

AUDIT COMMITTEE – TERMS OF REFERENCE (May 2016)

Terms of reference:

Membership and independence

The Committee shall be appointed by the Board from amongst the Non-executive Directors of the Company and should comprise at least three members all of whom shall be independent. The chairman of the Committee shall be appointed by the Board on the recommendation of the Nomination Committee. A quorum for meetings shall be two members of the Committee and where the chairman of the Committee is unavailable for a quorum meeting, the meeting will be chaired by a member of the Committee nominated by the Company Chairman.

Meetings

The Chief Financial Officer, Director of Risk and Internal Audit and a representative of the external auditor may attend meetings at the invitation of the Committee. The Chairman and the Chief Executive will normally be invited to attend meetings. All other members of the Board will be invited to attend meetings at the invitation of the chairman and, when intending to attend, they should advise the Chairman of the Committee in advance of the meeting in question.

At least once a year the Committee will meet with the external auditor without executives of the Company present.

Each member of the Committee shall disclose to the Committee, any personal financial interest (other than as a shareholder) in any matter to be decided by the Committee; or any potential conflict of interest arising from a cross-directorship. Any such member shall abstain from voting on resolutions of the Committee in relation to which such interest exists and from participating in the discussions concerning such resolutions.

The Company Secretary or a suitably qualified nominee shall be the Secretary of the Committee.

Frequency of Meetings

There should be at least four meetings of the Committee each year at which issues will be discussed in accordance with the schedule set out in the Board's governance procedures and practices manual.

Such calendar may be modified in detail by the Committee to meet changed circumstances and additional meetings may be held at the discretion of the Committee.

Duties

- (i) To ensure that at least once in every ten years the audit service contract is put out to tender. To oversee the process of selecting external auditor and to make recommendations to the Board for the appointment, re-appointment and removal and fees of the external auditor of the Company and its subsidiary companies.
- (ii) To monitor and review the external auditor's effectiveness, taking into consideration relevant UK professional and regulatory requirements.
- (iii) To report on the total fees charged by auditor for both Rentokil Initial plc and its subsidiaries for both audit and other functions (e.g. tax advice and acquisition investigations) and to assess the independence and objectivity of external auditor in the light of the level of provision of non-audit services and any other relevant factors.
- (iv) To review the scope of the audit with the external auditor before the audit commences (including external auditor's quality control procedures, steps taken by external auditor to respond to changes in regulatory and other requirements and external auditor's

engagement letters) and the findings of the external auditor. This will include the external auditor's internal control reports and management's response.

- (v) The Committee shall monitor the integrity of the financial statements of the Company, including its annual and half-yearly reports, interim management statements, and any other formal announcement relating to its financial performance, reviewing and reporting to the Board on significant financial reporting issues and judgements which they contain having regard to matters communicated to it by the auditor. The Committee will review and challenge particularly on:
- controls, accounting policies and procedures and any changes in them
 - major judgemental areas
 - representation letters given by management in connection with financial statements
 - the extent to which the financial statements are affected by any unusual transactions and how they are discharged
 - significant adjustments resulting from the audit
 - the going concern assumption
 - compliance with accounting standards
 - compliance with Stock Exchange and legal requirements
- (vi) Where requested by the Board, the Committee should review the content of the annual report and accounts and advise the Board on whether, taken as a whole, it is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's performance, business model and strategy.
- (vii) To review the effectiveness of the Company's internal control systems and risk management systems and to review the process for deriving the strategic risks for the Group, in the light of reports from management and internal and external auditor as well as to review the activities of the Company's Risk Committee and through the Chief Financial Officer commission analysis from the Risk Committee as required.
- (viii) To approve the internal audit programme and review findings and related managed actions.
- (ix) To review the effectiveness of the internal audit function, including issues relating to the adequacy of resources.
- (x) To consider management's response to any major external or internal audit recommendations.
- (xi) To approve the appointment or dismissal of the head of internal audit.
- (xii) To review the Company's procedures for handling compliance with the Company's Code of Conduct including its anti-corruption policy and confidential reporting (whistleblower) arrangements.
- (xiii) To review the Company's statement on internal control systems prior to endorsement by the Board and to review the policies and processes to identifying and assessing business risks and management of those risks by the Company.
- (xiv) The Committee will review the financial statements of the UK pension fund, if so requested by the trustees.

- (xv) To consider other topics, as defined by the Board.
- (xvi) The Committee shall at least once a year review its own performance and terms of reference to ensure it is operating at maximum effectiveness and recommend any changes it considers necessary for Board approval.

Authority

- (i) The Committee is authorised by the Board to investigate any activity within its terms of reference and to seek any information that it requires from any employee of the Company and all employees are directed to cooperate with any request made by the Committee; and
- (ii) The Committee shall have the right to consult the Company's professional advisors or, if it is not satisfied with the advice received, seek further independent professional advice at the Company's expense in the furtherance of its duties. Prior to seeking further independent professional advice at the Company's expense, the Committee shall notify either the Chairman or the Chief Executive.

Reporting Procedures

- (i) Submit to the Board all its reports, recommendations and minutes of meetings.
- (ii) The Committee shall compile a report on its activities to be included in the Company's annual report. The report should include an explanation of how the Committee has addressed the effectiveness of the external audit process; the significant issues that the Committee considered in relation to the financial statements and how these issues were addressed, having regard to matters communicated to it by the auditor; and all other information requirements set out in the Code.

In the compiling the reports the Committee should exercise judgement in deciding which of the issues it considers in relation to the financial statements are significant, but should include at least those matters that have informed the Board's assessment of whether they consider it appropriate to adopt the going concern basis of accounting in preparing them and identifying any material uncertainties to the company's ability to continue to do so. The report to shareholders need not repeat information disclosed elsewhere in the annual report and accounts, but could provide cross-references to that information.

- (iii) The Chairman of the Committee shall attend the AGM and shall answer questions, through the Chairman of the Board, on the Committee's activities and its responsibilities.

Other Matters

- (i) The Committee shall have access to sufficient resources in order to carry out its duties.
- (ii) The Committee shall be provided with appropriate and timely training, both in the form of an induction programme for new members and on an on-going basis.

Current members

Julie Southern (Chair) and Alan Giles.