



The journey continues

The RIGHT WAY

Rentokil
Initial

Annual Report 2017

Strategic Report

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The Financial Review on page 104 forms part of the Strategic Report.



Throughout the report this icon will direct you to other content in the report.



Throughout the report this icon will direct you to more content online.

Rentokil Initial provides services that protect people and enhance lives

Who

Rentokil Initial is a global leader in the provision of route-based services which protect people and enhance lives. In addition to our core services of Pest Control and Hygiene, we offer a range of other smaller specialist services including Plants, Property Care and Workwear.

What

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.

Where

We are an international services business operating in over 70 countries around the world, employing approximately 36,000 people in 2017.

Why

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.

Alternative Performance Measures

This Annual Report contains references to Alternative Performance Measures (APMs) which are not GAAP measures as defined under International Financial Reporting Standards (IFRS). An explanation of the APMs used along with reconciliation to the nearest equivalent IFRS measure can be found in Section E of the Notes to the Financial Statements on page 145.

The journey continues

2017 represented a step change in the execution of our strategy, which we call our **RIGHT WAY** plan.

Following the transfer of our European Workwear operations into a joint venture¹ with Haniel in June 2017, we are a stronger business focused on our core Pest Control and Hygiene operations, which now represent just under 90% of Ongoing Operating Profit. We are proud of our operational and financial achievements and of the growth we have delivered over the last four years.

While we are confident and ambitious, there is still further to go and our journey continues. Over the next pages we highlight ways in which we can grow the business and deliver further value creation.

Read on to find out what's next for Rentokil Initial.

Global leadership

Rentokil and Initial are the world's largest commercial pest control company and hygiene services provider respectively with multiple market leading positions across over 70 countries.

Fundamental understanding of route density

This enables us to drive margin expansion across our business through 'postcode' density and product penetration. Our ongoing and successful M&A programme is central to building density, with 150 acquisitions made over the last five years.

Brand strength

Our Rentokil and Initial brands are seen as leaders in their industries globally. Rentokil is synonymous with pest control around the world and is included in the Brand Finance Top 50 Most Valuable Commercial Services Brands in the world.

Leaders in technological and digital innovation

We are successfully creating digital products, and deploying apps and technical innovations and artificial intelligence to combat increasing pest threats and maintain a competitive advantage in our industries.

1. The term 'joint venture' is used to describe the Company's joint venture with Haniel. However our 17.8% interest in CWS-boco is equity accounted for as an associate as described in Note B6 to the Financial Statements.

Accelerating growth

Value-enhancing M&A in Growth and Emerging markets

We continue with our successful M&A strategy and use North America and India as illustrations of our progress to date and opportunities for the future.

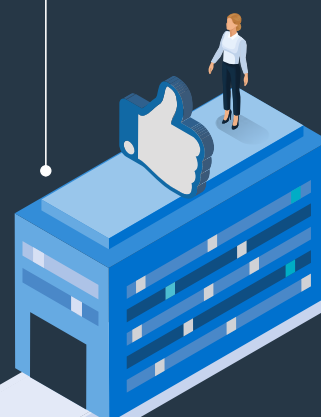
Buyer of choice

We believe our reputation as an experienced and sympathetic acquirer of assets frequently affords us a competitive advantage in the bidding process.



Transformational M&A in North America and India

Since 2014 we have grown revenues in North America from \$570m to \$1.1bn, including revenues generated from the 50 businesses we have acquired. Our joint venture¹ with PCI has substantially increased our revenues in India from £3.9m in 2014 to £45.5m at December 2017.



125

acquisitions in Growth and Emerging markets since January 2014.

111

of which are in Pest Control.

1. The term 'joint venture' is used to describe the Company's 57% investment interest in Rentokil PCI. However our interest in Rentokil PCI has been consolidated in our Financial Statements as described in Note B1.

The journey continues

Creating leading market positions

We are now the No. 3 player in North America and the clear No. 1 in India and the Middle East.

Functional excellence in M&A

Our local teams and our central M&A function are responsible for identifying acquisition targets and maintaining key relationships, with our teams in contact with up to 200 potential targets at any given time. Our rules of the road are to assess the risks, be confident in our synergy plans, pay sensibly and deliver from day one. Deal structures and strong post-completion governance and integration processes ensure our M&A programme consistently delivers against the business case.

Long-term growth prospects

Worth c. \$8bn, North America is the world's largest pest control market and approximately 50% of the global total. India's pest control industry is growing rapidly, fuelled by high GDP and population growth, rapid urbanisation, expansion of the middle classes, demand for increased hygiene standards and increasing investment in the food and pharmaceutical sectors.



Good pipeline of M&A opportunities

The pest control market in North America is highly fragmented with around 20,000 small, independently owned companies creating a sustainable source of acquisitions. However, asset prices are rising as a result of increased competition for high-calibre targets.

Creating density to drive margins

With truly national coverage across both countries, we can now focus on building city and local density to drive margin expansion.

Leading the field in innovation

Harnessing the digital and innovation opportunity across the customer lifecycle

Innovation underlines our brand positioning as the experts in pest control and continues to differentiate the business.

Service and productivity gains

Digital apps provided through low-cost mobile devices are helping our Pest Control and Hygiene technicians improve the service they give our customers and enhance their productivity and safety.

Back-office efficiency

We see many opportunities to further automate our back-office functions, deploying cloud platform services, robotics and utilising data from sensors, colleague apps and customer portals to facilitate management decision making and further reduce costs.

10,000

smartphones rolled out across the business.

90%

Around 90% of Hygiene colleagues are now using our ServiceTrak smartphone app.

1,000

PesTrak roll-out well underway in 16 countries and with over 1,000 service technicians.



The journey continues

Proprietary and ground breaking product development

New product launches in 2017 included Lumnia, the world's first LED electronic fly killer range, and RapidPro, the world's fastest acting and most effective rodenticide.

The Power Centre

In September we opened The Power Centre, our new Global Innovation, Science and Training Centre based in the UK. The centre brings together our scientific experts and research in pest control with our training teams to ensure that we remain the global leader in the commercial pest control industry.

Enhancing customer service and retention and driving new business

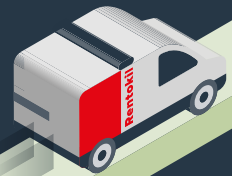
Our digital products include remote monitoring systems and connected devices such as PestConnect (the world's smartest mouse trap) and our myRentokil online customer portal, used by almost 50% of our commercial customers in 520,000 premises. Visits to our Pest Control websites grew organically by 44% in 2017, over 3.7m more sessions than in 2016.

Creating a sustainable pipeline of innovations

We have 15 scientists working on the development of 70 active innovation projects, a 20% increase on project volumes in 2016. In final stages of development are products for combatting bed bugs, connected products for live animal capture, new Lumnia models, fluorescent tracking gel and multi-catch units for rodents. Over the last three years we have doubled our patent portfolio and have a further 16 patent applications pending.

An Employer of Choice

Becoming an Employer of Choice (EoC) means we can attract, recruit, engage, train and retain high-calibre employees, which is at the heart of delivering our business strategy.



Highly rated workplace culture

Sustained improvements have led to the Company being rated 8th out of 700,000 companies on Glassdoor for Workplace Culture, with an overall score of 4.3 out of 5 (as at December 2017). Increased internal levels of engagement are translating into a strong external reputation as a 'Great Place to Work'.

87%

Recommend to a friend

97%

CEO approval

4.3/5

Glassdoor overall rating

High performing colleague engagement

Our 2017 Your Voice Counts (YVC) survey scores on colleague engagement and enablement have risen by four points since 2015 and are now in the world-class 'High Performing (HP)' territory for the first time. Other HP areas include 'colleague motivation', 'the Company is open to new ideas', 'training and development', 'my job makes good use of my skills' and 'the Company is innovative' (which scores some 13% points above the HP norm).

The journey continues

Our cultural attributes

Customer focused, commercial, diverse, down to earth and innovative.

Importance of EoC strategy

We believe that a focus on colleague engagement, retention, technical expertise, training and line management quality delivers productivity and efficiency gains, enhances customer satisfaction and retention, improves workplace safety and reduces staff absenteeism.

Focus on Employer of Choice

In 2017 we introduced Employer of Choice as the No. 2 agenda item for all management team meetings (after our No.1 item, Health & Safety). We identified our strengths and opportunities, EoC metrics against which we can report monthly, and developed action plans and targets for 2018.

Areas for improvement

Our focus remains on improving front line short-term turnover (less than 12 months) which in 2017 was too high. Actions to improve this include attracting and hiring people who fully understand the job role and requirements, influencing retention by ensuring new joiners have the tools, equipment, information and training to do the job while at the same time recognising and rewarding them for their contribution.



Chairman's introduction

2017 has seen further successful execution of our **RIGHT WAY** plan and an acceleration in performance.


It is very encouraging to see the performance of the Company accelerate, delivering in line with our strategy through a combination of organic and acquisitive growth over the last year. Having completed our transaction in June to form a leading European workwear joint venture with Haniel, the composition of our profits is now increasingly weighted towards our core, higher growth businesses of Pest Control and Hygiene, which now account for just under 90% of Group Ongoing Operating Profit.

We remain fully committed to our purpose which is protecting people from the dangers of pest-borne disease and the risks of poor hygiene, and enhancing lives with services that protect the health and wellbeing of people and the reputation of our customers' brands.

Our ambition remains to be both a world-class service company and a world-class Employer of Choice. Our culture is therefore critical to our success, and it is pleasing to see that, across our different businesses, our people share our mission, values and now report engagement and enablement scores across all businesses in the global High Performing quartile.

I would like to thank our shareholders and, of course, our customers for giving their continued support to Rentokil Initial and for their ongoing trust and loyalty. In 2017 we welcomed many new colleagues to the Company through the acquisition of 41 new businesses in the year and also by ongoing recruitment to improve our functional capabilities across the Group. I would like to convey my appreciation to all our colleagues who have made such a sustained and focused effort to deliver outstanding service to our customers. This is key to our success and enables us to continue to deliver our strategy at pace.

The theme of this year's Annual Report is, 'The journey continues. The **RIGHT WAY**.' In the opening pages of this report we aim to illustrate through a series of infographics some of the ways in which we delivered recent growth and how we can maintain momentum throughout the next phase of our journey. I hope you will enjoy reading it.



