and distributed

Performance measures to monitor risk
- Central monitoring of material litigation, quarterly reporting from all countries
- Regular review of tax exposures and the status of tax audits by the Audit Committee
- Completion rate for mandatory U+ training modules, e.g. Code of Conduct and competition law
- Monthly monitoring and reporting of audit issues to executive management

Failure to ensure business continuity in case of a material incident

The business needs to have resilience to ensure business can continue if impacted by external events, e.g. cyber attack, hurricane or terrorism.

Impact should the risk materialise
Failure to service our customers may affect our ability to retain those customers and damage the Company's reputation. This may negatively impact growth, profitability and cash flow.

Examples of incidents that could impact our ability to service customers include:

- A significant cyber attack or IT failure which impacts our ability to plan efficient routing, or ability to invoice, and is not recovered quickly.
- Fire, flood or climate event impacting our premises preventing goods from being available to enable our technicians to service our customers.
- Industrial action by colleagues.

Mitigating actions
- All countries and units maintain and regularly review business continuity plans, with local plans to service from alternative locations if required.
- The majority of key data and applications are located in regional data centres with enhanced backup capability.
- Specific tools deployed to data centres to detect and prevent spreading of cyber attacks.
- IT disaster recovery plans for regional data centres.
- Data encryption and implementation of AirWatch on devices and mobile phones.
- Ongoing user education awareness programmes.
- Annual penetration testing on all systems to test external firewalls and address any identified weaknesses.
- Annual inspections of key sites by insurers, on a rotating basis, to identify potential risks.
- Proactive engagement with union representatives.

Overall risk level
Trend
As global incident volumes of cyber attacks continue to trend upward we have assessed the trend for this risk as increasing.
'Big Six' challenges 1 5 6

Changes 2021 versus 2020
- Regular patching programme for all key applications
- Deployment of anti-ransomware software to the data centres
- Enhanced colleague training programmes
- Additional resources added to the IT security team
- Refreshed and reissued Procurement and Stock & Warehouse Management Policies
- Wider use of automated IT software for system data and settings, e.g. scanning tool or risk assessment software
- New policy of isolating devices where potential high-risk security alarms are detected

Performance measures to monitor risk
- Number of serious IT incidents and time taken to respond
- Major Incident Review actions
- Actions arising from IT security self-assessments
- External testing and benchmarking of our IT security environment
- IT specific risk register focused on assessing, monitoring and tracking IT related risk

Low Medium High Stable Increasing Decreasing

Principal risks | Operational

Fraud, financial crime and loss or unintended release of personal data

Collusion between individuals, both internal and external, could result in fraud if internal controls are not in place and working effectively. The business holds personal data on colleagues, some customers and suppliers: unintended loss or release of such data may result in criminal sanctions.

Impact should the risk materialise
Loss of personal data of customers, suppliers or colleagues could, if significant, result in regulatory intervention which may result in substantial fines and damage to the Company's reputation.

Theft of Company assets including property, customer or colleague information, or misstatement of financial or other records via deliberate action by colleagues or third parties may constitute fraud and result in financial loss to the business, damage to the Company's reputation and/or fines by regulators.

Mitigating actions
- Ongoing programme to ensure all businesses are compliant with data privacy requirements.
- Dedicated data privacy team, plus local privacy officers and privacy champions networks.
- Mandatory online training by all senior colleagues for the Code of Conduct, preventing anti-competitive practice, preventing bribery and corruption, securing information and protecting privacy, avoiding conflicts of interest and preventing insider trading.
- Roll-out of Corporate Criminal Offence policy and training.
- Compliance with Code of Conduct and other key policies affirmed by the annual Letter of Assurance by all senior management.
- Standardised financial control framework operating in all locations.
- Confidential Speak Up hotline and email address, monitored and followed up by Internal Audit.
- Significant frauds investigated by Internal Audit and lessons learned widely shared.
- User security awareness guidance and policies refreshed and reissued.
- Updated policies on devices and the provision of Citrix-only access combined with global patching programmes.
- Deployment of anti-ransomware to our data centres.

Overall risk level Low
Trend Stable
No significant changes and enhanced monitoring of system access resulting in a stable trend.
'Big Six' challenges 1 6

Changes 2021 versus 2020
- Biannual review of key financial controls with non-compliance tracked and monitored
- Inclusion of Corporate Criminal Offence policy in annual Letter of Assurance
- Review and refresh of corporate policies to include owners, review dates and a register to track changes
- Email reminders to senior colleagues for mandatory online training completion
- Colleague education programme on IT general controls
- Refreshed and reissued Procurement and Stock & Warehouse Management policies
- IT general controls project to ensure the integrity of the data and processes
- Group-wide review of privileged access to critical IT applications
- Websites reviewed and cookies/banners updated to ensure compliance with data protection laws

Performance measures to monitor risk
- Completion rate for mandatory U+ training modules
- Data privacy programme roll-out and implementation
- Speak Up investigations and remediation
- Key financial controls pass rates
- Periodic review of IT access for critical applications

Safety, health and the environment (SHE)

The Company has an obligation to ensure that colleagues, customers and other stakeholders remain safe, that the working environment is not detrimental to health and that we are aware of and minimise any adverse impact on the environment.

Impact should the risk materialise
The Company operates in hazardous environments and situations, for example:
- Use of poisons and fumigants in Pest Control.
- Driving to and working at customers' premises.
- Working at height.
- Exposure to needlestick injury/bio-hazards from medical waste.

Non-compliance with internal policies or industry regulations could lead to personal injury, substantial fines or penalties including withdrawal of licences to operate, and reputational damage.

Environmental risks may arise from former activities at sites currently operated by the Company or acquired by the Company. Legislation and changing expectations, requiring the business to alter its methods of operation.

Mitigating actions
- Robust SHE policies supplemented by the SHE Golden Rules and technical policies address higher risk and regulated activities.
- SHE officers appointed in all jurisdictions, supported by dedicated central SHE team.
- Mandatory training of all relevant colleagues in safe working practices.
- Focus on implementation of Group fumigation standards in all new acquisitions.
- SHE considered as the first item at all Board and senior management meetings; review of standardised SHE KPIs.
- Formal review of accidents and circulation of lessons learned (e.g. Safety Moments videos).
- Strategy to further develop environmentally friendly approaches, e.g. lower pest control chemical use, recycling of hygiene units, roll out use of electric vehicles, alternative fumigants.

Overall risk level Medium
Trend Stable
No significant changes resulting in a stable trend.
'Big Six' challenges 1 6

Changes 2021 versus 2020
- Roll-out of digital site risk assessment application which is either live or in pilot in more than 40 markets
- Updated and simplified the Minimum Fumigation Management Standards and Minimum Operational Fumigation Standards
- Document for sub-contractors has been incorporated into the Minimum Fumigation Standards

Performance measures to monitor risk
- Lost Time Accident rate
- Working Days Lost rate
- Total emissions and emissions intensity
- Energy usage
- Compliance rates for mandatory U+ training

Principal risks | Operational

Failure to deliver consistently high levels of service to the satisfaction of our customers

Our business model depends on servicing the needs of our customers in line with internal high standards and to levels agreed in contracts.

Impact should the risk materialise

If our operatives are not sufficiently qualified, or do not have the right skills, or we fail to innovate successfully, this may negatively impact our ability to acquire or retain customers, adversely impacting growth, profitability and cash flow.

Industrial action in key operations could result in diminished customer service levels; if prolonged, it could damage the Company's reputation and ability to secure or renew contracts.

In markets where overall employment rates are high, and/or our business is growing fast organically or via acquisition, we may have difficulty attracting and retaining key management of the right capability and the right calibre of operational personnel.

Changes in the global job market following the COVID-19 pandemic, resulting in difficulty in recruiting and retaining colleagues at all levels of the organisation, may impact our ability to service our customers to the highest standards.

Major digital change programmes could disrupt our ability to deliver high levels of service to our customers.

Extreme weather could cause disruption to local operations and may impact colleague health and safety.

Mitigating actions

- HR development processes, including Employer of Choice programme.
- Regular tracking of customer satisfaction and the perception by both customers and non-customers of Rentokil Initial, benchmarked against competitors.
- Dedicated Operations Excellence team to drive superior customer service and safe working practices, and to establish key metrics, combined with a strong focus on safety by supervisors and frontline staff.
- Incentives for Sales and Service staff aligned closely with strategic priorities, based on delivering improved customer service levels.
- Oversight of key industrial relations matters by Group HR Director and regular review by the Chief Executive for countries where industrial relations risk is elevated.
- HR lead recruitment initiatives, including recruit ahead, benchmarked pay plans, global careers and recruitment websites.
- Regular review of major IT programmes by the Chief Information Officer and IT Investment Committee to ensure sufficient allocation of resources with a quarterly IT risk meeting to ensure oversight of IT transformation plans.
- Local business continuity plans.

Overall risk level

Trend

Changes in the global job market have resulted in reductions to colleague retention and increased time to recruit, resulting in an increasing trend.

'Big Six' challenges 1 5

Changes 2021 versus 2020

- 34% increase in U+ learning
- Continued deployment of IT programmes to frontline colleagues
- Commence roll-out of the new diversity, equality and inclusion programme to leaders, managers and colleagues
- Completion of biannual Your Voice Counts colleague survey
- Launch of Career+, our new internal job referral platform
- Using remote and virtual hiring to recruit candidates quickly and cost-effectively, such as 100% virtual recruitment for our 2021 Corporate Graduate Scheme
- Embedding IT risk review process across the regions to ensure delivery of digital change programmes

Performance measures to monitor risk

- Sales and Service colleague retention
- The number of online training courses being developed
- U+ learning views
- State of Service
- Customer satisfaction (Customer Voice Counts)
- Customer retention

Where to find further information

Principal risk	Key sections
Failure to integrate acquisitions and execute disposals from continuing business	Our 'Big Six' Challenges, pages 20 and 21
Failure to develop products and services that are tailored and relevant to local markets and market conditions	Innovation in Pest Control, pages 12 and 38 Our 'Big Six' Challenges, pages 20 and 21 Service and innovation for customers, page 55
Failure to grow our business profitably in a changing macro-economic environment	Our Business Model, pages 28 and 29 Colleague and Shareholder KPIs, pages 24 to 27 M&A execution, pages 14 and 21 Our journey to net zero, page 58
Failure to mitigate against financial market risks	Note C1 Financial risk management, pages 181 and 182
Breaches of laws or regulations (including tax, competition and anti-trust laws)	Governance, trust and transparency, page 70
Failure to ensure business continuity in case of a material incident	Information security, page 70
Fraud, financial crime and loss or unintended release of personal data	Data privacy, page 70 Board monitoring and oversight, page 102 Our responsible business approach, pages 49 to 72
Safety, health and the environment (SHE)	Key Performance Indicators, pages 24 to 27 Keeping our colleagues safe, page 52 Environment, page 58
Failure to deliver consistently high levels of service to the satisfaction of our customers	Service and innovation for customers, page 55 Colleague and Customer KPIs, pages 24 to 26

Viability Statement

In accordance with provision 31 of the Corporate Governance Code, the Directors have assessed the viability of the Group, taking account of the Group's current financial position, the latest three year strategic plan, and the potential impact of our principal risks described on pages 75 to 79. Based on this assessment, the Directors confirm that they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period to 31 December 2024.

The business model of the Group is focused on the delivery of services to customers at their premises. These are professional, and often highly technical services, where customers have a need that we can help resolve. While these 'needs' are subject to some seasonality and macroeconomic cycles, overall they are highly stable and growing at GDP rates or faster. The drivers of this growth are key to the Group's prospects. Population growth, growth of the 'middle class' and urbanisation around the world bring growing numbers of humans closer together, increasing the need for hygiene, as seen in the pandemic, and for control of pests where sources of food are more available. Finally, while climate change will undoubtedly have some adverse impacts on the Group, the disaggregated nature of our services at customer locations materially reduces our physical risks. Finally, the change in environment will likely bring upsides as pest breeding seasons are longer, mortality rates are lower and infestations are able to move into markets where they historically could not survive. Overall, the combination of business model and macroeconomic factors suggests that recent growth trends should continue foreseeably in line with our medium-term targets.

Period of assessment

Although the Directors have no reason to believe that the Group will not be viable over a longer time frame, because of the degree of uncertainty, the period over which the Directors have a reasonable expectation as to the Group's viability is the three-year period to 31 December 2024. Having considered whether the assessment period should be extended, it is the view of the Directors that a three-year period is still appropriate as it is consistent with the historical periods in the budgeting and strategic planning process. Three years is also aligned with the typical duration of both the customer and supplier contract periods entered into by the Group.

Strategic planning process

The budget and longer-term plan have been prepared in line with the Group's strategy as described in detail in the Strategic Report (pages 1 to 79 and 144 to 149). The Board reviews the Group's performance monthly and depending on the external environment and its potential impact on the Group's latest full-year forecast and strategic plan, will model a number of scenarios.

Viability assessment

In making their assessment, the Directors have considered the current position of the Group and have undertaken a robust evaluation of the principal risks, in particular the ones that could impact on the liquidity, solvency and viability of the Group. The Directors have taken account of the Group's liquidity position and the Group's ability to raise finance and deploy capital. The results consider the availability and likely effectiveness of the mitigating actions that could be taken to avoid or reduce the impact or occurrence of the identified underlying risks.

Mitigating actions that were identified as part of the viability assessment in previous years and which were found to be effective during the pandemic, include securing additional liquidity, deferring shareholder distributions, pausing M&A activity, reducing planned capital expenditure, use of recognised tax payment deferral mechanisms and actively managing the cost base of the Group. Should these measures be insufficient then the Group would consider raising equity; however, that has not been required to date.

Although the review considered all the emerging and principal risks identified by the Group, the focus was also on how other global events, like the COVID-19 pandemic, could impact the Group's future financial performance and its cash generation under different scenarios. As a result, severe but plausible downside sensitivities were applied to the three-year plan approved by the Board. These were informed by the Group's experience during 2020.

The three-year plan is most sensitive to the reduction in revenue due to customer suspensions over extended durations. With that in mind, the Directors have chosen scenarios reflecting the principal risks to stress test the three year plan for the following downside scenarios:

- Revenue reduces by 30% against the budget for six months of 2022. This scenario is significantly worse than the customer suspensions experienced during the first half of 2020 that peaked at slightly below 30% for one month only.
  Risks: failure to grow business profitably, customer satisfaction, development of services and products, business continuity and M&A integration.
- A prolonged downturn where revenue reduces by 30% for each of the three years in the model.
  Risks: failure to grow business profitably, customer satisfaction, development of services and products, business continuity and M&A integration.
- A significant one-off charge of £200m either in the form of a number of bank failures, the break fee we would have to pay if we cancel the Merger Agreement with Terminix under certain circumstances, or as a result of a major fine.
  Risks: business continuity, financial markets, fraud, financial crime, SHE, and breaches of laws and regulations.

We have also considered two joint scenarios of the above: 1) the six-month scenario and bank losses; and 2) the three-year scenario and bank losses. Reverse stress tests were considered involving bank losses or fine of >21% of Global Revenues (GDPR capped at 4%; competition breach at 10%), or a 42% downturn in Global Revenues for existing headroom to be fully used. If we assumed no mitigating activities as described above this would be 18% for three years.

The impact of the scenarios has been modelled to test projected liquidity headroom over the three-year viability period. In each of the individual and joint scenarios the Group continues to retain sufficient liquidity headroom with the mitigating actions it can deploy. In the scenario of a significant one-off charge of £200m, this could be managed using ordinary liquidity management processes.

In the three year period of the viability statement, the Group has one debt maturity in November 2024 when its €400m bond falls due. As at 31 December 2021, the Group had total undrawn committed facilities of £550m and unrestricted cash, net of overdrafts of £235m giving the Group combined headroom of £785m.

In addition to its committed headroom the Group also has a £200m accordion linked to its revolving credit facility (RCF), a £1bn Commercial Paper Programme and a number of uncommitted, undrawn overdraft facilities amounting to c.£80m.

Throughout 2021, the Group maintained its long-term (BBB with a Stable outlook) and short-term (A-2) credit ratings, which S&P Global reaffirmed on 9 June 2021. In September 2021, the Group amended its RCF and took the opportunity to permanently remove financial covenants from the facility. Further, there are no covenants outside the RCF facility.

The combination of a strong investment grade credit rating, the RCF banks' willingness to remove financial covenants, the flexibility the Group has to make material reductions in its cash outflows, which was demonstrated during 2020, and the fact that the Group has continued to generate cash provide the Directors with confidence that the Group could raise additional debt finance if required.

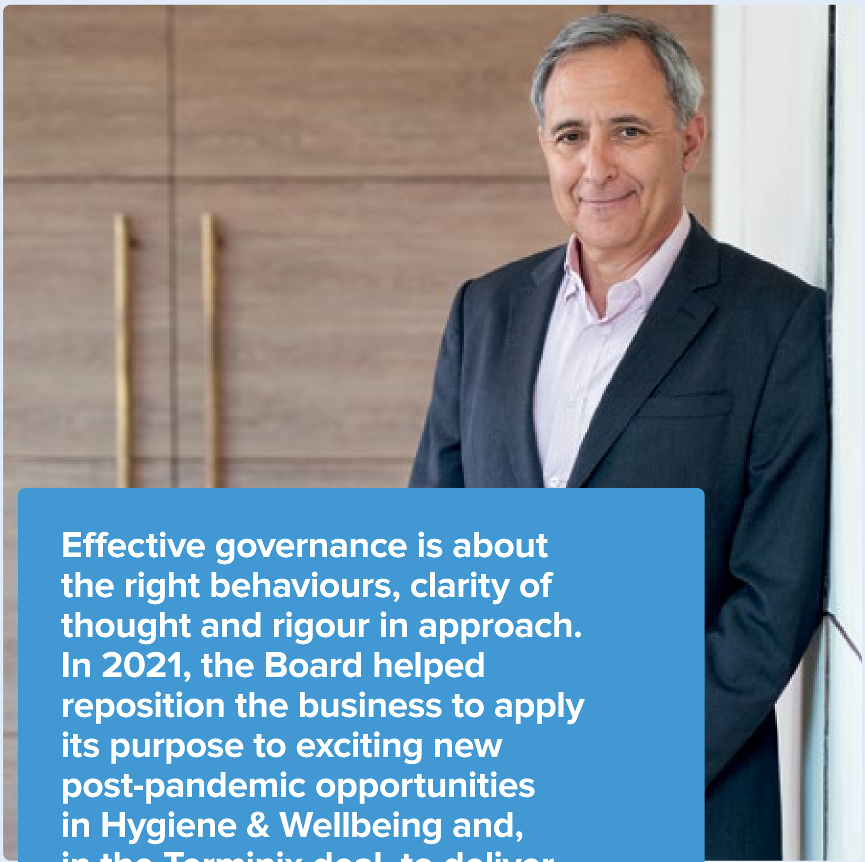
The geographical spread of the Group's operations helps minimise the risk of serious business interruption. Furthermore, the Group is not reliant on one particular group of clients or sectors.

On 14 December 2021, the Group announced that it had signed a definitive agreement to acquire Terminix Global Holdings, Inc. subject to regulatory clearance and approval by shareholders of both companies. The deal is anticipated to close during 2022. The Directors have considered the fully funded nature of the deal, the existing headroom of both entities and the projected financial performance of the combined entity and have concluded that this transaction does not change the assessment of viability as outlined above.

Based on this assessment and having carefully considered the Group's current standing, debt servicing and the risks and uncertainties referred to above, in line with the UK Corporate Governance Code, the Directors have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the three-year period ending 31 December 2024.

Corporate Governance

Chairman's Introduction to Governance



Effective governance is about the right behaviours, clarity of thought and rigour in approach. In 2021, the Board helped reposition the business to apply its purpose to exciting new post-pandemic opportunities in Hygiene & Wellbeing and, in the Terminix deal, to deliver for stakeholders at new scale in North America.

Richard Solomons
Chairman

100% attendance at scheduled Board meetings

37.5% female representation on our Board

4 additional Board meetings

4.30p final dividend

2 non-white ethnic minority Board members

1 additional Audit Committee meeting

Dear Shareholder

As the effects of the COVID-19 pandemic started to recede in 2021, Rentokil Initial has, with the support of our colleagues, skilfully navigated the ongoing uncertainties across different parts of the world, such as global supply chain shortages, growing challenges in recruiting and retaining frontline colleagues and further lockdowns and restrictions in some markets in our Asia and Pacific regions. The Group continues to perform well and I am pleased that the Board has been able to recommend a final dividend of 4.30p for 2021.

The pandemic appears to have had a considerable and ongoing impact on hygiene attitudes and behaviours, and on customer preferences. I attended our Capital Markets Day in September 2021, where we set out why we believe Hygiene is the new Pest Control, presented our new Hygiene & Wellbeing division, which from January 2022 pulls together our many capabilities in this area, and set out new medium-term performance targets for the Group. We believe this updated structure will be simpler for stakeholders and drive greater opportunities for the business. It is also of course fully in line with our purpose of protecting people and enhancing lives.

Board meetings continued to be held virtually in the first half of the year, but I was delighted to resume in-person meetings in June and for our Board members to meet each other in person again (remarkably, in Cathy Turner's case, for the first time after more than a year on the Board).

As set out in this report, we reviewed our Board calendar in early 2021 to ensure a broad range of topics were covered, adding several thought-provoking sessions across topics from internal operational risks and controls on chemicals usage to sustainability, and from evaluating growth markets of the future to responding to the impact of external regulatory and societal shifts on our business and workforce. Due to the ongoing restrictions, management often still had to present virtually, and while our hybrid-style meetings work well we have also taken the opportunity to reinforce our Board engagement activities by individual Board members joining a wider range of colleague groups than previously managed.

The planned Board visit to North America, originally due to take place in 2020, was once again postponed, but we instead had a highly successful visit to our French business in November, combining it with our annual in-depth strategic review. It is intended that the Board will now visit North America in 2022.

A brief overview of key areas considered is set out below with the following pages providing more detail on our Board's composition, corporate governance arrangements, processes and activities during 2021, together with our Board Committee reports.

Our RIGHT WAY plan

The Board considered the priorities of the Group throughout the year, with particular focus on the next evolution of our **RIGHT WAY** plan. The Board was pleased to support a range of changes, including the creation of a Hygiene & Wellbeing category, designed to make our business fit for the post-pandemic future and ready to grasp the many organic and M&A growth opportunities that our markets will present. We considered how best to present this at our Capital Markets Day, alongside a re-emphasis of the ongoing strength of our leading global position in pest control and sharing our new Group medium-term targets for revenue, profit and cash.

Key topics on the Board agenda reflected the ongoing importance of service quality, innovation and digital. Product innovation is embedded in our business' DNA and digital will be one of the key drivers of future growth. With this in mind, the Board held a special innovation day in June with key members of our Marketing & Innovation team on this critical area of differentiation from competitors.

Mergers and acquisitions

The Board was pleased to see the Group return to its usual M&A pace in 2021, completing a remarkable 52 deals in the year across 25 countries globally, including four new territories. The acquisition in August 2021 of Boecker World Holding SAL, a leading operator in the Middle East, complements our existing positions in the Gulf and elsewhere. The Board held a special Cities of the Future session in 2021, looking at target cities in emerging markets anticipated to deliver higher growth levels over the next few decades. Our route-based businesses have customer and product density at the heart of their success, so continuing to prioritise our positions in the fastest-growing urban areas of the future will be key to delivering longer-term high performance.

As a Board, a considerable amount of our time and focus was spent evaluating the proposed acquisition of Terminix Global Holdings, Inc. (Terminix). It is clearly a very significant move for the Company, and one which is firmly in line with our declared growth strategy. The combination of our strengths with those of Terminix will improve our position enormously in the world's largest pest control market. We considered the results of an extensive due diligence process, which included my own trip to meet with Terminix's Chairman and CEO in North America. The Board has conducted periodic reviews of the competitive dynamic in our key markets over a number of years. After detailed advice and full consideration of the strategic impact and opportunity this transaction represents, as well as potential risks, the Board was fully supportive and we announced the signing of the Merger Agreement in December.

The Board naturally remains highly engaged on this critical transaction, actively overseeing the intense management activity required over the coming weeks and months. Full details will be provided to shareholders in due course with the provision of a Circular and Prospectus ahead of a general meeting where we will be seeking shareholder approval for the acquisition (as well as equivalent SEC documentation for Terminix's shareholders whose approval is also required). Following receipt of shareholder approvals and the necessary regulatory consents to complete the transaction, the Board's focus will quickly shift to oversight of execution of the detailed integration plans that are already under active development, so that we can deliver on the exciting, strategic opportunity that this transaction represents.

Sustainability, culture and engagement

We continue to consider, measure and report on the environmental, social and governance (ESG) aspects of our business. Our work during 2021 has confirmed how strongly all three elements are embedded across the business, and how aligned many of their objectives are with our purpose and operational excellence agenda. From world-beating safety practices and results, to external recognition for efforts on diversity or the quality and transparency of our external reporting, the Board has been encouraged by, and strongly supportive of, the focus and drive in these important areas. They offer an additional lens through which to assess the quality of Rentokil Initial's business and management, and performance versus competitors.

The biennial Your Voice Counts (YVC) global employee engagement survey was conducted during 2021 with a record 91% of our colleagues providing responses. 25 out of 42 scores have improved since the last survey in 2019, with views on the Company's overall strategic direction and feeling informed about Company news improving the most. As well as being a purpose-driven, high-quality service provider, we want to differentiate ourselves as a world-class Employer of Choice, and it was therefore pleasing to see that 82% of colleagues are proud to work for Rentokil Initial.

My Board colleagues and I held various meetings with colleagues during 2021, providing the opportunity to learn more about working at Rentokil Initial and the business in general. It has also allowed us to share some of our knowledge and experience and this seems to have been well received with positive feedback. I look forward to continuing with this engagement, with hopefully a few more opportunities to meet with colleagues in person becoming available as travel restrictions ease.

Succession planning and diversity

During 2021, we welcomed Sarosh Mistry to the Board and it was a pleasure to finally meet him in person in Paris in November. We continue to monitor the composition and diversity of the Board and it has been impressive to see the steps being taken throughout the business on diversity, equality and inclusion, including the launch of a global management training programme.

Paul Cochrane, Regional MD for the Asia Region, is due to retire from the Company in April, having been with Rentokil Initial since 1990, and Mark Gillespie, our Managing Director of the Rest of World group of countries, will take over from Paul. Daragh Fagan, Group General Counsel and Company Secretary, is also leaving at the end of March to take up a new career in teaching. I am very pleased to welcome Rachel Canham who will be joining as Group General Counsel, and to congratulate Catherine Stead who is being promoted to take over as Company Secretary. I would like to thank Paul and Daragh for their contributions to the business and I look forward to getting to know their successors better as part of my ongoing engagement with the senior management team.

I would like to thank all our shareholders for their continuing support for the Company and would encourage them to make use of the remote facility being offered at our hybrid AGM in May if they would like the opportunity to engage with the Board. I look forward to continuing the high calibre discussions with my Board colleagues in 2022 as well as working closely with Andy, Stuart and the management team and I want to thank them for all of their efforts in 2021. Finally, our business is based on our colleagues and I would like to thank them for their continued commitment and professionalism which helped deliver another outstanding year for Rentokil Initial.

Richard Solomons
Chairman

3 March 2022

Board of Directors

Richard Solomons
Chairman

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Appointed: March 2019 and became Chairman in May 2019

Skills, experience and contribution
Richard brings to the Board deep operational and financial expertise combined with a strong commercial and strategic development track record. As former Chief Executive Officer of InterContinental Hotels Group plc (IHG), and prior to that Chief Financial Officer, he has broad experience of leading a successful multinational, as well as delivering growth in North America and Greater China, and the effective use of digital tools in service-led global businesses. These attributes enable him to provide the necessary leadership to the Board and to contribute insights relevant to many of the strategic priorities of the business, as well as experience from the key hospitality customer segment.

He is active, in parallel with the Executive Directors, in engaging with investors to ensure that their views and perspectives are considered within Board discussions.

Richard has a BA in Economics from the University of Manchester, trained as a Chartered Accountant with KPMG, and has seven years' investment banking experience in New York and London with Hill Samuel. Until May 2020, Richard was the Senior Independent Director of Aston Martin Lagonda Global Holdings plc.

Current external commitments
- Member of the Board of Governors and the Finance Committee at the University of Manchester
- Chairman of the Board and the Advisory Committee, Hotelbeds Group S.L.U. (Spain)
- NED, Mandarin Oriental International Limited (Bermuda)

Andy Ransom
Chief Executive

Appointed: May 2008 and became Chief Executive in October 2013

Skills, experience and contribution
Andy has led Rentokil Initial as Chief Executive since October 2013 and was responsible for the creation of the **RIGHT WAY** strategy. He brings a focused operational management style, together with a broad range of commercial and strategic skills gained in senior executive positions and legal roles earlier in his career, including several years in the US and Canada. He has over 30 years' experience of creating value through mergers and acquisitions (M&A) around the world, at Rentokil Initial and ICI, and he has a strong record of engaging with stakeholders, from colleagues and customers to investors, as well as creating innovative partnerships with not-for-profit organisations.

He joined Rentokil Initial in 2008, as Executive Director of the global Pest Control business, from ICI where he was part of the executive management team with operational responsibility for ICI's Regional and Industrial Division, after holding various management positions as General Counsel and head of the M&A team since 1987. Andy is a graduate of the University of Southampton (LLB) and a qualified solicitor. He is a patron of Malaria No More UK.

Current external commitments
- Vice Chair of Street League
- Senior Strategic Adviser – Business Services, Apax Partners LLP

Stuart Ingall-Tombs
Chief Financial Officer

Appointed: August 2020

Skills, experience and contribution
Stuart has extensive experience in senior operational and corporate finance roles, gained at Group level and in key operational businesses since joining Rentokil Initial in May 2007, as well as other leading organisations. Most recently, he was CFO for North America, the Company's largest business, and before that spent several years as Group Financial Controller and Treasurer before four years as Regional Finance Director for Europe, driving organisational change and enhancing growth. A deep operational understanding of key regional businesses, combined with experience at the corporate centre, will enable Stuart to make a broad contribution to the ongoing development and growth of the Group.

After qualifying as an accountant at Stoy Hayward, he worked for organisations including Lex and RAC and joined Rentokil Initial in 2007 as Divisional Finance Director for the global Pest Control business.

Stuart has a degree in Politics and International Studies from the University of Warwick and is a fellow of the Institute of Chartered Accountants in England and Wales.

Current external commitments
None

Sarosh Mistry
Non-Executive Director

N R

Appointed: April 2021

Skills, experience and contribution
Sarosh has extensive experience as a senior executive, driving organic and inorganic growth in business-to-business services, especially in North America. He has deep experience of building businesses across the healthcare, retail, facilities management, hospitality, financial services and consumer technology industries, including innovation-led growth, service line extensions and new country entries (including emerging markets in Latin America and Asia). His executive experience has been in complex, geographically dispersed and multi-site businesses operating globally.

Sarosh is Chairman of Sodexo's North American services, which include clinical technology in healthcare settings, SaaS-based digital ecosystems and food-focused delivery. He is also CEO of Sodexo's global Home Care Services business and a member of the listed group's executive committee. Prior to joining Sodexo in 2011, he worked in senior roles in major business-to-business and consumer organisations Compass, Starbucks, Aramark and PepsiCo. Sarosh has a Bachelor's degree from St John's University, Minnesota, and an MBA from the A. Gary Anderson Graduate School of Management, California.

Current external commitments
- Chairman, Sodexo North America and CEO, Home Care Services Worldwide
- Board Director, Didi Hirsch Mental Health Services

Key
A Audit Committee member
N Nomination Committee member
R Remuneration Committee member
● Committee Chair
NED Non-Executive Director
SID Senior Independent Director

Company Secretary
Daragh Fagan acts as secretary to the Board. His biography can be found on page 86.

John Pettigrew
Senior Independent Director

A N

Appointed: January 2018 and became Senior Independent Director in May 2019

Skills, experience and contribution
John has a strong track record of developing and implementing global strategies for profitable growth at National Grid, deep experience of running a major US business, a strong economic background and engineering leadership experience. His skillset includes service provision to a large commercial and residential customer base, delivering world-class levels of safety performance and driving transformational change in highly regulated environments. He also has significant experience of M&A in both the UK and US. He has broad experience of dealing with governments and regulators in the UK and US, and leading development of ESG strategies where he has driven the introduction of National Grid's first ever Responsible Business Charter which launched in 2020, and led the company's Principal Partnership of COP26 in Glasgow.

John is Chief Executive of National Grid plc, a fellow of the Institute of Engineering and Technology, and a fellow of the Energy Institute. He is a member of the UK government's Inclusive Economy Partnership, a member of the Edison Electric Institute Executive Committee, a member of the Electric Power Research Institute Board and sits on the President's Committee of the CBI.

Current external commitments
- Chief Executive, National Grid plc

Cathy Turner
Non-Executive Director

N R

Appointed: April 2020

Skills, experience and contribution
Cathy is an experienced Non-Executive Director with significant business leadership experience plus a deep knowledge of HR and remuneration matters. Her executive career, at executive committee level at Barclays PLC and Lloyds Banking Group PLC, has included responsibility for strategy, investor relations, HR, corporate affairs, legal, internal audit, brand and marketing. She brings deep experience of leading international customer-focused businesses, operating in complex, highly regulated industries and navigating highly challenging environments such as the 2008 financial crisis.

Her earlier career was in consulting and manufacturing and included roles with major audit and consultancy firms. Cathy graduated in Economics from Lancaster University. Until May 2020, she was a Non-Executive Director at Quilter plc. She is a partner at the senior advisory organisation, Manchester Square Partners.

Current external commitments
- NED and Chair of the Remuneration Committee, Aldermore Bank plc
- NED and Chair of the Remuneration Committee, Spectris plc
- NED, Motonovo Finance Limited
- Trustee, Gurkha Welfare Trust

Julie Southern
Non-Executive Director

A N R

Appointed: July 2014

Skills, experience and contribution
Julie has extensive financial experience having had a long, successful career in a number of commercially oriented finance and related roles, working for some of the world's best-known consumer brands. In her non-executive career, she has extensive experience of leading audit committees in companies undergoing rapid growth and change. Through her various roles, Julie has also gained significant exposure to commercial, legal, HR and operational challenges and responsibilities.

She was Chief Commercial Officer of Virgin Atlantic Limited between 2010 and 2013, responsible for the commercial strategy of Virgin Atlantic Airways and Virgin Holidays, having previously been Chief Financial Officer of Virgin Atlantic Limited for 10 years. In addition, Julie was previously Group Finance Director at Porsche Cars Great Britain, and Finance and Operations Director at WH Smith – HJ Chapman & Co. Ltd. She was previously a Non-Executive Director of Stagecoach Group plc, Gategroup AG, Cineworld plc and DFS Furniture plc. Julie is a Chartered Accountant, having trained with Price Waterhouse, and has a BA (Hons) in Economics from Cambridge University.

Current external commitments
- NED and Chair of the Audit Committee, NXP Semiconductors N.V. (Netherlands)
- SID and Chair of the Audit Committee, easyJet plc
- NED and Chair of the Audit Committee, Ocado Group plc

Linda Yueh
Non-Executive Director

A N R

Appointed: November 2017

Skills, experience and contribution
As an economist, corporate lawyer and financial broadcaster, Linda brings a diverse range of skills to the Board, including strong commercial experience gained through her work in corporate law and previous non-executive positions, as well as deep insights into the economic environments in the markets in which Rentokil Initial operates, including key emerging and rapidly developing markets.

Linda has acted in various advisory roles, including for the World Bank and the European Commission. Linda has obtained a BA at Yale; Master's at Harvard; Juris Doctorate at New York University; and an MA and doctorate at Oxford. Linda is a fellow at St Edmund Hall, Oxford University and Adjunct Professor of Economics at London Business School as well as Visiting Professor at the London School of Economics and Political Science (LSE). Linda is an Adviser to the UK Board of Trade and a member of the Independent Review Panel on Ring-fencing and Proprietary Trading.

Current external commitments
- Trustee of Malaria No More UK and the Coutts Foundation
- Chair of the Royal Commonwealth Society
- Chair of The Schiehallion Fund Limited and Chair of the Nomination Committee
- SID and Chair of the Nomination and Remuneration Committee, Fidelity China Special Situations plc
- NED, SEGRO plc

Board changes in 2021 and 2022

Angela Seymour-Jackson stepped down as a Non-Executive Director in May 2021.

Daragh Fagan will retire as Company Secretary in March 2022 and will be succeeded by Catherine Stead.

Executive Leadership Team

Gary Booker
Chief Marketing, Innovation and Strategy Officer

Appointed: January 2018

Role
As Chief Marketing, Innovation and Strategy Officer, Gary has overall responsibility for business strategy, brand, innovation, digital, global account sales and global marketing for commercial and residential customers.

Skills and experience
Gary's career includes former CEO and General Manager positions as well as strategy and innovation leadership roles for several high-profile businesses, including Dixons Carphone, where he was Chief Marketing Officer and oversaw its Currys and PC World brands; O2 (Telefónica) in the UK; and Electronic Arts in San Francisco, where he gained strong experience across mobile and digital marketing. Prior to that, Gary held senior roles at Dunlop Slazenger and Unipart. Gary holds an MBA in Strategic Marketing and a BSc (Hons) in Business Studies, Law and Psychology.

Paul Cochrane
Managing Director, Asia

Appointed: March 2016

Role
Paul oversees our businesses throughout the Asia region.

Skills and experience
Paul joined Rentokil Initial in 1990 as Branch Manager of the Initial Hygiene business in New Zealand. He later became Managing Director of Rentokil Initial New Zealand & Fiji, Managing Director of Ambius in the UK, Managing Director of Initial Hygiene Pacific (Australia, New Zealand and Fiji) and then Senior Vice President of Rentokil Initial Asia before becoming Regional Managing Director for Asia. Paul has a diploma in Business from the University of Auckland and a Trade Certificate of Automotive Engineering from Manukau Institute of Technology in New Zealand.

Vanessa Evans
Group HR Director

Appointed: January 2016

Role
As Group HR Director, Vanessa leads a team responsible for shaping and executing our Employer of Choice strategy, ensuring that we can attract, recruit, train, engage, reward and retain the talent we need to deliver on our business strategy and results.

Skills and experience
Vanessa has had a successful career with some of the world's best-known consumer brands. She brings valuable business experience and expertise in human resources management. She joined Rentokil Initial from RSA Group plc where she was Group HR, Communications and Customer Director. Prior to that, Vanessa was Global HR Director at Lego and Head of UK HR at GAP. She is a Fellow of the Chartered Institute of Personnel and Development and holds a BA (Hons) in Geography from Bulmershe College, University of Reading.

Daragh Fagan
Group General Counsel and Company Secretary

Appointed: Group General Counsel in September 2013 and became Company Secretary in July 2014

Role
As Group General Counsel, Daragh has overall responsibility for supporting the global growth strategy of the Group and ensuring its legal compliance. He also acts as Company Secretary to the Board of Directors.

Skills and experience
Daragh is a qualified solicitor, having trained at Herbert Smith, and has extensive experience in major listed multinational corporations, including those with significant businesses in emerging markets. Daragh previously worked at Thomson Reuters as General Counsel, Europe & Asia, and General Counsel, EMEA of Reuters Group plc. Before joining Reuters, he spent 10 years working in the oil and gas industry for the Italian multinational Eni SpA. Daragh has an MA (Hons) in History from Cambridge University.

Chris Hunt
Group M&A Director

Appointed: July 2019

Role
Chris leads Rentokil Initial's efforts to identify, evaluate, negotiate and integrate acquisitions and disposals, ensuring that the deals add value.

Skills and experience
Chris joined Rentokil Initial in 2012 as Head of M&A and has completed more than 300 deals for the Group. Prior to joining Rentokil Initial, Chris held various senior roles at AstraZeneca plc, including Head of Finance at AZ UK's Marketing Company, Corporate Strategy Director and Group M&A Director, and prior to that was a Director at KPMG Transaction Services. Chris has extensive operational finance, business development and corporate finance experience. He is a Chartered Accountant and sits on the ICAEW's Corporate Finance Faculty Board. He holds a BA (Hons) in Accounting and Computing from the University of Kent, Canterbury.

Alain Moffroid
Managing Director, Europe

Appointed: March 2016

Role
Alain oversees our businesses throughout the Europe region.

Skills and experience
Alain joined Rentokil Initial in 2013 as Managing Director, Pacific and became Managing Director, Europe in September 2019. He joined from Unilever where he held a number of senior roles across multiple geographies. He has significant experience in marketing, sales and business development acquired during 23 years with Unilever in Europe, Asia and Pacific. Alain is a dual national Belgian/Australian and is fluent in English, French and Dutch. He holds an MSc in Business from the Solvay Business School, University of Brussels.

John Myers
Managing Director, North America

Appointed: October 2013

Role
John oversees our businesses throughout the North America region.

Skills and experience
John joined Rentokil Initial in 2008 as President and Chief Executive of the Pest Control division in North America. Previously, John held various senior management roles at Cintas Corporation. Prior to that, he was President and Chief Executive at BioQuest LLC. John has a diverse business background, with extensive sales, marketing and business strategy experience. He is a graduate of the University of Vermont where he earned a Bachelor's degree in Business Administration. He also holds an MBA from Mercer University in Atlanta.

Mark Purcell
Chief Information Officer

Appointed: April 2019

Role
Mark's role is to ensure a 'safe and secure first' approach is applied to Rentokil Initial's global IT systems and infrastructure. With his team, he works alongside the regional and functional teams to ensure that the IT strategy and investment is aligned to business priorities.

Skills and experience
Mark joined Rentokil Initial in 1988. He later became Global IT Delivery Director, UK Hygiene and Textiles IT Director, Pest Control and Ambius Division IT Director, IT Director for UK & Rest of World, and then CIO Europe, before becoming Group CIO in April 2019. Mark has significant experience in business transformation, change management and project/programme management, as well as expertise in M&A integration. Mark's early career was with the Civil Service where he held an executive officer position in IT.

Executive Leadership Team
The Executive Leadership Team (ELT) supports the Chief Executive in managing the business at Group level, overseeing safety, performance, operational plans and actions, governance and risk management. The ELT meets fortnightly and the Regional Managing Directors of our Latin America and Rest of World territories attend all meetings.

Andy Ransom and Stuart Ingall-Tombs are also members of the ELT. Their biographical information can be found on page 84. The Chief Executive chairs the ELT.

ELT changes in 2022
Paul Cochrane, Managing Director, Asia, will retire at the end of March 2022 and Mark Gillespie, currently Managing Director for Rest of World, will succeed him as Managing Director, Asia and MENAT. In addition, Daragh Fagan will be retiring as Group General Counsel and Company Secretary at the end of March 2022. Rachel Canham will join the ELT as Group General Counsel in April 2022.

Andrew Stone
Managing Director, Pacific

Appointed: September 2019

Role
Andrew oversees our businesses throughout the Pacific region.

Skills and experience
Andrew joined Rentokil Initial in 2013 as Finance Director, Pacific, before becoming Managing Director, Pacific in September 2019. Previously, Andrew had held a number of senior finance and sales roles at Unilever within Australasia. He has extensive commercial, finance and supply chain experience.

Andrew is a Certified Practising Accountant and earned Bachelor degrees in Economics and Law from Sydney University. Additionally, he holds a Master's of Management from Macquarie Graduate School of Management and a Master's of Professional Accounting from Southern Cross University.

Brian Webb
Group Operations Excellence Director

Appointed: August 2019

Role
Brian is focused on driving technical and operational improvements across the Group alongside the leadership of the global procurement function and supply chain network.

Skills and experience
Brian joined Rentokil Initial in 2011 as Supply Chain Director for Hygiene and Pest Control and has gained additional responsibilities, including Group Procurement, Workwear Supply and European Operations over the years. His career has included roles in engineering, production management and operations, mainly in the food and beverage sector, with global companies such as SABMiller, Mars Confectionery and Sara Lee. Brian is a Chartered Engineer (CEng) with an MSc in Engineering from Witwatersrand University (South Africa) and an MBA from Henley Management College (UK).

Phill Wood
Managing Director, UK & Rest of World[1]

Appointed: October 2013

Role
Phill oversees our businesses throughout the UK & Rest of World region.

Skills and experience
Phill joined Rentokil Initial in 2006, holding various senior Pest Control roles in Europe before his appointment to lead the UK businesses – Pest Control and Hygiene in 2009. He became Managing Director of UK & Rest of World in 2013. Prior to joining Rentokil Initial, Phill held a number of top management positions at Lex Services/RAC plc where he served for 15 years. Phill has extensive commercial and business development experience. He is a Chartered Management Accountant and holds a BSc (Hons) in Management Science from Loughborough University.

1. Managing Director, UK & Sub-Saharan Africa from 1 April 2022.

Corporate Governance Report

Statement of compliance

The principal governance framework applying to the Company is the UK Corporate Governance Code, the latest edition of which was published in July 2018 (the Code). The Code is published by the Financial Reporting Council (FRC) and the full text is available on its website at **frc.org.uk**.

The Company has complied throughout 2021 with all the provisions in the Code other than provision 36, which only became formally compliant following the approval of our Directors' Remuneration Policy by shareholders in May 2021, and provision 38. Provision 36 relates to a formal policy for post-employment shareholding requirements while provision 38 relates to the pension contribution rates for Executive Directors. A full explanation is provided in the Remuneration section below. Information on how the Company has applied the principles and complied with the supporting provisions during the year can be found throughout the Annual Report.

Details of where key information can be found are provided below.

1 Board leadership and company purpose

Long-term value

The Directors of the Company are set out on pages 84 and 85.

Our business model is set out on page 28, our strategic priorities are on pages 20 and 21, and our strategy by category can be found on pages 36 and 44.

Principal risks are on pages 74 to 79. A description of how these have been considered by the Board throughout the year is given on pages 91 to 95.

Purpose and culture

Our purpose and values are set out on page 16 and a summary of our culture is provided on page 51. The Board's ongoing monitoring of the Company's culture and values is outlined on page 89.

Stakeholders

Our key stakeholders are set out in the Strategic Report on pages 30 and 31. The section 172(1) statement, setting out how the Directors have had regard to stakeholders when undertaking their duties, can be found on page 72. Details of how the Board understands the views of key stakeholders are provided on pages 96 to 98.

Significant votes against a resolution

Two resolutions received less than 80% support at our AGM held in May 2021. These related to our new Directors' Remuneration Policy and an amendment to our Performance Share Plan rules to mirror the proposals in the Policy. Full details can be found on pages 96 and 121.

2 Division of responsibilities

Role and independence of Directors

At least half the Board, excluding the Chairman, are considered independent. Full details are provided on page 100.

Board and Committee meetings

A table detailing the number of meetings and Director attendance for the Board and the Audit, Nomination and Remuneration Committee meetings held during 2021 can be found on page 89.

Directors' significant external commitments

Details of the Board's current external commitments are provided in their biographies on pages 84 and 85. The Board's approach to external commitments and the significant external appointments considered during the year are on page 100.

3 Composition, succession and evaluation

The Nomination Committee Report can be found on pages 111 to 114.

Diversity and inclusion

Details of our diversity policy and key measurements are contained in the Responsible Business section on page 53. The Board's oversight of diversity and inclusion, and details of the Board diversity policy are provided in the Nomination Committee Report on pages 113 and 114.

Director appointment and succession planning

The Nomination Committee has responsibility for ensuring the correct balance of skills, experience and knowledge, and oversees succession planning. Full details are provided in the Nomination Committee Report on pages 112 and 113.

Board evaluation

The Board, Board Committees and individual Directors undertake a review annually. A description of the process undertaken during 2021 is provided in the Corporate Governance Report on pages 101 and 102.

4 Audit, risk and internal control

The Audit Committee Report can be found on pages 103 to 110.

Risk reporting

Our approach to risk management and internal control is set out on pages 73 to 79, along with the Group's principal risks. The Board's oversight of risk management and the internal control framework is set out on page 102 and further details on risks and controls are provided in the Audit Committee Report on pages 108 and 109.

Other reporting requirements

The Board's approach to ensure a fair, balanced and understandable report is provided on page 102. The going concern statement can be found on page 214 and the viability statement is on page 80.

The statement of Directors' responsibilities is on page 214.

5 Remuneration

The Remuneration Committee Report can be found on pages 115 to 136.

The current Directors' Remuneration Policy was approved by shareholders at our AGM in May 2021. Details of how the policy was applied during 2021 and how the Remuneration Committee has undertaken its duties can be found in the Directors' Remuneration Report.

Provision 36 of the Code states that the Remuneration Committee should develop a formal policy for post-employment shareholding requirements encompassing both unvested and vested shares. As communicated last year, while we had several provisions already in place, a formal post-employment policy was incorporated as part of our Directors' Remuneration Policy which was approved by shareholders at our AGM in May 2021, and we are now operating in compliance with this provision of the Code.

Provision 38 of the Code states that the pension contribution rates for Executive Directors, or payments in lieu, should be aligned with those available to the workforce. With the adoption of our Directors' Remuneration Policy following our AGM in May 2021 the pension entitlement for new Executive Directors will now be in line with the UK workforce, currently 3% of base salary. However, our Chief Executive was already in role at the time of the introduction of the new Code, with a contract that entitled him to a pension equal to 25% of his salary. Despite the contractual obligations, as previously communicated, the Remuneration Committee reached an agreement whereby the Chief Executive's pension contribution would be frozen at the 2019 amount and will be reduced to be in line with the wider workforce by the end of 2022, when we will be fully compliant with provision 38. This phased reduction was communicated to shareholders as part of the Directors' Remuneration Policy engagement last year.

Values and culture

Our culture is characterised as customer focused, commercial, diverse, down to earth and innovative (see page 51 for more details). Our longstanding values of service, relationships and teamwork, and our culture underpin our ambition to be a world-class Employer of Choice. The Board regularly monitors the status of these to ensure that our culture is aligned with our business goals and is right for our people and purpose. To monitor this effectively, we have identified some key metrics which the Board receives detailed reports on twice a year as part of its update on culture, progress on our Employer of Choice agenda, and workforce engagement. Focus this year was on recruitment and retention as well as training and development, diversity and inclusion, and information on our Employer of Choice strategy for Gen Z (see page 93 for more details).

One of the key methods for both senior management and the Board to monitor culture is to analyse the results of the YVC colleague survey which is carried out every second year and which includes questions mapped to each of the five core culture themes in our culture model to provide a score and trend for each at a Group, functional and regional level. We have also identified 12 questions in the survey to create a Core Culture Index. In 2021, our Core Culture Index was 81%, a 1% increase since the last survey in 2019. Full details can be found on pages 51 and 52.

Examples of other ways that the Board monitors and assesses culture include:

- monitoring Sales and Service colleague retention rates;
- monitoring content and usage of the U+ online learning platform and other means of delivering training and development;
- the results of employee pulse surveys;
- external views such as Glassdoor ratings; and
- mental health awareness and other employee campaigns. In 2021, these included management training on mental health and wellbeing, and a pilot training colleagues as Mental Health First Aiders.

The Audit Committee also monitors culture through its oversight of:

- confidential reporting via the Company's Speak Up facility; and
- compliance failures, such as incidences of fraud.

The Board and its Committees consider other methods of measurement throughout the year as part of their ongoing engagement with stakeholders as set out on page 96. Our approach to investing in and rewarding our colleagues can be found on pages 54 and 128.

The Board's culture update twice a year also includes an overview on the Company's approach to diversity, equality and inclusion, alongside data which allows the Board to monitor the Company's progress in this area. Further details on fostering a diverse and inclusive culture can be found on pages 53 and 128.

Board composition

The Board currently comprises a Non-Executive Chairman, two Executive Directors and five Non-Executive Directors whose key responsibilities are set out on page 99. They are advised and supported by the Group General Counsel & Company Secretary. You can find full details of the Board members who served during 2021, and in 2022 to the date of this report, on pages 84 and 85.

Non-Executive Directors have regular opportunities to meet members of the executive management team (see page 97) and also have an annual meeting with the Chairman to allow discussion without executive management present. A Nomination Committee, comprising all the Independent Non-Executive Directors and chaired by the Chairman, is responsible for managing the appointment process, to ensure a formal, rigorous and transparent procedure for appointing Directors.

Sarosh Mistry joined as a Non-Executive Director on 1 April 2021 and we provided details in our 2020 Annual Report of the recruitment process undertaken. He became a member of the Nomination and Remuneration Committees from his date of appointment. Angela Seymour-Jackson stepped down as Non-Executive Director following the conclusion of our AGM in May 2021 and Cathy Turner has succeeded her as Chair of the Remuneration Committee.

You can find further information on appointment and succession planning in the Nomination Committee Report on pages 112 and 113. The Board considers that it and its Committees have an appropriate composition to discharge their duties effectively and to manage succession issues. The Board keeps its membership, and that of its Committees, under review, to ensure it maintains an appropriate balance.

Meetings and attendance

The Board met a total of 12 times during the year. Of these, eight meetings were scheduled meetings and the rest were additional meetings, which were arranged due to ongoing M&A activity. A Committee of the Board met four times for scheduled meetings in relation to the release of financial results and trading updates. In addition, a Board Transaction Committee was formed with authority from the Board to approve elements of the proposed Terminix acquisition. This Committee met twice in December. The membership and attendance at Board and Committee meetings during 2021 is shown below. Three Board meetings were held in person with the rest being held virtually due to ongoing COVID-19 restrictions.

Sarosh Mistry was unable to join two Committee meetings in December due to a conflicting commitment which could not be rearranged. While we work hard to avoid conflicts with the other commitments of Board members, setting our calendar up to three years in advance, it is sometimes impossible to avoid, particularly with a new Non-Executive Director. John Pettigrew was unable to attend an additional Board meeting which was called at short notice due to an existing commitment.

Where a Director is unable to attend a meeting, they will still receive papers in advance of the meeting and the Chairman or Committee Chair would seek the individual's views ahead of the meeting and brief them on the outcome. It is pleasing to note the ongoing commitment demonstrated by our Board and their high level of attendance. We believe that all Directors have sufficient capacity to perform their roles effectively (see more on external commitments on page 100).

Board and Committee attendance in 2021

	Board		Audit Committee	Nomination Committee	Remuneration Committee	Overall attended
	Scheduled	Additional				
Number of meetings held						
Directors						
Stuart Ingall-Tombs	8/8	4/4	–	–	–	100%
Sarosh Mistry[1]	6/6	3/3	–	2/3	2/3	87%
John Pettigrew	8/8	3/4	5/5	4/4	–	95%
Andy Ransom	8/8	4/4	–	–	–	100%
Richard Solomons	8/8	4/4	–	4/4	–	100%
Julie Southern	8/8	4/4	5/5	4/4	4/4	100%
Cathy Turner	8/8	4/4	–	4/4	4/4	100%
Linda Yueh	8/8	4/4	5/5	4/4	4/4	100%
Former Directors who served for part of the year						
Angela Seymour-Jackson[2]	3/3	1/1	–	1/1	1/1	100%

1. Sarosh Mistry was appointed to the Board on 1 April 2021.
2. Angela Seymour-Jackson resigned from the Board on 12 May 2021.

Governance framework

The Board

The Board's role is to set the strategy to create sustainable, long-term value for shareholders and other stakeholders. It governs within a framework of prudent and effective controls that enable it to manage and assess risk. The Board strives to operate in a constructive, ethical and transparent manner at all times, and to set the tone for the rest of the business.

Matters reserved for the approval of the Board are set out in writing and reviewed annually. They are available to view on our website.

Biographies on page **84** Strategic priorities on page **20** Key activities during 2021 on pages **91** to **93**

INFORMING ↓ ↑ REPORTING

Board Committees

Audit Committee
Provides effective financial governance and oversees the Group's financial and narrative reporting, risk management and internal control environment, and the external and internal audit process.

Find out more on pages **103** to **110**

Nomination Committee
Ensures the correct balance, structure and composition of the Board and its Committees, and reviews Board and executive succession planning, talent programmes, and diversity and inclusion.

Find out more on pages **111** to **114**

Remuneration Committee
Reviews and agrees with the Board the remuneration framework, determines the remuneration packages of the Executive Directors and senior management, and considers workforce remuneration arrangements.

Find out more on pages **115** to **136**

INFORMING ↓ ↑ REPORTING

Chief Executive and the Executive Leadership Team

The Board delegates the execution of the Company's strategy and the day-to-day management of the business to the Chief Executive and the Executive Leadership Team (ELT). The Chief Executive cascades authority to the wider management team through a documented Group Authority Schedule, which the Board reviews annually.

Q&A with our Chief Executive on page **18** Biographies on pages **84**, **86** and **87**

INFORMING ↓ ↑ REPORTING

Management Committees

Operating under delegated authority by the Board to the Chief Executive and Chief Financial Officer, these Committees each have specific remits and authority to approve decisions within set limits.

Disclosure Committee
Comprising the Chief Executive, Chief Financial Officer, Group Financial Controller and the Group General Counsel, it supports the Board's responsibility for the accuracy and timeliness of external disclosures and compliance with the Market Abuse Regulation.

Treasury Committee
Comprising the Chief Financial Officer and four other senior functional executives, it reviews and approves the capital structure and financing strategy, as well as risk and cash management.

Group Risk Committee
Comprising the Chief Financial Officer and six other functional executives, it monitors the internal control environment and emerging external risks, and reviews internal policies and procedures for identifying, assessing and reporting risks, meeting quarterly. Details of its discussions are reported to the Audit Committee.

Investment Committee
Comprising the Chief Executive, Chief Financial Officer, Group Financial Controller and the Group General Counsel, it reviews and approves investments below the threshold requiring Board approval, including M&A and expenditure on property and environmental remediation. It also conducts post-acquisition reviews of completed M&A transactions and reviews material litigation quarterly.

This governance framework provides the Board with confidence that the appropriate decisions are taken at the appropriate levels, and further allows the Board to ensure it meets its obligations to our shareholders and other stakeholders. Our shareholders and other key stakeholders can play an important role in our governance framework. For details on how we engage with our shareholders, see pages 31 and 98.

Board activities in 2021

Board meeting discussions are structured using a carefully tailored agenda that is agreed in advance by the Chairman, in conjunction with the Chief Executive and Company Secretary. Each scheduled meeting starts with a review of safety, health and environmental performance. The Board also receives verbal reports from the Chairs of our Board Committees on the proceedings of those meetings, including the key discussion points and particular matters to bring to the Board's attention.

A typical Board meeting will comprise reports on operational and financial performance, legal and governance updates and one or two detailed deep dives into areas of strategic importance or areas of risk. Board meeting agendas during 2021 included consideration of the matters set out below.

These are non-exhaustive and detail the breadth of oversight provided by the Board in order to discharge responsible leadership.

The Board recognises the value of understanding the views of its stakeholders and their importance in the ability to deliver our strategy and purpose.

The Group's key stakeholders and their differing perspectives are taken into account as part of the Board's discussions. Detailed examples of this in relation to key principal decisions taken by the Board during the year can be found on pages 94 and 95. More information on the methods of engagement is provided on pages 96 to 98.

The 1 – 6 icons used in this section correspond to Our 'Big Six' Challenges as set out on pages **20** and **21**

Board activities in 2021

Strategy

'Big Six' challenges 2 3 5

In addition to annual strategy away day discussions, the Board monitors the Group's performance against the defined strategy throughout the year. This includes updates by the Chief Executive at each scheduled Board meeting, performance management reports from the Chief Financial Officer on financial and non-financial KPIs, and conducting regional business and functional reviews. The Chief Executive's update includes an overview of health and safety results, operational business performance, investor relations, M&A, competitor activity and people matters. The ongoing impact of the COVID-19 pandemic was considered as part of these updates, particularly in the earlier part of the year.

In June, the Board participated in an innovation day at the Power Centre as detailed below. As part of the discussion, the Board considered the proposed announcements and key messages for the Capital Markets Day that took place in September (see page 98), as well as subsequently approving the proposed adjustments to the Group's medium-term financial targets (see page 95).

In 2021, the Board undertook regional deep dives with the management teams for North America, Pacific and Asia. In November, the Board visited the business in France and discussed the performance and forward plan for the Workwear, Hygiene and Pest businesses in France with the country management teams as well as a dedicated session on sustainability and ESG in France and an update on the Europe region.

As part of the overseas visit, in-depth strategy sessions were held where the Board considered the performance of the Group's businesses in 2021 and key growth opportunities, including growth opportunities in core Hygiene, outside the washroom and in new geographies. Key risks were also noted, including concerns about ongoing labour and supply chain issues in some countries as a result of the pandemic.

The presentations held over two days focused on the medium-term strategic plan for the Group and set out the next phase of our **RIGHT WAY** plan, including from January 2022 a new regional structure (see page 17), a new Hygiene & Wellbeing category (see page 5), a new Group Leadership Forum (see page 92) and new higher financial targets (see pages 7 and 95). One of our brokers, Goldman Sachs, also joined to provide an external perspective on the Company.

The Board considered opportunities to drive functional excellence, reduce costs and enhance productivity. The Board discussed presentations from management during the strategy sessions, including the opportunities identified and the methodology being considered, and approved the Group's strategy update.

Throughout the year, the Board considered transformational M&A opportunities, receiving presentations on potential acquisition cases which culminated in the proposed acquisition of Terminix as described on pages 15 and 94. The Board receives regular reports that allow it to assess culture within the Group, to ensure it is aligned with strategy and the Group's purpose (see page 16).

The Board also reviews and approves any customer and supplier contracts over an agreed threshold.

Strategic deep dives

Innovation day

The Board took part in a visit to the Power Centre, our science, innovation and training academy in the UK, which included a tour of the facilities and presentations from senior management. Presentations included a review of the pest control landscape and digital opportunities, as well as consideration of our innovation and technology pipeline. The second part of the agenda focused on our Hygiene business, including opportunities and core levers for growth. As part of the presentations, the content to be shared with investors at our Capital Markets Day was reviewed (see page 98). The Board also toured our newly extended and refurbished UK Head Office, following a review of site occupation and consolidation following the COVID-19 pandemic.

Cities of the Future

In June, the Chief Marketing, Innovation and Strategy Officer, Gary Booker, along with two colleagues, presented a session on future growth plans and bespoke analysis undertaken to assess opportunities in the Cities of the Future. This identified those global urban centres, often in emerging markets, that are forecast to grow and develop at accelerated rates, and which could underpin the future long-term growth of the business. This project would help prioritise future M&A activity and set out the rationale for the Group to develop its presence in a more structured way. The Board discussed and was supportive of this approach to developing the strategy. More details on Cities of the Future can be found on page 14 and throughout the Strategic Report.

Board activities in 2021

Safety, health and environment

'Big Six' challenges 6

Similar to senior management meetings, the first item on the agenda for each scheduled Board meeting is a review of safety, health and environmental performance. In this, the Board receives updates from management on health and safety performance, including KPIs, and consider any serious incidents during the period, including any root causes and any actions or learnings as a result (see page 97 for an example). In the second half of the year, the Board started to receive updates on the SHE Leading Indicators which were implemented in Q1 2021 to complement our longstanding Lost Time Accident (LTA) and Working Days Lost (WDL) KPIs (see page 24). Three global indicators were introduced and the regions selected an additional one to three indicators that were key to their current SHE programmes and level of SHE maturity. Examples of indicators include fumigation audits, and colleague training in our SHE Golden Rules and technical standards (Pink Notes) (see also our risk section on page 78).

Throughout 2021, the Board also considered our broader sustainability strategy. At the strategy day in November, a special session was held on environmental, social and governance (ESG) matters which included a review of the Group's 20 key activities on our journey to net zero (see page 58). The latest corporate governance and climate-related developments were considered, including the new mandatory requirement to report under the Task Force on Climate-related Financial Disclosures (TCFD) recommendations (see pages 58 to 65 for our TCFD reporting) and the impact of investor guidance and environmental pressure groups. The Board considered a peer review for ESG and discussed the internal progress on key environmental priorities and challenges. As the importance of environmental sustainability continues to grow for all stakeholders, this rapidly developing area will continue to be an area of focus for the Board.

In December, the Board approved the recommendations from the Audit Committee on the approach to reporting the impact of climate change in the Group's financial statements (see page 107 of the Audit Committee Report for more information).

Strategic deep dive

Chemicals update

Following a session on Operations excellence in January (see page 93) the Group Operations Excellence Director, Brian Webb, presented a detailed update on chemical usage within the business to the Board at its meeting in September 2021. The Board considered the related hazards and the structures, resources and control protocols within the business to manage or mitigate these risks (see risk section on page 78), and how they are ensuring chemicals-related issues in safety incidents are kept to very low levels.

Board activities in 2021

Governance and compliance

'Big Six' challenges 6

The Board received recommendations from the Nomination Committee on its composition during the year, and the approvals for Director changes given during 2021 are set out on page 89. A Board evaluation process is also undertaken annually as detailed on page 101. The Board receives regular updates from the Chief Executive on any changes to senior management or the governance framework which may impact how information is either disseminated throughout the Group or flows up to the Board. In 2021, the Board reviewed the decision to replace the Senior Leadership Forum (c.25 colleagues) with a new Group Leadership Forum (c.80 colleagues) from January 2022. It is hoped that the new Forum will be an important enabler to drive the broader, faster deployment of key initiatives.

In May 2021, we held our first hybrid AGM, albeit with a closed physical meeting due to the ongoing UK government restrictions. While the change in format did not result in an increased attendance level as hoped, 78% of our issued share capital voted at the meeting. Having considered the options available, the Board was supportive that the AGM in May 2022 will once again be held as a hybrid meeting (see page 96).

The Board monitors governance procedures and practices and has oversight of forthcoming governance developments, receiving two briefings a year from the Company Secretary. In 2021, the Board and Audit Committee considered the Department for Business, Energy and Industrial Strategy (BEIS) consultation, 'Restoring trust in audit and corporate governance', and reviewed the Company's detailed consultation response ahead of its submission. The Board also reviewed the Group's share dealing code in light of the Financial Services Bill and the UK leaving the EU, and approved the Company's Modern Slavery Statement and Gender Pay Report, both of which are available on our website.

The Group HR Director provides two updates a year on workforce engagement, culture and our Employer of Choice agenda. The update for the second half of the year was provided in early 2022 and included the results of the YVC colleague survey (see page 52).

Board activities in 2021

Mergers and acquisitions (M&A)

'Big Six' challenges 4

The Chief Executive provides updates on current M&A activity as part of his report to the Board at each meeting. He also regularly provides updates on the status of the M&A pipeline. The Board reviews transactions of a sufficient size that require Board approval or which result in the Group operating in a new territory.

During 2021, the acquisition of Boecker World Holding SAL completed (see page 95) and the Board approved three other acquisitions (two due to the value and one due to it involving entry into a new territory). The Board regularly monitors its competitors and during the year a significant portion of the Board's time was spent considering the opportunity of a large deal with Terminix.

As detailed on page 94, this culminated with the announcement in December that the Company would acquire Terminix in 2022, subject to regulatory and shareholder approvals.

Twice a year, the Board undertakes a post-investment review of acquisitions in aggregate to assess the performance of the total investment in acquisitions which completed in the prior 12–30 months, including the delivery against business cases and execution of integration plans. These confirmed the ongoing rigour and aggregate performance of the M&A strategy against investment criteria and key metrics.

Board activities in 2021

Financial management

'Big Six' challenges 1 2 3 4 5 6

The Chief Financial Officer updates the Board on the financial performance of the Group at each meeting. In the second half of 2021, a new Group KPI report was also provided as standard, which alongside financial KPIs also provided strategic KPIs, including SHE, Employer of Choice, sales and service metrics.

As part of the Board's review and approval of the annual operating plan which takes place each year, in 2021 the Board requested a detailed review of the Group's weighted average cost of capital (WACC). This was provided by the Chief Financial Officer in June and it was agreed that WACC would be reviewed by the Board on an annual basis in the future.

The Board considers the reporting of the financial performance, approving financial results and regulatory announcements during the year. In December, the Board also considered the correct approach for reporting climate change risk in the financial statements (see page 107).

The Group's capital structure, including financing needs and funding, as well as capital allocation are considered throughout the year. In 2021, the Board approved an update to the Company's £1,000m Euro-Commercial Paper Programme.

Following consideration of the Group's dividend policy, the impact of the COVID-19 pandemic and the financial performance of the Group, the Board approved dividends resuming in 2021, having suspended dividend payments during 2020. The Board declared an interim dividend for 2021 of 2.09p and is recommending a final dividend for 2021 of 4.30p per share. This equates to a full year dividend of 6.39p per share, an increase of 18.1% compared to 2020.

The Board also considered and approved the Company's treasury policy and tax strategy. The tax strategy was approved in November 2021 and is available on the Company's website.

Strategic deep dive

Competitor benchmarking analysis

In July, the Board received a presentation from the Group Financial Controller on peer financial benchmarking over a five-year period, and the Board considered cash generation, gross margins and market variations. The Board discussed a proposed action plan which had been created to target certain improvements, following similar discussions held at the ELT, Finance Leadership Team and Senior Leadership Forum meetings. As part of the discussion, the Board considered customer pricing and future plans to undertake detailed customer research. It was agreed that the proposed actions should proceed as planned.

Board activities in 2021

Risk monitoring and oversight

'Big Six' challenges 1 6

The Board considers risk management and internal controls effectiveness throughout the year during its review of business strategy and performance, and during the regular engagement and consultations with executive management. The Board also gains assurance that risks are being identified, effectively managed and where possible mitigated from the work of the Audit Committee. The Board undertook a review of the effectiveness of the Group's risk management and internal controls systems in 2021, which were found to be effective.

Other areas of focus include an annual briefing on IT security (which in 2021 was postponed to early 2022). This provided the Board with oversight of the status of cyber resilience across the Group, the progress made and achievements completed during 2021, the current threat landscape, and the high level plans for the IT security team in 2022 to address the current risk profile. The Board also receives quarterly summaries of ongoing litigation within the Group, and in 2021 received an additional analysis of claims experienced and themes over the period 2013 to 2021. Aggregate material claims exposure at the end of 2021 was at its lowest level for the period, after a successful focus on dispute resolution and risk management.

Strategic deep dives

Risk horizon scanning

The Board received an externally facilitated session with EY in May 2021, which discussed strategic risks and opportunities for the business, focusing especially on climate change and generational shifts. The Board discussed Generation Z (Gen Z), the implications of the economic impacts that this age group had experienced, and how Rentokil Initial could ensure the continued relevance of its culture and career opportunities for its future workforce, particularly given the current challenges of attracting and retaining colleagues. The implications of climate change were also considered. It was agreed that a discussion of Gen Z should be held at a forthcoming ELT meeting given that it had not previously been discussed in depth, unlike environmental and sustainability issues. The key issues and follow-up actions for senior management were then fed back to the Board at its meeting in July. As well as considering how to be an Employer of Choice for Gen Z, it was agreed that Gen Z should be included in the ongoing review of the risk register, and the responses to colleague surveys should be analysed in relation to age cohorts to identify any important differences (see page 53).

Operations excellence

In January 2021, the Group Operations Excellence Director presented a session on technical governance and the protocols and structures in place to manage key technical risk areas.

An overview of the Group's technical standards (Pink Notes) was provided along with the training available. Chemical usage, including fumigation, and its related risks and environmental impact was discussed and the Board considered and was comfortable with the level of technical governance that is in place, although an additional session was requested to allow a more detailed discussion on chemical usage (see page 92).

Principal decisions of the Board

We consider the principal decisions of the Board to be those decisions it takes directly, rather than delegated to management or a Committee of the Board, unless considered and approved in principle by the whole Board first, and which may have a potentially material impact on the Company's strategy, a stakeholder group or the long-term value creation of the Company. We group the Board's principal decisions into the following categories: financial results; capital allocation; funding; strategy (including ESG strategy); M&A activity; supplier and customer contracts; Board changes; Company statements and other matters reserved to the Board.

Within these categories, some matters are considered less material or strategically significant, such as the approval of the Board governance manual (including changes to the Group Authority Schedule), or the issue of new shares to satisfy our executive share plan. An overview of the Board's activities during 2021 can be found on pages 91 to 93.

This contains details of the most materially significant principal decisions made during the year. In addition, examples are provided below to illustrate how the Directors have had regard to the matters set out in section 172(1)(a)–(f) of the Companies Act 2006 when making principal decisions in 2021 (these include regard to key stakeholders, including employees, communities and commercial counterparties but are set out in full in the key opposite).

More information on the Board's engagement with stakeholders and the impacts on the Board's considerations during the year can be found on pages 96 to 98. The section 172(1) statement can be found on page 72.