John McAdam
Chairman
28 February 2018

Reasons to invest

1

We are a leader in our chosen markets

generating high returns with good growth opportunities. Rentokil is the world's leading commercial pest control business and our principal engine for growth. We are the brand leader in the industry and believe we possess unrivalled technical expertise. Initial is the global leader in hygiene services with a focus on service quality to grow market share and drive management and back office synergies with other business lines.

2

We have a clear, differentiated management strategy

to drive performance and capital allocation. Our targeted strategies reflect our ability to develop and grow. We have an increasing focus on Growth and Emerging markets. Disciplined investment in capital expenditure and M&A is focused on those areas offering the best returns and sustainable growth.

3

We are highly cash generative

and this supports our balance sheet and enables us to fund our M&A programme, implement a progressive dividend policy and pay down debt.

4

Rentokil Initial is run by an experienced and proven management team

executing our strategy successfully and at pace. We are a people and values-based organisation. Our expert service teams are highly trained and equipped with the best tools to perform their roles, supported by a strong innovation pipeline. We have a clear governance framework and are committed to transparent reporting.

5

We have a clear plan to deliver 5% to 8% revenue growth in the medium term

We understand our customers' needs for enhanced health and hygiene standards and deliver high service levels across our diverse customer base. Our operational growth levers are focused on retention, upselling and organic sales. We have a proven city and route density focused M&A strategy.

6

There is further scope for profit growth and margin enhancement

We drive margins in part by focusing on increasing route density through organic and inorganic revenue growth. We operate a low-cost support structure through shared back offices and efficient administration. We are leaders in utilising technology and innovation to deliver a competitive advantage in our customer sectors.

A snapshot of our year

Strong financial performance

Ongoing Revenue growth

+14.5%

Organic Revenue growth

+3.8%

Revenue growth

+5.5%

(+11.3% at AER)

Ongoing Operating Profit growth

+14.8%

Profit before income tax growth

+241.5%

(+242.3% at AER)

Free Cash Flow and cash conversion

£175.8m ^(87%)

2017 dividend

+15.1%

[Read more on pages 104 to 107](#)

Completion of joint venture with Haniel and divestment of French laundries to RLD

On 30 June we completed our joint venture with Haniel to create a leading provider of workwear and hygiene services in Europe by transferring our Workwear and Hygiene businesses in Benelux, Sweden and Central and Eastern Europe into CWS-boco, a company owned by Haniel. We also divested eight flat linen laundries in France to RLD, further reducing our exposure to the European workwear market.

Cash proceeds from Haniel JV

£449.9m

representing 40x Free Cash Flow and 15.2x APBITA

Annual dividend from JV from 2018

€19m

Total profit on disposed businesses above

£449m

[Read more on page 105](#)



Pest Control and Hygiene

Our operations in these higher growth markets now account for 83% of Group Ongoing Revenues. During 2017 we achieved strong growth in Pest Control of 21.4%, aided by 33 acquisitions, and delivered further improvements in Hygiene revenues, which rose by 7.6% year on year.

[Read more on pages 22 to 29](#)

Innovation and digital technology

Our focus on the innovation of differentiated products and the deployment of digital technologies including sensing is central to our strategy. This year we opened The Power Centre, our new dedicated global R&D facility in the UK. Innovations in 2017 included Lumnia, RapidPro and AutoGate. Visits to our Rentokil websites rose by 30% from 12m to 15.7m year on year. In addition, just over 50% of our commercial customers are now using our myRentokil online customer portal.

[Read more on pages 24 to 28](#)

Pest Control

Ongoing Revenue growth

+21.4%

Organic Revenue growth

+5.8%

Hygiene

Ongoing Revenue growth

+7.6%

Organic Revenue growth

+2.1%

An outstanding year for M&A

2017 has seen particularly strong execution of our M&A programme with 41 businesses acquired during the year, principally in Growth and Emerging markets. Highlights in 2017 included our joint venture with India's largest pest control company, PCI, a strategically important step in a country with significant growth potential. In addition, nine Pest Control acquisitions in North America reinforce our position as the No. 3 player in the key North American market. We also became the clear market leader in the Middle East through the acquisition of SAMES in the Kingdom of Saudi Arabia (KSA).

[Read more on pages 22 to 25](#)

Combined annualised revenues of businesses acquired

£224.7m

Total spend on M&A in 2017

£281.1m

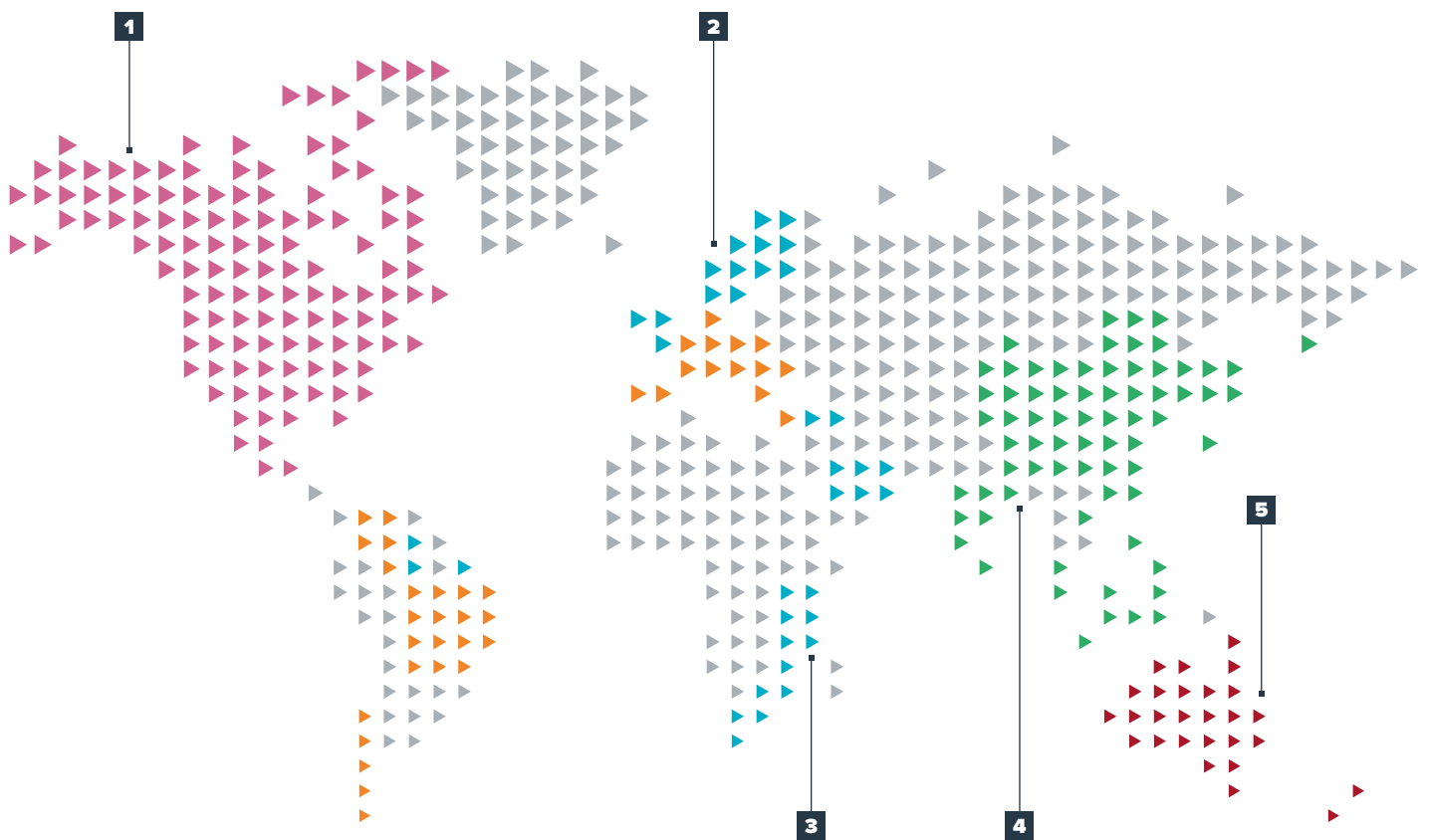
Acquisitions in Pest Control

33

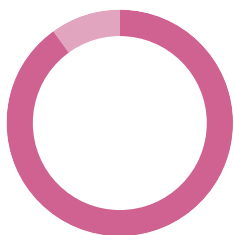


Our brands and businesses

Rentokil Initial is a global leader in the provision of route-based services which protect people and enhance lives.

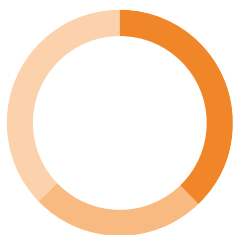


1
North America
% business Ongoing Revenue



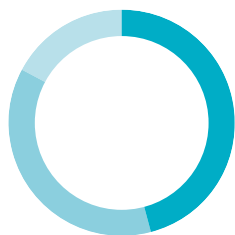
■ Pest Control 90%
■ Protect & Enhance 10%

2
Europe
% business Ongoing Revenue



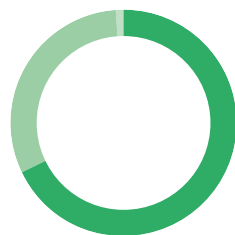
■ Pest Control 38%
■ Hygiene 25%
■ Protect & Enhance 37%

3
UK & Rest of World
% business Ongoing Revenue



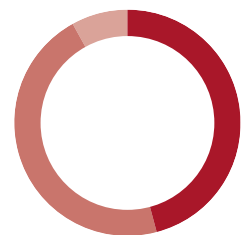
■ Pest Control 46%
■ Hygiene 37%
■ Protect & Enhance 17%

4
Asia
% business Ongoing Revenue



■ Pest Control 68%
■ Hygiene 31%
■ Protect & Enhance 1%

5
Pacific
% business Ongoing Revenue



■ Pest Control 46%
■ Hygiene 46%
■ Protect & Enhance 8%

Our brands and businesses



Pest Control

Rentokil Pest Control is the world’s largest international commercial pest control business providing the highest levels of risk management, reassurance and responsiveness to customers.

Rentokil operates in over 70 countries around the world.

We have leading market positions in the UK, continental Europe, Asia, Pacific and South Africa, a number three position in North America and a rapidly expanding presence in Central and Latin America.

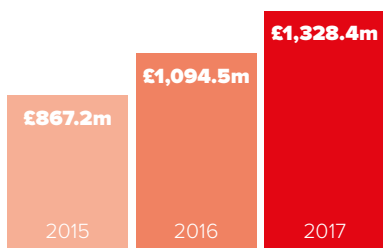
Ongoing Revenue

£1,328.4m

Ongoing Operating Profit

£239.8m

Ongoing Revenue



Hygiene

Initial Hygiene is the world’s largest hygiene services business offering the widest range of 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 and floor protection mats.

Initial Hygiene operates in 44 countries around the world.

We have top three market positions in 37 of these markets.

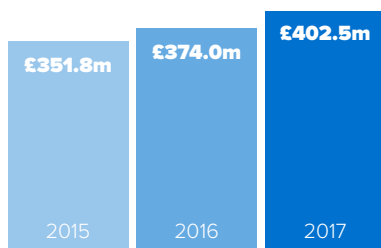
Ongoing Revenue

£402.5m

Ongoing Operating Profit

£71.4m

Ongoing Revenue



Protect & Enhance

The four businesses which are included in this category are Workwear (France), Ambius (Global), Property Care (UK) and Dental Services (Germany and Sweden).

Ambius is a world leading interior and exterior landscaping business which installs and services flower displays, replica foliage, Christmas decorations and ambient scenting. Our UK Property Care business provides damp proofing, property conservation, woodworm treatment and wood rot treatment services. Our France Workwear business specialises in the supply and maintenance of garments such as workwear and personal protective equipment. Our Dental Services business operates principally from two main hubs in Germany and Sweden and specialises in the disposal and recycling of dental waste.

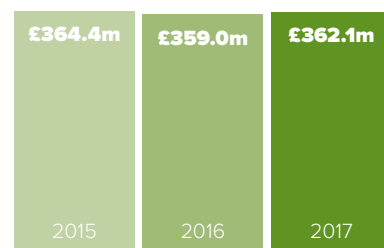
Ongoing Revenue

£362.1m

Ongoing Operating Profit

£37.3m

Ongoing Revenue



Revenue and profit figures above are at constant exchange rates (CER) and represent ongoing revenue from continuing operations and exclude revenue and profit from businesses disposed and closed but include revenue and profit from acquisitions. Ongoing Operating Profit is before central and regional overheads.

Strategic Report

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Q&A with Andy Ransom, Chief Executive

This year we have delivered Ongoing Revenue growth of 14.5% (of which 3.8% was Organic Revenue growth and 10.7% was from acquisitions), Ongoing Operating Profit growth of 14.8% and Free Cash Flow of £175.8m, all in excess of our financial targets for 2017.

Our core Pest Control business has again performed strongly with Ongoing Revenue growing by 21.4%, of which 5.8% was organic. We are also increasingly encouraged by the ongoing traction in our Hygiene business which grew by 7.6% (2.1% organic). In June we completed our transaction to form a joint venture with Franz Haniel & Cie. GmbH (Haniel) to establish a leading provider of workwear and hygiene services in Europe, created by transferring our Workwear and Hygiene businesses in Benelux, Sweden and Central and Eastern Europe (CEE) into CWS-boco (owned by Haniel), retaining a 17.8% interest in the combined entity.

Q. What do you believe are your sustainable unique selling points for both your Pest Control and Hygiene businesses?

A. In Pest Control, we are clearly the most global of the pest control operators, operating in over 70 countries around the world, and we have been in business for 90 years under the Rentokil brand, which is the biggest brand in the industry. We have made a significant and continued investment in innovation in pest control products and services and in technology, more recently with our suite of connected devices which we believe will be an important part of the pest control industry as it continues to modernise through the use of new technology and innovation. We are a business that has been built on a core belief in the expertise of our colleagues and setting the highest standards of training and execution in the field. We believe this translates into the best customer service in the industry. Adding to that, we have a deep and fundamental understanding of density and density building and how to create strong margins in both our Pest Control and Hygiene operations by focusing on growing our businesses in core cities and providing additional services and solutions to our existing customer base. So, really this is a combination of postcode and customer density and we believe this is quite an art, if not a science, and something in which we have a strong level of expertise. We have also been building a significant capability in M&A over the last few years which in many cases makes us the acquirer of choice to many other pest control businesses who are looking to sell their companies.

Q. After a very successful first few years into your tenure as CEO where many things have gone very well, what are you most pleased with and what worries about the business still keep you awake at night?

A. In terms of what has gone particularly well, we have a clear, focused plan which we have executed successfully so far. We have articulated this plan clearly, both internally and externally, but more importantly, it has been executed consistently across the Group. So, I think that is the main key to our success. The business is performing well and I think our central model – where the organisation and the central support services functions work together to support the business to deliver outstanding customer service – is a model which works very well. We have a culture of great openness and sharing and we're all focused on joined-up delivery between the centre and each of the regions. We also have a central category leadership model for Pest Control and Hygiene, to maintain our leadership position and pipeline of new products and services, which continues to work successfully. We've got some great things to be proud of, like our safety performance, for example. Also, I think the engagement of our people and the Employer of Choice agenda which we have started to work on is really important. We now have world-class levels of engagement and enablement among our colleagues but there's still a big opportunity to keep working at short-term retention rates, and ensuring our new colleagues quickly understand how to drive our growth and profitability as well as their incentives, priorities which are strongly aligned.

Things that keep me awake at night? Well, we have to keep it going. We've had a very successful few years so we have to maintain those levels of execution and pace. We live in a rapidly moving world and technology is moving fast in all business sectors including ours and those of our customers. This represents a potentially transformative change that is both a risk but more importantly a significant opportunity, and I feel we are well-placed to capitalise on it. We will be accelerating our plans in digital and the deployment of technology across our businesses in 2018, alongside reinforced protection of personal data and defences against IT security threats. I believe that in our industry we are leading the way but it is critical that we do not risk complacency.

Q. The Company made 41 acquisitions during 2017. Is it reasonable to expect this kind of level going forward?

A. The thing about our M&A agenda is that we operate in over 70 countries around the world and have a focus on acquisitions in all of those markets with a dedicated level of resources deployed to bring in deals in all of our five regions. While M&A is an opportunity-driven activity, we have a highly experienced team and a consistent, repeatable model for identifying targets and closing deals in a pretty fragmented set of markets. There are tens of thousands of independent, typically family-owned, private companies around the world – many of them operating in the key cities in which we operate or want to operate in the future. So, I think the combination of our expertise, our experience and our model, added to the wealth of opportunities that still exist out there, suggest to me that there's still a good source of acquisition opportunities for many years to come. That said, there will obviously be some years where a greater number of opportunities present themselves and others where there will be fewer and we choose to execute fewer transactions. But, for the time being, I think the pipeline and the bench strength and ability of our M&A team are both as strong as they have ever been – we did deals in more countries in 2017, 24 in fact, than ever before.

“We have had a very good year, exceeding our targets for revenue, profit and cash.”

Andy Ransom, Chief Executive

Q. We hear a great deal about the importance to the Company of North America. Why is this and does such a mature market offer real and sustainable growth opportunities?

A. The first thing to say about the North American pest control market is that it represents around 50% of the global pest control industry, so by any standards it is massive. The pest control market in North America is growing at around 5% and has been doing so for many years. External analysts agree that the growth prospects for the region remain good and are predicting similar growth rates for the next few years. It is a fragmented market so, for us, as well as seeing the opportunity to grow organically in commercial, residential and termite sectors, we also see a continued and significant opportunity to maintain our acquisition focus and to build a pest control powerhouse in this, the world's largest pest market. So, it's a really great opportunity and over the last few years we have seen phenomena such as bed bugs become a very major part of the industry. Increasingly, we are also seeing problems in the southern states with mosquitoes, which we believe represents another major opportunity given our appointment by the Federal Government's Centers for Disease Control and successful work at the Rio 2016 Olympics – to build on this is why we did our recent acquisition of Vector Disease Acquisition, LLC. So, we're very excited about our prospects.

Q&A with Andy Ransom, Chief Executive | Our 'big five' challenges

The business has grown both revenues and profits very significantly over the past few years and we see no reason why we won't continue to make further good progress going forward.

Q. Tell us about your joint venture in India. How is this going?

A. The combination in Rentokil PCI of the world leader and the clear No.1 in India is a really strong one, we think. We now have put together the largest and most established brand in pest control in India – PCI – with ours and have created a really exciting nationwide platform for growth. India is one of the fastest growing economies in the world with great fundamental growth drivers for us. It's got a vast population – over 1.3bn – and has a burgeoning urban middle class, a key demand driver for professional pest control services. It is a country of extreme weather patterns and high pest pressures and so it really is an excellent, strategic opportunity to be the market leader in pest control here. The joint venture has got off to a great start. Culturally the two companies fit superbly well and the leadership positions in the joint venture have broadly been shared between colleagues from PCI and colleagues from Rentokil and so I think it's going to be a very successful, very strong part of the Group's business over the coming years.

Q. What do you think is the biggest misunderstanding in the investment community today about Rentokil Initial?

A. The entire mission of Rentokil Initial is to protect people and enhance lives. Most people understand the expertise we have in Pest Control but are less familiar with the fact we are also the world's largest Hygiene services business. We view Hygiene as a very strong complementary business to Pest Control – many of the customers are the same, many of the country operations are the same and we share common technology, infrastructure and management across both operations. Both are route-based businesses and both benefit from a deep understanding of density building. The megatrends in the hygiene industry all give rise to an underlying demand for our services. The importance of being able to prevent the spread of diseases, germs and bacteria is driven by factors like an increasingly aged population and adult incontinence, more women at work driving growth in feminine hygiene facilities, regulatory enforcement and reputational risk from poor hygiene standards. So, for me, Hygiene is a great, complementary business to Pest Control and one that we will continue to grow alongside our Pest Control operations for many years to come.



Andy Ransom

Chief Executive Officer
28 February 2018

Our 'big five' challenges

1

Organic Revenue growth in Pest Control

Progress so far

Our Organic Revenue growth has improved over the last three years but there is more potential for growth, led by our core Pest Control category.

What's next on our agenda

- Building greater scale and density in North America through organic growth and acquisitions
- Improving customer retention through better account management, customer service quality and consistency
- Driving growth in international and global accounts
- Deploying our digital marketing expertise to drive increased sales enquiries and rolling out new innovations
- Maximising our reputation for the mitigation of emerging mosquito-borne diseases such as Zika virus and dengue fever
- Leveraging our increasing exposure to Emerging markets, in particular India, China and Latin America

4

M&A execution

Progress so far

Over the last four years we have acquired 134 companies, delivering combined annualised revenues of £573m. Continued strong M&A execution is a core element of our strategy, offering significant potential value creation.