Key to section 172(1) considerations

- Long-term results
- Colleagues
- Our business relationships
- Communities and the environment
- Our reputation
- Fairness between our shareholders

Creating the global leader in pest control, hygiene and wellbeing

In the second half of the year, the Board spent considerable time considering the potential acquisition of Terminix Global Holdings, Inc. (Terminix), a transformational combination which we believe will make Rentokil Initial the global leader in pest control, hygiene and wellbeing. The Board held three additional meetings to consider the transaction, receiving detailed briefing notes and presentations from management and advisors. A Board Transaction Committee was also formed which met twice in 2021.

Directors' consideration of factors in accordance with section 172(1)

The acquisition is consistent with our strategy to continue acceleration of our business by building on our global leadership, through further expansion in Growth markets from M&A, and delivering material density and other operational efficiencies to drive margin improvements. It was also in the key market for the Company's Pest Control services, North America. The combination is targeted to deliver substantial value creation for shareholders from annualised pre-tax net cost synergies of at least US$150m (£113m) by the end of year three post completion.

There is a strong cultural fit, with both companies recognising that trained, motivated and empowered colleagues are at the heart of the business and that service delivery and customer care is paramount. The acquisition would result in an additional c.11,400 colleagues joining the Group. The Board considered, among other things, current employee attrition rates in Terminix, retention costs and potential synergies.

Upon completion, the combined Group will have c.4.9m customers. The additional scale and density would benefit customers by provision of highly trained experts, providing additional services to existing customers, access for Terminix's customers to innovation and digital solutions and capitalising on the combined businesses' shared strengths and expertise. Both companies share very similar visions for, and commitment to, their respective customers.

Terminix is headquartered in Memphis, Tennessee, and operates in 24 countries and territories, although with c.95% of its revenue in the US. The combined Group will continue to provide job opportunities as well as supporting the communities in which it operates and helping charitable causes through its people and community contributions. Our commitment to net zero emissions by 2040 and new, more sustainable or non-toxic products will be not be affected by the acquisition and indeed it provides an opportunity to share collective expertise in our journey towards a more environmentally friendly future.

Terminix has experienced weaker operational performance and increased exposure to customer claims in relation to termite services in recent years. The Board was able to obtain comfort from the detailed due diligence process undertaken that these issues had been carefully assessed and understood and took these risks, and the opportunities they presented if the underlying problems were successfully addressed, into account in their decision.

Due to the size of the transaction, both our shareholders and Terminix's shareholders have the opportunity to vote on the acquisition at general meetings to be held later this year.

Outcome

The Boards of Directors of both Rentokil Initial and Terminix unanimously approved the transaction and resolved to recommend that their respective shareholders vote in favour of it. The acquisition was announced to the market on 14 December 2021 as well as being communicated to all colleagues. Since then, both businesses have actively engaged with their investors and customers and the transaction is anticipated to complete in the second half of 2022, subject to regulatory and shareholder approval.

The next evolution of our RIGHT WAY plan

As set out on pages 6 and 7, the external medium-term Group financial targets were adjusted during 2021. This change was also accompanied by revised regional and category structures. The Board considered the proposed changes as part of its review of the content for the Capital Markets Day to be held in September.

Directors' consideration of factors in accordance with section 172(1)

Medium-term targets were last revised in February 2017 and while performance against those targets has been strong, market feedback was that they were believed to have become out of date given the Company's performance. The external medium-term growth target for Hygiene (excluding disinfection) had already been adjusted from 2%–3% to 4%–6% per annum at the half year for 2022 onwards and would then apply to the larger Hygiene & Wellbeing category. Pest Control remains our main platform for medium-term growth.

The revised regional structure would realign the eclectic geographic mix of Rest of World businesses (Africa, Caribbean, Nordics and MENAT) into more logical regions, creating a new Asia & MENAT region, while adding the Nordics businesses into the Europe region, and the Caribbean businesses into Latin America. The UK & Ireland business would continue to manage the Sub-Saharan Africa businesses. The regional structure changes would impact financial reporting but would not affect the colleagues who work there.

COVID-19 has changed both customer perceptions towards hygiene as a category and also customer needs themselves, in terms of providing a safe and secure environment for their customers, employees and visitors. The Board considered how these changes might provide an ongoing opportunity for us even after the pandemic's direct impact has diminished.

Due to existing market expectation of our performance, it was understood that a failure to perform to these levels would be treated the same way, with or without the targets. It was felt, however, that the timing was right to again demonstrate our ambition.

While the changes were not price-sensitive, it was agreed that a regulatory announcement should be released detailing the changes to ensure all shareholders were made aware of the changes at the same time.

Outcome

The Board approved the adjustments to the financial targets at its meeting in September and, on 28 September 2021, the Company published a regulatory announcement setting out the changes, which were also communicated to investors at the Capital Markets Day held on the same day. At the next Board meeting, the Chief Executive provided feedback from the event and the investor response to the amended targets (see page 98). He also confirmed that a communication setting out the changes had been shared with colleagues and had been well received.

Entering new territories through strategic M&A

We acquired Boecker World Holding SAL (Boecker) in August 2021. Boecker is a leading pest control and environmental health business in the Middle East, and has resulted in us entering into new territories in 2021 with the acquisition of a subsidiary in Lebanon, associated undertakings in Qatar and Nigeria and a franchise in Kuwait. Following multiple briefings and discussions, the Board approved entering into a share purchase agreement in December 2020, received regular updates during 2021 and the transaction completed, following regulatory approvals, in August 2021.

Directors' consideration of factors in accordance with section 172(1)

The acquisition expands our businesses across the Middle East and in Africa, in line with our strategy of focusing on important growth Cities of the Future. Boecker is a leader in business-to-business environmental health services, including pest management, food safety and germ control services and products, and generated revenues of c.£37m in the year prior to purchase. The transaction doubles the scale of our operations in the Middle East, where we are already the market leader in pest control.

Boecker employs c.1,100 colleagues. Due diligence concluded that it was run very similarly to our businesses, with strong management capabilities, excellent sales capability and strong customer relationships. The acquisition would enhance our existing presence in these regions with opportunities to identify best of breed people and practices across the combined business.

We already had a joint venture partner in Saudi Arabia, Rezayat, where part of the Boecker business was located, and following discussions we purchased their 40% interest ahead of completing the Boecker acquisition (see page 173). Separate meetings were held with joint venture partners and/or management teams in Qatar and Nigeria as part of the due diligence process.

Boecker operates across the UAE, Saudi Arabia, Jordan, Kuwait, Lebanon, Nigeria and Qatar (including minority interests in joint ventures and with associates), some of which were new territories for Rentokil Initial. The economic difficulties and social disturbance in the Middle East were considered in detail, including the port explosion in Beirut, Lebanon in August 2020.

Consideration was given to expanding our presence in regions with a history of political risk and instability and where human rights issues can be more prominent. It was felt, however, that there was an appropriate cultural fit and risks could be suitably mitigated.

The acquisition aligns with our strategy to identify opportunities for broader-based growth as we enter new markets and, along with our strong track record of successful M&A integration, will benefit shareholders by contributing to a long-term return on their investment.

Outcome

The Board concluded that investments and growth in the Middle East continue to provide rewards that outweigh the risks. The combination was transformational in terms of management capability, customer offerings, geographic reach and scale in the region and would benefit the Group as a whole. Following the necessary regulatory approvals being received, we announced as part of our interim results an agreement to enter into a merger and acquisition transaction with Boecker in July 2021 and the deal completed on 3 August 2021. The combined company has rebranded as Rentokil Boecker. Further details of the transaction can be found in the Financial Review on page 145.

2022 Annual General Meeting

The Board welcomes the opportunity to enter into dialogue with both private and institutional shareholders at the Company's Annual General Meeting (AGM) and views it as an opportunity to engage with all our shareholders on the performance of the business they own.

For the first time, we held a hybrid meeting for our AGM in May 2021, although only the Directors were able to attend the physical part of the meeting due to government restrictions as a result of the COVID-19 pandemic in force at the time. Shareholders were able to join virtually to listen to the meeting, ask questions and vote on the proposed resolutions. While shareholder attendance was below previous years, it is hoped that this will increase as this type of meeting becomes more common among companies and the technology becomes more familiar. As we believe that this type of meeting makes engagement with the Board more accessible to a broader range of shareholders, we have decided once again to hold a hybrid meeting in 2022. As approximately 35% of our shareholders are now based in North America, the AGM will also be held slightly later in the day to allow them to join more easily should they wish to do so.

The 2022 AGM will be held at, and be broadcast via live webcast from, the Company's offices at Compass House, Manor Royal, Crawley, West Sussex, RH10 9PY from 3.00pm on 11 May 2022. While we hope that there will be no government-imposed restrictions on public gatherings or travel which will prevent shareholders being able to attend in person, we will continue to monitor the latest guidance and any updates will be communicated via our website at **rentokil-initial.com/agm**. The health and safety of our shareholders and colleagues is always our utmost priority, and we therefore request that any shareholder who wishes to attend undertake a lateral flow test on the morning of the meeting and that no one attends if they are experiencing any COVID-19 symptoms. Tea and coffee will be available after the meeting, but no other catering will be provided. We continue to encourage our shareholders to join the AGM safely and securely via the live webcast, where they will be able to engage in all elements of the meeting. Questions can also be submitted in advance of the meeting by emailing chairman@rentokil-initial.com.

A separate Notice of Meeting, containing both an explanation of the items of special business and full details of how to join the meeting remotely, has been sent to shareholders and is available on our website.

Statement on 2021 AGM votes against

At the Company's AGM held on 12 May 2021, 20% or more of votes were cast against the resolution for the proposed Directors' Remuneration Policy (resolution 2) and the resolution for related amendments to the Company's Performance Share Plan (PSP) rules (resolution 4). In the announcement released immediately following the AGM, the Board noted the outcome and that a significant majority of shares voted (77%) were in favour of the Directors' Remuneration Policy, including 19 out of our 20 largest shareholders.

As detailed in the Company's 2020 Annual Report, we consulted at length with the Company's largest shareholders as well as proxy advisors, Glass Lewis, the Investment Association and ISS, on the proposals set out in the Remuneration Policy. When considering the proposed changes, the Board recognised the sensitivities surrounding executive pay, particularly in the economic context of the COVID-19 pandemic. Subsequent to the meeting, we received two letters from investors explaining why they had not supported the resolutions, with one citing that any increase in the size of awards under a short-term or long-term incentive scheme should be accompanied by a corresponding increase in performance expectations and the other stating that the proposed increases in potential opportunity were not considered aligned to best practice. However, given the level of support from our largest shareholders, the Board remained of the view that the policy changes were in the best interests of the Company and its shareholders, and therefore implemented the new Directors' Remuneration Policy without any further shareholder engagement. The related amendments to the Company's PSP rules were also implemented without any further changes. Details on how the new policy has been implemented during 2021 can be found in the Directors' Remuneration Report.

Stakeholder engagement

We ran a detailed stakeholder-mapping exercise in 2019 to assess whether we had correctly identified our key stakeholders. As there have been no significant changes to the Group's businesses or operations since, the key stakeholder groups have remained the same. We set out information on our key stakeholders on pages 30 and 31, including their key issues and impacts, as well as how our businesses and management engage with these groups. We will monitor this following the acquisition of Terminix and determine whether another review is appropriate at that stage.

The following two pages provide details of how the Directors receive information about our key stakeholders, alongside some examples of engagement the Directors undertook in 2021. You can find our section 172(1) statement, which describes how the Board has regard to key stakeholders, on page 72, with examples of principal decisions taken in 2021 and the regard for stakeholders in its considerations on pages 94 and 95.

In considering the Board's engagement with the Group's workforce, we believe our existing arrangements for workforce engagement are as appropriate as the proposed methods set out in the UK Corporate Governance Code. Having regard to the size, distribution and scale of our businesses and our dispersed, global workforce, totalling approximately 46,000 people in 88 countries, we feel the existing framework of local and regional engagement tools, which flow up to the Board and are supplemented with individual Director engagement, remains effective.

Management reports to the Board regularly on performance measures such as colleague retention, YVC survey results and Glassdoor ratings. We expect each Non-Executive Director to engage individually with a range of colleagues, so they bring back their experiences to discuss with the Board. They do this by visiting technicians or customers, having discussions with relevant management teams across different regions or functions, adding visits to local Rentokil Initial operations to their other travel plans, or attending town hall sessions or management meetings.

We also identify ways for individual Board members and the Board collectively to engage with target groups across the year. Unfortunately, many direct Board engagement opportunities planned for 2021 were again affected by pandemic and associated restrictions on meeting and travel, as was the potential of our 'ride-along' opportunities to meet customers. There were exceptions, such as our Capital Markets Day, which we were able to hold as an in-person event (see page 98), but in the main, we were again restricted to virtual events or normal business correspondence. We did, however, increase the level of virtual engagement in 2021, as promised last year.

The workforce engagement undertaken allowed the Board to gain a deeper understanding into how individual businesses and functions operate, the approaches taken by management and insight into our culture in practice. Examples of some of the stakeholder engagement in 2021 can be found on pages 97, 98 and 109.

Colleagues

Information flow to the Board

- Health and safety reports
- Results of YVC colleague survey or other pulse surveys
- Regional deep dive presentations
- Employer of Choice update provided twice a year
- Key management changes included in every CEO report
- Monitoring external measures such as Glassdoor
- Notification of any awards won or other external validation
- Gender Pay Report
- Ethical concerns reported via the confidential reporting process Speak Up

Direct Board engagement

Directors attended various senior management meetings throughout the year, including Executive Leadership Team and Senior Leadership Forum meetings. They also attended other virtual colleague meetings, including the Senior Leadership Talent Pool, the Group Procurement Team Meeting, the Category Board Meeting, the Group Risk Committee, the IT Leadership Team and other regional and departmental discussions (see below and page 109 for more details). Andy Ransom and Cathy Turner also joined a virtual diversity, equality and inclusion (DE&I) panel for International Women's Day where the Group's DE&I strategic plan was shared and an interactive Q&A session was held. Due to the ongoing pandemic, opportunities to meet with colleagues during site visits were limited and planned 'ride-alongs' with technicians and specialist once again were not able to take place. Members of the senior management team continue to present to the Board regularly (see pages 91 to 93).

Spotlight

Sharing experiences with aspiring leaders

On several occasions throughout the year, members of the Board have joined regular Senior Leadership Talent Pool sessions in order that the Board and the business can benefit from two-way dialogue and learning. A talent pool is a development programme for individuals on the succession plan for big leadership roles in the Company. There are 39 colleagues on the current development programme, from all regions, who were nominated during the succession planning process.

In May, the Chairman, Richard Solomons, joined an online session with the Senior Leadership Talent Pool covering a number of topics. Richard provided a presentation on his career – lessons learned, mistakes made – for the benefit of those with aspirations to be the future senior leaders of our business. The ensuing Q&A session brought a wide variety of questions for Richard and topics included leadership, learning from failure, disruption, managing corporate blind spots, having productive paranoia, customers, aiming high and much more. Feedback from participants was positive, with the advice shared seen as very valuable.

In the September session, Cathy Turner joined the female members of the Talent Pool for a well-received Q&A where she talked about her career and answered questions on overcoming career barriers, her inspiration, the Board's diversity, equality and inclusion agenda, and career advice for the female talent. Following further questions from the group, Cathy then participated in a virtual networking event, rotating through a series of smaller groups in order that all participants had the opportunity to meet with her.

For the December Talent Pool session, Linda Yueh gave a presentation on the global economic outlook and then took questions from participants. The types of questions received, for example what to do about the 'Great Resignation', and how to recruit and retain talent in the current environment, reflected the types of questions our leaders would also be considering at the moment.

Spotlight

Protecting our colleagues

The Board receives an update on health and safety at each scheduled meeting, where relevant KPIs and any major incidences are considered.

In November 2021, the Board discussed a major incident where a colleague in India had intentionally swallowed pesticide at work. Following their recovery, the business became aware that the intention to self-harm was caused by a concern that the Pest technician would lose their job due to insufficient English literacy for their new customer-facing role. As well as redeploying the colleague to a more suitable role and offering counselling, the business planned to identify all technicians with literacy skill gaps in India and ensure colleagues have the necessary literacy skills required for their role.

The Board discussed literacy levels in India more broadly and it was agreed that these should be looked at and further action taken if needed. The Chief Executive informed the Board at its meeting in December that, following the discussion held, a literacy training programme would be established in India. English literacy assessments commenced in December 2021 and will cover approximately 4,500 technicians.

A programme to deliver English language courses over a period of 8–10 months is being developed and it is intended that, along with improving literacy skills, this will raise confidence and improve communication skills, help in the understanding of official communication and training, and facilitate better customer engagement.

Shareholders

Information flow to the Board
- CEO report at each Board meeting includes an investor relations update
- Financial performance reports
- Analyst notes circulated
- Presentations on market perspectives by the Company's brokers
- Strategy day market perspectives session
- Capital Markets Day and feedback

Direct Board engagement
The Board engages directly with shareholders in a number of ways, including writing to investors, calls or meetings held with the Chairman and Remuneration Committee Chair, consultation exercises and through attendance at Preliminary and Interim Results announcements, investor roadshows and seminars, Capital Markets Days and our AGM. Fortunately, we were able to offer an in-person Capital Markets Day event during the year (see below). The Chairman also met with six of our investors, representing approximately 25% of our issued share capital. Following her appointment as Remuneration Committee Chair, Cathy Turner wrote to 18 of our key shareholders to introduce herself and one accepted her offer for a meeting. She briefed the Board on the topics discussed at the next Board meeting.

Spotlight

Hygiene & Wellbeing – gauging investor views

In September 2021, we ran a Capital Markets Day presentation 'Hygiene: The New Pest Control' for investors and analysts in London. On the day, 44 investors attended in person alongside representatives from our external auditors, PwC, and various colleagues, including our Chairman, Richard Solomons, and our Senior Independent Director, John Pettigrew. More than 100 investors also followed proceedings virtually, along with two of our Non-Executive Directors and other colleagues.

The event offered a series of presentations by senior executives and operational management. The purpose of the day was to provide greater insight into our Hygiene business and its evolution into Hygiene & Wellbeing in order to meet our customers' future needs, with presentations on growth opportunities outside the washroom (see pages 43 to 46), as well as expansion of our geographic footprint. Focus was also given to our Pest Control business, including innovations in digital technology and M&A (see pages 36 to 39).

Feedback from shareholders following the event was generally very positive, on both the quality of the presenting team and the event itself. Investors were reassured by the new growth targets, and viewed the detail provided in the supporting materials as a clear demonstration of our grasp on the next dimension of growth and the future opportunities for the business. Analyst feedback received commended the business for its resilience, flexibility and continued growth despite the pandemic crisis. All feedback received was shared with the Board at its next meeting.

Customers

Information flow to the Board
- Regional deep dive presentations
- Customer Voice Counts (CVC) scores
- Strategy day review – especially product pipeline and innovation
- Material customer contracts requiring Board approval
- Monitoring external measures such as Trustpilot

Direct Board engagement
Due to the highly dispersed nature of our customer base, where the largest portfolio customer represents significantly less than 1% of revenue, we do not feel that a high level of direct Board engagement with customers is necessary. The Board often aims to meet customers on overseas site visits and as part of 'ride-along' sessions with our technicians both in the UK and abroad. Unfortunately, John Pettigrew's planned morning helping service customers in the Greater Boston area, USA, had to be cancelled due to ongoing travel restrictions, and we arranged no other such events, for the same reason. We hope to resume this activity in 2022.

Communities

Information flow to the Board
- Health, safety and environment updates
- Regional deep dive presentations
- Annual Report review
- Responsible Business Report review
- Updates on RI Cares (see page 54)
- The **RIGHT WAY** magazine, which contains lots of examples of community engagement undertaken by the businesses and our colleagues

Direct Board engagement
The Board continued to focus on our ESG agenda throughout the year (see page 92), and while the Board does not tend to engage directly with communities, the pandemic restrictions curtailed any potential opportunities during 2021. We will keep engagement levels under review and consider whether there may be any suitable engagement events for 2022.

Suppliers

Information flow to the Board
Principal engagement is undertaken by operational management, especially the central procurement and supply chain function and national procurement managers, with the Directors overseeing this through:

- Reviewing and approving major supplier contracts
- Approving our Modern Slavery Statement
- Reviewing payment practice reports for our two principal UK subsidiaries

Direct Board engagement
There was no direct engagement in 2021, though Directors were present at Group Procurement Management meetings (see opposite). Due to the nature of the business, we feel this to be a reasonable level of engagement.

Spotlight

Addressing the big issues in procurement

Virtual Global Procurement team meetings are held every two months to bring together our procurement managers and their teams from around the world, typically with around 60 attendees on each call. Our Non-Executive Directors joined two of these calls during 2021. In July, John Pettigrew heard from country procurement managers and the team in India discussed their humanitarian relief effort in sending stocks of PPE, hand sanitiser and dispensers to help during the pandemic. John contributed to a discussion on our initiative to train our suppliers and raise their awareness of the threat of modern slavery.

At a meeting in September, Cathy Turner was part of a briefing and discussion on Group Procurement environmental initiatives (see page 60) and attendees also considered the new version of the Rentokil Initial Supplier Code (see page 70).

Division of responsibilities

The Board is responsible collectively for the governance of the Company, undertaking its duties using clear authority and reporting governance structures as set out on page 90. There is clear division between executive and non-executive responsibilities which ensures accountability and oversight. The roles of Chair of the Board and Chief Executive are separately held and their responsibilities are well defined, set out in writing and regularly reviewed by the Board. The pro-forma appointment letters for a Non-Executive Director and the Chair of the Board are available on our website.

Chair of the Board
Richard Solomons

Responsibilities
- Leading and managing the Board
- Setting the agenda, including discussing issues of strategy, performance, accountability and risk
- Providing constructive challenge to management
- Setting clear expectations on culture, values and behaviour
- Ensuring effective communication with shareholders and other stakeholders
- Evaluating performance of the Board and Chief Executive

Chief Executive
Andy Ransom

Responsibilities
- Recommending and executing strategies and strategic priorities
- Managing operational and financial performance, including monthly performance reviews with all regions, and identifying and managing risks to achieving the strategy
- With the Chief Financial Officer, explaining performance to shareholders
- Executive management capability and development
- Overall development of Group policies and communicating the Company's values
- Responsible business (ESG) agenda

Chief Financial Officer
Stuart Ingall-Tombs

Responsibilities
- Supporting the Chief Executive in developing and implementing strategy
- Supporting the Chief Executive in managing the operational and financial performance of the Group
- With the Chief Executive, explaining performance to shareholders
- Recommending appropriate financing, treasury and distribution arrangements

Senior Independent Director
John Pettigrew

Responsibilities
- Leading the Non-Executive Directors' appraisal of the Chair of the Board
- Working with the Chair of the Board on Board effectiveness
- Providing an alternative channel of communication for investors, primarily on corporate governance matters
- Being a sounding board for the Chair of the Board
- Chairing the Nomination Committee when it is considering succession to the role of Chair of the Board

Independent Non-Executive Directors
Sarosh Mistry, Julie Southern, Cathy Turner, Linda Yueh

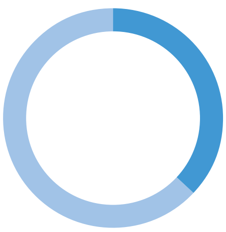
Responsibilities
- Contributing independent challenge and rigour
- Assisting in developing the Company's strategy
- Ensuring the integrity of financial information, controls and risk management processes
- Monitoring the performance of the Executive Directors to agreed goals and objectives
- Advising and being a sounding board for Executive Directors and ELT
- Performing their Committee responsibilities

Company Secretary
Daragh Fagan

Responsibilities
- Assisting the Chair in developing the Board calendar and agendas
- Assisting the Chair and Senior Independent Director in their evaluation of the Board's effectiveness
- Advising the Board and its Committees on governance matters and managing effective corporate governance and compliance arrangements for the Board and the Group
- Facilitating Board induction and development programmes
- Facilitating Board engagement with the business and key stakeholders

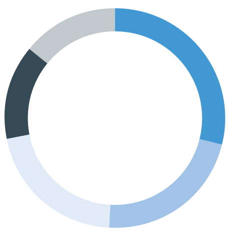
Snapshot of our Board

Age of Directors
at 3 March 2022



45–54	37%
55–64	63%

Professional background



Finance	29%
Legal	22%
Economics	21%
HR	14%
Marketing	14%

Directors' tenure
at 3 March 2022

Executive Directors	Service length
Andy Ransom	13 years 10 months
Stuart Ingall-Tombs	1 year 6 months

Non-Executive Directors	
Sarosh Mistry	11 months
John Pettigrew	4 years 2 months
Richard Solomons	3 years
Julie Southern	7 years 7 months
Cathy Turner	1 year 11 months
Linda Yueh	4 years 4 months

Independence of Board members

We consider the independence of Directors upon their appointment, and subsequently review this as part of the individual Director performance evaluation process, to ensure all non-executive Board members retain the necessary independence of judgement. They continue to reflect this in their constructive challenges to the executive team and senior management at Board and Committee meetings, and during informal interaction outside those meetings.

The Board has determined all our Non-Executive Directors to be independent and to have retained their independence of character and judgement. In making this determination, the Board has taken into account indicators of potential non-independence as set out in the Code. No Director took part in the Board's consideration of their own independence. The Chairman was considered independent on his appointment. You can find details of the Directors' share interests in the Company in the Directors' Remuneration Report on page 126. No current Non-Executive Director has served on the Board for longer than nine years. You can see the length of tenure for each Director on page 99.

We consider and address any potential conflicts of interest before any new external Board appointment. All potential conflicts are submitted to the Board for consideration and, as appropriate, authorisation in accordance with our Articles of Association and the Companies Act 2006. We record these on a register of conflicts, which the Nomination Committee also reviews in full annually. No material conflicts have been declared. You can find further details of this process in the Nomination Committee Report on page 114. In accordance with the Code, the Directors are subject to annual re-election by shareholders and will, therefore, be seeking re-election at the AGM in May 2022.

External commitments

All Directors may serve on a number of other boards, provided they can demonstrate that this will not interfere with their time commitment to us, nor represent a conflict of interest. The Board must approve any new external appointment, considering the nature of the appointment and the expected time commitment. We show the significant external commitments of the Directors in their biographical information on pages 84 and 85.

We consider significant appointments, as referred to in Principle 15 of the Code, to be either a role with a listed company or a role with a time commitment equal to or greater than their time commitment with us. Currently, Non-Executive Directors must commit to us at least 20 days a year, and the Chairman an average of two days a week. In 2021, the Board approved the following significant external appointments, all of which were non-executive, as it was felt that the appointments would not affect the Director's availability or effectiveness in carrying out their responsibilities and duties as a Director at Rentokil Initial.

- Richard Solomons' appointment as Chair of the Board of Hotelbeds Group S.L.U. in May 2021 (where he was already Advisory Committee Chair)
- Linda Yueh's appointment as a Non-Executive Director to SEGRO plc in May 2021
- Richard Solomons' appointment as a Non-Executive Director to Mandarin Oriental International Ltd in November 2021

We monitor, in line with published investor guidance, the issue of Board Directors becoming over-committed by taking on too many potentially onerous positions (sometimes referred to as 'overboarding'), and the need to retain flexibility to deal with unforeseen events. The Chairman typically attends all Committee meetings by invitation and Non-Executive Directors often attend too, even where they are not members of the relevant Committee. The fact that several of the members of the Board hold multiple non-executive positions has not presented any difficulties in their ability to manage potentially competing demands for their time.

In addition to published investor guidance, the Board considers a Director's time commitment in aggregate and takes into account whether a Non-Executive Director holds any executive appointments. All Directors have demonstrated high levels of availability and responsiveness for the additional meetings held during 2021, as well as discussions outside of meetings where these have been required.

Attendance was 99% for all scheduled and additional Board meetings in 2021, and it is pleasing to note the ongoing commitment demonstrated by all Directors. Full attendance details can be found on page 89.

Director induction and training

The Board ensures the Directors continue to provide suitable leadership, through a regular performance-evaluation process, training processes, governance briefings, Board succession planning and annual re-election by shareholders. Following the appointment of any new Director, the Chairman and Company Secretary make available a full, formal and customised induction to the Company and the role of the Board.

Sarosh Mistry joined the Board as a Non-Executive Director in April 2021. We provide all Non-Executive Directors with the following materials on their appointment:

- key Company policies, procedures and governance information, including the Code of Conduct, Board Governance Manual and the Group Authority Schedule;
- details of the Group structure;
- analysis of the Company's key shareholders and share capital;
- recent analyst notes;
- the latest Annual Report and Responsible Business Report;
- minutes and papers from the most recent Board and relevant Committee meetings, including the most recent strategy meeting;
- copies of the most recent Board and any relevant Committee evaluation reports; and
- guidance on the legal and regulatory responsibilities of a Director in a UK publicly listed company.

Before and after their first Board meeting, a new Director will meet the Chief Executive and the Chief Financial Officer, as well as other members of the Executive Leadership Team and senior management. They are also given access to external advisors (auditors, legal advisors and brokers).

In April 2021, Sarosh Mistry met virtually with members of the Executive Leadership Team including Vanessa Evans, Group HR Director, and Gary Booker, Chief Marketing, Innovation and Strategy Officer. He also held meetings with John Myers, the Regional Managing Director for North America, and members of his senior management team. Unfortunately, several planned in-person induction events had to be postponed due to the ongoing restrictions caused by the COVID-19 pandemic.

New Directors also undertake the same online induction modules as other new colleagues in our online learning and development platform (U+), on key compliance subjects such as our Code of Conduct, anti-bribery and corruption, competition law, information security and privacy, insider information and conflicts of interest.

The induction process typically takes place over several months, and new Directors complete a questionnaire after 12 to 18 months to provide an opportunity for feedback, to review the effectiveness of the training, to highlight areas for improvement and to identify any further development needs.

We provide Directors with the opportunity to meet colleagues (see Stakeholder engagement on page 96), although the COVID-19 pandemic continued to impact the opportunities for meetings in person and the majority of meetings were once again held virtually. Directors also receive additional briefings or training as required. We circulate details of externally facilitated events and training to Directors regularly, to allow them to participate in peer group discussion forums and seminars related to the listed-company environment. We also share any invitations received to attend Director events arranged by investors.

Board evaluation

In line with best practice, we assess the performance and effectiveness of the Board, its Committees and individual Directors comprehensively each year through a formal evaluation. As outlined in provision 21 of the UK Corporate Governance Code, we have adopted a three-year cycle of Board evaluations. Following two years of internal reviews, we undertook an external evaluation in 2020, conducted by Christopher Saul from Christopher Saul Associates. During 2021, the Board referred to the key areas identified by this review, and we provide an update on progress below.

2020 evaluation recommendations and progress made during 2021	
Review Board agendas and papers	➜ Continue to evolve the quality of Board materials and agendas to facilitate discussions – A broader range of topics were considered in 2021, including technical governance and protocols around handling of chemicals, an innovation day and a deep dive on emerging risks (see page 93). – Further emphasis was placed on pre-read materials to allow better use of discussion time in meetings. ➜ Review annual calendar to ensure key areas are reviewed in the course of the year – A full review of the Board and Committee calendar was carried out, adding a further Audit Committee meeting in May and structuring the agendas to ensure effective coverage of priority topics across the year.
Review Board composition and succession	➜ Recruit Non-Executive Director for appointment by mid-2021 – Sarosh Mistry was appointed in April 2021. ➜ Continue to monitor Board composition as the business develops – Ongoing as part of the Nomination Committee's agenda. ➜ Regular review of Executive Director and ELT succession plans and ensure Board familiarity with potential succession candidates – The Nomination Committee received briefings on succession from the Group HR Director. Board engagement events (see pages 97 and 98) helped increase familiarity.
Enhance Non-Executive Directors' engagement with senior management and key stakeholders	➜ Regular oversight of key non-financial KPIs – Strategic KPIs were added to the Chief Financial Officer's update at Board meetings (see page 91) and updates on SHE Leading Indicators were also provided (see page 92). ➜ Continue to enhance two-way Non-Executive Director and Board engagement with the business and key stakeholders – Strategic deep dives held as part of the Board agenda (see pages 91 to 93) and increased level of virtual colleague engagement events (see pages 96 to 98).
Enhance consideration of risk	➜ Consider further discussion of risk mid-year, as well as December review of risk management processes and reporting – Additional Audit Committee meeting was added and a dedicated Board discussion of two emerging risks took place in May. – A targeted review of climate change risk and reporting took place in December (see page 107). ➜ Ensure key risk topics are covered in agendas – As detailed on pages 91 to 93, sessions were run on operations excellence and technical governance, on emerging risks from climate change and Generation Z, on chemical hazards and safety protocols, and an analysis of claims exposure.

During 2021, we once again undertook an internal review of the Board and Committees, facilitated using online, anonymised questionnaires. The questions were largely consistent with those asked in 2019, to allow results to be compared, although they were updated to consider key developments during the year and to assess the outcomes of the prior year's review. The evaluation started in November, following the Board's overseas visit and strategy sessions, with the Chairman, Committee Chairs and Senior Independent Director reviewing findings ahead of a group discussion at the Board and Committee meetings in February 2022.

The 2021 performance review showed strong progress on the actions identified in the 2020 review and noted a series of improvements in the depth and range of Board discussions, as well as in the Board's composition and in the effectiveness of its oversight. Following its review of the outcomes, the Board agreed the following actions for 2022.

2021 evaluation recommendations	Actions to be taken during 2022
Improve understanding of US regulatory environment and implications, in the light of the Terminix transaction	➜ Ensure effective oversight of the Terminix acquisition ➜ Deepen understanding of US regulatory requirements and related implications of the acquisition, with the assistance of external advisors
Review Board and ELT succession plans	➜ Develop succession plan for Audit Committee Chair ➜ Review Board composition in the light of the Terminix acquisition ➜ Regular review of Executive Director and ELT succession plans and ensure Board familiarity with potential succession candidates
Monitor organisational capacity	➜ Ensure effective oversight of potential organisational stretch from balancing the day-to-day needs of the business with delivery of the Terminix acquisition and post-closing integration and synergies
Stakeholder engagement	➜ Continue to develop ways to ensure effective engagement with the full range of key stakeholder groups, building on progress in 2021

Board Committee evaluation

As part of the annual evaluation process, we also used questionnaires to assess the effectiveness of the performance and support provided by and to the Board Committees. We confirmed that the operation of the Board Committees remains effective and that the Committees are well integrated into the Board decision-making processes. Each Committee Chair oversaw the specific findings and agreement of action to be taken, considering the overall Board findings where they were deemed relevant to the Committee's work. Further details are set out in each Committee report on pages 110, 114 and 120.

Director evaluation

To evaluate the ongoing performance of the Directors, each Non-Executive Director completes a self-evaluation questionnaire as part of the annual review. Following completion, the Chairman meets with each Non-Executive Director to discuss the outcomes. The Chairman also has individual discussions throughout the year that help inform the review. In parallel, the Senior Independent Director facilitates discussions with each Non-Executive Director to review the Chair of the Board's performance during the year, without the Chairman being present, and collates the anonymous responses. The Senior Independent Director then provides the Chairman with feedback on his performance prior to the Board meeting in February.

Executive Directors are subject to regular review and the Chief Executive appraised the performance of the Chief Financial Officer as part of the annual Group-wide performance evaluation of all colleagues. The Chairman evaluates the performance of the Chief Executive as part of the same process. The Remuneration Committee also reviews Executive Director performance as part of its deliberations on bonus payments.

The Nomination Committee and the Board take the outcome of these evaluation processes into account each year, to inform its recommendation for Board members to be put forward for re-election by shareholders. All Directors were deemed to be effective members of the Board and are recommended for re-election at the Company's AGM.

Monitoring and oversight

Policies

We have a strict Group-wide policy and procedure framework in place to supplement local policies or legislation. The relevant functional department head reviews the content and suitability of policies periodically, and they are approved by the Chief Executive. The cornerstone of this policy framework is the Code of Conduct. We set out our key policies on page 71, and disclose full details of our policies relating to ESG matters and their application in our Responsible Business Report on our website, alongside other key policies. In addition, we have a treasury policy to ensure the Group has sufficient liquidity and to manage financial risk as outlined in Note C1 to the Financial Statements on pages 181 and 182. In 2021, the Board reviewed and approved the Company's tax strategy, and we published it on our website in compliance with the Finance Act 2016. You can find more details on tax governance on page 70.

We have specific programmes to support implementing the Code of Conduct and underlying policies, national laws and regulations, and monitoring and reporting compliance with them. In some cases, we have specialists who ensure we have set standards and comply with them, for example in health and safety, IT security, legal, company secretarial, data privacy, regulatory compliance, pensions and tax. More broadly, we use e-learning training on our online learning and development platform, U+, to ensure and track dissemination and adoption across the Group. We provide clear guidelines for all colleagues on how to seek further advice or report concerns and operate a whistleblowing (Speak Up) facility. We monitor compliance through an annual Letter of Assurance process covering all Group senior management, through Internal Audit reporting on control incidents, and by monitoring reports through our confidential Speak Up reporting process. You can find further details in the Audit Committee Report on page 110. The Group Risk Committee considers current and emerging risks, reviews current arrangements and makes recommendations for enhancements as appropriate.

Board review of risk management and internal control

The Board has overall responsibility for maintaining systems of risk management and internal control that are fully effective and ensure compliance with the UK Corporate Governance Code. The Board delegates responsibility for risk management to the Audit Committee where appropriate. You can find further details on the Board's responsibility for the risk management approach in the Audit Committee Report on page 108.

The Group has an accounting manual and a set of key financial controls that defines the requirements for internal controls around financial reporting. These documents are regularly reviewed to ensure they are current. Key financial controls are self assessed by all reporting units twice annually and tested by the Internal Audit function in line with the audit plan. Any identified issues are captured with resolutions and tracked to completion with reported results subject to management review and oversight. As part of the risk management process, the Group maintains a central risk register, updated twice annually, which includes categories to allow for identification of risks relating to the financial reporting process. Any such risks and their mitigating actions are reviewed as part of the regular management review process.

We consider risks in the context of long-term strategic and emerging threats, and shorter-term risks to the completion of the annual operating plan. The Board has also assessed the viability of the Group over a period of three years, the potential impact of the principal risks and stress-tested financial forecasts for severe but plausible scenarios, and the anticipated effectiveness of mitigating actions. The Board has carried out an assessment of the emerging and principal risks facing the Group, including those that would affect its business model and future performance. You can find the principal risks identified in the Risks and Uncertainties section on pages 74 to 79, along with the Company's viability statement on page 80. You can find details of briefings on risk and control topics that were provided to the Board during 2021 on page 93.

The framework of risk management and internal control described here and in the Risks and Uncertainties section on pages 73 and 74 is designed to manage and mitigate risk rather than eliminate the risk of failure to achieve business objectives. In pursuing business objectives, internal controls and risk management can provide only reasonable, and not absolute, assurance against material misstatement or loss.

We review its effectiveness through regular and transparent management reporting, the governance processes and external and internal assurance processes, and in the Audit Committee and Board's annual review of strategy and operational risks. The Board has conducted a review of the effectiveness of the system of internal control for the year ended 31 December 2021 and confirms that:

- the Group has an ongoing process for identifying, evaluating and managing the significant risks faced by the Group;
- this process has been in place for the year under review and up to the date of approval of the Annual Report and Financial Statements;
- the Board reviews the process regularly; and
- the process operates in accordance with the UK Corporate Governance Code and the FRC Risk Management and Internal Control Guidance.

Fair, balanced and understandable

The Directors' statement on 'fair, balanced and understandable' can be found on page 215. The requirement under the Code to provide a fair, balanced and understandable assessment of the Company's position and prospects in its external reporting is considered throughout the process of producing the Annual Report and Financial Statements. To provide the information necessary to comply with this requirement, the Board places particular reliance on the conclusions and recommendations arising from the Audit Committee's review of the Annual Report and Financial Statements, further details of which can be found on pages 106 and 107.

Find out more at **rentokil-initial.com/investors**

Full details of the AGM, including the 2022 Notice of Annual General Meeting, can be found at **rentokil-initial.com/agm**

Audit Committee Report

Areas of focus in 2021

- Change of Group external auditor
- External review of Internal Audit function
- External regulatory developments
- Control incidents e.g. fraud and IT security
- Climate change risk and reporting

Areas of focus in 2022

- Accounting oversight of Terminix acquisition
- Review IT audit plans and general controls
- Monitor climate change reporting practice
- Monitor UK (BEIS) audit reform proposals
- US regulatory requirements including SOX compliance

Committee members:

- Julie Southern (Chair)
- John Pettigrew
- Linda Yueh

Dear Shareholder

I am pleased to present the report of the Audit Committee for the financial year ended 31 December 2021, which sets out how we have discharged our duties in accordance with the 2018 UK Corporate Governance Code and describes key activities during the year.

The ongoing impact of COVID-19 continues to create challenges, although processes developed in 2020 were embedded in 2021 to manage potential risks in our control environment, such as home working and travel restrictions. The vast majority of both internal and external audit work continued to be undertaken remotely, with a robust audit process once again being effectively delivered in this manner.

During the year, we continued to monitor the changing regulatory landscape and considered the impact of the potential introduction of a UK Sarbanes-Oxley (SOX) style framework for the financial reporting control environment. We conducted an external readiness assessment for implementing the proposed further internal controls over financial reporting (ICFR), along with IT control issues around the use of technology. The assessment completed during 2021, identifying improvements which would be required to achieve a full SOX standard environment, particularly around IT general controls, providing a solid foundation to build from. We defined a remediation plan, with high priority actions completed during the year and others scheduled for completion in 2022. As part of the Terminix integration planning, we will revise the remediation plan as necessary to complete the extra steps required to achieve US SOX compliance. A detailed consideration of BEIS's audit reform proposals was conducted as part of the Company's consultation response and we will continue to monitor developments.

I am pleased to report that a smooth external auditor handover process was completed in 2021 with the appointment of PwC, following shareholder approval at our AGM in May 2021. PwC provided regular updates on the transition and work undertaken, including a risk assessment and preparatory work ahead of the half year. It was also a reflection of our culture that they noted very good collaboration from management in the process.

We continued to review cyber incidents and risk throughout the year. While we do not believe we are being specifically targeted, in common with the experience of many other businesses, we saw a notable increase in the number and seriousness of cyber attacks in 2021, with repeated distributed denial-of-service (DDoS) attacks, and attempted ransomware incidents in Brazil and Italy. Our focus on cyber resilience enabled us to keep pace with the complex, volatile threats faced, and the attacks were detected and prevented before they were able to have a material impact on the business. Clearly this is an area for heightened vigilance in future, especially given the Company's digital agenda.

The Committee receives regular updates on the control environment from management and reviews any control incidents at each meeting. It is encouraging to see that the number of incidents remains relatively low, with no increase in matters reported via our internal whistleblowing process, Speak Up, during the COVID-19 pandemic. Nevertheless, some significant control issues were experienced in the Group.

In the year, we considered an incidence of serious fraud by a former manager in Australia, now the subject of ongoing litigation instigated by the Company, as well as referral to the police. Additional controls to prevent recurrence have been put in place across our Australian business, and lessons learned were shared more broadly with senior management. We also considered two control incidents in North America, a fraudulent attempt to change bank account details where the policy for changing supplier bank details had not been followed and a payroll file being processed incorrectly. Both incidences were fully investigated and processes have been updated and further training undertaken where necessary. These incidents were not material to the Group's reporting.

We continue to monitor the effectiveness of the internal audit assurance process. A planned independent external quality assessment was carried out in 2021 by Deloitte to review the effectiveness of the Internal Audit function. The findings of the review were highly positive across all criteria. We reviewed the report's recommendations and action plan and the findings mirrored the Committee's view that Internal Audit is professionally managed, operates to highly rigorous standards and is well-regarded across the business.

The work of the Audit Committee remains of critical importance, not just in order to provide investors and other stakeholders with assurance of reliable financial reporting but increasingly in the broader context of risk resilience and ESG reporting. We have spent time this year evaluating climate change risk, its consideration as part of the year-end audit report and its disclosure in the 2021 Financial Statements. We also increased the number of meetings we held to allow more time to consider risk areas and the control environment ahead of the half year. We plan to maintain this level of scheduled meetings in future and will continue our focus on climate change risk in 2022 alongside other key areas such as the consideration of IT risk, including oversight following the implementation of an enhanced IT general controls framework. Finally, we will be closely monitoring the impact of the Terminix acquisition on the business and the preparations for future SOX-compliant financial reporting.

Julie Southern
Chair of the Audit Committee

3 March 2022

Role of the Audit Committee

The Audit Committee assists the Board in its oversight and monitoring of financial reporting, risk management and internal controls. The Audit Committee's focus is to review and challenge in these areas both with management and with internal and external auditors.

As is customary, the Audit Committee undertook a review of its terms of reference during 2021, and found that no changes were needed. The terms of reference were subsequently approved by the Board in December and are available on our website. Due to the length and complexity of the terms of reference, the Audit Committee also reviews its activities on an annual basis to consider their alignment with each of the duties and responsibilities of the Audit Committee as set out in the terms of reference.

The Chair of the Audit Committee is available to meet with shareholders if they would like to engage on any matters set out in this report and will be available to answer questions at our AGM in May 2022.

Membership and attendance

Julie Southern, Chair of the Audit Committee, is a Chartered Accountant and is considered to have relevant and recent financial experience. John Pettigrew has extensive commercial and operational experience in overseeing the financial affairs of substantial business undertakings and Linda Yueh has a strong economic and academic background with considerable experience gained in advisory roles. The Audit Committee as a whole is, therefore, considered to have competence relevant to the sector in which the Company operates. Full biographical details of the members of the Audit Committee are contained on pages 84 and 85. All Audit Committee members are independent Non-Executive Directors. The Audit Committee did not find it necessary to seek external advice during the year, other than through its usual dialogue with the external auditor.

The Audit Committee met five times during the year with the members attending all meetings. Four of these were scheduled meetings and in response to the 2020 Board evaluation an additional meeting was held in May 2021 to allow extra time for consideration of risk areas and the control environment ahead of the half year. The Audit Committee agreed that it should continue to hold this additional meeting in future years. Full details of the attendance of the members during 2021 can be found on page 89. Meetings of the Audit Committee are attended by the Chair of the Board, the Chief Executive, the Chief Financial Officer, the external auditor, the Director of Internal Audit & Risk, the Group Financial Controller, the Company Secretary (who acts as secretary to the Audit Committee) and the Deputy Company Secretary.

The Audit Committee meets at least once per year separately with the Company's auditor and the Director of Internal Audit & Risk without executive management present. In 2021, the Audit Committee held private sessions with KPMG LLP (KPMG), as exiting auditor, in February and with PwC and the Director of Internal Audit & Risk in December. The Chair of the Audit Committee also meets periodically with the external auditor and the Director of Internal Audit & Risk. The Chair of the Audit Committee reports to the Board on the activity of the Audit Committee and any matters of particular relevance in the conduct of its work.

Activities of the Audit Committee in 2021

In 2021, the Audit Committee considered the following key areas:

Matters considered	Discussion and outcome	Find out more
Financial reporting		
Financial reporting	The Committee reviewed the Annual Report and the Company's Interim and Annual Financial Statements and received reports from both the Group Financial Controller and the auditor on the significant financial reporting judgements relating to each statement.	Financial reporting on page 106
Key accounting matters	The Audit Committee considered key accounting matters, including Alternative Performance Measures, bad debt provision, credit note provision and acquisition accounting in relation to the Company's financial results for 2020 and 2021.	Significant issues and judgements on page 106
Other financial reporting matters	The Audit Committee reviewed the going concern analysis, the viability statement and the internal control statement for recommendation to the Board.	Other financial reporting matters on page 107
Climate change reporting	The Audit Committee considered climate change reporting in the 2021 Financial Statements for recommendation to the Board in December.	Climate change reporting on page 107
External audit		
2020 financial statements	The Audit Committee received a report from KPMG on the results of the audit of the 2020 Financial Statements, considering key judgements and risks. The letter of representation was also reviewed and recommended for approval to the Board.	–
External audit transition	Following a competitive audit tender undertaken in 2020, PwC were appointed as external auditor at the AGM in May 2021. The Audit Committee reviewed and approved the terms and scope of the audit engagement and reviewed the status of the transition at its meeting in May.	External audit on page 108
Audit objectives	No external audit evaluation was undertaken in the year due to the change in external auditor. Instead, the Audit Committee focused on key objectives for improvement in the Group audit and how best to get value out of the audit feedback and effectiveness review process in the future.	Audit services on page 108
Audit strategy	The Audit Committee considered the audit strategy for the 2021 audit, including the key areas of focus, materiality levels, scope and coverage at its meeting in July.	External audit on page 108

Matters considered	Discussion and outcome	Find out more
Internal controls and risk		
Internal control framework	The Audit Committee reviewed the effectiveness of the internal control and risk management framework.	Risk management and internal control on page 108
Control environment	The Audit Committee received and reviewed matters relating to the internal control environment provided by the Director of Internal Audit & Risk and reviewed the Group Risk Committee minutes.	Risk management and internal control on page 108
Internal Audit investigations	The Audit Committee reviewed the outcome of Internal Audit investigations, including the most significant issues raised in Internal Audit reports, and received updates on the status of resolution of issues raised.	Internal audit on page 110
Group risk	The Audit Committee reviewed the Group risks and actions to enhance their measurement, monitoring and mitigation actions, including approval of the principal risks disclosed in the 2020 Annual Report and consideration of those for the 2021 Annual Report.	Risks and Uncertainties on pages 73 to 79
Financial controls	PwC provided an overview of understanding and assessing key financial controls, including IT general controls, as part of their Group Audit Plan, as well as reporting on their business process walkthroughs in the year. The Audit Committee also considered results from management's internal control self-assessment activities in July and November.	Risk management and internal control on page 108
Internal Audit	The Audit Committee received and reviewed the conclusions and themes emerging from internal audit reviews conducted during the year and approved the Internal Audit Plan for 2022 in conjunction with the Board's strategic review and operating plan for the year.	Internal audit on page 110
External review of Internal Audit function	The Audit Committee reviewed the report prepared following the external review of the Internal Audit function undertaken during the year.	Internal audit on page 110
Governance and compliance		
Regional deep dives	During 2021, the Audit Committee received presentations from the Regional Finance Directors of the Pacific and Asia regions. These provided detail on the financial reporting for each region and the control environment in their businesses.	Other regional updates were provided as part of the Board agenda (see page 91)
Tax	The Audit Committee considered and recommended the Group's 2021 tax strategy for approval at its meeting in November.	Our tax strategy can be found on our website
Litigation	The Audit Committee reviewed reports of all material litigation and disputes provided by the Group General Counsel at four of its meetings.	–
Disclosure Committee oversight	The Audit Committee reviewed a report of the Disclosure Committee's activities during the year and its terms of reference.	Governance framework on page 90
Letter of Assurance	The Audit Committee considered a summary of the outcome of the annual Letter of Assurance review noting any exceptions provided by the senior country, regional and functional management and any actions proposed as a result of those returns.	Governance, trust and transparency on page 70
Terms of reference	The Audit Committee undertook its annual review of its terms of reference.	These are available on our website
Performance review	The Audit Committee undertook its annual review of the effectiveness of the Committee.	Effectiveness review on page 110
Payment practices	The Audit Committee received an update on new requirements under the Prompt Payment Code and payment practices in the UK, and noted the payment practice reports for our two principal UK subsidiaries for H2 2020.	These are published online at gov.uk
Non-audit services	The Audit Committee updated the non-audit services policy to clarify requirements during the transition period of the external auditor. Fees were also considered and approved in relation to the proposed Terminix acquisition.	The policy is available on our website

Financial reporting

The Audit Committee considered closely the judgements and decisions taken by the management team in the preparation of the Financial Statements for 2021. The sections below set out the significant issues and judgements that were applied in the 2021 Annual Report, as well as providing additional details on other financial reporting matters considered during the year. As part of the Committee's review of the 2021 Annual Report at its meeting in February 2022, a report on management procedures was produced for review which clearly detailed responsibilities and the steps undertaken by management to ensure full compliance.

Significant issues and judgements

The Audit Committee has reviewed the following significant financial reporting issues and judgements made during the preparation of the Financial Statements with management and the auditor. The significant areas of focus considered and actions taken are set out below. These issues were discussed and reviewed by the Audit Committee during 2021, notably at the review of the interim results and at the review and agreement of the audit plan for 2021, and as part of the year-end review and approval process.

Significant matter	Action taken
Acquisition accounting	
The Group makes a large number of acquisitions each year, many of which require the valuation of acquired intangible assets, including brands, customer lists and goodwill. The calculations for valuing these assets on acquisition are subject to significant judgement and estimation about the future performance of the acquired business, such as forecast customer termination rates, discount rates and growth rates. None of these judgements and estimates are considered to have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year. The Group utilises the allowances for provisional accounting within the standards where appropriate, and there is judgement required during this period as to whether the adjustments relate to the pre- or post-acquisition period.	At the year end, management provided the Audit Committee with a summary of M&A activity in the preceding year, including updates to provisional accounting as well as details of new acquisitions. The Audit Committee reviewed the accounting treatment of certain aspects of significant acquisitions, including determination of the consideration paid, the identification and valuation of acquired intangible assets and a review of provisional opening balance sheets.
Climate change	
The Group operates across many markets around the world and is impacted by physical events caused by climate change and also contributes to climate change through its carbon emissions. The Group also has a net zero commitment for 2040 and this plan will require operational changes in how we service our customers and deal with the effects of climate change.	As part of its discussion of the audit strategy for 2021, the Audit Committee considered climate change risk and its inclusion in the year-end audit report at its meeting in July 2021. Climate change risk was also considered as part of the review of Group risks in November and, in December 2021, the Audit Committee received a presentation from the Chief Financial Officer and the Group Financial Controller outlining the accounting considerations and climate change reporting in the Company's Financial Statements (see also page 107 on climate change reporting).
Tax provisions	
The Group holds a number of provisions for tax contingencies in relation to various claims and potential claims from tax authorities, which require significant judgements and estimates in relation to tax risks. The complexity is increased as a result of the large number of tax jurisdictions in which the Group operates, and the time taken for tax matters to be agreed with the relevant authorities.	Management determines the provisions for uncertain tax positions based on the relevant tax rules in each country, the status of negotiations with tax authorities, its past experience including external advice to support judgements where there was significant uncertainty and the amounts involved where material. In respect of transfer pricing across tax jurisdictions, the Group benchmarked its approach using transfer pricing experts to ensure the risk of breaching local tax authority requirements is minimised. The Audit Committee reviewed the position at the half-year and year-end balance sheet dates supported by papers from the Group Tax Director, and is satisfied that the assumptions supporting the valuations are appropriate and that the liabilities are reasonably stated in the Financial Statements. Further details can be found in Note A13 Current tax liabilities.
Credit note provisions	
While many countries are beginning to live with COVID-19, lockdown restrictions in certain jurisdictions through 2021 have resulted in instances where businesses have been unable to perform a proportion of planned service visits on customer premises and the Group's usual high levels of service have been impacted, although on a far smaller scale than 2020. As a consequence, some customers may potentially be entitled to credit notes against amounts invoiced. Contrastingly, as the pandemic has eased in other jurisdictions we have been able to catch up services and therefore some previously raised credit note provisions have been unwound.	The Group has continued to review its service delivery data and credit notes already issued in order to establish the quantum of credit notes that need to be provided. The Finance teams have also established a policy across the affected countries for when and how unused provisions can be unwound. This policy was reviewed by the Audit Committee in July 2021, where the Audit Committee wanted to confirm that the policy was consistent across affected markets and whether the policy had been reviewed and was supported by the auditors.

Significant matter	Action taken
Goodwill impairment review	
The Group carries material balances for goodwill and acquired intangible assets, and due to the acquisition programme makes material additions to these balances each year. Annual impairment tests are based on value-in-use calculations which require significant judgements in relation to the inputs used, including forecast growth rates and discount rates. Management is required to perform annual tests for impairment of goodwill balances and on other acquired intangible assets when there are indicators of impairment.	Management reviewed all impairment tests for goodwill balances over £2m using a centrally provided model. The intangible assets were grouped into cash-generating units (CGUs) for the purpose of assessing recoverable amounts, using cash flows based on the most recent strategic plans, as amended for any significant changes since their preparation. Cash flows were discounted using the internally calculated country and category-specific discount rates. The Audit Committee received a summary of the results of the review and, although the total value of intangible assets is significant, was satisfied that the outcome of the impairment review was adequately disclosed in Note B2 Intangible assets. During the year, we upgraded our goodwill impairment review process regarding more specific weighted average cost of capital by country, a review of climate change considerations on CGU cash flows and commentary around the assumptions within the models.
Agent versus principal reporting	
Target Specialty Products is a subsidiary pest control products distribution business in North America. It is a business which serves the Pest Management and Turf & Ornamental sectors and has grown significantly in the last five years as it has taken on new revenue streams, including products which are held as consignment stock and sold from third party manufacturers. These products fall under the consideration of agent versus principal judgements within IFRS 15. Management has historically considered the business to act as principal in these arrangements.	Over the last three years, our Target Specialty Products business in North America has grown significantly and in 2021 we completed a review of the revenue recognition policy within this revenue stream. The region has a limited number of suppliers for whom we sell products to end customers on a consignment stock basis and, as a result of the review, we have revised our judgement such that we consider ourselves to be agents of these suppliers rather than principal and have therefore recognised only the commission revenues earned rather than revenues charged to end customers. This has led to a reduction in revenue recognition in 2021 (£22.8m at AER) and a restatement which has reduced prior year revenues from our North America Target distribution business by £20.2m (at AER). The changes in revenue have no impact on reported profits in 2020 or in 2021 and, therefore, improve the 2021 margin of the North America business by 20 basis points and the Group as a whole by 10 basis points. The change was reviewed by the Audit Committee at its meeting in February 2022.

Other financial reporting matters

Going concern and viability statements
At its meeting in February 2022, the Audit Committee considered the Group's ability to continue as a going concern, taking into account budgets, borrowing facilities, timing of cash flows, and financial and operational risk management before recommending to the Board that it adopt the going concern basis of preparation for the 2021 Financial Statements. At the same meeting, the Audit Committee also considered the longer-term viability of the Company, reviewing the analysis from management to support the viability statement in the 2021 Annual Report. This included forecasts of future cash flows, stress-testing scenarios and an analysis of other risks that could impact the viability of the business over the three-year period 2022 to 2024 and how they could be mitigated. The going concern statement for 2021 can be found on page 214. The viability statement for 2021 can be found on page 80.

Fair, balanced and understandable reporting
The Audit Committee undertook a review of the 2021 Annual Report ahead of its publication to consider whether it was fair, balanced and understandable as required by the UK Corporate Governance Code. The Committee received a report from management summarising the process undertaken, which covered, but was not limited to, the following:

- The Chairman and Chief Executive provide input and agree on key elements to be included which set the tone and balance of the Strategic Report.
- All contributors to the Annual Report are made aware of the requirement for content to be fair, balanced and understandable.
- Regular review meetings are held with the appropriate senior management to ensure consistency of the whole document.
- Extensive review and verification processes are undertaken by the appropriate departments and senior managers to ensure the accuracy of the content.
- Additional independent internal reviews are undertaken to ensure that any perceived lack of clarity, balance or understanding in the Annual Report is identified and addressed.

The Audit Committee was satisfied that the Annual Report did provide a fair, balanced and understandable assessment of the Company's position and prospects. The Board's statement on fair, balanced and understandable in relation to the 2021 Annual Report can be found on page 214.

Climate change reporting
As previously described, the Audit Committee considered climate change risk and its inclusion in the year-end audit report during the year. The Company's 2020 Annual Report was included in the sample for the FRC's thematic review of entities' reporting on streamlined energy and carbon reporting (SECR) disclosures. The FRC carried out a limited scope review with no queries or questions being raised and the Company was featured as an example of better disclosure in the review when it was published in September 2021. However, it is increasingly understood that climate change can affect a number of areas of financial statements and the FRC included as one of its key disclosure expectations in its annual review of corporate reporting for 2020/21 that material climate change policies, risks and uncertainties discussed in narrative reporting should also be appropriately considered and disclosed in the financial statements.

Management, therefore, undertook a full review taking into account the current understanding of the impact of climate change on our business as a whole (see page 62), the dynamic of our business models and their impact on the risk, and any applicable Accounting Standards. Analysis was undertaken to link the expected risk levels and climate change impacts to these Accounting Standards and a review of the balance sheet, key revenue streams and impacts of the Group's 2040 net zero commitment was completed. As detailed on page 155, overall the analysis demonstrated that the Group is not materially exposed to climate change events due to its disaggregated nature and it was, therefore, proposed that only two areas should disclose climate change impacts in the Financial Statements, with additional disclosure in the basis of preparation section in the Notes to the Financial Statements and the intangible asset impairment review process (see pages 155 and 176). The Audit Committee considered the review and approach proposed and recommended these to the Board of Directors, which approved them at its meeting in December 2021.

External audit

Audit services

The auditor is appointed by shareholders to provide an opinion on the Financial Statements and certain other disclosures prepared by the Directors. KPMG acted as the auditor to the Group until their resignation at our AGM in May 2021. Following shareholder approval, PwC was appointed as auditor from this date and, having shadowed the 2020 audit process, have undertaken the audit of the Group's Interim and Annual Financial Statements for 2021. The Audit Committee is responsible for oversight of the auditor, agreeing the audit strategy and related work plan as well as approving their fees.

The auditor attends all meetings of the Audit Committee and, in 2021, KPMG attended the meeting in February and PwC attended all meetings during the year. During 2021, KPMG and PwC each met separately with the Audit Committee once without executive management present and met with the Audit Committee Chair independently two and four times respectively. The main engagement with the Audit Committee in 2021 has been the transition between auditors and the audit and publication of Interim and Annual Financial Statements, including the auditor's scope and priorities approach and key judgement areas.

Due to the change in external auditor, the Audit Committee did not formally review the effectiveness of the auditor during 2021 as is customary. The Committee did, however, review and agree six key objectives for improving the Group audit at the May 2021 Audit Committee meeting. The six targets had specific actions by year across the first three years of the audit, to be formally reviewed annually at the May Audit Committee meeting. The Audit Committee also considered how best to get value out of the audit feedback and effectiveness review process. PwC were involved in the discussions.

Audit-related and non-audit services

To safeguard the objectivity and independence of the auditor, the Company has a policy on the engagement of the auditor's services on audit-related and non-audit services. The Audit Committee accepts that certain work of a non-audit nature is best undertaken by the auditor.

The policy sets out the nature of services that are permitted and those that are specifically prohibited. In general, permitted services would be limited to matters that are closely related to the annual audit process or where a detailed knowledge of the Group is advantageous. The auditor is permitted to be engaged on a small number of specific non-audit or additional services as set out in the policy subject to approval of the Audit Committee.

The Audit Committee regularly reviews the amount and nature of non-audit work performed by the auditor to ensure that the auditor's independence is not compromised. Any engagement fee on permitted services in excess of £10,000 requires the approval of the Chair of the Audit Committee and any engagement fee in excess of £250,000 requires the approval of the Audit Committee. The Chief Financial Officer is authorised to approve an individual permitted service or specific project below £10,000. The non-audit services policy was reviewed in March 2021 in order to clarify the application of the policy during a transition period between two external auditors, as occurred in 2021. A copy of the current policy on the provision of non-audit services by the external auditors is available on our website.

Audit fees for the statutory audit for 2021 were £4.3m (2020: £3.2m). Fees for audit-related assurance services and other non-audit services incurred during the year amounted to £0.2m (2020: £0.1m). The ratio of non-audit fees to statutory audit fees for the year was therefore 0.04:1 (2020: 0.03:1). The majority of the audit-related services were in relation to non-statutory accounts audits and assurance services.

As part of the broader Board review and approval of professional advisor fees in relation to the proposed acquisition of Terminix, the Audit Committee considered and approved additional non-audit fees for the proposed work to be undertaken by PwC in relation to the project. Taking into account independence considerations for all professional advisors, the Audit Committee concluded that to engage PwC for certain elements of the work was in the best interest of the Company, in part due to potential linkages and knowledge from their position as incumbent external auditor. Further details of the fees paid for audit services, audit-related services and non-audit services can be found in Note A8 to the Financial Statements on page 165.

Disclosure of information to the auditor

The Audit Committee monitors the process leading up to the preparation of the Financial Statements, including the arrangements the Company has in place for disclosing all relevant audit information to the auditor. A formal confirmation on disclosure of information to the auditor is provided in the Directors' Report on page 214.

Tenure

PwC were appointed as our external auditor at our AGM in May 2021 following a formal audit tender undertaken during 2020. Neil Grimes is the lead audit partner responsible for the Group audit. It is intended that the next competitive tender process will be undertaken within the next 10 years in accordance with the UK Competition & Markets Authority Order. The Company confirms its compliance with the provisions of the UK Competition & Markets Authority Order regarding statutory audit services for the financial period ended 31 December 2021.

Auditor independence and objectivity

The Audit Committee received confirmation from PwC that they were independent and objective within the context of applicable professional standards prior to their appointment by shareholders at the AGM in May 2021.

The Audit Committee considers annually the scope, fee, performance and independence of the external auditor. In concluding that PwC should be proposed for reappointment as auditor at the AGM in May 2022, the Board and the Audit Committee took into account the need to ensure that auditor independence was safeguarded. The Audit Committee received confirmation from PwC that they remained independent and objective within the context of applicable professional standards.

The Audit Committee considers that there are sufficient controls and processes in place to ensure that the required level of independence of the auditor is maintained and it is not believed that there is any material risk of the Company's auditor withdrawing from the market.

Risk management and internal control

The Group's approach to managing risk and ensuring that an effective internal control environment is maintained is set out in the Risks and Uncertainties section on page 73. The Board's statement on risk management and internal control is set out in the Corporate Governance Report on page 102. Independent reassurance of the effectiveness of risk management and internal controls across the Group is provided to the Chief Executive and the Board by Group Internal Audit.

The identification and management of risk is fully integrated into the development of the Group's strategy and the day-to-day operational execution of the strategy by the regions and business units. Ensuring that risks are identified and managed effectively is a part of every manager's and supervisor's job through leadership of the teams for which they are responsible.

The Board has overall responsibility for the Group's risk management approach. This includes:

- review and approval of the Group's overall strategy, which includes reviewing the risks that may prevent the Group from achieving its objectives and ensuring that these risks are mitigated or managed to an acceptable level;
- regular reviews of business performance, including updates of the risks that the business is facing, and challenging management to obtain assurance that these risks are being effectively managed;
- review of management's approach to identifying and managing risk, including approval of the Group Risk Register and recommending enhancements;
- evaluation of the effectiveness of internal controls, including financial, operational and compliance controls;
- oversight of the Group's whistleblowing arrangements;

- evaluation of the effectiveness of internal and external audit; and
- delegation of authority to the Chief Executive and Chief Financial Officer to make commitments on behalf of the Company.

Some of the above responsibilities are delegated to the Audit Committee as previously described. The Audit Committee receives regular reports from the Chief Financial Officer and the Director of Internal Audit & Risk on financial controls and process improvement programmes. These include:

- an annual report on the overall status of the control environment in the Group, including the results of testing and reports on identified areas of weakness in controls;
- action plans on control environment improvements and updates on their implementation;
- updates on control weaknesses and planned actions to prevent a re-ocurrence; and
- periodic reports from regional and Group Finance executives, and Internal Audit.

During 2021, the Audit Committee continued its practice of reviewing in depth the risk and control environment in the main regional businesses, as well as the Regional Finance Directors' assessment of the quality and priorities of the Finance function in the relevant part of the business. Audit Committee members received presentations from the Regional Finance Directors for the Asia and Pacific regions during the year. Other regional updates were provided as part of the Board agenda. This provides a high-level insight for the Audit Committee as well as an opportunity to challenge key managers on potential risks. It further supports the discussions that take place in the Nomination Committee on talent and succession in the Finance function.

The number of control issues across the Group remains relatively low, with those that do occur not resulting in a material impact on Group performance. Nonetheless, significant control issues were experienced including:

- repeated unsuccessful DDoS attacks;
- attempted ransomware incidents in Brazil and Italy;
- an incidence of fraud in Australia;
- an incidence of supplier bank change fraud in North America; and
- an incorrect processing of a payroll file in North America.

In addition, the external readiness assessment for internal controls over financial reporting (ICFR) completed during 2021 understandably identified improvements which will be required to achieve a full Sarbanes-Oxley (SOX)-standard environment, particularly around IT general controls.

Operational controls examined by Internal Audit generally work well. Testing of these controls during 2021 highlighted some issues regarding retention of documentation for training records and subcontractors in some countries. The introduction of a site risk assessment app during 2021 is making a positive impact on operational controls and this is anticipated to further improve in 2022 as the app roll-out continues. The Audit Committee also receives a regular report of matters reported via Speak Up, our internal whistleblowing process. There were 41 control incidents reported in 2021 (2020: 40). The nature of the matters reported remains similar to previous years and principally relates to employee and employment matters; with very few relating to fraudulent activity, which remains at a very low level across the Group.

Our US business has faced several class action claims over the past two to three years from colleagues and former colleagues (mainly but not only those in acquired businesses) in California, for alleged wage and hour violations (which cover overtime pay, provision of meal breaks, etc). The pay practice claims have typically been based in part on legacy pay plans that conflicted with current laws and regulations and gaps in record-keeping. There are no such claims currently outstanding. More generally, the Group has now reached an eight-year low aggregate exposure to material litigation claims, through improved operational practices, greater rigour in compliance and a proactive approach to dispute resolution. The Audit Committee regularly reviews the status of any larger claims and considered a review of themes in litigation over the past eight years at its meeting in July.

A series of measures are being implemented in North America to minimise the chance of recurrence of such employee class actions, involving operational and functional leadership in the US as well as input from Group function heads in HR, Legal and Internal Audit.

In response to a number of government commissioned reviews calling for corporate reforms and the likelihood that a UK SOX equivalent may be introduced soon, an external assessment on how to implement ICFR in the UK was undertaken during 2021 with the findings shared with the Audit Committee. The assessment included workstreams covering culture, fraud framework, scoping, IT-readiness and two detailed pilot process walkthroughs which included a deep dive on the IT controls associated with those processes. The Audit Committee also considered the BEIS consultation on audit reform, 'Restoring trust in audit and corporate governance', and the Board reviewed the Company's response ahead of its submission in July 2021. We are still awaiting the outcome of the BEIS consultation ahead of implementing a plan to address the items raised. However, the work undertaken to date will now form a strong basis for addressing the SOX requirements which will result from completing the acquisition of Terminix in North America.

In 2021, the Audit Committee also undertook a review of the Company's activities and processes to identify, assess and manage the opportunities and risks related to climate change as set out on page 62. See pages 58 to 65 for further information on the Company's journey to net zero.

There is a Group Risk Committee composed of key functional senior managers which considers the risk framework and key and emerging risks. This Committee sits within our governance framework as set out on page 90. Copies of the minutes of the Group Risk Committee are provided to the Audit Committee and, in 2021, the Chair of the Audit Committee also attended a Group Risk Committee meeting as part of the Board's colleague engagement programme (see below). Where appropriate, items that are raised as significant or emerging issues by the Group Risk Committee are reflected in adjustments to the control environment.

Spotlight

Considering risk in detail

Our Group Risk Committee meets four times a year and, at the meeting in October 2021, Julie Southern, Non-Executive Director and Chair of the Audit Committee, joined the meeting to engage with colleagues on the current and emerging risks being considered. Items on the agenda for the two hour meeting included a deep dive on IT risk presented by the Global Head of Information Security and the Chief Information Officer, a thematic review of litigation risk and mitigation by the Group General Counsel & Company Secretary, and a detailed discussion on climate change risk and reporting, including how this should be presented in the Financial Statements of our 2021 Annual Report. The meeting provided Julie with the opportunity to observe the management process when considering key risk areas, with sufficient time to ask questions and debate approach. The discussion on climate change was reflected in the final paper on climate change reporting in the 2021 Financial Statements that was submitted to the Audit Committee and Board for its consideration and approval in December 2021.

Internal audit

The Group has an operational Internal Audit team of six led by the Director of Internal Audit & Risk. The Director of Internal Audit & Risk reports to the Chief Financial Officer and has direct lines of communication with the Chair of the Audit Committee, the Chief Executive and the Chair of the Board, as well as to all operational and functional leaders in the business. The Internal Audit team has since 2019 included one senior auditor focused specifically on the North America business.

An independent external quality assessment (EQA) was undertaken by Deloitte during 2021 in order to review the effectiveness of the Internal Audit function. The outcome of the EQA was very positive with the function obtaining the highest rating attainable. Based on feedback received, Deloitte found the Internal Audit function to be a professionally run and experienced function with strong leadership, which incorporates many aspects of good practice within its ways of working, and has built a strong and productive relationship with the businesses it has audited. Notwithstanding this, the review found that there were aspects where the function could strengthen its practices and identified continuous improvement opportunities to maximise the value which the function can deliver through its existing operating model. Within this context, Deloitte raised a number of opportunities for ongoing development and continuous improvement of the function.