What's next on our agenda

- Successful integration of acquisitions to ensure delivery of expected business case and target internal rate of return
- Continued identification of appropriate high-quality targets
- Further bolt-on acquisitions, particularly in Growth and Emerging markets
- Assessing the merits of larger acquisitions, should such opportunities arise

2

Creating value through digital products and applications

Progress so far

We are developing digital solutions for all aspects of our business. Customer developments are focused on our core commercial B2B business, with particular focus on the food sector, while colleague developments are focused on reduced IT costs in infrastructure and deployment of new software to increase sales and service productivity.

What's next on our agenda

- Continued focus on digital products, customer portals and marketing through the web to help us better serve and retain our customers
- Further deployment of digital applications through low-cost mobile devices to improve our technicians' service and productivity
- Identification of opportunities to digitalise back-office functions to improve sales efficiency and effectiveness, management decision-making and save costs

5

Employer of Choice/retention

Progress so far

Following significant improvements in the Company's reviews on the independent customer review site Trustpilot, as well as on colleague opinions on the workplace review site Glassdoor, we were awarded the title of Britain's Most Admired Company for Business Support Services in 2017.

What's next on our agenda

- Improving colleague engagement, enablement, talent and retention (especially short-term retention) through implementation of our Employer of Choice programme
- Focus on learning, development and career progression to build talent pipeline needed for future success
- Ongoing organisational commitment to diversity and inclusion across the Company

3

Building our Hygiene business

Progress so far

In 2017 we achieved our strongest levels of Ongoing Revenue growth for many years. This was achieved through building on the strength of our brand and market positions, selling our product ranges with confidence and building city density and extending our footprint through organic growth and targeted acquisitions.

What's next on our agenda

- Stronger execution of our service offering (for example, sales of new product ranges)
- Greater postcode density through targeted selling and acquisitions
- Targeted sales to encourage greater take up of multiple service lines per customer premises (and in particular where we provide only one service per premises)
- Linking sales incentives more closely to margin delivery to drive improved yield management
- Improved productivity through the roll-out of Service+, our in-house tool to deliver route optimisation for service colleagues

Our markets

Rentokil is the world's leading commercial pest control business.

Pest control covers a vast array of pests, some unique to certain countries or climates, while others (such as rodents) are present in every country around the world.

We have a principal focus on Growth and Emerging markets with No.1 positions in 44 markets, No.2 positions in 13 markets and No.3 positions in eight markets globally.

The pest control market offers sustainable, long-term growth prospects and is expected to deliver a compound annual growth rate (CAGR) of around 5%. The global commercial pest control market is worth c. \$8bn p.a. and the total global pest control market is worth c. \$16bn.



Six key structural growth drivers

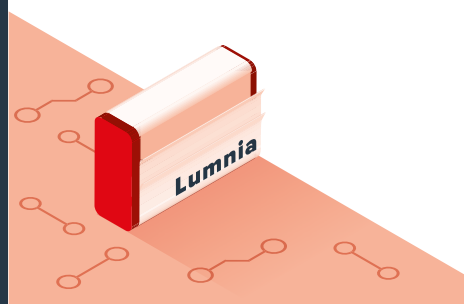
Climate change

Climate change and rising temperatures are enabling pests to become endemic and are leading to an increased threat from mosquitoes transmitting diseases such as dengue fever, Zika virus, yellow fever, encephalitis, West Nile virus, chikungunya and malaria.

Science and innovation

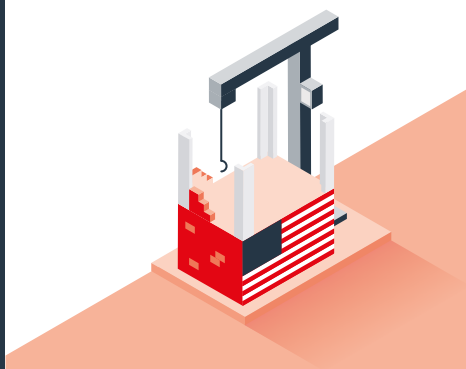
Innovation is fuelling growth in pest control, particularly in established markets where consumer expectations for improved products and techniques are rising. Rentokil leads the industry in providing innovative solutions to enhance core lines, meeting emerging threats and the requirements of new regulation.

Our strong pipeline of innovations includes next-generation PestConnect digital products and Lumnia, our innovative LED electronic fly killer which was launched in 31 markets this year and generated revenues some 40% ahead of our expectations.



Growth in North America

North America represents 50% of the global market and is worth c. \$8bn. It is expected to reach \$10bn by 2020, growing at a CAGR of c. 5% through to 2023. Rentokil has a strong market position, growing organically faster than the market. There are around 40,000 pest control companies worldwide, of which approximately half are in North America. Industry consolidation is an ongoing market dynamic. Looking forward, demand for mosquito control is expected to outpace demand for general pest control services.



Compliance, risks and digital reporting

Drivers here include increasing levels of regulation and enforcement, demand for higher-quality reporting and risk management assurance, and the impact of social media driving companies to invest in brand protection.

Emerging markets and urbanisation

The rise of middle classes in Asia and Latin America is driving increased spend on pest control. Rentokil is uniquely placed in these markets with unrivalled scale, brand and experience.

% of the global middle class in Asia by 2030²

66%

Our footprint in Asia

580+

locations in 12 countries

Number of technicians in Asia

9,000+

Global international hygiene standards

Global international hygiene standards (particularly in the food industry) are converging and driving a consistency in approach from multi-nationals. With operations in over 70 countries, our international reach is a key differentiator in our ability to service global accounts.

1. Source: Various market reports forecasting over 5+ years including Markets & Markets, Allied Market Research, Future Market Insight (all 2017).
2. Source: Organisation for Economic Co-operation and Development.

Our markets

Initial Hygiene is the world's largest hygiene services business.

Initial Hygiene is the leading hygiene services business in 23 of its 44 markets around the world with a No. 2 position in 12 countries and a No. 3 position in three markets.

The hygiene services market offers good growth opportunities as organisations demand increasing standards of hygiene – hand hygiene, air hygiene and a professional feminine hygiene service.

As a leading player in the hygiene industry, Initial Hygiene has award-winning products and one of the world's strongest brands, which is particularly valuable in Emerging markets. We have an in-depth understanding of the importance of density of customers by location, what we call 'postcode density', and by the number of serviced products by customer, or 'product penetration', and key operational drivers of growth.



Four key structural growth drivers

Rising customer expectations

There is an increasing awareness of the link between good hand hygiene and healthy workplaces and healthcare facilities. Social media is also driving companies to invest in brand protection while an increasing focus on sustainability is encouraging lower water consumption and paper saving.

Initial Hygiene offers a full range of hand hygiene solutions including soap and sanitiser dispensers, hand driers, roller towels and paper towel dispensers, consumables and premium No-Touch products.

'Hand Care Services' as % of total hygiene market

c.22%



Changing demographics

These include population growth, an ageing population creating more health issues and hygiene product requirements, growth in Emerging markets, rising middle classes and greater levels of women at work requiring more feminine hygiene facilities.

Tighter regulation across the world is also driving greater compliance with workplace hygiene, food production and retail hygiene and environmental standards. These services include disposal of sanitary waste, nappies and incontinence products. Initial has developed high-quality products to match these growth drivers and increase density.

'In-Cubicle Hygiene Services' as % of total hygiene market

c.40%

Enhanced brand experience

This is important within organisations seeking to enhance and differentiate customer experience through the use of design, colour and scent.

Services include commercial air scenting, air fresheners and air purification services to combat airborne bacteria such as influenza, e.coli and salmonella. Initial Hygiene's Premium Scenting range provides both standard and bespoke scenting. Customer segments include hotels, car showrooms and clothing retailers seeking to match scent to brand.

'Air Care Hygiene Services' as % of total hygiene market

c.15%

Mitigating risk

Workplace risks involving trips and slips are driving greater demand for floor care services. These include the provision and laundering of indoor and outdoor mats.

Initial Hygiene offers a range of high-quality products including textile and non-textile floor mats for use in reception areas, industrial and food preparation areas. It also offers logo and branded mats to enhance brand experience.

'Floor Care Services' as % of total hygiene market

c.15%



Our business model

Market-leading businesses

<p>Pest Control</p> <p>Rentokil offers a complete range of pest control services, from rodents to flying insects, to other forms of wildlife management.</p>	<p>Hygiene</p> <p>Initial Hygiene provides a dedicated and expert hygiene service. It offers the widest range of washroom hygiene services including the provision and maintenance of products.</p>	<p>Protect & Enhance</p> <p>Initial Workwear specialises in the supply and laundering of workwear, uniforms, cleanroom uniforms and personal protective equipment. Ambius offers interior landscaping services and our Property Care business provides property preservation and wood rot treatment services. Our Dental Services business specialises in the disposal and recycling of dental waste.</p>
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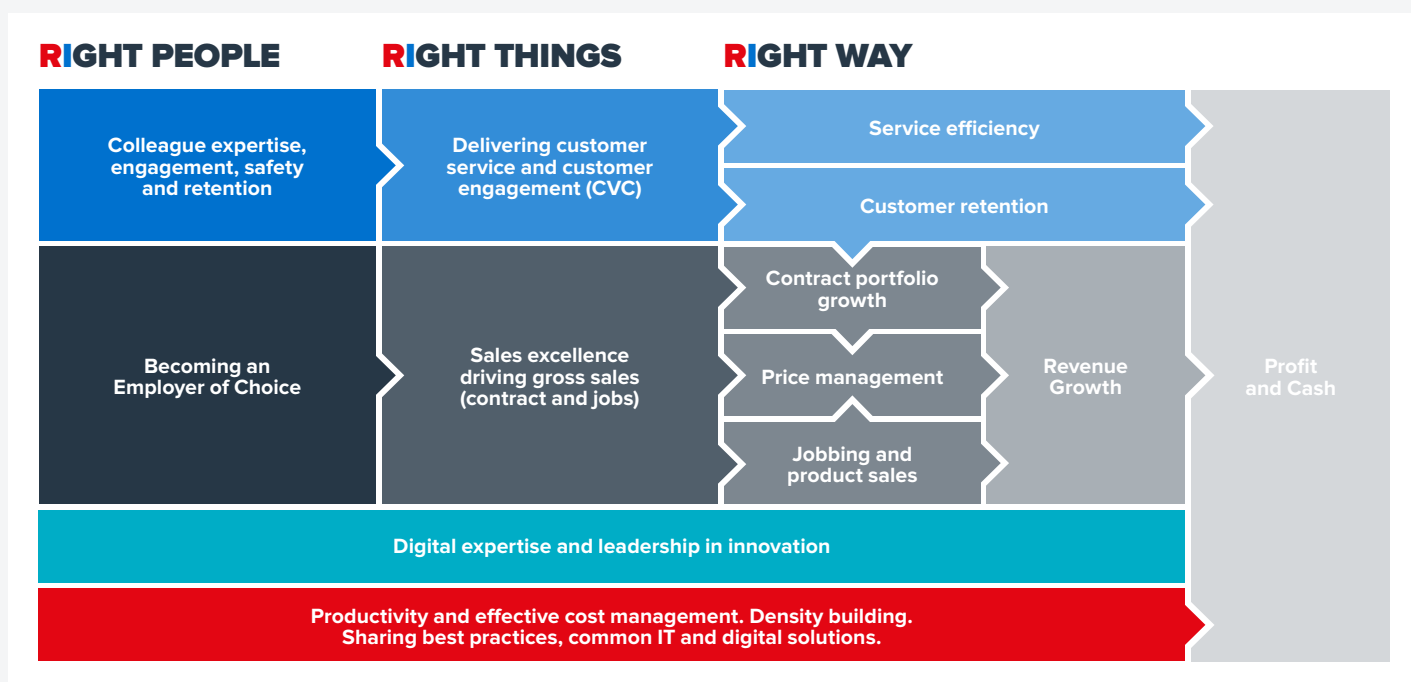
[Read more about our business on pages 22 to 31](#)

How we operate

<p>In February 2014 we announced our RIGHT WAY plan to deliver sustainable revenue and profit growth. Our plan is based on a clear business model for the Company which includes strong multi-local operations across the world.</p>	<p>Our geographic regions</p> <p>North America</p> <p>Europe</p> <p>UK & Rest of World</p> <p>Asia</p> <p>Pacific</p>	<p>Service coverage of global GDP</p> <p>90%</p>	<p>Number of service teams</p> <p>c.1,800</p>
	<p>Presence in the world's largest cities</p> <p>90/100</p>	<p>Percentage of revenues derived outside of UK</p> <p>90%</p>	

[Read more about how we operate on pages 10 to 11](#)

Consistent and efficient operational model



Our business model

Why we're different – expertise of our people

Rentokil Initial employs 36,036 (2016: 32,150) experts and invests in training and development to ensure their know-how is unrivalled.

We choose people who live our values of Service, Relationships and Teamwork. Experience is less important in some roles than attitude as we provide the best training in our industries. In 2017 we saw strong improvements in colleague opinions on workplace review site Glassdoor, culminating in us being ranked 7th in the 'UK's Best Places to Work' (as at 31 December 2017). We were also awarded the title of Britain's Most Admired Company for Business Support Services in 2017 by Management Today magazine.

Glassdoor rating¹

4.3/5

Recommend the Company to a friend

87%

Glassdoor CEO approval

97%

UK businesses Trustpilot rating

Excellent

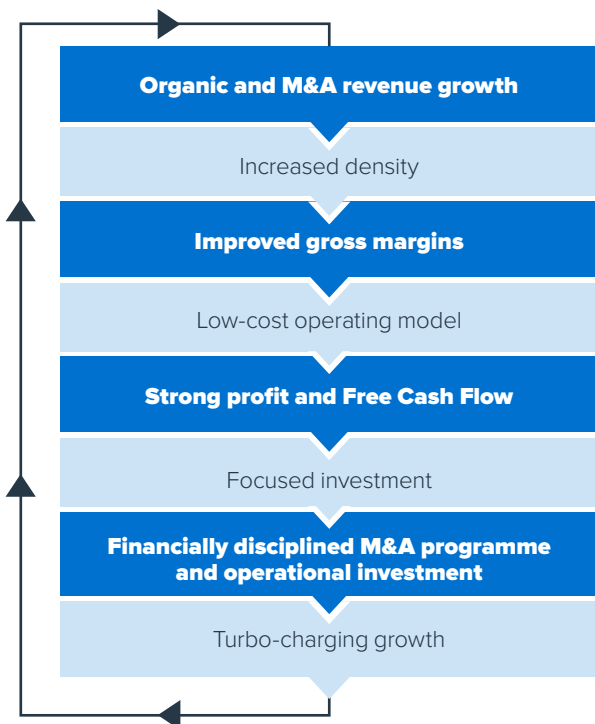


How we create value

Our financial model to compound growth is a virtuous circle predicated on delivering growth organically and through M&A, which leads to increased density and is directly correlated to improved gross margins across our business categories.

The above, combined with our low-cost operating model, drives strong profitable growth and sustainable Free Cash Flow which is deployed in two ways: first, into a financially disciplined M&A programme and operational investment; and second, into maintaining our progressive dividend policy.

Compounding revenue, profit and cash flow growth



1. As of 31 December 2017.

2. Such as supermarkets, hotels, restaurants and kitchens.

Leadership in digital and innovation

Rentokil Initial is leading the way in digital products and applications and innovating at pace.

We believe we have the best management information tools in our markets which enable us to build stronger relationships with our customers. Our high-quality web platform is driving increased levels of sales enquiries to our businesses around the world. We have an unparalleled innovation pipeline and this year opened **The Power Centre** which brings together our scientific experts and research in Pest Control with our training teams to ensure that we remain the global leader in the commercial pest control industry.

The Power Centre – key statistics

The amount of floor space compared to our previous centre

3x

Pest product test rooms, enabling us to run twice as many trials simultaneously

5

Training rooms that can accommodate up to 65 people

3

Simulated on-site locations for training colleagues in commercial areas²

7



One of our scientists testing products.

Our strategy by business category

Our capital allocation model by market continues to work very well.

Since the first articulation of our **RIGHT WAY** plan in 2014 we have worked steadily to improve the quality of our revenues, 83% of which are generated by our core categories of Pest Control and Hygiene.

Category	Strategic focus	Market context
Pest Control	<p>Pest Control is our core business and our primary engine for growth. Continued acceleration of our business can be achieved by building on our unrivalled global leadership through further expansion in Growth and Emerging markets, both organically and through our value-creating acquisition programme. Areas of key focus include developing our digital capability, exploiting national and international sales opportunities and continued pest control products and services innovation. In M&A we look for an IRR of 13% in Growth markets and 15% in Emerging markets.</p> <p>Read more on pages 22 to 25</p>	<p>Key factors which are driving consistent growth include an increasing population, additional legislation in critical areas such as food safety and a growing pest burden of species such as mosquitoes. The world population is expected to grow to 8bn by 2025, impacting specifically on strategically important markets to us, including India, China and Brazil where we are already experiencing double-digit revenue growth.</p>
Hygiene	<p>We have continued to make further progress in revenue growth in Hygiene in 2017. Our focus is to build on the strength of our leading Hygiene brand and strong market positions, sell our range of award-winning hygiene products with confidence, lead the way on product and service innovation, build city density and extend our footprint through organic growth and targeted M&A. In M&A we look for an IRR of between 15% and 20%.</p> <p>Read more on pages 26 to 29</p>	<p>As with Pest Control, our Hygiene businesses operate in an attractive industry offering good growth opportunities as expectations around standards of hygiene increase. Margins are driven by postcode density (servicing as many customers as possible in a tight geographic zone) and customer penetration (selling multiple service lines to customers). What we seek therefore is more customers on our routes and more products within customers' premises.</p>
Protect & Enhance	<p>The businesses included in this category are Workwear (France), Ambius (global) and Property Care (UK). It also includes a sub-scale Dental Services business (Germany and Sweden). All are profitable, cash-generative businesses and, combined, represent c. 11% of Ongoing Operating Profit. Our strategic focus is on enhanced customer service, customer retention and profit protection. Acquisition opportunities are likely to be more limited than in Pest Control and Hygiene and would require an IRR of 20%+.</p> <p>Read more on pages 30 to 31</p>	<p>Initial Workwear is the No. 2 player in the French workwear market, where conditions have been challenging for a number of years due to economic pressures and an intense pricing environment. Conditions have, however, shown signs of improvement in 2017 with an improving economic outlook and some easing of pricing pressures. Ambius also operates in competitive markets with pricing pressures remaining. Our UK Property Care business is closely linked to the housing market, which has weakened since the June 2016 referendum result and the General Election.</p>

Our strategy by business category

Our plans for 2018

Growth markets

- Build margins by leveraging our scale and building density in North America
- Maximise national and international accounts propositions
- Deploy innovation targeted at key pest sectors, for example, rodents and bed bugs
- Increase focus on mosquito control/vector control
- Harness the digital opportunity across customer lifecycle
- Complete roll-out of customer extranet portals to give greater value insight and maximise retention
- Further execution of M&A programme

Emerging markets

- Build presence in higher-growth markets, notably India and China
- City-focused acquisitions to build scale and density
- Harness the power of the Rentokil brand to target international customers
- Maximise use of digital tools from web to e-billing to support sales and productivity

- Target upselling of multiple services to customers using our full Hygiene range
- Gross margin-based sales commission and incentives
- Innovation focused on highest growth sectors such as Air Care (particularly in Asia)
- Target growth through national accounts and relationships with facilities management providers
- Build route density through targeted selling, use of new tools such as ServicePlus and a targeted, city-focused acquisition programme

- **France Workwear** – return to profitable growth by end of 2018 through implementation of our Quality agenda
- **Ambius** – while performance is linked to economic conditions in North America and the UK, we have expertise in high-end installations such as 'green walls' and large-scale planting projects. Capitalise on key Holiday season in North America and on growth in global scenting market
- **UK Property Care** – performance linked to improving housing market in the UK

Progress in 2017

£1.3bn

Ongoing Revenue, up **21.4%**

£239.8m

Ongoing Operating Profit, up **18.1%**

33

acquisitions completed

£402.5m

Ongoing Revenue, up **7.6%**

£71.4m

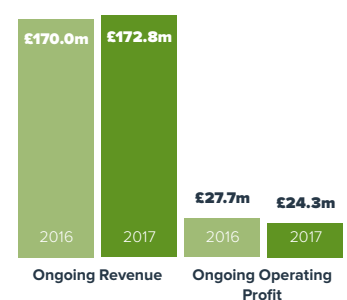
Ongoing Operating Profit, up **9.7%**

7

acquisitions completed

1.7%

Ongoing Revenue growth in France Workwear, however Ongoing Operating Profit has declined by **12.2%**



Strategy in action – Pest Control



Our Bird Pro team in Mumbai is professionally trained in abseiling, which is often the only way to reach areas which require protecting.