The Audit Committee discussed the findings of the report at its meeting in December and reviewed the action plan which had been developed to address recommendations. Examples of outcomes include IT resource being supplemented in 2022 to allow more IT audit work and an additional resource being added to the Internal Audit team in North America.

In 2021, Internal Audit implemented a specific tool, TeamMate, to assist with audit planning, execution and issue tracking, as well as introducing the concept of a grace period, a defined time period in the audit process to address some of the issues raised which would then be reflected in the final audit opinion. Internal Audit continued to conduct in-depth reviews of a broad range of business processes at business locations across all regions. These included:

- key financial controls;
- entertainment and travel expenses;
- authority schedules;
- payroll;
- IT general controls and IT corporate-level controls, including Payment Card Industry Data Security Standard (PCI-DSS) compliance;
- customer contract management;
- stock and warehousing;
- procurement;
- operational effectiveness, including compliance with Group technical standards;
- business continuity management; and
- compliance with the Code of Conduct and anti-corruption policy.

The 2021 Internal Audit Plan was approved by the Audit Committee in December 2020. During 2021, approximately 90% of the audits conducted as part of the Internal Audit programme were undertaken remotely due to the ongoing COVID-19 pandemic. The common themes arising from the internal audit work during 2021 were presented to the Audit Committee in December 2021, together with recommendations to senior management to improve the controls across some processes.

The 2022 Internal Audit Plan has been designed to address the areas that emerged in 2021, and to improve the process in several ways. The audit scope has been tailored to address risks at a country level with flexibility in the processes covered. The IT audit work plan has been refreshed with input from the Chief Information Officer to target specific areas of IT risk, and the use of data and analytics will increase as part of the 2022 audits.

None of the failures identified in the control environment by Internal Audit or any of the recommendations relating to individual audits represented a systemic underlying issue, nonetheless an assessment of the issues identified have resulted in a number of recommendations for improvement, including refreshing both the procurement and inventory policies, strengthening the IT general controls, completing a thematic audit in the SHE process and defining a plan for enhancing data protection controls. The overall work of the Internal Audit function is supportive of the Audit Committee's and the Board's view that the financial and operational controls environment, set out on pages 108 and 109, is working adequately. The Board's statement on the effectiveness of risk management and internal control can be found on page 102.

Governance and compliance

The Audit Committee has responsibility for reviewing the Company's procedures for handling compliance with our Code of Conduct and anti-bribery and corruption policy, and confidential reporting (whistleblower) arrangements, known as Speak Up. The Code of Conduct, a fundamental commitment to comply with all applicable legal requirements and with high ethical standards, can be found on our website. It clearly sets out how colleagues can seek advice and report concerns about suspected ethical or legal misconduct policy violations. The Company uses an international confidential Speak Up email address and phone line to allow colleagues to report any suspected wrongdoing internally to independent senior management at Group level. Speak Up cases are monitored by Internal Audit and any potential misconduct reported is formally investigated and appropriate action taken, with the results of the investigation being reported back to the whistleblower. The Director of Internal Audit & Risk provides regular updates to the Audit Committee of any control incidents.

The Audit Committee also periodically reviews the communication process in place throughout the Company regarding whistleblowing and the use of Speak Up to ensure its effectiveness and to monitor our colleagues' understanding of the system.

The Audit Committee is informed of the outcome of the annual Letter of Assurance process where senior management are required to confirm compliance with key Group policies, including the Code of Conduct, and the dissemination of these policies to their respective country and functional teams (see also Management and compliance on page 70). The full list of exceptions reported during the process is shared with the Audit Committee and any thematic issues raised are also shared with the Executive Leadership Team.

Audit Committee effectiveness

During 2021, a review of effectiveness of the Audit Committee was undertaken using internal questionnaires. This was conducted in parallel to the Board evaluation detailed on page 101. The review concluded that the Audit Committee continued to perform effectively and had received sufficient, reliable and timely information from management to enable it to fulfil its responsibilities.

The review also considered that strong progress had been made in 2021 in relation to review and discussion of risk processes, in the quality of engagement with the Group Risk Committee and other internal management groups. The transition of the external auditor responsibilities to PwC was considered to have been smooth and effective.

In 2022, the following focus areas were identified:

- improve understanding of the US regulatory environment and implications for the Group in light of the Terminix acquisition, including SOX compliance;
- oversee the Terminix acquisition from an accounting and risk management perspective;
- review IT audit work plans and IT general controls;
- monitor developments in climate change reporting; and
- continue to monitor developments from the UK BEIS consultation proposals for reform of audit and corporate governance.

Read the Audit Committee's terms of reference at **rentokil-initial.com/investors/governance**

Read our Policy on the Provision of Non-Audit Services by the External Auditors at **rentokil-initial.com/investors/governance**

Nomination Committee Report

Areas of focus in 2021

- Appointment of new Non-Executive Director
- Remuneration Committee Chair succession
- Senior management succession plans
- Improvements in the ethnic diversity in our senior leadership population

Areas of focus in 2022

- Board succession planning, including Audit Committee Chair succession and adding a Terminix Director to the Board post-closing
- Diversity-related disclosures for listed companies
- Executive Director and senior management succession planning and talent development

Committee members:

- Richard Solomons (Chair)
- Sarosh Mistry
- John Pettigrew
- Julie Southern
- Cathy Turner
- Linda Yueh

Dear Shareholder

I am pleased to present to you the report of the work undertaken by the Nomination Committee in the year ended 31 December 2021. The Nomination Committee holds an important role in ensuring the appropriate framework is in place to maintain a high quality Board and leadership team who can deliver against our purpose.

Sarosh Mistry, our first US-resident Non-Executive Director, joined the Board on 1 April 2021. Angela Seymour-Jackson stepped down from the Board at the conclusion of our AGM in May 2021 and Cathy Turner succeeded her as Chair of the Remuneration Committee. Details of the work undertaken by Cathy in her new role can be found in the Directors' Remuneration Report on page 115.

The Nomination Committee has as always continued to review succession planning, both for Board and senior management appointments, during the year. The Nomination Committee concluded that appropriate succession plans continue to be in place but will of course be monitoring this closely in light of any changes that may result from the Terminix transaction.

The Nomination Committee's key objective is to ensure that the members of the Board have the appropriate balance of skills, knowledge and experience to govern the Company in a professional, ethical and transparent manner, and to ensure that the Board is rigorous and effective in discharging its responsibilities. As part of the broader Board evaluation review, the Nomination Committee is recommending that all Directors be reappointed at our AGM in May 2022. Full details can be found on pages 101 and 102.

The Nomination Committee undertook its annual review of the Board Diversity Policy in December 2021 and did not recommend any material changes. We have now made the policy available on our website and continue to monitor our progress against it (see page 113). With changing appointments on the Board, our Board diversity will always fluctuate. This year, our female representation was reduced from 50% to 37.5% female (still exceeding the target of 33% in our Board Diversity Policy) following Angela Seymour-Jackson ceasing to be a Non-Executive Director, while our representation of persons from an ethnic minority has doubled from 12.5% to 25% with the appointment of Sarosh Mistry. We have also disclosed the nationalities of our Directors and Executive Leadership Team for the first time (see page 84 to 87). The Nomination Committee also considers diversity in the context of the wider workforce and additional information on this can be found on pages 53 and 113.

The Nomination Committee will continue to focus on succession planning in 2022. The Nomination Committee will also be focusing on plans, once the acquisition of Terminix completes, for putting in place the appropriate management team for the combined North America business and an expanded Board with the addition of a Non-Executive Director from the Board of Terminix.

If you wish to discuss any aspect of the Committee's activities, you can contact me by email at chairman@rentokil-initial.com or I would welcome any questions at our upcoming AGM in May.

Richard Solomons
Chair of the Nomination Committee

3 March 2022

Role of the Nomination Committee

The Nomination Committee monitors the composition and balance of the Board and of its Committees, identifying and recommending to the Board the appointment of new Directors and Committee members and ensuring they have the appropriate balance of skills, knowledge and experience to govern the Company in a professional, ethical and transparent manner. The Nomination Committee also oversees talent and succession plans for senior leadership positions, overseeing the development of a diverse pipeline for the future senior management of the Group. It also plays an active role in setting and meeting diversity objectives and strategies for the Company as a whole, and in monitoring the impact of diversity initiatives. The full responsibilities of the Committee are set out in its terms of reference which are available on our website. These were last reviewed in December 2021.

Membership and attendance

All Non-Executive Directors are members of the Nomination Committee, to ensure they can provide input and help determine the composition of the Board. Richard Solomons is Chair of the Nomination Committee. Last year, we agreed the Nomination Committee should meet at least quarterly, and it met four times during the year. Members of the Committee will also hold discussions as required outside the formal meetings. You can find full details of members' attendance during 2021 on page 89.

If any member cannot attend a meeting, the Nomination Committee Chair will ask their views in advance and provide a briefing on outcomes if appropriate. All Nomination Committee members are provided with the papers and the minutes of the meeting, whether or not they attend. The Chief Executive also normally attends meetings, especially to assist with discussions of executive succession and talent programmes. The Company Secretary is secretary of the Nomination Committee and the Deputy Company Secretary attends all meetings. Daragh Fagan will retire as Company Secretary at the end of March 2022 and will be succeeded by Catherine Stead, who will also act as secretary to the Nomination Committee.

Appointment process to the Board

The Nomination Committee is responsible for managing the appointment process, to ensure a formal, rigorous and transparent procedure for appointing Directors. For the Board to discharge its duties and responsibilities effectively, it must comprise a diverse group of individuals whose skills and experience have been gained in a variety of backgrounds. Successful candidates must demonstrate integrity and independence of mind, and must enhance the overall effectiveness of the Board. The Committee considers appointments objectively, regardless of gender, ethnicity or other personal characteristics, and makes them on merit. Pro-forma letters of appointment for Non-Executive Directors and the Chair of the Board are available on our website. We support the process of appointing new Directors to the Board by using external recruitment consultants.

Non-Executive Director succession

Following a formal recruitment process undertaken in 2020, Sarosh Mistry was appointed as a Non-Executive Director from 1 April 2021 and also became a member of the Company's Nomination and Remuneration Committees from his date of appointment. We disclosed full details of the recruitment process in our 2020 Annual Report, which is available on our website. We undertook no new recruitment in 2021. Julie Southern will have served as a Non-Executive Director for a period of nine years in July 2023 and the Nomination Committee will focus on the succession plans for her role during 2022.

Senior management succession planning and talent development

Both the Nomination Committee and the Board recognise that strategic, thoughtful and practical succession planning and talent development is critical to the long-term success of the Company. The Nomination Committee looks to bring new energy, challenge and oversight to the Board and to reflect the business strategy and operational goals in appointments. The Board is ultimately responsible for succession planning for Executive and Non-Executive Directors and senior management, with the Nomination Committee overseeing and making recommendations as required.

In the succession planning process, each leadership team role along with other critical roles is evaluated against whether there are successors ready now, ready in 1–2 years, or ready in 3–5+ years, as well as whether we have emergency cover for those roles in place. For those identified as successors and included in a talent pool, we carry out a robust development assessment and planning process where we identify strengths and gaps using, among other things, psychometric assessments, career conversations and a 360 degree feedback assessment. We use the information from this to help create really effective development plans as well as to inform the content of the talent pool development sessions. During the succession planning process, we also ask regions what their critical skills gaps are and we use data from this conversation to inform our leadership and development and talent priorities for the year.

Activities of the Nomination Committee in 2021

The Nomination Committee considered the following key areas during 2021 and early 2022:

Matters considered	Discussion and outcome	Find out more
Board succession	Considered throughout the year. The Nomination Committee nominated Sarosh Mistry for appointment.	See above and Board composition on page 89
Senior management succession	Executive Director and senior management succession was considered throughout the year with a detailed briefing on talent and succession planning being provided in February 2022.	See above for more information
Terms of reference	The Nomination Committee reviewed its terms of reference in December 2021.	Available to view on our website
Nomination Committee effectiveness	The Nomination Committee undertook a review of its effectiveness.	See effectiveness review on page 114
Director effectiveness	A review of individual Directors' performance was conducted, as part of the Board evaluation process.	See page 102 for more information
Diversity	The Nomination Committee considered the Board diversity policy, including its effectiveness.	See page 113 for more information
Conflicts of interest	The Nomination Committee reviewed potential conflicts of interest authorised by the Board and the processes in place to ensure that they are properly considered.	See Managing conflicts of interest on page 114

The Group HR Director usually presents a detailed update on the Company's talent strategy to the Nomination Committee in December each year. In 2021, this was delayed to early 2022 to accommodate the extended Board agenda required in December for the proposed Terminix acquisition. The session reviewed the current succession pipeline for key senior management roles, most notably the members of the Executive Leadership Team (ELT) (see page 86) and other critical roles, as well as wider talent development priorities. The Nomination Committee considered the progress made towards the priorities for 2021, noting the highlights achieved as a result of increased focus in this area. The Group HR Director also provided an overview of the global, regional and fast-track talent pools, which have been established to help identify successors for roles in our ELT and Senior Leadership Forum (SLF), our top 25 senior management team, to improve the succession pipeline for senior operational management, and to identify and accelerate the development of fast-track talent. Emerging talent was also considered for the first time in the 2021 succession plan, allowing us to identify and ultimately develop our up-and-coming future talent. Details of Board engagement with talent pools in 2021 can be found on page 97.

As a result of our talent development and succession planning activity, 91% of ELT and senior-leadership roles now have a named near-term successor, which is slightly down from 94% in 2020 following recent appointments but still up compared to 84% in 2019. We continued to conduct talent development modules virtually in 2021 due to ongoing travel restrictions. This has allowed us to extend the reach and numbers for our talent pools, with 275 of our high potential colleagues being developed in 2021. We continually monitor the effectiveness of our talent development and succession planning activity. Our investment in talent development is showing strong returns, both for individuals and the Company overall, with 82% of the participants in our global talent pools prior to 2021 having been promoted to more senior roles since 2017. Our 2021 talent pools already have a promotion rate of 48% despite participants only being in the programme for less than a year.

Fostering a diverse and inclusive culture

A key strategic aim of the Company is to be recognised as a world-class Employer of Choice, which is able to attract, recruit and retain the best people from the widest possible pool of talent. We are, therefore, committed to fostering a diverse and inclusive working environment for all employees by, at all times, striving to be an organisation that values everyone's talents and abilities, and where diversity is encouraged.

In 2021, the Company rolled out a global diversity, equality and inclusion upskilling initiative for all middle management and above. This programme has been designed by the NeuroLeadership Institute (NLI) in North America, and includes two separate four-week modules that all leaders participate in: 'Include' and 'Decide'. The 'Include' module supports leaders in learning how to foster inclusive environments in their team and the 'Decide' module equips leaders to learn about bias and how to mitigate it. By the end of 2021, approximately 1,000 leaders globally had participated in the programme and this roll-out will be extended in 2022. Initial feedback has been very positive, with 89% of direct reports to those leaders that have been through the pilot reporting seeing positive behaviour change since their leader participated in the programme. You can find more details in the Responsible Business section on page 53, and our Group Diversity, Equality & Inclusion Policy is available on our website.

The Board of Directors has adopted a Board diversity policy, which it reviews and reports on annually, and which is also available on our website. As part of its monitoring of gender, the Board reviews our Gender Pay Report each year and we continue to have no material gender pay gap between men and women (see page 128). The reports are available to view on our website. The Board also considered the FCA consultation on diversity-related disclosures by listed companies in 2021 and will continue to monitor developments.

Our Board diversity policy reaffirms our commitment to meeting and maintaining the recommendations made in the Hampton-Alexander Review on improving gender balance in FTSE leadership, which set a target of 33% female Board representation by 2020. We achieved this target in 2017 and have maintained it since then. The new targets and recommendations for the next five year phase set out in the FTSE Women Leaders Review (the successor phase to the Hampton-Alexander Review) will be considered by the Nomination Committee in 2022. We set out the objectives contained in our Board diversity policy, and how we are meeting these, on page 113. In 2017, we also committed to achieving the aims set out in the Parker Review for each FTSE 100 Board to have at least one Director from an ethnic

Board diversity objectives

Objectives	Progress
A target of at least 33% female Directors by 2020, and to maintain this thereafter.	37.5% of our Directors are female (2020: 50%).
Appoint at least one Board member from an ethnic minority background by 2021.	This was achieved with the appointment of Linda Yueh in 2017 and exceeded with the appointment of Sarosh Mistry in 2021.
Commitment to a merit-based approach to Board composition within a diverse and inclusive culture.	A rigorous process was undertaken for the recruitment of Sarosh Mistry which concluded in 2021.
To work only with executive search firms that have signed up to the Enhanced Voluntary Code of Conduct for Executive Search Firms on gender diversity and best practice (Enhanced Code).	All executive search firms retained by the Company during 2021 for Board appointments had signed up to the Enhanced Code.
To support the executive management of the Company in developing and implementing appropriate policies, programmes and initiatives designed to promote diversity at all levels of the organisation.	In 2021, our ELT and its direct reports (excluding colleagues in administrative roles) were 29% female (2020: 30%). Approximately 24% of our colleagues are female. The Board receives two detailed briefings on culture and our Employer of Choice agenda each year, which address progress on diversity and inclusion. Global management training rolled out in 2021.
To ensure that there is a pipeline of female executives within the organisation who are qualified and capable of taking up senior leadership positions.	Women comprise 40% of successors for ELT and SLF roles, up from 31% in 2020 and 26% in 2019. We were placed 44th in the first FTSE Women Leaders Review for women on boards and in leadership in the FTSE 100, published in February 2022.
Aim to ensure that there is appropriate and meaningful disclosure in the Company's Annual Report of Board composition, appointment processes, and the policies and initiatives the Company has in place and the steps it is taking to promote diversity, both at Board level and across the Company.	The Nomination Committee reviews this each year.

minority background by 2021. Following the appointment of Sarosh Mistry to the Board in 2021, we now have two Directors who are from ethnic minority backgrounds.

More broadly, we have continued to focus on increasing the diversity of our senior management population across the business, with 29% of senior roles in the business held by women. While we are aware that currently our ELT only contains one female (9%), this will double to 18% following the appointment of Rachel Canham as Group General Counsel in April 2022. Encouragingly, we are growing our reputation as an employer of choice for senior women while ensuring we are able to attract diverse candidates from the widest possible pool of talent, with women comprising 44% of external hires to senior management positions in the past 12 months.

As a global organisation, we also believe it is important to have a senior management team that is representative of the markets we operate in, and the customers we serve. To that end, we can report that 20% of our senior management roles are currently filled by individuals who are defined as ethnic minorities (2020: 21%). We believe that, if our leadership is to reflect the diversity of the countries we operate in, our target for ethnic diversity in our senior leadership population should be at least 28%, and this will continue to be an area of focus for us. We can also report that 18% of the participants in our current global talent pools are defined as being of an ethnicity that is not White or European (2020: 24%), building us a growing pipeline of future leaders from ethnically diverse backgrounds. We aim to remove bias from our recruitment processes and to ensure we are attracting the best people from the widest possible pool of talent. A summary of our culture and further details on our colleagues are provided in the Responsible Business section from page 51. You can find details on how the Directors monitor culture on page 89.

Managing conflicts of interest

The Directors have a statutory duty to avoid a situation where they have, or could have, a direct or indirect interest that conflicts or might possibly conflict with the interests of the Company. The Board is permitted, under powers from shareholders contained in the Articles of Association, to authorise actual or potential conflicts of interest.

We have a procedure to deal with the situation where a Director has a conflict of interest, and as part of the process the Board considers each potential conflict situation on its merits. Since the procedure was introduced, a number of potential situational conflicts arising from appointments on other boards, or through some other ongoing relationship, have been authorised after review by the Board, none of which is subject to any specific limitation or condition. We have not encountered any 'transactional' conflicts involving Directors that would require a Director to be excluded from any part of the Board's activities. We maintain and review annually a register of authorisations granted annually.

Under its terms of reference, the Nomination Committee is responsible for reviewing the current schedule of authorisations with a view to considering whether they remain appropriate or whether they should be revoked or otherwise limited. They undertake this review annually and also review the process for considering and authorising potential conflicts of interest, and in 2021 concluded that no updates were necessary. All authorisations given were considered to remain appropriate and none were revoked or otherwise limited.

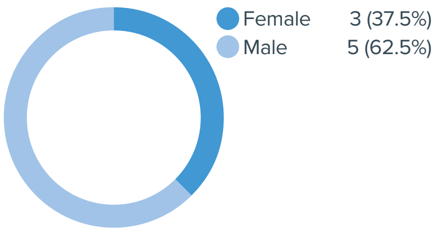
Nomination Committee effectiveness

The Board considers the annual Board evaluation, and its outcomes and actions, at its meetings, and details of the process are therefore disclosed in the Corporate Governance Report on page 101. The Nomination Committee was considered as part of the broader Board effectiveness review. The review concluded that, in terms of composition, management of meetings, the quality of the content and information provided to it, the Nomination Committee had operated effectively in 2021.

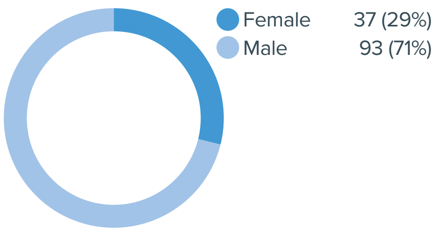
In 2022, the Committee plans to continue its focus on Board and executive succession, including the internal development pipeline below the Executive Directors; review the composition of the Board in the light of the Terminix acquisition; execute the plan for Audit Committee Chair succession; and monitor diversity-related disclosures for listed companies.

Gender profile
at 31 December 2021

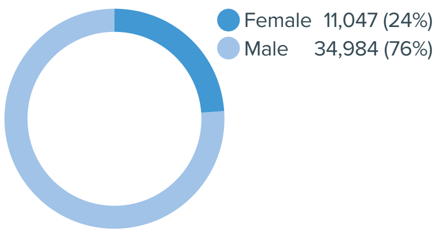
Board



Senior management[1, 2]



Total workforce



1. We define senior management as the members of our ELT and their direct reports, excluding colleagues in administrative roles.
2. When the breakdown also includes any other directors of the Company's related undertakings, there are 51 females (25%) and 157 males (75%).

Read the Nomination Committee's terms of reference at **rentokil-initial.com/investors/governance**

Read our Group Diversity, Equality & Inclusion Policy at **rentokil-initial.com/responsible-delivery/policies**

Read our Board Diversity Policy at **rentokil-initial.com/investors/governance**

Directors' Remuneration Report

Areas of focus in 2021

- Renewal and approval of the Directors' Remuneration Policy at the 2021 AGM
- Smooth succession for the Remuneration Committee Chair, the previous Chair having stepped down at the May 2021 AGM

Areas of focus in 2022

- Embedding Directors' Remuneration Policy
- Planning for the integration of the Terminix acquisition

Committee members:

- Cathy Turner (Chair)
- Sarosh Mistry
- Julie Southern
- Linda Yueh

In this report:

Dear Shareholder

It is my pleasure to present, on behalf of the Board, my first Directors' Remuneration Report to shareholders, for the financial year ended 31 December 2021.

Having joined the Board and the Remuneration Committee in April 2020, I was able to spend over a year with the previous Chair, Angela Seymour-Jackson, before my appointment at our AGM in May 2021. I would like to thank Angela and the other Committee members for their support in the transition.

It has been another busy year with the key areas of focus including:

- the review and subsequent approval of the Directors' Remuneration Policy (the Policy);
- a smooth succession of the Committee Chair, particularly in light of the Policy renewal; and,
- the alignment of remuneration for all employees given the continued pandemic uncertainty that has caused full or partial lockdowns in many of the countries where we operate.

Policy renewal

Concluding the Policy review, which was started in 2020, has been our main focus. The aim was to support continuity of strategic delivery and ensure the appropriate balance between incentivisation of the Executive Directors with the interests of shareholders, employees and the wider community.

We engaged extensively throughout the Policy review with our largest shareholders, who hold around 60% of our share capital, along with shareholder representative bodies and proxy agencies. A large number of our shareholders provided valuable feedback that helped shape the final proposals. We appreciated the time that was taken by shareholders and offer our sincere thanks for their support.

Following the consultation, a number of key changes were made:

- **Annual bonus** – The scheme design has been simplified by separating the personal performance element from the financial element. This means the personal performance element operates independently rather than acting as a modifier to the financial outcome.
- **Performance Share Plan (PSP)** – Annual share awards under the PSP have been increased from 250% to 375% for the Chief Executive (CEO) and from 200% to 300% for the Chief Financial Officer (CFO). The threshold vesting level has been reduced to 20% from 25% to ensure that this quantum is only delivered for demonstrable outperformance. The implementation of these higher award levels has been phased.
- **Pension** – For new appointments, the pension contribution will be in line with the wider workforce in the UK, currently 3% of salary. This has been applied to the newly appointed CFO. The CEO's pension has been capped at the 2019 level which is currently 21.9% of salary and will continue to decrease as a proportion of any salary changes until the end of 2022, when it will be aligned with the wider workforce.
- **Shareholding guidelines** – Post-cessation guidelines have been introduced which will normally require Executive Directors to hold shares, for two years post-cessation, to the value of the shareholding guideline that applied at the cessation of their employment; or, in cases where the individual has not had sufficient time to build up shares to meet the guideline, their actual level of shareholding at cessation.

The Policy was approved by 77.39% of shareholders at the AGM in May 2021 and came into effect immediately. As the voting level was just below 80%, and in accordance with the UK Corporate Governance Code, we published an update detailing our ongoing engagement within six months of the AGM. We concluded that the extensive engagement with shareholders, and subsequent modifications, had resulted in 19 out of our 20 largest shareholders giving their approval to the Policy which represented strong support of the Committee's actions. We remain of the view that the policy changes are in the best interests of the Company and its shareholders. The changes address the core issue that the packages for our Executive Directors were becoming increasingly uncompetitive due to the growth in the size of the business and its continued strong performance, which does not align with the principles we apply to the wider workforce of ensuring that pay is fair and competitive.

Over time, such market positioning would create an unnecessary retention and recruitment risk that could affect strategic delivery and performance.

In summary, we have implemented the Policy, which aligns the Executive Directors' potential package with market median, and, consistent with the Company's culture, the weighting of the package design is strongly performance-based and long term. We continue, as always, to be available to shareholders and welcome engagement on such matters.

Continued response to COVID-19

COVID-19 has continued to be central to the managing of the business in 2021 as it was in 2020. In 2020, the Executive Directors and Non-Executive Directors took the lead in reducing remuneration given the toll that COVID-19 took on our customers, colleagues and shareholders alike. This included reducing base pay, cancelling the annual bonus scheme and delaying the PSP grant. The committed leadership in 2020 enabled a strong performance for all stakeholders and provided a good foundation for 2021.

The challenges of COVID-19 continued throughout 2021 and our priority, as always, remained the safety of colleagues. Our teams are learning and adapting to the seemingly never-ending changes of managing the issues of full or partial lockdowns, higher absence rates, restrictions and vaccination requirements, and these issues have now become business as usual for our leaders and colleagues alike. We are pleased that financial performance in 2021 has been strong again and enabled us to operate, with confidence, our normal remuneration policies. This return to normality was implemented firstly for our frontline colleagues, followed by our managers and lastly our senior leaders, including the Executive Directors. As such we have had no requirement to access government support in the UK or to make any temporary reductions to our frontline colleagues', managers', senior leaders' or Executive Directors' remuneration during 2021 in the Group.

Shareholder experience

We were pleased to return to paying dividends in 2021, with shareholders receiving 5.41p in May and 2.09p in September. Both dividend payments were significantly above 2019 levels. The share price also continued to grow throughout 2021, ending 14.6% higher at the end of the year, having grown from 509.6p to 584.0p year on year.

Key decisions in 2021

Context of business performance

The performance in 2021 demonstrated the core strength of our businesses, growing revenue, profit and cash ahead of our new medium-term growth targets. We were pleased that Ongoing Operating Profit and Ongoing Revenue grew by 19.5% and 9.8% respectively. Furthermore, we have considered performance relative to pre-pandemic levels, and it is notable that ongoing profit growth was up 26.3% and Ongoing Revenue growth up 16.8% compared to 2019.

The strong performance, both relatively and absolutely, is reflected in the incentive payments to our frontline colleagues, management and Executive Directors, reinforcing our strong link between performance and reward.

Salary review

The CEO's salary was not increased as part of the salary review in July 2021 and remains at £875,000. However, the wider workforce in the UK did receive an increase, with the majority of the budget targeted at frontline employees, who on average received 4%, enabling a significantly larger increase for this population than for managers.

The CFO's salary was increased, as provided for in his appointment terms, from £500,000 to £550,000, in light of the strong performance by both him and the Company.

Annual bonus outcome

The annual bonus for Executive Directors rewards both Company and personal performance and the company element is designed to reward sustainable profit growth and Free Cash Flow to align the Executive Directors' incentives with the Group strategy. As with all incentives across the business, the targets set continue to be challenging.

The company element of the scheme operates in the same way for all managers, a population of over 2,000 colleagues, the only difference being that targets are aligned to their business area rather than based on Group performance.

- **Company performance** – There are two performance gateways which are based on profit and cash generation, both of which were achieved. The level of bonus payable is determined by two key metrics: Ongoing Operating Profit and Ongoing Revenue performance. Performance was assessed against the targets, but also careful consideration was given to the quality of earnings in both the context of 2021 results and pre-pandemic levels. We also assessed that the targets and the results represented outperformance relative to the externally communicated business targets. Following these assessments, it was determined the maximum outcome achieved for Company performance was appropriate.
- **Personal performance** – The Executive Directors are assessed on their personal performance with the potential of up to 30% of base salary based on these objectives, which are measured through the Company's performance and development review process. The CEO, Andy Ransom, was awarded a performance rating of 5, recognising his outstanding performance and leadership, giving a bonus of 30% of salary. The CFO, Stuart Ingall-Tombs, was awarded a performance rating of 4, giving a bonus of 22.5% of salary.
- **Total bonus outcome** – The table below shows the total outcome as a percentage of base salary. See pages 122 and 123 for a breakdown of the targets and calculation as well as details of the personal performance review.

	Company performance	Personal performance	Total bonus outcome
Threshold	15%	0%	15%
Target	75%	15%	90%
Maximum	150%	30%	180%
Andy Ransom	150%	30%	180%
Stuart Ingall-Tombs	150%	22.5%	172.5%

Performance Share Plan (PSP) vesting

During 2021, the PSP award granted in 2018 came to the end of its three-year performance period. The vesting level of the award was dependent on two performance conditions: earnings per share (EPS; measured over three financial years to 31 December 2020) accounting for one-third; and relative total shareholder return (TSR; measured over a three-year period ended 28 March 2021), which accounted for the remaining two-thirds. The Committee reviewed the vesting level based on the achievement against targets of 85.97%, to ensure that the outcome was a true reflection of the wider business performance. This scheme operates identically for our colleagues across the Group.

The 2019 PSP is due to vest on 25 March 2022 and performance will be measured against seven performance conditions:

- 50% – relative total shareholder return (TSR);
- 25% – earnings per share (EPS);
- 10% other financial measures – Organic Revenue growth and Free Cash Flow conversion; and
- 15% – Strategic/ESG measures – Sales and Service colleague retention, customer satisfaction and vehicle fuel intensity.

TSR is measured over a three-year period ending 24 March 2022 and all other measures over a three-year period to 31 December 2021.

This award is currently forecast to vest at 98.4% , using the actual outcome for all metrics except TSR, where an estimated result based on performance up to 31 December 2021 has been used. See page 124 for a breakdown.

PSP grants

In March 2021, the Committee awarded the Executive Directors PSP awards at the prior Policy levels, with the CEO receiving an award of 250% of salary and the CFO receiving an award of 200%. Following the approval of the new Policy at the AGM in May 2021, a further award of 75% of salary was granted to the CEO in line with the phased approach to implementing the new Policy as communicated to shareholders.

The CFO's award was not increased after the approval of the new Policy. The performance conditions and weightings used were:

- TSR – weighting 50%
- Organic Revenue growth – weighting 15%
- Free Cash Flow conversion – weighting 15%

- Strategic/ESG measures (Sales and Service colleague retention, customer satisfaction and vehicle fuel intensity) – weighting 20%

We expect to complete the phasing of the PSP award for the CEO and CFO in March 2022 when we will grant awards in line with the new Policy of 375% and 300% of base salary respectively.

Shareholding

As at 31 December 2021, the CEO's shareholding greatly exceeded the required level and the CFO was well on track to meet the required level within five years, having attained 65% of the requirement to date. The CEO's shareholding is more than three times the required level and, if Deferred Bonus Plan (DBP) awards and vested, but unexercised, PSP awards are included net of tax, his shareholding is nearly eight times the requirement.

	Shareholding requirement	Shareholding as a % of salary for shares held outright	Total shareholding as a % of salary including qualifying PSP and DBP shares net of tax
Andy Ransom	300%	1,131%	2,904%
Stuart Ingall-Tombs	200%	131%	131%

Strategic alignment of pay

Ensuring that our remuneration supports the delivery of the strategy is important to the Committee and this is achieved through aligning the measures used in our incentive schemes with our key strategic priorities. The Committee also ensures that the right behaviours and actions are driven from the top of the organisation by ensuring that focus is balanced across both financial and non-financial outcomes, for example the inclusion of colleagues, customer and health, safety and environment metrics in both the personal element of the annual bonus and the PSP. The Committee also takes into consideration the wider business performance when reviewing formulaic outcomes of metrics across all incentives.

Use of discretion

The Remuneration Committee has exercised its discretion on executive remuneration outcomes on a consistent basis over the last few years, in order to ensure any outturn is aligned with performance. The table below shows the Committee's use of discretion over the past five years.

Year	Applied to	Discretion applied
2017	PSP awarded in 2015	EPS targets were increased from 7% to 11.9% at threshold and 13% to 18.2% at maximum, mainly due to the Steritech acquisition.
2018	PSP awarded in 2016	EPS targets were increased from 9% to 9.6% at threshold and 15% to 16.1% at maximum, due to material M&A activity.
2019	PSP awarded in 2017	EPS targets were increased from 6% to 6.9% at threshold and from 11% to 14.1% at maximum, due to material M&A activity.
2020	No discretion was applied	
2021	No discretion was applied	

Director changes

Sarosh Mistry was appointed to the Board as a Non-Executive Director on 1 April 2021 and was appointed to the Remuneration Committee on the same date.

Wider workforce engagement

Following changes to the UK Corporate Governance Code that seek to broaden the role of the Committee to include oversight of wider employee remuneration and related policies and to show how the Committee has engaged with the wider workforce, we have continued to build on practices that were already in place and embedded in the way we work. We have taken this approach because engaging with the wider workforce and understanding their views was already a practice that the Board has undertaken for many years prior to the introduction of these requirements by the Code.

Our existing approach was a proven way for our employees' views to be effectively shared with the Committee and wider Board. We trust that our management team will bring key issues about our colleagues to our attention and there is a regular flow of information to the Board. Full details can be found on page 97, but these include our YVC survey results and action plans, regional 'deep dive' presentations and Employer of Choice updates, which ensure that we as a Committee get a rounded view from across the Group and we feel gives a much better representation of our 46,000 global colleagues' views than having an employee representative or Committee members conducting workshops. That said, in a normal year, the Board will always take time to meet colleagues during site visits, undertake 'ride-alongs' with specialists and technicians and attend management meetings. Examples of activities that I undertook in 2021 included attending a panel discussion for International Women's Day and an event for our female talent where attendees were able to ask questions across a range of subject. I also attended a Group Procurement team meeting and an Executive Leadership Team (ELT) meeting where again colleagues were given an opportunity to ask questions and discuss issues concerning the business, such as our approach to environmental issues.

In addition to this, the Committee takes into account the pay of the wider workforce when making remuneration decisions for the Executive Directors and the ELT and has done so historically. This is done through relevant details about the wider workforce being disclosed to the Committee to provide context when it is making pay decisions. For example, when making salary decisions, the Committee is provided with details of the overall approach for the Group as well as details about the specific countries that impact their decisions, meaning that the approach to pay increases for frontline technicians and managers in Singapore would be taken into account when making decisions about the pay for the Regional Managing Director for Asia.

We are also keen to ensure that our colleagues understand how their pay links to our Executive Director's pay and how we have consistency of approach across the Group. To achieve this we include details of how our plans for Executive Directors work in the same way for annual bonus and PSP when communicating these to our colleagues. Our grading structure is also explained to our colleagues from our CEO down, with details of what it means to be at each level.

We are also firm believers that colleague retention and workforce engagement go hand in hand and we are acutely cognisant of the challenges of attracting and retaining our talent at all levels of the organisation in the face of the toughest talent retention landscape for decades. The regular updates at the Board on our Employer of Choice metrics, enable us to see how our engagement and retention are progressing.

Looking ahead

Salary review

Our annual pay review will take place mid-year and be effective from 1 July. Any salary increase awarded to the CEO is likely to be modest, in line with the lower of the wider workforce or management, as we tend to focus more of our pay review budget at our frontline. In accordance with the details provided on his appointment, the CFO's pay will not increase in 2022 and will next be reviewed in 2023.

Terminix acquisition

A key area of focus in 2022 will be planning for the integration of the Terminix acquisition, which will have a material impact on the size of the Group, and explicitly our North America business. A review of base pay, annual bonus and long-term incentive arrangements will be undertaken to ensure they continue to motivate and incentivise our colleagues through this period of change.

Finally, I would like to again thank shareholders for their support for our Policy and our colleagues for delivering an outstanding set of results in 2021 despite the continuing challenges of COVID-19.

I hope you find the information in this report clearly explains the remuneration approach taken by the Company and enables you to understand how it links performance to business strategy and results.

I welcome any comments you may have.

Cathy

Cathy Turner
Chair of the Remuneration Committee
3 March 2022

Remuneration at a glance

Components: Fixed Pay – base salary, benefits, pension · Bonus · Performance Share Plan (PSP) · Unearned

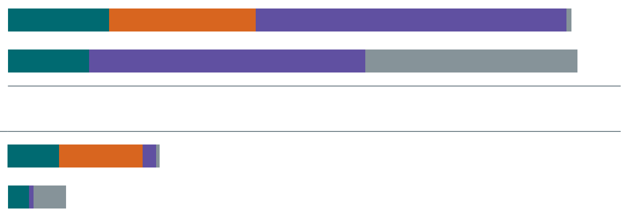
Our performance

Ongoing Revenue growth (at CER)	Ongoing Operating Profit (at CER)	Earnings per share	Total Shareholder Return (3 year)	Free Cash Flow conversion
+9.8%	+19.5%	13.1%	78.3%	109.5%
2021 2020: +5.9% 2019: +8.6%	2021 2020: +5.5% 2019: +10.4%	2019 - 2021	Estimate using 3 months to 31 December 2021 (PSP performance period ends 24 March 2022)	1 January 2019 to 31 December 2021

Breakdown of Executive Directors' total remuneration

The table shows a comparison of the Chief Executive's and Chief Financial Officer's total remuneration for 2021 and 2020 and shows the potential maximum that was unearned.

	£'000						
	Fixed pay			Variable pay			
	Base salary	Benefits	Pension	Bonus	PSP	Total	Unearned
Andy Ransom Chief Executive							
2021	**875.0**	**19.8**	**191.3**	**1,575.0**	**3,340.0**	**6,001.2**	
2020	656.3[1]	19.7	191.3	0.0[2]	2,973.6	3,840.9	
Stuart Ingall-Tombs Chief Financial Officer							
2021	**518.9**	**16.2**	**13.7**	**895.2**	**145.9**	**1,589.9**	
2020	188.5	29.3	5.0	0.0[2]	45.4	268.2	



1. Andy Ransom waived all his base pay in Q2 2020 as part of the initiatives to address the impact of COVID-19.
2. Despite the annual bonus targets being achieved, given the impact of the COVID-19 crisis on colleagues, customers and shareholders, the Chief Executive requested, and agreed with the Board, for the Executive Director's to not receive an annual bonus for 2020.

Fixed pay

Base pay

Policy summary – Increases are normally broadly in line with those awarded to the wider workforce. Adjustments to this may be made where the Remuneration Committee deems it appropriate.

Rationale – The Committee reviewed the proposed increase for the CFO and considered it to still be appropriate to increase in line with the package detailed on appointment due to his development and performance in the role during an exceptionally challenging first year in role.

Andy Ransom
Chief Executive

2021
£875,000
2020
£875,000

0%
increase

Stuart Ingall-Tombs
Chief Financial Officer

2021
£550,000
2020
£500,000

10%
increase
(see rationale)

Wider workforce
(UK) increases

Frontline
4%
Other employees and managers
2%
Senior managers
1%
ELT
0%

Benefits

Policy summary – The Company pays the cost of providing the benefits on a monthly, annual or one-off basis. Benefits are determined taking into account market practice, the level and type of benefits provided throughout the Group and individual circumstances. All benefits are non-pensionable.

Benefits provided during 2021
- Car allowance
- Life assurance
- Family healthcare insurance
- Permanent health insurance

Pension

Policy summary – Executive Directors may contribute to a defined contribution arrangement or receive a cash supplement in lieu of pension. Contributions are in line with the wider UK workforce, which is currently 3% of salary. For the CEO, contributions will be brought in line with the UK wider workforce from end 2022.

Pension contribution during 2021

Andy Ransom
Chief Executive

21.9% reducing to **3%** by the end of 2022

Stuart Ingall-Tombs
Chief Financial Officer

3%

Wider workforce
(UK)

3%

Bonus

Policy summary – Bonus opportunity of 180% of base annual salary. With a maximum opportunity of 150% for company performance and 30% for personal performance, which operate independently.

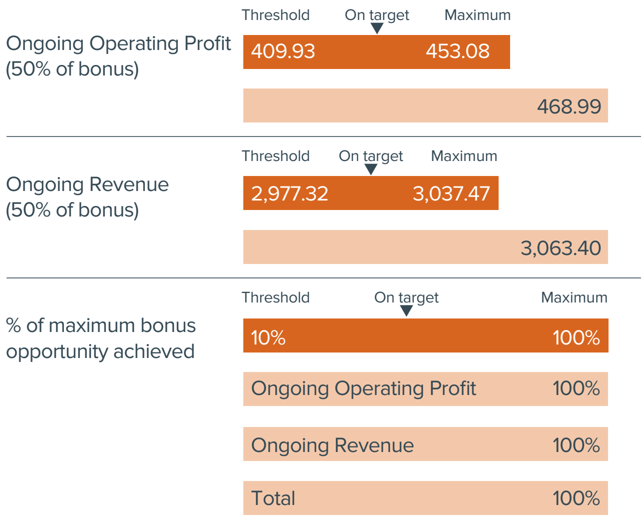
Deferral of 40% of bonus into shares with a minimum three-year holding period.

Andy Ransom Chief Executive	**Stuart Ingall-Tombs** Chief Financial Officer
Company performance **150% / £1,312,500**	Company performance **150% / £778,409**
Personal performance **30% / £262,500**	Personal performance **22.5% / £116,761**
2021 outcome **180% / £1,575.000**	2021 outcome **172.5% / £895,170**

Rationale – The Committee reviewed that the targets set at the beginning of the year and determined they remained suitably stretching in the context of the wider business performance and that the outcomes were aligned with stakeholder experience.

Find out more on pages **122** and **123**

Bonus targets and outcomes



Performance Share Plan

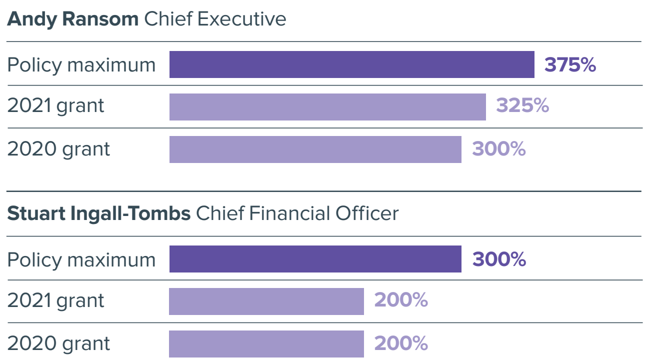
Policy summary – Maximum award levels as a percentage of base salary are 375% for the CEO and 300% for the CFO.

No more than 20% of the award shall vest for meeting threshold levels of performance and 100% of the award shall vest if maximum performance is achieved. Two-year holding period.

Dividend equivalents may accrue between grant and vest date.

Rationale – The Committee awarded the CEO and CFO awards below the Policy maximum in 2021 in line with the phased approach agreed with shareholders during consultation about the Policy renewal.

Find out more on page **124**

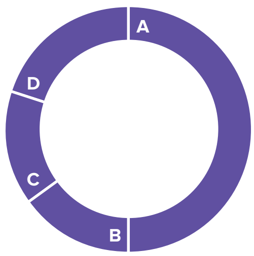


Performance measures

Awards are subject to the achievement of financial and ESG/strategic measures, with specific measures and weightings set by the Remuneration Committee each year to ensure alignment with the business strategy at the time of grant. However, a minimum weighting of 75% should relate to financial (including TSR) measures.

The pie chart shows the performance measures for the 2021 grant.

Find out more on page **125**



A. **50%** relative total shareholder return

B. **15%** Organic Revenue Growth

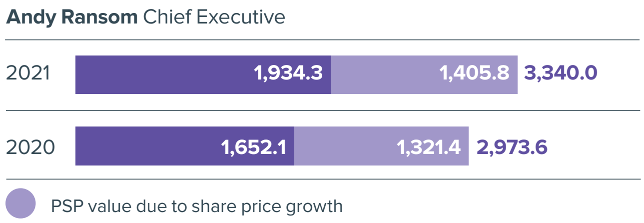
C. **15%** Free Cash Flow conversion

D. **20%** ESG measures (colleague retention, customer satisfaction and vehicle fuel intensity).

Performance Share Plan 2019-2022 vesting

The bar chart compares the value of the 2018 PSP and estimated value of the 2019 PSP included in the 2020 and 2021 single figures and how share price growth has influenced the value of the award.

PSP value (£'000)



	PSP 2019-2022 Weighting	PSP 2019-2022 Vesting level
TSR	50%	100%
EPS	25%	100%
Organic Revenue growth	5%	**3.4%**
Free Cash Flow	5%	100%
Sales and Service colleague retention	5%	100%
Customer Voice Counts	5%	100%
Vehicle fuel intensity reduction	5%	100%
Total vesting		**98.4%**

Directors' Annual Remuneration Report – Introduction

Introduction

The Annual Remuneration Report has been split into three sections for ease of reference. This introductory section provides an overview of the Remuneration Committee and the activities undertaken during the year. The second section, from page 122, provides an explanation of how the current Directors' Remuneration Policy was implemented in the year ended 31 December 2021 and shows the alignment between the Company's strategy, remuneration framework and performance, as well as the payments made to Directors during this period. The final section, from page 131, provides an overview of how the Policy will be applied in 2022. For reference, a summary of the Policy approved at the May 2021 AGM is included at the end of the report.

Remuneration Committee responsibilities

The Remuneration Committee's main responsibilities are developing and setting the Directors' Remuneration Policy and overseeing its application. It determines and agrees the policy with the Board and approves individual remuneration arrangements for the Chairman, Executive Directors and members of the ELT. It reviews executive performance and strives to ensure that remuneration structures align the interests of management with those of shareholders and operate in the long-term best interests of the Company.

The Remuneration Committee oversees contractual terms on termination affecting Executive Directors and members of the ELT, and seeks to ensure that any payments made are both fair to the individual and to the Company, that failure is not rewarded and that the duty to mitigate loss is fully recognised. The Remuneration Committee also oversees the Company's incentive schemes, including the operation and effectiveness of performance measures and targets in both the annual bonus plan and the PSP. It also lends oversight to major changes in employee remuneration across the Group.

Membership and attendance

The Remuneration Committee members are:

- Cathy Turner (appointed Chair at 2021 AGM)
- Sarosh Mistry, appointed 1 April 2021
- Julie Southern
- Linda Yueh
- Angela Seymour-Jackson (former Chair, stepped down at 2021 AGM)

The number of scheduled Remuneration Committee meetings in 2021 returned to the usual level of four meetings per year following the increase to five in 2020 to support the review of the Policy. Details of the members of the Remuneration Committee and their attendance during the year can be found on page 89. The Group HR Director, the Group General Counsel and Company Secretary, the Deputy Company Secretary (who acts as secretary to the Remuneration Committee) and the Group Head of Reward also attend Remuneration Committee meetings.

The Group HR Director has direct access to the Chair of the Remuneration Committee and, together with the Group Head of Reward, advises the Remuneration Committee on remuneration matters relating to Executive Directors and members of the ELT. The Company Chairman also attends meetings and makes recommendations in relation to the remuneration and incentive arrangements for the Chief Executive. The Chief Executive attends meetings and makes recommendations in respect of remuneration arrangements for his direct reports. No Executive Director or member of the ELT is present when their own remuneration is under consideration.

The Remuneration Committee members have a broad and diverse set of skills and knowledge that, when combined, bring the necessary level of experience and know-how to ensure that remuneration matters are dealt with in a balanced, independent and informed manner. No member of the Remuneration Committee has any personal financial interest in the matters to be decided by the Remuneration Committee, other than as a shareholder. No member of the Remuneration Committee has any conflict of interest in carrying out their role on the Remuneration Committee arising from other directorships nor does any member participate in any of the Company's incentive or pension arrangements or have any involvement in the day-to-day running of the Company.

In order to avoid any conflict of interest, remuneration is managed through well-defined processes ensuring no individual is involved in the decision-making process related to their own remuneration. The Remuneration Committee also receives support from external advisors and evaluates the support provided by those advisors annually to ensure that advice is independent, appropriate and cost-effective.

Remuneration Committee effectiveness

The Remuneration Committee undertook a review of its performance during the year as part of the broader external Board evaluation as detailed on page 101. The review concluded that the Remuneration Committee continued to operate effectively. The Remuneration Committee Chair succession process was regarded as exemplary and very smooth. The review also rated the current composition of the Remuneration as excellent and concluded that discussions held covered all key areas and enabled positive input from Committee members.

The key area of focus for the Committee in 2022 will be continuing to embed the new Directors' Remuneration Policy, ensuring that the measures used to determine performance remain appropriate, and planning for the integration of the Terminix acquisition. This will include reviewing the impact this will have on inflight incentive arrangements and ensuring that we have the right packages in place to allow us to attract and retain the best talent from both companies at all levels, to make the integration and following years successful for shareholders, colleagues and customers alike.

External advisors

Material advice and/or services were provided to the Remuneration Committee during the year by FIT Remuneration Consultants LLP (FIT) who are retained to provide independent advice on executive remuneration matters and on the Company's long-term incentive arrangements. FIT were appointed on 6 November 2018 by the Remuneration Committee following a review of its advisors. FIT is a member of the Remuneration Consultants Group and adheres to its code in relation to executive remuneration consulting in the UK. Fees charged during the year for advice to the Remuneration Committee by FIT were £22,466 and were accrued on a time and materials basis. FIT also acts as remuneration advisor to the remuneration committee's of Trustpilot A/S, which Angela Seymour-Jackson chairs, and Aldermore, which Cathy Turner chairs. However, the Remuneration Committee is satisfied that this has not impaired their independence in any way. FIT has no other material connections with the Company or any Director, and the Remuneration Committee is satisfied that the advice it receives is independent and objective. FIT did not provide any other services during the year.

AGM voting outcomes

The outcome of the advisory vote in respect of the Directors' Remuneration Report and the vote on the Directors' Remuneration Policy at the 2021 AGM are shown in the tables below.

Remuneration Report voting results	
Votes for	1,400,164,692
Percentage for	97.12%
Votes against	41,500,982
Percentage against	2.88%
Total votes cast	1,441,665,674
Votes withheld (abstentions)	11,311,177

Remuneration Policy voting results	
Votes for	1,117,630,721
Percentage for	77.39%
Votes against	326,479,806
Percentage against	22.61%
Total votes cast	1,444,110,527
Votes withheld (abstentions)	8,866,324

A vote 'for' includes those votes giving the Chair discretion. A vote 'withheld' is not classed as a vote in law and is not counted in the calculation of the proportion of votes cast for or against a resolution.

Response to Policy vote

The new Policy was approved by 77.39% of shareholders at the AGM on 12 May 2021 and it came into effect on the same day. The Remuneration Committee appreciate all shareholders' feedback and thank them for their support. As the voting level was just below 80%, and in accordance with the UK Corporate Governance Code, the Committee published an update detailing their ongoing engagement within six months of the AGM.

The Committee's extensive engagement with the Company's largest shareholders as well as proxy advisors, Glass Lewis, the Investment Association and ISS, resulted in 19 out of our 20 largest shareholders giving their support to the new Policy. The Committee received two letters from investors explaining why they had not supported the resolutions, with one citing that any increase in the size of awards under a short-term or long-term incentive scheme should be accompanied by a corresponding increase in performance expectations and the other stating that the proposed increases in potential opportunity were not considered aligned to best practice.

When considering the proposed changes, the Committee had recognised the sensitivities surrounding executive pay, particularly in the economic context of the COVID-19 pandemic and, given the level of support from our largest shareholders, the Board remained of the view that the policy changes were in the best interests of the Company and its shareholders. This is because the changes were proposed to address that the packages for the Executive Directors were becoming increasingly uncompetitive due to the growth in the size of the business and continued strong performance, which does not fit with the principles we apply to the wider workforce of ensuring that our pay is fair and competitive. This low benchmark for a high-performing leadership team also represented a retention and recruitment risk that the Committee needed to address by implementing a policy that was fit for purpose.

The Committee has implemented the new Policy, which aligns the Executive Directors' potential package with market median and, consistent with the Company's culture, with a clear bias in the weighting of the package design to being strongly performance-based and long term. The related amendments to the Company's PSP rules (see page 96) were also implemented without any further changes. The Committee continues, as always, to be available to shareholders and to welcome engagement on such matters.

Activities of the Remuneration Committee

In 2021, the Remuneration Committee considered the following key areas:

Matters considered	Discussion and outcome	Find out more
Executive remuneration		
Executive Director remuneration	The Remuneration Committee considered and approved base salaries for 2021, bonus outcomes for 2020, bonus structure for 2021 and the 2021 PSP awards and targets for the Executive Directors, taking into consideration the wider workforce.	See pages 122 to 125 for more information
Executive Leadership Team (ELT) remuneration	The Remuneration Committee considered and approved base salaries for 2021, bonus outcomes for 2020, bonus structure for 2021, and the 2021 PSP awards and targets for the members of the ELT, taking into consideration the wider workforce remuneration.	–
2018 Performance Share Plan (PSP) vest	The Remuneration Committee approved the vesting of the 2018 PSP awards as a result of the performance measures being met at 85.97% of maximum.	–
2021 PSP award	The Remuneration Committee approved the PSP grant in March 2021 and its performance conditions, and subsequently noted a summary of the grants made under the PSP.	See page 125 for more information
PSP measures	The Remuneration Committee monitored the performance status of the outstanding awards under the PSP.	–
2022 annual bonus	The Remuneration Committee reviewed the overall structure of the 2022 annual bonus plan for Executive Directors and ELT members.	See page 131 for more information
2021 Directors' Remuneration Policy	The Remuneration Committee considered and agreed the structure and content of the new policy that was taken forwards for shareholder approval at the 2021 AGM.	See pages 133 to 136
Shareholder engagement	The Remuneration Committee engaged with shareholders on the new Directors' Remuneration Policy and considered the feedback received.	–
ELT appointments	During 2021, the Remuneration Committee approved the remuneration for the appointment of the new Group General Counsel and the Regional Managing Director for Asia & MENAT.	–
ELT retirements	During 2021, the Remuneration Committee considered the leaving arrangements of the Group General Counsel & Company Secretary and the Regional Managing Director Asia.	–
Governance and oversight		
Share dilution limits	The Remuneration Committee noted the impact of the Company's executive share plans on share dilution limits.	–
Terms of reference	The Remuneration Committee undertook its annual review of its terms of reference.	These are available on our website
Performance review	The Remuneration Committee undertook its annual review of the effectiveness of the Committee.	See Committee effectiveness on page 101
Corporate governance and proxy voting guidelines	The Remuneration Committee received an update during 2021 on changes in corporate governance and proxy voting guidelines.	–
Gender Pay Report	The Remuneration Committee considered and approved the 2020 Gender Pay Report in February, which was published in March 2021.	Read about diversity on page 53 and our reports are on our website
Directors' Remuneration Report	The Remuneration Committee reviewed and approved the Directors' Remuneration Report to be included in our 2020 Annual Report.	Available on our website
Annual planner	The Remuneration Committee considered the annual planner for 2022.	–

The Chair of the Remuneration Committee presents a summary of material matters discussed at each meeting to the following Board meeting and minutes of the Remuneration Committee meetings are circulated to all Directors. The Remuneration Committee reports to shareholders annually in this report and the Chair of the Remuneration Committee attends the AGM to address any questions arising.

Directors' Annual Remuneration Report – 2021

Directors' remuneration in the year to 31 December 2021

Single total figure for the remuneration of Executive Directors

The table below has been audited.

		Fixed pay				Variable pay					
	Year	Base salary[8] £'000	Benefits[1] £'000	Pension[2] £'000	Total fixed pay £'000	Bonus[3] £'000	PSP[4,5] £'000	Total variable pay £'000	Total[9] £'000	Value of total attributed to share price growth[6] £'000	% of total attributed to share price growth
Andy Ransom, Chief Executive	**2021**	**875.0**	**19.8**	**191.3**	**1,086.2**	**1,575.0**	**3,340.0**	**4,915.0**	**6,001.2**	**1,405.8**	**42.1%**
	2020	656.3	19.7	191.3	867.3	–	2,973.6	2,973.6	3,840.9	1,321.4	44.4%
Stuart Ingall-Tombs, Chief Financial Officer[7]	**2021**	**518.9**	**16.2**	**13.7**	**548.8**	**895.2**	**145.9**	**1,041.1**	**1,589.9**	**61.4**	**42.1%**
	2020	188.5	29.3	5.0	222.8	–	45.4	45.4	268.2	19.3	44.9%

1. Executive Directors are provided with family health insurance, life assurance, permanent health insurance and a car allowance. Stuart Ingall-Tombs was also provided with support with his relocation from the USA to the UK costing £23,557 in 2020. The value of the taxable benefit is included under 'Benefits' in the above table This includes the P11D value for health insurance and the gross cash car allowance. There were no other taxable benefits paid to Executive Directors in 2020 or 2021.
2. Andy Ransom received a pension contribution, in the form of a cash supplement, worth 21.9% of base salary in 2020 and 2021. Stuart Ingall-Tombs received a pension contribution, in the form of a cash supplement, worth 3% of base salary in line with the UK wider workforce. Neither Andy Ransom or Stuart Ingall-Tombs, contributed to a Company pension scheme and do not have any prospective benefits under a Company defined benefit scheme.
3. 40% of the individual's 2021 bonus entitlement was awarded as deferred shares, which vest after a period of three years. Despite the annual bonus targets being achieved, given the impact of the COVID-19 crisis on colleagues, customers and shareholders, the Chief Executive requested, and agreed with the Board, that neither he nor the CFO would receive an annual bonus for 2020.
4. The 2021 single total figure includes the 2019 PSP which is due to vest in March 2022. The value of the 2019 PSP at vest has been estimated based on the average of the Company's share price over the last financial quarter of 2021, giving a price of 598.5p, and the anticipated performance outcomes giving a vesting level of 98.4% detailed on page 124. The actual value of the 2019 PSP will be restated next year once the final performance outcome and the share price at date of vesting are known.
5. The 2018 PSP estimates included in the 2020 single figure have been restated. The award vested at 85.97% and has been restated to reflect the actual share price at the date of vesting on 29 March 2021 of 492.4p and the actual share price at the date of vesting on 14 May 2021 of 471.0p.
6. The PSP value included in the 2021 single figure has share price growth of 251.9p per share attributed to it (estimated share price at vest of 598.5p less share price at grant of 346.6p), which is 42.1% of the PSP value. The PSP value included in the 2020 single figure had share price growth for the March award of 252.1p per share attributed to it (share price at vest of 494.4p less share price at grant of 271.2p), which is 44.9% of the PSP value and 221.2p per share (share price at vest of 471.0p less share price at grant of 271.2p), which is 42.4% of the PSP value for the May award. The Remuneration Committee has not exercised discretion as a result of this share price appreciation for either award.
7. Stuart Ingall-Tombs was appointed to the Board on 15 August 2020. His PSP awards were granted prior to his appointment as an Executive Director and in line with the reporting requirements the value has been pro-rated to reflect his qualifying earnings as an Executive Director. The full value of 2018 PSP award on vesting was £229,380 and the estimated full value of the 2019 award is £271,988.
8. Andy Ransom waived all his base pay in Q2 2020 as part of the initiatives to address the impact of COVID-19.
9. Total emoluments and option gains are disclosed on page 166.

Annual bonus 2021

Context of business performance

The Company had an outstanding year in 2021, growing Ongoing Revenue by 9.9% and Ongoing Operating Profit by 19.5%. These results were not just outstanding in comparison to 2020, they are outstanding compared to pre-COVID levels with Ongoing Revenue growth of 16.8% compared to 2019 and Ongoing Operating Profit growth of 26.3%.

Despite this the Remuneration Committee still gave careful consideration as to whether or not the outcomes for the annual bonus were reflective of overall Company performance, in both the context of the year in question and pre-pandemic levels, when the performance was reviewed against the targets. The Committee also assessed that the targets set were truly stretching, given the level of outperformance, and determined that they were as the maximum targets were set well above the guidance of 3%-4% Ongoing Revenue Growth and c.10% Ongoing Operating Profit growth, with requirements to achieve above c.8% and c.14% growth respectively.

The results were also considered in the context of wider stakeholders and it was deemed that no discretion should be applied to adjust the outcome. This is due to remuneration returning to normal for colleagues of all levels with no requirements to make any temporary reductions to our colleagues remuneration in 2021. There were no requirements to access government support in the UK and our shareholders have also shared in this success, as the Company returned to paying dividends in 2021, with shareholders receiving 5.41p in May and 2.09p in September. Both dividend payments were significantly above 2019 levels. The share price also continued to grow throughout 2021, ending 14.6% higher at the end of the year, having grown from 509.6p to 584.0p year on year.

2021 annual bonus outcome

The Remuneration Committee reviewed the 2021 bonus plan outcome for the Group's senior management population based on the targets set at the start of the financial year. The bonus plan supports delivery of our strategic priorities.

The annual bonus plan comprises three parts: gateway measures, Company performance and personal performance. This means that bonuses earned reflect the performance of the constituent businesses which make up the overall Group performance as well as achievement against specific personal objectives. The gateway measures and Company performance are measured against financial targets. The Executive Directors had a maximum bonus opportunity of 150% of salary if the Company financial targets are achieved in full and an opportunity to earn up to 30% based on personal performance, which is measured through the Group's performance and development review process. In total the maximum bonus opportunity is up to 180% of salary.

Application of discretion

The Remuneration Committee has not applied discretion to the outcome of the annual bonus as the outcome is felt fair in the context of the Company performance and experience of wider stakeholders. The table details the key achievements for the Chief Executive and Chief Financial Officer which were used to determine their performance rating.

Gateway measures

For any bonus to be payable to an Executive Director, two gateway measures had to be met as follows:

- Profit Gateway: The Company must achieve at least 95% of the Ongoing Operating Profit target of £431.5m which is £409.9m. The outcome was £469.0m.
- Free Cash Flow Gateway: The Company must achieve Free Cash Flow generation of £205m. The outcome was £331.5m.
- Both gateways were achieved.

Company performance measures

Executive Directors' bonuses were determined by achievement against two independent financial measures: Ongoing Revenue and Ongoing Operating Profit (before restructuring costs) performance. These measures were given equal weighting.

Ongoing Revenue (weighting 50%):

The targets used to assess Ongoing Revenue performance are disclosed below, along with the achievement against these targets, which was calculated on the same basis as the targets were set.

	Threshold £'000	Target £'000	Maximum £'000	Result £'000
Targets	2,977.3	3,007.1	3,037.5	3,087.6
Targets as % of on-target	99%	100%	101%	102.7%
% of maximum bonus opportunity	10%	50%	100%	100%

Ongoing Operating Profit (before restructuring costs; weighting 50%):

The targets used to assess Ongoing Operating Profit performance are disclosed below, along with the achievement against these targets, which was calculated on the same basis as the targets were set.

	Threshold £'000	Target £'000	Maximum £'000	Result £'000
Targets	409.9	431.5	453.1	469.0
Targets as % of on-target	95%	100%	105%	108.7%
% of maximum bonus opportunity	10%	50%	100%	100%

Company performance outcome

The table shows the bonus outcome for Company performance for the Chief Executive and Chief Financial Officer and the amount payable.

	Ongoing Revenue (50% weighting)	Ongoing Operating Profit (50% weighting)	Bonus outcome as % of salary for company element	Bonus outcome for company element £'000
Andy Ransom	75%	75%	150%	1,312.5
Stuart Ingall-Tombs	75%	75%	150%	778.4

Personal performance

The Executive Directors can earn up to 30% of base salary based on their personal performance against objectives measured through the Company's performance and development review (PDR) process and objectives typically include areas such as people, customers, safety, systems, governance & control, and key strategic projects.

The table shows the potential bonus opportunity for each PDR rating.

Performance rating and definition	1: Below standards required	2: Development required	3: Good performer	4: Exceeds expectations	5: Outstanding
% bonus opportunity	0%	0%	15%	22.5%	30%

The performance rating awarded to the Chief Executive is a 5 rating resulting in a bonus of 30% of salary. The performance rating for the Chief Financial Officer was 4 rating resulting in a bonus of 22.5% of salary. The assessment of the performance ratings, by the Chairman for the Chief Executive and by the Chief Executive for the Chief Financial Officer, took into account their key achievements during 2021 as detailed in the table below.

Total bonus outcome

The table shows the total bonus outcome for each Executive Director. 40% of the bonus outcome achieved will be deferred in shares under the DBP.

£'000		Company element	Personal element	Total bonus outcome achieved	Bonus outcome payable in cash	Bonus outcome deferred in shares	Total bonus outcome as % of maximum opportunity
Andy Ransom	Bonus payable as a % of salary	150.0%	30.0%	**180.0%**	108.0%	72.0%	
	Bonus payable	1,312.5	262.5	**1,575.0**	945.0	630.0	100%
Stuart Ingall-Tombs	Bonus payable as a % of salary	150.0%	22.5%	**172.5%**	103.5%	69.0%	
	Bonus payable	778.4	116.8	**895.2**	537.1	358.1	95.8%

The table details the key achievements for the Chief Executive and Chief Financial Officer which were used to determine their performance rating.

Strategic objectives	Andy Ransom, Chief Executive	Stuart Ingall-Tombs, Chief Financial Officer
Employer of Choice	• Continued world-class performance in LTA 0.38 and WDL 8.71, recognised externally with RoSPA Gold Award • Maintained high levels of retention despite the challenge of the global 'Great Resignation' • New DE&I programme underway, with 1,000 managers trained to date	• Improved YVC scores for global Finance function in key areas of diversity and line manager competency • Strong progress made in Finance talent build and succession
Ongoing Revenue	• Delivered increase in revenue of 9.9% over previous year • Revenue growth supported by increased sales of new innovations • Delivered improvements in customer retention to 85.3% and strong Trustpilot ratings maintained	• Delivered increase in revenue of 9.9% over previous year
Ongoing Operating Profit	• Delivered outstanding increase of 19.5% over previous year, ahead of consensus • 1.2% increase in net margin over prior year	• Enabled 1.2% increase in net margin over prior year through successful delivery of Best of Breed initiatives
Cash and liquidity	• Delivered strong free cash flow conversion of 107%	• Delivered strong free cash flow conversion of 107% • Delivered Net Debt to EBITDA of 1.9x • Maintained S&P BBB rating
M&A	• Acquired 52 businesses, delivering £146.6m in annualised revenues • Terminix deal agreed by both boards	• Acquired 52 businesses, delivering £146.6m in annualised revenues • Terminix deal agreed by both boards
Earnings and returns	• Share price up 15% over year and have now outperformed the FTSE 100 for seven years • Investor relations strategy successfully executed	• Investor relations strategy successfully executed

Performance Share Plan (PSP) and Deferred Bonus Plan (DBP) awards

The PSP is our long-term incentive plan which the Executive Directors, ELT and over 750 managers and technical experts participate in. This participation supports delivery of our strategic priorities. The DBP is the long-term incentive plan under which 40% of any bonus payable to the Executive Directors is deferred in shares.

2019 PSP award

The 2019 PSP award was subject to seven performance measures detailed in the table below.

Performance measures	Weighting	Definition	Performance period
Relative TSR	50%	Relative TSR performance measured against a comparator group of the FTSE 350 Index, excluding financial services, property and primary resources sectors	25/03/2019 to 24/03/2022
EPS	25%	Compound annual EPS growth for the financial years 2019, 2020 and 2021	01/01/2019 to 31/12/2021
Organic Revenue growth	5%	Average Organic Revenue growth over the three-year performance	01/01/2019 to 31/12/2021
Free Cash Flow conversion	5%	Free Cash Flow conversion % over a three-year performance period	01/01/2019 to 31/12/2021
Sales and Service colleague retention	5%	Average of the 2019, 2020 and 2021 annual overall Sales and Service Colleague retention	01/01/2019 to 31/12/2021
Customer satisfaction	5%	Average of the 2019, 2020 and 2021 annual Customer Voice Counts score over the three-year performance period based on NPS methodology	01/01/2019 to 31/12/2021
Vehicle fuel intensity	5%	Reduction in vehicle fuel intensity across 13 key countries[1] achieved by the end of the three-year performance period	01/01/2019 to 31/12/2021

1. The 13 countries include: USA, Canada, Malaysia, Australia, New Zealand, Belgium, France, Germany, Italy, Netherlands, Spain, South Africa, and UK.

2019 PSP vesting level

The table summarises the outcomes for each of the performance conditions. The Remuneration Committee has not applied discretion to the estimated outcome of the vesting as the outcome is felt fair in the context of the Company performance and experience of wider stakeholders over the three-year performance period.

Vesting is on a straight-line basis between threshold and target and between target and maximum, with the exception of TSR. No shares will vest if the performance is below the threshold for that measure. For the TSR, vesting is on a straight-line basis between median and upper quartile performance. The TSR performance period for the 2019 award is measured over a three-year period ending during the 2022 financial year. The TSR element of the award is therefore estimated using the TSR performance of the Company and comparator group to the end of December 2021.

Performance measures	Threshold: 25% vesting	Target: 50% vesting	Maximum: 100% vesting	Actual/ estimated result	Vesting level	Weighted vesting level
Relative TSR[1]	Median TSR performance	Straight-line vesting between threshold and maximum	Upper quartile TSR performance	78.3% increase in TSR against upper quartile of 66.7%. Ranked 33 out of 167 companies[1]	Estimate 100%	Estimate 50%
EPS	6.0%	7.9%	11.0%	13.1%	100%	25%
Organic Revenue growth	3.0%	3.5%	4.0%	3.7%	73.1%	3.4%
Free Cash Flow conversion	80%	85%	90%	109.5%	100%	5%
Sales and Service colleague retention	77.5%	80.0%	82.5%	86.4%	100%	5%
Customer satisfaction	38.0	40.0	42.0	43.0	100%	5%
Vehicle fuel intensity	4.0%	6.0%	8.0%	9.0%	100%	5%
Total						**98.4%**

1. The estimated outcome of the TSR element of the 2019 PSP has been based on performance to the end of December 2021. The numbers will be restated in next year's Annual Report to reflect actual performance.

2019 PSP awards vesting

Andy Ransom was granted an award of shares worth 250% of salary in March 2019. Stuart Ingall-Tombs was not an Executive Director at the time of grant. The aggregate number of shares anticipated to vest in March 2022 is summarised in the table below. The table also includes an estimate of the number of additional shares relating to dividends accrued throughout the performance period which will be added to the final awards. The estimated value of the shares vesting is based on an average of the Company's share price for the three months to 31 December 2021 of 598.5p. The estimated value attributed to share price growth is 251.9p per share (estimated share price at vest of 598.5p less share price at grant of 346.6p), which is 42.1% of the PSP value. The Remuneration Committee has not exercised discretion as a result of this share price appreciation.

The table below has been audited.

	Maximum award of shares	Vesting level of award	Total number of shares post performance conditions	Dividend equivalent shares at vest	Total shares vesting	Value of shares vesting £'000	Value of share vesting attributed to share price growth £'000	% of vesting value attributed to share price growth
Andy Ransom	551,987	98.4%	543,422	14,634	558,056	3,340.0	1,405.8	42.1%
Stuart Ingall-Tombs[1]	24,116	98.4%	23,741	639	24,380	145.9	61.4	42.1%

1. Stuart Ingall-Tombs was appointed to the Board on 15 August 2020. His PSP award was granted prior to his appointment as an Executive Director and in line with the reporting requirements the value has been pro-rated to reflect his qualifying earnings as an Executive Director.

PSP awards granted during the year

In 2021, Andy Ransom and Stuart Ingall-Tombs were granted an award of shares under the PSP totalling 325% and 200% of salary respectively. Andy Ransom received an award of 250% of salary in March 2021 and a further 75% in May 2021 following the approval of the Policy. The application of the new Policy was phased as agreed with shareholders. The awards are subject to a three-year performance period and a two-year holding period post vesting. These awards will vest after a period of three years with no further performance conditions.

The number of shares that vest under the PSP will be based on the following performance conditions and weightings:

Performance measures 2021–2024	Weighting	Threshold: 20% vesting[1]	Target: 50% vesting[1]	Maximum: 100% vesting[1]
Relative TSR	50%	TSR performance is median measured against the FTSE 350 Index, excluding financial services, property and primary resources sectors	Straight-line vesting between threshold and maximum	Upper quartile TSR performance against the FTSE 350 Index, excluding financial services, property and primary resources sectors
Organic Revenue growth	15%	2.25%	2.5%	2.75%
Free Cash Flow conversion	15%	80%	85%	90%
Strategic/ESG measures				
– Sales and Service colleague retention – Customer satisfaction – Vehicle fuel intensity	20% (split equally)	Targets for these measures have not been disclosed as the Board believes that these measures are commercially sensitive. They will be based on straight-line vesting between threshold and target and between target and maximum performance which will be reported at vesting.		

1. Of maximum opportunity.

In addition, when determining the level of vesting, the Remuneration Committee will also consider the underlying financial performance of the business, as well as the value added for shareholders during the performance periods, and may adjust the vesting outcome if it considers this to be appropriate.

Awards to Executive Directors under the 2021 PSP are set out in the table below.

2021 PSP award

The table below has been audited.

Participant	Date of award	Number of shares awarded[1]	Share price used to determine award[2]	Exercise price	Face value of shares £'000	% of salary awarded	Date of vest[3]	Performance period end[4]
Andy Ransom	23/03/2021	442,455	494.4p	0.0p	£2,187.5	250%	23/03/2024	22/03/2024
Andy Ransom	18/05/2021	140,074	468.5p	0.0p	£656.3	75%	18/05/2024	17/05/2024
Stuart Ingall-Tombs	23/03/2021	202,265	494.4p	0.0p	£1,000.0	200%	23/03/2024	22/03/2024

1. The figures shown for the number of share awards are maximum entitlements and the actual number of shares (if any) which vest under the PSP will depend on the performance conditions being achieved as set out above.
2. The share price is the closing share price the day prior to grant.
3. The awards granted were in the form of nil-cost options and may be exercised after vesting up to 10 years from the date of grant.
4. The TSR condition for the March award will be measured over three years to 22 March 2024 and to 17 May 2024 for the May award. The other performance conditions will be measured over three years to 31 December 2023. The PSP awards are subject to a holding period of two years which commences from the date of vest.

DBP awards granted during the year

Due to the Executive Directors forfeiting their annual bonus in 2020, no grants were awarded under the DBP in 2021.

Payments for loss of office (audited)

There were no payments made to Directors for loss of office during 2021.

Payments to past Directors (audited)

Jeremy Townsend

Jeremy Townsend retired from the Board with effect from 14 August 2020. He was treated as a good leaver, which is the automatic treatment for retirement and the Remuneration Committee agreed was appropriate to apply. His leaving terms were in line with the Directors' Remuneration Policy in force at the time. No discretion was applied by the Remuneration Committee to his leaving arrangements. Under these arrangements the following payments were made that relate to 2021, as a result of the 2018 PSP award vesting on 29 March 2021. This award is subject to a further two-year holding period.

	Maximum award of shares[1]	Vesting level of award	Total number of shares post performance conditions	Dividend equivalent shares at vest	Total shares vesting	Value of shares vesting ('000)[2]	Value of share vesting attributed to share price growth	% of vesting value attributed to share price growth
Jeremy Townsend	276,647	85.97%	237,833	5,839	243,672	£1,199.8	£539.0	44.9%

1. Jeremy Townsend received good leaver status and retained shares on a pro-rata basis to the date of his retirement from the Board on 14 August 2020.
2. Share price on date of vest was 492.40p

No bonus was payable to Jeremy in respect of the 2020 bonus year in March 2021.

Directors' Annual Remuneration Report – 2021
continued

Single total figure for the remuneration during 2021 of the Chairman and Non-Executive Directors

The table below has been audited:

Chairman and Non-Executive Directors	**Fees 2021 £'000**	Fees 2020[1] £'000	**Benefits 2021 £'000**	Benefits 2020 £'000	**Total 2021 £'000**	Total 2020 £'000
Richard Solomons	**375.0**	342.2	–	–	**375.0**	342.2
Sarosh Mistry[6]	**45.0**	–	–	–	**45.0**	–
John Pettigrew	**70.0**	63.9	–	–	**70.0**	63.9
Angela Seymour-Jackson[2,4]	**27.4**	58.4	–	–	**27.4**	58.4
Julie Southern	**75.0**	68.4	–	–	**75.0**	68.4
Cathy Turner[3,5]	**69.6**	36.8	–	–	**69.6**	36.8
Linda Yueh	**60.0**	54.8	–	–	**60.0**	54.8

1. The Chairman and the Non-Executive Directors waived 35% of their fees in Q2 2020, in line with waivers made by the Executive Directors as part of a range of initiatives to help support the business through COVID-19.
2. Angela Seymour-Jackson waived an additional £10,000 of her fees in 2020 to the benefit of the Colleague Support Fund.
3. Cathy Turner waived an additional £3,000 of her fees in 2020 to the benefit of the Colleague Support Fund.
4. Angela Seymour-Jackson stepped down from the Board at the 2021 AGM on 12 May 2021.
5. Cathy Turner was appointed to the Board on 1 April 2020.
6. Sarosh Mistry was appointed to the Board on 1 April 2021.

Directors' shareholdings and share interests

Directors' share interests

The interests of the Directors and their connected persons in the share capital of the Company as at 31 December 2021, or their date of cessation if earlier, and at 31 December 2020, or their date of appointment if later, are set out below. No Director has any beneficial interest in the shares of any of the Company's subsidiaries. This table has been audited.

	Number of ordinary shares as at 31 Dec 2021	Number of ordinary shares as at 31 Dec 2020
Richard Solomons	**62,000**	25,000
Andy Ransom[1]	**1,694,097**	1,562,544
Stuart Ingall-Tombs[2]	**123,359**	79,592
Sarosh Mistry[4]	–	–
John Pettigrew	**55,000**	10,000
Angela Seymour-Jackson[5]	**10,574**	10,574
Julie Southern	**9,891**	9,891
Cathy Turner[3]	**24,690**	15,384
Linda Yueh	**1,590**	1,590

1. Andy Ransom has an interest in 4,822,579 vested PSP shares from the 2013, 2014, 2015, 2016, 2017 and 2018 awards which he has not yet exercised. These figures are not included in his beneficial interest of shares figure at 31 December 2021 above but are included in the share award table below.
2. Stuart Ingall-Tombs was appointed to the Board on 15 August 2020.
3. Cathy Turner was appointed to the Board on 1 April 2020.
4. Sarosh Mistry was appointed to the Board on 1 April 2021.
5. Angela Seymour-Jackson stepped down from the Board at the AGM in 2021.

There has been no change to the current Directors' shareholdings between 31 December 2021 and 3 March 2022.

Executive shareholdings

All Executive Directors are required to hold shares equivalent in value to a percentage of their salary within a five-year period from their appointment date. For the Chief Executive, this requirement is 300% of annual salary and for the Chief Financial Officer 200% of annual salary.

As of 31 December 2021, the Chief Executive substantially exceeded the minimum shareholding requirement and Stuart Ingall-Tombs was on track to meet the shareholding requirement within five years.

The table below sets out the number of shares held at 31 December 2021 by each Executive Director. Shares owned outright include those held by connected persons. This table has been audited.

	Shareholding requirement as a % of salary	Number of shares owned outright	Value of shareholding as at 31 Dec 2021[1]	Shares owned outright as a % of salary[2]	Interest in PSP and DBP awards not subject to performance conditions as at 31 Dec 2021	Interest in PSP awards subject to performance conditions as at 31 Dec 2021
Andy Ransom	300%	1,694,097	£9,893,526	1,131%	4,931,889	1,547,096
Stuart Ingall-Tombs	200%	123,359	£720,417	131%	–	452,211

1. The share price is based on the closing share price on 31 December 2021 of 584.0p.
2. Stuart Ingall-Tombs is 16.5 months into his five-year period to meet the shareholding requirement. He is on track to meet the holding requirement ahead of the five-year requirement.

Total PSP and DBP awards held by Executive Directors

The table below has been audited.

	Date of award	Share price used to determine award	Scheme interest at 1 Jan 2021	Shares awarded during 2021	Shares lapsed during 2021	Dividend equivalent shares at vest	Shares available for exercise during 2021	Dividend equivalent shares at exercise	Shares exercised during 2021	Outstanding awards at 31 Dec 2021	Performance period end
2012 PSP											
Andy Ransom	08/05/12	83.5p	**163,625**	–	–	–	**163,625**	–	**163,625**[7]	–	07/05/15
2013 PSP[1]											
Andy Ransom	30/04/13	96.0p	**513,403**	–	–	–	**513,403**	–	–	**513,403**	29/04/16
Andy Ransom	01/10/13	109.0p	**388,853**	–	–	–	**388,853**	–	–	**388,853**	29/04/16
2014 PSP[1]											
Andy Ransom	31/03/14	123.4p	**912,792**	–	–	–	**912,792**	–	–	**912,792**	30/03/17
2015 PSP[1]											
Andy Ransom	31/03/15	135.5p	**883,906**	–	–	–	**883,906**	–	–	**883,906**	30/03/18
2016 PSP[1]											
Andy Ransom	12/05/16	159.4p	**869,324**	–	–	–	**869,324**	–	–	**869,324**	10/03/19
2017 PSP[1]											
Andy Ransom	31/03/17	246.4p	**562,676**	–	–	–	**562,676**	–	–	**562,676**	30/03/20
2018 PSP[2,3]											
Andy Ransom	29/03/18	271.2p	**553,300**	–	**77,628**	**11,678**	**487,350**	–	–	**487,350**	28/03/21
Andy Ransom	14/05/18	271.2p	**138,325**	–	**19,407**	**2,919**	**121,837**	–	–	**121,837**	13/05/21
Stuart Ingall-Tombs[4]	29/03/18	271.2p	**52,888**	–	**7,421**	**1,116**	**46,583**	–	**46,583**[8]	–	28/03/21
Stuart Ingall-Tombs[4]	06/09/18	320.0p	**48,434**	–	**24,217**	**594**	**24,811**	–	**24,811**[8]	–	05/09/21
2019 PSP[6]											
Andy Ransom	25/03/19	346.6p	**551,987**	–	–	–	–	–	–	**551,987**	24/03/22
Stuart Ingall-Tombs[4]	25/03/19	346.6p	**60,978**	–	–	–	–	–	–	**60,978**	24/03/22
2019 DBP[5]											
Andy Ransom	25/03/19	346.6p	**72,505**	–	–	–	–	–	–	**72,505**	24/03/22
2020 DBP[5]											
Andy Ransom	24/03/20	358.6p	**119,243**	–	–	–	–	–	–	**119,243**	23/03/23
2020 PSP											
Andy Ransom	08/09/20	530.2p	**412,580**	–	–	–	–	–	–	**412,580**	07/09/23
Stuart Ingall-Tombs	08/09/20	530.2p	**188,608**	–	–	–	–	–	–	**188,608**	07/09/23
2021 PSP											
Andy Ransom	23/03/21	494.4p	–	**442,455**	–	–	–	–	–	**442,455**	23/03/24
Andy Ransom	18/05/21	468.5p	–	**140,074**	–	–	–	–	–	**140,074**	18/05/24
Stuart Ingall-Tombs	23/03/21	494.4p	–	**202,265**	–	–	–	–	–	**202,265**	23/03/24

1. Shares held by Andy Ransom under the 2013, 2014, 2015, 2016, 2017 and 2018 PSP awards are vested but unexercised and total 4,740,141. Stuart Ingall-Tombs did not hold any vested, but unexercised options.
2. The 2018 PSP award is entitled to receive dividend equivalents in the form of shares based on dividend payments between the date of grant and vesting. These are included in the total shares at vest. The awards granted prior to 2021 are also entitled to receive dividend equivalents in the form of shares post vest based on dividend payments between the date of vest and the date one month before exercise. These shares are applied at exercise.
3. The 2018 PSP award partially vested at 85.97%.
4. The 2017, 2018 and 2019 awards for Stuart Ingall-Tombs were made prior to his appointment as an Executive Director. The awards were granted as conditional shares that are automatically exercised on vesting. Part of the 2018 and 2019 awards are subject to the achievement of North America specific targets related to revenue and profit margin growth and the shares for this element have been pro-rated for his CFO North America role.
5. The 2019 and 2020 DBP award has no additional performance conditions beyond the three-year holding period.
6. The awards granted were in the form of nil-cost options and may be exercised after vesting up to 10 years from the date of grant, with the exception of awards granted to Stuart Ingall-Tombs in 2018 and 2019, these awards were granted as conditional awards and will automatically be exercised on vest.
7. Andy Ransom exercised his 2012 PSP award on 16 August 2021, the shares had nil cost and the market value on the day was 560.01p.
8. Stuart Ingall-Tombs exercised his 2018 award on 6 September 2021, the shares had nil cost and the market value was 582.92p.

Remuneration in context

Wider workforce policy
During 2021, the Company had approximately 46,000 colleagues based in 88 countries. We have a broad remuneration policy which reflects the diversity of cultures, legislative environments, employment markets and the types and seniority of roles that this geographic spread requires. We structure our colleague reward to enable us to recruit and retain the right people, doing the right job for our customers.

Wider workforce engagement
Following changes to the UK Corporate Governance Code that seek to broaden the role of the Committee to include oversight of wider employee remuneration and related policies and to show how the Committee has engaged with the wider workforce, we have continued to build on practices that were already in place and embedded in the way we work. We have taken this approach because engaging with the wider workforce and understanding their views was already a practice that the Board has undertaken for many years prior to the introduction of these requirements by the Code.

Our existing approach was a proven way for our employees’ views to be effectively shared with the Remuneration Committee and wider Board. We trust that our management team will bring key issues about our colleagues to our attention and there is a regular flow of information to the Board. Full details can be found on page 97, but these include our YVC survey results and action plans, Regional ‘deep dive’ presentations and Employer of Choice updates, which ensure that as a Committee we get a rounded view from across the Group and we feel gives a much better representation of our c.46,000 employees’ views than, for example, conducting individual workshops. That said, in a normal year, the Board will always take time to meet colleagues during site visits, undertake ‘ride-alongs’ with specialists and technicians and attend management meetings. Examples of activities that the Chair of the Remuneration Committee undertook in 2021 included attending a panel discussion for International Women’s Day and an event for female talent where attendees were able to ask questions on a range of subjects, including remuneration. She also attended a Group Procurement team meeting and an ELT meeting where again colleagues were given an opportunity to ask questions and discuss issues concerning the business, such as our approach to environmental issues.

In addition to this, the Committee takes into account the pay of the wider workforce when making remuneration decisions for the Executive Directors and the ELT and has done so historically. This is done through relevant details about the wider workforce being disclosed to the Committee to provide context when it is making pay decisions. For example, when making salary decisions, the Committee is provided with details of the overall approach for the Group and more details about the specific countries that impact their decisions, meaning that the approach to pay increases for frontline technicians and managers in Singapore would be taken into account when making decisions about the pay for the Regional Managing Director for Asia, who lives and works in Singapore.

We are also keen to ensure that our colleagues understand how their pay links to our Executive Director’s pay and how we have consistency of approach right across the Group. To achieve this we include details of how our plans for Executive Directors work in the same way for our annual bonus scheme and PSP when communicating these to colleagues. Our grading structure is also explained to our colleagues from our Chief Executive down with details of what it means to be at each level.

We are also firm believers that colleague retention and workforce engagement go hand in hand and we are acutely cognisant of the challenges of attracting and retaining talent at all levels of the organisation in the face of the toughest talent retention landscape for decades. The regular updates at the board on our Employer of Choice metrics, enable us to see how our engagement and retention are progressing.

CEO pay ratio
The CEO pay ratio compares the CEO single figure earnings to the single figure earnings of UK employees. It has been calculated using method A, where the employees at each quartile are identified using details of their full-time equivalent pay and benefits for the year being measured. The effective date for the calculation is the 31 December of the reporting year. For example, the 2021 employee figures represent the full time equivalent pay and benefits for 2021 for employees employed on 31 December 2021 and is calculated once the actual data is available, which means that no elements of pay are omitted or departures required from the methodology. This method was chosen as it best replicates the Chief Executive’s single figure.

The table below shows the ratios at the 25th percentile, median and 75th percentile for 2021, 2020, 2019 and 2018:

Year	Method	25th percentile pay ratio	Median pay ratio	75th percentile pay ratio
	A	**281:1**	**232:1**	**172:1**
2021		**£21,385**	**£25,894**	**£34,910**
	A	203:1	160:1	111:1
2020		£19,959	£25,379	£36,452
	A	220:1	173:1	119:1
2019		£20,695	£26,348	£38,169
	A	229:1	189:1	145:1
2018		£21,644	£26,262	£34,318

The ratios are significantly higher in 2021 than 2020. There are three key reasons:

- the Chief Executive’s pay has returned to normal levels following 2020 in which he received no bonus, a lower PSP vesting level and waived his salary in Q2 2020 (see page 122);
- the acquisition of the Cannon Hygiene business has increased the number of hygiene technicians which has reduced the pay of our benchmark employees; and
- the share price has risen 90% between 1 January 2018 and 31 December 2021, which means the PSP element of the CEO’s package has significantly increased in value over this time, due to share price appreciation. We anticipate that the ratio will stabilise next year.

This table will continue to be built on over time to cover a rolling 10-year period and will include reasons for the changes to the ratios from year to year. However, it is anticipated that variations in the PSP and annual bonus outcomes will have the biggest impact on the ratios. For PSP, this is due to vesting levels and the share price changing. For the annual bonus, although our comparator employees are also eligible for a bonus, the Chief Executive is targeted on Group-level outcomes, whereas our comparator employees are based on their specific remit, which given the UK makes up only a small percentage of the Group, means the outcomes may vary from year to year.

The median pay ratio is consistent with the pay, reward and progression policies for the Company’s UK employees taken as a whole. We have a consistent approach to reward across the Group and employees’ packages are set with reference to the external market.

Gender pay gap
In 2021, the pay in the reporting period returned to normal, following the impact of COVID-19 on the 2020 results.

We continue to have no material gender pay gap between men and women, with a median of -4% and a mean -8%, which is significantly better than the UK average of 15.4% reported by the Office for National Statistics, and means the median women earns more than the equivalent man.

These are encouraging results overall, and we are steadily increasing the number of women in senior roles, in addition our reputation as an Employer of Choice has continued to grow with a significant number of female external hires.

We continue to be focused on making Rentokil Initial an even more diverse and inclusive place to work and in 2021 we rolled out a global diversity, equality and inclusion upskilling programme for all middle and senior management across the world, covering around 1,000 employees.

Our key areas of focus continue to be increasing the number of female frontline technicians and improving the proportion of females in senior manager roles in both our head office functions and our operations.

Relative importance of spend on pay

The table below sets out amounts paid in total employee costs and total dividends paid for the years ended 31 December 2021 and 31 December 2020.

	2021[1] £m	2020[1] £m	% change
Remuneration paid to all employees of the Group	**1,404.9**	£1,304.9	7.7%
Distributions to shareholders	**138.7**	–	100%

1. The average number of people employed by the Group during the year was 46,031 in 2021 and 44,588 in 2020.

Details of the remuneration paid to all employees can be found in Note A9 to the Financial Statements on page 165. Details of the dividends declared and paid during the periods are contained in Note D1 to the Financial Statements on page 191.

Shareholder engagement

In 2021, the Remuneration Committee continued to engage with leading shareholders and their representative bodies. The main activities included consulting about changes to our Directors' Remuneration Policy (see page 96 for more details) and the outcome following the voting on the resolutions at the AGM. These activities were conducted through a mixture of calls, emails and letters.

Use of discretion

The Remuneration Committee is cognisant of its responsibility to make informed and thoughtful decisions on remuneration that are both balanced and in the long-term interests of the business and shareholders and, where necessary, will apply discretion to remuneration targets or outcomes that otherwise would be inappropriate. The application of discretion over the last five years is detailed on page 117 and has mainly focused on the increase of EPS targets to take account of material acquisitions and disposals.

Chief Executive remuneration over a 10-year period

Chief Executive	Single total figure for remuneration	Annual bonus payout versus maximum opportunity	% long-term incentive vesting rates versus maximum opportunity
2012 – Alan Brown	£1,115,000	13.3%	0.0%
2013 – Alan Brown[1]	£994,396	27.0%	0.0%
2013 – Andy Ransom[1]	£401,006	28.7%	0.0%
2014 – Andy Ransom	£1,326,045	51.4%	0.0%
2015 – Andy Ransom	£1,655,757	59.1%	15.1%
2016 – Andy Ransom	£5,581,304	72.2%	67.5%
2017 – Andy Ransom	£3,969,607	70.1%	80.3%
2018 – Andy Ransom	£4,962,076	55.8%	91.3%
2019 – Andy Ransom	£4,227,473	93.1%	90.8%
2020 – Andy Ransom[2]	£3,840,871	0%	86.0%
2021 – Andy Ransom[3]	**£6,001,179**	**100%**	**98.4%**

1. Alan Brown was appointed as Chief Executive on 1 April 2008 and stepped down on 30 September 2013; Andy Ransom was appointed from that date. The single total figure has been apportioned to reflect payment during these periods.
2. The 2020 single total figure for the Chief Executive, Andy Ransom, includes the restated value of 609,187 shares under the 2018 PSP award which vested at 85.97% on 29 March 2021, based on the closing share price on 29 March 2021 of 492.4p and on 14 May 2021 of 471.0p
3. The 2021 single total figure includes the estimated value of 558,065 shares under the 2019 PSP award which is due to vest on 25 March 2022 based on the average share price over Q4 of 2021 of 598.5p.

UK Corporate Governance Code provisions

During 2021, the Remuneration Committee has addressed the factors set out in Provision 40 of the UK Corporate Governance Code as set out below:

- **Clarity** – When considering and structuring any element of remuneration the Remuneration Committee aims to be as straightforward and transparent as possible. It looks to ensure that the remuneration vehicles it uses are clear and understandable and the targets, outcomes and any other decisions are communicated in an open and detailed way. The Remuneration Committee has endeavoured to ensure that, in approving the Directors' Remuneration Report, they are providing an extensive and clear picture of the remuneration arrangements and decisions undertaken each year. For instance, full details are shared about the Committee's assessment of the bonus outcome (see pages 122 and 123).
- **Simplicity** – When determining the structure and mechanisms of remuneration packages consideration is given to ensuring that complexity is avoided and that both our colleagues and our shareholders are able to understand the rationale for and the operation of any incentive easily. For instance, we have embedded the changes approved under the 2021 Policy to simplify the annual bonus by removing the individual modifier element which added complexity and was highlighted by shareholders as not being straightforward to understand and replacing it with a simple percentage of salary payable for each personal performance rating.
- **Risk** – The Remuneration Committee has a history of restraint and closely monitors remuneration structures and outcomes in relation to the strategy and financial performance in order to ensure that only appropriate behaviour is incentivised and rewards are not excessive. The Committee has shown a willingness to apply discretion to adjust targets upwards where it has felt it is appropriate and outcomes could otherwise misalign with performance and therefore create a risk to the business and shareholders (see page 117). Risk is also considered in the context of the Group's wider risks (see Risks and Uncertainties on pages 73 to 79).
- **Predictability** – The Remuneration Committee encourages and oversees the use and replication of our annual bonus and PSP schemes globally and deep into the organisation, ensuring employees understand and become familiar with how we recognise and reward performance, by keeping plan designs and metrics consistent from year to year, and that as many people as possible share in the success of the organisation. Remuneration structures, including grading and reward programmes, are consistently applied and appropriate at each level of the organisation.
- **Proportionality** – The Remuneration Committee seeks to ensure that remuneration payouts awarded to the Executive Directors, the ELT and the wider workforce are consistent with performance outcomes and with the experience felt by shareholders. The Committee considers carefully the stretch built into targets and ensures that outcomes linked to certain levels of performance are stretching, while achievable, and therefore motivating for colleagues, as well as satisfying shareholder expectations.
- **Alignment with culture** – The Remuneration Committee strives to ensure that remuneration arrangements drive both financial and non-financial performance, as well as behaviours consistent with our purpose, values and vision. A summary of our culture can be found on pages 51 to 54. Our colleagues are integral to our business model as set out on pages 28 and 29 and as such the Remuneration Committee has regard to the balance of fixed and variable pay to ensure the right level of reward and incentive is available to both recruit and retain the talent needed to deliver our long-term strategic plan. Relevant ESG focused measures have also been built into the PSP.
- **Pension** – The Remuneration Committee updated the Directors' Remuneration Policy in 2019 so that any newly appointed Executive Director's pension would be aligned with the UK workforce, currently 3%. All existing Executive Directors pension contributions were frozen at 1 January 2019 levels and will be brought in line with the wider workforce by the end of 2022.

Re-election of Directors and service contracts

Details of the Directors service contracts and notice periods can be found on page 212.

Percentage change in remuneration

The table below sets out a comparison of the change in pay versus the previous year for the Chief Executive, Chief Financial Officer, Chairman, Non-Executive Directors and employees of Rentokil Initial plc for 2020 and 2021. This table will continue to be built on over time to cover a rolling five-year period.

The percentage changes calculated on the actual remuneration received are distorted by two factors: firstly, initiatives undertaken in 2020 to help mitigate the impact of COVID-19, such as pay waivers in Q2 2020 and cancelling the annual bonus scheme have impacted the percentage changes; and secondly, the actual remuneration received is not adjusted for in-year starters and leavers.

To give a clearer picture, a 'like for like' comparison has also been included, which includes adjustments to correct the above distortions; for example, by removing the impact of the pay waivers from base salary. However, the bonus payments are still impacted by COVID-19.

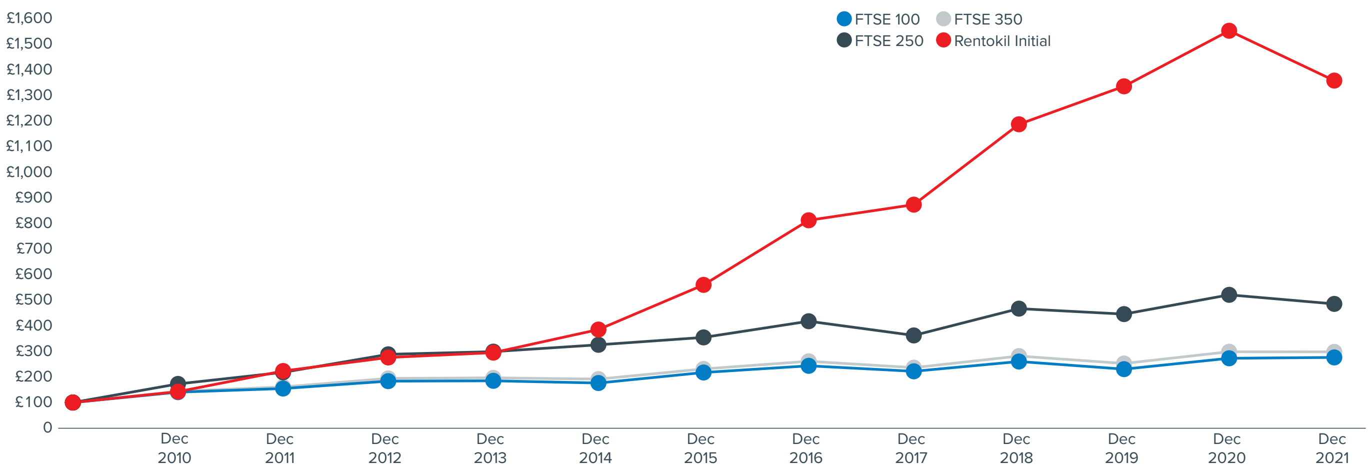
		Salary/fees[1]		Annual bonus[2]		Benefits[3,4]		Total	
		2021	2020	**2021**	2020	**2021**	2020	**2021**	2020
Andy Ransom	Actual	**33.3%**	(14.2%)	**100%**	(100%)	**0.5%**	(0.3%)	**265.4%**	(63.5%)
	Like for like	**–**	14.3%	**115.8%**	(31.7%)	**0.5%**	(0.3%)	**52%**	(12.4%)
Stuart Ingall-Tombs[5]	Actual	**175.3%**	–	**100%**	–	**(44.8%)**	–	**556.8%**	–
	Like for like	**3.8%**	–	**168.3%**	–	**(58.3%)**	–	**63.9%**	–
Richard Solomons	Actual	**9.6%**	34.6%	**–**	–	**–**	–	**9.6%**	34.6%
	Like for like	**–**	–	**–**	–	**–**	–	**–**	–
Sarosh Mistry[6]	Actual	**–**	–	**–**	–	**–**	–	**–**	–
	Like for like	**–**	–	**–**	–	**–**	–	**–**	–
John Pettigrew	Actual	**9.6%**	(4.6%)	**–**	–	**–**	–	**9.6%**	(4.6%)
	Like for like	**–**	–	**–**	–	**–**	–	**–**	–
Angela Seymour-Jackson[7]	Actual	**(53.1%)**	(16.2%)	**–**	–	**–**	–	**(53.1%)**	(16.2%)
	Like for like	**–**	–	**–**	–	**–**	–	**–**	–
Julie Southern	Actual	**9.6%**	(8.8%)	**–**	–	**–**	–	**9.6%**	(8.8%)
	Like for like	**–**	–	**–**	–	**–**	–	**–**	–
Cathy Turner[8]	Actual	**89.3%**	–	**–**	–	**–**	–	**89.3%**	–
	Like for like	**16.0%**	–	**–**	–	**–**	–	**16.0%**	–
Linda Yueh	Actual	**9.6%**	(8.8%)	**–**	–	**–**	–	**9.6%**	(8.8%)
	Like for like	**–**	–	**–**	–	**–**	–	**–**	–
Employees[9]	Actual	**4.4%**	2.7%	**352.1%**	(62.8%)	**(4.5%)**	1.3%	**45.9%**	(15.2%)
	Like for like	**0.4%**	2.4%	**352.1%**	(62.8%)	**(4.5%)**	1.3%	**41.3%**	(17.3%)

1. Base salary includes overtime and allowances. The Chairman and the Non-Executive Directors waived 35% of their fees in Q2 2020, in line with waivers made by the Executive Directors as part of a range of initiatives to help support the business through COVID-19. Andy Ransom waived all of his base pay in Q2 2020.
2. Annual bonus includes our Group Management Bonus Scheme (GMBS) and any other bonus commission or cash incentive but excludes any long-term incentives.
3. Benefits include private healthcare, car allowance, cars, fully expensed fuel cards and commercial vans (private use).
4. Pension and retirement benefits are not included in accordance with the Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013.
5. Stuart Ingall-Tombs was appointed as Chief Financial Officer on 15 August 2020.
6. Sarosh Mistry was appointed to the Board on 1 April 2021.
7. Angela Seymour-Jackson stepped down from the board at the 2021 AGM on 12 May 2021. She waived an additional £10,000 of her fees in 2020.
8. Cathy Turner was appointed to the Board on 1 April 2020 and appointed to Chair of the Remuneration Committee on at the 2021 AGM on 12 May 2021. She waived an additional £3,000 of her fees in 2020.
9. In line with regulations, employees includes those employed by Rentokil Initial plc, excluding Executive Directors and Non-Executive Directors.

TSR performance over a 10-year period relative to FTSE Index

The following graph shows total shareholder return (TSR) over a 10-year period reflecting the holding of the Company's shares, plotted against the FTSE 100 Index, the FTSE 250 Index and the FTSE 350 Index, on a consistent basis with the graph shown last year. The Company has been a constituent of one or more of these indices over the 10-year period that is shown. This chart is based on data sourced from Thomson Reuters DataStream and uses spot Return Index data at each year end.

Rentokil Initial plc's TSR compared against the TSR of FTSE 100, FTSE 250 and FTSE 350 indices over a 10-year period



Directors' Annual Remuneration Report – Looking forward 2022

Executive Director base salaries from 1 January 2022

Executive Director and ELT salaries are typically reviewed with effect from 1 July each year in accordance with the prevailing Policy.

When reviewing salary levels, the Remuneration Committee takes into account a number of internal and external factors, including Company performance during the year, external market data and the salary review principles applied to the rest of the organisation to ensure a consistent approach.

Salary increases are expected to be in line with increases applied to the wider workforce, with the exception of Stuart Ingall-Tombs, whose will next be reviewed in 2023 in line with the terms agreed on his appointment.

Salary from 1 January 2022

Executive Director	Salary £'000	% increase	Effective date
Andy Ransom – Chief Executive	875.0 TBC	0% TBC	1 January 2022 1 July 2022
Stuart Ingall-Tombs – Chief Financial Officer	550.0 550.0	0% 0%	1 January 2022 1 July 2022

Fixed pay for 2022 will be:

	Estimated base salary £'000	Estimated benefits £'000	Estimated pension £'000	Total fixed pay £'000
Andy Ransom Chief Executive	875.0[1]	19.8	191.3	1,086.2
Stuart Ingall-Tombs Chief Financial Officer	550.0	16.2	14.5	580.7

1. Pay review is effective from 1 July 2022. Base salary may increase in line with the wider workforce.

2022 Non-Executive Director fees

Non-Executive Director fees from 1 January 2022

Position	Fee policy for year beginning 1 January 2022[1]
Chairman	£375,000 per annum
Non-Executive Director	£60,000 per annum
Senior Independent Director	Additional £10,000 per annum
Chair of Audit Committee	Additional £15,000 per annum
Chair of Remuneration Committee	Additional £15,000 per annum

1. Non-Executive Director and Senior Independent Director fees were last increased on 1 September 2017.

2022 annual bonus structure

The focus of the bonus is on rewarding sustainable profitable growth and Free Cash Flow in order to align Executive Directors' incentives with the Group's strategy.

Executive Directors have the following bonus opportunity as a percentage of base salary.

	Threshold	Target	Maximum
Company performance	15%	75%	150%
Personal performance	0%	15%	30%
Total	15%	90%	180%

The Remuneration Committee has approved the following proposed structure for 2022.

Company performance

- **Gateways:** 95% of the profit target and a Free Cash Flow gateway have to be reached at Group level before the financial performance element of the bonus can be paid.
- **Financial performance:** If both these profit and cash flow gateways are achieved, then Executive Directors can earn up to 150% of salary based on targets equally split 50% revenue and 50% profit.

Personal performance

The Executive Directors can earn up to 30% of base salary based on their personal performance against objectives measured through the Company's performance and development review process.

40% of any bonus earned will be deferred into shares for three years.

Bonus targets have not been disclosed looking forward for 2022 as the Board believes that this information is commercially sensitive. Disclosing bonus targets could provide information about our business plans to our competitors which could be damaging to our business interests and therefore to shareholders. However, retrospective bonus targets for 2022 will be disclosed in next year's Annual Report.

How will incentives be aligned with the business strategy in 2022?

The table below shows how the business strategy is reflected in the Executive Directors' remuneration in 2022.

Strategic priorities	Link to remuneration
Employer of Choice/ retention	Through personal goals in the annual bonus and the Sales & Service colleague retention performance condition in the PSP.
Driving Organic Revenue growth in Pest Control	Revenue targets in the annual bonus and Organic Revenue growth targets in the PSP.
Building our Hygiene & Wellbeing business	Revenue, profit targets and personal goals in the annual bonus. Organic Revenue growth targets in the PSP.
M&A execution	M&A is enabled through delivery of Free Cash Flow in the annual bonus and Free Cash Flow conversion in the PSP and its execution measured through personal goals in the annual bonus.
Creating value through product and service innovations and digital applications	Through personal goals in the annual bonus and through the customer satisfaction measure in the PSP.
Managing a responsible business	ESG is measured through goals in the annual bonus and through the performance conditions, vehicle fuel efficiency, customer satisfaction and Sales & Service colleague retention in the PSP.

Directors' Annual Remuneration Report – Looking forward 2022
continued

2022 PSP award

Under the proposed Policy, the PSP award is up to a maximum of 375% of base salary for the Chief Executive and 300% of base salary for the Chief Financial Officer.

Andy Ransom, Chief Executive, will receive an award of 375% of salary and Stuart Ingall-Tombs, Chief Financial Officer, an award of 300% of salary in line with the Policy.

Shares under the awards will be released no earlier than five years after grant (i.e. following a three-year vesting period and a two-year holding period). Vesting of this award will be determined by the Company's performance as follows and performance between targets will be calculated on a straight-line basis:

Performance measures 2022–2025	Weighting	Threshold: 20% vesting	Target: 50% vesting	Maximum: 100% vesting
Relative TSR[1]	50%	TSR performance is median against comparator group	Straight-line vesting between threshold and maximum	Upper quartile TSR performance against comparator group
Organic Revenue growth	15%	3.5% per annum	4.0% per annum	5.0% per annum
Free Cash Flow conversion	15%	80%	85%	90%
Strategic measures[2]				
– Sales and Service colleague retention	20% (split equally)	Targets for these measures have not been disclosed as the Board believes that these measures are commercially sensitive. They will be based on straight-line vesting between threshold and target and between target and maximum performance which will be reported at vesting.		
– Customer satisfaction				
– Vehicle fuel intensity reduction		4%	6%	8%

1. The TSR index of comparators for this cycle will be the constituents of the FTSE 350 Index, excluding financial services, property and primary resources sectors.
2. The strategic measures will be measured over the three-year performance period. Colleague retention will be measured on average overall Sales and Service colleague retention; customer satisfaction will be measured using average Customer Voice Counts scores (CATI methodology); and vehicle fuel efficiency will be measured against an average reduction across our key countries.

The Remuneration Committee is satisfied that these targets represent a stretching range in light of all relevant factors including the current business plan and analysts' forecasts.

When determining the level of vesting, the Remuneration Committee will also consider the underlying financial performance of the business, as well as the value added to shareholders during the performance periods, and may adjust the vesting outcome if it considers this to be appropriate.

Illustration of proposed Directors' Remuneration Policy for 2022

The charts opposite provide an illustration of what could be received by each of the Executive Directors in 2022 including how a 50% increase in the share price could impact what they receive.

These charts are illustrative as the actual value that will be received will depend on business performance in 2022 for the bonus and in the three-year period to 2025 for the PSP, as well as share price performance to the date of exercise for awards made under the DBP and the PSP.

Our remuneration arrangements are designed so that a significant proportion of pay is dependent on the delivery of short and long-term goals that are aligned with our strategic objectives and the creation of shareholder value.

Key

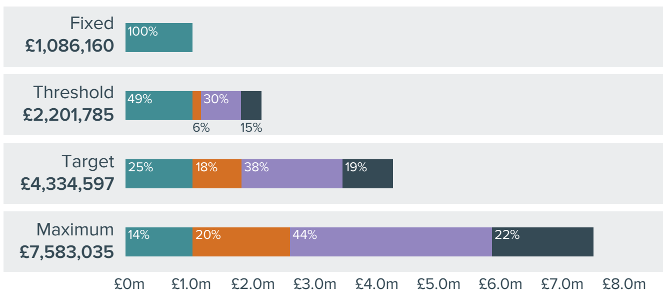
● **Fixed pay**
Includes all elements of fixed remuneration:
– base salary; and
– pension and benefits.

● **Annual bonus including Deferred Bonus Plan (DBP)**
Represents the potential value of the annual bonus for 2022, as shown on page 131. 40% of any bonus would be deferred into shares for three years and this is included in the value shown.

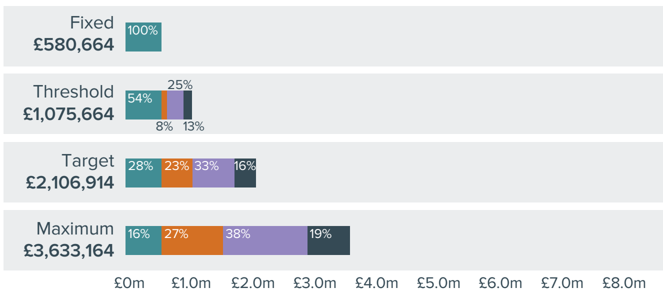
● **Performance Share Plan (PSP)**
Represents the potential value of the PSP to be awarded in 2022, (375% of salary for the CEO and 300% of salary for the CFO), which would vest in 2025 subject to performance against the targets disclosed on page 132. Awards would be held for a further two years.

● **50% share price growth**
Represents the potential impact of a 50% share price increase. This has been applied to the PSP.

Chief Executive – Andy Ransom



Chief Financial Officer – Stuart Ingall-Tombs



Summary of the 2021 Directors' Remuneration Policy

Base salary

Purpose/link to strategy	To attract and retain executives of the calibre required to implement our strategy.
Operation	Base salaries are payable in cash and are normally reviewed annually. Base salaries are set taking into account: • scope and responsibilities of the role; • external economic environment; • individual skills and experience; • contribution to overall business performance; • pay conditions for other colleagues based in the UK and other regions which are considered by the Remuneration Committee to be relevant for that executive; and • comparable salaries in a cross-section of companies of a similar size and complexity at the time of review – which will be taken into consideration, but not be the key determiner of salary levels.
Levels of payout	Base salaries are set at an appropriate level taking into account the factors described under 'Operation' above and salary increases are considered in this context. While there is no maximum salary level, the Remuneration Committee would normally expect percentage pay increases for the Executive Directors to be broadly in line with the wider workforce in relevant regions. However, higher increases may be awarded in certain circumstances, where the Remuneration Committee considers this appropriate, such as: • where a new Executive Director has been appointed to the Board at a lower than typical market salary to allow for growth in the role, then larger increases may be awarded in following years to move salary positioning closer to typical market levels as the executive grows in experience, subject to performance; • where the Executive Director has been promoted or has had a change in responsibilities, salary increases in excess of the above level may be awarded; or • a substantial change in the Company's size or market capitalisation leading to the positioning of an Executive Director's salary falling behind market practice. In exceptional circumstances, where a Non-Executive Director temporarily takes up an executive position, salary increases for the Non-Executive Director may be awarded as appropriate.
Performance measures and period	The payment of salary is not dependent on achieving performance targets although individual performance is taken into account when setting salary levels and determining any salary increases.

Pension

Purpose/link to strategy	To facilitate Executive Directors' planning for retirement.
Operation	Executive Director pension arrangements are by way of a defined contribution arrangement or through a cash alternative of a similar value or a combination of the two.
Levels of payout	For the current Chief Financial Officer and any future Executive Director hires the maximum contribution will be in line with the wider workforce in the UK, which is currently 3% of base salary although this rate may change from time to time. The maximum contribution for the Chief Executive has been frozen at the cash amount paid in 2019, when the Policy in force at the time was 25% of salary and is currently equivalent to 21.9% of base salary. This cash amount will be reduced to be in line with the maximum contribution for the wider workforce in the UK at the end of 2022.
Performance measures and period	Not applicable.

Benefits

Purpose/link to strategy	To provide market-competitive benefits that support the executive to undertake their role.
Operation	The Company pays the cost of providing the benefits on a monthly, annual or one-off basis. Benefits are determined taking into account market practice, the level and type of benefits provided throughout the Group and individual circumstances. All benefits are non-pensionable. The main benefits for Executive Directors are: • life assurance; • car or car allowance; • family healthcare; • permanent health insurance; and • relocation benefits – in the event that an executive were required to relocate to undertake their role, the Remuneration Committee may provide an additional appropriate level of benefits to reflect the relevant circumstances. Such benefits may be one-off or ongoing in nature. Should an Executive Director be appointed in a country other than the UK, benefits appropriate to that market would be considered. The Remuneration Committee retains the discretion to change the benefits provided (including offering additional benefits) in line with market practice and may include offering participation in any future all employee share plan.
Levels of payout	Levels of benefits are set in line with market practice. The level of benefits provided varies year on year depending on the cost of the provision of benefits to the Company and therefore it is not meaningful to identify a maximum level of benefits.
Performance measures and period	Not applicable.

Annual bonus

Purpose/link to strategy	To recognise and reward for stretching business performance against annual financial targets and/or personal objectives that contribute to Company performance. To attract and retain executives of the calibre required to implement our strategy and drive business performance. The deferral of an element of the annual bonus into shares provides alignment with shareholders' long-term interests following the successful delivery of short-term targets and supports the balance of achievement of short-term and long-term business performance.
Operation	The annual bonus is paid each year after the Remuneration Committee has reviewed performance against targets, which are set around the beginning of each year for each Executive Director, taking into consideration the underlying performance of the business. Normally no more than 60% of any bonus is generally paid in cash with the balance deferred in shares under the Deferred Bonus Plan (DBP). Deferred shares typically vest after a period of three years with no further performance conditions. Shares awarded under the DBP are typically awarded as nil-cost options and have an exercise period that extends from the date of vesting to the tenth anniversary of the award being made although awards may be structured in other ways. If nil-cost options remain exercisable at the tenth anniversary of grant then they will be exercised automatically on a participant's behalf. The Remuneration Committee retains the right to exercise discretion to ensure that the level of bonus payable is appropriate and a fair reflection of the Company's performance. Malus and clawback rules apply to both cash bonus payments and DBP awards (see Malus and Clawback section for details). Deferred shares may be adjusted in accordance with the rules in the event of a variation of the Company's share capital, demerger, special dividend or similar event that materially affects the price of shares.
Levels of payout	Bonus payouts start to accrue at a level of up to 20% of base salary for meeting threshold levels of performance and a maximum opportunity of 180% of base salary, with an on-target bonus opportunity of no more than 50% of the maximum opportunity. Payouts for performance levels in between these levels will typically be paid on a straight-line basis. Dividend equivalents accrue between grant date and vesting date on shares that vest under the DBP and are normally settled in the form of additional shares.
Performance measures and period	The annual bonus is normally based on the achievement of financial targets and/or personal objectives, although the Committee may include other strategic priorities. Performance is typically tested over a one-year performance period. The Remuneration Committee reserves the right to set appropriate measures that ensure alignment with business strategy and shareholder interest, subject to the financial measures accounting for at least 75% of the total. Financial measures may be linked to Group performance or the Executive's specific area of responsibility, if appropriate.

Performance Share Plan (PSP)

Purpose/link to strategy	To motivate and incentivise delivery of stretching business performance over the long term and to create alignment with growth in value for shareholders. To act as a retention tool for Executive Directors.
Operation	The PSP operates under the rules approved by shareholders in 2016 (and as amended). An award of shares is granted on an annual basis with a face value in line with the multiple of base salary approved by the Remuneration Committee, with vesting subject to the achievement of performance conditions. Shares awarded under the PSP are typically awarded as nil-cost options (although may be structured in other ways) and have an exercise period that extends from the date of vesting to the tenth anniversary of the award being made. If nil-cost options remain exercisable at the tenth anniversary of grant then they will be exercised automatically on a participant's behalf. Award levels and performance conditions are set to support the business' long-term goals and seek to reflect market practice and shareholder guidance. Awards are subject to a two-year holding period post vesting. Directors may sell sufficient shares to pay taxes due related to the award, if required, during this period. Malus and clawback rules apply to shares awarded under the PSP (see Malus and Clawback section for details). Awards may be adjusted in accordance with the rules in the event of a variation of the Company's share capital, demerger, special dividend or similar event that materially affects the price of shares.
Levels of payout	The maximum regular annual award will be 375% of base salary for the Chief Executive and 300% of base salary for the Chief Financial Officer and any other Executive Directors. This increase in award will be implemented on a phased basis, with the CEO receiving 325% of salary (75% of salary increase) in the year ending 31 December 2021 (Year 1). The CFO will receive an award of 200% of salary (this remains at the current level) in Year 1, while he settles into the role and gains experience. No more than 20% of the award shall vest for meeting threshold levels of performance and 100% of the award shall vest if maximum performance is achieved. Performance between these points will typically be measured on a straight-line basis. Dividend equivalents may accrue between grant date and vesting date or to the end of the holding period on shares that vest under the PSP and are normally settled in the form of additional shares.
Performance measures and period	Awards are subject to the achievement of financial and ESG/strategic measures, with specific measures and weightings set by the Remuneration Committee each year to ensure alignment with the business strategy at the time of grant. However, a minimum weighting of 75% should relate to financial (including TSR) measures. Potential measures include: ➔ relative TSR performance; ➔ Organic Revenue growth; ➔ Free Cash Flow conversion; and ➔ ESG measures (colleague retention, customer satisfaction and vehicle fuel intensity). If events happen which cause the Remuneration Committee to consider that a performance condition would not, without alteration, achieve its original purpose, it may amend that performance condition provided that the amended performance condition is materially no less challenging than it would have been had the event not occurred. The Remuneration Committee retains the right to exercise discretion to ensure that the formulaic vesting outcome is appropriate and a fair reflection of the Company's performance.

Shareholding guidelines

Purpose/link to strategy	Encourages greater levels of shareholding and aligns Executive Directors' interests with those of shareholders.
Operation	Executive Directors are expected to achieve and maintain a holding of the Company's shares. A further post-cessation shareholding requirement will normally apply to Executive Directors (see Termination section for details). For two years following cessation of employment, Executive Directors will be required to hold shares to the value of the shareholding guideline that applied at the cessation of their employment unless the Remuneration Committee exceptionally determines otherwise; or, in cases where the individual has not had sufficient time to build up shares to meet their guideline, the actual level of shareholding at cessation.
Levels of holding	Chief Executive: 300% of salary, Chief Financial Officer and other Executive Directors: 200% of salary. To be achieved within five years of appointment or other significant event.
Performance measures and period	Not applicable.

Measures and targets
All the performance measures selected, both in the financial and ESG/strategic categories, support the delivery of short and long-term financial performance of the business and shareholder value creation. Targets are set each year based on stretching internal budgets and achieving or exceeding these targets will both return value to shareholders and reward the executive team for delivery.

The annual bonus measures are reviewed annually to focus on delivery of key financial targets and strategic goals for the forthcoming year, as well as key strategic or operational goals relevant to the individual. Over the long term, PSP performance measures are focused on generating returns to shareholders through the relative TSR measure and other measures focus on improving business performance.

Malus and clawback
Malus and clawback rules apply to the Executive Directors' incentive arrangements. Under these provisions, the Remuneration Committee at their discretion may reduce bonus payments in respect of the current year or future years and have the ability to scale back awards that have not yet vested under the Company's PSP or DBP (potentially to nil) in the event of:

- a material misstatement of the Company's audited results for the current year or prior years;
- actions which result in serious reputational damage or corporate failure affecting any part of the Group, which can be reasonably attributed to be the result of an individual's serious misconduct;
- the discovery that an assessment of performance connected to the award (including relating to the original bonus amount for the DBP) was based on misleading or inaccurate information;
- there has been fraud or gross misconduct, or circumstances which, in the opinion of the Remuneration Committee, would entitle the Company or any other member of the Group to summarily dismiss the individual; or
- in other circumstances where the Remuneration Committee, in its discretion, considers that this treatment is appropriate.

For bonus, a clawback provision exists to give the Remuneration Committee, in the same circumstances to malus, the ability to recover sums already paid for up to two years after bonus determination.

For PSP, a clawback provision exists to give the Remuneration Committee, in the same circumstances as malus, the ability to recover sums already paid for up to five years from the grant date.

Use of discretion
The Remuneration Committee is cognisant of its responsibility to make informed and thoughtful decisions on remuneration that are both balanced and in the long-term interests of the business and shareholders and, where necessary, will apply discretion to remuneration targets or outcomes that would otherwise be inappropriate.

In addition, the Remuneration Committee also retains the right to apply discretion in the operation and administration of the incentive plans. This includes, but is not limited to, the following areas: setting appropriate performance conditions, weightings and targets from year to year for the PSP and annual bonus; the timing of PSP and DBP grants; the timing of annual bonus payments; the size of PSP awards granted; and determining the treatment of leavers.

Any discretion applied will be in accordance with the respective plan rules (or relevant documentation) and within the limits of the Policy.

Recruitment

Executive Directors
The Remuneration Committee's key principle when determining appropriate remuneration arrangements for a new Executive Director (whether appointed from within the organisation or externally) is to ensure that arrangements are in the best interests of both the Company and its shareholders, without paying more than is considered necessary by the Remuneration Committee to recruit an executive of the required calibre to develop and deliver the business strategy. When determining appropriate remuneration arrangements, the Remuneration Committee will take into account all relevant factors. These factors may include (among others):

- the level and type of remuneration opportunity being forfeited;
- the jurisdiction the candidate was recruited from and whether any relocation is required;
- the skills, experience and calibre of the individual;
- the circumstances of the individual; and
- the current external market and salary practice including market practice on additional benefits.

The Remuneration Committee would comply with the terms of the Remuneration Policy outlined in the table on pages 133 to 135.

In addition, if necessary, it may make awards on appointing an Executive Director to 'buy out' remuneration terms forfeited on leaving a previous employer. In doing so, the Remuneration Committee will take account of relevant factors including any performance conditions attached to these awards, the form in which they were granted (e.g. cash or shares) and the time over which they would have vested. Generally, buy-out awards will be made on a comparable basis to those forfeited but, in any event, will reflect those terms in some way (e.g. through a more substantial discount to the amount).

In the event of recruitment, the Remuneration Committee may grant awards to a new Executive Director under Listing Rule 9.4.2R, which allows for the granting of awards, to facilitate, in unusual circumstances, the recruitment of an Executive Director, without seeking prior shareholder approval or under other appropriate Company share plans. The use of Listing Rule 9.4.2R will be limited to granting buy-out awards only.

In the event that an internal candidate was promoted to the Board, legacy terms and conditions may be honoured, including any outstanding incentive awards and the exercise of any discretion in connection with such payments. Similarly, if an Executive Director is appointed following the Company's acquisition of or merger with another company, legacy terms and conditions would be honoured; however, steps would be taken to align with the Policy over time.

In the event of the appointment of a new Chair of the Board or Non-Executive Director, remuneration arrangements will normally reflect the Policy.

The Remuneration Committee's intention is that timely disclosure of the remuneration structure of any new Executive Director or Chair of the Board will be made by the Company wherever practical.

Directors' service agreements – Executive Directors
Executive Directors are employed on permanent contracts which are terminable on 12 months' notice by either party. A description of the payment in lieu of notice provisions can be found below. The Company's policy in respect of the notice periods for the termination of Executive Directors' contracts conforms to the UK Corporate Governance Code. The remuneration and contractual arrangements for the Executive Directors and senior management do not contain any matters that are required to be disclosed under the Takeover Directive. The contracts of service for Executive Directors are available for inspection by shareholders at the Company's registered office.

Termination

When an Executive Director leaves the business on the basis of mutual agreement, the Remuneration Committee will determine an appropriate payment taking into account the circumstances of leaving but any payment will be no more generous than that for leavers by reason of disability, ill health, retirement, redundancy, death or sale of an individual employing business. There are no provisions for notice periods or compensation in the event of the termination of the appointment of a Non-Executive Director. The Chair of the Board has a notice period of six months.

Base pay and benefits
Executive Directors are entitled to a payment in lieu of notice equal to base pay and the value of benefits only for the duration of the remaining notice period, subject to mitigation. The Company has the ability to terminate Executive Directors' employment, in the event of a prolonged mental or physical incapacity to carry out his/her Company duties and without notice (summary dismissal), in the event of gross misconduct or being disqualified to act as a Director. Appropriate medical benefits may still be provided in the case of prolonged mental or physical incapacity.

Other
Executive Directors may be entitled to other payments including, but not limited to, costs of appropriate repatriation/relocation, outplacement, settlement agreement, non-compete agreement, legal and/or tax and other relevant professional costs. The Remuneration Committee would look to ensure that the level of these costs/benefits was reasonable and in the best interests of shareholders.

Bonus including Deferred Bonus Plan (DBP) Cash bonus
In the event of retirement, death, disability, redundancy, change of control, sale of the employing company or any other circumstance at the discretion of the Remuneration Committee, Executive Directors may receive a bonus payment for the year in which they cease employment. This payment will normally be pro-rated for time and performance; however, the Remuneration Committee retains the discretion to review overall business and individual performance and determine that a different level of bonus payment is appropriate.

Otherwise, generally, Executive Directors must be employed at the date of payment to receive a bonus. In certain circumstances, the Remuneration Committee may determine that a bonus payment may be due to reflect performance and contribution to the point of cessation.

DBP – leaving before date of vest
Deferred bonus shares will normally vest in full following completion of the three-year vesting period, unless the Committee determines in its absolute discretion that vesting will be accelerated. Participants will have six months from the date of vest to exercise.

The vesting of awards will be accelerated in the event of death and there will be a period of 12 months from death to exercise (or up to 24 months if the Remuneration Committee so determines).

DBP – leaving after date of vest
The Executive Director will normally have six months in which to exercise their awards from the date of leaving (12 months for death (or up to 24 months if the Remuneration Committee so determines)).

Performance Share Plan (PSP)
Leaving before the end of the performance period
In the event of ill health, disability, death, retirement, redundancy, change of control, sale of the employing company or any other circumstance at the discretion of the Remuneration Committee, awards will vest on the original vesting date on a time-apportioned basis (unless the Remuneration Committee determines otherwise). Performance will be measured at the end of the original performance period. Participants will have six months from the end of the holding period to exercise.

At the Remuneration Committee's discretion in the event of ill health, disability or death (or in the event of any other exceptional circumstance if it determines), awards can vest early on a time-apportioned basis. In this circumstance, performance will be measured to the early vesting date.

Participants will have six months from leaving to exercise (12 months for death (or up to 24 months if the Remuneration Committee so determines)).

If participants leave for any other reason before the end of the performance period, their award will lapse on termination.

Leaving after the end of the performance period
Any awards in the two-year holding period will be available to exercise following completion of the two-year holding period. Participants will have six months from the latest of the end of the holding period or the leaving date to exercise (12 months for death (or up to 24 months if the Remuneration Committee so determines)).

Post-cessation shareholding requirement
For two years following the cessation of employment, Executive Directors will normally be required to hold shares to the value of the shareholding guideline that applied at the cessation of their employment; or, in cases where the individual has not had sufficient time to build up shares to meet their guideline, the actual level of shareholding at cessation.

The post-cessation shareholding requirement is to be satisfied from shares vesting under the DBP and PSP from grants from 2021 onwards. On exercise sufficient shares may be sold to cover taxes due, but until the shareholding requirement is met the remaining shares will be held by the Company in nominee/escrow for the benefit of the Director.

If the Executive Director has met the shareholding requirement through other means, with the exception of shares bought with their own funds, and the above approach results in a shortfall at the date of leaving, the Executive Director will be required to transfer the appropriate number of shares into the nominee/escrow in order to meet the requirement.

In the event of ill health, disability or death (or in the event of any other exceptional circumstance that the Remuneration Committee determines), the post-cessation shareholding requirement will not apply.

Other information

Change of control
If the Company is taken over or wound up, PSP awards may vest by reference to the extent to which the performance conditions are met and on a time pro-rated basis (calculated on a monthly basis) unless, in the case of pro-rating, the Remuneration Committee decide otherwise. Outstanding PSP awards may be vested automatically on a change of control on the participants' behalf. Typically salaries and bonuses will be paid to the date of change of control.

DBP awards shall vest in full. If participants are offered, and consent to, an equivalent award in the new company they will not vest and instead will be exchanged for a new award. Participants have one month from the change of control date to exercise their award; any options that are not exercised at the end of that period will be automatically exercised.

Read the 2021 Directors' Remuneration Policy at
rentokil-initial.com/investors/governance

Independent Auditors' Report to the members of Rentokil Initial plc

Report on the audit of the financial statements

Opinion

In our opinion:

- Rentokil Initial plc's Group financial statements and Parent Company financial statements (the "financial statements") give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 December 2021 and of the Group's profit and the Group's cash flows for the year then ended;
- the Group financial statements have been properly prepared in accordance with UK-adopted international accounting standards;
- the Parent Company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law); and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report, which comprise: the Consolidated and Parent Company Balance Sheets as at 31 December 2021; the Consolidated Statement of Profit or Loss and Other Comprehensive Income, the Consolidated and Parent Company Statements of Changes in Equity and the Consolidated Cash Flow Statement for the year then ended; the Notes to the Group and Parent Company financial statements, which include a description of the significant accounting policies and the Related Undertakings. The Financial Review, included within the financial statements, is considered other information and is not covered by our opinion except as described in the reporting on other information section of this report.

Our opinion is consistent with our reporting to the Audit Committee.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, as applicable to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

To the best of our knowledge and belief, we declare that non-audit services prohibited by the FRC's Ethical Standard were not provided.

Other than those disclosed in Note A8, we have provided no non-audit services to the Parent Company or its controlled undertakings in the period under audit.

Our audit approach

Context

The context of our audit is set by 2021 being our first year as auditors of the Group. As part of our audit transition, we shadowed the 2020 audit undertaken by the predecessor auditor, reviewed the predecessor auditors' working papers and re-evaluated the predecessor auditor's conclusions in respect of key accounting judgements in the opening balance sheet at 1 January 2021. We performed a review of the half year financial information in accordance with International Standard on Review Engagements (UK and Ireland) 2410 and performed process walkthroughs to understand and evaluate the key financial processes and controls across the Group. We also performed early audit procedures in advance of the year-end in the UK and in our in-scope territories. These procedures served to inform the determination of our final 2021 Group audit scope, areas of focus and audit approach.

Our areas of focus and audit approach were responsive to the continuing impact of COVID-19 as certain territories were placed under government restrictions at differing times over the audit. The impacts of, and recovery from, the pandemic, both from a financial reporting perspective and as it related to how we conducted our work largely remotely, were continuously assessed throughout the audit.

As part of the audit, we inquired of management to understand and evaluate the Group's risk assessment process in relation to climate change. We reviewed management's paper which sets out their assessment of climate change risk to the Group and the impact on the financial statements. In evaluating the completeness of the risks identified, we engaged our internal climate change experts to assist us in reviewing management's assessment and challenged management on how they considered the potential financial impacts of the Group's net zero commitment in their assessment. We considered the principal risk to relate to the assumptions made in the forecast prepared by management and used in their assessment of the carrying value of goodwill. In responding to the risks identified, we specifically considered how climate change risk would impact these assumptions including the future costs of the Group's commitment to reach net zero by 2040 and costs of compliance with current legal requirements. We also read the disclosures in relation to climate change made in the Responsible Business section of the Annual Report to ascertain whether the disclosures are materially consistent with the financial statements and our knowledge from our audit. Our responsibility over other information is further described in the "reporting on other information" section of this report.

Overview

Audit scope

- We performed full scope audits at fourteen components across North America, Europe, the UK & Rest of World, Asia and Pacific and specific audit procedures at one component.
- The territories where we conducted audit procedures, together with work performed at corporate functions and at the Group level, accounted for approximately: 80% of the Group's revenue and 79% of the Group's adjusted profit before tax. The components in the US and France comprise sub consolidations; in calculating these coverage levels we have taken 100% coverage from the full scope audits performed in these locations.
- Certain Parent Company account balances were included in scope for the audit of the consolidated financial statements. However, we determined that the Parent Company did not require a full scope audit of its complete financial information for the purposes of the audit of the consolidated financial statements.

Key audit matters

- Carrying value of goodwill (Group)
- Acquisition accounting (Group)
- Disclosure of pension liabilities (Group and Parent Company)

Materiality

- Overall Group materiality: £21,000,000 based on 5% of the Group's adjusted profit before tax.
- Overall Parent Company materiality: £32,000,000 based on 1% of total assets.
- Performance materiality: £15,750,000 (Group) and £24,000,000 (Parent Company).

The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements.

Key audit matters

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditors, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters, and any comments we make on the results of our procedures thereon, were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

This is not a complete list of all risks identified by our audit.

Key audit matter	How our audit addressed the key audit matter
Carrying value of goodwill (Group) Refer to the Audit Committee Report and Note B2 in the financial statements. The Group recorded £1,844.2m of goodwill at 31 December 2021 (2020: £1,608.4m). As required by IAS 36, management has performed its annual goodwill impairment assessment on the Group's cash generating units (CGUs). The carrying value of goodwill is dependent on estimates of future cash flows of the underlying CGUs which inherently involves significant management estimation and there is a risk that if management does not achieve these cash flow estimates it could give rise to impairment charges. The impairment assessment performed by management contains a number of significant assumptions principally relating to short and long term revenue growth, future profitability and discount rates. These assessments also include the costs associated with the effects of climate change, including the future costs of the Group's commitment to reach net zero by 2040 and costs of compliance with current legal requirements. No material impairment charge has been recorded in 2021.	We focused our work on the 8 CGUs where the headroom between the value-in-use and the carrying value of the assets was lowest. We obtained management's value-in-use impairment models and we tested the mathematical integrity. We validated the carrying amounts of the net assets subject to impairment testing to the underlying accounting records, making sure that there was appropriate consistency between the assets and liabilities that were included in management's assessment and the related cash flows. We utilised our in house valuation experts to evaluate the appropriateness of the methodology used in the impairment models, including challenging the discount rates, and we evaluated the determination of the Group's CGUs. We compared the cash flows used in the impairment models to the Board approved budget and strategic plan including the estimated costs associated with climate change. We challenged the long term growth rates by corroborating to third party sources and the short term revenue growth rates to third party industry research and stress tested those assumptions. We benchmarked implied multiples required to cover the carrying value of the net assets of each CGU to recent trading multiples of competitors and transaction multiples for recently acquired businesses by the Group and externally. We also evaluated the historical accuracy of management's budgeting and forecasting and we compared the revenue growth and operating profit margins to historical actuals and modelled their break even points to assess whether further testing was required and whether additional disclosures should be provided in the financial statements. Further procedures focused on the India PCI CGU where headroom is lower and more sensitive to changes in key assumptions; in particular the long term growth rate, the discount rate and the terminal operating margin. We obtained a bridge of the current operating margin to the estimated terminal operating margin and tested management's assumptions to a number of sources including third party growth rates where possible and comparable businesses within the Group. We assessed the appropriateness of management's decision to provide additional disclosures about sensitivities in Note B2 of the financial statements in relation to the India PCI CGU. More broadly, we considered whether the disclosures in Note B2 complied with IAS 36. Based on the procedures performed, we noted no material issues arising from our work.
Acquisition accounting (Group) Refer to the Audit Committee Report and Note B1 in the financial statements. In 2021, the Group acquired 52 businesses (2020: 23 businesses) for total consideration of £313.7m (2020: £367.3m). Goodwill of £230.6m (2020: £317.4m) and customer lists and other intangible assets totalling £70.7m (2020: £56.9m) were recorded. The valuation of the customer lists requires management estimation as it is dependent on estimates of future cash flows, customer termination rates and discount rates.	Based on our risk assessment, we focused our testing on the more significant acquisitions and supplemented this with sample testing of smaller acquisitions. We utilised our in house valuation experts to evaluate the appropriateness of the methodology used to value customer lists and to test the appropriateness of the discount rates. We compared the customer termination rates and future cash flows to historical data and to the approved acquisition business cases and we performed sensitivities on these estimates. We considered the disclosures in Note B1 of the financial statements and we are satisfied that these disclosures are appropriate. Based on the procedures performed, we noted no material issues arising from our work.

Key audit matter	How our audit addressed the key audit matter
Disclosure of pension liabilities (Group and Parent Company) Refer to Note A10 in the financial statements and Note 7 in the Parent Company financial statements. At 31 December 2021, the UK Rentokil Initial 2015 Pension Scheme (RIPS) has a surplus of £18.2m (2020: £18.2m), comprising defined benefit obligations of £1,247.6m (2020: £1,369.3m) and plan assets of £1,265.8m (2020: £1,387.5m). On 4 December 2018, the Group signed an agreement with Pension Insurance Corporation plc (PIC) to take over the payment of the liabilities in the scheme via a buy-in. Estimating defined benefit obligations requires significant estimation. Small changes in assumptions can have a material impact on the financial statement disclosures. As a result of the buy-in, with the exception of the surplus, there is no volatility associated with the insurance policy asset as under IAS 19 its value is deemed to match the scheme liabilities. However, there is a requirement to disclose the gross defined benefit obligations and plan assets in the Notes to the financial statements.	We reviewed the agreement with PIC and assessed the accounting treatment for the buy-in arrangement for the RIPS. We utilised our actuarial experts to assess whether the assumptions used in calculating the RIPS defined benefit obligations were reasonable. Our actuarial experts evaluated whether mortality assumptions, discount rates and inflation rates were consistent with independently developed ranges. We reconciled the member data to member numbers as per the latest triennial valuation of the scheme. Based on our procedures, we considered the accounting treatment to be appropriate and management's key assumptions to be within reasonable ranges. We assessed the appropriateness of the disclosures in Note A10 and Note 7 and considered them to be in accordance with the requirements of IAS 19.

How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the Group and the Parent Company, the accounting processes and controls, and the industry in which they operate.

We performed full scope audits in respect of fourteen components across North America, Europe, the UK & Rest of World, Asia and Pacific. Of these, we identified one financially significant component in the US (part of the North America segment) and four material components in the UK (part of the UK & Rest of World segment), France (part of the Europe segment), Germany (part of the Europe segment), and Australia (part of the Pacific segment). The remaining nine components were included in Group audit scope to achieve appropriate audit coverage. We also undertook specific audit procedures in Japan to ensure sufficient coverage over the investments in associated undertakings financial statement line item.

In establishing the overall approach to the Group audit, we determined the type of work that needed to be performed by us, as the Group engagement team, or by component auditors within PwC UK and from other PwC network firms operating under our instruction. Where the work was performed by component auditors, we determined the level of involvement we needed to have in the audit work at those components to be able to conclude whether sufficient appropriate audit evidence had been obtained as a basis for our opinion on the consolidated financial statements as a whole.

In addition to instructing and reviewing the reporting from our component audit teams, we conducted file reviews for financially significant and material components and participated in key meetings with local management. We also had regular dialogue with component teams throughout the year.

The Group consolidation, financial statement disclosures and corporate functions were audited by the Group engagement team. This included our work over taxation, goodwill, acquisition accounting and retirement benefit obligations. Taken together, the components and corporate functions where we conducted audit procedures accounted for 80% of the Group's revenue and 79% of the Group's adjusted profit before tax. The components in the US and France comprise sub consolidations; in calculating these coverage levels we have taken 100% coverage from the full scope audits performed in these locations. This provided the evidence we needed for our opinion on the consolidated financial statements taken as a whole. This was before considering the contribution to our audit evidence from performing audit work at the Group level, including disaggregated analytical review procedures, which covered certain of the Group's smaller and lower risk components that were not directly included in our Group audit scope.

Our audit of the Parent Company financial statements was undertaken in the UK and included substantive procedures over all material balances and transactions.

Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

	Financial statements – Group	Financial statements – Parent Company
Overall materiality	£21,000,000	£32,000,000
How we determined it	5% of the Group's adjusted profit before tax	1% of total assets
Rationale for benchmark applied	The Group's principal measure of performance is adjusted profit before tax, which excludes one-off items, amortisation and impairment of intangible assets (excluding computer software) and net interest adjustments, in order to give management and other users of the Annual Report a clear understanding of the underlying profitability of the business over time. We have utilised this measure in determining our materiality as it is the metric against which the performance of the Group is most commonly assessed by management and reported to shareholders.	Rentokil Initial plc is the ultimate Parent Company which holds the Group's investments. Therefore, the entity is not in itself profit-oriented. The strength of the balance sheet is the key measure of financial health that is important to shareholders, since the primary concern for the Parent Company is the payment of dividends. We therefore consider total assets to be an appropriate benchmark. Certain account balances were included in scope for the audit of the consolidated financial statements and were therefore audited to a materiality level set below overall materiality established for the Group audit. However, we determined that the Parent Company did not require a full scope audit of its complete financial information for the purposes of the audit of the Group financial statements.

For each component in the scope of our Group audit, we allocated a materiality that is less than our overall Group materiality. The range of materiality allocated across components was £1,350,000 to £17,100,000.

We use performance materiality to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds overall materiality. Specifically, we use performance materiality in determining the scope of our audit and the nature and extent of our testing of account balances, classes of transactions and disclosures, for example in determining sample sizes. Our performance materiality was 75% of overall materiality, amounting to £15,750,000 for the Group financial statements and £24,000,000 for the Parent Company financial statements.