Accelerating growth in Pest Control by building on market-leading positions and consistent delivery.

We have strengthened our position as global leaders in pest control through increased organic growth and by establishing stronger market positions particularly in Emerging and Growth markets, and through innovation, digital expertise and acquisitions.

Our Pest Control strategy

Pest Control is our core business line and engine for growth. Continued acceleration of our business can be achieved through:

- building on our unrivalled global leadership through continued expansion in Growth and Emerging markets, with a continued focus on North America;
- maintaining a strong, value-creating acquisition programme to build density;
- harnessing the digital opportunity – completing the roll-out of our best-in-class customer portals and developing web presence for a mobile/digital-first world. We aim to lead in connected products, particularly for high dependency food clients;
- exploiting the international sales opportunity – using tight profiling and framework agreements. Our pipeline of international opportunities with food industry, hotel, retail and pharmaceutical customers is worth over £55m; and
- continuing to innovate at pace for future growth through deployment of new pest control products and services from our innovation pipeline.

Attractive and growing market

Pest control is an attractive and growing market offering long-term growth prospects and is expected to deliver a CAGR of around 5% over the next five years. Structural growth drivers include: economic activity in growth markets (offices, housing etc.); population expansion and urbanisation, particularly in Emerging markets; a growing middle class demanding higher standards of hygiene; rising international standards in food safety and hygiene regulation; increasing pressure from pest species through climate change; and legislation and regulatory change.

Driving Organic Revenue growth in Pest Control

As the world's leading pest control business we have the scale and expertise to drive Organic Revenue growth ahead of the market, which rose by 5.8% in 2017. We provide an update on some of our Organic Revenue growth levers below.

Global and national accounts

We continue to make good progress in targeting global customers particularly in the food processing and hospitality sectors. Our acquisition of Steritech in North America, combined with our increasingly active participation in the Global Food Safety Initiative, has strengthened our global brand presence in these sectors.

In 2016 we signed our first major international pest control contract with a global food production and agricultural products organisation. At the end of that year we secured a further pest control contract with Mondelez, the multi-national confectionery, food and beverage company. This was followed in 2017 with new global preferred pest control contract wins with facilities management business ISS, and Sodexo, one of the world's largest multi-national food services and facilities management corporations. The combination of our unique global footprint and emphasis on expertise and innovation has been a core theme in these wins, with several customers visiting The Power Centre in the final stages of their selection process, and crediting it with a critical role in the decision. We have a strong pipeline of further new global customer opportunities within the food production, pharmaceutical, hotels, hospitality, transportation and logistics sectors.

The acquisition of Steritech in 2015 has also significantly enhanced our capability in the US national accounts market. Now with greater national scale and density, we are more competitive and a key component of our sales strategy is to grow our national accounts portfolio rapidly through:

- targeting specific national account prospects within the most attractive industry segments such as food and pharmaceuticals;

Strategy in action – Pest Control

- taking a standardised and focused approach to sales execution with common performance metrics and sales processes;
- leveraging the combined national sales expertise of both Rentokil and Steritech; and
- maximising cross-selling opportunities across brands.

In 2017 we increased our national account sales by 40% (2016: 55%) and, as with our global accounts, our pipeline of prospects is strong.

Technical expertise shared across markets

Across the world we help combat the dangers to public health from mosquitoes and believe our depth of expertise and experience in global mosquito control is unrivalled. In Central and Latin America and across the Caribbean, Rentokil undertakes monitoring and control services to support its customers against the potential threat of Zika virus, and in Asia we have over 30 years' experience in helping customers to combat the threat of dengue fever.

In recognition of our expertise in this area we were awarded in 2015 a contract by the U.S. Federal Government's Centers for Disease Control and Prevention (CDC) to help control the species of mosquito that could potentially carry the Zika virus across the USA and its protectorates.

While the contract with the CDC expired in 2017, the threat from mosquito-borne diseases is rising. In response to this growing threat we announced in Q4 our acquisition of Vector Disease Acquisition, LLC (VDA), North America's largest provider of mosquito control services.

For many vector-borne diseases such as Zika virus, West Nile virus, yellow fever, malaria and dengue fever, vector control services are the most effective way to protect public health.

VDA provides a full range of vector control services, including weekly monitoring of mosquito levels, species identification and disease testing (using its in-house laboratory) and control of both adult and larval mosquitoes from the ground and using aircraft. In line with this acquisition, the Company is establishing a new global centre of excellence for mosquito control, which will be based in North America.

Growth markets

We are building strong positions in these key markets, which include North America, the UK, Australia, New Zealand and the Caribbean.

North America is particularly important to us as it is the world's largest pest control market. Worth c. \$8bn, it represents 50% of the global market and is expected to grow at a CAGR of c. 5% through to 2023. Our North America business has delivered a four-year CAGR of 23.2% in Pest Control and is currently growing organically in excess of the market rate. This has been aided by a strong performance in national accounts and our Pest Control Products business.

Looking forward, demand for mosquito control is expected to outpace demand for general pest control services. As we have previously highlighted (please see page 2), North America is a key market for M&A and, as the 'buyer of choice', our pipeline remains particularly strong. However, asset prices are rising as a result of increasing competition for high-quality targets, particularly in the US.

+£623.0m

The growth engine of the Group, our Pest Control business has delivered £623m of additional revenues in the past four years.

+5.8%

Organic growth has more than doubled from 2.2% to 5.8% since 2013.

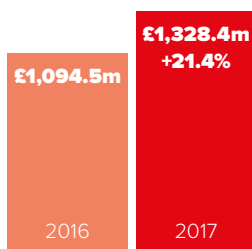
Through a combination of organic and non-organic growth actions, we aim to generate \$1.5bn revenues and Net Operating Margins of c. 18% by 2020.

Since 2014 we have acquired 83 new businesses in Growth markets, of which 42 were in North America. We have also established an M&A pipeline in the Pacific, acquiring 15 pest control companies. We have built upon our UK growth story through the use of digital expertise, innovations and productivity and service enhancements. Around 10% of new sales in the UK are being delivered through our innovation pipeline.

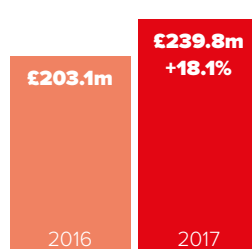
Emerging markets

These markets include Asia, Latin America, MENAT, Kenya, Fiji and Central America. Over the last four years we have expanded our scale in these higher growth markets by acquiring 28 pest control companies.

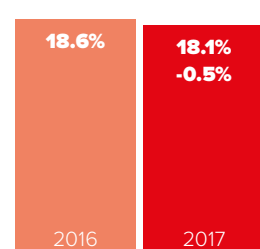
Ongoing Revenue
(AER: £1,396.6m, +27.6%)



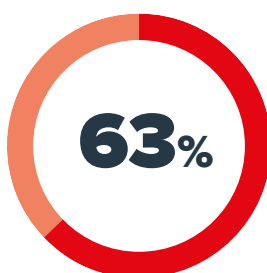
Ongoing Operating Profit
(AER: £252.0m, +24.1%)



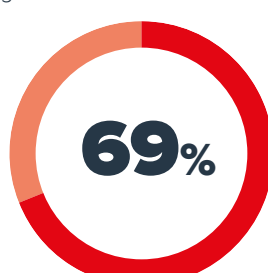
Net Operating Margin¹



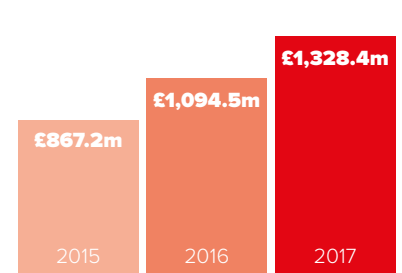
Pest Control as % of Group Ongoing Revenue



Pest Control as % of Group Ongoing Operating Profit¹



Three-year Ongoing Revenue growth



1. Pre central and regional overheads and restructuring costs.

Strategy in action – Pest Control



An Apprentice Entomology Technician ensures that insects are kept in optimum condition in order to study their behaviour.

In India we have grown from a small loss-making unit to the country's No.1 pest control operator through the formation of our recent joint venture with PCI Pest Control Private Ltd (see more under the section 'Growth through M&A' on page 25). In China we are pursuing a city-based strategy with a focus on specific urban and industrial zones.

Our performance in the more mature markets of Indonesia and Malaysia has been steady, with both countries delivering high-single-digit revenue growth. We have identified Latin America as a significant opportunity and have moved quickly to secure a leadership position in Chile, Brazil and Colombia through organic growth and acquisitions, which we have now combined with our existing businesses in Mexico and Central America (El Salvador, Honduras, Guatemala). In addition, we have introduced productivity enhancements such as ServiceTrak and other innovations across our markets to encourage new sales.

Digital leadership

Rentokil Initial is a digital leader, leveraging technology to create value-added solutions and ways to remove duplication and complexity for our customers and colleagues. As well as the connected devices described below, our field service smartphone app, ServiceTrak, has been deployed to around 90% of our Hygiene front line colleagues globally and is being rolled out to more than 6,000 Pest Control technicians globally in 2018. We are transforming our back-office system to a cloud platform over the next two years and opening up new customer digital channels as a result. This will also allow us to realise further value from technology and to deploy innovations faster across the global business as they become available. We have started to use robotics and artificial intelligence in our back office to automate manual administrative tasks in a cost effective way.

Connected devices

Connected devices open up opportunities to revolutionise our business and provide our customers with a complete pest detection solution and full traceability. PestConnect, our award-winning remote monitoring system for rodents, is the world's smartest mouse trap. We have over 50,000 devices used in over 3,000 customer premises across 10 countries giving real-time business intelligence at the sites and leading the pest control industry. The system has sent us over three million individual messages relating to the presence of rodent activity and service productivity (such as battery life and the level of mobile connectivity). The system also guides our technicians to the exact unit that has signalled rodent activity – particularly useful on sites which use multiple units.