In determining the performance materiality, we considered a number of factors – the history of misstatements, risk assessment and aggregation risk and the effectiveness of controls – and concluded that an amount at the upper end of our normal range was appropriate.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £1,000,000 for both the Group and Parent Company audits as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.

Conclusions relating to going concern
Our evaluation of the directors' assessment of the Group's and the Parent Company's ability to continue to adopt the going concern basis of accounting included:

- Evaluation of management's base case and downside case scenarios, understanding and evaluating the key assumptions;
- Validation that the cash flow forecasts used to support management's impairment, going concern and viability assessments were consistent;
- Assessment of the historical accuracy and reasonableness of management's forecasting;
- Consideration of the Group's available financing and debt maturity profile;
- Testing of the mathematical integrity of management's liquidity headroom, sensitivity and stress testing calculations;
- Assessment of the reasonableness of management's planned or potential mitigating actions; and
- Review of the related disclosures in the Annual Report.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group's and the Parent Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the Group's and the Parent Company's ability to continue as a going concern.

In relation to the directors' reporting on how they have applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to the directors' statement in the financial statements about whether the directors considered it appropriate to adopt the going concern basis of accounting.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Reporting on other information
The other information comprises all of the information in the Annual Report other than the financial statements (with the exception of the Financial Review which is considered other information) and our auditors' report thereon. The directors are responsible for the other information, which includes reporting based on the Task Force on Climate-related Financial Disclosures (TCFD) recommendations. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic Report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

Strategic Report and Directors' Report
In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 December 2021 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the Group and Parent Company and their environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report.

Directors' Remuneration
In our opinion, the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006.

Corporate governance statement
The Listing Rules require us to review the directors' statements in relation to going concern, longer-term viability and that part of the corporate governance statement relating to the company's compliance with the provisions of the UK Corporate Governance Code specified for our review. Our additional responsibilities with respect to the corporate governance statement as other information are described in the reporting on other information section of this report.

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the corporate governance statement is materially consistent with the financial statements and our knowledge obtained during the audit, and we have nothing material to add or draw attention to in relation to:

- The directors' confirmation that they have carried out a robust assessment of the emerging and principal risks;
- The disclosures in the Annual Report that describe those principal risks, what procedures are in place to identify emerging risks and an explanation of how these are being managed or mitigated;

- The directors' statement in the financial statements about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them, and their identification of any material uncertainties to the Group's and Parent Company's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements;
- The directors' explanation as to their assessment of the Group's and Parent Company's prospects, the period this assessment covers and why the period is appropriate; and
- The directors' statement as to whether they have a reasonable expectation that the company will be able to continue in operation and meet its liabilities as they fall due over the period of its assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

Our review of the directors' statement regarding the longer-term viability of the Group was substantially less in scope than an audit and only consisted of making inquiries and considering the directors' process supporting their statement; checking that the statement is in alignment with the relevant provisions of the UK Corporate Governance Code; and considering whether the statement is consistent with the financial statements and our knowledge and understanding of the Group and Parent Company and their environment obtained in the course of the audit.

In addition, based on the work undertaken as part of our audit, we have concluded that each of the following elements of the corporate governance statement is materially consistent with the financial statements and our knowledge obtained during the audit:

- The directors' statement that they consider the Annual Report, taken as a whole, is fair, balanced and understandable, and provides the information necessary for the members to assess the Group's and Parent Company's position, performance, business model and strategy;
- The section of the Annual Report that describes the review of effectiveness of risk management and internal control systems; and
- The section of the Annual Report describing the work of the Audit Committee.

We have nothing to report in respect of our responsibility to report when the directors' statement relating to the company's compliance with the Code does not properly disclose a departure from a relevant provision of the Code specified under the Listing Rules for review by the auditors.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of Directors' responsibilities, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Group's and the Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or the Parent Company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the Group and industry, we identified that the principal risks of non-compliance with laws and regulations related to the UK Listing Rules, health and safety regulations, failure to comply with UK and international tax regulations, adherence to data protection requirements in the jurisdictions in which the Group operates and holds data and compliance with anti-bribery and corruption legislation in the jurisdictions in which the Group operates, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as the Companies Act 2006. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting inappropriate journal entries to manipulate the financial performance of the Group and management bias in accounting estimates and judgements. The Group engagement team shared this risk assessment with the component auditors so that they could include appropriate audit procedures in response to such risks in their work. Audit procedures performed by the Group engagement team and/or component auditors included:

- Discussions with management, Internal Audit and the Group's legal counsel, including consideration of known or suspected instances of non-compliance with laws and regulation and fraud;
- Evaluation of the effectiveness of management's controls designed to prevent and detect irregularities;
- Identification and testing of significant manual journal entries;
- Assessment of matters reported on the Group's whistleblowing helpline and the results of management's investigation of such matters;
- Testing of assumptions and judgements made by management in making significant accounting estimates; and
- Reviewing financial statement disclosures and testing to supporting documentation.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

Our audit testing might include testing complete populations of certain transactions and balances, possibly using data auditing techniques. However, it typically involves selecting a limited number of items for testing, rather than testing complete populations. We will often seek to target particular items for testing based on their size or risk characteristics. In other cases, we will use audit sampling to enable us to draw a conclusion about the population from which the sample is selected.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Companies Act 2006 exception reporting
Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not obtained all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of directors' remuneration specified by law are not made; or
- the Parent Company financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Appointment
Following the recommendation of the Audit Committee, we were appointed by the members on 12 April 2021 to audit the financial statements for the year ended 31 December 2021 and subsequent financial periods. This is therefore our first year of uninterrupted engagement.

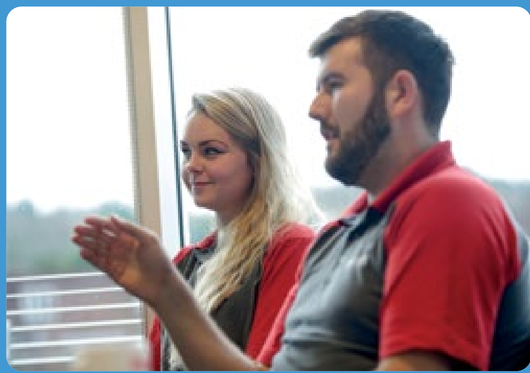
Other matter

In due course, as required by the Financial Conduct Authority Disclosure Guidance and Transparency Rule 4.1.14R, these financial statements will form part of the ESEF-prepared annual financial report filed on the National Storage Mechanism of the Financial Conduct Authority in accordance with the ESEF Regulatory Technical Standard (ESEF RTS). This auditors' report provides no assurance over whether the annual financial report will be prepared using the single electronic format specified in the ESEF RTS.

Neil Grimes (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors

London
3 March 2022

Financial Statements



Financial Review

The Group delivered excellent revenue and operating profit performance in 2021, demonstrating strong momentum in our core businesses during the year and reflecting growth across all major reporting countries, regions and categories.

Stuart Ingall-Tombs
Chief Financial Officer

Summary of financial performance (at CER)

Revenue (at CER)

The Group delivered an excellent revenue performance in 2021, demonstrating strong momentum in our core businesses during the year. Ongoing Revenue rose 9.8% to £3,063.5m, up 3.2% organic. Total revenue grew by 5.5% to £2,956.6m at AER (up 9.4% at CER). Excluding disinfection services, Organic growth in our core business was 7.5%, in excess of our recently up-weighted organic growth guidance of 4% to 5%. Our North America and UK & Rest of World regions delivered double-digit revenue growth in 2021 (up 14.2% and 10.8% respectively), aided by more favourable market conditions, as COVID-19-related impacts on these markets eased, and despite the significantly reduced contribution from disinfection services. Our Pacific operations have also recovered well, with revenue growth of 8.7% despite intermittent lockdowns in Australia and New Zealand impacting performance in H2. Revenue growth in Europe and Asia (at 3.9% and 5.0% respectively), while returning to year-on-year growth, was also impacted to some extent by reintroduced lockdowns in a number of countries.

Pest Control delivered a very strong performance overall during the year, with Ongoing Revenue growth of 18.6% to £2,020.0m (8.1% organic) aided by an excellent performance from our North America business, slightly offset by weaker performances from our Australia, New Zealand, Malaysia and Indonesia operations which were materially impacted by lockdowns in H2. Despite some labour shortages in H2, due to a number of colleagues either off work with COVID-19 or self-isolating, our Pest Control business in North America was our best-performing region, growing revenues by 24.3%, 8.9% organic. Ongoing Revenue in our Growth and Emerging markets grew by 19.2% and 14.5% respectively.

Our core **Hygiene** business, excluding disinfection, delivered an 8.2% increase in Ongoing Revenue to £555.6m (7.4% organic), reflecting good performances in the UK, Europe and Latin America. Overall Hygiene revenue declined by 8.4% to £673.4m, reflecting the anticipated tapering of disinfection services, which reduced by £103.6m to £117.8m. As with Pest Control, however, our operations in Australia, New Zealand, Indonesia and Malaysia were held back by significant challenges associated with ongoing lockdowns.

The rapid deployment of disinfection services across 60 countries enabled the Company to generate £221.4m of revenues in the prior year. Customers who used our services (such as offices, shops, schools, airports, emergency vehicles and public transport) did so typically to remain open during lockdown conditions. As lockdown conditions generally eased around the world and our core services returned, customer requirements for emergency disinfection services significantly decreased, and therefore revenue from disinfection services has tapered in line with our expectations to £117.8m (H1: £98.3m; H2: £19.5m), a decline of £103.6m on 2020. We anticipate disinfection revenues in 2022 of around £10m to £20m, as services further unwind.

Ongoing Revenue in our **Protect & Enhance** category rose 5.6% to £365.6m (4.9% organic), with all four businesses (France Workwear, Ambius, UK Property Care and Dental Waste Services) returning to organic growth. Revenue at actual exchange rates grew by 2.8% to £355.9m. In France, lockdowns began to ease in May with fewer restrictions on restaurant operations and, as a result, we have seen an improving performance from our Workwear business. While this is encouraging, as-used volumes (where the customer only pays for specific garments laundered) are still behind pre-COVID-19 levels, impacted by ongoing temporary customer suspensions in H1 and reduced tourism in France in H2.

Profit (at CER)

Ongoing Operating Profit rose by 19.5% to £458.7m (£441.5m at AER), reflecting revenue growth across all major reporting countries, regions and categories and the execution of our high service and innovation and technology strategy. This resulted in a 120 basis points increase in Net Operating Margins to 15.0%. Ongoing Operating Profit includes restructuring costs of £10.2m at CER (2020: £13.2m), which consisted mainly of costs in respect of initiatives focused on our North America transformation programme, together with integration costs of smaller acquisitions. During 2021, the return of our core service provision allowed us to fully resume our high-quality service model. As part of this, we have been able to catch up on service, debt and customer satisfaction issues that had arisen during the early onset of the pandemic in 2020, resulting in the release of £20.0m of revenue provisions and £12.0m of bad debt provisions taken in 2020, and contributing a 100 basis points improvement to Net Operating Margins.

Adjusted profit before tax (at AER) of £416.5m (£433.6 m at CER), which excludes the impact of one-off items (set out below), increased by 17.3% and reflects growth in all regions and categories. Adjusted profit before tax includes a £3.9m benefit from IAS 29 hyperinflation indexation from our newly acquired Boecker subsidiary in Lebanon. Adjusted interest of £33.1m at actual exchange rates was £4.0m lower than in the prior year, due to the pay down of the €350m bond which matured in October 2021 but was paid in July 2021.

One-off items (operating) of £21.3m includes £13.8m of acquisition and integration costs and £6.0m of professional fees relating to the Terminix transaction.

Statutory profit before income tax from continuing operations at AER was £325.1m, an increase of 41.5% (2020: £95.3m) on the prior year. In addition to the margin improvements described above, the Group also received the benefit of year-on-year gains in net finance costs due to the non-repeat of the £28.4m cost of closing out an interest derivative linked to US interest rates, and other fair value losses of £9.5m in 2020.

Cash (at AER)
The Company generated Free Cash Flow of £326.5m in 2021, representing Free Cash Flow Conversion of 107.3%, well ahead of our target of 90%. The increase was principally driven by a £57.5m increase in Adjusted Operating Profit offset by higher capex and one-off items. Cash spend on current and prior-year acquisitions in 2021 totalled £463.1m, which contributed to the net decrease in cash and cash equivalents of £295.0m.

We have continued to maintain a tight focus on working capital management and have made significant progress in unwinding the increased ledgers that resulted from the pandemic. Group ledgers at the end of 2021 were c.10% lower than December 2020, despite organic and M&A revenue growth.

Dividend policy
The Group adopts a progressive dividend policy with dividend payments related to the level of Free Cash Flow available. The Group aims to pay dividends twice a year and the level of each dividend is decided by the Board. When determining the level of dividend each year, the Board considers the following:

- cash generation in the year;
- future cash generation;
- cash availability at the point of dividend;
- profits available for distribution;
- cash required to invest in capital; and
- expenditure and acquisitions.

Given the strength of our performance in 2021 and our confidence for 2022, the Board is recommending a final dividend in respect of 2021 of 4.30p per share, payable to shareholders on the register at the close of business on 8 April 2022, to be paid on 18 May 2022. This equates to a full-year dividend of 6.39p per share, an increase of 18.1% compared to 2020. The last day for DRIP elections is 26 April 2022.

Funding
On 7 July 2021, the Company repaid the remaining €175.7m outstanding under the €350m bond due 7 October 2021 using its par call option. This repayment was funded using cash on the balance sheet following the €600m bond issuance in October 2020. In September 2021 the Company updated its revolving credit facility (RCF) to replace LIBOR with risk free rates. At the same time, financial covenants were removed from the RCF.

As at 31 December 2021, the Company had liquidity headroom in excess of £780m, including £550m of undrawn RCF, with a maturity date of August 2025. Pro forma net debt to EBITDA ratio was 1.96x at 31 December 2021 (30 June 2021: 1.67x). On 14 December 2021, the Group announced that it had entered into a committed bridge facility for up to $2.7bn with Barclays to support the acquisition of Terminix. This facility was replaced on 25 February 2022 with a $700m three-year term loan facility provided by 15 banks and a $2bn bridge facility provided by eight banks. The Group has also amended, extended and increased its RCF to $1bn. This amendment will take effect on or before the acquisition of Terminix completes, at which point the maturity of the RCF will be 2027 plus two one-year extension options. At the time of announcement in December 2021, S&P affirmed the Group's BBB rating. We remain committed to maintaining a BBB investment grade rating and are confident of doing so.

M&A
We have delivered further excellent execution of M&A in 2021, acquiring 52 new businesses in Pest Control, Hygiene and Protect & Enhance (Ambius). While competition for high-quality assets in North America has continued, the region still presents good opportunities to build density and we have added 17 new businesses during the period. In addition to acquisitions in Canada and the US, we have also made good progress in broadening our geographic presence with pest control and hygiene purchases (including joint venture interests) in Australia, Brazil, Canada, Chile, China, Colombia, France, Jordan, Italy, Kuwait, Lebanon, Lithuania, Mexico, Nigeria, Norway, Poland, Qatar, Saudi Arabia, Singapore, Spain, Sweden, Switzerland, Taiwan and UAE.

In July, we announced we had entered into a transaction with a leading independent pest control provider in the Middle East, Boecker World Holding SAL, operating (including with joint venture partners and associates) across UAE, Saudi Arabia, Jordan, Kuwait, Lebanon, Nigeria and Qatar. The business, which generated revenues of c.£37m in the year prior to purchase, is a leader in B2B environmental health services including Pest Management, Food Safety and Germ Control services and products, and employs c.1,100 colleagues. The transaction doubles the scale of our operations in the Middle East, where we are already the market leader in pest control. The business has performed well since acquisition and integration is proceeding in line with our expectations, with the Lebanon management team responding proactively to the country's hyperinflationary challenges by addressing pricing, colleague issues and customer relationships to deliver ongoing profitability and sensible cash management actions.

In February 2022, we conducted our most recent half-yearly review of post-investment performance, reviewing 48 acquisitions made between 1 April 2019 and 30 September 2020 and covering £318m of consideration. We are pleased with performance, with deals delivering revenue and EBITA ahead of our expectations and aggregate returns also ahead of our required IRR hurdle rates.

M&A remains central to our strategy for growth. We will continue to seek attractive bolt-on deals, both in Pest Control and with an increased focus on Hygiene & Wellbeing, to build density in existing markets, pursue acquisitions in new markets and the major Cities of the Future, and seek medium-sized transactions. Our pipeline of prospects remains strong, and we anticipate expenditure on M&A in 2022 of around £250m (excluding the acquisition of Terminix).

Acquisition of Terminix Global Holding, Inc.
On 14 December 2021, we announced that Rentokil Initial plc and Terminix Global Holdings, Inc. (Terminix) had entered into a definitive agreement under which Rentokil Initial will acquire Terminix for stock and cash. The Transaction will bring together two complementary businesses to create the global leader in both pest control and hygiene & wellbeing, and the leader in the pest control business in North America, the world's largest pest control market.

The Transaction will combine two leading brands with a long cultural heritage, outstanding talent and strong focus on people, customers and ESG. Upon completion, the Combined Group will have c.57,700 colleagues serving c.4.9m customers around the world from 790 locations. The enlarged business will have a strong platform for growth, particularly in North America, and an attractive financial profile to support future growth, including through acquisitions and continued investment in innovation and technology. For the year ended 31 December 2021, the Combined Group's illustrative revenue would have amounted to US$6.0bn[1] (£4.5bn), with EBITDA of US$1.3bn (£1.0bn) and Free Cash Flow of US$0.7bn (£0.5bn).

1. GBP/USD rate of 1.3273 as per 10 December 2021 used to form Combined Group financials. Calculated using Terminix financial results in accordance with US GAAP and Rentokil Initial results in accordance with IFRS. Subject to amendment by Rentokil Initial when stated in the Circular and Prospectus and based on Rentokil Initial's accounting policies.

The Combination is expected to create significant value, enhance long-term growth potential, be highly cash generative and present a compelling industrial logic, supported by:

- increased scale and leadership in the global pest control market;
- substantially increased scale in North America, providing an enlarged platform for profitable growth;
- a complementary and synergistic portfolio combination; and
- an attractive financial profile.

The Combination is expected to generate material annual pre-tax net cost synergies of at least US$150m (£113m) by the third full year post completion. Run rate synergies are expected to accumulate c.30%, c.80% and 100% in the first, second and third 12-month periods respectively, post completion. In achieving these synergies, the Combined Group expects to incur aggregate cash implementation costs of approximately US$150m, half of which will be incurred in the first 12 months post completion. The Transaction is expected to be mid-teens percent accretive[2] to Rentokil Initial's earnings per share in the first full year post completion and, including at least $150m of net cost synergies, to exceed the Company's cost of capital by the third full year following completion.

Regional performance (at CER)

North America – Organic Revenue growth (excluding disinfection) up 8.9%, total Organic Revenue growth 1.6%

North America was our best-performing region in 2021, with revenue growth driven by broad-based momentum in all businesses and an incremental return to more normalised trading patterns.

We have seen good growth in our residential Pest Control portfolio (which represents 36% of our North America Pest Control business), from both 2020 and 2021 acquisitions and continued marketing and sales focus. Residential revenues grew by 31% in 2021, aided by a continuation of the work from home business environment. Our acquisition of Environmental Pest Service, which completed on 1 January 2021, has performed strongly and we are benefiting from the business' residential concentration in three important markets – Florida, Georgia and North Carolina.

Our commercial Pest Control business (64% of our Pest Control business) grew by 21% in 2021, aided by good volumes of work broadly across most markets, and we are also seeing improvements in bird and mosquito work. We anticipate continued improvement in the hospitality sector as restrictions are expected to ease further in 2022. Our distribution business performed strongly throughout the year and reflects the general market recovery of the pest services sector and the continued high demand for lawn, golf and turf products.

As outlined in our interim statement in July, revenues in H1 were supported (primarily in Q1) by ongoing disinfection sales and, as expected, these significantly tapered throughout the remainder of the year as COVID-19-related market conditions improved. Sales from disinfection amounted to £67.0m in 2021 (2020: £142.5m). Hygiene sales focus is now directed primarily towards air disinfection, including our VIRUSKILLER™ product. Our overall performance in 2021 has also been positively impacted by the recovery of our other commercial businesses: Brand Standards (which was significantly impacted in 2020 by temporary customer closures in the quick serve restaurant sector), returned to more regular trading with c.95% of customers by the end of the year and our Ambius operations returned to pre-pandemic trading levels, delivering growth of 8.5% on the prior year.

Ongoing Revenue in North America grew by 14.2% to £1,375.0m (1.6% organic). Revenues from total Pest Control (including Distribution and Lake Management) increased by 24.3% to £1,224.4m (8.9% organic), with Pest Services revenue increasing by 22.3% and reflecting good demand from both Commercial and Residential customers. Total revenues from disinfection in 2021 amounted to £67.0m (H1: £64.3m; H2: £2.7m). Ongoing Operating Profit growth of 8.7% to £230.2m reflects the significantly lower contribution from disinfection services. We acquired 17 businesses in 2021 with combined annualised revenues of c.£72m in the year prior to purchase.

We continue to make progress towards our 18% margin target in North America with a 16.7% margin delivery for the full year. This is a result of the continued incremental return to more normal levels of growth from our core North American operations as described above, together with ongoing cost initiatives and the benefits from our IT enabled Best of Breed programme. The margin benefitted by 20 basis points from a change in revenue recognition policy in our Target distribution business. We remain on track to achieve our 18% margin target by the end of 2022.

Our IT re-platforming programme progressed well in 2021. We have now successfully migrated our West, Central, Northeast and Southeast operating regions from their respective legacy platforms to our new service planning and customer management system. The consolidation to one operating platform will enable significant improvement in process standardisation, as well as the deployment of our digital products in sales productivity and pricing, field service and scheduling optimisation, and an enhanced customer service experience.

North America has experienced some inflationary pressures on its cost base throughout the year but has substantially passed these increases on through efficiencies and annual price increases (APIs) to customers, in line with normal policy. The region has seen little change to customer termination rates, which remain within normal ranges and in line with 2019. Although we are seeing signs in the US economy of wage pressures, this has not had a broad impact on wages across our operations. North America overall colleague retention has trended down by c.5%, as new employees who joined the business at the height of the pandemic in 2020 have left to seek alternative employment as other sectors recovered, but remains above 80%. While overall 'time to fill' vacancy rates for 2021 reduced by c.3 days on 2020, they trended upwards in H2 reflecting a highly competitive labour market in certain cities. A more targeted recruitment approach (by market, capacity and vacancy percentage) and continued success with virtual hiring events are yielding results and will help us navigate the challenges of the North American labour market.

Europe – Organic Revenue growth (excluding disinfection) up 4.8%, total Organic Revenue growth 2.0%

Our Europe region has continued to experience disruption from lockdowns and intermittent restrictions throughout 2021. Despite these challenges our core categories have performed well, with Pest Control largely back to normal and experiencing good growth, and with Hygiene and France Workwear recovering well. Throughout the year, we have seen the number of customers who have either remained closed reducing from c.10% in H1 to less than 1.0% in H2, with trading in most countries returning to more normal levels. While we continue to experience some interruptions from restrictions imposed during fourth and fifth waves of the virus (notably the recent lockdown in the Netherlands), the impact is more on COVID-19 infections in employees, affecting colleague availability rather than on customer closures.

Ongoing Revenue growth in Pest Control grew by 11.8% in 2021, impacted by continued lockdowns across parts of Europe and Latin America and poor weather in Europe in Q2 and Q3 which delayed the emergence of pests such as wasps and mosquitoes.

Our Hygiene operations (excluding disinfection) grew by 4.4% in 2021 with most growth generated in H1 as we lapped the impact from lockdowns in H1 2020. Sales campaigns during the year have focused on customers returning to work, school and venues and we have also expanded our product and service range to include air hygiene. Full recovery of our Hygiene operations remains dependent on employee return to the office and higher tourism, particularly in southern Europe.

As expected, revenue from disinfection services in 2021 tapered significantly throughout the year, with a small run rate of disinfection work in the region due to end in Q1 2022.

Lockdowns began to ease in H2 across all markets resulting in an improving performance from our France Workwear business, which grew by 1.9% in 2021, but which was nevertheless impacted by temporary customer suspensions of c.3.4% throughout the year. By the end of the year, suspensions had fallen to near zero. The pandemic has had different impacts on our France Workwear operations, with Cleanrooms growing by 13%, Garments back to 2019 levels and Flat Linen remaining some 32% behind 2019.

2. Earnings accretion is not a profit forecast.

Revenue has also been affected (to a much lesser extent) by a small fire in a flat linen laundry in Les Clayes (in the western suburbs of Paris) with no impact on overall profit as damages have been fully covered by insurance.

Regional Ongoing Revenue, excluding disinfection, grew by 6.9% in 2021 to £721.9m (4.8% organic). Including disinfection, growth was 3.9%, 2.0% organic. Ongoing Operating Profit grew by 9.9% to £144.0m, reflecting 13.9% growth in France and 41.2% improvement in southern Europe and 30.9% growth in Latin America. Net Operating Margins for the Europe region increased by 100 basis points to 19.2%. The region acquired 12 businesses in 2021 – seven in Europe and five in Latin America – with annualised revenues of c.£29m in the year prior to purchase.

We have not seen any evidence of increased customer insolvencies across Europe and Latin America in 2021, which still remain at lower rates than in 2019. We continue to monitor this situation as government support programmes have come to an end in Q4 2021 and Q1 2022. We are experiencing higher cost inflation than in previous years, mainly in fuel, paper products and emerging pressure from inflation on wage rates. We are nevertheless continuing to pass on APIs in line with normal pricing policy to our Pest Control and Workwear customers, while Hygiene has lagged a little due to variable demand for consumables which are often included within a Hygiene contract. Sales and service colleague retention rates continue to be very high across the region at mid-90% levels, with both service and sales colleagues trending slightly ahead of 2019.

UK & Rest of World – Organic Revenue growth (excluding disinfection) up 10.7%, total Organic Revenue growth 7.7%

Trading conditions in our UK businesses, which were impacted by lockdowns in Q1, improved significantly from the second quarter and into H2 as a result of continued progress with the UK's vaccination programme and subsequent easing of restrictions. Recovery of our Irish operations is behind the UK, reflecting continuing government restrictions; however, the trajectory of improvement is similar to that experienced in the UK, albeit at an earlier stage. In the Rest of World region, our Nordic, Sub-Saharan Africa and MENAT regions delivered robust performances despite ongoing pandemic-related challenges, while our Caribbean businesses continue to be negatively impacted by dampened tourist demand. Despite ongoing macro-economic challenges in Lebanon, the Boecker business, acquired in August, is performing well, with integration proceeding to plan.

A number of key actions undertaken in 2020 have aided performance in the UK this year. These include accelerating the pace of our service differentiation, innovation and digital marketing programmes and implementing a number of significant technology-enabled business and cost programmes. Building on last year's success, roll-out of our PestConnect product and service has continued at pace during 2021 as we install more units across more customer sites in the UK. Our digital Connect strategy now covers around 11% of the UK portfolio.

Our UK Hygiene businesses performed strongly throughout the year, achieving record levels of revenue growth in our Medical operations (up £21.3m) and record levels of profitability in our Washroom Hygiene business (up £24.2m), driven by strong organic performances and the full-year performance of the integrated Cannon Hygiene business.

Our Ambius business performed well, growing contract portfolio strongly in H2 as the challenge to make offices spaces suitably appealing for employee return stimulated demand for our products and services. UK Property Care also performed well, with revenues benefiting from strong domestic customer demand in the UK residential housing market and signs of recovery in the commercial property market, and with profits enhanced by a number of systems, process, productivity and pricing initiatives implemented in 2020.

Ongoing Revenue for the UK & RoW region increased by 10.8% to £488.0m (7.7% organic), with UK and Ireland Pest Control and Hygiene (excluding disinfection) growing by 6.2% and 19.6% respectively, and RoW Pest Control and Hygiene operations (excluding disinfection) growing by 19.1% and 7.5% respectively. Regional Ongoing Operating Profit increased by 48.2% to £121.2m in 2021, reflecting stronger trading and also supported by the release of £14m of provisions for bad debt and revenue as a result of further improvement in service and cash collections as it emerges from the pandemic. Net Operating Margins rose by 620 basis points to 24.8%, 220 basis points of which can be attributed to the provisions releases described above. The region continues to be very acquisitive, with nine M&A transactions completed in the year, with combined annualised revenues of c.£49m.

Regional cash performance has been strong in 2021, with debtor days outstanding now at pre-pandemic levels and with no significant escalation in bad debt or customer insolvencies. Customer reviews of our UK businesses on Trustpilot.com have returned to pre-pandemic 'world-class' levels and customer retention reached a record high of 88.5% in H2 2021. In the UK, we have seen some inflationary increases on both wages and certain products, both of which have been largely mitigated through service restructures and customer price increases. The UK employment market rebounded strongly in Q2, creating a competitive employment environment. However, the strength and diversity of our recruitment model, together with our well-established award-winning internal training model, has enabled the UK business to hire ahead of attrition, with service levels above pre-COVID-19 levels.

Asia – Organic Revenue growth (excluding disinfection) up 4.1%, total Organic Revenue growth 4.7%

Our Asia region has delivered an improving performance in 2021 but real recovery has been held back by difficult trading conditions in Malaysia, Indonesia, Vietnam and Thailand as a result of very restrictive lockdowns from late Q2 and into Q3. With fewer restrictions and a higher vaccination rate, China has performed considerably better, delivering revenue growth of 18.2%.

Both Pest Control and Hygiene continued to feel the impact of the ongoing pandemic and lockdowns in 2021, with temporary customer suspensions peaking at 7.9% in August but falling to 2.8% by the year end, as our markets recovered and our ability to service customers improved. Emergency disinfection services were broadly similar in H1 and H2, providing a hedge to disruption of regular core service provision. Following the launch of VIRUSKILLER™ in H1, the region has made good progress with its air hygiene service offering, generating £1.6m in revenues in Malaysia, Hong Kong, Singapore and Indonesia.

Regional Ongoing Revenue rose by 5.0% to £254.0m (4.7% Organic). Ongoing Operating Profit was flat on 2020 at £26.8m, reflecting the impact of a £2.0m reduction in government support provided across Asia markets in the second half. Net Operating Margins for the Asia region declined by 50 basis points to 10.6%. Asia acquired five pest control businesses during the year with annualised revenues in the year prior to purchase of c.£3.0m.

Annual price increases have been achievable for those customers who are trading well although more difficult to pass through for customers who are still facing challenging conditions from the COVID-19 crisis. The region has seen some impact of bad debts and customer insolvencies in Indonesia with an associated impact on profit of £1.3m. Colleague retention has remained high, with retention at 87%. Both service colleague retention and sales colleague retention continue to trend ahead of pre-COVID 2019 levels.

Pacific – Organic Revenue growth (excluding disinfection) up 6.7%, total Organic Revenue growth 6.3%

Our core businesses in the Pacific have delivered a much improved performance in 2021, despite intermittent lockdowns in both Australia and New Zealand impacting revenue, primarily in New Zealand which has maintained a suppression strategy towards the COVID-19 pandemic. Our Australian operations have been more robust, reflecting the easing of government restrictions despite the arrival of the Omicron variant in November.

Demand for Pest Control services has been strong throughout the year, particularly in commercial pest control and with bird control work buoyant. Residential work in the second half was slightly weaker than in H1, reflecting customers deferring treatments during periods of lockdown. In Hygiene, core service provision is recovering well, although H2 saw some weakening in service levels due to temporary site closures. Portfolio growth has been strong, however, with customers responding positively to our relaunched air hygiene proposition (a major source of growth) and our hand sanitiser portfolio has largely been maintained. Our Ambius business performed well in 2021, particularly in H2, with portfolio growth above 10% as businesses began to prepare for a return to offices.

Ongoing Revenue in the Pacific grew by 8.7% to £192.8m (6.3% organic), with growth in Pest Control of 10.3%, Hygiene (excluding disinfection) growth of 8.7% and Ambius growth of 4.0%. Regional Ongoing Operating Profit grew by 9.9% to £38.0m and Net Operating Margins rose by 20 basis points to 19.7%. The region acquired six small Pest Control businesses and three Hygiene businesses in 2021 with annualised revenues in the year prior to purchase of c.£7.0m.

As with our other regions, bad debt from suspended portfolio customers has been minimal to date, with no spikes in insolvencies despite government subsidies scaling back. Overall customer retention for the region remained ahead of our expectations. We are seeing some wage inflation pressure amid rising demand for labour at all levels across the region, but are confident of continuing to mitigate these through our normal pricing policy. Colleague retention remained high at 80% for 2021, but was below our target for the year. Attracting and retaining the right people across all categories to enable us to maintain service excellence remains a key focus going forward.

Share of Profits from Associates

Our share of Profits from Associates (at AER) amounted to £8.1m (2020: £8.3m) primarily relating to our 49% interest in our Japanese associate.

Central and regional overheads

Central and regional overheads of £91.3m (£90.8m at AER) were £2.2m higher than prior year (2020: £89.1m at CER, £88.8m at AER), due to the non-repeat of cost savings taken in response to the pandemic in 2020, including salary waivers and cancellations of bonus schemes.

Restructuring costs

With the exception of integration costs for significant acquisitions, the Company reports restructuring costs within adjusted operating profit. Costs associated with significant acquisitions are reported as one-off items and excluded from adjusted operating profit.

Restructuring costs of £10.2m (2020: £13.2m) consisted mainly of costs in respect of initiatives focused on our North America transformation programme, together with integration costs of smaller acquisitions. At AER, restructuring costs were £9.7m.

UK defined benefit pension scheme buy-out

In December 2018, the Company reached agreement for a bulk annuity insurance buy-in for its UK Defined Benefit Pension Scheme (“the Scheme”) with Pensions Insurance Corporation. The buy-out completed on 24 February 2022 and individual policies are being issued to all members of the Scheme. A 2020 High Court judgement ruled that trustees of defined benefit schemes that provided Guaranteed Minimum Pensions should revisit and, where necessary, top-up historic cash equivalent transfer values paid since 1990. The Trustee has identified and will make payments to affected members in 2022. Once those payments have been made, the balance of pre-tax surplus, anticipated to be c.£18m, is expected to be paid in Q4 2022 to the Company. The Scheme will then be wound up.

Interest (at AER)

Adjusted interest of £33.1m was £4.0m lower than in the prior year, due to a £2.2m saving from not drawing down on the RCF and commercial paper programme and a £3.9 hyper inflation gain from the newly acquired Lebanon business, offset by swap costs of £1.8m due to larger cash balances held in the period between the raising of the 2028 €600m bond in October 2020 and the settling of the 2021 bond in July 2021. Cash interest was c.£4.6m below 2020 at £36.4m, mainly driven by the early repayment of the c.€175.7m outstanding under the €350m bond, offset by fees paid for the bridge facility for the acquisition of Terminix. Statutory interest was £29.5m, £42.8m lower than 2020, driven by the c.£26m cost of closing out an interest derivative linked to US interest rates in 2020, c.£8m of ineffective hedges charged to the P&L in 2020, £4m of additional fair value charges from the part repayment of the €350m 2021 bond in 2020 and a £4.0m saving in adjusted interest.

The carrying value of derivative liabilities has decreased by c.£48.0m in the year since June 2020, driven by the settlement of an interest derivative linked to US interest rates in August 2020, settlement of interest accrued and strengthening of sterling against the US dollar and euro.

Tax

The income tax charge for the period at actual exchange rates was £61.9m on the reported profit before tax of £325.1m, giving an effective tax rate of 19%. After adjusting the reported profit before tax for the amortisation and impairment of intangible assets (excluding computer software), one-off items and net interest adjustments, the Adjusted Effective Tax Rate for the period at AER was 19.4% (2020: 19.7%). This compares with the group’s blended tax rate of 24% (2020: 24%) which is calculated based on Adjusted Profit Before Tax. The effective tax rate for the year is lower due to prior year tax credits of £16.2m arising as issues have become resolved, an increase in deferred tax assets of £3.6m due to the upcoming increase in the UK corporate tax rate and an increase in the deferred tax asset recognised on tax losses of £2.8m.

In the medium term the Group’s Adjusted Effective Tax Rate is likely to increase towards the blended tax rate which is expected to increase to 25% when the UK corporate tax rate increases to 25% in April 2023.

In December 2021 the OECD issued its interim report concerning the implementation of the Global Anti-Base Erosion minimum tax of 15% which is expected to apply from 2023. Nearly all of the Group’s profits are already taxed at a rate in excess of 15% and therefore this is not expected to have a significant impact on the Group’s Effective Tax Rate.

Going Concern

The Board continues to adopt the going concern basis in preparing the accounts on the basis that the Group’s strong liquidity position and its demonstrated ability to manage the level of capital expenditure, or dividends or expenditure on bolt-on acquisitions are sufficient to meet the Group’s forecast funding needs, including those modelled in a severe but plausible downside case (see Directors’ Report on page 214).

Net debt and cash flow

Operating Cash Flow of £432.3m for continuing operations was driven by a £57.5m increase in Adjusted Operating Profit, offset by higher capex and one-off items. For 2021, we are making a change to the reporting of right-of-use asset cash flows to report non-cash movements on right-of-use assets below Free Cash Flow. This ensures that Operating Cash Flow and Free Cash Flow (alternative performance measures) are not distorted by material asset acquisitions, notably long-life property leases where there is no immediate cash impact. The overall impact on Operating Cash Flow and Free Cash Flow is £1.5m favourable in 2021 (2020: £9.9m adverse). There is no impact on overall changes in net debt in 2020 or 2021.

Cash interest payments of £36.4m are £4.6m lower than in the prior year. Cash tax payments for the period were £68.9m, an increase of £4.5m compared with the corresponding period last year reflecting the increase in the Group’s profits.

This resulted in Free Cash Flow delivery of £326.5m (2020: £306.1m). Cash spend on acquisitions of £463.1m and dividend payments of £138.7m have contributed to an underlying increase in net debt of £288.9m. Favourable foreign exchange translation and other items of £19.5m is primarily due to the strengthening of sterling against the euro and US dollar. Overall, this led to an increase in net debt of £269.4m and closing net debt of £1,284.7m.

Net debt and cash flow

£m at actual exchange rates	2021 FY £m	2020 FY £m	Change £m
	Year to date		
Adjusted operating profit	**441.5**	384.0	57.5
One-off items – operating	**(20.7)**	(7.7)	(13.0)
Depreciation	**223.6**	228.8	(5.2)
Other	**9.7**	11.1	(1.4)
EBITDA	**654.1**	616.2	37.9
Working capital	**23.4**	20.2	3.2
Movement on provisions	**(4.6)**	4.6	(9.2)
Capex – additions	**(159.9)**	(152.5)	(7.4)
Capex – disposals	**7.4**	6.3	1.1
Capital element of lease payments and initial direct costs incurred	**(88.1)**	(82.8)	(5.3)
Operating cash flow	**432.3**	412.0	20.3
Interest	**(36.4)**	(41.0)	4.6
Tax	**(68.9)**	(64.4)	(4.5)
Special pension contributions	**(0.5)**	(0.5)	–
Free Cash Flow from continuing operations	**326.5**	306.1	20.4
Acquisitions	**(463.1)**	(194.7)	(268.4)
Disposal of companies and businesses	**–**	2.2	(2.2)
Dividends	**(138.7)**	–	(138.7)
Other	**0.1**	(2.6)	2.7
Debt related cash flows			
Acquisition of shares from non-controlling interest	**(9.4)**	–	(9.4)
Cash outflow on settlement of debt related foreign exchange forward contracts	**(19.1)**	(23.7)	4.6
Net investment in term deposits	**170.6**	(170.5)	341.1
Proceeds from new debt	**4.7**	1,714.8	(1,710.1)
Debt repayments	**(166.6)**	(1,352.2)	1,185.6
Net debt related cash flows	**(19.8)**	168.4	(188.2)
Net (decrease)/increase in cash and cash equivalents	**(295.0)**	279.4	(574.4)
Cash and cash equivalents at beginning of the year	**550.8**	273.9	276.9
Exchange losses on cash and cash equivalents	**(13.9)**	(2.5)	(11.4)
Cash and cash equivalents at end of the financial year	**241.9**	550.8	(308.9)
Net (decrease)/increase in cash and cash equivalents	**(295.0)**	279.4	(574.4)
Net debt related cash flows	**19.8**	(168.4)	188.2
IFRS 16 liability movement	**(1.5)**	9.9	(11.4)
Net debt acquired	**(12.2)**	(7.1)	(5.1)
Underlying (increase)/decrease in net debt	**(288.9)**	113.8	(402.7)
Foreign exchange translation and other items	**19.5**	(56.1)	75.6
(Increase)/decrease in net debt	**(269.4)**	57.7	(327.1)
Opening net debt	**(1,015.3)**	(1,073.0)	57.7
Closing net debt	**(1,284.7)**	(1,015.3)	(269.4)

Climate change

As part of the Company's annual reporting for 2020, and continued this year, we disclosed our governance, opportunities and strategies to manage climate-related risks and the transition to a low-carbon future in line with the Task Force on Climate-related Financial Disclosures (TCFD) published recommendations and also report against the Sustainability Accounting Standards Board framework for our sector. Climate-related risks are identified and analysed by our operational and functional teams. For example, our country and regulatory teams identify risks related to new laws and regulations, such as city-based low emission zones and associated access charging for commercial vehicles as well as local regulations on the use of pest control treatments in different environments. Other risks relate to more extreme localised weather and disruption. We also identify risks to the upside – for example, from increased pest pressure and pest migration to new territories as temperatures increase. Our TCFD report can be found on pages 58 to 65.

Prior-year restatements

In 2021, we restated the presentation of our French virtual pooling facility for balances that did not meet the grossing up requirements and should therefore have been presented net. Trade and other receivables and bank and other short-term borrowings have also been restated to reflect the reinstatement of a factoring arrangement in France which had previously been considered to meet the requirements for de-recognition.

Over the last three years, our Target Specialty Products business in North America has grown significantly and in 2021 we completed a review of the revenue recognition policy within this revenue stream. The region has a limited number of suppliers for whom we sell products to end customers on a consignment stock basis and as a result of the review, we have revised our judgement such that we consider ourselves to be agents of these suppliers rather than principal and have therefore recognised only the commission revenues earned rather than revenues charged to end customers. This has led to a reduction in revenue recognition in 2021 (£22.8m at AER) and a restatement which has reduced prior-year revenues from our North America Target distribution business by £20.2m (at AER). The changes in revenue have no impact on reported profits in 2020 or in 2021 and therefore, improve the 2021 margin of the North America business by 20 basis points and the Group as a whole by 10 basis points.

Two further corrections were made to prior year comparatives. In the Consolidated Statement of Changes in Equity, the previous presentation of 'Net exchange adjustments offset in reserves' has now been presented as separate lines for 'Net exchange adjustments offset in reserves' and 'Net gain/loss on net investment hedge'. Prior-year comparatives have been restated to reflect the new presentation.

In the Consolidated Cash Flow Statement, the net change from investments in term deposits of £170.5m was restated to correct the classification from financing activities to investing activities.

Outlook

The business is performing in line with our expectations, resulting from organic growth delivery and the flow through of revenues from our excellent M&A performance in 2021. Although we will lap strong disinfection revenues in H1 and will have to contend with ongoing macro-economic uncertainty, we expect the Group to deliver good operational and financial progress in the coming year.

Stuart Ingall-Tombs
Chief Financial Officer

3 March 2022

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December

	Notes	2021 £m	2020[1] £m
Revenue[1]	A1	**2,956.6**	2,803.3
Operating expenses[1]	A7	**(2,610.1)**	(2,509.5)
Operating profit	A1	**346.5**	293.8
Finance income	C9	**4.2**	6.2
Finance cost	C8	**(33.7)**	(78.5)
Share of profit from associates, net of tax of £4.0m (2020: £4.8m)	B6	**8.1**	8.3
Profit before income tax		**325.1**	229.8
Income tax expense[2]	A12	**(61.9)**	(43.5)
Profit for the year (including profit from non-controlling interests of £nil (2020: £0.4m))		**263.2**	186.3
Other comprehensive income:			
Items that are not reclassified subsequently to the income statement:			
Remeasurement of net defined benefit liability	A10	**0.9**	(13.1)
Tax related to items taken to other comprehensive income	A14	**2.0**	3.9
Items that may be reclassified subsequently to the income statement:			
Net exchange adjustments offset in reserves[3]		**(17.7)**	(35.4)
Net gain/(loss) on net investment hedge[3]		**15.0**	(17.2)
Cost of hedging		**(1.5)**	(1.0)
Effective portion of changes in fair value of cash flow hedge		**13.2**	(4.9)
Other comprehensive income for the year		**11.9**	(67.7)
Total comprehensive income for the year (including profit from non-controlling interests of £nil (2020: £0.4m))		**275.1**	118.6

Earnings per share attributable to the Company's equity holders:			
Basic	A2	**14.16p**	10.03p
Diluted	A2	**14.10p**	9.98p

All profit is from continuing operations.

1. Revenue and Operating expenses have been restated in 2020 to reflect a correction in presentation in relation to certain sales contracts where the Group acts as agent. Both Revenue and Operating expenses have been restated by £20.2m. For these contracts, revenue is presented on a net basis.
2. Taxation includes £50.1m (2020: £40.0m) in respect of overseas taxation.
3. Both net exchange adjustments offset in reserves and net gain/(loss) on net investment hedge have been restated in 2020 to reflect a correction to the presentation in other comprehensive income. Previously this was presented as a net £52.6m loss classified as net exchange adjustments offset in reserves.

Consolidated Balance Sheet

At 31 December

	Notes	2021 £m	2020[1,2] £m
Assets			
Non-current assets			
Intangible assets	B2	**2,164.3**	1,922.1
Property, plant and equipment	B3	**398.1**	402.7
Right-of-use assets	B4	**227.5**	217.5
Investments in associated undertakings	B6	**29.7**	27.2
Other investments	C4	**0.2**	0.2
Deferred tax assets	A14	**41.6**	37.7
Contract costs	A1	**75.0**	67.8
Retirement benefit assets	A10	**19.0**	19.0
Other receivables	A3	**14.3**	13.1
Derivative financial instruments	C5	**9.8**	37.0
		2,979.5	2,744.3
Current assets			
Other investments	C4	**1.6**	172.2
Inventories	A4	**135.7**	131.3
Trade and other receivables	A3	**526.9**	569.6
Current tax assets		**8.5**	10.6
Derivative financial instruments	C5	**2.5**	5.6
Cash and cash equivalents	C3	**668.4**	1,949.5
		1,343.6	2,838.8
Liabilities			
Current liabilities			
Trade and other payables	A5	**(764.0)**	(925.0)
Current tax liabilities		**(60.5)**	(80.0)
Provisions for liabilities and charges	A6	**(27.0)**	(30.1)
Bank and other short-term borrowings	C2	**(459.3)**	(1,591.5)
Lease liabilities	B4	**(77.8)**	(72.7)
Derivative financial instruments	C5	**(1.0)**	(3.5)
		(1,389.6)	(2,702.8)
Net current (liabilities)/assets		**(46.0)**	136.0
Non-current liabilities			
Other payables	A5	**(71.5)**	(70.4)
Bank and other long-term borrowings	C2	**(1,256.1)**	(1,337.6)
Lease liabilities	B4	**(139.2)**	(141.8)
Deferred tax liabilities	A14	**(108.1)**	(94.7)
Retirement benefit obligations	A10	**(27.3)**	(38.8)
Provisions for liabilities and charges	A6	**(33.9)**	(34.1)
Derivative financial instruments	C5	**(33.5)**	(32.3)
		(1,669.6)	(1,749.7)
Net assets		**1,263.9**	1,130.6
Equity			
Capital and reserves attributable to the Company's equity holders			
Share capital	D2	**18.6**	18.5
Share premium		**6.8**	6.8
Other reserves		**(1,927.6)**	(1,926.2)
Retained earnings		**3,166.6**	3,030.6
		1,264.4	1,129.7
Non-controlling interests		**(0.5)**	0.9
Total equity		**1,263.9**	1,130.6

1. Both cash and cash equivalents and bank and other short-term borrowings have been restated in 2020 by reducing cash in hand and overdrafts by £276.1m to reflect the netted position of the main and shadow bank accounts pool arrangement which were previously grossed up (Note C2 and C3).
2. Trade and other receivables and bank and other short-term borrowings have been restated in 2020 due to a correction of the recognition of an overseas factoring arrangement. Both have been increased by £21.0m.

The Financial Statements on pages 150 to 205 were approved by the Board of Directors and were signed on its behalf by Andy Ransom and Stuart Ingall-Tombs on 3 March 2022.

Andy Ransom
Chief Executive

Stuart Ingall-Tombs
Chief Financial Officer

Consolidated Statement of Changes in Equity

For the year ended 31 December

	Attributable to equity holders of the Company					
	Share capital £m	Share premium £m	Other reserves[1] £m	Retained earnings £m	Non-controlling interests £m	Total equity £m
At 1 January 2020	18.5	6.8	(1,867.7)	2,844.1	0.6	1,002.3
Profit for the year	–	–	–	185.9	0.4	186.3
Other comprehensive income:						
Net exchange adjustments offset in reserves[1]	–	–	(35.4)	–	–	(35.4)
Net loss on net investment hedge[1]	–	–	(17.2)	–	–	(17.2)
Net loss on cash flow hedge[2]	–	–	(4.9)	–	–	(4.9)
Cost of hedging	–	–	(1.0)	–	–	(1.0)
Remeasurement of net defined benefit liability	–	–	–	(13.1)	–	(13.1)
Tax related to items taken directly to other comprehensive income	–	–	–	3.9	–	3.9
Total comprehensive income for the year	–	–	(58.5)	176.7	0.4	118.6
Transactions with owners:						
Dividends paid to non-controlling interests	–	–	–	–	(0.1)	(0.1)
Cost of equity-settled share-based payment plans	–	–	–	5.5	–	5.5
Tax related to items taken directly to equity	–	–	–	3.2	–	3.2
Movement in the carrying value of put options	–	–	–	1.1	–	1.1
At 31 December 2020	**18.5**	**6.8**	**(1,926.2)**	**3,030.6**	**0.9**	**1,130.6**
Profit for the year	**–**	**–**	**–**	**263.2**	**–**	**263.2**
Other comprehensive income:						
Net exchange adjustments offset in reserves	**–**	**–**	**(17.7)**	**–**	**–**	**(17.7)**
Net gain on net investment hedge	**–**	**–**	**15.0**	**–**	**–**	**15.0**
Net gain on cash flow hedge[2]	**–**	**–**	**13.2**	**–**	**–**	**13.2**
Cost of hedging	**–**	**–**	**(1.5)**	**–**	**–**	**(1.5)**
Remeasurement of net defined benefit liability	**–**	**–**	**–**	**0.9**	**–**	**0.9**
Transfer between reserves	**–**	**–**	**(10.4)**	**10.4**	**–**	**–**
Tax related to items taken directly to other comprehensive income	**–**	**–**	**–**	**2.0**	**–**	**2.0**
Total comprehensive income for the year	**–**	**–**	**(1.4)**	**276.5**	**–**	**275.1**
Transactions with owners:						
Shares issued in the year	**0.1**	**–**	**–**	**(0.1)**	**–**	**–**
Acquisition of non-controlling interests	**–**	**–**	**–**	**(8.3)**	**(1.3)**	**(9.6)**
Dividends paid to equity shareholders	**–**	**–**	**–**	**(138.7)**		**(138.7)**
Dividends paid to non-controlling interests	**–**	**–**	**–**	**–**	**(0.1)**	**(0.1)**
Cost of equity-settled share-based payment plans	**–**	**–**	**–**	**9.8**	**–**	**9.8**
Tax related to items taken directly to equity	**–**	**–**	**–**	**4.6**	**–**	**4.6**
Movement in the carrying value of put options	**–**	**–**	**–**	**(7.8)**	**–**	**(7.8)**
At 31 December 2021	**18.6**	**6.8**	**(1,927.6)**	**3,166.6**	**(0.5)**	**1,263.9**

1. Both net exchange adjustments offset in reserves and net loss on net investment hedge have been restated in 2020 to reflect a correction to the presentation in other comprehensive income. Previously this was presented as a net loss of £52.6m classified as net exchange adjustments offset in reserves.
2. £13.2m net gain on cash flow hedge includes £14.4m loss (2020: £15.1m gain) from the effective portion of changes in fair value offset by reclassification to the income statement of £27.6m loss (2020: £20.0m gain) due to changes in foreign exchange rates.

Shares of £0.1m (2020: £0.1m) have been netted against retained earnings. This represents 9.4m (2020: 7.7m) shares held by the Rentokil Initial Employee Share Trust. The market value of these shares at 31 December 2021 was £54.9m (2020: £39.0m). Dividend income from, and voting rights on, the shares held by the Trust have been waived.

Consolidated Statement of Changes in Equity
For the year ended 31 December continued

Analysis of other reserves

	Capital reduction reserve £m	Legal reserve £m	Cash flow hedge reserve £m	Translation reserve[1] £m	Cost of hedging £m	Total £m
At 1 January 2020	(1,722.7)	10.4	0.5	(155.9)	–	(1,867.7)
Net exchange adjustments offset in reserves[1]	–	–	–	(35.4)	–	(35.4)
Net loss on net investment hedge[1]	–	–	–	(17.2)	–	(17.2)
Net loss on cash flow hedge[2]	–	–	(4.9)	–	–	(4.9)
Cost of hedging	–	–	–	–	(1.0)	(1.0)
Total comprehensive income for the year	–	–	(4.9)	(52.6)	(1.0)	(58.5)
At 31 December 2020	**(1,722.7)**	**10.4**	**(4.4)**	**(208.5)**	**(1.0)**	**(1,926.2)**
Net exchange adjustments offset in reserves	**–**	**–**	**–**	**(17.7)**	**–**	**(17.7)**
Net gain on net investment hedge	**–**	**–**	**–**	**15.0**	**–**	**15.0**
Net gain on cash flow hedge[2]	**–**	**–**	**13.2**	**–**	**–**	**13.2**
Transfer between reserves	**–**	**(10.4)**	**–**	**–**	**–**	**(10.4)**
Cost of hedging	**–**	**–**	**–**	**–**	**(1.5)**	**(1.5)**
Total comprehensive income for the year	**–**	**(10.4)**	**13.2**	**(2.7)**	**(1.5)**	**(1.4)**
At 31 December 2021	**(1,722.7)**	**–**	**8.8**	**(211.2)**	**(2.5)**	**(1,927.6)**

1. Both net exchange adjustments offset in reserves and net loss on net investment hedge have been restated in 2020 to reflect a correction to the presentation in other comprehensive income. Previously this was presented as a net loss of £52.6m classified as net exchange adjustments offset in reserves.
2. £13.2m net gain on cash flow hedge includes £14.4m loss (2020: £15.1m gain) from the effective portion of changes in fair value offset by reclassification to the income statement of £27.6m loss (2020: £20.0m gain) due to changes in foreign exchange rates.

The capital reduction reserve arose in 2005 as a result of the scheme of arrangement of Rentokil Initial 1927 plc, under section 425 of the Companies Act 1985, to introduce a new holding company, Rentokil Initial plc, and the subsequent reduction in capital approved by the High Court whereby the nominal value of each ordinary share was reduced from 100p to 1p.

The legal reserve represents amounts set aside in compliance with local laws in certain countries in which the Group operates. An assessment of this reserve was completed during 2021 and determined that these amounts are no longer required to be set aside. £10.4m (2020: £nil) has been transferred back to the retained earnings reserve.

Consolidated Cash Flow Statement

For the year ended 31 December

	Notes	2021 £m	2020[1] £m
Cash flows from operating activities			
Cash generated from operating activities	C10	**668.5**	628.8
Interest received		**5.2**	7.6
Interest paid[2]		**(41.6)**	(48.6)
Income tax paid	A13	**(68.9)**	(64.4)
Net cash flows from operating activities		**563.2**	523.4
Cash flows from investing activities			
Purchase of property, plant and equipment		**(127.8)**	(129.9)
Purchase of intangible fixed assets		**(32.1)**	(22.6)
Proceeds from sale of property, plant and equipment		**7.4**	6.3
Acquisition of companies and businesses, net of cash acquired	B1	**(463.1)**	(194.7)
Disposal of companies and businesses		**–**	2.2
Dividends received from associates	B6	**3.9**	11.7
Net change to cash flow from investment in term deposits[1]		**170.6**	(170.5)
Net cash flows from investing activities		**(441.1)**	(497.5)
Cash flows from financing activities			
Dividends paid to equity shareholders	D1	**(138.7)**	–
Acquisition of shares from non-controlling interest		**(9.4)**	–
Capital element of lease payments		**(88.0)**	(85.4)
Cash outflow on settlement of debt-related foreign exchange forward contracts		**(19.1)**	(23.7)
Proceeds from new debt		**4.7**	1,714.8
Debt repayments		**(166.6)**	(1,352.2)
Net cash flows from financing activities		**(417.1)**	253.5
Net (decrease)/increase in cash and cash equivalents		**(295.0)**	279.4
Cash and cash equivalents at beginning of year		**550.8**	273.9
Exchange losses on cash and cash equivalents		**(13.9)**	(2.5)
Cash and cash equivalents at end of the financial year	C3	**241.9**	550.8

1. Net change to cash flow from investment in term deposits of £170.5m has been restated in 2020 to correct the classification from financing activities to investing activities.
2. Interest paid includes the interest element of lease payments of £6.1m (2020: £6.8m).

Notes to the Financial Statements

General accounting policies

Basis of preparation

These Consolidated Financial Statements have been prepared in accordance with UK-adopted International Accounting Standards and with the requirements of the Companies Act 2006 as applicable to companies reporting under those standards. The transition to UK-adopted International Accounting Standards has no impact on recognition, measurement or disclosure in the period reported as a result of the change in framework. The Consolidated Financial Statements have been prepared under the historical cost convention, as modified by the revaluation of certain financial assets and liabilities (including derivative instruments).

The Group uses a number of non-GAAP measures to present the financial performance of the business which are not defined under IFRS. An explanation of these Alternative Performance Measures (APMs), along with reconciliation to the nearest equivalent IFRS measure, can be found in Section E on page 193.

The Group has engaged in a detailed review of expected climate change impacts on the business and its assets and liabilities to establish any adjustments required and what reporting is necessary in its Financial Statements for 2021 under a 1.5-2.0 degree pathway. The explanation below of how this has been included in the Financial Statements should be read in conjunction with the climate change evaluation and risk assessment on page 62 of the Responsible Business section.

This process has been completed to ensure material accuracy of the financial reporting and that disclosure of relevant information complies with the requirements of IAS 1.

The process has involved a detailed review of material revenue segments, all balance sheet line items and each element of the Group's commitment to reach net zero by 2040, to identify if any of these items is expected to be materially impacted in a negative or positive way by weather, legislative, societal or revenue/cost changes. The conclusions of this process have been reviewed and agreed by the Audit Committee and Board on 9 December 2021.

The conclusion of the review was that, while there will undoubtedly be impacts on the Company, the highly disaggregated nature of the operations of the Group significantly reduces the risk profile of the Group to impacts from weather-related changes. The changes necessary to achieve net zero will not have a materially adverse impact on the cash flows of the Group and indeed, warmer climates may present some opportunities as disclosed on page 58 to 65 of this report. Societal and legislative impacts are not considered to have a material impact on any one segment such that we need to break out reporting in a different way to previous years. Judgements are not considered to be significant, although clearly understanding of climate change is developing with time. The area with the most judgement is goodwill impairment testing and a description is given in Note B2 of the incremental processes undertaken to assess the climate change impact on the valuations. Management review has concluded that there is no material impact and that no further disclosure is required.

The Directors have prepared Board-approved cash flow forecasts that demonstrate that the Group has sufficient liquidity to meet its obligations as they fall due for the period of at least 12 months from the date of approval of these Financial Statements.

Additionally, the Directors have assessed severe but plausible downside scenarios. This downside scenario assumes a revenue decline of 30% against base budget for six months, which is considerably worse than the Group's actual performance in 2020. Were the Group to need to access additional funds it would be able to manage cash outflows through cost savings, adjusting the level of M&A activity and/or dividends paid which are all within the Group's control.

The Directors have therefore concluded that the Group will have sufficient liquidity to continue to meet its liabilities as they fall due for this period and therefore have prepared the Financial Statements on a going concern basis (see the Directors' Report on page 212).

Consolidation

(a) Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it (i) has power over the entity; (ii) is exposed or has rights to variable returns from its involvement with the entity; and (iii) has the ability to affect those returns through its power over the entity. The Group reassesses whether or not it controls a subsidiary if facts and circumstances indicate that there are changes to one or more of these three elements of control.

The Financial Statements of subsidiaries are included in the Consolidated Financial Statements from the date that control commences until the date that control ceases. Inter-company transactions, balances, and gains and losses on transactions between Group companies are eliminated on consolidation. When less than 100% of the issued share capital of a subsidiary is acquired, and the acquisition includes an option to purchase the remaining share capital of the subsidiary, the anticipated acquisition method is applied where judged appropriate to do so. The judgement is based on the risks and rewards associated with the option to purchase, meaning that no non-controlling interest is recognised. A liability is carried on the balance sheet equal to the fair value of the option to purchase. This is revised to the fair value at each reporting date with differences being recorded in equity.

Where the Group loses control of a subsidiary, the assets and liabilities are derecognised along with any related non-controlling interest and other components of equity. Any resulting gain or loss is recognised in the income statement. Any interest retained in the former subsidiary is measured at fair value when control is lost. Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests, which may cause the non-controlling interests to have a deficit balance. Consideration in excess of net identifiable assets acquired in respect of non-controlling interests in existing subsidiary undertakings is taken directly to reserves.

(b) Associates

Associates are those entities in which the Group has significant influence over the financial and operating policies, but not control. Significant influence is usually presumed to exist when the Group holds between 20% and 50% of the voting power of another entity.

Associates are accounted for using the equity method and are initially recognised at cost. The Group's investment includes goodwill identified on acquisition, net of any accumulated impairment losses. The Consolidated Financial Statements include the Group's share of the total comprehensive income and equity movements of equity accounted investees, from the date that significant influence commences until the date that significant influence ceases. When the Group's share of losses exceeds its interest in an equity accounted investee, the carrying amount is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of an investee.

Gains and losses on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates.

Foreign currency translation

(a) Functional and presentation currency

Items included in the Financial Statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the functional currency). The Consolidated Financial Statements are presented in sterling, which is the functional currency of Rentokil Initial plc.

(b) Group companies

The results and financial position of all the Group entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of the balance sheet;
(ii) income and expenses for each income statement are translated at average exchange rates; and
(iii) all resulting exchange differences are recognised as a separate component of equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities, and of borrowings and other currency instruments designated as hedges of such investments or deemed to be quasi-equity, are taken to other comprehensive income. When a foreign operation is sold, such exchange differences are recognised in the income statement as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at period-end exchange rates.

(c) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions, or from the translation of monetary assets and liabilities denominated in foreign currencies at reporting period end exchange rates, are recognised under the appropriate heading in the income statement; except when deferred in equity as qualifying net investment hedges or where certain intra-group loans are determined to be quasi-equity (normally not expected to be repaid).

(d) Financial reporting in hyperinflationary economies

With effect from 3 August 2021 the Group purchased Boecker Public Health SAL, a company which has operations in Lebanon and uses the Lebanese pound as its functional currency. The Lebanese economy was designated as hyperinflationary from September 2020. As a result, application of IAS 29 Financial Reporting in Hyperinflationary Economies has been applied for the Lebanese subsidiary, from the date of acquisition. The IAS 29 rules are applied as follows:

(i) adjustment of the income statement at the end of the reporting period using the change in general price index;
(ii) adjustment of historical cost non-monetary assets and liabilities for the change in purchasing power caused by inflation form the date of initial recognition to the balance sheet date; and
(iii) adjustment of the income statement to reflect the impact of inflation and exchange rate movement on holding monetary assets and liabilities in local currency.

The Consumer Price Index for Lebanon has been used for the relevant hyperinflationary adjustments. The index on the date of acquisition was 514.89 and at 31 December 2021 was 921.40.

Financial instruments

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the relevant instrument, and derecognised when it ceases to be a party to such provisions. Note C5 on page 186 of these notes discusses accounting for financial instruments.

Financial assets

The Group classifies its financial assets depending on the purpose for which the financial assets were acquired. At initial recognition the Group carries out a solely payment of principal and interest (SPPI) test and a business model test to establish the classification and measurement of its financial assets. Financial assets are classified in the following categories:

(a) Amortised cost

Financial assets under this classification are non-derivative financial assets held to collect the contractual cash flows until maturity and the cash flows are SPPI. Assets measured at amortised cost include trade and other receivables, cash and cash equivalents (excluding money market funds which are classified as FVTPL) and other investments.

(b) Fair value through other comprehensive income (FVTOCI)

These are non-derivative financial assets which can be for sale with cash flows that are SPPI. These assets are measured at fair value and changes to market values are recognised in other comprehensive income. The Group has no assets classified under this category.

(c) Fair value through profit and loss (FVTPL)

Financial assets under this classification are assets that cannot be classified in any of the other categories. These assets are measured at fair value and changes to market values are recognised in profit and loss.

Financial liabilities

All financial liabilities are stated at amortised cost using the effective interest rate method except for derivatives, which are classified as held for trading (except where they qualify for hedge accounting) and are held at fair value.

Financial liabilities held at amortised cost include trade payables, provisions, deferred consideration and borrowings.

Critical accounting estimates and judgements

Assumptions and estimation uncertainties

The Group makes estimates and assumptions concerning the future. Estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results may differ from these estimates and revisions to estimates are recognised prospectively.

Sensitivities to the estimates and assumptions are provided, where relevant, in the relevant notes to the Financial Statements. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are listed below (please refer to the notes for further detail):

- impairment of goodwill: growth rate and discount rate assumptions and forecast cash flow estimates (Note B2);
- income taxes: key assumptions about the likelihood and magnitude of outflows in relation to tax provisions; and
- retirement benefits: key actuarial assumptions and estimates over future costs of winding up a scheme (Note A10).

Judgements

Information about judgements made in applying accounting policies that have the most significant effects on the amounts recognised in the Financial Statements is included in the following notes:

- IFRS 16 length of each lease: whether to include options to extend and/or termination options when calculating the lease liability (Note B4).

Standards, amendments and interpretations to published standards that are mandatorily effective for the current year

Except as described below, the accounting policies applied in these Financial Statements are the same as those applied in the Group's Consolidated Financial Statements for the year ended 31 December 2020.

The Group has adopted the following new standards and amendments to standards, including any consequential amendments to other standards, with effect from 1 January 2021:

- Amendments to IFRS 16 Leases;
- Amendments to IFRS 4 Insurance Contracts; and
- Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 – Interest Rate Benchmark Reform phase 2.

The application of these amendments has had no material impact on the disclosures of the amounts recognised in the Group's Consolidated Financial Statements. Consequently, no adjustment has been made to the comparative financial information at 31 December 2020.

Certain new accounting standards, amendments to accounting standards and interpretations have been published that are not mandatory for 31 December 2021 reporting periods and have not been early adopted by the Group. These standards, amendments or interpretations are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

A. Operating

A1. Revenue recognition and operating segments

Revenue recognition
Revenue represents the transfer of promised goods or services to customers in an amount that reflects the consideration to which the Group expects to be entitled. All revenue is considered revenue from contracts with customers as defined by IFRS 15, including job work and sales of goods. Under IFRS 15, revenue is recognised when a customer obtains control of goods or services in line with identifiable performance obligations. In the majority of cases the Group considers that the contracts it enters into are contracts for bundled services which are accounted for as a single performance obligation. Accordingly the majority of revenue across the Group is recognised on an output basis evenly over the course of the contract because the customer simultaneously receives and consumes the benefits provided by the Group's performance as it performs. Job work is short-term contract revenue whereby the period of service is typically less than one month in duration. The performance obligations linked to this revenue type are individual to each job due to their nature, with revenue being recognised at a point in time on completion. Where consumables are supplied separately from the service contract, revenue is recognised at the point the goods transfer.

The transaction price reported for all contracts is the price agreed in the contract and there are no material elements of variable consideration, financing component or non-cash consideration. The Group applies the practical expedient in paragraph 121 of IFRS 15 and does not disclose information about remaining performance obligations because the Group has a right to consideration from customers in an amount that corresponds directly with the value to the customer of the performance obligations completed to date.

Disaggregation of revenue into category, region and major type of revenue stream is shown below under segmental reporting and in Section E on page 193.

Performance obligations
Revenue recognised over time – contract service revenue
These are mainly full-service contracts, inclusive of equipment, maintenance and consumables as required. The inclusive service is treated as a single performance obligation.

- **Pest Control:** the Group offers a range of services with by far the most common being general pest maintenance contracts. Under this type of contract the Group promises to provide a pest control service for the duration of the contract. In order to fulfil this promise, equipment is supplied (such as bait boxes) and a technician maintains and monitors the equipment at a set number of visits per year, plus any additional call-outs as required; so there is a stand-ready element to the service as well as an ongoing service. The Group considers that this type of contract is a bundled service as the goods and services are not distinct in the context of the contract; equipment is not supplied without the service.
- **Hygiene:** the Group offers a similar type of service to Pest Control, providing washroom equipment, consumables and a technician to service the washroom. This type of contract will include a set number of visits. Dispensers are replenished by the technician. Management considers that the supply of goods and services are not distinct in the context of the contract. Dispensers and other equipment would not be supplied without providing the full service; the equipment is controlled by the Group and ownership does not transfer to the customer.
- **Protect & Enhance:** contracts in this business category mainly relate to Ambius (interior landscaping) and Workwear. In Ambius the major types of contract are for supply and maintenance of interior plants. Maintenance is only offered for plants that were supplied by the Group and therefore the services are not distinct in the context of the contract. The assets are positioned and situated by our technicians and the customer is not permitted to relocate them. At the end of the contract any assets on the customer's site are recovered. In Workwear the main type of contract is for supply and laundering of garments for commercial organisations. Supply and laundry are not offered separately, therefore management considers the services not to be distinct in the context of the contract. The service is treated as a bundle and a single performance obligation. Any equipment remains under ownership and control of the Group.

Revenue recognised at a point in time – job work
These services are short term in nature and only an immaterial amount would straddle an accounting period end. There is usually only one performance obligation with revenue recognised at the point of completion of the work.

- **Pest Control:** an example of this type of revenue in the Pest Control category is bird-proofing which is a one-off installation that, depending on the size of the site, may take between a few days and several weeks to complete. There is a single performance obligation (to install bird-proofing) and the customer is billed, and revenue recognised, at the end of the job.
- **Hygiene:** this type of revenue is generated by our Specialist Hygiene team which performs specialist cleaning services such as graffiti removal, deep cleaning of kitchens and washrooms, trauma cleaning, flood or fire damage cleaning, and during the pandemic has been providing specialist deep cleaning and disinfection services. These are usually short-term jobs (under one week) and usually there is a single performance obligation with revenue recognised on completion of the job.
- **Protect & Enhance:** this type of revenue is generated in our Ambius and Property Care businesses and includes work such as Christmas installations (trees and decorations), woodworm treatment and damp-proofing. There is usually a single performance obligation with revenue recognised at a point in time. The value of this work is immaterial.

Revenue recognised at a point in time – sale of goods
Sale of products and consumables relates mainly to the pest distribution businesses which sell pest control products to retailers and the pest control industry. In the Hygiene business there are some sales of consumables to customers. In all cases, revenue is recognised at the point in time that ownership transfers to the customer.

The Group does not consider that any judgements were made that would have a significant impact on the amount or timing of revenue recognised. The contracts in the business where revenue is recognised over time are repetitive and are based on short cycles that repeat many times per year. Therefore, if revenue had been considered to be recognised at a point in time rather than over time, the in-year impact would be immaterial.

The Group makes a charge against revenue for credit notes not yet issued at the balance sheet date.

Contract costs
Contract costs are mainly incremental costs of obtaining contracts (primarily sales commissions directly related to contracts obtained), and to a lesser extent costs to fulfil contracts which are not within the scope of other standards (mainly incremental costs of putting resources in place to fulfil contracts).

It is anticipated that these costs are recoverable over the life of the contract to which they relate. Accordingly, the Group capitalises them as contract costs and amortises them over the expected life of the contracts. Management takes a portfolio approach to recognising contract costs, and the expected length of contracts across the Group and associated amortisation periods are between three and six years.

The contract costs recognised in the balance sheet at the period end amounted to £75.0m (2020: £67.8m). The amount of amortisation recognised in the period was £30.4m (2020: £28.1m) and impairment losses were £nil (2020: £nil).

Applying the practical expedient in paragraph 94 of IFRS 15, the Group recognises the incremental costs of obtaining contracts as an expense when incurred if the amortisation period of the assets that the Group otherwise would have recognised is one year or less.