Harnessing the power of the web

In 2017 our web platform handled over 15.7m visits over 12 months, with double-digit visitor growth in key markets. During the year one new website was launched to a new country every three weeks. In addition, the myRentokil online customer portal was rolled out to 32 countries with over 100,000 customers registered. We aim to register the majority of our commercial customers by the end of 2018.

Industry leading innovation

Innovation underlines our brand positioning as the 'experts in Pest Control' and continues to differentiate the business. It is also an important driver of organic growth. In the UK in 2017, 21.5% of new Pest Control job sales came from innovations launched in the last two years, a further 5% point increase on 2016. New product launches in 2017 included three high-quality products: Lumnia, RapidPro and AutoGate.

Lumnia is a range of fly killers that use LED lighting rather than traditional blue-light fluorescent tubes allowing for power reductions of up to 60% versus comparable units. This is the world's first commercial range using LEDs and comes as a result of working in partnership with a leading manufacturer of LED lighting to develop a lamp specifically designed to target a broad range of flying insects. In addition to the benefits of using LEDs, the unit has different lighting settings to suit the specific requirements of customer locations and it also has an active lighting mode that adapts its output according to the ambient lighting levels on customer premises. We currently have 15,000 units being used in 31 markets around the world.

RapidPro is a new rodenticide that is the fastest acting rodenticide bait targeting mice. Not only does this lead to faster control of mice populations, but as an alternative to traditional Anti-Vitamin K (AVK) rodenticides, the product does not risk secondary poisoning of non-target species.

Our **AutoGate** rodent control unit uses sensors to contain poisoned bait behind a gate, safe from non-target species, until activated. During 2017 the product went live in five countries with a further 10 planned for 2018. AutoGate was created to address EU legislation prohibiting certain uses of permanent baiting using chemical products in pest control.

Our innovation pipeline remains healthy, with around 70 active innovation projects – a 20% increase on project volumes in 2016. We also have 16 patent applications pending. Innovations in their final stages of development include Multi Radar, Entotherm Compact, Agrilaser, BedBugConnect, fluorescent tracking gel, CageConnect and LiveCatchConnect.

M&A execution

111

Pest Control acquisitions since 2014

£486m

Revenue contribution from Pest Control acquisitions from 2014

33

Pest Control acquisitions in 2017

£175m

Revenue contribution from Pest Control acquisitions in 2017

Strategy in action – Pest Control

Growth through M&A

This year we acquired 33 pest control companies in 24 countries: Australia, the Bahamas, Canada, Chile, China, Colombia, Czech Republic, Denmark, France, Germany, India, Ireland, Italy, Malawi, Malaysia, New Zealand, Saudi Arabia, Singapore, Slovakia, South Africa, Sweden, Turkey, the UK and the US. We highlight a number of important acquisitions below.

In February we acquired Atlanta-based pest control company Allgood Pest Solutions. Ranked by Pest Control magazine as number 29 in the list of the largest pest control companies in the USA, the business generated annualised revenues for the 12 months prior to acquisition of \$26.6m.

In March we completed the transaction to create a joint venture with PCI, India's largest pest control company, which offers a comprehensive range of pest control services and products through its countrywide network. Rentokil, which has management control of the JV, is integrating its Indian operations into the JV and the combined business has revenues of 4.5bn rupees (c. £50m), will operate from 250 locations and will employ 6,900 people.

In April we acquired SAMES, the market leader in the commercial pest control sector in the Kingdom of Saudi Arabia (KSA) with c. 2,500 customers covering most major cities, making us the No.1 pest control company in the KSA and the Middle East as a whole. The business generated revenues of £9m in the last 12 months prior to acquisition.

In addition, as we have previously highlighted, in November we acquired VDA, North America's largest provider of mosquito control services. Headquartered in Little Rock, Arkansas, VDA operates from 52 offices in 32 U.S. states. Annualised revenues for the 12 months prior to acquisition were \$47m (£36m).

In addition to mosquito control, VDA also provides lake management services, a new route-based service line for our North America business. Invasive aquatic plants destroy fish and wildlife, and clog pipes used for drinking water, hydroelectric and irrigation supplies. Services include chemical treatments, mechanical vegetation removal, aeration and fountain management. The Lake Management division, which is predominantly a contract portfolio business, is also the largest of its type in North America.

M&A is a core component of our growth strategy and we will continue to look for attractive targets to further build density, particularly in North America and in Emerging markets. Although asset prices in North America have been increasing as a result of increased competition for high-quality targets, the Company has remained both disciplined in the application of its investment criteria and successful despite the competition as a result of its reputation as a highly professional and considered purchaser.

The integration of acquisitions is progressing well and the pipeline remains strong with no shortage of opportunities to create value in 2018 and beyond.

Market

Rentokil is the world's largest commercial pest control business and has 15% of the global commercial market and 8.2% of the total pest control market worldwide. We continue to increase our international presence through a combination of organic growth and targeted acquisitions. For further information on the pest control market, please see page 16.

Customers

In over 70 countries, businesses and homeowners trust Rentokil to solve their pest problems and prevent them from reoccurring. Commercial customers account for approximately 80% of revenue and include food processing, food service and food retail sectors, largely as a result of their regulatory requirements for pest control services, as well as non-food sectors.

Residential pest control represents approximately 20% of business revenue with over 75% of this coming from the US and Australia. On a per capita basis both countries have much larger residential markets for pest control than in Europe, primarily because of the presence of termites and wooden housing.

Outlook for 2018

Pest control is a highly resilient industry and offers sustainable, long-term growth prospects. We are ideally placed to take advantage of major growth drivers in the pest control market which we have examined earlier on in this report on page 16.

In 2018 we will continue to build our presence in high growth Emerging markets, (notably India, China, Indonesia and Brazil) by capitalising on our growing scale. We will focus on targeted city-based acquisitions to build scale and density benefits. Organic growth will be achieved through direct sales to brand-sensitive customers and by using the power of the Rentokil brand to target international customers. Further, we will maximise the use of digital tools from web to e-billing to support sales and productivity.

In Growth markets we will continue to grow margins by leveraging our scale and building density, particularly in North America, organically and through further bolt-on acquisitions. We hope to make further progress in securing more national and international accounts. We will deploy new innovations for key pest control sectors, for example rodents and bedbugs, and will increase our focus on mosquito and vector control, supported by the VDA acquisition and establishment of our US-based mosquito centre of excellence. In addition, we will continue to harness the ongoing digital opportunity including the further roll-out of customer extranet portals to aid added-value insight and maximise customer retention.

An unrivalled footprint in Emerging markets

Rentokil has a powerful market position in Emerging markets, and has the scale, brand and experience to ensure further growth. Revenues from Pest Control in Emerging markets grew by over 50% in 2017 to £200m.

Rentokil Asia

12

countries

9,000

technicians

580+

locations

Rentokil India

No.1

market position

4,631

technicians

280+

locations

Rentokil Latin America

+31.4%

Pest Control Ongoing Revenue growth

1,000+

employees

14

acquisitions between 2012 and 2017

Strategy in action – Hygiene



Pursuing an ‘Execute Now’ growth strategy to leverage our key strengths in our 44 countries of operation.

In 2017 we achieved our strongest level of Ongoing Revenue growth in Hygiene for many years. This was achieved through building on the strength of our brand and market positions, selling our product ranges with confidence, building city density, and extending our footprint through organic growth and targeted acquisitions.

Our Hygiene strategy

Initial Hygiene is the world leader in hygiene services, with global scale and multiple market leading positions. Continued growth in this business can be achieved through:

- building on the strength of our leading hygiene brand and strong market positions;
- selling with confidence our product ranges such as Reflection, Signature, Colour, No-Touch and Premium Scenting;
- leading on innovation through ‘Internet-of-Things’ for Hygiene, for example sensing, hand hygiene compliance, particularly in the food and health market sectors; and
- building city density and extending our footprint through organic growth and targeted M&A.

As a leading player in the hygiene industry, Initial Hygiene has award-winning products including Signature, Reflection and Colour and one of the world’s strongest brands, which is particularly valuable in emerging markets. We have an in-depth understanding of the importance of density and operational drivers

of growth. We have strong market positions in higher-growth markets and are well placed to take advantage of major demographic changes.

Since 2013 we have delivered a significant improvement in revenue growth, established a strong product range, launched the myInitial customer portal for enhanced customer insight and engagement, and have begun to acquire bolt-on businesses to build scale and density. Hygiene has delivered a four-year CAGR of 4.9%.

Attractive and growing market

Like Pest Control, our Hygiene businesses operate in an attractive industry offering good growth opportunities as expectations around standards of hygiene increase. The business is highly profitable with margins being driven by postcode density (servicing as many customers as possible in any tight geographic zone) and customer penetration (selling multiple service lines to customers).

The global hygiene market is expected to grow in line with GDP. An explanation of some of the key growth drivers in the global hygiene market is provided below.

Changing demographics and tighter regulation

These include population growth and an ageing population which result in more health issues and hygiene product requirements, higher expectations for nappy changing/

disposal in public and retail areas, and incontinence facilities and product disposal. Other demographic changes include growth in Emerging markets, rising middle classes and greater levels of women at work requiring more feminine hygiene facilities and services. Tighter regulation across the world is also driving greater compliance with workplace hygiene, food production and retail hygiene and environmental standards.

The products and services which address the above are called ‘In Cubicle Hygiene Services’ and account for around 40% of the hygiene market. Services include disposal of sanitary waste and disposal of nappies and incontinence products. We have developed high-quality products to match these growth drivers and increase density, including Signature, Reflection and full colour bins in different size options to suit customer needs, and also premium No-Touch products.

Rising customer expectations

There is an increasing awareness of the link between good hand hygiene and wellbeing and a greater expectation for healthy workplaces and healthcare facilities. Social media is also driving companies to invest in brand protection while an increasing focus on sustainability is encouraging lower water consumption and paper saving.

Strategy in action – Hygiene

'Hand Care Services' account for approximately 22% of the hygiene market. Initial Hygiene offers a full range of hand hygiene solutions including soap and sanitiser dispensers, hand driers, roller towels, paper towel dispensers, consumables and premium No-Touch products.