Contract assets
Contract assets relate to the Group's right to consideration for performance obligations satisfied but where the customer has yet to be invoiced. The contract assets are transferred to receivables when the rights become unconditional. This usually occurs when the Group issues an invoice to the customer. All opening balances have been invoiced in the year.

Contract liabilities
Contract liabilities relate to advance consideration received from customers where the performance obligations have yet to be satisfied. All opening balances have subsequently been satisfied in the year. In most business categories where revenue is recognised over time customers are invoiced in advance or simultaneously with performance obligations being satisfied.

Segment reporting
Segmental information has been presented in accordance with IFRS 8 Operating Segments. Reporting segments reflect the internal management reporting structures. Each segment is headed by a Regional Managing Director who reports directly to the Chief Executive and is a member of the Group's Executive Leadership Team responsible for the review of Group performance. The operating businesses within each segment report to the Regional Managing Directors.

Disaggregated revenue under IFRS 15 is the same as the segmental analysis below. Restructuring costs and central and regional costs are presented at a Group level as they are not targeted or managed at reportable segment level. The basis of presentation is consistent with the information reviewed by internal management. Revenue and profit are from Ongoing operations which is defined and reconciled to the nearest equivalent GAAP measure in Section E on page 193.

Revenue and profit from continuing operations

	Revenue 2021 £m	Revenue[1,2] 2020 £m	**Operating profit 2021 £m**	Operating profit[1] 2020 £m
France	**306.4**	303.2	**37.3**	33.7
Benelux	**95.9**	96.7	**29.3**	27.9
Germany	**113.9**	120.6	**36.6**	42.1
Southern Europe	**148.9**	143.0	**30.0**	21.8
Latin America	**63.1**	57.7	**7.0**	5.5
Europe	**728.2**	721.2	**140.2**	131.0
UK & Ireland[1]	**313.4**	283.2	**83.1**	48.1
Rest of World	**169.7**	157.3	**36.9**	33.7
UK & Rest of World	**483.1**	440.5	**120.0**	81.8
Asia	**242.5**	242.0	**25.5**	26.9
North America[2]	**1,299.1**	1,203.9	**217.6**	211.9
Pacific	**196.5**	177.5	**38.7**	34.5
Central and regional overheads[1]	**4.5**	4.3	**(90.8)**	(89.1)
Restructuring costs	**–**	–	**(9.7)**	(13.2)
Ongoing operations at AER	**2,953.9**	2,789.4	**441.5**	383.8
Disposed businesses[3]	**2.7**	13.9	**–**	0.2
Continuing operations at AER	**2,956.6**	2,803.3	**441.5**	384.0
One-off items – operating			**(20.7)**	(7.7)
Amortisation and impairment of intangible assets[4]			**(74.3)**	(82.5)
Operating profit			**346.5**	293.8

1. During the year internal management reporting structures changed and a small amount of revenue and profit previously reported under UK & Ireland is now reported under Central and regional overheads.
2. Revenue has been restated in 2020 to reflect a correction in presentation in relation to certain sales contracts where the Group acts as agent (reduction in revenue of £20.2m). In these contracts revenue is presented on a net basis.
3. Disposed businesses includes revenue of £2.7m (2020: £7.1m) from product sales by the Group to CWS-boco International GmbH.
4. Excluding computer software.

Revenue and operating profit relate to the main groups of business category and activity, as described on pages 32 to 48: Pest Control, Hygiene and Protect & Enhance. Central and regional overheads represent corporate expenses that are not directly attributable to any reportable segment.

Revenue from external customers attributed to the UK amounted to £292.1m (2020: £260.0m), with overseas countries accounting for the balance of £2,664.5m (2020: £2,543.3m). The only countries accounting for more than 10% of revenue from external customers are the US, totalling £1,239.8m (2020: £1,152.8m), and France, totalling £306.4m (2020: £310.0m). No customer accounts for more than 10% of total revenue.

One-off items – operating

	One-off cost/(income) 2021 £m	**One-off tax impact 2021 £m**	**One-off cash inflow/(outflow) 2021 £m**	One-off cost/(income) 2020 £m	One-off tax impact 2020 £m	One-off cash inflow/(outflow) 2020 £m
Acquisition and integration costs	**13.3**	**(1.3)**	**(12.1)**	14.7	(3.0)	(14.7)
Fees relating to Terminix transaction	**6.0**	**–**	**(6.0)**	–	–	–
Pension scheme closure in North America	**–**	**–**	**–**	(7.3)	2.0	–
UK Pension scheme – partial return of surplus	**–**	**–**	**–**	–	–	8.5
Other	**1.4**	**(0.4)**	**(9.0)**	0.3	(1.4)	3.9
Total	**20.7**	**(1.7)**	**(27.1)**	7.7	(2.4)	(2.3)

Analysis of revenue by business category

	Revenue 2021 £m	Revenue 2020[1] £m
Pest Control	**1,933.4**	1,703.9
Hygiene	**660.1**	735.0
Protect & Enhance	**355.9**	346.2
Central and regional overheads	**4.5**	4.3
Disposed businesses	**2.7**	13.9
Total	**2,956.6**	2,803.3

1. Revenue has been restated in 2020 to reflect a correction in presentation in relation to certain sales contracts where the Group acts as agent (reduction in revenue of £20.2m). In these contracts revenue is presented on a net basis.

Analysis of revenue by type

	Revenue 2021 £m	Revenue 2020[1] £m
Recognised over time		
Contract service revenue	**2,009.6**	1,877.8
Recognised at a point in time		
Job work	**639.5**	651.5
Sales of goods	**307.5**	274.0
Total	**2,956.6**	2,803.3

1. Revenue has been restated in 2020 to reflect a correction in presentation in relation to certain sales contracts where the Group acts as agent (reduction in revenue of £20.2m). In these contracts revenue is presented on a net basis.

Other segment items included in the consolidated income statement are as follows:

	Amortisation and impairment of intangibles[1] 2021 £m	Amortisation and impairment of intangibles[1] 2020 £m
Europe	**12.3**	13.3
UK & Rest of World	**12.8**	12.4
Asia	**4.6**	15.1
North America	**34.4**	30.9
Pacific	**3.9**	3.6
Central and regional	**6.3**	7.2
Total	**74.3**	82.5
Tax effect	**(18.2)**	(17.5)
Total after tax effect	**56.1**	65.0

1. Excluding computer software.

A2. Earnings per share

Basic earnings per share is calculated by dividing the profit after tax attributable to equity holders of the Company by the weighted average number of shares in issue during the year, excluding those held in the Rentokil Initial Employee Share Trust (see note at the bottom of the Consolidated Statement of Changes in Equity) which are treated as cancelled, and including share options for which all conditions have been met.

Adjusted earnings per share is earnings per share adjusted for the after-tax effects of one-off items (including the net gain on disposal of businesses), amortisation and impairment of intangibles, and net interest adjustments. Adjusted profit and earnings per share measures are explained further in Section E on page 193.

For diluted earnings per share, the weighted average number of ordinary shares in issue is adjusted to include all potential dilutive ordinary shares. The Group's potentially dilutive ordinary shares relate to the contingent issuable shares under the Group's long-term incentive plans (LTIPs) to the extent that the performance conditions have been met at the end of the period. These share options are issued for nil consideration to employees if performance conditions are met.

Details of the adjusted earnings per share are set out below:

	2021 £m	2020 £m
Profit from continuing operations attributable to equity holders of the Company	**263.2**	185.9
One-off items – operating	**20.7**	7.7
Amortisation and impairment of intangibles[1]	**74.3**	82.5
Net interest adjustments	**(3.6)**	35.2
Tax on above items[2]	**(18.9)**	(26.4)
Adjusted profit from continuing operations attributable to equity holders of the Company	**335.7**	284.9

Weighted average number of ordinary shares in issue (million)	**1,858.1**	1,853.2
Adjustment for potentially dilutive shares (million)	**8.2**	9.7
Weighted average number of ordinary shares for diluted earnings per share (million)	**1,866.3**	1,862.9

Basic earnings per share	**14.16p**	10.03p
Diluted earnings per share	**14.10p**	9.98p
Basic adjusted earnings per share	**18.07p**	15.37p
Diluted adjusted earnings per share	**17.99p**	15.29p

1. Excluding computer software.
2. One-off items – operating £1.7m (2020: £2.4m), amortisation and impairment of intangibles £18.2m (2020: £17.5m), net interest adjustments £(1.0)m (2020: £6.5m).

A3. Trade and other receivables

The Group's trade receivables are recognised at the transaction price less provision for impairment. They are generally due for settlement within 30 days and are therefore all classified as current. The amount of the provision for impairment is recognised in the income statement and movements on provisions for impaired trade receivables are recognised within operating expenses in the income statement. Amounts are generally charged to the provision for impairment of trade receivables when there is no expectation of recovering additional cash.

Expected credit loss (ECL) calculations are performed quarterly and are used to calculate the provision. ECL calculations are a probability weighted estimate of credit losses and are performed at country level. The Group applies the simplified method of applying lifetime ECLs to trade receivables using an allowance matrix to measure the ECLs of trade receivables from its customers, which comprise customer portfolios across several countries. Credit risk factors that are considered as part of ECL calculations may include, but are not limited to: payment history, customer size, customer type (national/residential/commercial/government), age of debt, industry strength, economy, environmental factors such as climate change and product or service provided.

There is limited concentration of credit risk with respect to trade receivables due to the Group's customer base being large and diverse. The amount of credit risk with respect to customers is represented by the carrying amount on the balance sheet. The Group policy is that credit facilities for new customers are approved by designated managers at regional level. Credit limits are set with reference to trading history and reports from credit rating agencies where they are available. Where this is not feasible the Group may request payment in advance of work being carried out, or settlement by credit card on completion of the work. There are no trade receivables that would otherwise be past due or impaired whose terms have been renegotiated.

	2021 £m	2020[2] £m
Trade receivables	**473.6**	546.8
Less: provision for impairment of trade receivables	**(49.2)**	(61.4)
Trade receivables – net	**424.4**	485.4
Other receivables	**62.5**	48.8
Prepayments	**35.4**	29.3
Contract assets[1]	**18.9**	19.2
Total	**541.2**	582.7
Analysed as follows:		
Non-current	**14.3**	13.1
Current	**526.9**	569.6
Total	**541.2**	582.7

1. Contract assets represents revenue that has been recognised for performance obligations satisfied but where the customer has yet to be invoiced. All opening balances have subsequently been invoiced in the year. In most business categories our customers are invoiced in advance or simultaneously with performance obligations being satisfied. No provision for impairment has been recognised against contract assets (2020: £nil).
2. Trade and other receivables and bank and other short-term borrowings have been restated in 2020 due to a correction of the recognition of an overseas factoring arrangement. Both have been increased by £21.0m.

Analysis of the Group's provision for impairment of trade receivables is as follows:

	2021 £m	2020 £m
At 1 January	**61.4**	28.4
Exchange differences	**(1.5)**	(0.1)
Additional provision	**25.5**	55.8
Receivables written off as uncollectable	**(19.3)**	(19.9)
Unused amounts reversed	**(16.9)**	(2.8)
At 31 December	**49.2**	61.4

The ageing of trade receivables and provision for impairment is as follows:

	Trade receivables 2021 £m	Provision for impairment 2021 £m	Trade receivables 2020[1] £m	Provision for impairment 2020 £m
Not due	**224.6**	**(2.0)**	265.1	(1.0)
Overdue by less than 1 month	**99.6**	**(1.6)**	117.5	(2.3)
Overdue by between 1 and 3 months	**65.8**	**(2.5)**	69.9	(5.9)
Overdue by between 3 and 6 months	**29.5**	**(4.4)**	34.0	(10.5)
Overdue by between 6 and 12 months	**23.2**	**(12.6)**	33.5	(14.9)
Overdue by more than 12 months	**30.9**	**(26.1)**	26.8	(26.8)
At 31 December	**473.6**	**(49.2)**	546.8	(61.4)

The carrying amounts of the Group's trade receivables are denominated in the following currencies:

	2021 £m	2020[1] £m
Pound sterling	**52.3**	59.9
Euro	**149.6**	168.0
US dollar	**132.5**	177.4
Other currencies	**139.2**	141.5
Carrying value	**473.6**	546.8

1. Trade and other receivables and bank and other short-term borrowings have been restated in 2020 due to a correction of the recognition of an overseas factoring arrangement. Both have been increased by £21.0m.

Fair value is considered to be equal to carrying value for all trade and other receivables.

A4. Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average cost method. The cost of finished goods and work in progress comprises design costs, raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity). It excludes borrowing costs. Net realisable value is the estimated selling price less applicable variable selling expenses.

	2021 £m	2020 £m
Raw materials	**12.5**	10.8
Work in progress	**2.0**	1.8
Finished goods	**121.2**	118.7
	135.7	131.3

An inventory impairment charge of £16.3m was taken in 2021 (2020: £10.5m).

A5. Trade and other payables

	2021 £m	2020 £m
Trade payables	**165.2**	182.3
Social security and other taxes	**72.2**	84.2
Other payables	**89.1**	112.2
Accruals	**253.7**	216.9
Contract liabilities[1]	**166.3**	159.3
Deferred consideration	**14.0**	177.7
Contingent consideration (including put option liability of £41.8m (2020: £34.3m))	**75.0**	62.8
Total	**835.5**	995.4
Analysed as follows:		
Other payables	**18.0**	23.4
Deferred consideration	**1.3**	0.9
Contingent consideration (including put option liability of £41.8m (2020: £34.3m))	**52.2**	46.1
Total non-current portion	**71.5**	70.4
Current portion	**764.0**	925.0
Total	**835.5**	995.4

1. Contract liabilities represents customer invoices where performance obligations have not yet been satisfied. All opening balances have subsequently been satisfied in the year. In most business categories our customers are invoiced in advance or simultaneously with performance obligations being satisfied.

Put options are held following the acquisition of PCI in 2017 where the seller may require the Group to purchase the remaining shares of the business in stages over a fixed term between 2023 and 2027. The put options are accounted for as an anticipated acquisition of the remaining shares and no non-controlling interest is recognised. The Group recognised a put option liability for the anticipated acquisition of these shares in contingent consideration, and any movements in the carrying value are recognised through equity.

The assumptions that are made in estimating the value of this put option liability are option price and discount rate. A 5% reduction in the estimated option price would result in a £2.1m decrease in the liability, and a 1% decrease in the discount rate would result in a £1.3m increase in the liability. All gains and losses relating to the put options are recognised through equity.

Given the volume of acquisitions and the variety of inputs to the valuation of contingent consideration (depending on each transaction) there is not considered to be any change in input that would have a material impact on the contingent consideration liability.

Other than the put options, there are no liabilities in the table above that bear interest and therefore the cash flows are equal to the carrying value of the liabilities. Cash is due to flow between one and five years for all non-current liabilities and not beyond. Fair value is equal to carrying value for all trade and other payables. There is no material difference between the fair value and carrying value for all trade and other payables.

The currency split of trade and other payables is as follows:

	2021 £m	2020 £m
Pound sterling	**164.8**	154.4
Euro	**198.1**	205.6
US dollar	**262.9**	442.0
Other currencies	**209.7**	193.4
Carrying value	**835.5**	995.4

A6. Provisions for liabilities and charges

The Group has environmental, self-insurance and other provisions. Provisions are recognised when the Group has a present obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and the amount is capable of being reliably estimated. If such an obligation is not capable of being reliably estimated it is classified as a contingent liability (Note D3).

Future cash flows relating to these obligations are discounted when the effect is material. This year the US is the only country where the effect of discounting is material. The discount rates used are based on government bond rates in the country of the cash flows, and were 0.9% (2020: 0.9%) for the US.

Judgement is required in determining the worldwide provision for environmental restoration. These provisions tend to be long term in nature and the use of an appropriate market discount rate and forecast future utilisation based upon management's best estimate determines the level of provision required at the balance sheet date. The phasing and actual cash spend may be different from the forecast on which the provision is based.

	Environmental £m	Self-insurance £m	Other £m	Total £m
At 1 January 2020	14.2	29.3	15.6	59.1
Exchange differences	0.7	(0.9)	0.3	0.1
Additional provisions	0.4	14.7	13.0	28.1
Used during the year	(1.8)	(10.7)	(6.7)	(19.2)
Unused amounts reversed	–	(0.2)	(4.1)	(4.3)
Acquisition of companies and businesses	0.1	–	–	0.1
Unwinding of discount on provisions	–	0.3		0.3
At 31 December 2020	13.6	32.5	18.1	64.2
At 1 January 2021	**13.6**	**32.5**	**18.1**	**64.2**
Exchange differences	**(0.7)**	**0.3**	**(0.6)**	**(1.0)**
Additional provisions	**–**	**17.8**	**6.5**	**24.3**
Used during the year	**(2.4)**	**(14.3)**	**(9.6)**	**(26.3)**
Unused amounts reversed	**–**	**(0.8)**	**(1.8)**	**(2.6)**
Acquisition of companies and businesses	**–**	**1.7**	**0.3**	**2.0**
Unwinding of discount on provisions	**–**	**0.3**	**–**	**0.3**
At 31 December 2021	**10.5**	**37.5**	**12.9**	**60.9**

	2021 Total £m	2020 Total £m
Analysed as follows:		
Non-current	**33.9**	34.1
Current	**27.0**	30.1
Total	**60.9**	64.2

Environmental
The Group owns a number of properties in Europe and the US where there is land contamination. Provisions are held for the remediation of such contamination. These provisions are expected to be substantially utilised within the next five years.

Self-insurance
The Group purchases external insurance from a portfolio of international insurers for its key insurable risks, mainly employee-related risks. Self-insured deductibles within these insurance policies have changed over time due to external market conditions and scale of operations. These provisions represent obligations for open claims and are estimated based on actuarial/management's assessment at the balance sheet date. The Group expects to continue self-insuring the same level of risks and estimates that 50% to 75% of claims should settle within the next five years.

Other
Other provisions principally comprise amounts required to cover obligations arising and costs relating to disposed businesses and restructuring costs. Other provisions also includes costs relating to properties the Group no longer occupies such as security, utilities and insurance. Existing provisions are expected to be substantially utilised within the next five years.

A7. Operating expenses by nature

Operating expenses from continuing operations include the following items:

	Notes	2021 £m	2020[1] £m
Employee costs	A9	**1,404.9**	1,304.9
Direct materials and services[1]		**586.0**	583.5
Vehicle costs		**146.4**	133.9
Property costs		**59.6**	65.3
Depreciation and impairment of property, plant and equipment	B3	**128.4**	132.3
Amortisation and impairment of intangible assets	B2	**91.1**	101.0
One-off items – operating	A1	**20.7**	7.7
Other operating expenses[2]		**173.0**	180.9
Total operating expenses		**2,610.1**	2,509.5

1. Operating expenses have been restated in 2020 to reflect a correction in presentation in relation to certain sales contracts where the Group acts as agent (reduction in operating expenses of £20.2m).
2. Other operating expenses includes professional fees, marketing costs, amortisation of contract assets and movements in bad debt provision.

A8. Audit services

	2021[1,2] £m	2020 £m
Fees payable to the Company's auditor for the audit of the Parent Company and Group accounts[1]	**1.5**	0.9
Audit of accounts of subsidiaries of the Group[2]	**2.8**	2.3
Audit-related assurance services	**0.1**	0.1
Other assurance services	**0.1**	–
Total audit and audit-related assurance services	**4.5**	3.3

1. Included in 2021 an amount of £0.3m payable to the Company's previous auditor in respect of the 2020 audit.
2. Included in 2021 an amount of £0.2m payable to the Company's new auditor in respect of the 2020 statutory audit in the Netherlands.

A9. Employee benefit expense

Profit-sharing and bonus plans

The Group recognises a liability and an expense for bonuses and profit-sharing, based on calculations of achievements of financial performance targets and based on the best estimate of the obligation to employees related to personal performance criteria being achieved. A liability is recognised where a contractual obligation exists or where past practice indicates that there is a constructive obligation to make such payments in the future.

Holiday pay

Paid holidays are regarded as an employee benefit and as such are charged to the income statement as the benefits are earned. An accrual is made at the balance sheet date to reflect the fair value of holidays earned but not yet taken.

Termination benefits

Termination benefits are payable when an employment is terminated before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits when it is demonstrably committed to either: terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal; or providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after the balance sheet date are discounted to present value where the effect of discounting is material.

	2021 £m	2020 £m
Wages and salaries[1]	**1,224.8**	1141.2
Social security costs	**137.5**	128.8
Share-based payments	**9.8**	5.5
Pension costs:		
– defined contribution plans	**31.4**	27.0
– defined benefit plans	**1.4**	2.4
	1,404.9	1,304.9

1. Wages and salaries are disclosed net of any local government wage-related grants as disclosed in Note D5.

Monthly average number of people employed by the Group during the year:

	2021 Number	2020 Number
Processing and service delivery	**34,163**	33,174
Sales and marketing	**5,400**	5,272
Administration and overheads	**6,468**	6,142
	46,031	44,588

Emoluments of the Directors of Rentokil Initial plc are detailed below. Further details are also given in the Directors' Remuneration Report on pages 115 to 136.

	Highest paid Director 2021 £000	Other Directors 2021 £000	Highest paid Director 2020 £000	Other Directors 2020 £000
Aggregate emoluments excluding share options	**2,661.2**	**1,444.0**	867.3	575.6
Aggregate gains made by Directors on exercise of share options	**916.3**	**370.6**	–	–
Aggregate amount receivable under long-term incentive schemes	**3,340.0**	**145.9**	3,187.9	1,325.6
Aggregate value of Company contributions to defined contribution pension schemes	**–**	**–**	–	–
	6,917.5	**1,960.5**	4,055.2	1,901.2

	2021 Number	2020 Number
Number of Directors accruing retirement benefits		
– defined contribution schemes	**2**	3
– defined benefit schemes	**–**	–
Number of Directors exercising share options[1]	**2**	2
Number of Directors receiving shares as part of long-term incentive schemes	**2**	3

1. The highest paid Director exercised 163,625 (2020: nil) share options during the year.

A10. Retirement benefit obligations

Apart from contributions to legally required social security state schemes, the Group operates a number of pension schemes around the world covering many of its employees.

The principal pension scheme in the Group is the UK Rentokil Initial 2015 Pension Scheme (RIPS) which has a defined contribution section, and a number of defined benefit sections which are now closed to new entrants and future accrual of benefits. On 4 December 2018, the Group signed an agreement with Pension Insurance Corporation plc (PIC) to take over the payment of the liabilities in the scheme via a buy-in, which converted to a full buy-out on 24 February 2022.

A number of much smaller defined benefit and defined contribution schemes operate elsewhere which are also funded through payments to trustee-administered funds or insurance companies.

Defined benefit schemes are reappraised annually by independent actuaries based upon actuarial assumptions. Judgement is required in determining these actuarial assumptions.

Defined benefit pension plans
A defined benefit pension plan is a plan that estimates the amount of future pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as years of service, compensation and age.

The asset or liability recognised in the balance sheet in respect of defined benefit pension plans is the fair value of plan assets less the present value of the defined benefit obligation at the balance sheet date. The Group determines the net interest on the net defined benefit asset for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the net defined benefit asset. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that have a credit rating of at least AA, are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension liability. The Group will recognise a pension surplus as an asset where there is an unconditional right to a refund or where the Group has a right to reduce future pension contributions, taking into account the adverse effect of any minimum funding requirements.

Current and past service costs, to the extent they have vested, and curtailments are recognised as charges or credits against operating profit in the income statement. Interest income on the net defined benefit asset is recognised in finance income. Remeasurement gains and losses arising from experience adjustments, return on plan assets and changes in actuarial assumptions are charged or credited to the Consolidated Statement of Comprehensive Income.

Defined contribution pension plans
A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity.

The Group pays contributions to publicly or privately administered pension plans on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as an employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

RIPS
The assets of the RIPS are legally separated from the Group. The Trustee of the RIPS is Rentokil Initial Pension Trustee Limited. The board comprises five company-nominated directors and three member-nominated directors. The Trustee is required by law to act in the best interests of the members and beneficiaries of the RIPS and is responsible for setting certain policies (e.g. investment, contribution and indexation policies) of the scheme.

On 4 December 2018 the Trustee entered into a binding agreement with PIC to insure the liabilities of the RIPS, known as a buy-in. In December 2021 the final true-up premium was paid to PIC and on 24 February 2022 the insurance policy with PIC was transferred to the individual members of the scheme. Accordingly in 2022 both the Scheme's assets and liabilities have been reduced by the policy value (£1,238.6m).

There remains some uncertainty regarding the final surplus that will be available to the Group until Guaranteed Minimum Pension adjustments for members who transferred out of the scheme have been settled and final scheme expenses have been paid. The remaining surplus recognised as a retirement benefit asset is management's estimate of the value that will be returned to the Group when wind-up of the scheme completes.

The defined benefit schemes of the RIPS are reappraised semi-annually by independent actuaries based upon actuarial assumptions in accordance with IAS 19R requirements (including schemes which are insured under a buy-in contract). The assumptions used for the RIPS are shown below:

	31 December 2021	31 December 2020
Weighted average %		
Discount rate	**2.0%**	1.4%
Future salary increases	**n/a**	n/a
Future pension increases	**3.3%**	3.0%
RPI inflation	**3.4%**	3.0%
CPI inflation	**2.7%**	2.3%

The defined benefit obligation includes benefits for current employees, former employees and current pensioners. Approximately 40% of the liabilities are attributable to current and former employees and 60% to current pensioners. There have been no significant changes to the membership of the scheme over the year. The scheme duration is an indicator of the weighted-average time until benefit payments are made. For the RIPS as a whole, the duration is around 17 years.

The assets in the scheme consist of cash held in liquidity funds, and the fair value of the insurance policy. The fair value of the insurance policy asset is deemed to be equal to the present value of the related obligations that it covers at the balance sheet date.

Risks
As noted above, the Trustee purchased an insurance policy that covers all retirement benefit obligations within the Scheme, thereby removing exposure to the significant risks within the Scheme (including changes in bond yields, inflation and longevity). The Scheme's insurer (PIC) is now responsible for ensuring that there are sufficient assets to meet all future pension obligations, and is subject to EU solvency regulations. There is no volatility associated with the insurance policy asset as under IAS 19 its value is deemed to match the Scheme liabilities. Asset volatility is limited only to the assets remaining in the Scheme following this transaction which are expected to be returned to the Company on wind-up of the Scheme. The surplus recognised of £18.2m is management's estimate of the asset that will return to the Company on wind-up (subject to tax at 35%).

Mortality assumptions
The mortality assumptions are based on the recent actual mortality experience of Scheme members, and allow for expected future improvements in mortality rates. The mortality tables used are:

- 98% of the SAPS S2 All base tables for male pensioners;
- 107% of the SAPS S2 All base tables for female pensioners;
- 108% of the SAPS S2 All base tables for male and female non-pensioners; and
- 96% of the SAPS S2 All base tables for male and female dependent pensioners.

Future improvements are made in line with CMI_2018 Core Projections with a long-term rate of future improvement of 1.25% p.a.

Sensitivity of significant assumptions
The purchase of an insurance policy to cover all future benefits means that the sensitivity of the balance sheet and income statement to key assumptions is removed.

Pension benefits

The movement in the net defined benefit obligation for all Group pension schemes over the accounting period is as follows:

	Present value of obligation 2021 £m	Fair value of plan assets 2021 £m	Total 2021 £m	Present value of obligation 2020 £m	Fair value of plan assets 2020 £m	Total 2020 £m
At 1 January	**(1,481.1)**	**1,461.3**	**(19.8)**	(1,443.9)	1,443.8	(0.1)
Current service costs[1]	**(1.5)**	**–**	**(1.5)**	(1.6)	–	(1.6)
Past service costs[1]	**0.9**	**–**	**0.9**	7.1	–	7.1
Settlement gain	**21.9**	**(20.7)**	**1.2**	–	–	–
Administration expenses[1]	**(0.1)**	**–**	**(0.1)**	(0.1)	–	(0.1)
Interest on defined benefit obligation/asset[1]	**(20.7)**	**20.7**	**–**	(28.2)	28.7	0.5
Exchange difference	**2.9**	**(1.7)**	**1.2**	(0.1)	(0.4)	(0.5)
Total pension income/(expense)	**3.4**	**(1.7)**	**1.7**	(22.9)	28.3	5.4
Remeasurements:						
– Remeasurement gain/(loss) on scheme assets	**–**	**(77.8)**	**(77.8)**	–	70.2	70.2
– Remeasurement gain/(loss) on obligation[2]	**78.6**	**–**	**78.6**	(83.3)	–	(83.3)
Transfers:						
– Transferred on acquisition of business	**(0.3)**	**–**	**(0.3)**	–	–	–
Contributions:						
– Employers	**(0.7)**	**8.3**	**7.6**	(0.3)	0.5	0.2
– Participants	**(0.1)**	**0.1**	**–**	(0.2)	0.2	–
– Benefit payments	**86.6**	**(85.0)**	**1.6**	69.4	(68.7)	0.7
– Refund of surplus	**–**	**–**	**–**	–	(13.0)	(13.0)
– Administration costs	**0.1**	**–**	**0.1**	0.1	–	0.1
At 31 December	**(1,313.5)**	**1,305.2**	**(8.3)**	(1,481.1)	1,461.3	(19.8)
Retirement benefit obligation schemes[3]	**(63.0)**	**35.7**	**(27.3)**	(110.6)	71.8	(38.8)
Retirement benefit asset schemes[4]	**(1,250.5)**	**1,269.5**	**19.0**	(1,370.5)	1,389.5	19.0

1. Service costs and administration expenses are charged to operating expenses, and interest cost and return on plan assets to finance cost and finance income.
2. The actuarial movement on the UK RIPS comprises remeasurement gain arising from changes in demographic assumptions of £2.7m (2020: gain of £16.1m), remeasurement gain arising from changes in financial assumptions of £75.3m (2020: loss of £117.1m) and a remeasurement loss arising from experience of £0.5m (2020: gain of £25.0m).
3. Benefit plans in an obligation position include plans situated in Ireland, the UK, Martinique, Trinidad and Tobago, Norway, South Africa, Germany, Austria, France, Italy, South Korea, Philippines, India, Hong Kong and Saudi Arabia.
4. Benefit plans in an asset position include plans situated in the UK, Barbados and Australia.

Included in the table above is a net defined benefit surplus in relation to the UK RIPS of £18.2m (2020: £18.2m) recognised as defined benefit obligation of £1,247.6m (2020: £1,369.3m) and plan assets of £1,265.8m (2020: £1,387.5m). Of the £1,313.5m (2020: £1,481.1m) of obligations, £17.0m (2020: £18.3m) is unfunded.

Total contributions payable to defined benefit pension schemes in 2022 are expected to be less than £1m.

The fair value of plan assets at the balance sheet date is analysed as follows:

	2021 £m	2020 £m
Equity instruments	**2.8**	37.3
Debt instruments – unquoted	**16.5**	16.7
Insurance policies	**1,238.6**	1,343.6
Other	**47.3**	63.7
Total plan assets	**1,305.2**	1,461.3

Where available the fair values of assets are quoted prices (e.g. listed equity, sovereign debt and corporate bonds). In other cases the market value as provided by the fund managers has been used in accordance with IFRS 13 Fair Value Measurement:

- unquoted debt instruments (Level 2);
- interest and inflation rate hedging instruments (Level 2); and
- pooled investment funds (Level 3).

Other significant assets are valued based on observable market inputs. Insurance policies are valued at the present value of the related obligations. Other assets primarily consist of cash.

The cumulative actuarial gain recognised in the Consolidated Statement of Comprehensive Income was £32.0m (2020: £31.2m). A remeasurement gain of £0.8m (2020: £13.1m loss) was recognised during the year.

A11. Share-based payments

Share-based compensation

The Group operates one equity-settled share-based long-term incentive plan (LTIP). The economic cost of awarding shares and share options to employees is recognised as an expense in the income statement, equivalent to the fair value of the benefit awarded. The fair value is determined by reference to option pricing models, principally Monte Carlo and adjusted Black-Scholes models. The charge is recognised in the income statement over the vesting period of the award. At each balance sheet date, the Group revises its estimate of the number of shares that vest or options that are expected to become exercisable. Any revision to the original estimates is reflected in the income statement with a corresponding adjustment to equity immediately to the extent it relates to past service, and the remainder over the rest of the vesting period.

Performance Share Plan

The Company introduced a share-based performance plan in 2006 for senior managers worldwide. The main features of the scheme are as follows:

- For awards made in 2018, one-third of the award is based on earnings per share (EPS) growth targets as outlined in the relevant year's Directors' Remuneration Report, and two-thirds of the award is based on total shareholder return (TSR) over the three-year performance period as explained above.
- For awards made in 2019, 50% of the award is based on TSR and 25% is based on EPS growth targets as explained above. The remaining 25% is based on performance against certain strategic and financial measures over the vesting period as set out in the relevant year's Directors' Remuneration Report.
- For awards made in 2020, 60% of the award is based on TSR and 40% is based on performance against certain strategic and financial measures over the vesting period as set out in the Directors' Remuneration Report.
- For awards made in 2021, 50% of the award is based on TSR and 50% is based on performance against certain strategic and financial measures over the vesting period as set out in the Directors' Remuneration Report.
- The value of dividends paid during the vesting period is paid on the number of shares that ultimately vest in the form of additional shares. For awards that are nil-cost options, this is the value of dividends between grant and exercise.

The total net charge for the year relating to equity-settled share-based payment plans was £9.8m (2020: £5.5m).

A summary of the number of shares in active share option plans is shown below:

		Share options outstanding					**Share options exercisable**				
Year of grant	Vesting year	**Scheme interest at 1 January 2021**	**Shares awarded during 2021**	**Shares lapsed during 2021**	**Shares vested during 2021**	**Shares outstanding at 31 December 2021**	**Shares exercisable at 1 January 2021**	**Shares vested during 2021**	**Shares exercised during 2021**	**Shares lapsed during 2021**	**Shares exercisable at 31 December 2021**
2012	2015	**–**	**–**	**–**	**–**	**–**	**179,519**	**–**	**(10,968)**	**–**	**168,551**
2013	2016	**–**	**12,073**	**–**	**(12,073)**	**–**	**1,085,178**	**12,073**	**(71,944)**	**–**	**1,025,307**
2014	2017	**–**	**13,693**	**–**	**(13,693)**	**–**	**1,200,990**	**13,693**	**(26,613)**	**–**	**1,188,070**
2015	2018	**–**	**15,831**	**–**	**(15,831)**	**–**	**1,398,235**	**15,831**	**(49,797)**	**–**	**1,364,269**
2016	2019	**–**	**22,920**	**(15)**	**(22,905)**	**–**	**2,052,013**	**22,905**	**(131,521)**	**(1,323)**	**1,942,074**
2017	2020	**–**	**19,720**	**(85)**	**(19,635)**	**–**	**1,784,890**	**19,635**	**(171,187)**	**(7,720)**	**1,625,618**
2018	2021	**6,024,191**	**164,397**	**(1,066,488)**	**(4,230,356)**	**891,744**	**–**	**4,230,356**	**(2,691,765)**	**–**	**1,538,591**
2019	2022	**4,993,019**	**33,885**	**(250,755)**	**–**	**4,776,149**	**–**	**–**	**–**	**–**	**–**
2020	2023	**3,561,710**	**754**	**(91,452)**	**–**	**3,471,012**	**–**	**–**	**–**	**–**	**–**
2021	2024	**–**	**4,228,162**	**(90,489)**	**–**	**4,137,673**	**–**	**–**	**–**	**–**	**–**

		Share options outstanding					Share options exercisable				
Year of grant	Vesting year	Scheme interest at 1 January 2020	Shares awarded during 2020	Shares lapsed during 2020	Shares vested during 2020	Shares outstanding at 31 December 2020	Shares exercisable at 1 January 2020	Shares vested during 2020	Shares exercised during 2020	Shares lapsed during 2020	Shares exercisable at 31 December 2020
2012	2015	–	–	–	–	–	214,132	–	(34,613)	–	179,519
2013	2016	–	–	–	–	–	1,266,153	–	(180,975)	–	1,085,178
2014	2017	–	–	–	–	–	1,382,204	–	(181,214)	–	1,200,990
2015	2018	–	–	–	–	–	2,178,655	–	(777,521)	(2,899)	1,398,235
2016	2019	–	–	–	–	–	3,117,476	–	(1,047,232)	(18,231)	2,052,013
2017	2020	4,717,888	157,880	(528,405)	(4,347,363)	–	–	4,347,363	(2,562,473)	–	1,784,890
2018	2021	6,601,097	6,545	(324,013)	(259,438)	6,024,191	–	259,438	(259,438)	–	–
2019	2022	5,326,306	–	(333,287)	–	4,993,019	–	–	–	–	–
2020	2023	–	3,561,710	–	–	3,561,710	–	–	–	–	–

The fair value of the 2021 awards made under the 2006 Performance Share Plan is charged to the income statement over the vesting period based on values derived from a Monte Carlo model prepared by external remuneration consultants. This is a closed-form solution which takes account of the correlation between share price performance and the likelihood of a TSR performance condition being met. For the shares awarded in March 2021, the significant inputs into the model were a share price of 495.7p (2020: 536.8p), an expected share price volatility of 23.2% (2020: 22.0%), a median share price correlation between the companies in the comparator group of 91.0% (2020: 83.0%), and an expected life commensurate with the three-year performance/vesting period. The share price volatility assumption is based on analysis of historical daily share prices. As the awards are nil-cost (i.e. there is no exercise price), the assumed risk-free rate of return has minimal impact on the fair value of the awards. Similarly, as dividend equivalents are paid on the vesting portion of awards, the fair value of these awards is not reduced to reflect dividends paid during the vesting period.

The fair value of awards granted during 2021 was £16.0m (2020: £14.1m) and the weighted average fair value per award granted during the year was 371.7p. The weighted average share price for options exercised in the year was 505.6p and the weighted average contract term remaining on shares unexercised at the year end was 450 days.

A12. Income tax expense

The income tax expense for the period comprises both current and deferred tax. Current tax expense represents the amount payable on this year's taxable profits and any adjustment relating to prior years. Taxable profits differ from accounting profits as some items of income or expenditure are not taxable or deductible or may be taxable or deductible in a different accounting period. The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Group's subsidiaries and associates operate and generate taxable income.

Deferred tax is an accounting adjustment to provide for tax that is expected to arise in the future due to differences between accounting and tax bases. Deferred tax is determined using tax rates that are expected to apply when the timing difference reverses based on tax rates which are enacted or substantively enacted at the balance sheet date. Tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or equity. In this case the tax is also recognised in other comprehensive income or equity as appropriate.

Analysis of charge in the year:

	2021 £m	2020 £m
UK corporation tax at 19.0% (2020: 19.0%)	**9.5**	8.8
Overseas taxation	**47.8**	60.9
Adjustment in respect of previous periods	**(3.3)**	(3.1)
Total current tax	**54.0**	66.6
Deferred tax (credit)/expense	**20.8**	(17.0)
Deferred tax adjustment in respect of previous periods	**(12.9)**	(6.1)
Total deferred tax	**7.9**	(23.1)
Total income tax expense	**61.9**	43.5

The tax on the Group's profit before tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to profits of the consolidated companies as follows:

	2021 £m	2020 £m
Profit before income tax	**325.1**	229.8
Tax calculated at domestic tax rates applicable to profits in the respective countries	**76.5**	55.7
Adjustment in respect of previous periods	**(16.2)**	(9.2)
Expenses not deductible for tax purposes – one-off items	**3.0**	0.2
Expenses not deductible for tax purposes – other	**3.2**	1.9
Income not subject to tax	**(1.0)**	(1.3)
Impairment of goodwill	**–**	3.2
Goodwill deductions and revaluation of intangible assets	**(2.4)**	(0.9)
Utilisation of previously unrecognised tax losses	**(0.6)**	(0.7)
Deferred tax recognised on losses	**(2.8)**	(2.1)
Losses not relieved	**0.3**	0.3
Deferred tax impact of change in tax rates	**(3.6)**	(8.9)
Provisions utilised for which no deferred tax assets were recognised	**(1.5)**	(1.4)
Overseas withholding tax suffered	**0.7**	0.7
Deferred tax on unremitted earnings	**0.3**	–
Local business taxes	**1.0**	1.8
Foreign exchange differences	**0.5**	0.7
US BEAT liability	**4.8**	3.1
Other	**(0.3)**	0.4
Total tax expense	**61.9**	43.5

The Group's Effective Tax Rate (ETR) for 2021 on reported profit before income tax is 19.0% (2020: 18.9%). The Group's ETR before amortisation of intangible assets (excluding computer software), one-off items and the net interest adjustments for 2021 was 19.4% (2020: 19.7%). This compares with a blended rate of tax for the countries in which the Group operates of 24% (2020: 24%). The Group's low tax rate is primarily attributable to net prior-year tax credits of £16.2m. Of this, £7.2m is due to a reduction in the Group's uncertain tax provisions arising as a result of issues being settled for less than the provision held or becoming statute barred during the year.

The Group's tax charge and ETR will be influenced by the global mix and level of profits, changes in future tax rates and other tax legislation, foreign exchange rates, the utilisation of brought-forward tax losses on which no deferred tax asset has been recognised, the resolution of open issues with various tax authorities, acquisitions and disposals.

A tax credit of £2.2m has been recognised in other comprehensive income which relates to the tax effect of mark to market movements on cross-currency and interest rate swaps recorded within other comprehensive income.

A13. Current tax liabilities

Tax liabilities are classified as current liabilities unless there is a right to defer the payment of the liability for at least one year after the balance sheet date. As at 31 December 2021 all the Group's tax liabilities have been classified as current as there is no legally enforceable right to defer payment for more than 12 months.

Current tax assets and liabilities are offset only when there is a legally enforceable right to set off the asset and liability.

Where required by accounting standards, management establishes provisions for uncertain tax positions on the basis of amounts expected to be paid to the tax authorities. The Group's current tax liabilities reflect management's best estimate of the future amounts of corporation tax that will be settled.

The Group is subject to income taxes in numerous jurisdictions. There are various uncertainties relating to the determination of its tax liabilities where the ultimate tax liability cannot be known until a resolution has been reached with the relevant tax authority, or the issue becomes time barred. Issues can take many years to resolve and therefore assumptions on the likely outcome have to be made by management. Each country and tax risk is considered separately when deciding whether it is appropriate to set up an uncertain tax provision. If risks are considered to be linked, the Group will consider the tax treatment in aggregate where appropriate.

This assessment of uncertain tax positions is based on management's interpretation of relevant tax rules and decided cases, external advice obtained, the statute of limitations and the status of the negotiations and past experience with tax authorities. In evaluating whether a provision is needed it is assumed that tax authorities have full knowledge of the facts and circumstances applicable to each issue.

Tax provisions can be built up over a number of years but in the year of resolution there could be adjustments to these provisions which could have a material positive or negative impact on the tax charge for a particular year. The settlement of a significant issue could also have a material impact on the amount of cash tax payable in any one year. Judgement is required in determining the worldwide provision for income taxes particularly in relation to the pricing of intra-group goods and services as well as debt financing.

The majority of the tax provisions relate to transfer pricing exposures where the Group faces a number of risks in jurisdictions around the world, and is subject to audits by tax authorities in the territories in which it operates. These tax audits have an uncertain outcome and can take several years to resolve, which in some cases may be dependent on litigation. The actual outcome could vary from management's estimates, but these are updated at each reporting period in the light of the latest available information.

Total uncertain tax provisions (including interest thereon) amounted to £57.2m as at 31 December 2021 (2020: £64.6m). Included within this amount is £11.5m (2020: £11.5m) in respect of interest arising on tax provisions which is included within other payables. These tax provisions relate to multiple issues across the countries in which the Group operates. The net decrease in the provisions for the year is mainly attributable to issues which have been settled in the year or have become statute barred.

Apart from transfer pricing exposures the largest single provision relates to a financing structure where the amount provided is £11.0m including interest. This is a legacy issue going back to the years 2002 to 2004. The Group is fully provided for the potential tax and interest payable so there is not expected to be an adverse impact on the income statement. It is unclear when this issue will be resolved and therefore the timing of any payment is uncertain.

The cash tax paid for the year was £68.9m (2020: £64.4m), the increase being in line with the increased profits. The cash tax paid is expected to increase in future periods as open issues are resolved although it is not possible to estimate the exact timing of tax cash flows.

A14. Deferred income tax

Deferred income tax is provided on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the Consolidated Financial Statements. The following temporary differences are not provided for: the initial recognition of goodwill; the initial recognition of assets or liabilities in transactions other than a business combination that at the time of the transactions affect neither the accounting nor taxable profit or loss; and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred income tax is determined using tax rates (and laws) that have been enacted (or substantively enacted) at the balance sheet date, and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled. Deferred tax balances are not discounted.

Deferred tax assets and liabilities are offset against each other when the timing differences relate to income taxes levied by the same tax authority on an entity or different entities which are part of a tax consolidation and there would be the intention to settle on a net basis.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised. The amount of deferred tax assets recognised at each balance sheet date is adjusted to reflect changes in management's assessment of future taxable profits. In recognising the deferred tax asset in respect of losses, management has estimated the quantum of future taxable profits applying a risk weighting to future profits to reflect the uncertainties.

The movement on the deferred income tax account is as follows:

	2021 £m	2020 £m
At 1 January	**(57.0)**	(81.5)
Exchange differences	**1.7**	(0.6)
Acquisition of companies and businesses	**(7.7)**	(5.1)
Credited to the income statement	**(7.9)**	23.1
Credited to other comprehensive income	**(0.2)**	3.9
Charged to equity	**4.6**	3.2
At 31 December	**(66.5)**	(57.0)
Deferred taxation has been presented on the balance sheet as follows:		
Deferred tax asset within non-current assets	**41.6**	37.7
Deferred tax liability within non-current liabilities	**(108.1)**	(94.7)
	(66.5)	(57.0)

The major components of deferred tax assets and liabilities at the year end and their changes during the year (without taking into consideration the offsetting of balances within the same tax jurisdiction) are as follows:

	Customer lists/ intangibles £m	Accelerated tax depreciation £m	Retirement benefits £m	Unremitted earnings from subsidiaries £m	Tax losses £m	Share-based payments £m	Other[1] £m	Total £m
At 1 January 2020	72.6	42.0	4.5	4.2	(23.0)	(8.3)	(10.5)	81.5
Exchange differences	(1.8)	1.4	–	–	–	–	1.0	0.6
Recognised in income statement	0.3	0.4	(4.1)	0.1	5.5	2.1	(27.4)	(23.1)
Recognised in other comprehensive income	–	–	(3.9)	–	–	–	–	(3.9)
Recognised in equity	–	–	–	–	–	(3.2)	–	(3.2)
Acquired in business combinations	5.1	–	–	–	–	–	–	5.1
At 31 December 2020	76.2	43.8	(3.5)	4.3	(17.5)	(9.4)	(36.9)	57.0
At 1 January 2021	**76.2**	**43.8**	**(3.5)**	**4.3**	**(17.5)**	**(9.4)**	**(36.9)**	**57.0**
Exchange differences	**–**	**(1.4)**	**–**	**–**	**–**	**–**	**(0.3)**	**(1.7)**
Recognised in income statement	**0.8**	**7.4**	**1.4**	**0.4**	**3.6**	**(0.8)**	**(4.9)**	**7.9**
Recognised in other comprehensive income	**–**	**–**	**0.2**	**–**	**–**	**–**	**–**	**0.2**
Recognised in equity	**–**	**–**	**–**	**–**	**–**	**(4.6)**	**–**	**(4.6)**
Acquired in business combinations	**6.6**	**0.1**	**–**	**–**	**–**	**–**	**1.0**	**7.7**
At 31 December 2021	**83.6**	**49.9**	**(1.9)**	**4.7**	**(13.9)**	**(14.8)**	**(41.1)**	**66.5**

1. Included within other deferred tax assets/liabilities are bad debt provisions, other general provisions and IFRS 15 contract costs.

The UK corporate tax rate will increase from 19% to 25% with effect from 1 April 2023. This has resulted in an increase in the UK deferred tax asset recognised of £3.1m.

A deferred tax asset of £13.9m has been recognised in respect of losses, of which £12.4m (2020: £16.0m) relates to UK losses carried forward at 31 December 2021. This amount has been calculated by estimating the future UK taxable profits, against which the UK tax losses will be utilised, and applying the tax rates (substantively enacted as at the balance sheet date) applicable for each year. Remaining UK tax losses of £40.6m (2020: £47.5m) have not been recognised as at 31 December 2021 as it is not considered probable that future taxable profits will be available against which the tax losses can be offset. The estimates of future profits are based on management's financial forecasts which are used to support other aspects of the financial statements such as impairment testing. At the balance sheet date the Group had tax losses of £81.6m (2020: £105.0m) on which no deferred tax asset is recognised because it is not considered probable that future taxable profits will be available in certain jurisdictions to be able to benefit from those tax losses. Of the losses, £8.3m (2020: £14.6m) will expire at various dates between 2022 and 2032.

In addition, the Group has UK capital losses carried forward of £276.3m (2020: £276.3m) on which no deferred tax asset is recognised. These losses have no expiry date but management considers the future utilisation of these losses to be unlikely.

Dividends received from subsidiaries are largely exempt from UK taxation but may be subject to dividend withholding or other taxes levied by the overseas tax jurisdictions in which the subsidiaries operate. A deferred tax liability of £4.7m (2020: £4.3m) has been recognised in respect of this liability as it is anticipated that these profits will be distributed to the UK in the foreseeable future. At the balance sheet date there is no material unprovided deferred tax liability were overseas earnings to be distributed to the UK.

B. Investing

B1. Business combinations

All business combinations are accounted for using the purchase method (acquisition accounting) in accordance with IFRS 3 Business Combinations. The cost of a business combination is the aggregate of the fair values at the date of exchange of assets given, liabilities incurred or assumed and equity instruments issued by the acquirer. The cost of a business combination is allocated at the acquisition date by recognising the acquiree's identifiable assets, liabilities and contingent liabilities that satisfy the recognition criteria at their fair values. The acquisition date is the date on which the acquirer effectively obtains control of the acquiree.

An intangible asset is recognised if it meets the definition under IAS 38 Intangible Assets. The intangible assets arising on acquisition are goodwill, customer lists and brands. Goodwill represents the synergies, workforce and other benefits expected as a result of combining the respective businesses. Customer lists and brands are recognised at their fair value at the date of acquisition using an income-based approach, which involves the use of assumptions including customer termination rates, profit margins, contributory asset charges and discount rates. The use of these assumptions requires estimation in the valuation approach; however, it is not considered that these estimates carry a significant risk of material adjustment.

At the date of acquisition, deferred and contingent consideration represents its fair value, with subsequent changes after the measurement period being recognised in the Consolidated Statement of Profit or Loss. Costs directly attributable to business combinations are charged to the income statement as incurred and presented as one-off items.

During the year the Group purchased 100% of the share capital or trade and assets of 52 companies and businesses. It also acquired the remaining shares from a non-controlling interest which is recognised as an equity transaction rather than a business combination. The total consideration in respect of these acquisitions was £313.7m and the cash outflow from current and past period acquisitions net of cash acquired, was £463.1m.

Disclosures required by IFRS 3 Business Combinations are provided separately for those individual acquisitions that are considered to be material, and in aggregate for individually immaterial acquisitions. An acquisition would generally be considered individually material if the impact on the Group's Ongoing Revenue and APBITA measures (on an annualised basis) is greater than 5%, or the impact on goodwill is greater than 10% of the closing balance for the period. There were no individually material acquisitions in the year. An overview of the acquisitions in the year can be found in the Financial Review on page 145.

Details of goodwill and the fair value of net assets acquired are as follows:

	2021 £m	2020 £m
Purchase consideration		
– Cash paid	**273.1**	156.9
– Deferred and contingent consideration	**40.6**	210.4
Total purchase consideration	**313.7**	367.3
Fair value of net assets acquired	**(83.1)**	(49.9)
Goodwill from current-year acquisitions	**230.6**	317.4

Deferred consideration of £12.6m and contingent consideration of £28.0m are payable in respect of the above acquisitions. Contingent consideration is payable based on a variety of conditions including revenue and profit targets being met. Amounts for both deferred and contingent consideration are payable over the next five years. The Group has recognised contingent and deferred consideration based on fair value at the acquisition date. A range of outcomes for contingent consideration payments cannot be estimated due to the variety of performance conditions and the volume of businesses the Group acquires. During the year there were releases of contingent consideration liabilities not paid of £0.6m (2020: £1.6m).

The provisional fair values[1] of assets and liabilities arising from acquisitions in the year are as follows:

	2021 £m	2020 £m
Non-current assets		
– Intangible assets[2]	**70.7**	56.9
– Property, plant and equipment[3]	**13.2**	9.9
– Other non-current assets	**1.7**	–
Current assets[4]	**36.8**	20.4
Current liabilities	**(25.4)**	(20.0)
Non-current liabilities[5]	**(13.9)**	(17.3)
Net assets acquired	**83.1**	49.9

1. The provisional fair values will be finalised in the 2022 Financial Statements. The fair values are provisional since the acquisition accounting has not yet been finalised, primarily due to the proximity of many acquisitions to the year end.
2. Includes £70.0m (2020: £56.8m) of customer lists and £0.7m (2020: £0.1m) of other intangibles.
3. Includes £1.8m (2020: £4.2m) of right-of-use assets.
4. Includes trade and other receivables of £27.9m (2020: £11.2m) which represents the gross and fair value of the assets acquired.
5. Includes £(7.6)m of deferred tax relating to acquired intangibles (2020: £(5.1)m).

The cash outflow from current and past acquisitions is as follows:

	2021 £m	2020 £m
Total purchase consideration	**313.7**	367.3
Consideration payable in future periods	**(40.6)**	(210.4)
Purchase consideration paid in cash	**273.1**	156.9
Cash and cash equivalents in acquired companies and businesses	**(6.0)**	(6.1)
Cash outflow on current period acquisitions	**267.1**	150.8
Deferred consideration paid	**196.0**	43.9
Cash outflow on current and past acquisitions	**463.1**	194.7

From the dates of acquisition to 31 December 2021, these acquisitions contributed £49.9m to revenue and £7.0m to operating profit.

If the acquisitions had occurred on 1 January 2021, the revenue and operating profit of the Group would have amounted to £3,031.4m and £356.8m respectively.

B2. Intangible assets

Intangible assets are stated at cost less accumulated amortisation and accumulated impairment losses, where applicable.

A breakdown of intangible assets is as shown below:

	Goodwill £m	Customer lists £m	Other intangibles £m	Product development £m	Computer software £m	Total £m
Cost						
At 1 January 2020	1,376.7	782.8	66.7	33.7	135.1	2,395.0
Exchange differences	(45.2)	(5.5)	(0.7)	–	0.5	(50.9)
Additions	–	–	–	5.7	16.8	22.5
Disposals/retirements	–	(7.7)	–	–	(7.4)	(15.1)
Acquisition of companies and businesses[1]	322.3	56.7	0.1	–	–	379.1
Disposal of companies and businesses	(0.4)	(1.9)	–	–	(0.2)	(2.5)
At 31 December 2020	1,653.4	824.4	66.1	39.4	144.8	2,728.1
At 1 January 2021	**1,653.4**	**824.4**	**66.1**	**39.4**	**144.8**	**2,728.1**
Exchange differences	**3.6**	**(13.3)**	**0.1**	**–**	**(1.5)**	**(11.1)**
Additions	**–**	**–**	**3.7**	**6.4**	**21.0**	**31.1**
Disposals/retirements	**–**	**(3.7)**	**(3.4)**	**–**	**(0.8)**	**(7.9)**
Acquisition of companies and businesses[1]	**228.2**	**68.6**	**0.5**	**–**	**0.1**	**297.4**
Hyperinflationary adjustment	**3.2**	**–**	**–**	**–**	**–**	**3.2**
Disposal of companies and businesses	**–**	**–**	**–**	**–**	**(0.2)**	**(0.2)**
At 31 December 2021	**1,888.4**	**876.0**	**67.0**	**45.8**	**163.4**	**3,040.6**
Accumulated amortisation and impairment						
At 1 January 2020	(34.2)	(534.1)	(42.9)	(20.0)	(90.4)	(721.6)
Exchange differences	(0.2)	(0.3)	0.9	–	(0.4)	–
Disposals/retirements	–	7.7	–	–	6.8	14.5
Disposal of companies and businesses	–	1.9	–	–	0.2	2.1
Impairment charge	(10.6)	–	–	(0.5)	(1.9)	(13.0)
Amortisation charge	–	(60.5)	(4.6)	(6.3)	(16.6)	(88.0)
At 31 December 2020	(45.0)	(585.3)	(46.6)	(26.8)	(102.3)	(806.0)
At 1 January 2021	**(45.0)**	**(585.3)**	**(46.6)**	**(26.8)**	**(102.3)**	**(806.0)**
Exchange differences	**1.0**	**10.5**	**(0.1)**	**–**	**1.3**	**12.7**
Disposals/retirements	**–**	**3.7**	**3.4**	**–**	**0.8**	**7.9**
Disposal of companies and businesses	**–**	**–**	**–**	**–**	**0.2**	**0.2**
Impairment charge	**(0.2)**	**–**	**–**	**(0.1)**	**(1.4)**	**(1.7)**
Amortisation charge	**–**	**(64.0)**	**(4.7)**	**(5.3)**	**(15.4)**	**(89.4)**
At 31 December 2021	**(44.2)**	**(635.1)**	**(48.0)**	**(32.2)**	**(116.8)**	**(876.3)**
Net book value						
At 1 January 2020	1,342.5	248.7	23.8	13.7	44.7	1,673.4
At 31 December 2020	1,608.4	239.1	19.5	12.6	42.5	1,922.1
At 31 December 2021	**1,844.2**	**240.9**	**19.0**	**13.6**	**46.6**	**2,164.3**

1. Includes current-year acquisitions of £301.3m as well as adjustments to prior-year acquisitions within the measurement period.

The main categories of intangible assets are as follows:

Intangible assets – finite useful lives

Intangible assets with finite useful lives are initially measured at either cost or fair value and amortised on a straight-line basis over their useful economic lives, which are reviewed on an annual basis. These assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the asset may exceed its recoverable amount. The fair value attributable to intangible assets acquired through a business combination is determined by discounting the expected future cash flows to be generated from that asset at the risk-adjusted weighted average cost of capital for the Group. The residual values of intangible assets are assumed to be £nil.

The estimated useful economic lives of intangible assets are as follows:

Customer lists:	3 to 15 years
Other intangibles:	2 to 15 years
Product development:	2 to 5 years
Computer software:	3 to 5 years

The following are the main categories of intangible assets with finite useful lives:

(a) Customer lists

Customer lists are acquired as part of business combinations. No value is attributed to internally generated customer lists.

(b) Other intangibles

Other intangibles consists of brands and intellectual property. Brands are acquired as part of business combinations. No value is attributed to internally generated brands as expenditure incurred to develop, maintain and renew brands internally is recognised as an expense in the period incurred. Intellectual property costs are incurred in acquiring and maintaining patents and licences. These are recognised only if the cost can be measured reliably, and they are expected to generate economic benefits beyond one year, in excess of their cost.

(c) Product development

Costs incurred in the design and testing of new or improved products are recognised as intangible assets only if the cost can be measured reliably, and it is probable that the project will be a success considering its commercial and technological feasibility. Capitalised product development expenditure is measured at cost less accumulated amortisation.

Other development expenditure and all research expenditure are recognised as an expense as incurred. This expense was £2.3m (2020: £1.6m).

Development costs recognised as an expense are never reclassified as an asset in a subsequent period. Development costs that have been capitalised are amortised from the date the product is made available.

(d) Computer software

Costs that are directly associated with the production of identifiable and unique software products that are controlled by the Group (including employee costs and external software development costs) are recognised as intangible assets if they are expected to generate economic benefits beyond one year, in excess of their cost. Purchased computer software is initially recognised based on the costs incurred to acquire and bring it into use.

Costs associated with maintaining computer software are recognised as an expense in the period in which they are incurred.

Intangible assets – indefinite useful lives

(a) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired business at the date of acquisition. It is recognised as an intangible asset. Goodwill arising on the acquisition of an associate is included in investments in associates.

A breakdown of goodwill by region is shown below:

	2021 £m	2020 £m
France	**9.1**	9.6
Benelux	**5.9**	6.2
Germany	**9.2**	13.4
Southern Europe	**35.8**	32.3
Latin America	**18.0**	18.6
Europe	**78.0**	80.1
UK & Ireland	**61.5**	61.7
Rest of World	**82.6**	34.9
UK & Rest of World	**144.1**	96.6
Asia	**125.1**	125.3
North America[1]	**1,420.1**	1,231.5
Pacific	**76.9**	74.9
Total	**1,844.2**	1,608.4

1. Includes £1,100.2m (2020: £996.0m) relating to the US Pest Control CGU.

Impairment tests for goodwill
Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. For the purpose of impairment testing, goodwill is allocated to cash-generating units (CGUs) identified according to country of operation and reportable business unit. The way in which CGUs are identified has not changed from prior periods. Newly acquired entities might be a single CGU until such time that they can be integrated. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

The recoverable amount of a CGU is determined based on the higher of value-in-use calculations using cash flow projections and fair value less costs to sell if appropriate. The cash flow projections in year one are based on financial budgets approved by management, which are prepared as part of the Group's normal planning process. Cash flows for years two to five use management's expectation of sales growth, operating costs and margin, based on past experience and expectations regarding future performance and profitability for each CGU. Cash flows beyond the five-year period are extrapolated using estimated long-term growth rates (LTGR).

Cash flow projections included in the impairment review models include management's view of the impact of climate change, including costs related to the effects of climate change, as well as the future costs of the Group's commitment to reach net zero by 2040 and costs of compliance with current legal requirements. The potential increased costs, less any benefits that may occur, to meet these commitments are not expected to be material and therefore have resulted in no impairments during 2021.

For the Rentokil PCI CGU in India the assumptions made in estimating the value of the future cash flows are an LTGR of 4.0%, a pre-tax discount rate of 12.6% and a terminal operating margin of 15.1%. The headroom for the Rentokil PCI CGU is £5.4m at 30 September 2021.

The table below shows the potential impairment created by a change in assumptions.

	Rentokil PCI	
Sensitivity analysis	**Rate used**	**Impairment £m**
Assumption		
Long-term growth rate – 1% decrease	4.0%	2.2
Terminal operating margin – 1% decrease	15.1%	0.4
Pre-tax discount rate – 1% increase	12.6%	4.5

The assumptions that would result in the recoverable amount equalling the carrying amount are LTGR of 3.3%, a pre-tax discount rate of 13.1% or a terminal operating margin of 14.2%.

For all other goodwill balances it can be demonstrated that there is sufficient headroom in the recoverable amount of the CGU goodwill balances based on the assumptions made, and there is not considered to be any reasonably likely scenario under which material impairment could be expected to occur based on the testing performed.

The key assumptions used by individual CGUs for value-in-use calculations were:

	2021 long-term growth rate[1]	**2021 pre-tax discount rate**	2020 long-term growth rate[1]	2020 pre-tax discount rate
France	**1.6%**	**10.8–10.9%**	1.7%	11.1–11.9%
Benelux	**1.8%**	**7.3–10.2%**	2.0%	10.7–11.7%
Germany	**2.1%**	**10.6–10.8%**	1.9–2.1%	10.3–11.1%
Southern Europe	**1.3–1.9%**	**7.1–10.7%**	1.5–1.8%	11.5–12.8%
Latin America	**3.0–3.3%**	**11.6–15.4%**	3.0–4.0%	13.0–18.5%
UK & Ireland	**2.0%**	**6.5–7.0%**	2.0%	9.4–11.8%
Rest of World	**1.8–4.5%**	**8.0–11.6%**	2.0–5.3%	9.4–12.1%
Asia	**1.5–4.0%**	**8.2–12.6%**	1.5–5.0%	10.0–13.9%
North America[2]	**2.0–2.2%**	**6.6–8.7%**	1.2–2.3%	11.6–16.2%
Pacific	**2.2–2.4%**	**9.3–10.7%**	2.0-2.5%	12.8–13.3%

1. Source: www.imf.org.
2. Key assumptions used by the US Pest Control CGU were a long-term growth rate of 2.2% (2020: 2.3%) and a pre-tax discount rate of 7.7% (2020: 11.6%). For US Pest Control CGU the recoverable amount exceeds the carrying amount by £2,120.8m (2020: £925.2m).

The growth rates used by individual CGUs are based on the LTGR predicted for the relevant sector and country in which a business operates. They do not exceed the long-term average growth rate for that industry or country. The pre-tax discount rates are internally calculated weighted average cost of capital for each category and country.

B3. Property, plant and equipment

Property, plant and equipment is stated at historic cost less depreciation with the exception of freehold land and assets under construction which are not depreciated. Historic cost includes expenditure that is directly attributable to the acquisition of the items.

A breakdown of property, plant and equipment is shown below:

	Land and buildings £m	Service contract equipment £m	Other plant and equipment £m	Vehicles and office equipment £m	Total £m
Cost					
At 1 January 2020	84.1	485.3	169.6	185.3	924.3
Exchange differences	3.0	19.6	6.6	(0.4)	28.8
Additions	2.0	93.0	11.5	20.6	127.1
Disposals	(1.8)	(74.8)	(1.8)	(13.2)	(91.6)
Acquisition of companies and businesses[1]	–	0.4	0.3	4.9	5.6
Disposal of companies and businesses	–	–	(0.1)	(0.1)	(0.2)
Reclassification from IFRS 16 ROU assets[2]	–	–	–	3.3	3.3
At 31 December 2020	87.3	523.5	186.1	200.4	997.3
At 1 January 2021	**87.3**	**523.5**	**186.1**	**200.4**	**997.3**
Exchange differences	**(4.0)**	**(26.5)**	**(8.9)**	**(4.9)**	**(44.3)**
Additions	**2.7**	**93.8**	**12.8**	**18.8**	**128.1**
Disposals	**(2.1)**	**(73.4)**	**(2.6)**	**(17.5)**	**(95.6)**
Acquisition of companies and businesses[1]	**3.6**	**0.3**	**0.7**	**7.9**	**12.5**
Disposal of companies and businesses	**–**	**–**	**–**	**–**	**–**
Reclassification from IFRS 16 ROU assets[2]	**–**	**–**	**–**	**5.5**	**5.5**
At 31 December 2021	**87.5**	**517.7**	**188.1**	**210.2**	**1,003.5**
Accumulated depreciation and impairment					
At 1 January 2020	(27.1)	(273.2)	(116.7)	(115.6)	(532.6)
Exchange differences	(1.1)	(11.9)	(4.7)	(0.1)	(17.8)
Disposals	1.1	73.4	1.6	11.9	88.0
Disposal of companies and businesses	–	–	–	0.1	0.1
Impairment charge	(0.1)	(0.3)	–	–	(0.4)
Depreciation charge	(3.0)	(97.6)	(12.3)	(19.0)	(131.9)
At 31 December 2020	(30.2)	(309.6)	(132.1)	(122.7)	(594.6)
At 1 January	**(30.2)**	**(309.6)**	**(132.1)**	**(122.7)**	**(594.6)**
Exchange differences	**1.6**	**16.1**	**6.6**	**3.1**	**27.4**
Disposals	**0.5**	**72.2**	**2.2**	**15.3**	**90.2**
Disposal of companies and businesses	**–**	**–**	**–**	**–**	**–**
Impairment charge	**–**	**–**	**–**	**–**	**–**
Depreciation charge	**(3.0)**	**(92.4)**	**(11.9)**	**(21.1)**	**(128.4)**
At 31 December 2021	**(31.1)**	**(313.7)**	**(135.2)**	**(125.4)**	**(605.4)**
Net book value					
At 1 January 2020	57.0	212.1	52.9	69.7	391.7
At 31 December 2020	57.1	213.9	54.0	77.7	402.7
At 31 December 2021	**56.4**	**204.0**	**52.9**	**84.8**	**398.1**

1. Includes current-year acquisitions of £11.4m as well as adjustments to prior-year acquisitions within the measurement period.
2. Certain leased assets become owned assets at the end of their lease period and are therefore reclassified from ROU assets (Note B4).

Depreciation of assets is calculated using the straight-line method to allocate the difference between their cost and their residual values over their estimated useful lives, as follows:

Freehold buildings:	50 to 100 years
Leasehold improvements:	Shorter of the lease term or estimated useful life
Vehicles:	4 to 10 years
Plant and equipment (including service contract equipment):	3 to 10 years
Office equipment, furniture and fittings:	3 to 10 years

Residual values and useful lives of assets are reviewed annually and amended as necessary. Fixed assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the fixed asset may exceed its recoverable amount. There were £nil of impairments in the year (2020: £0.4m).

When assets are sold, the gain or loss between sale proceeds and net book value is recognised in the income statement.

The category of service contract equipment represents the pool of assets used by the Group in delivering contracted services to customers. Land and buildings comprise mainly factories and offices.

B4. Leases

The Group leases land and buildings, vehicles and other equipment. The lease durations vary from lease to lease according to the asset leased and local practices. Some of the Group's leases have extension and termination options attached to them. Lease extension options and lease termination options are only included in the calculation of the lease liability if there is reasonable certainty that they will be exercised. Judgement is required to determine the level of certainty.

The value of leases to which the Group is committed but have not yet commenced is not material.

A breakdown of the right-of-use (ROU) assets is shown below:

	Land and buildings £m	Vehicles £m	Other equipment £m	Total £m
Net book value				
At 1 January 2020	104.6	114.9	1.7	221.2
Exchange differences	0.7	(0.1)	–	0.6
Additions	29.1	44.8	1.5	75.4
Disposals	(2.4)	–	–	(2.4)
Acquisition of companies and businesses[1]	0.1	4.1	–	4.2
Disposal of companies and businesses	–	(0.1)	–	(0.1)
Impairment charge	(1.4)	–	–	(1.4)
Depreciation charge	(35.5)	(40.2)	(1.0)	(76.7)
Reclassification to property, plant and equipment[2]	–	(3.3)	–	(3.3)
At 31 December 2020	95.2	120.1	2.2	217.5
At 1 January 2021	**95.2**	**120.1**	**2.2**	**217.5**
Exchange differences	**(2.2)**	**(1.5)**	**–**	**(3.7)**
Additions	**33.4**	**56.2**	**1.6**	**91.2**
Disposals	**(0.8)**	**(0.7)**	**–**	**(1.5)**
Acquisition of companies and businesses[1]	**4.6**	**3.3**	**–**	**7.9**
Disposal of companies and businesses	**–**	**–**	**–**	**–**
Impairment charge	**(0.1)**	**–**	**–**	**(0.1)**
Depreciation charge	**(36.9)**	**(39.5)**	**(1.9)**	**(78.3)**
Reclassification to property, plant and equipment[2]	**–**	**(5.5)**	**–**	**(5.5)**
At 31 December 2021	**93.2**	**132.4**	**1.9**	**227.5**

1. Includes current-year acquisitions of £1.8m as well as adjustments to prior-year acquisitions within the measurement period.
2. Certain leased assets become owned assets at the end of their lease period and are therefore reclassified to property, plant and equipment (Note B3).

Analysis of the Group's lease liabilities is shown below:

	2021 £m	2020 £m
Lease liabilities under IFRS 16		
At 1 January	**214.5**	216.7
Exchange differences	**(4.1)**	1.1
Cash outflow	**(94.1)**	(92.3)
Interest	**6.1**	6.8
Additions	**89.4**	75.5
Acquisition of companies and businesses	**5.2**	6.8
Disposal of companies and businesses	**–**	(0.1)
At 31 December	**217.0**	214.5
Analysed as follows:		
Non-current	**139.2**	141.8
Current	**77.8**	72.7
Total	**217.0**	214.5

Lease liabilities analysed by currency:

	2021 £m	2020 £m
Pound sterling	**33.0**	30.7
Euro	**56.7**	61.1
US dollar	**89.1**	76.9
Other currencies	**38.2**	45.8
At 31 December	**217.0**	214.5

Lease liabilities are payable as follows:

	2021 £m	2020 £m
Lease liabilities under IFRS 16		
Less than one year	**80.4**	79.8
Between one and five years	**137.7**	137.0
More than five years	**13.3**	16.5
Future minimum payments	**231.4**	233.3
Effect of discounting	**(14.4)**	(18.8)
Carrying value	**217.0**	214.5

Other lease costs not already described are set out below:

	2021 £m	2020 £m
Expenses relating to short-term leases	**12.3**	11.5
Expenses relating to leases of low-value assets	**6.1**	5.1
Expenses relating to variable lease payments	**1.2**	0.2
At 31 December	**19.6**	16.8

The Group has no material arrangements where it acts as a lessor.

B5. Capital commitments

Capital expenditure contracted for at the balance sheet date but not yet incurred is as follows:

	2021 £m	2020 £m
Property, plant and equipment	**13.5**	11.7
Intangible assets	**1.2**	1.2
Total	**14.7**	12.9

B6. Investments in associated undertakings

	2021 £m	2020 £m
Interest in Nippon Calmic Limited	**28.4**	27.2
Interest in individually immaterial associated undertakings	**1.3**	–
At 31 December	**29.7**	27.2

Nippon Calmic Ltd

Nippon Calmic Ltd is an associated undertaking in Japan in which the Group has a 49% interest. The associate is unlisted and the investment value is shown below.

	2021 £m	2020 £m
At 1 January	**27.2**	29.7
Exchange differences	**(2.8)**	0.9
Share of profit[1]	**8.0**	8.3
Dividends received	**(3.9)**	(11.7)
At 31 December	**28.5**	27.2

1. Share of profit is net of tax of £4.0m (2020: £4.8m).

	Assets 2021 £m	Liabilities 2021 £m	Revenue 2021 £m	Profit 2021 £m	Assets 2020 £m	Liabilities 2020 £m	Revenue 2020 £m	Profit 2020 £m
Nippon Calmic Ltd (49%)	**53.2**	**(24.1)**	**51.9**	**8.0**	55.1	(27.5)	56.3	8.3

In addition to the interest in associates disclosed above, the Group also has interests in a number of individually immaterial associates that are accounted for using the equity method.

	2021 £m	2020 £m
At 1 January	–	–
Acquisition	1.1	–
Exchange differences	–	–
Share of profit	0.1	–
Dividends received	–	–
At 31 December	**1.2**	–

£0.1m (2020: £nil) relates to unrecognised share of losses related to associates.

C. Financing

C1. Financial risk management

The Group's central treasury function manages cash, borrows on behalf of the Group and provides finance to Group companies in their local currencies. Treasury activity is governed by a Treasury Committee which is chaired by the Chief Financial Officer.

The main financial risks faced by the Group are set out below.

(a) Liquidity risk

The Group is committed to ensuring it has sufficient liquidity to meet its business needs, and appropriate reserves to cover operational underperformance or dislocation in the financial markets. It is the Group's policy to have headroom of unrestricted cash and available committed facilities of at least £600m, and the Treasury Committee manages financing requirements and associated headroom at least 12 months forward. Available commitments of £550m under the revolving credit facility (RCF) together with unrestricted cash of £235.3m gives the Group combined headroom of £785.3m at 31 December 2021 (2020: £1,266.3m).

The Group has a £550m RCF with 17 relationship banks (see Note C7 for details). During the year, the Group negotiated the permanent removal of financial covenants from the RCF with all bank approval. In addition to this the Group also amended the RCF to comply with the move from LIBOR to risk free rates. The Group has no other facility that references LIBOR. The Group is compliant with the terms and conditions of its debt facilities.

The Group targets an S&P Global (S&P) investment grade credit rating for debt issuance of BBB over the medium term. In line with S&P liquidity ratio requirements, debt maturities are financed at least 12 months in advance using available cash or committed facilities, or by issuance of new debt. Management maintains an active dialogue with S&P, as well as the Group's relationship banks, to ensure that any changes to the Group's financing and acquisition strategies are understood. S&P affirmed the Group's rating as BBB if the acquisition of Terminix Global Holdings, Inc. goes ahead as announced.

In July 2021 the Group repaid the remaining €175.7m outstanding under the €350m bond due in October 2021 using the three months at par call option. The Group has no debt maturities falling due in 2022.

All of the Group's bonds issued under its EMTN Programme contain a coupon step-up which increases the coupon payable by 1.25% in the event that the Group is downgraded to BB+ or below (sub-investment grade). The Group's bonds may be called by their investors at par in the event of a change of control of the Group. They may also be called within 120 days if the Group's debt is downgraded below investment grade, or if the rating is withdrawn and the rating agency confirms in writing, either publicly or to the Group or the Trustee, that the rating action occurred either wholly or in part due to a change of control.

(b) Credit risk

The Group has no significant concentration of credit risk. Sales are typically low-value, high-volume, spreading the risk across a large number of customers and geographies. Policies are in place to ensure that credit sales are only made to customers with an appropriate credit history. The Group operates in some territories where there is increased exposure to trade credit risks and in those territories the Group puts in place appropriate measures to manage its credit risk exposure.

In order to protect the liquid assets and funding relationships of the Group, management aims to maintain banking relationships with counterparties that carry a long-term credit rating of at least A-, or equivalent rating with one of the major credit rating agencies. In countries where no banks are rated A- or above, balances are monitored monthly and kept to a minimum. In addition, funds held with all counterparties are subject to limits. All exposures are monitored and reported to the Treasury Committee each month. The Group also monitors the creditworthiness of its lenders to ensure that commitments under its facilities are available as needed.

At 31 December 2021 the Group had a total of £10.7m of cash held on bank accounts with banks rated below A- by S&P (2020: £10.0m). The highest concentration with any single bank rated below A- was £1.7m (2020: £1.8m).

(c) Market risk

Foreign exchange risk

The Group's worldwide operations generate profits and cash flows in foreign currencies. Sales and purchases are typically denominated in the currency of the country in which they are transacted, and the Group's cross-border procurement is considered insignificant. Sterling procurement and central costs mean that foreign currencies constitute more than 100% of Group adjusted operating profit at approximately 104%.

The Group's primary exposure to foreign exchange risk is in relation to the translation of assets and liabilities, and the Group aims to hold debt in currencies in proportion to its forecast foreign currency profits and investments. Foreign exchange derivatives are used to manage foreign currency exposures in excess of £0.5m (£5.0m for USD) that are not covered by debt or assets in the same (or another highly correlated) currency, as long as it makes sense from an economic perspective to do so. The Treasury Committee monitors foreign exchange exposures on a monthly basis. Dealing in foreign exchange products is controlled by dealing mandates approved by the Treasury Committee and all foreign exchange transactions are covered by ISDA documentation.

The most significant foreign currency groups are US dollars and euros, which make up 41.5% and 34.8% of Group adjusted operating profit respectively.

At 31 December 2021 the Group's net debt was approximately 57% US dollar (2020: 48%), reflecting that it is the Group's principal cash flow exposure; and 45% euro (2020: 52%), with 2% net cash offset in other currencies. The translation of the interest element of euro and US dollar debt provides a partial income statement offset to the translation of earnings.

The Group calculates the impact on the income statement and other comprehensive income of a 10% movement in foreign exchange rates. The Group's principal foreign currency exposure is the US dollar. For US dollars, a 10% movement in £/$ would result in a £19.4m increase/decrease (2020: £17.8m) in adjusted operating profit, offset by a £1.6m decrease/increase (2020: £1.2m) in interest payable. A 10% movement in £/€ would result in a £15.6m increase/decrease (2020: £15.6m) in adjusted operating profit, offset by a £1.0m decrease/increase (2020: £1.5m) in interest payable.

Where possible, currency cash flows are used to settle liabilities in the same currency in preference to selling currency in the market.

Interest rate risk

The Group seeks to manage interest rate risk to ensure reasonable certainty of its interest charge while allowing an element of risk exposure consistent with the variability of its cash flows. Interest rate risk is managed by the use of fixed interest debt and interest rate derivatives, which are approved in advance by the Treasury Committee. The Group policy is to fix a minimum of 50% of its estimated future interest rate exposures (excluding pensions) for a minimum period of 12 months forward. The Treasury Committee reviews this exposure monthly. During the year the Group signed IBOR Fallback Protocols with the two banks that have provided interest rate hedges that reference LIBOR. The Group has no other LIBOR-based exposures.

A hypothetical 1.0% increase in euro interest rates would reduce the market value of the Group's bond liabilities by £61.9m at 31 December 2021 (2020: £79.8m). The income statement impact is £nil as changes in interest rates do not change the expected cash flows on the bonds.

The Group had outstanding bond debt issues at 31 December 2021 with a fair market value of £1,272.1m (2020: £1,537.3m). This exceeds the book value of £1,253.7m (2020: £1,487.8m) as a result of reductions in interest rates in Europe. There are no circumstances where the Group would be obliged to pay the fair market value. The Group could however decide to redeem some or all of its bonds early and the fair market value is indicative of the price that would be required to do so.

(d) Capital risk

The Group is committed to maintaining a debt/equity structure that allows continued access to a broad range of financing sources and sufficient flexibility to pursue commercial opportunities as they present themselves, without onerous financing terms and conditions. The Group's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to support the Group's strategy. The Group uses S&P's ratings methodology for a BBB issuer to manage its capital risk. In the event that a ratings downgrade is likely net debt can be managed by reducing or suspending dividends, M&A spend and capital expenditure. The Group would also consider raising additional equity to protect its BBB rating.

(e) Treasury risk

The Group's treasury activities are governed by a treasury policy, which is reviewed and approved by the Board on an annual basis. The treasury policy covers all activities associated with managing the above risks. The policy requires that financial instruments are only utilised to manage known financial exposures and speculative derivative contracts are not entered into. The treasury policy requires that treasury must approve opening and closing of all bank accounts, and that funds transfers and other payments are only made in accordance with bank mandates.

To ensure an appropriate control environment exists in the treasury function, duties are segregated between front and back office teams. In addition a number of controls are in place to protect against potential cyber security and other risks.

LIBOR reform

In September 2021 the Group updated its RCF such that it was compliant with the cessation of GBP LIBOR at the end of December 2021 and USD LIBOR subsequent to that. The Group has also signed ISDA fallback agreements with its interest rate swap counterparties, which means that the Group has no exposure to GBP or USD LIBOR going forward.

C2. Net debt

Closing net debt comprises:

	Notes	**2021 £m**	2020[1] £m
Current			
Cash and cash equivalents in the Consolidated Balance Sheet	C3	**668.4**	1,949.5
Other investments	C4	**1.6**	172.2
Fair value of debt-related derivatives		**1.5**	1.9
Bank and other short-term borrowings[2,3]		**(459.3)**	(1,591.5)
Lease liabilities	B4	**(77.8)**	(72.7)
Non-current			
Fair value of debt-related derivatives		**(23.7)**	4.7
Bank and other long-term borrowings[4]		**(1,256.2)**	(1,337.6)
Lease liabilities	B4	**(139.2)**	(141.8)
Total net debt		**(1,284.7)**	(1,015.3)

1. Both cash and cash equivalents and bank and other short-term borrowings have been restated in 2020 by reducing cash in hand and overdrafts by £276.1m to reflect the netted position of the main and shadow bank accounts pool arrangement which were previously grossed up (Note C3).
2. Bank and other short-term borrowings consists of £nil bond debt (2020: £156.5m), £426.5m overdraft (2020: £1,398.7m), £29.7m overseas loans (2020: £31.9m) and £3.1m bond accruals (2020: £4.5m).
3. Trade and other receivables and bank and other short-term borrowings have been restated in 2020 due to a correction of the recognition of an overseas factoring arrangement. Both have been increased by £21.0m.
4. Bank and other long-term borrowings consists of £1,253.7m bond debt (2020: £1,331.3m) and £2.4m overseas loans (2020: £6.3m).

The currency split and cash flows of bank, other borrowings and debt-related derivatives are as follows:

	2021 £m	2020 £m
Pound sterling	**48.3**	517.9
Euro	**855.6**	1,829.0
US dollar	**783.3**	530.7
Other currencies	**50.5**	44.9
Carrying value	**1,737.7**	2,922.5
Fair value component of derivatives and interest	**9.0**	57.5
Undiscounted value	**1,746.7**	2,980.0
Analysis of undiscounted cash flows of bank and other borrowings:		
Less than one year	**450.1**	1,591.7
Between one and five years	**787.4**	393.8
Over five years	**509.2**	994.5
Future minimum payments	**1,746.7**	2,980.0

Reconciliation of net change in cash and cash equivalents to net debt:

	Notes	Opening 2021[1,2] £m	Cash flows £m	Non-cash (fair value changes and accruals) £m	Non-cash (foreign exchange and other) £m	Closing 2021 £m
Bank and other short-term borrowings		**(1,591.5)**	**1,134.6**	**(11.0)**	**8.6**	**(459.3)**
Bank and other long-term borrowings		**(1,337.6)**	**14.6**	**(12.0)**	**78.8**	**(1,256.2)**
Lease liabilities	B4	**(214.5)**	**94.1**	**(6.1)**	**(90.5)**	**(217.0)**
Other investments		**172.2**	**(170.6)**	**–**	**–**	**1.6**
Fair value of debt-related derivatives		**6.6**	**31.4**	**(2.9)**	**(57.3)**	**(22.2)**
Gross debt		**(2,964.8)**	**1,104.1**	**(32.0)**	**(60.4)**	**(1,953.1)**
Cash and cash equivalents in the Consolidated Balance Sheet		**1,949.5**	**(1,267.2)**	**–**	**(13.9)**	**668.4**
Net debt		**(1,015.3)**	**(163.1)**	**(32.0)**	**(74.3)**	**(1,284.7)**

	Notes	Opening 2020[1,2] £m	Cash flows £m	Non-cash (fair value changes and accruals) £m	Non-cash (foreign exchange and other) £m	Closing 2020 £m
Bank and other short-term borrowings		(668.1)	(586.3)	(21.1)	(316.0)	(1,591.5)
Bank and other long-term borrowings		(1,059.3)	(537.7)	(1.3)	260.7	(1,337.6)
Lease liabilities	B4	(216.7)	92.3	–	(90.1)	(214.5)
Other investments		1.8	170.5	–	(0.1)	172.2
Fair value of debt-related derivatives		(23.8)	30.3	(39.7)	39.8	6.6
Gross debt		(1,966.1)	(830.9)	(62.1)	(105.7)	(2,964.8)
Cash and cash equivalents in the Consolidated Balance Sheet		893.1	1,058.9	–	(2.5)	1,949.5
Net debt		(1,073.0)	228.0	(62.1)	(108.2)	(1,015.3)

1. Both cash and cash equivalents and bank and other short-term borrowings have been restated in 2020 by reducing cash in hand and overdrafts by £276.1m to reflect the netted position of the main and shadow bank accounts pool arrangement which were previously grossed up (Note C3).
2. Trade and other receivables and bank and other short-term borrowings have been restated in 2020 due to a correction of the recognition of an overseas factoring arrangement. Both have been increased by £21.0m.

The foreign exchange gain on debt and derivatives amounted to £30.1m (2020: £15.5m loss). The gain primarily resulted from a weakening of the euro by 7 cents offset by a strengthening of the US dollar by 1 cent. Included within the net decrease in cash and cash equivalents is £19.1m (2020: £4.2m) cash paid on debt-related foreign exchange forward contracts (which is included within financing activities in the Consolidated Cash Flow Statement) and £nil (2020: £27.9m) settlement paid on the Synthetic Borrowing Unit (SBU), which was closed out in August 2020.

The total borrowings cash decrease of £1,149.2m includes £166.6m (2020: £1,352.2m) debt repayment (included in financing activities), £15.1m (2020: £18.3m) settlement of interest accrued (included within operating activities) and £972.2m decrease (2020: £503.4m increase) in overdraft offset by £4.7m proceeds from new debt (included in financing activities).

The derivatives cash decrease of £31.4m includes £19.1m (2020: £4.2m) of cash paid on debt-related foreign exchange swaps (included in financing activities) and £12.4m (2020: £6.6m) interest paid (included in operating activities).

The cash outflow of £94.1m from leases liabilities includes £88.0m (2020: £85.4m) capital paid (included within financing activities) and £6.1m (2020: £6.8m) interest paid (included in operating activities).

Fair value is equal to carrying value for all elements of net debt with the exception of bond debt which has a carrying value of £1,253.7m (2020: £1,487.8m) and a fair value of £1,272.1m (2020: £1,537.3m).

The Group operates notional pooling arrangements whereby cash balances and overdrafts held within the same bank have a legal right of offset. The following table shows the effect of offsetting in the balance sheet due to financial instruments subject to enforceable netting arrangements:

	Notes	Gross amount 2021 £m	Gross amounts set off in the balance sheet 2021 £m	Net amounts presented in the balance sheet 2021 £m	Amount subject to master netting arrangement 2021 £m	Net amount 2021 £m
Financial assets						
Cash and cash equivalents	C3	**668.4**	**–**	**668.4**	**(423.6)**	**244.8**
Trade and other receivables	A3	**541.2**	**–**	**541.2**	**–**	**541.2**
Other financial assets	C4	**1.8**	**–**	**1.8**	**–**	**1.8**
Derivative financial instruments	C6	**12.3**	**–**	**12.3**	**(8.1)**	**4.2**
Total		**1,223.7**	**–**	**1,223.7**	**(431.7)**	**792.0**
Financial liabilities						
Trade and other payables	A5	**(835.5)**	**–**	**(835.5)**	**–**	**(835.5)**
Provision for liabilities and charges	A6	**(60.9)**	**–**	**(60.9)**	**–**	**(60.9)**
Borrowings	C2	**(1,715.4)**	**–**	**(1,715.4)**	**423.6**	**(1,291.8)**
Lease liabilities	B4	**(217.0)**	**–**	**(217.0)**	**–**	**(217.0)**
Derivative financial instruments	C6	**(34.5)**	**–**	**(34.5)**	**8.1**	**(26.4)**
Total		**(2,863.3)**	**–**	**(2,863.3)**	**431.7**	**(2,431.6)**

	Notes	Gross amount 2020 £m	Gross amounts set off in the balance sheet 2020 £m	Net amounts presented in the balance sheet 2020 £m	Amount subject to master netting arrangement 2020 £m	Net amount 2020 £m
Financial assets						
Cash and cash equivalents	C3	1,949.5	–	1,949.5	(1,395.7)	553.8
Trade receivables	A3	582.7	–	582.7	–	582.7
Other financial assets	C4	172.4	–	172.4	–	172.4
Derivative financial instruments	C6	42.6	–	42.6	(29.4)	13.2
Total		2,747.2	–	2,747.2	(1,425.1)	1,322.1
Financial liabilities						
Trade and other payables	A5	(995.4)	–	(995.4)	–	(995.4)
Provision for liabilities and charges	A6	(64.2)	–	(64.2)	–	(64.2)
Borrowings	C2	(2,929.1)	–	(2,929.1)	1,395.7	(1,533.4)
Lease liabilities	B4	(214.5)	–	(214.5)	–	(214.5)
Derivative financial instruments	C6	(35.8)	–	(35.8)	29.4	(6.4)
Total		(4,239.0)	–	(4,239.0)	1,425.1	(2,813.9)

C3. Cash and cash equivalents

Cash and cash equivalents include cash in hand, short-term bank deposits and other short-term highly liquid investments with original maturities of three months or less (and subject to insignificant changes in value). In the cash flow statement, cash and cash equivalents are shown net of bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

Cash at bank and in hand includes £6.6m (2020: £6.7m) of restricted cash. This cash is held in respect of specific contracts and can only be utilised in line with terms under the contractual arrangements.

Cash at bank and in hand also includes £65.5m (2020: £51.0m) of cash held in countries with foreign exchange regulations. This cash is repatriated to the UK where possible, if not required for operational purposes in country.

Fair value is equal to carrying value for all cash and cash equivalents.

	Gross amounts £m
At 31 December 2021	
Cash at bank and in hand	**553.8**
Money market funds	**52.8**
Short-term bank deposits	**61.8**
Cash and cash equivalents in the Consolidated Balance Sheet	**668.4**
Bank overdraft	**(426.5)**
Cash and cash equivalents in the Consolidated Cash Flow Statement	**241.9**
At 31 December 2020[1]	
Cash at bank and in hand	1,560.3
Money market funds	383.1
Short-term bank deposits	6.1
Cash and cash equivalents in the Consolidated Balance Sheet	1,949.5
Bank overdraft	(1,398.7)
Cash and cash equivalents in the Consolidated Cash Flow Statement	550.8

1. Both cash and cash equivalents and bank and other short-term borrowings have been restated in 2020 by reducing cash in hand and overdrafts by £276.1m to reflect the netted position of the main and shadow bank accounts pool arrangement which were previously grossed up (Note C2).

Credit interest rates on bank balances range between 0.16% and 5.15% and debit interest rates range between (3.625)% and 12.25%.

As far as it is practical to do so, cash balances are held centrally and are used first to repay borrowings under the Group's RCF before being placed on deposit.

C4. Other investments

Other investments held at year end mainly comprised term deposits maturing in more than three months from the date that the deposit was placed. The weighted average effective interest rate earned is 0.4% (2020: 0.2%) with £nil fixed for six months (2020: £170.6m) and £1.6m fixed for one year (2020: £1.6m). Fair value is equal to carrying value for all other investments.

Financial assets are denominated in the following currencies:

	2021 £m	2020 £m
Pound sterling	**1.6**	172.2
Other[1]	**0.2**	0.2
	1.8	172.4
Analysed as follows:		
Current portion	**1.6**	172.2
Non-current portion[1]	**0.2**	0.2
	1.8	172.4

1. Includes a direct investment of £0.2m (2020: £0.2m) in a solar energy company in the US. This investment is classified as FVTPL.

Part of the £172.2m deposit held at 31 December 2020 was used in July 2021 to repay the remaining €175.7m outstanding under the €350m bond.

None of the financial assets are either past due or impaired in 2021 (2020: none).

C5. Derivative financial instruments

Accounting for derivative financial instruments and hedging activities
Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value at the balance sheet date. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument and, if so, the nature of the item being hedged. At the inception of the transaction the Group documents the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are effective in offsetting changes in fair values of hedged items.

Certain financial instruments are not designated or do not qualify for hedge accounting. Typically the Group will not designate financial instruments for hedge accounting where a perfect or near perfect offset is expected between the change in value of assets and liabilities. Changes in the fair value of any derivative instruments in this category are immediately recognised in the income statement. Where financial instruments are designated for hedge accounting they are designated as either fair value hedge, net investment hedge or cash flow hedge. When designating cross-currency swaps, the cost of hedging has been excluded from the relationship and any movement in the fair value related to the cost of hedging is deferred in equity and amortised over the life of the hedged item.

(a) Fair value hedge
These instruments are used to hedge exposure to changes in the fair value of recognised assets or liabilities. Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recognised in the income statement, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk. There were no fair value hedges as at the year end date.

(b) Net investment hedge
These instruments are used to hedge exposure on translation of net investments in foreign operations. Any gain or loss on the hedging instrument related to the effective portion of the hedge is recognised in other comprehensive income; the gain or loss related to the ineffective portion is recognised immediately in the income statement. In the event of disposal of a foreign operation, the gains and losses accumulated in other comprehensive income are recycled through the income statement. All currencies are directly hedged therefore the hedge ratio is considered to be 1:1.

The Group expects that the values of the hedged item and hedging instrument will move in opposite directions in response to movements in the same hedged risk. Where there are sufficient levels of denominated net assets, the critical terms are deemed to match.

The following net investment hedges were in place at 31 December 2021:

US dollar net investment hedge relationship: $807.0m (2020: $601.5m) cross-currency swaps notional and $92.7m (2020: $80.4m) cross-currency swaps future interest cash flows have been used to hedge $899.7m (2020: $681.9m) of the net assets of the US operating subsidiaries. The movement in the cross-currency swaps due to changes in $/£ exchange rates are in the opposite direction of the changes due to $/£ in the subsidiaries assets. As the critical terms match, their values will systematically change in the opposite direction of each other. Thus we consider that this demonstrates the existence of an economic relationship.

Euro net investment hedge relationship: €551.8m (2020: €567.9m) bonds are used to hedge the net assets of the euro operating subsidiaries totalling €551.8m (2020: €567.9m). The movement in the bonds due to changes in €/£ exchange rates are in the opposite direction of the changes due to €/£ in the subsidiaries assets. As the critical terms match, their values will systematically change in the opposite direction of each other. Thus we consider that this demonstrates the existence of an economic relationship.

Australian dollar (AUD) net investment hedge relationship: AUD9.1m (2020: AUD9.6m) overdraft is used to hedge AUD9.1m of the net assets of the AUD denominated operating subsidiaries. The movement in the overdraft balance due to changes in AUD/GBP exchange rates are in the opposite direction of the changes due to AUD/GBP in the subsidiaries assets. As the critical terms match, their values will systematically change in the opposite direction of each other. Thus we consider that this demonstrates the existence of an economic relationship.

Japanese yen (JPY) net investment hedge relationship: JPY1.2bn (2020: JPY1.2bn) cross-currency swap is used to hedge JPY1.2bn of the net assets of the Japanese associate. The movement in the cross-currency swaps due to changes in JPY/GBP exchange rates are in the opposite direction of the changes due to JPY/GBP in the associate's assets. As the critical terms match, their values will systematically change in the opposite direction of each other. Thus we consider that this demonstrates the existence of an economic relationship.

During the year there was a gain of £1.7m (2020: £0.7m) relating to ineffectiveness of net investment in foreign entity hedges. The main source of ineffectiveness of the net investment hedge is the off-market value of the cross-currency swaps used to hedge US dollar net assets at the hedge designation date. Ineffectiveness due to changes in the counterparty credit risk was not material in the year and is expected to remain so due to the Group's policy of only using counterparties with a credit rating of A- and above.

For the year ended 31 December 2021, the amount in comprehensive income related to net investment hedge accounting was a gain of £15.0m (2020: £17.2m loss).

The effect of the foreign currency related hedging instruments on the Group's financial position and performance is shown in the table below:

	2021								
Hedging instruments	Currency	Carrying amount at year end date £m	Notional amount £m	Maturity date	Hedge ratio	Change in fair value of outstanding instrument £m	Change in fair value of hedged item £m	Ineffectiveness £m	Weighted average foreign exchange rate for the year
Cross-currency swaps	USD	1.6	596.4	November 2024 – October 2028	1:1	(15.6)	(17.5)	1.9	1.296
Cross-currency swaps	JPY	1.2	7.6	November 2022	1:1	0.7	0.7	–	134.326
Bonds	EUR	(462.7)	(463.7)	November 2024 – October 2028	1:1	27.9	27.9	–	1.147
Overdraft	AUD	(4.9)	(4.9)	n/a	1:1	0.2	0.2	–	1.857

Hedging instruments	Currency	Carrying amount at year end date £m	Notional amount £m	Maturity date	Hedge ratio	Change in fair value of outstanding instrument £m	Change in fair value of hedged item £m	Ineffectiveness £m	Weighted average foreign exchange rate for the year
	2020								
Cross-currency swaps	USD	13.3	439.8	November 2024 – May 2026	1:1	8.2	7.8	0.4	1.268
Cross-currency swaps	JPY	0.4	8.4	November 2022	1:1	0.4	0.4	–	134.326
Bonds	EUR	(506.4)	(507.2)	November 2024 – May 2026	1:1	(26.5)	(26.5)	–	1.152
Overdraft	AUD	(5.4)	(5.4)	n/a	1:1	(0.4)	(0.4)	–	1.857
Overdraft	NZD	(3.2)	(3.2)	n/a	1:1	(0.5)	(0.5)	–	2.014
FX swaps	USD	1.2	41.9	January 2021	1:1	5.4	5.4	–	1.336

(c) Cash flow hedge
These instruments are used to hedge a highly probable forecast transaction, or a change in the cash flows of a recognised asset or liability. The portion of the gain or loss on the hedging instrument relating to the effective portion of the hedge is recognised in other comprehensive income. Any ineffective portion is immediately recognised in the income statement. The gains or losses that are recognised in comprehensive income are transferred to the income statement in the same period in which the hedged cash flows affect the income statement. In the event that the hedged item occurs or is no longer expected to occur, accumulated gains or losses held in the cash flow hedge reserve are immediately recognised in the income statement. In the event that the hedged item is expected to occur but no longer meets the requirements of hedge accounting, accumulated gains or losses remain in other comprehensive income and are only recognised in the income statement when the forecast transaction occurs or is no longer expected to occur. All cash flow hedge relationships are hedges of a foreign currency risk and all currencies were directly hedged therefore the hedge ratio is considered to be 1:1.

Cash flow hedge accounting has been applied to derivatives (marked as 'cash flow hedge' in the table on page 188) in accordance with IFRS 9. Where no hedge accounting has been applied, related derivatives have been marked as 'non-hedge'.

The hedged item, a euro bond, creates an exposure to pay interest annually and the principal at maturity. By receiving the same amount at the same dates through a cross-currency swap, this exposure is eliminated. Since the critical terms of the derivative and the hedged debt match (i.e. matching currencies, payment dates and interest rate on the leg of the swap offsetting the bond), the change in value of the derivative, excluding any basis risk, will be considered to completely offset the changes in the hedged cash flow.

Any ineffectiveness on the cash flow hedge is taken directly to finance costs. During the year there was a loss of £0.8m (2020: loss of £0.7m) from those derivatives in a cash flow hedge relationship. The main source of ineffectiveness in the cash flow hedge is the off-market value of the derivatives hedging the €400m bond maturing in 2024 at the inception of the hedge relationship. Ineffectiveness due to changes in the counterparty credit risk was not material in the year and is expected to remain the same because the Group's counterparties credit rating is A- and above.

Cash flow hedge accounting has been applied to €340.0m (2020: €340.0m) of the €400m 2024 bond, €179.4m (2020: €179.4m) of the €500m 2026 bond and €175.0m (2020: nil) of the €600m 2028 bond. The cross-currency interest rate swaps are used as hedging instruments to hedge the volatility in the £/€ exchange rate of the bonds. For the year ended 31 December 2021, the amount in comprehensive income related to cash flow hedge accounting was a gain of £13.2m (2020: £4.9m loss).

The effect of the foreign currency related hedging instruments on the Group's financial position and performance is shown in the table below:

Hedging instruments	**Currency**	**Carrying amount at year end date £m**	**Notional amount £m**	**Maturity date**	**Hedge ratio**	**Change in fair value of outstanding instrument £m**	**Cumulative change in fair value of hedged item £m**	**Ineffectiveness £m**	**Weighted average rate for the year**
	2021								
Cross-currency swaps	**EUR**	**(25.3)**	**694.5**	**November 2024 – October 2028**	**1:1**	**(23.8)**	**(22.7)**	**(1.1)**	**1.131**

Hedging instruments	Currency	Carrying amount at year end date £m	Notional amount £m	Maturity date	Hedge ratio	Change in fair value of outstanding instrument £m	Cumulative change in fair value of hedged item £m	Ineffectiveness £m	Weighted average rate for the year
	2020								
Cross-currency swaps	EUR	(8.3)	519.5	November 2024 – May 2026	1:1	7.8	(7.4)	(0.4)	1.115

Amount in cash flow hedge reserves related to continuing hedges is a gain of £8.8m (2020: £4.4m loss), and the amount related to discontinued hedges is £nil (2020: £nil).

C6. Fair value estimation

All financial instruments held at fair value are classified by reference to the source of inputs used to derive the fair value. The following hierarchy is used:

Level 1 – unadjusted quoted prices in active markets for identical assets or liabilities;
Level 2 – inputs other than quoted prices that are observable for the asset or liability either directly as prices or indirectly through modelling based on prices; and
Level 3 – inputs for the asset or liability that are not based on observable market data.

Financial instrument	Hierarchy level	Valuation method
Financial assets traded in active markets	1	Current bid price
Financial liabilities traded in active markets	1	Current ask price
Listed bonds	1	Quoted market prices
Money market funds	1	Quoted market prices
Interest rate/currency swaps	2	Discounted cash flow based on market swap rates
Forward foreign exchange contracts	2	Forward exchange market rates
Metal hedging options and non-deliverable forwards	2	Discounted cash flow using quoted market prices and forward interest rates
Borrowings not traded in active markets (term loans and uncommitted facilities)	2	Nominal value
Money market deposits	2	Nominal value
Trade payables and receivables	2	Nominal value less estimated credit adjustments
Provisions	2	Discounted cash flow using market bond rates
Contingent consideration (including put option liability)	3	Discounted cash flow using WACC

Trade payables and receivables was classified as level 3 in the prior year due to a misclassification. No other instruments have moved between levels.

	Fair value assets 2021 £m	**Fair value liabilities 2021 £m**	Fair value assets 2020 £m	Fair value liabilities[1] 2020 £m
Interest rate swaps (level 2):				
– non-hedge	**–**	**(0.6)**	–	(0.7)
– cash flow hedge	**–**	**(25.3)**	–	(8.3)
– net investment hedge	**11.0**	**(8.2)**	37.0	(23.3)
Foreign exchange swaps (level 2):				
– non-hedge	**1.3**	**(0.4)**	4.2	(3.5)
– net investment hedge	**–**	**–**	1.2	–
Metal hedging options and non-deliverable forwards (level 2):				
– non-hedge	**–**	**–**	0.2	–
	12.3	**(34.5)**	42.6	(35.8)
Analysed as follows:				
Current portion	**2.5**	**(1.0)**	5.6	(3.5)
Non-current portion	**9.8**	**(33.5)**	37.0	(32.3)
Derivative financial instruments	**12.3**	**(34.5)**	42.6	(35.8)
Contingent consideration (including put option liability) (level 3)[1]	**–**	**(75.0)**	–	(62.8)
Analysed as follows:				
Current portion	**–**	**(22.8)**	–	(16.7)
Non-current portion	**–**	**(52.2)**	–	(46.1)
Other payables	**–**	**(75.0)**	–	(62.8)

1. Fair value liabilities have been restated in 2020 to correct the omission of contingent consideration.

The effective nominal value of foreign exchange swaps is £39.1m (2020: £192.6m) and foreign exchange forwards is £33.9m (2020: £nil).

Given the volume of acquisitions and the variety of inputs to the valuation of contingent consideration (depending on each transaction) there are not considered to be any changes in input that would have a material impact on the contingent consideration liability.

	Contingent consideration 2021 £m	Contingent consideration 2020 £m
At 1 January	**62.8**	66.4
Exchange differences	**(7.8)**	5.1
Acquisitions	**24.0**	22.3
Payments	**(12.0)**	(29.9)
Revaluation of put option through equity	**8.0**	(1.1)
At 31 December	**75.0**	62.8

Fair value is equal to carrying value for all other trade and other payables.

The table below analyses the Group's derivative financial instruments that will be settled on a gross basis, into relevant maturity groupings based on the remaining period to the contractual maturity date at the balance sheet date.

	Less than 1 year £m	Between 1 and 2 years £m	Between 2 and 5 years £m	Over 5 years £m	Total £m
At 31 December 2021					
Cross-currency interest rate swaps:					
– outflow	**(18.1)**	**(13.8)**	**(470.9)**	**(158.2)**	**(661.0)**
– inflow	**12.1**	**4.8**	**445.4**	**148.5**	**610.8**
Interest rate swaps:					
– outflow	**(7.7)**	**(6.5)**	**(6.2)**	**–**	**(20.4)**
– inflow	**2.1**	**3.4**	**4.0**	**–**	**9.5**
Foreign exchange swaps:					
– outflow	**(385.2)**	**–**	**–**	**–**	**(385.2)**
– outflow	**386.5**	**–**	**–**	**–**	**386.5**
Foreign exchange forwards:					
– outflow	**(33.9)**	**–**	**–**	**–**	**(33.9)**
– inflow	**34.1**	**–**	**–**	**–**	**34.1**
Net inflow/(outflow)	**(10.1)**	**(12.1)**	**(27.7)**	**(9.7)**	**(59.6)**
At 31 December 2020					
Cross-currency interest rate swaps:					
– outflow	(13.2)	(20.7)	(322.6)	(148.4)	(504.9)
– inflow	4.3	11.6	313.7	161.7	491.3
Interest rate swaps:					
– outflow	(8.2)	(8.2)	(15.6)	–	(32.0)
– inflow	1.9	1.9	4.4	–	8.2
Foreign exchange swaps:					
– outflow	(619.9)	–	–	–	(619.9)
– inflow	619.4	–	–	–	619.4
Net outflow	(15.7)	(15.4)	(20.1)	13.3	(37.9)

C7. Analysis of bank and bond debt

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are classified as current liabilities unless the Group has a continuing right to defer settlement of the liability for at least 12 months after the balance sheet date.

The Group's bank debt comprises:

	Facility amount £m	Drawn at year end £m	Headroom £m	Interest rate at year end %
Non-current				
£550m RCF due August 2025	550.0	–	550.0	0.14

In September 2021 the Group amended its RCF to incorporate the switch from LIBOR to risk free rates. At the same time financial covenants were permanently removed from the facility. The RCF was undrawn throughout 2021.

Medium-term notes and bond debt comprises:

	Bond interest coupon	Effective hedged interest rate
Non-current		
€400m bond due November 2024	Fixed 0.95%	Fixed 3.08%
€500m bond due May 2026	Fixed 0.875%	Fixed 1.54%
€600m bond due October 2028	Fixed 0.50%	Fixed 1.08%
Average cost of bond debt at year-end rates		1.78%

The effective hedged interest rate reflects the interest rate payable after the impact of interest due from cross-currency swaps. The Group's hedging strategy is to hold foreign currency debt in proportion to foreign currency profit and cash flows, which are mainly in euro and US dollar. As a result, the Group has swapped a portion of the bonds it has issued into US dollars, thus increasing the effective hedged interest rate.

The Group considers the fair value of other current liabilities to be equal to the carrying value.

C8. Finance cost

	Notes	2021 £m	2020 £m
Hedged interest payable on medium-term notes issued[1]		**9.5**	15.6
Interest payable on bank loans and overdrafts[1]		**2.6**	3.0
Interest payable on RCF[1]		**1.4**	5.4
Interest payable on foreign exchange swaps[2]		**13.7**	9.5
Interest payable on leases	B4	**6.1**	6.8
Amortisation of discount on provisions		**0.3**	0.3
Fair value loss on hedge ineffectiveness		**0.1**	7.9
Fair value adjustment on debt repayment		**–**	4.1
Fair value loss on other derivatives[3]		**–**	25.9
Total finance cost		**33.7**	78.5

1. Interest expense on financial liabilities held at amortised cost.
2. Interest payable on foreign exchange swaps including coupon interest payable for the year was £17.4m. £3.7m has been reported in other comprehensive income due to hedge accounting.
3. Fair value loss on other derivatives relates to $335m SBU entered into since February 2019 ($170m in February 2019 and $165m in July 2019) which did not qualify for hedge accounting. The instrument provided an annual interest benefit of 1.9% of the outstanding principal and was closed out in August 2020 with a full-year loss of £26.2m excluding interest accrued.

C9. Finance income

	Notes	2021 £m	2020 £m
Bank interest received		**0.8**	2.3
Interest receivable on foreign exchange swaps		**0.2**	3.4
Hyperinflation accounting adjustment		**3.2**	–
Interest on net defined benefit asset	A10	**–**	0.5
Total finance income		**4.2**	6.2

C10. Operating cash and Free Cash Flow

	2021 £m	2020 £m
Operating profit	**346.5**	293.7
Adjustments for:		
– Depreciation of property, plant and equipment	**128.4**	132.3
– Depreciation of leased assets	**78.4**	78.0
– Amortisation and impairment of intangible assets (excluding computer software)	**74.3**	82.5
– Amortisation and impairment of computer software	**16.8**	18.5
– Other non-cash items	**5.8**	(0.5)
Changes in working capital (excluding the effects of acquisitions and exchange differences on consolidation):		
– Inventories	**(3.2)**	(23.3)
– Contract costs	**(4.8)**	(1.9)
– Trade and other receivables	**58.8**	(43.3)
– Contract assets	**(0.1)**	2.4
– Trade and other payables and provisions	**(43.0)**	78.2
– Contract liabilities	**11.1**	12.7
Cash generated from operating activities before special pension contributions	**669.0**	629.3
Special pension contributions	**(0.5)**	(0.5)
Cash generated from operating activities	**668.5**	628.8
Add back: special pension contributions	**0.5**	0.5
Purchase of property, plant and equipment	**(127.8)**	(129.9)
Purchase of intangible fixed assets	**(32.1)**	(22.6)
Capital element of lease payments and initial direct costs incurred	**(88.1)**	(82.8)
Proceeds from sale of property, plant and equipment	**7.4**	6.3
Dividends received from associates	**3.9**	11.7
	432.3	412.0
Interest received	**5.2**	7.6
Interest paid	**(41.6)**	(48.6)
Income tax paid	**(68.9)**	(64.4)
Special pension contributions	**(0.5)**	(0.5)
Free Cash Flow from continuing operations	**326.5**	306.1

D. Other

D1. Dividends

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's Financial Statements in the period in which the dividends are approved by the Company's shareholders. Interim dividends are recognised when paid.

	2021 £m	2020 £m
2020 final dividend paid – 5.41p per share	**100.0**	–
2021 interim dividend paid – 2.09p per share	**38.7**	–
	138.7	–

An interim dividend of 2.09p per share was paid on 13 September 2021 amounting to £38.7m. A final dividend in respect of 2021 of 4.30p per share is to be proposed at the Annual General Meeting on 11 May 2022. The aggregate amount of the proposed dividend to be paid out of retained earnings at 31 December 2021, but not recognised as a liability at year end, is £79.5m.

D2. Share capital

The Company's share capital is made up of the shares that have been issued to its members, whether on, or subsequent to, its incorporation. At the year end the Company's issued share capital consisted of ordinary shares of 1p each, with one voting right per share, as detailed below. The Company does not have a limited amount of authorised capital.

During the year five million new shares were issued in relation to employee share schemes. The Company does not hold any shares in treasury.

	2021 £m	2020 £m
Issued and fully paid		
At 31 December – 1,859,332,965 shares (2020: 1,854,332,965)	**18.6**	18.5

D3. Contingent liabilities

The Group has contingent liabilities relating to guarantees in respect of leasehold properties, pensions, third parties, environmental issues, tax and litigation. The possibility of any significant outflows in respect of these items is considered to be remote.

On 14 December 2021, the Group announced that it had signed a definitive agreement to acquire Terminix Global Holdings, Inc. subject to regulatory clearance and approval by shareholders of both companies. The deal is anticipated to close during 2022 and total implied consideration at the date of the announcement was estimated to be $6.7bn. The Group has a liability contingent upon successful completion of the transaction in respect of professional fees. The undiscounted amount of the total payments that the Group could be required to make is estimated to be up to £35m.

D4. Related party transactions

Subsidiaries
Related party transactions and outstanding balances between subsidiaries within the Group are eliminated in the preparation of the Consolidated Financial Statements and accordingly are not disclosed in this note.

Key management personnel
The Group's strategy and policy are managed by the Executive Leadership Board (Executive Directors and senior management as shown on pages 84 to 87). Their compensation and the compensation payable to the Non-Executive Directors is shown below:

	2021 £m	2020 £m
Salaries and other short-term employee benefits	**6.4**	8.2
Post-employment benefits	**0.5**	0.3
Share-based payments	**3.4**	1.7
	10.3	10.2

Joint ventures and associate entities
The Group participates in a number of joint ventures where it has control and therefore it consolidates these as subsidiaries in its Consolidated Financial Statements. All transactions between these entities and the Group were transacted at arm's length during the ordinary course of business and have been eliminated on consolidation.

Nippon Calmic Ltd (49%) was an associate during 2020 and 2021 and its balances are disclosed in Note B6. Boecker Public Safety Services – Qatar W.L.L. (24.5%) and Boecker Public Health Services (30%) became associate entities when they were acquired by the Group on 3 August 2021 and their balances are disclosed in Note B6. There are no significant transactions between associate entities and other Group companies.

Pension scheme
The Group bears some costs of administration and independent pension advice of the Rentokil Initial 2015 Pension Scheme. The total amount of costs in the year ended 31 December 2021 was £nil (2020: £0.2m) of which £nil (2020: £0.2m) was recharged to the Scheme. At 31 December 2021, £nil (2020: £nil) remained outstanding.

D5. Government grants

In response to the global COVID-19 pandemic there were a number of government schemes made available providing wage subsidies for companies that had to shut or scale down operations. The government schemes have different conditions attached to them depending on the country in which they are available. The Group presents the grants by deducting from the related expense, which in this case is the employee benefit expense. The Group received a total wage subsidy of £1.0m in 2021 (2020: £14.2m).

D6. Post balance sheet events

On 24 February 2022 the buy-out of the Rentokil Initial 2015 Pension Scheme completed when the insurance policy with PIC was transferred to the individual members of the Scheme. Accordingly both the Scheme's assets and liabilities have been reduced by the policy value (£1,238.6m).

There were no other significant post balance sheet events affecting the Group since 31 December 2021.

E. Alternative Performance Measures

The Group uses a number of measures to present the financial performance of the business which are not GAAP measures as defined under IFRS. Management believes these measures provide valuable additional information for users of the Financial Statements in order to better understand the underlying trading performance in the year from activities and businesses that will contribute to future performance. The Group's internal strategic planning process is also based on these measures and they are used for incentive purposes. They should be viewed as complements to, and not replacements for, the comparable GAAP measures.

Constant exchange rates (CER)
Given the international nature of the Group's operations, foreign exchange movements can have a significant impact on the reported results of the Group when they are translated into sterling (the functional currency of the Group). In order to help understand the underlying trading performance of the business, revenue and profit measures are often presented at CER. CER is calculated by translating current-year reported numbers at the full-year average exchange rates for the prior year, in order to give management and other users of the accounts better visibility of underlying trading performance against the prior period. The major exchange rates used are £/$ FY 2021 1.3739 (FY 2020 1.2951) and £/€ FY 2021 1.1617 (FY 2020 1.1315). Comparisons are with the year ended 31 December 2020 unless otherwise stated.

Ongoing Revenue and Ongoing Operating Profit
Ongoing Revenue and Ongoing Operating Profit represent the performance of the continuing operations of the Group (including acquisitions) after removing the effect of disposed or closed businesses. Ongoing Operating Profit is an adjusted measure and is presented before amortisation and impairment of intangible assets (excluding computer software), one-off items (see below) and gain or loss on disposal of businesses.

Ongoing measures enable the users of the accounts to focus on the performance of the businesses retained by the Group and that will therefore contribute to future performance. Ongoing Revenue and Ongoing Operating Profit are presented at CER unless otherwise stated. A reconciliation of Ongoing Revenue and Ongoing Operating Profit measures to the equivalent GAAP measure is provided in the following table and in the segmental analysis in Note A1.

Adjusted profit and earnings per share measures
Adjusted profit measures are used to give management and other users of the accounts a clear understanding of the underlying profitability of the business over time. Adjusted profit measures are calculated by adding the following items back to the equivalent GAAP profit measure:

- amortisation and impairment of intangible assets (excluding computer software);
- one-off items; and
- net interest adjustments.

Intangible assets (excluding computer software) are recognised on acquisition of businesses and capitalisation of innovation-related development costs which, by their nature, can vary by size and amount each year. As a result, amortisation of intangibles is added back to assist with understanding the underlying trading performance of the business and to allow comparability across regions and categories.

One-off items are significant expenses or income that will have a distortive impact on the underlying profitability of the Group. Typical examples are costs related to the acquisition of businesses (including aborted acquisitions), gain or loss on disposal or closure of a business, material gains or losses on disposal of fixed assets, adjustments to legacy property-related provisions (environmental liabilities), and payments or receipts as a result of legal disputes.

Net interest adjustments are other non-cash accounting gains and losses that can cause material fluctuations and distort understanding of the performance of the business, such as net interest on pension schemes and interest fair value adjustments. These adjustments are made to aid year-on-year comparability.

Adjusted earnings per share is calculated by dividing adjusted profit from continuing operations attributable to equity holders of the Company by the weighted average number of ordinary shares in issue. Note A2 shows the adjustments made in arriving at adjusted profit from continuing operations attributable to equity holders of the Company.

A reconciliation of non-GAAP measures to the comparable GAAP equivalents is provided below at both AER and CER:

	2021 AER £m	2021 CER £m	2020 £m	% change AER	% change CER
Ongoing Revenue	**2,953.9**	**3,063.5**	2,789.4	5.9	9.8
Revenue – disposed and closed businesses[1]	**2.7**	**2.7**	13.9	(80.4)	(80.4)
Revenue	**2,956.6**	**3,066.2**	2,803.3	5.5	9.4
Ongoing Operating Profit	**441.5**	**458.7**	383.8	15.0	19.5
Operating profit – disposed and closed businesses	**–**	**–**	0.2	(109.6)	(110.1)
Adjusted operating profit	**441.5**	**458.7**	384.0	15.0	19.5
One-off items	**(20.7)**	**(21.3)**	(7.7)	(170.2)	(177.6)
Amortisation and impairment of intangible assets[2]	**(74.3)**	**(77.3)**	(82.5)	9.9	6.4
Operating profit	**346.5**	**360.1**	293.8	17.9	22.6
Share of profit from associates (net of tax)	**8.1**	**8.9**	8.3	(1.7)	7.5
Net adjusted interest payable	**(33.1)**	**(34.0)**	(37.1)	10.6	8.4
Net interest adjustments	**3.6**	**3.7**	(35.2)	110.2	110.5
Profit before tax	**325.1**	**338.7**	229.8	41.5	47.5
Net interest adjustments	**(3.6)**	**(3.7)**	35.2	(110.2)	(110.5)
One-off items	**20.7**	**21.3**	7.7	170.2	177.6
Amortisation and impairment of intangible assets[2]	**74.3**	**77.3**	82.5	(9.9)	(6.4)
Adjusted Profit Before Tax	**416.5**	**433.6**	355.2	17.3	22.1
Basic earnings per share	**14.16p**	**14.77p**	10.03p	41.2	47.2
Basic adjusted earnings per share	**18.07p**	**18.81p**	15.37p	17.6	22.4

1. Includes revenue of £2.7m (2020: £7.1m) from product sales by the Group to CWS-boco International GmbH.
2. Excluding computer software.

Organic Revenue measures

Acquisitions are a core part of the Group's growth strategy. Organic Revenue growth measures are used to help understand the underlying performance of the Group. Organic Revenue growth represents the growth in Ongoing Revenue excluding the effect of businesses acquired during the year. Acquired businesses are included in organic measures in the year following acquisition, and the comparative period is adjusted to include an estimated full year performance for growth calculations (pro forma revenue).

	Europe		UK and RoW		Asia		North America		Pacific		Central & regional OH		Total	
	£m	%	£m	%	£m	%	£m	%	£m	%	£m	%	£m	%
2020 Ongoing Revenue	721.2	–	440.5	–	242.0	–	1,203.9	–	177.5	–	4.3	–	2,789.4	–
Pro forma revenue from 2020 and 2021 acquisitions	14.0	1.9	13.6	3.1	0.6	0.3	151.8	12.6	4.1	2.4	–	–	184.1	6.6
Organic Revenue growth	14.0	2.0	33.9	7.7	11.4	4.7	19.3	1.6	11.2	6.3	0.2	4.6	90.0	3.2
2021 Ongoing Revenue	**749.2**	**3.9**	**488.0**	**10.8**	**254.0**	**5.0**	**1,375.0**	**14.2**	**192.8**	**8.7**	**4.5**	**4.6**	**3,063.5**	**9.8**

	Pest Control		Hygiene		Protect & Enhance		Central & regional OH		Total	
	£m	%	£m	%	£m	%	£m	%	£m	%
2020 Ongoing Revenue	1,703.9	–	735.0	–	346.2	–	4.3	–	2,789.4	–
Pro forma revenue from 2020 and 2021 acquisitions	177.8	10.5	3.9	0.5	2.4	0.7	–	–	184.1	6.6
Organic growth	138.3	8.1	(65.5)	(8.9)	17.0	4.9	0.2	4.6	90.0	3.2
2021 Ongoing Revenue	**2,020.0**	**18.6**	**673.4**	**(8.4)**	**365.6**	**5.6**	**4.5**	**4.6**	**3,063.5**	**9.8**

Regional analysis

	Ongoing Revenue				Ongoing Operating Profit			
	2021		Change from FY 2020		2021		Change from FY 2020	
	AER £m	**CER £m**	AER %	CER %	**AER £m**	**CER £m**	AER %	CER %
France	**306.4**	**314.6**	1.1	3.8	**37.3**	**38.3**	10.9	13.9
Benelux	**95.9**	**98.5**	(0.7)	1.9	**29.3**	**30.1**	5.1	7.9
Germany	**113.9**	**116.9**	(5.6)	(3.1)	**36.6**	**37.6**	(13.1)	(10.8)
Southern Europe	**148.9**	**152.8**	4.1	6.9	**30.0**	**30.8**	37.5	41.2
Latin America	**63.1**	**66.4**	9.3	15.0	**7.0**	**7.2**	27.4	30.9
Total Europe	**728.2**	**749.2**	1.0	3.9	**140.2**	**144.0**	7.1	9.9
UK & Ireland	**313.4**	**314.0**	10.6	10.9	**83.1**	**83.3**	73.1	73.3
Rest of World	**169.7**	**174.0**	7.9	10.6	**36.9**	**37.9**	9.2	12.5
UK & Rest of World	**483.1**	**488.0**	9.7	10.8	**120.0**	**121.2**	46.7	48.2
Asia	**242.5**	**254.0**	0.2	5.0	**25.5**	**26.8**	(5.1)	(0.1)
North America	**1,299.1**	**1,375.0**	7.9	14.2	**217.6**	**230.2**	2.7	8.7
Pacific	**196.5**	**192.8**	10.7	8.7	**38.7**	**38.0**	12.0	9.9
Central and regional overheads	**4.5**	**4.5**	4.5	4.6	**(90.8)**	**(91.3)**	(2.0)	(2.5)
Restructuring costs	**–**	**–**	–	–	**(9.7)**	**(10.2)**	26.7	22.4
Ongoing operations	**2,953.9**	**3,063.5**	5.9	9.8	**441.5**	**458.7**	15.0	19.5
Disposed businesses	**2.7**	**2.7**	(80.4)	(80.4)	**–**	**–**	(109.6)	(110.1)
Continuing operations	**2,956.6**	**3,066.2**	5.5	9.4	**441.5**	**458.7**	15.0	19.5

Category analysis

	Ongoing Revenue				Ongoing Operating Profit			
	2021		Change from FY 2020		2021		Change from FY 2020	
	AER £m	**CER £m**	AER %	CER %	**AER £m**	**CER £m**	AER %	CER %
Pest Control	**1,933.4**	**2,020.0**	13.5	18.6	**361.1**	**375.8**	28.2	33.4
– Growth	**1,681.1**	**1,754.4**	14.2	19.2	**330.7**	**343.7**	28.4	33.5
– Emerging	**252.3**	**265.6**	8.8	14.5	**30.4**	**32.1**	25.7	32.4
Hygiene	**660.1**	**673.4**	(10.2)	(8.4)	**138.7**	**141.2**	(19.7)	(18.3)
– Core Hygiene	**547.5**	**555.6**	6.6	8.2				
– Disinfection	**112.6**	**117.8**	(49.1)	(46.8)				
Protect & Enhance	**355.9**	**365.6**	2.8	5.6	**42.2**	**43.2**	33.6	36.8
Central and regional overheads	**4.5**	**4.5**	4.5	4.6	**(90.8)**	**(91.3)**	(2.0)	(2.5)
Restructuring costs	**–**	**–**	–	–	**(9.7)**	**(10.2)**	26.7	22.4
Ongoing operations	**2,953.9**	**3,063.5**	5.9	9.8	**441.5**	**458.7**	15.0	19.5
Disposed businesses	**2.7**	**2.7**	(80.4)	(80.4)	**–**	**–**	(109.6)	(110.1)
Continuing operations	**2,956.6**	**3,066.2**	5.5	9.4	**441.5**	**458.7**	15.0	19.5

Operating Margin

Operating Margin is calculated by dividing Ongoing Operating Profit by Ongoing Revenue, expressed as a percentage. Net operating margin by region and category is shown in the tables below (on a trailing 12-month basis):

	2021 %	2020 %	Variance % points
France	**12.2**	11.1	1.1
Benelux	**30.5**	28.8	1.7
Germany	**32.2**	35.0	(2.8)
Southern Europe	**20.2**	15.3	4.9
Latin America	**10.8**	9.5	1.3
Total Europe	**19.2**	18.2	1.0
UK & Ireland	**26.5**	17.0	9.5
Rest of World	**21.8**	21.5	0.3
UK & Rest of World	**24.8**	18.6	6.2
Asia	**10.6**	11.1	(0.5)
North America	**16.7**	17.6	(0.9)
Pacific	**19.7**	19.5	0.2
Ongoing operations[1]	**15.0**	13.8	1.2
Disposed businesses	**(0.7)**	1.3	(2.0)
Continuing operations[1]	**15.0**	13.7	1.3

	2021 %	2020 %	Variance % points
Pest Control	**18.6**	16.5	2.1
– Growth	**19.6**	17.5	2.1
– Emerging	**12.1**	10.4	1.7
Hygiene	**21.0**	23.5	(2.5)
Protect & Enhance	**11.8**	9.1	2.7
Ongoing operations[1]	**15.0**	13.8	1.2
Disposed businesses	**(0.7)**	1.3	(2.0)
Continuing operations[1]	**15.0**	13.7	1.3

1. Operating Margin for ongoing operations and continuing operations is calculated after central and regional overheads and restructuring costs.

Adjusted interest

Adjusted interest is calculated by adjusting the reported finance income and costs by the net interest on pensions and interest fair value adjustments.

	2021 AER £m	2020 AER £m
Net finance costs	**29.5**	72.3
Net interest credit from pensions	–	0.5
Finance costs from hedge accounting recognised in other comprehensive income	**3.7**	4.3
IFRS16 interest adjustment	–	(2.1)
Interest fair value adjustments	**(0.1)**	(37.9)
Adjusted interest	**33.1**	37.1

Free Cash Flow

The Group aims to generate sustainable cash flow (Free Cash Flow) in order to support its acquisition programme and to fund dividend payments to shareholders. Free Cash Flow is measured as net cash from operating activities, adjusted for cash flows related to the purchase and sale of property, plant, equipment and intangible fixed assets, cash flows related to leased assets and dividends received from associates. These items are considered by management to be non-discretionary, as continued investment in these assets is required to support the day-to-day operations of the business. A reconciliation of Free Cash Flow from net cash from operating activities is provided in the table below:

	2021 AER £m	2020 AER £m
Net cash from operating activities	**563.2**	523.4
Purchase of property, plant, equipment and intangible fixed assets	**(159.9)**	(152.5)
Capital element of lease payments and initial direct costs incurred	**(88.1)**	(82.8)
Proceeds from sale of property, plant, equipment and software	**7.4**	6.3
Dividends received from associates	**3.9**	11.7
Free Cash Flow	**326.5**	306.1

Free Cash Flow conversion

Free Cash Flow conversion is calculated by dividing Adjusted Free Cash Flow by Adjusted Profit from continuing operations attributable to equity holders of the Company, expressed as a percentage. Adjusted Free Cash Flow is measured as Free Cash Flow adjusted for one-off items – operating and product development additions.

	2021 AER £m	2020 AER £m
Adjusted profit after tax from continuing operations attributable to equity holders of the Company	**335.6**	284.9
Free Cash Flow from continuing operations	**326.5**	306.1
One-off items – operating[1]	**27.1**	6.7
Product development additions	**6.4**	5.7
Adjusted Free Cash Flow	**360.0**	318.5
Free Cash Flow conversion	**107.3%**	111.8%

1. A breakdown of one-off items – operating is shown in Note A1.

Effective Tax Rate

Effective Tax Rate is calculated by dividing adjusted income tax expense by adjusted profit before income tax, expressed as a percentage. The measure is used by management to assess the rate of tax applied to the Group's Adjusted Profit Before Tax from continuing operations.

	Notes	**2021 AER £m**	**2021 CER £m**	2020 £m
Unadjusted income tax expense	A12	**61.9**	**64.4**	43.5
Tax adjustments on:				
Amortisation and impairment of intangible assets (excluding computer software)		**18.2**	**18.9**	17.5
One-off items – operating		**1.7**	**1.8**	2.4
Net interest adjustments		**(1.0)**	**(1.0)**	6.5
Adjusted income tax expense (a)		**80.8**	**84.1**	69.9
Adjusted profit before income tax (b)		**416.5**	**433.6**	355.2
Effective Tax Rate (a/b)		**19.4%**	**19.4%**	19.7%

New regional and category reporting structure

In response to the pandemic and increasing importance of hygiene and wellbeing services, in 2021 it was announced that the Hygiene category would be expanded, creating a larger Hygiene & Wellbeing category from 1 January 2022. Following the formation of the new Hygiene & Wellbeing category, Protect & Enhance will no longer be managed or reported as a category. France Workwear will remain as a standalone business and will be reported separately. Other category changes include Ambius moving to Hygiene & Wellbeing, Property Care moving into Pest Control and Dental Waste moving into Hygiene & Wellbeing.

At the same time, changes are being made to the regional structure, designed to provide clearer geographic links and aligned growth strategies, as follows.

- North America: Puerto Rico to join the Latin America region
- Europe: to include Nordics and Poland, previously in UK & Rest of World region
- UK & Sub-Saharan Africa: No change to UK, Ireland & Baltics. Sub-Saharan Africa remains in this region. Other Rest of World countries (MENAT and Caribbean) move to other regions
- Asia & MENAT: Enlarged region to include Asia and MENAT countries
- Latin America: Continues to be reported under Europe region but now includes Caribbean (formerly in UK & Rest of World) and Puerto Rico (formerly in North America)
- Pacific: No change

The regional and category tables presented above are represented under the new structures on the following pages.

Organic Revenue measures

	North America		Europe		UK & Sub- Saharan Africa		Asia & MENAT		Pacific		Central & regional OH		Total	
	£m	%	£m	%	£m	%	£m	%	£m	%	£m	%	£m	%
2020 Ongoing Revenue	1,196.8	–	820.6	–	327.4	–	263.3	–	177.5	–	3.8	–	2,789.4	–
Pro forma revenue from 2020 and 2021 acquisitions	151.8	12.7	18.7	2.3	–	–	9.5	3.6	4.1	2.4	–	–	184.1	6.6
Organic Revenue growth	17.1	1.4	16.0	1.9	32.1	9.8	12.9	4.9	11.2	6.3	0.7	18.0	90.0	3.2
2021 Ongoing Revenue	**1,365.7**	**14.1**	**855.3**	**4.2**	**359.5**	**9.8**	**285.7**	**8.5**	**192.8**	**8.7**	**4.5**	**18.0**	**3,063.5**	**9.8**

	Pest Control		Hygiene & Wellbeing		France Workwear		Central & regional OH		Total	
	£m	%	£m	%	£m	%	£m	%	£m	%
2020 Ongoing Revenue	1,721.9	–	895.9	–	167.8	–	3.8	–	2,789.4	–
Pro forma revenue from 2020 and 2021 acquisitions	178.1	10.4	6.0	0.7	–	–	–	–	184.1	6.6
Organic Revenue growth	140.2	8.1	(53.3)	(6.0)	2.4	1.5	0.7	18.0	90.0	3.2
2021 Ongoing Revenue	**2,040.2**	**18.5**	**848.6**	**(5.3)**	**170.2**	**1.5**	**4.5**	**18.0**	**3,063.5**	**9.8**

Regional analysis

	Ongoing Revenue				**Ongoing Operating Profit**			
	2021		Change from FY 2020		**2021**		Change from FY 2020	
	AER £m	**CER £m**	AER %	CER %	**AER £m**	**CER £m**	AER %	CER %
North America	**1,290.5**	**1,365.7**	7.8	14.1	**215.3**	**227.8**	2.7	8.7
France	**306.4**	**314.6**	1.1	3.8	**37.4**	**38.3**	10.9	13.9
Benelux	**95.9**	**98.5**	(0.7)	1.9	**29.3**	**30.1**	5.1	7.9
Germany	**113.9**	**116.9**	(5.6)	(3.1)	**36.6**	**37.6**	(13.1)	(10.8)
Southern Europe	**148.9**	**152.8**	4.1	6.9	**30.0**	**30.8**	37.5	41.2
Nordics	**72.0**	**72.4**	4.8	5.3	**13.3**	**13.5**	4.7	5.9
Latin America & Caribbean	**94.9**	**100.1**	7.3	13.2	**16.5**	**17.3**	14.3	19.5
Total Europe	**832.0**	**855.3**	1.4	4.2	**163.1**	**167.6**	6.8	9.7
UK, Ireland & Baltics	**318.4**	**319.2**	10.3	10.6	**84.7**	**84.8**	70.8	71.1
Sub-Saharan Africa	**40.7**	**40.3**	4.8	3.8	**10.0**	**10.0**	5.5	5.8
UK & Sub-Saharan Africa	**359.1**	**359.5**	9.7	9.8	**94.7**	**94.8**	60.3	60.7
Asia & MENAT	**271.3**	**285.7**	3.0	8.5	**36.2**	**38.2**	1.7	7.3
Pacific	**196.5**	**192.8**	10.7	8.7	**38.7**	**38.0**	12.0	9.9
Central and regional overheads	**4.5**	**4.5**	18.0	18.0	**(96.8)**	**(97.5)**	(2.4)	(3.1)
Restructuring costs	**–**	**–**	–	–	**(9.7)**	**(10.2)**	26.7	22.4
Ongoing operations	**2,953.9**	**3,063.5**	5.9	9.8	**441.5**	**458.7**	15.0	19.5
Disposed businesses	**2.7**	**2.7**	(80.4)	(80.4)	**–**	**–**	(109.6)	(110.1)
Continuing operations	**2,956.6**	**3,066.2**	5.5	9.4	**441.5**	**458.7**	15.0	19.5

Category analysis

	Ongoing Revenue				Ongoing Operating Profit			
	2021		Change from FY 2020		2021		Change from FY 2020	
	AER £m	CER £m	AER %	CER %	AER £m	CER £m	AER %	CER %
Pest Control	**1,953.7**	**2,040.2**	13.5	18.5	**363.7**	**378.3**	30.5	35.7
– Growth	**1,711.4**	**1,784.6**	14.3	19.2	**334.9**	**347.9**	29.4	34.4
– Emerging	**242.3**	**255.6**	8.1	14.0	**28.8**	**30.4**	45.3	53.2
Hygiene & Wellbeing	**829.9**	**848.6**	(7.4)	(5.3)	**167.3**	**170.6**	(14.0)	(12.3)
– Core Hygiene & Wellbeing	**717.3**	**730.8**	6.4	8.4				
– Disinfection	**112.6**	**117.8**	(49.1)	(46.8)				
France Workwear	**165.8**	**170.2**	(1.2)	1.5	**17.0**	**17.5**	(6.6)	(4.1)
Central and regional overheads	**4.5**	**4.5**	18.0	18.0	**(96.8)**	**(97.5)**	(2.4)	(3.1)
Restructuring costs	**–**	**–**	–	–	**(9.7)**	**(10.2)**	26.7	22.4
Ongoing operations	**2,953.9**	**3,063.5**	5.9	9.8	**441.5**	**458.7**	15.0	19.5
Disposed businesses	**2.7**	**2.7**	(80.4)	(80.4)	**–**	**–**	(109.6)	(110.1)
Continuing operations	**2,956.6**	**3,066.2**	5.5	9.4	**441.5**	**458.7**	15.0	19.5

Operating Margin

	2021 %	2020 %	Variance % points
North America	**16.7**	17.5	(0.8)
France	**12.2**	11.1	1.1
Benelux	**30.5**	28.8	1.7
Germany	**32.2**	35.0	(2.8)
Southern Europe	**20.2**	15.3	4.9
Nordics	**18.6**	18.5	0.1
Latin America & Caribbean	**17.3**	16.4	0.9
Total Europe	**19.6**	18.6	1.0
UK, Ireland & Baltics	**26.6**	17.2	9.4
Sub-Saharan Africa	**24.8**	24.3	0.5
UK & Sub-Saharan Africa	**26.4**	18.0	8.4
Asia & MENAT	**13.4**	13.5	(0.1)
Pacific	**19.7**	19.5	0.2
Ongoing operations[1]	**15.0**	13.8	1.2
Disposed businesses	**(0.7)**	1.3	(2.0)
Continuing operations[1]	**15.0**	13.7	1.3

	2021 %	2020 %	Variance % points
Pest Control	**18.5**	16.2	2.3
– Growth	**19.5**	17.3	2.2
– Emerging	**11.9**	8.8	3.1
Hygiene & Wellbeing	**20.1**	21.7	(1.6)
France Workwear	**10.3**	10.9	(0.6)
Ongoing operations[1]	**15.0**	13.8	1.2
Disposed businesses	**(0.7)**	1.3	(2.0)
Continuing operations[1]	**15.0**	13.7	1.3

1. Operating Margin for ongoing operations and continuing operations is calculated after central and regional overheads and restructuring costs.

Related Undertakings

Subsidiaries and other associated undertakings at 31 December 2021

Subsidiaries:

Company name	Share class	% held by Group companies
Australia		
Unit A1, Lidcombe Business Park, 3-29 Birnie Avenue 2141 Australia		
Cannon Hygiene Australia Pty Limited	Ordinary	100%
Green Fingers Plant Hire Pty Limited	Ordinary	100%
Knock Out Pest Control Pty Limited	Ordinary	100%
Pest Away Australia Pty Limited	Ordinary	100%
Rentokil Australia Pty Limited	Ordinary	100%
Rentokil Initial Asia Pacific Pty Limited	Ordinary	100%
Rentokil Initial Pty Limited	Ordinary	100%
Rentokil Pest Control (QLD) Pty Limited	Ordinary	100%
Rentokil Pest Holdings Pty Limited	Ordinary	100%
Rentokil Pty Limited	Ordinary	100%
	Preference	100%
Austria		
Brown-Boveri-Straße 8/2/8, 2351, Wiener Neudorf, Austria		
Rentokil Initial GmbH	Ordinary	100%
Bahamas		
Corporate Services International, 308 East Bay Street, Nassau, PO Box N-7527, Bahamas		
Rentokil Initial (Bahamas) Limited	Ordinary	100%
5th Terrace Centreville, PO Box N-1388 Nassau, New Providence, Bahamas		
Tropical Exterminators Limited	Common	100%
Tropical Exterminators (Holdings) Limited	Common	100%
Barbados		
One Welches, Welches St Thomas, Barbados		
Rentokil Initial (Barbados) Limited	Ordinary	100%
Belgium		
Brandekensweg 2, Schelle, 2627, Belgium		
Initial Belux N.V.[3]	Ordinary	100%
Ambius N.V.	Ordinary	100%
Rentokil N.V.	Ordinary	100%
Brazil		
Carlos de Laet, 3.443 Street, Boqueirão, Curitiba, Paraná, 81650-040, Brazil		
União Sul Controle de Pragas Ltda ME[3]	Ordinary	100%
Estrado de Gabinal, 957, Bairro da Freguesia Rio de Janeiro, CEP 22760-151, Brazil		
Asa Rio Saneamento Ambiental Limitada	Ordinary	100%
Avenida Ceci 348 Predio Anexo, Tamboré, São Paulo, Brazil		
Asseio Saneamento Ambiental Limitada	Ordinary	100%
Rua Professor José Vieira de Mendonça, 770 Sala 308, Belo Horizonte, Estado de Minas Gerais, Brazil		
Ecovec Comércio e Licenciamento de Tecnologias ltda	Ordinary	100%
Rua Marques Amorim, 99, Boa Vista, Pernambuco, Recife, CEP 50070-355, Brazil		
F Genes & Cia Limitada	Ordinary	100%
SHC/Norte, Comercio Local, Quadra 115, Bloco A, Loja 45 S Subsolo 49 S, Asa Norte, Brazil		
MP – Saneamento Ambiental Limitada	Ordinary	100%
Rua Vitor Valpirio, 789 Bairro Anchieta, Porto Alegre, Rio Grande Do Sul, CEP 90200-230, Brazil		
Multicontrole Controle De Pragas E Servicos Ltda	Ordinary	100%

Company name	Share class	% held by Group companies
Brunei		
Unit D1 & D1-1 Block D, Bangunan Hj Lajim & Anak-anak, Kg Kiarong Bandar Seri Begawan Brunei Darussalam, BE1318, Brunei Darussalam		
Rentokil Initial (B) Sdn Bhd	Ordinary	90%
Canada		
3325 North Service Road, Burlington, ON L7N 3G2, Canada		
Direct Line Sales Limited	Class A	100%
	Class B	100%
8699 Escarpment Way, Milton, ON L9T 0J5, Canada		
Residex Canada Inc.	Common	100%
Suite 900, 1959 Upper Water Street, Halifax, NS B3J 2X2, Canada		
Rentokil Canada Corporation	Class A	100%
	Class B	100%
Chile		
AV. EL SALTO 4001, of 91-92, Huechuraba, Santiago, Chile		
Ingeclean S.A	Ordinary	100%
San Martin, Los Ángeles, N° 399, Chile		
Plaguisur Limitada[3]	Ordinary	100%
Galvarino 8481, Bodega 3, Quilicura, Santiago, Chile		
Comercializadora de Insumos y Servicios Mauco Limitada	Social Rights	100%
El Trapiche No.1322, Galpón No.4, Codominio Pacific, Coquimbo, Chile		
Control de Plagas Hidalgo Y Rodriguez Limitada	Ordinary	100%
El Salto 4001, piso 9, Huechuraba, Santiago, Chile		
Comercial e Industrial Premasec Limitada	Social Rights	100%
Ingeniería en Sanitización S.A	Ordinary	100%
Victor Uribe N° 2080, Quilicura, Santiago, Chile		
Rentokil Initial Chile SpA	Ordinary	100%
Colombia		
Cr 42A 80B 07, Barranquilla, Colombia		
Colplagas S.A.S[3]	Ordinary	100%
Calle 135 #47-71, Bogota, 1019, Colombia		
Continental De Fumigaciones S.A.S[3]	Ordinary	100%
Calle 33, No 56 36 Bello, Antioquia, Colombia		
Fumigax SAS	Ordinary	100%
Calle 93# 11A – 28 office 303, Bogotá, Colombia		
Rentokil Initial Colombia SAS	Common	100%
Costa Rica		
Avenida 18, calles 17 y 19, edificio 47, Barrio Luján, San José, Costa Rica		
Fumigadora Control Tecnico De Plagas S.A.	Common	100%
Curaçao		
Parke Comersial Korsow, A 24 Veeris, 102077, Curaçao		
Chuchubi Pest Control N.V.	Ordinary	100%
Czech Republic		
Praha 2, Vyšehradská 1349/2, Prague, PSČ 12800, Czech Republic		
Rentokil Initial s.r.o.	Ordinary	100%

Company name	Share class	% held by Group companies
Denmark		
Paul Bergsøes Vej 22, 2600 Glostrup, Denmark		
Rentokil Initial A/S	Ordinary	100%
Dominican Republic		
1125 Berkshire Blvd, Suite 150, Reading, PA 19610, United States		
Oliver Exterminating Dominicana Corp.	Common	100%
El Salvador		
Avenida Calzada Guarda Barranco Urbanizacion, Lomas de Altamira, #14 Pasaje Clarineros, Central America, El Salvador		
Sagrip SA de C.V.	Ordinary	100%
Estonia		
Turi Str. 3/1, 11313, Tallinn, Estonia		
Rentokil Oü	Ordinary	100%
Eswatini		
Umkhiwa House, Lot 195, Kal Grant Street, Mbabane, Eswatini		
RI Swaziland (Pty) Limited	Ordinary	100%
Fiji		
Level 8 Civic Tower, 272 Victoria Parade, Suva, Fiji, GPO Box 200		
Rentokil Initial Limited	Ordinary	100%
Finland		
Valuraudankuja 3, 00700 Helsinki, Finland		
Rentokil Initial Oy	Ordinary	100%
France		
6 Rue Livio, 67100 Strasbourg, France		
CAFI SAS	Ordinary	100%
CAWE FTB Group SAS	Ordinary	100%
13-27 avenue Jean Moulin, 93240 Stains, France		
Ambius SAS	Ordinary	100%
Rentokil Initial Environmental Services SAS	Ordinary	100%
Rentokil Initial SAS	Ordinary	100%
145 rue de Billancourt, 92100 Boulogne Billancourt, France		
Initial Hygiene Services SAS	Ordinary	100%
Initial SAS	Ordinary	100%
Rentokil Initial Holdings (France) SA	Ordinary	100%
SCI Gravigny	Ordinary	100%
SCI Vargan	Ordinary	100%
Z.A. des Quatre Chemins, BP 21, 95540 Mery-sur-Oise, France		
Technivap SAS	Ordinary	100%
French Guiana		
PAE de Degrad des cannes, Remire-Montjoly, 97354, French Guiana		
Rentokil Initial Guyane Sarl	Ordinary	100%
Germany		
Heuesch 1, 49808, Lingen, Germany		
Seemann Schädlingsbekämpfung und Holzschutz GmbH & Co.KG[3]	Ordinary	100%
An der Ziegelei, 47 27383, Scheeßel-Westerholz, Germany		
S & A Service und Anwendungstechnik GmbH	Ordinary	100%

Company name	Share class	% held by Group companies
Heuesch 1, 49808 Lingen (Ems), Germany		
Rentokil Holdings GmbH	Ordinary	100%
Rentokil Initial GmbH & Co. KG	Ordinary	100%
Rentokil Initial Beteiligungs GmbH	Ordinary	100%
Piderits Bleiche 11, 33689, Bielefeld, Germany		
Medentex GmbH	Ordinary	100%
Rentokil Dental GmbH	Ordinary	100%
Ghana		
43 Cashew Road, Okpoi, Accra, Ghana		
Rentokil Initial (Ghana) Limited	Ordinary	100%
Greece		
7 Aristotelous Street, Tavros, Athens 177 78, Greece		
Rentokil Initial Hellas EPE	Ordinary	100%
Guadeloupe		
131 ZA de Calbassier, Basse-Terre, 97100, Guadeloupe		
SOS Guadeloupe Sarl[3]	Ordinary	100%
7 Allée des Papillon, Dothemare, 97139 Abymes, Guadeloupe		
Rentokil Initial Guadeloupe Sarl	Ordinary	100%
Guatemala		
9 Av. 39-97, Zona 8, Ciudad Guatemala, Guatemala		
Servicios Agricolas Profesionales S.A.	Ordinary	100%
Guernsey		
PO Box 155, Mill Court, La Charroterie, St Peter Port, GY1 4ET, Guernsey		
Felcourt Insurance Company Limited	Ordinary	100%
Guyana		
Lot 8, Charles and Drysdale Streets, Charlestown, Georgetown, Guyana		
Rentokil Initial Guyana Limited	Ordinary	100%
Honduras		
Departamento de Cortes, San Pedro Sula, Honduras		
Sagrip Honduras S.A.	Nominative	100%
Hong Kong		
23/F Westin Centre, 26 Hung To Rd, Kwun Tong, Hong Kong		
Rentokil Hong Kong Investment Limited	Ordinary	100%
Rentokil Initial Hong Kong Limited	Ordinary	100%
India		
2nd floor, Narayani, Ambabai Temple Compound, Aarey Road, Goregaon (West), Mumbai 400104, India		
Rentokil Initial Hygiene India Private Limited	Ordinary	100%
Villa No. 3, Crescent Village, Candolim, Goa, 403515, India		
PCI Pest Control Private Limited	Ordinary	57%
2nd Floor, Narayani, Ambabai Temple Compound, Aarey Road, Goregaon West, Mumbai Maharashtra, 400 104, India		
Corporate Millennium Hygiene Solutions Private Limited	Ordinary	100%

Related Undertakings
continued

Company name	Share class	% held by Group companies
Indonesia		
South Quarter Tower B, Lantai 21, Unit E,F,G,H. Jl. R.A., Kartini Kav. 8, RT. 010/RW. 004 Kel. Cilandak Barat, Kec Cilandak, Jakarta Selatan, Indonesia		
PT Calmic Indonesia	Common	100%
PT Rentokil Indonesia	Common	100%
Gedung JDC Lt.6, Jl. Gatot Subroto Kav. 53 Petamburan, Tanah Abang, Jakarta, Pusat, Indonesia		
PT Wesen Indonesia	Ordinary	100%
Italy		
Via Cavour 3-A-B-C, 40023 CALDERARA DI RENO (BO), Bologna, Italy		
Gico Systems SRL[3]	Ordinary	100%
Via Laurentina, km. 26, 500 157 a/c 00071 Pomezia, Italy		
Rentokil Initial Italia SpA	Ordinary	100%
Jamaica		
39-41 Second Street, Newport West, Kingston 13, Jamaica		
Rentokil Initial (Jamaica) Limited	Ordinary	100%
Jordan		
Amman, Jabal AlHussien, Al Lud Str. 37 – 1st floor, Jordan		
Arena Public Health Co.	Ordinary	100%
Kenya		
Unit 5 Sameer Industrial Park, Road C, Off Enterprise Road Industrial Area, Nairobi, Kenya		
Rentokil Initial Kenya Limited	Ordinary	100%
Lebanon		
Adonis Building, Bechara el Khoury, Beirut, Lebanon		
Boecker International (Offshore) SAL[3]	Ordinary	100%
Boecker Public Health SAL[3]	Ordinary	100%
Mazraa, Ras El Nabeh, Bechara El Khoury Street, Beirut, Lebanon		
Boecker World Holding SAL[3]	Ordinary	100%
Lesotho		
Nio. 7 Arrival Centre Kofi Annan Road, Maseru, Lesotho, Maseru, 100, Lesotho		
Rentokil Initial (Pty) Limited	Ordinary	100%
Libya		
Janzour, Tripoli, Libya		
Rentokil Delta Libya for Environmental Protection JSCO	Ordinary	65%
Lithuania		
Drobės g. 62, LT-45181, Kaunas, Lithuania		
UAB Dezinfa	Ordinary	100%
Luxembourg		
Rue de la Chapelle 47, 4967 Clemency, Luxembourg		
R-Control Désinfections SA	Ordinary	100%
Rentokil Luxembourg Sàrl	Ordinary	100%
Malawi		
Plot No. LE 377, Patridge Avenue, Limbe, PO Box 5135, Malawi		
Rentokil Initial Limited	Ordinary	100%

Company name	Share class	% held by Group companies
Malaysia		
Level 8 Symphony House, Pusat Dagangan Dana 1, Jalan PJU 1A/46, Petaling Jaya, 47301 Selangor Darul, Selangor, Malaysia		
Rentokil Initial (M) Sdn Bhd	Ordinary	100%
UFTC Sdn Bhd	Ordinary	100%
Maldives		
No. 6-A, Faamudheyrige Building, Orchid Magu, Repu, Malé, Maldives		
Rentokil Initial Maldives (Pvt) Ltd[3]	Preferential Shares	60%
Martinique		
Soudon, Le Lamentin 97232, Martinique		
Rentokil Initial Martinique Sarl	Ordinary	100%
Mexico		
Juan Álvarez 482, Centro, 64000 Monterrey, N.L., Mexico		
Balance Urbano Control de Plagas SA de CV	Ordinary	100%
Mozambique		
Avenida da Namaacha, kilometro 6, Residencial Mutateia, Cidade da Matola, Mozambique		
Rentokil Initial Mozambique Limitada	Ordinary	100%
Netherlands		
Impact 6, 6921 RZ Duiven, Netherlands		
Ambius B.V.	Ordinary	100%
Oude Middenweg 75, 2491 AC Den Haag, 1191 BN Ouderkerk, Den Haag, Netherlands		
BET Finance B.V.	Ordinary	100%
BET (Properties) B.V.	Ordinary	100%
Rentokil Initial International B.V.	Ordinary	100%
Oude Middenweg 77, Ac Den Haag, NL-2491, Netherlands		
UK Address: Compass House, Manor Royal, Crawley, RH10 8PY		
Rentokil Initial Overseas (Holdings) B.V.	Ordinary	100%
B.V. Rentokil Funding	Ordinary	100%
Ravenswade 54-s, 3439 Nieuwengein, LD, Netherlands		
Rentokil Initial B.V.	Ordinary	100%
Frontstraat 1a, 5405 AK Uden, Netherlands		
Holland Reconditionering B.V.	Ordinary	100%
New Zealand		
Level 1, 89 Carbine Road Mount Wellington, Auckland 1060, New Zealand		
Rentokil Initial Limited	Ordinary	100%
Norway		
Sanitetsveien 17, Skjetten, Lillestrøm, 2013, Norway		
Nokas Skadedyrkontroll AS[3]	Ordinary	100%
Skadedyrbutikken AS[3]	Ordinary	100%
Sanitetsveien 17, Postboks 84, SKJETTEN 2026, Norway		
Rentokil Initial Norge AS	Ordinary	100%
People's Republic of China		
East 2nd Floor, No. 460 Wenyi West Road, Xihu District, China		
Hangzhou Research Institute of Profume Fumigation Co. Ltd.[3]	Ordinary	80%
Room 103, Building 2, Yuzhongxili#42, Beijing, China		
Rentokil Initial (China) Limited	Ordinary	100%

Company name	Share class	% held by Group companies
Peru		
Calle 23 Mza. Z-1 Lote 9 Villa El Salvador		
Ingeclean Peru Sociedad Anonima Cerrada	Ordinary	100%
Philippines		
No. 73 Elisco Road, Bo, Kalawaan, Pasig City 1600, Philippines		
Rentokil Initial (Philippines) Inc	Ordinary	100%
Poland		
Ul. Jana Pawla Woronicza, Nr 31, Lok. 78, 02-640 Warszawa, Poland		
Rentokil Polska Sp. z.o.o.	Ordinary	100%
Portugal		
EN 115, Km 78,67, 2664-502, São Julião do Tojal, Portugal		
Rentokil Initial Portugal – Serviços de Protecção Ambiental Limitada	Ordinary	100%
Puerto Rico		
1125 Berkshire Blvd, Suite 150, Reading, PA 19610, United States		
Rentokil of Puerto Rico, Inc	Common	100%
Republic of Ireland		
Hazel House, Millennium Park, Naas, County Kildare W91P XP3, Ireland		
Cannon Hygiene International Limited	Ordinary	100%
Initial Medical Services (Ireland) Limited	Ordinary	100%
Rentokil Initial Holdings (Ireland) Limited	Ordinary	100%
Rentokil Initial Limited	Ordinary	100%
RTO Investments (Ireland) Limited	Ordinary	100%
Saudi Arabia		
Suleimaniyah, King Abdelaziz Road, Riyadh, Saudi Arabia		
Boecker Public Health Saudia Company Limited[3]	Ordinary	100%
PO Box 30164, Office No. 401, 4th Floor, Al Tamimi Building, Al Khobar, North Al Khobar 31952, Saudi Arabia		
Rentokil Saudi Arabia Limited O.P.C[2]	Ordinary	100%
Singapore		
No. 16 & 18 Jalan Mesin, 368815, Singapore		
Rentokil Initial Singapore Private Limited	Ordinary	100%
Rentokil Initial Asia Pacific Management Pte Limited	Ordinary	100%
Slovakia		
Kopcianska 10, 851 01 Bratislava, Slovakia		
Rentokil Initial s.r.o.	Ordinary	100%
South Africa		
2 Stignant Road, Claremont, Cape Town 7708, South Africa		
Newshelf 1232 Pty Limited	Preference	100%
Rentokil Initial (Dikapi) JV Pty Limited	Ordinary	59%
Rentokil Initial (Proprietary) Limited	Ordinary	100%
Unit D12 Connaught Park, Riley Road, Beaconvale, Parow 7000, South Africa		
Cannon Hygiene (SA) Proprietary Limited	Ordinary	100%
South Korea		
2nd Floor, Korea Disaster Relief Association, 371-19 Sinsu-Dong, Mapo-Gu, Seoul 121-856, Republic of Korea		
Rentokil Initial Korea Limited	Common	100%

Company name	Share class	% held by Group companies
Spain		
Barrio Campo de Eiro 100 bajo, Pereira.Mos, 36419, Pontevedra, Spain		
Officina De Tratamiento De Plagas S.L.[3]	Ordinary	100%
Pol. Ind Uranzadi Parcela 1, 48950-ERANDIO, nave 4, Bilbao, Spain		
Europea De Servicios E Higiene Euro Servhi SA	Ordinary	100%
Calle Mar Mediiterráneo 1, 28830 San Fernando de Henares (Madrid), Spain		
Initial Gaviota SAU	Ordinary	100%
Rentokil Initial España S.A.	Ordinary A	100%
	Ordinary B	100%
	Ordinary C	100%
C/ Mar Mediiterráneo 1 (entrada por Mar Adriático 28830-San, Fernando de Henares (Madrid)), Spain		
Tratamientos Medioambientales Hermo, S.L.	Ordinary	100%
Sri Lanka		
No. 307, Negombo Road, Peliyagoda, Sri Lanka		
Rentokil Initial Ceylon (Private) Limited	Ordinary	100%
Sweden		
Avestagatan 61, 163 53 Spånga, Sweden		
Ambius AB	Ordinary	100%
Rent a Plant Interessenter AB	Ordinary	100%
Rentokil AB	Ordinary	100%
Sweden Recycling AB	Ordinary	100%
Verkstadsvägen 3, 24534 Staffanstrop, Sweden		
PreventiQ AB	Ordinary	100%
Switzerland		
Hauptstrasse 3, 4625 Oberbuchsiten, Oberbuchsiten, Switzerland		
Rentokil Schweiz AG	Ordinary	100%
Bertschenackerstrasse 15, 4104 Oberwil, Switzerland		
Medentex GmbH	Ordinary	100%
Taiwan		
7F No.56 Lane 258, Rueiguang Rd, Neihu District, Taipei, 114 Taiwan, Province of China		
Initial Hygiene Co Limited	Ordinary	100%
Rentokil Ding Sharn Co Limited	Ordinary	100%
Tanzania		
1st Floor, Opal Place, 77 Haile Selassie Road, Masaki, P.O. Box 79651, Dar es Salaam, Tanzania		
Initial Hygiene (T) Limited	Ordinary	100%
Thailand		
160 Vibhavadi Rangsit Road, Khwaeng Ratchadapisek, Khat Dindaeng, 10400, Thailand		
Cannon Pest Management Co. Limited	Ordinary	100%
Rentokil Initial (Thailand) Limited	Ordinary	100%
Trinidad and Tobago		
Field no. 82, KK-LL Aranguez South, Trinidad and Tobago		
Rentokil Initial (Trinidad) Limited	Ordinary	100%

Related Undertakings
continued

Company name	Share class	% held by Group companies
Tunisia		
Zone Industrielle route de Moknine, 5080 Teboulba, Tunisia		
CAP Tunis	Ordinary	100%
Turkey		
1201, 1 Sokak No:2 K:3 D:301-302 Su Plaza Yenişehir, Konak, İzmir, Turkey		
Rentokil Initial Çevre Sağlığı Sistemleri Ticaret ve Sanayi AŞ	Ordinary	100%
Uganda		
Plot No 2012, Kalinabiri Road, Ntinda Kampala, Uganda		
Rentokil Initial Uganda Limited	Ordinary	100%
United Arab Emirates		
Shop No.6, Jurf Industrial Zone 2, Ajman, United Arab Emirates		
Al Muhtaref Pest Control LLC[3]	Ordinary	100%
Office number 1403, PO Box 41999, TECOM, Al Barsha Heights, Dubai, United Arab Emirates		
Boecker Food Safety LLC[3]	Ordinary	100%
Boecker Pest Control LLC[3]	Ordinary	100%
Al Hall Industrial, Fujairah, United Arab Emirates		
Boecker Pest Control LLC – Fujairah[3]	Ordinary	100%
Al Shafar Tower 1, 14th floor, office No. 1404, TECOM, Al Barsha Heights, Dubai, United Arab Emirates		
Boecker Public Health Pest Control[3] Equipment Trading LLC[3]	Ordinary	100%
Al Suhyeen, Rolla, Office 205, Sharjah, United Arab Emirates		
Specialist Int. Pest Control LLC[3]	Ordinary	100%
4th Floor, Suite No. 401, Oud Metha Office Building, Umm Hurair 2, Dubai, UAE		
National Pest Control LLC	Ordinary	100%
Rentokil Initial Pest Control LLC	Ordinary	100%
United Kingdom		
Compass House, Manor Royal, Crawley, RH10 9PY		
Anzak Landscapes Ltd	Ordinary	100%
AW Limited	Ordinary	100%
B.E.T. Building Services Limited	Ordinary	100%
BET Environmental Services Ltd	Ordinary	100%
BET (No.18) Limited	Ordinary	100%
	Deferred Ordinary	100%
BET (No.68) Limited	Ordinary	100%
BET Pension Trust Limited	Ordinary	100%
BPS Offshore Services Limited[1]	Ordinary	100%
Broadcast Relay Service (Overseas) Limited[1]	Ordinary	100%
Castlefield House Limited	Ordinary	100%
Chard Services Limited	Ordinary	100%
CHL Legacy Limited[1]	Ordinary	100%
Dudley Industries Limited	Ordinary	100%
Enigma Laundries Limited	Ordinary	100%
Enigma Services Group Limited	Ordinary	100%
Enviro-Fresh Limited	Ordinary	100%
Environmental Contract Services Limited[1]	Ordinary	100%
Euroguard Technical Services Limited[1]	Ordinary	100%
Grayston Central Services Limited	Ordinary	100%
Hometrust Limited	Ordinary	100%
Initial Limited	Ordinary	100%
Initial Medical Services Limited[1]	Ordinary	100%
Opel Transport & Trading Company Limited	Ordinary	100%
Peter Cox Limited	Ordinary-A	100%

Company name	Share class	% held by Group companies
Plant Nominees Limited	Ordinary	100%
Prokill (UK) Limited[1]	Ordinary-A	100%
	Ordinary-B	100%
	Ordinary-C	100%
	Ordinary-D	100%
Prokill Limited	Ordinary-A	100%
	Ordinary-B	100%
	Ordinary-C	100%
	Ordinary-D	100%
Rapid Washrooms Limited	Ordinary-A	100%
	Ordinary-B	100%
	Ordinary-C	100%
Rentokil Dormant (No. 6) Limited	Ordinary	100%
Rentokil Initial (1896) Limited	Ordinary	100%
Rentokil Initial (1993) Limited[1]	Ordinary	100%
	6% Non-Redeemable Preference	100%
Rentokil Initial 1927 plc	Ordinary	100%
	AUD Redeemable Preference	100%
	CAD Redeemable Preference	100%
	CLP Redeemable Preference	100%
	DKK Redeemable Preference	100%
	EUR Cumulative Preference (Non-Redeemable)	100%
	IDR Redeemable Preference	100%
	NOK Redeemable Preference	100%
	NZD Redeemable Preference	100%
	USD Redeemable Preference	100%
Rentokil Initial Americas Limited[1]	Ordinary	100%
Rentokil Initial Asia Pacific Limited[1]	Ordinary	100%
Rentokil Initial Brazil Limited[1]	Ordinary	100%
Rentokil Initial Finance Limited	Ordinary	100%
Rentokil Initial Holdings Limited[1]	Ordinary	100%
Rentokil Initial Investments Limited	Ordinary	100%
Rentokil Initial Investments South Africa[1]	Ordinary	100%
Rentokil Initial Pension Trustee Limited	Ordinary	100%
Rentokil Initial Services Limited	Ordinary	100%
Rentokil Initial UK Limited	Ordinary	100%
Rentokil Insurance Limited	Ordinary	100%
Rentokil Limited[1]	Ordinary	100%
Rentokil Overseas Holdings Limited[1]	Ordinary	100%
Rentokil Property Care Limited	Ordinary	100%
Rentokil Property Holdings Limited[1]	Ordinary	100%
RI Dormant No.18 Limited	Ordinary	100%
RI Dormant No.20 Limited	Ordinary	100%
Stratton House Leasing Limited	Ordinary	100%
Target Express Holdings Limited	Ordinary	100%
Target Express Limited	Ordinary	100%

Company name	Share class	% held by Group companies
United Kingdom continued		
Target Express Parcels Limited	Ordinary	100%
TEB Cleaning Services Limited	Ordinary	100%
The Ca'D'Oro, 45 Gordon Street, Glasgow, G1 3PE, UK		
Industrial Clothing Services Limited	Ordinary	100%
	Convertible Participating Preference	100%
Pest Protection Services (East) Limited	Ordinary	100%
Pest Protection Services (Scotland) Limited	Ordinary-A	100%
RI Dormant No.12 Limited	Ordinary	100%
Wise Property Care Limited	Ordinary	100%
United States		
5670 W. Cypress Street, Suite B, Tampa, Florida, 33607, United States		
Environmental Pest Service Holdings, LLC	Ordinary	100%
101 Emerson Road, Milford, New Hampshire, 03055, USA		
J.P. Pest Services, LLC[3]	Common	100%
Airborne Vector Control LLC[3]	Common	100%
Corporation Trust Center, 1209 Orange Street, Wilmington DE 19801, United States		
Rentokil Initial US Holdings, Inc.[3]	Common	100%
Leto Holdings I, Inc.[3]	Common	100%
Leto Holdings II, LLC[3]	Common	100%
1201 Peachtree Street, NE Suite 1240, Atlanta, GA 30361, United States		
Initial Contract Services LLC	US$ Interests	100%
1125 Berkshire Blvd, Suite 150, Reading, PA 19610, United States		
Advanced Pest Management Co, LLC	Common	100%
Cygnet Enterprises, Inc (North Carolina)	Common	100%
Cygnet Enterprises, Inc (Michigan)	Common	100%
Cygnet Enterprises Northwest, Inc	Common	100%
Cygnet Enterprises West, Inc	Common	100%
Medentex LLC	Common	100%
Mississippi Mosquito Control, LLC	Interests	100%
Mosquito Control of Lafourche, LLC	Interests	100%
Mosquito Control Services, L.L.C.	Interests	100%
Mosquito Control Services of Florida, LLC	Interests	100%
Mosquito Control Services of Georgia, LLC	Interests	100%
Rentokil Initial Environmental Services LLC	Interests	100%
Rentokil North America, Inc.	Ordinary	100%
Rittiner Group, L.L.C.	Interests	100%
Solitude Lake Management, LLC	Common	100%
St. Charles Mosquito Control, L.L.C.	Interests	100%
St. John Mosquito Control, L.L.C.	Interests	100%
Terrebonne Mosquito Control, LLC	Interests	100%
Vector Disease Acquisition, LLC	Common	100%
	Series A	100%
	Series B	100%
Vector Disease Control International, LLC	Common	100%
2540 Lawrenceville Hwy, Lawrenceville, GA 30044, United States		
Asiatic Holdings LLC	Ordinary	100%
Creative Plantings Inc	Ordinary	100%
Steritech-Canada Inc.	Common	100%
United Transport America LLC	Interests	100%
Virginia Properties Inc	Ordinary	100%
PO Box 4510, 10 Free Street, Portland, ME 04112, United States		
Asiatic Investments, Inc.	Ordinary	100%

Company name	Share class	% held by Group companies
Uruguay		
La Paz, 1227, Departamento de Montevideo, Uruguay		
Livelux S.A.	Ordinary	100%
Chana, 2033, Departmento de Montevideo, Uruguay		
La Sanitaria S.A.	Ordinary	100%
Vietnam		
68 Hong Ha, Ward 2, Tan Binh District, Ho Chi Minh City, Vietnam		
Rentokil Initial (Vietnam) Company Limited	Ordinary	100%
Virgin Islands, British		
Moore Stephens International Services (BVI) Limited, PO BOX 3186, Road Town, Tortola, British Virgin Islands		
Boecker International (BVI) Ltd (in liquidation)	Ordinary	100%

Associated undertakings:

Company name	Share class	% held by Group companies
France		
41 Avenue de La Porte de Villiers, 92200 Neuilly-Sur-Seine, France		
SCI Pierre Brossolette	Ordinary	26.247%
Japan		
Kyoritsu Seiyaku Building, 1-5-10 Kudan, Minami Chiyoda-Ku, Tokyo, Japan		
Nippon Calmic Limited	Ordinary	49%
Nigeria		
Old Ojo Road, Off Badagry Expressway, Agboju, Lagos, 359/361 , Nigeria		
Boecker Public Health Services Limited[3]	Ordinary	30%
Norway		
Veverivegen 10, 2848 Skreia, Norway		
Skadedyrkontrollen ØSt As[3]	Ordinary	40%
Qatar		
16 A Al Mana Business Tower, Doha, Qatar		
Boecker Public Safety Services – Qatar W.L.L.[3]	Ordinary	24.5%
United Kingdom		
Compass House, Manor Royal, Crawley, RH10 9PY		
Hometrust Kitchens Limited	Ordinary	25%
Torchsound Properties Limited[1]	Ordinary	50%

1. As permitted by section 479A of the Companies Act 2006, the Company intends to take advantage of the audit exemption in relation to the individual accounts of these companies.
2. The percentage of shares held by Group companies remains unchanged in 2021 for all companies except Rentokil Saudi Arabia Limited O.P.C where the shareholding increased from 60% to 100%.
3. Acquired by the Group in 2021.

Parent Company Balance Sheet

At 31 December

	Notes	2021 £m	2020 £m
Non-current assets			
Investments	4	**289.6**	283.1
Debtors – amounts falling due after more than one year	5	**2,750.0**	–
Deferred tax assets	6	**14.9**	25.5
Retirement benefit assets	7	**18.2**	18.2
Derivative financial instruments	8	**9.8**	37.0
		3,082.5	363.8
Current assets			
Debtors – amounts falling due within one year	5	**23.9**	2,520.4
Cash and cash equivalents		**109.5**	856.0
Derivative financial instruments	8	**1.2**	–
		134.6	3,376.4
Current liabilities			
Creditors – amounts falling due within one year	9	**(804.0)**	(806.7)
Bank and other borrowings	10	**(83.3)**	(475.1)
Derivative financial instruments	8	**(0.6)**	–
		(887.9)	(1,281.8)
Net current (liabilities)/assets		**(753.3)**	2,094.6
Non-current liabilities			
Bank and other borrowings	10	**(1,253.7)**	(1,331.3)
Deferred tax liabilities	6	**(6.5)**	(6.4)
Derivative financial instruments	8	**(33.5)**	(32.3)
		(1,293.7)	(1,370.0)
Net assets		**1,035.5**	1,088.4
Equity capital and reserves			
Share capital	11	**18.6**	18.5
Share premium	12	**6.8**	6.8
Cash flow hedge reserve		**8.8**	–
Retained earnings		**1,001.3**	1,063.1
Total equity		**1,035.5**	1,088.4

Under section 408 of the Companies Act 2006 the Company is exempt from the requirement to present its own Statement of Comprehensive Income. The Company reported a profit for the year ended 31 December 2021 of £60.0m (2020: £29.6m).

The Financial Statements on pages 206 to 211 were approved by the Board of Directors and were signed on its behalf by Andy Ransom and Stuart Ingall-Tombs on 3 March 2022.

Andy Ransom
Chief Executive

Stuart Ingall-Tombs
Chief Financial Officer

Parent Company Statement of Changes in Equity
For the year ended 31 December

	Called up share capital £m	Share premium account £m	Cash flow hedge reserve £m	Cost of hedging £m	Retained earnings £m	Total equity £m
At 1 January 2020	18.5	6.8	–	–	1,035.5	1,060.8
Profit for the year	–	–	–	–	29.6	29.6
Other comprehensive income:						
Remeasurement of net defined benefit asset	–	–	–	–	(6.4)	(6.4)
Net exchange adjustments offset in reserves	–	–	–	–	(1.6)	(1.6)
Movement on cash flow hedge	–	–	–	–	(4.9)	(4.9)
Tax related to items taken directly to other comprehensive income	–	–	–	–	2.2	2.2
Total comprehensive income for the year	–	–	–	–	18.9	18.9
Transactions with owners:						
Share-based payments charged to profit and loss	–	–	–	–	2.7	2.7
Share-based payments debited to investments	–	–	–	–	2.8	2.8
Tax related to items taken directly to equity	–	–	–	–	3.2	3.2
At 31 December 2020	**18.5**	**6.8**	**–**	**–**	**1,063.1**	**1,088.4**
Profit for the year	**–**	**–**	**–**	**–**	**60.0**	**60.0**
Other comprehensive income:						
Remeasurement of net defined benefit asset	**–**	**–**	**–**	**–**	**(0.3)**	**(0.3)**
Cost of hedging	**–**	**–**	**–**	**(1.5)**	**–**	**(1.5)**
Transfer between reserves[1]	**–**	**–**	**(4.4)**	**–**	**4.4**	**–**
Movement on cash flow hedge	**–**	**–**	**13.2**	**–**	**–**	**13.2**
Total comprehensive income for the year	**–**	**–**	**8.8**	**(1.5)**	**64.1**	**71.4**
Transactions with owners:						
Shares issued in the year	**0.1**	**–**	**–**	**–**	**(0.1)**	**–**
Dividends paid to equity shareholders	**–**	**–**	**–**	**–**	**(138.7)**	**(138.7)**
Share-based payments charged to profit and loss	**–**	**–**	**–**	**–**	**3.3**	**3.3**
Share-based payments debited to investments	**–**	**–**	**–**	**–**	**6.5**	**6.5**
Tax related to items taken directly to equity	**–**	**–**	**–**	**–**	**4.6**	**4.6**
At 31 December 2021	**18.6**	**6.8**	**8.8**	**(1.5)**	**1,002.8**	**1,035.5**

1. The closing 2020 cash flow hedge reserve balance of £4.4m was reclassified to its own reserve in the year to aid visibility.

Shares of £0.1m (2020: £0.1m) have been netted against retained earnings. This represents 9.4m (2020: 7.7m) shares held by the Rentokil Initial Employee Share Trust. The market value of these shares at 31 December 2021 was £54.9m (2020: £39.0m). Dividend income from, and voting rights on, the shares held by the Trust have been waived.

Notes to the Parent Company Accounts

1. Accounting convention

These Financial Statements are prepared using the historical cost convention (as modified to include the revaluation of certain financial instruments) and on a going concern basis, are prepared in accordance with Companies Act 2006 as applicable to companies using Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101). In preparing these Financial Statements, the Company applies the recognition, measurement and disclosure requirements of international accounting standards in conformity with the requirements of the Companies Act 2006 ('Adopted IFRSs'), but makes amendments where necessary in order to comply with the Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken. The results of Rentokil Initial plc are included in the Consolidated Financial Statements of Rentokil Initial plc which are presented on pages 150 to 205.

The Company has taken advantage of the following disclosure exemptions under FRS 101, all of which have equivalent disclosures included in the Consolidated Financial Statements:

- the requirements of paragraphs 45(b) and 46–52 of IFRS 2 Share-based Payment;
- the requirements of paragraphs 62, B64(d), B64(e), B64(g), B64(h), B64(j) to B64(m), B64(n)(ii), B64(o)(ii), B64(p), B64(q)(ii), B66 and B67 of IFRS 3 Business Combinations;
- the requirements of IFRS 7 Financial Instruments: Disclosures;
- the requirements of paragraphs 91–99 of IFRS 13 Fair Value Measurement;
- the requirement in paragraph 38 of IAS 1 Presentation of Financial Statements to present comparative information in respect of: (i) paragraph 79(a)(iv) of IAS 1; (ii) paragraph 73(e) of IAS 16 Property, Plant and Equipment; (iii) paragraph 118(e) of IAS 38 Intangible Assets; (iv) paragraphs 76 and 79(d) of IAS 40 Investment Property; and (v) paragraph 50 of IAS 41 Agriculture;
- the requirements of paragraphs 10(d), 10(f), 39(c) and 134–136 of IAS 1 Presentation of Financial Statements;
- the requirements of IAS 7 Statement of Cash Flows;
- the requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors;
- the requirements of paragraph 17 of IAS 24 Related Party Disclosures;
- the requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member; and
- the requirements of paragraphs 134(d)–134(f) and 135(c)–135(e) of IAS 36 Impairment of Assets.

2. Principal accounting policies

Judgements and key areas of estimation
The preparation of Financial Statements in compliance with FRS 101 requires the use of certain critical accounting estimates. It also requires the Company's Directors to exercise judgement in applying the Company's accounting policies. The areas where significant judgements and estimates have been made in preparing the Financial Statements and their effect are disclosed in Note 3 and the Consolidated Financial Statements.

Investments
Investments held as fixed assets are stated at cost less provision for any impairment. In the opinion of the Directors, the value of such investments are not less than shown at the balance sheet date.

Borrowings
Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost (where hedge accounting is not applied); any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the profit and loss account over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Company has a continuing right to defer settlement of the liability for at least 12 months after the balance sheet date under its committed bank credit facility.

Deferred tax
Deferred tax assets and liabilities are recognised where the carrying amount of an asset or liability in the statement of financial position differs from its tax base, except for differences arising on:

- the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction affects neither accounting nor taxable profit; and
- investments in subsidiaries and jointly controlled entities where the Company is able to control the timing of the reversal of the difference and it is probable that the difference will not reverse in the foreseeable future.

Recognition of deferred tax assets is restricted to those instances where it is probable that taxable profit will be available against which the difference can be utilised.

The amount of the asset or liability is determined using tax rates that have been enacted or substantively enacted by the reporting date and are expected to apply when the deferred tax assets/liabilities are settled/recovered.

Financial instruments and risk management
The Company policy in respect of financial instruments and risk management is disclosed in Section C of the Notes to the Consolidated Financial Statements. Disclosures have been made on financial instruments as required by the Companies Act 2006.

ECL calculations are performed annually for intercompany debtors and are a probability weighted estimate of credit losses based on the Company's historical credit loss experience adjusted for debt specific factors.

Share capital
Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity.

Share-based compensation

The Company operates one equity-settled, share-based compensation plan. The economic cost of awarding shares and share options to employees is recognised as an expense in the profit and loss account equivalent to the fair value of the benefit awarded. The fair value of options over the Company's shares awarded to employees of subsidiary companies is treated as a capital contribution, resulting in an increase in investments. The fair value is determined by reference to option pricing models, principally Monte Carlo and adjusted Black-Scholes models. The charge is recognised in the profit and loss account over the vesting period of the award. At each balance sheet date, the Company revises its estimate of the number of options that are expected to become exercisable. Any revision to the original estimates is reflected in the profit and loss account with a corresponding adjustment to equity immediately to the extent it relates to past service and the remainder over the rest of the vesting period.

Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Financial Statements in the period in which the dividends are approved by the Company's shareholders. Interim dividends are recognised when paid. See Note D1 of the Consolidated Financial Statements for details of dividends proposed in the year.

3. Critical accounting estimates and judgements

The Company makes certain estimates and assumptions regarding the future. Estimates and judgements are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are shown below (please refer to the notes to the Consolidated Financial Statements for further detail). Sensitivities to the estimates and assumptions are provided, where relevant, in the relevant notes to the consolidated accounts.

- retirement benefits: key actuarial assumptions and estimates over future costs of winding up the scheme (Note A10 and Note 7).

4. Investments

	2021 £m	2020 £m
At 1 January	**283.1**	280.3
Share-based payments to employees of subsidiaries	**6.5**	2.8
At 31 December	**289.6**	283.1

The Company's sole direct subsidiary undertaking is Rentokil Initial Holdings Limited. All other indirect subsidiary undertakings are listed on pages 200 to 205.

5. Debtors

	2021 £m	2020 £m
Amounts falling due within one year:		
Amounts owed by subsidiary undertakings (non-interest bearing loans repayable on demand)	**20.2**	60.4
Amounts owed by subsidiary undertakings (interest bearing loan with effective interest rate of 5%)	**–**	2,457.9
Other debtors	**3.7**	2.1
	23.9	2,520.4
Amounts falling due after more than one year:		
Amounts owed by subsidiary undertakings (interest bearing loan with effective interest rate of 2.5%)	**2,750.0**	–

Amounts owed by subsidiary undertakings relates to an interest bearing loan that matures in July 2026 (2020: July 2021).

6. Deferred taxation

	2021 £m	2020 £m
The deferred tax asset is made up as follows:		
Tax losses	**–**	16.0
Long-term incentive plan	**14.9**	9.5
	14.9	25.5
The deferred tax liability is made up as follows:		
Defined benefit pension scheme	**(6.5)**	(6.4)
	(6.5)	(6.4)

7. Pension commitments

At 31 December 2021 the Rentokil Initial 2015 Pension Scheme (RIPS) pension asset amounted to £18.2m (2020: £18.2m). As there is no contractual agreement or stated policy for charging the net defined benefit cost of RIPS to participating entities, the net defined benefit cost is recognised fully by the Company. On 4 December 2018 the Trustee entered into a binding agreement with PIC to insure the liabilities of the RIPS, known as a buy-in. In December 2021 the final true-up premium was paid to PIC and on 24 February 2022 the insurance policy with PIC was transferred to the individual members of the Scheme. Accordingly in 2022 both the Scheme's assets and liabilities have been reduced by the policy value (£1,238.6m). For more information on pension commitments and the pension settlement, see Note A10 of the Consolidated Financial Statements.

The movement in the net defined benefit asset for the RIPS over the accounting period is as follows:

	Present value of obligation 2021 £m	**Fair value of plan assets 2021 £m**	**Total 2021 £m**	Present value of obligation 2020 £m	Fair value of plan assets 2020 £m	Total 2020 £m
At 1 January	**(1,369.3)**	**1,387.5**	**18.2**	(1,333.3)	1,369.9	36.6
Interest on net defined benefit asset[1]	**(18.8)**	**19.1**	**0.3**	(25.7)	26.7	1.0
Total pension income/(expense)	**(18.8)**	**19.1**	**0.3**	(25.7)	26.7	1.0
Remeasurements:						
– Remeasurement gain on scheme assets	**–**	**(77.8)**	**(77.8)**	–	69.6	69.6
– Remeasurement loss on obligation[2]	**77.5**	**–**	**77.5**	(76.0)	–	(76.0)
Contributions:						
– Benefit payments	**63.0**	**(63.0)**	**–**	65.7	(65.7)	–
– Refund of surplus	**–**	**–**		–	(13.0)	(13.0)
At 31 December	**(1,247.6)**	**1,265.8**	**18.2**	(1,369.3)	1,387.5	18.2

1. Service costs, settlement and administration expenses are charged to operating expenses, and interest cost and return on plan assets to finance cost and income.
2. The remeasurement loss on the defined benefit obligation comprises remeasurement gain arising from changes in demographic assumptions of £2.2m (2020: remeasurement gain of £16.1m), remeasurement gain arising from changes in financial assumptions of £75.3m (2020: loss of £117.1m) and remeasurement loss arising from experience of £0.5m (2020: gain of £25.0m).

8. Derivative financial instruments

	Fair value assets 2021 £m	Fair value assets 2020 £m	**Fair value liabilities 2021 £m**	Fair value liabilities 2020 £m
Interest rate swaps (level 2):				
– non-hedge	**11.0**	37.0	**(8.8)**	(24.0)
– cash flow hedge	**–**	–	**(25.3)**	(8.3)
	11.0	37.0	**(34.1)**	(32.3)
Analysed as follows:				
Current portion	**1.2**	–	**(0.6)**	–
Non-current portion	**9.8**	37.0	**(33.5)**	(32.3)
	11.0	37.0	**(34.1)**	(32.3)

Cash flow hedge accounting has been applied to derivatives (marked as 'cash flow hedge' in the table above) in accordance with IFRS 9. Where no hedge accounting has been applied, related derivatives have been marked as 'non-hedge'. Any ineffectiveness on the cash flow hedge is taken directly to finance costs. During the year there was a loss of £0.8m (2020: £0.7m) from those derivatives relating to ineffectiveness in a cash flow hedge relationship. Cash flow hedge accounting has been applied to €340.0m of the €400m 2024 bond, €179.4m of the €500m 2026 bond and €175.0m of the €600m 2028 bond. The cross-currency interest rate swaps are used as hedging instruments to hedge the volatility in the £/€ exchange rate of the bonds. For the year ended 31 December 2021, the amount in comprehensive income related to cash flow hedge accounting was a gain of £13.2m (2020: £4.9m loss).

9. Creditors

	2021 £m	2020 £m
Amounts falling due within one year:		
Amounts due to subsidiary undertakings (non-interest bearing loans repayable on demand)	**795.2**	796.5
Other creditors	**8.8**	10.2
	804.0	806.7

10. Bank and other borrowings

	2021 £m	2020 £m
Amounts falling due within one year	**83.3**	475.1
Amounts falling due after one year	**1,253.7**	1,331.3

Medium-term notes and bond debt comprises:

	Bond interest coupon	Effective hedged interest rate
Non-current		
€400m bond due November 2024	Fixed 0.95%	Fixed 3.08%
€500m bond due May 2026	Fixed 0.875%	Fixed 1.54%
€600m bond due October 2028	Fixed 0.50%	Fixed 1.08%
Average cost of bond debt at year-end rates		1.78%

The Company bank debt comprises:

	Facility amount £m	Drawn at year end £m	Headroom £m	Interest rate at year end %
Non-current				
£550m RCF due August 2025	550.0	–	550.0	0.14

11. Share capital

During the year five million new shares were issued in relation to employee share schemes.

	2021 £m	2020 £m
Issued and fully paid:		
At 31 December – 1,859,332,965 shares of 1p each (2020: 1,854,332,965)	**18.6**	18.5

12. Share premium

	2021 £m	2020 £m
At 1 January and 31 December	**6.8**	6.8

13. Contingent liabilities

The Company has provided guarantees in respect of bank and other borrowings held by its subsidiary undertakings. In addition, there are contingent liabilities in respect of litigation, pensions and tax, none of which are expected to give rise to any material outflow.

14. Audit services

Note A8 to the Consolidated Financial Statements provides details of the remuneration of the Company's auditor for the Group.

15. Employees

The Company has 11 employees (2020: 11 employees). Details on employee costs are in Note D4 of the Consolidated Financial Statements. Services for finance, taxation, treasury, legal, HR and IT are provided by Rentokil Initial 1927 plc and recharged to the Company. Information on Directors' emoluments, share and other interests, transactions and pension entitlements is included in the Directors' Remuneration Report in this Annual Report.

16. Share-based payments

Share-based payments for the financial period were £9.8m (2020: £5.5m) of which £3.3m (2020: £2.7m) was charged to the profit and loss account and £6.5m (2020: £2.8m) was debited to investments. Share options relating to the Board of Directors are disclosed in the Directors' Remuneration Report and detailed share-based payment disclosures are shown in Note A11 of the Consolidated Financial Statements.

17. Related party transactions

The Company has not undertaken any transactions with related parties during the year, other than transactions with wholly owned related parties of Rentokil Initial plc. Such transactions are exempt from disclosure under FRS 101. There were no transactions with non-wholly owned related parties of Rentokil Initial plc.

18. Post balance sheet events

On 24 February 2022 the buy-out of the Rentokil Initial 2015 Pension Scheme completed when the insurance policy with PIC was transferred to the individual members of the Scheme. Accordingly both the Scheme's assets and liabilities have been reduced by the policy value (£1,238.6m).

There were no other significant post balance sheet events affecting the Company since 31 December 2021.

Directors' Report

The Directors submit their report and audited Financial Statements of the Company and the Group to the members of Rentokil Initial plc (the Company) for the year ended 31 December 2021. Details of the Directors of the Company during 2021 can be found on pages 84 and 85.

The Corporate Governance Report for the year on pages 82 to 136 forms part of the Directors' Report, together with the sections of the Annual Report incorporated by reference.

The Company has chosen to disclose the following information in the Strategic Report on pages 1 to 80 and 144 to 149:

- particulars of any important events affecting the Company which have occurred since the end of the financial year;
- an indication of likely future developments in the business of the Company;
- an indication of the Company's research and development activities (digital technology and innovation solutions are referred to throughout the Strategic Report but particularly on pages 12, 13, and 55 to 57);
- details of our colleagues and human rights (Responsible Business, pages 49 to 72);
- engagement with colleagues, customers, suppliers and others (pages 30 and 96 to 98);
- information on greenhouse gas emissions and energy use (Responsible Business, pages 58 to 65); and
- principal risks and uncertainties (Risks and Uncertainties, pages 73 to 79).

The Strategic Report and the Directors' Report constitute the management report as required under the Disclosure and Transparency Rule 4.1.8R. Information to be disclosed under Listing Rule 9.8.4 in relation to the allotment of shares for cash (Listing Rule 9.8.4(7)) and waiver of dividends (Listing Rule 9.8.4(12)) is set out on page 213. No other paragraphs under Listing Rule 9.8.4 apply.

Company constitution

Rentokil Initial plc is a company incorporated in England and Wales, with company number 5393279. The Company is a holding company with limited trading in its own right and with subsidiary undertakings in 80 countries (the Group operates in 88 countries). The Company's related undertakings are listed on pages 200 to 205.

Articles of association

The articles of association set out the internal regulations of the Company and cover such matters as the rights of shareholders, the conduct of the Board and general meetings. The articles themselves may be amended by special resolution of the shareholders (by at least 75% of the votes cast by those voting in person or by proxy). Subject to company law and the articles of association, the Directors may exercise all the powers of the Company and may delegate authority to committees, and day-to-day management and decision making to individual Executive Directors. The articles of association are available upon request and are displayed on our website at **rentokil-initial.com**.

Re-election of Directors and service contracts

In accordance with the articles of association, Directors can be appointed by the Board and must be subsequently elected by shareholders at a general meeting. In accordance with the articles of association and the UK Corporate Governance Code 2018 (the Code), Directors submit themselves for re-election annually. Directors can be removed, and their replacements appointed, by shareholders in a general meeting.

Information on our Board of Directors, including their biographical details, and changes during 2021, can be found in the Corporate Governance Report on pages 84 and 85. All Board members will seek re-election at the AGM in May 2022.

The notice periods given in service contracts are: Andy Ransom, 12 months by either party; Stuart Ingall-Tombs, 12 months by either party; and Richard Solomons, six months by either party. A pro-forma of the Non-Executive Directors' letter of appointment is available on our website along with the Chairman's letter of appointment.

The appointment dates of the Board of Directors are set out below.

Director	Date of appointment
Stuart Ingall-Tombs	15 August 2020
Sarosh Mistry	1 April 2021
John Pettigrew	1 January 2018
Andy Ransom	1 May 2008
Richard Solomons	1 March 2019
Julie Southern	21 July 2014
Cathy Turner	1 April 2020
Linda Yueh	1 November 2017

Directors' powers

Under the articles of association, the Directors are responsible for the management of the business of the Company and may exercise all the powers of the Company subject to the provisions of relevant statutes and the Company's articles of association. For example, the articles contain specific provisions and restrictions regarding the Company's power to borrow money. The articles of association also give power to the Board to appoint and replace Directors as detailed above.

Powers relating to the issuing of shares are also included in the articles of association and such authorities are renewed by shareholders each year at the AGM, as detailed on page 213.

Directors' interests

The beneficial interests of the Directors, including the interests of any connected persons, in the share capital of the Company are shown on page 126. During the year, no Director had any material interest in any contract of significance to the Group's business.

Dividend

The Directors have recommended a final dividend of 4.30p per share for the 52 weeks ended 31 December 2021. Payment of this dividend is subject to shareholder approval at the 2022 AGM. Further information on the Company's dividend policy can be found on page 145 and the key dates for the final dividend can be found on page 216.

Share capital

The Company has a premium listing on the London Stock Exchange and an over-the-counter American Depositary Receipt (ADR) listing to facilitate shareholding in the US. All ordinary shares carry the same rights and no shareholder enjoys any preferential rights, regardless of the size of their holding.

The Company's share capital during the year consisted of ordinary shares of 1p each. There were 1,859,332,965 shares in issue at 31 December 2021, which represents 100% of the Company's issued share capital (2020: 1,854,332,965). Each ordinary share (other than treasury shares, which have no voting rights) carries the right to vote at a general meeting of the Company. The Company did not hold any treasury shares between 31 December 2020 and 31 December 2021 and accordingly the Company did not sell any treasury shares. The Company's articles of association provide that, on a show of hands, every member who is present in person or by proxy at a general meeting of the Company shall have one vote. On a poll, every member who is present in person or by proxy shall have one vote for every share of which they are a holder.

The articles do not contain special control rights or restrictions on transfer or limitations on the holding of ordinary shares and no requirements for the prior approval of any transfers. No person holds securities in the Company carrying special rights with regard to control of the Company. The Company is not aware of any agreements between holders of securities that may result in restrictions on the transfer of securities or on voting rights.

The Company is not directly or indirectly owned or controlled by another corporation or by an individual and there are no arrangements which may at a subsequent date result in a change in control of the Company.

Authority for the Company to allot shares or grant rights to subscribe for shares up to an aggregate nominal amount of £12,394,000 was obtained at the AGM on 12 May 2021. The authority remains in force and approval will be sought from shareholders at the 2022 AGM to renew the authority for a further year.

During the year, a total of five million ordinary shares with an aggregate nominal value of £50,000 were issued and allotted to Computershare Nominees (Channel Islands) Limited, the account nominee of Computershare Trustees (Jersey) Limited which acts as trustee for the Rentokil Initial Employee Share Trust (the Trustee). These shares were issued to satisfy awards that vested in 2021 under the Company's Performance Share Plan.

Details of the shares held by the Trustee are contained beneath the Consolidated Statement of Changes in Equity table on page 152. As at 31 December 2021, the Trustee holds on trust 0.51% of the issued share capital of the Company to satisfy awards that vest under the Company's Performance Share Plan and Deferred Bonus Plan. The Trustee has agreed to waive any right to all dividend payments on shares held by it, and the voting rights in relation to these shares are exercised by the Trustee. The Trustee may vote or abstain from voting with the shares or accept or reject any offer relating to the shares, in any way it sees fit, without incurring any liability and without being required to give reasons for its decision.

Repurchase of shares

Authority for the Company to make purchases of its own shares of up to 185,900,000 shares was obtained at the AGM on 12 May 2021 and such authority will be valid until the 2022 AGM. No purchases of its shares were made by the Company during 2021. The authority is normally renewed annually and approval will be sought from shareholders at the 2022 AGM to renew the authority for a further year.

Change of control provisions

There are a number of agreements that take effect, alter or terminate upon a change of control of the Company, such as some financial and commercial agreements and employee long-term incentive or share plans. None of these are deemed to be significant in terms of their potential impact on the Group as a whole. A description of the Group's debt funding arrangements is set out in Note C7 to the Financial Statements. Note C1 describes the change of control provisions relating to the Group's Euro Medium-Term Note Programme.

Substantial shareholders

The Company has been notified pursuant to the Disclosure Guidance and Transparency Rules (DTR 5) that the following shareholders held, or were beneficially interested in, 3% or more of the Company's issued share capital at 31 December 2021. The information provided below was correct at the date of notification; however, this may not have been within the current financial year. It should be noted that these holdings are likely to have changed since the Company was notified. However, notification of any change is not required until the next notifiable threshold is crossed. In order to provide a more accurate description of our substantial shareholders, we have also disclosed our significant shareholders holding 3% or more of our issued share capital as at 31 December 2021.

Substantial interest in share notifications received up to 31 December 2021 pursuant to DTR 5

	%	No. of ordinary shares	Nature of holding
Ameriprise Financial, Inc.[1]	9.99	182,682,307	Indirect
Majedie Asset Management Ltd	5.61	101,963,126	Indirect
T. Rowe Price International Ltd	5.16	95,136,762	Indirect
BlackRock, Inc.	5.05	93,128,464	Indirect
Schroders plc	4.91	89,878,920	Indirect
Invesco Ltd	4.89	89,477,118	Indirect
AXA S.A.	4.80	87,093,421	Indirect
The Capital Group Companies, Inc.	4.46	82,615,045	Indirect

1. Ameriprise Financial, Inc. includes Threadneedle Asset Management Holdings Ltd.

Between 31 December 2021 and 3 March 2022, the Company was notified of the following change to the above table in accordance with DTR 5.

	%	No. of ordinary shares	Nature of holding
T. Rowe Price International Ltd	4.92	91,554,981	Indirect

Significant shareholders as at 31 December 2021

	%	No. of ordinary shares
T. Rowe Price (Baltimore)	7.05	131,075,625
Columbia Threadneedle Investments (London)	6.54	121,611,128
Fidelity Investments (Boston)	4.98	92,567,148
BlackRock Investment Mgt – Index (San Francisco)	3.40	63,215,366
Vanguard Group (Philadelphia)	3.36	62,550,897
Capital Research Global Investors (London)	3.33	61,850,092
BlackRock Investment Mgt – Index (London)	3.21	59,657,435
Royal London Asset Mgt (CIS) (Manchester)	3.07	56,993,273

Financial risk management

Details of financial risk management and the relevant policies and certain exposures of the Company are disclosed in Note C1, on pages 181 and 182, of the Financial Statements.

Key contracts

The Group does not have any dominant customer or supplier relationships.

Post balance sheet events

There was one significant post balance sheet event affecting the Group since 31 December 2021. See Note D6 on page 192 for details.

Political donations

It is the Company's policy not to make payments to political organisations. The Company does, however, maintain a shareholder authority to make payments of a political nature but does so only in order to ensure that the Company has authority from shareholders for the limited number of activities associated with the operation of the business which might be caught by the broad definition of payments of a political nature contained within current legislation. There were no payments to political organisations during 2021 (2020: £nil).

Equal opportunities

The Company regards equality and fairness as a fundamental right of all of its colleagues. Every colleague is required to support the Company to meet its commitment to provide equal opportunities in employment and avoid unlawful discrimination. People with disabilities should have full and fair consideration for all vacancies, and disability is not seen to be an inhibitor to employment or career development. Appropriate arrangements are made for the continued employment and training, career development and promotion of disabled persons employed by the Company. In the event of any colleague becoming disabled while with the Company, their needs and abilities would be assessed and, where possible, we would work to retain them and seek to offer alternative employment to them if they were no longer able to continue in their current role.

Engagement with employees, suppliers, customers and others

We have approximately 46,000 colleagues in our workforce. We consider our workforce to be those colleagues who are employed directly by us, and we do not include contractors or agency workers in this group. We employ our colleagues directly wherever possible in order to invest in their training, to ensure their full understanding and compliance with our policies, including health and safety procedures, to allow them to build relationships with our customers and to become more efficient. The number of contractors or agency workers throughout the business is not sufficiently material to identify and engage with them as a separate stakeholder group. However, like our colleagues, our contractors and agency workers must operate under our Code of Conduct and we will engage with them wherever practicable.

A summary of the methods we use to engage with our colleagues (including UK employees), suppliers, customers and our other key stakeholders, is provided on pages 30 and 31, while details of Board engagement is provided throughout the Corporate Governance Report, principally on pages 96 and 98. The section 172(1) statement can be found on page 72 and details of principal decisions taken by the Board during 2021 can be found on pages 94 and 95. Examples of how the Board had regard for stakeholders in its decisions and the effect of that regard are shown on pages 91 and 98. Over 750 managers and technical experts participate in our Performance Share Plan (see page 124). We do not currently offer an all employee share scheme but will continue to keep this under review.

Branches

The Company, through various subsidiaries, has branches in several different jurisdictions in which the business operates outside the UK.

Directors' indemnity and insurance

The Directors are ultimately responsible for most aspects of the Company's business dealings. They can face significant personal liability under criminal or civil law, or the UK Listing, Prospectus, Disclosure Guidance and Transparency Rules, and can face a range of penalties, including censure, fines and imprisonment. The Company considers that it is in its best interests to protect individuals who serve as Directors from the consequences of innocent error or omission, since this enables the Company to continue to attract prudent, appropriately qualified individuals to act as Directors.

The Company maintained at its expense a directors' and officers' liability insurance policy throughout the year to afford an indemnity in certain circumstances for the benefit of Group personnel including, as recommended by the Code, the Directors. This insurance cover remains in place. The policy does not provide cover where the Director or officer has acted fraudulently or dishonestly.

In addition, the Company has granted indemnities in favour of Directors, as permitted by sections 232 to 235 of the Companies Act 2006. In general terms, the indemnities protect Directors to the extent permissible by law from all costs and expenses incurred in the defence of any civil or criminal proceedings in which judgement is given in their favour or the proceedings or otherwise disposed of without finding fault or where there is a successful application to court for relief from liability. The indemnity operates to the extent that the Director is not able to recover the relevant amounts under the Company's directors' and officers' liability insurance.

Related party transactions

Other than in respect of arrangements relating to the employment of Directors, details of which are provided in the Directors' Remuneration Report, or as set out in Note D4 on page 191 of the Financial Statements, which also provides details of transactions with joint ventures and associate entities, there is no indebtedness owed to or by the Company to any colleague or any other person considered to be a related party.

Disclosure of information to the auditor

The Directors confirm that, insofar as each of them is aware, there is no relevant audit information (as defined by section 418(3) of the Companies Act 2006) of which the Company's auditor is unaware; and each Director has taken all of the steps that should have been taken to ensure that they are each aware of any relevant audit information (as defined by section 418(3) of the Companies Act 2006) and to establish that the Company's auditors are aware of that information.

Going concern

The Directors, having made enquiries as set out on page 155, consider that the Company and the Group have adequate resources to continue in operation for a period of at least 12 months from the date of approval of these annual Financial Statements. For this reason, they consider it appropriate to adopt the going concern basis in preparing the Financial Statements.

Further details on the Group's net debt, borrowing facilities and financial risk management policies is provided in Section C Financing of the Notes to the Financial Statements on pages 181 to 190.

Statement of Directors' responsibilities

The Directors are responsible for preparing the Annual Report, which includes the Directors' Remuneration Report and the Financial Statements in accordance with applicable law and regulation.

Company law requires the Directors to prepare Financial Statements for each financial year. Under that law the Directors have prepared the Group Financial Statements in accordance with UK-adopted International Accounting Standards and the Company Financial Statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 Reduced Disclosure Framework, and applicable law).

Under company law, the Directors must not approve the Financial Statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and the Company and of the profit or loss of the Group and the Company for that period. In preparing the Financial Statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether for the Group and the Company, applicable UK-adopted International Accounting Standards have been followed for the Group Financial Statements, and United Kingdom Accounting Standards comprising FRS 101 have been followed for the Company Financial Statements, subject to any material departures disclosed and explained in the Financial Statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the Financial Statements on the going concern basis unless it is inappropriate to presume that the Group and the Company will continue in business.

The Directors are responsible for safeguarding the assets of the Group and the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are also responsible for keeping adequate accounting records that are sufficient to show and explain the Group's and the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and the Company and enable them to ensure that the Financial Statements and the Directors' Remuneration Report comply with the Companies Act 2006.

The Directors are responsible for the maintenance and integrity of the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of Financial Statements may differ from legislation in other jurisdictions.

Directors' confirmations

The Directors consider that the Annual Report, which includes the Directors' Remuneration Report and the Financial Statements, taken as a whole, is fair, balanced and understandable, and provides the information necessary for shareholders to assess the Group's and the Company's position and performance, business model and strategy.

Each of the Directors, whose names and functions are listed in pages 84 and 85 of the Annual Report, confirms that, to the best of their knowledge:

- the Group Financial Statements, which have been prepared in accordance with UK-adopted International Accounting Standards, give a true and fair view of the assets, liabilities, financial position and profit of the Group;
- the Company's Financial Statements, which have been prepared in accordance with United Kingdom Accounting Standards, comprising FRS 101 Reduced Disclosure Framework, give a true and fair view of the assets, liabilities, financial position and profit of the Company; and
- the Annual Report includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal risks and uncertainties that it faces.

The Directors' Report on pages 82 to 136 and pages 212 to 215 and the Strategic Report on pages 1 to 80 and 144 to 149 were approved by a duly authorised Committee of the Board of Directors and signed on its behalf by Daragh Fagan, the Company Secretary, on 3 March 2022.

Daragh Fagan
Company Secretary

3 March 2022

Registered office:
Compass House, Manor Royal,
Crawley, West Sussex, RH10 9PY.
Registered in England and Wales No: 5393279

Additional Shareholder Information

Registrar

The Company's Registrar is Equiniti Limited (Equiniti or EQ). All enquiries relating to the administration of shareholdings, dividends, change of address and lost share certificates should be directed to Equiniti. Information and advice can be found on its website.

Contacting Equiniti:

help.shareview.co.uk
0333 207 6581 (+44 (0)121 415 0077 if calling from outside the UK). Lines are open 8.30am to 5.30pm (UK time), Monday to Friday (excluding public holidays in England and Wales).
Equiniti, Aspect House, Spencer Road, Lancing, West Sussex, BN99 6DA, UK.

Shareview Portfolio service
You can manage your shareholding online via Equiniti's Shareview Portfolio at **shareview.co.uk**. This allows shareholders to access a range of information about their shareholdings on registers maintained by Equiniti and includes shareholding details (such as name and address), indicative share prices, recent balance changes and dividend information.

Share dealing services
Equiniti offers shareholders a dealing service which allows you to buy or sell Rentokil Initial plc shares.

shareview.co.uk
0371 384 2233 (+44 (0)121 415 7065 if calling from outside the UK).

Calls are charged at standard national and international rates. Please note that both the internet share dealing and telephone share dealing services are subject to commission charges. Full details can be found on **shareview.co.uk**.

ShareGift

Shareholders with small holdings in shares, whose value makes them uneconomical to sell, may wish to donate them to ShareGift (registered charity no. 1052686).

For further information, contact:

sharegift.org
help@sharegift.org
+44 (0)20 7930 3737
ShareGift, PO Box 72253, London, SW1P 9LQ

Share price information and history

The current price of the Company's shares can be found at **rentokil-initial.com/investors**.

Mid-market price 31 March 1982 – 7.5375p*

* Adjusted for the 1983 bonus issue and the 1990, 1992 and 1997 share splits.

Mid-market price 31 December 2021 – 584p

2021 high/low – 636.2p /464.6p

Dividends

2021 final dividend
The Directors have recommended a final dividend of 4.30p per share, for the 52 weeks ended 31 December 2021. Payment of this dividend is subject to approval at the 2022 AGM. When taken with the interim dividend of 2.09p paid on 13 September 2021 this gives a total dividend of 6.39p (2020: 5.41p; as a result of COVID-19 no interim dividend was paid for the year ended 31 December 2020 and only a final dividend was paid).

Key dates relating to this dividend are given below.

Ex-dividend date	Thursday 7 April 2022
Record date	Friday 8 April 2022
Last day for DRIP elections	Tuesday 26 April 2022
Annual General Meeting	Wednesday 11 May 2022
Payment date	Wednesday 18 May 2022

For further dividend information, please see page 145 or go to **rentokil-initial.com/investors**.

Dividend payments
Please note that we no longer pay dividends by cheque. All dividend payments are now credited directly into a shareholder's UK bank or building society account. Shareholders who historically received dividends by cheque and have not yet completed a Dividend Mandate Form will need to contact our Registrar to request a form for completion (see above for contact details). For any shareholder who has not submitted their dividend mandate by the deadline of 8 April 2022, cash will be held in an account and they will need to contact our Registrar for the cash to be distributed to their UK bank or building society account. If you do not have a UK bank or building society account you may be able to arrange for payments to be converted and paid in your local currency. Please contact our Registrar for more information.

Dividend reinvestment plan (DRIP)
The Company has a DRIP provided by Equiniti Financial Services Limited (Equiniti FS), which is a convenient, easy and cost-effective way to build a shareholding by using cash dividends to buy additional shares. Rather than having a bank account credited with a cash dividend, Equiniti FS will use the dividends payable to DRIP participants to purchase shares on your behalf in the market. Please go to **shareview.co.uk** for further information.

Dividend history
Details of the Company's dividend history can be found on our website at **rentokil-initial.com/investors**.

American Depositary Receipt (ADR)

The Company has an ADR programme that trades on the over-the-counter market in the United States. This is a sponsored Level 1 ADR programme for which the Bank of New York Mellon acts as depositary. Each ADR is equivalent to five Rentokil Initial plc ordinary shares.

For enquiries relating to ADRs, please contact:

mybnymdr.com
shrrelations@cpushareownerservices.com
Freephone from the US: +1 888 269 2377
International calls: +1 201 680 6825
Regular mail:
BNY Mellon, PO Box 505000, Louisville, KY 40233-5000, USA
Overnight/certified/registered mail:
BNY Mellon, 462 South 4th Street, Suite 1600, Louisville, KY 40202, USA.

Exchange: OTC (over the counter)
Symbol: RTOKY
CUSIP: 760125104
Ratio (ADR: Ord) 1:5

Indirect owners of shares with information rights

Please note that beneficial owners of shares who have been nominated by the registered holder of those shares to receive information rights under section 146 of the Companies Act 2006 are required to direct all communications to the registered holder of their shares rather than to Equiniti.

How to avoid share fraud

Reject cold calls: If you've been cold called with an offer to buy or sell shares, the chances are it's a high-risk investment or a scam. You should treat the call with extreme caution. The safest thing to do is to hang up.

Check the firm on the Financial Conduct Authority (FCA) register at fca.org.uk/register. The Financial Services Register is a public record of all the firms and individuals in the financial services industry that are regulated by the FCA.

Get impartial advice: Think about getting impartial financial advice before you hand over any money. Seek advice from someone unconnected to the firm that has approached you.

If you suspect that you have been approached by fraudsters, please tell the FCA using the share fraud reporting form at **fca.org.uk/scams**, where you can find out more about investment scams. You can also call the FCA Consumer Helpline on 0800 111 6768.

If you have lost money to investment fraud, you should report it to Action Fraud on 0300 123 2040 or online at **actionfraud.police.uk**.

Find out more at **fca.org.uk/scamsmart**.

ALWAYS REMEMBER: If it seems too good to be true, it probably is!

Unsolicited mail

The Company is legally obliged to make its register of members available to the public, subject to a proper purpose test. As a consequence of this, some shareholders may receive unsolicited mail. Shareholders wishing to limit the amount of such mail should contact the Mailing Preference Service (MPS) at:

mpsonline.org.uk
+44 (0)20 7291 3310
MPS FREEPOST LON20771, London, W1E 0ZT

Annual General Meeting

The 2022 AGM will be held at, and be broadcast via live webcast from the Company's offices at Compass House, Manor Royal, Crawley, West Sussex, RH10 9PY from 3.00pm on 11 May 2022 (see page 96 for more information). The Notice of Meeting is available on our website.

Published information

If you would like to receive a hard copy of this Annual Report, please contact the Company Secretariat at the Company's registered office below. A PDF copy of this report can also be downloaded from our website.

As a responsible business we are tackling climate change by committing to achieve net zero carbon emissions from our operations by the end of 2040. We would urge our shareholders to take advantage of the option to receive electronic communications from us by signing up at **shareview.co.uk**. For each shareholder that elects to go paperless we will make a donation to the UK charity Cool Earth to support their efforts to tackle endangered rainforest degradation.

Registered office and headquarters

Rentokil Initial plc

Registered in England and Wales; Company Number: 5393279

Registered Office: Compass House, Manor Royal, Crawley, West Sussex, RH10 9PY.

rentokil-initial.com
secretariat@rentokil-initial.com
+44 (0)1293 858000

Glossary

AER	Actual exchange rates
AGM	Annual General Meeting
APBITA	Adjusted profit before interest, tax and amortisation
APM	Alternative Performance Measure
BEIS	Department for Business, Energy and Industrial Strategy
Benelux	Belgium, the Netherlands and Luxembourg
Board	The Board of Directors of Rentokil Initial plc
CAGR	Compound annual growth rate
CER	Constant exchange rates
CGU	Cash-generating unit
Company	Rentokil Initial plc
CVC	Customer Voice Counts
DBP	Rentokil Initial plc Defined Bonus Plan
Director	A Director of Rentokil Initial plc
EBITDA	Earnings before interest, tax, depreciation and amortisation
ELT	Executive Leadership Team
EMTN	Euro Medium-Term Note
EPS	Earnings per share
ESG	Environmental, social and governance
ETR	Effective Tax Rate
FRC	Financial Reporting Council
FRS	Financial Reporting Standards
GAAP	Generally Accepted Accounting Practice
GDP	Gross domestic product
Group	Rentokil Initial plc and its subsidiaries
Growth and Emerging markets	Rentokil Initial defined markets for Pest Control operations (see pages 34 and 35)
IAS	International Accounting Standards
IFRS	International Financial Reporting Standards
IRR	Internal rate of return
ISDA	International Swaps and Derivatives Association
KPI	Key performance indicator
KSA	Kingdom of Saudi Arabia
LIBOR	London Interbank Offered Rate
LTA	Lost time accident
M&A	Mergers and acquisitions
MENAT	Middle East, North Africa and Turkey
NED	Non-Executive Director
NPS	Net Promoter Score
Parent Company	Rentokil Initial plc
PCI	PCI Pest Control Private Ltd (trading as Rentokil PCI)
PPE	Personal protective equipment
PSP	Rentokil Initial plc Performance Share Plan
PwC	PricewaterhouseCoopers LLP
RCF	Revolving credit facility
RIPS	Rentokil Initial 2015 Pension Scheme
ROU	Right-of-use
SHE	Safety, health and environment
SID	Senior Independent Director
SLF	Senior Leadership Forum
TCFD	Task Force on Climate-related Financial Disclosures
TSR	Total shareholder return
UAE	United Arab Emirates
UK & RoW	United Kingdom and Rest of World
WDL	Working days lost

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About us

Rentokil Initial provides services that protect people and enhance lives.

We protect people from the dangers of pest-borne disease and the risks of poor hygiene. We enhance lives with services that protect the health and wellbeing of people, and the reputation of our customers' brands.

Rentokil is the world's leading commercial pest control services provider. Initial is the world's leading commercial hygiene services provider. Ambius is the world's leading commercial provider of plants and scenting.

Our local service teams across the world cover over 90% of global GDP in over 90 of the world's 100 largest cities across North America, Europe, UK & Rest of World, Asia and the Pacific. Operating in 88 countries, approximately 90% of our revenues are derived from outside the UK.

We have over a million customers, from the largest multi-national pharmaceutical, industrial and food production companies to local shops, restaurants and homes. With high levels of customer service and retention rates, we continue to build our global portfolio.

Find out more at rentokil-initial.com.

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