Enhanced brand experience

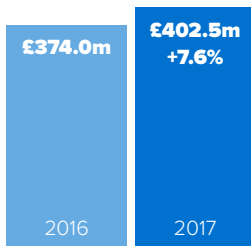
This is important within organisations seeking to enhance and differentiate customer experience through the use of design, colour and scent. 'Air Care Hygiene Services' account for c. 15% of the market. Clean air is a major topic in Asia given air pollution concerns and accounts for over 30% of the market in Malaysia, for example. Air Care Services include commercial air scenting, air fresheners and air purification services to combat airborne bacteria such as influenza, e.coli and salmonella. Initial Hygiene's Premium Scenting range provides both standard and bespoke scenting. Customer segments include hotels (offering scenting in lobby areas), car showrooms and clothing retailers seeking to match scent to brand.

Mitigating risk

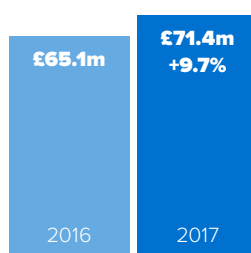
'Floor Care Services' include indoor and outdoor mats which help prevent trips and slips and account for around 15% of the hygiene market. Initial Hygiene offers a range of high-quality products including textile and non-textile floor mats for use in reception areas, industrial and food preparation areas. It also offers logo and branded mats to enhance brand experience.



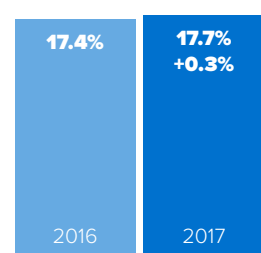
Ongoing Revenue
(AER: £424.3m, +13.4%)



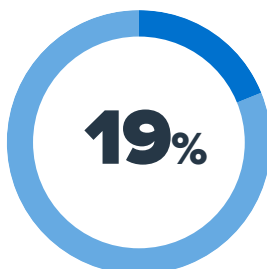
Ongoing Operating Profit
(AER: £75.3m, +15.6%)



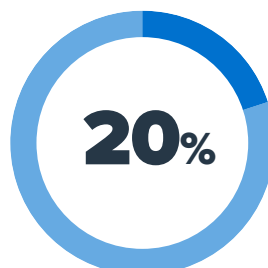
Net Operating Margin¹



Hygiene as % of Group Ongoing Revenue



Hygiene as % of Group Ongoing Operating Profit¹



+4.9%
Four-year CAGR in Hygiene

+7.6%
Ongoing Revenue growth in 2017
(2016: +6.3%, 4.8% Reported)

1. Pre central and regional overheads and restructuring costs.

Strategy in action – Hygiene

Driving growth in Hygiene

As the world's leading hygiene services business, we have the scale and expertise to drive Organic Revenue growth, which rose by 2.1% in 2017. We provide an update on some of our organic growth levers below.

Postcode density and service productivity

Our Service+ route planner is a web-based planning tool which we also use in our Pest Control business. During the year we have further developed this tool for application across our Hygiene operations.

The Service+ route planner has been formulated to optimise both territory and daily route planning. Customer service visits, driving routes and working days are automatically pre-planned and optimised, then service visits requiring further planning can be appointed, automatically confirmed and the plans updated.

ServiceTrak is our smartphone field service app used by technicians to record service visits – for example, start time, services performed, customer recommendations, customer signatures and end time. Proof of service is then emailed to customers at the end of the visit and the data uploaded to our customer data systems, allowing our customer care team to view the information and respond quickly and easily to customer queries. We aim to reach 100% deployment of this tool across our Hygiene technicians in 2018. The benefits of ServiceTrak include greater service productivity, delivery of a more professional service and cost savings. In Indonesia, where all 300 of our technicians have access to ServiceTrak, gross margins grew by 1.2% points in 2017.

Product penetration and customer upselling

Significant leverage is gained in Hygiene through selling multiple services to each customer premises. We have high-quality product ranges now in place and are offering our sales colleagues specialist training to help them sell multiple services to customers, supported by promotional campaigns to highlight our range proposition. In addition, we are putting in place country-specific incentive programmes with local rewards to focus our sales force and front line colleagues on achieving greater product density.

In addition, we continue to strengthen our washroom range to maximise our selling capabilities through additional product launches and the continued roll-out of the range across our operations. Notable developments in 2017 include the launch of our new GENIE air care product, a patented innovation and the world's most advanced commercial air fragrancing system. The product utilises unique dispersal technology and odour neutralising fragrances ideally suited for challenging washroom odours and high-traffic washroom spaces.

Digital leadership and web expertise

Our digital sales and service tools are also being utilised to build customer awareness of Initial's multiple product offerings. For example, our new customer portal, myInitial, is being developed to highlight the full spectrum of Hygiene solutions on its home page.

Growth through M&A

In M&A we are adopting the same route density, city-focused strategy for our Hygiene business as we have for our Pest Control business, seeking high-quality acquisitions in Growth and Emerging markets to build density and grow margins. This year we bought seven businesses in Australia, Colombia, France, Germany, Italy and Sweden generating combined annualised revenues of £44m in the year prior to purchase, all of which are performing well. M&A this year includes the acquisition of CWS-boco's Italian hygiene business which in the year prior to acquisition generated revenues of just under £40m. The increased number of acquisitions in Hygiene in 2017 is a reflection of our growing confidence in the performance of the business and the beneficial impact of greater density on driving margins. We will continue to seek attractive Hygiene targets in 2018.

Acquisition of Cannon Hygiene Services

In early 2018 we completed our acquisition of Cannon Hygiene Services. With operations in nine countries, the business represents a particularly good fit with our existing operations. It will allow us to increase our coverage in key markets and gain a good level of synergy from enhanced density and combining infrastructures. The transaction also marks our entry into the attractive Indian hygiene market where Cannon is the market leader. The acquisition will add c. £77m of global Hygiene revenues and replaces a high proportion of the European Hygiene revenues contributed to the joint venture with Haniel. The business generated £5m of adjusted operating profits in the year to March 2017. In the UK we are currently required to hold the



Increasing focus on M&A

In line with our strategy for Pest Control, we have begun to target Hygiene bolt-ons to add scale and build density. We have also reduced our exposure to some of the more challenging and competitive markets in Europe through the divestment of Hygiene assets to Haniel during the year.

13

Hygiene acquisitions since 2014

7

acquisitions in 2017

Strategy in action – Hygiene

Cannon business separate while we respond to queries from the Competition & Markets Authority, but we remain confident that the acquisition does not create any competition concerns and will be cleared in due course.

Customers

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 within 24 hours. The launch of myInitial gives complete transparency about customer service including proof of service and proof of delivery (with e-invoicing now being used with around 40% of our UK customers).

Outlook for 2018

The next phase of our plan will involve further implementation of our 'Execute Now' growth strategy to leverage our strengths, build on the power of our brand and sell our new product ranges. Building city density through M&A in Growth and Emerging markets remains a key focus.

While 2017 has seen a continuation of good revenue growth, our focus once again in 2018 will be on driving margin expansion. We see opportunities for improvement through increasing postcode density through targeted selling and acquisitions and using our full Hygiene product range to increase services provided per premises (and in particular where we provide only one service per premises) through targeted sales. In addition, productivity can be improved through the roll-out of Service+. Innovation will continue to be a key focus for the forthcoming year, and we will concentrate our efforts on the highest growth sectors such as Air Care, which is particularly important in Asia and one of our fastest growing product categories. Finally, we will continue to link sales incentives more closely to margin delivery, thereby reducing price discounting and driving improved yield management.



Add a splash of colour

Our new colour range of hygiene products has been designed to match our customers' washroom decoration or brand, as well as building high standards of hygiene.

9

colours

3

finishes



Strategy in action – Protect & Enhance



Focus on enhanced service, customer retention and profit protection.

The four businesses which are included in this category are Ambius, Property Care, Workwear and a very small Dental Services operation. All are profitable, cash-generative businesses which share overheads with our Pest Control and Hygiene businesses. However, all operate within more challenging markets and are failing to deliver year-on-year profitable growth. Combined, the businesses represent 11% of Ongoing Operating Profit and generate a Net Operating Margin of 10.3% on an annualised basis. In M&A we seek an IRR of at least 20%. A description of each business is provided below.

Ambius

Ambius operates in 17 countries with leading positions 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. Key customer segments are offices, facilities management, hospitality and retail. Its strategic focus is on higher-margin green (living) walls and premium scenting, expanding and exploiting international agreements and driving lead generation through digital applications.

Property Care

Our Property Care business is based solely in the UK. Its services include dry rot, woodworm and damp proofing. Highly fragmented, the UK property care market is valued at c. £150m.

We have built a leading position in the industry over recent years, cemented by the acquisitions of Peter Cox and Wise. We have developed a strong operational capability with certified teams primarily undertaking jobbing work in commercial and social housing. While the business has a defensive cash position with advance payment required before work is undertaken, the market is currently experiencing some weakness. The strategic focus of Property Care is on sharing digital expertise with Pest Control, cost optimisation and efficiency, IT system integration and margin management.

Workwear

Our remaining Workwear operations in France specialise in the supply and laundering of workwear, uniforms, cleanroom uniforms and personal protective equipment. The business has shown operational and financial improvements this year however market conditions continue to be challenging. The European workwear industry is currently undergoing a period of consolidation with the Elis/Berendsen merger, our own JV with Haniel and our recent divestment of eight of our textile laundries to RLD. Our France Workwear operations will continue to implement our Quality agenda focused on service quality, together with profit improvement and margin protection initiatives. We are committed to returning the business to profitable growth by the end of this year.

France Workwear Quality agenda

As we have stated previously in this report, we are committed to returning our France Workwear business to profitable growth by the end of 2018. We aim to achieve this through the further implementation of our Quality agenda which we believe is the best approach to mitigate the ongoing market challenges this business faces. This plan involves:

- best-in-class processing – delivering the highest standards in washing and repair quality, use of new higher-quality detergents;
- greater responsiveness to customer needs – delivering a shorter lead time between contract and deployment;
- smarter selling – selling a service rather than a product;
- creation of a product and service innovation action group; and
- operational efficiency improvements in supply chain, R&D, processing, sales and marketing.

Since implementation of the plan at the end of 2015 we have made encouraging progress against operational KPIs.

State of Service is at its highest level in over three years, missing item complaints are down in all markets and good progress has been achieved in complaint resolution.

Strategy in action – Protect & Enhance

In addition, customer satisfaction scores have been steadily increasing, standards in washing quality are rising and new work flow tools have been introduced to reduce the timeframe from contract to deployment.

We have also been driving new innovations across the business including the launch of new product ranges, the implementation of CO₂ washing processes, and introduction of RFID chips into customer garments to aid traceability and minimise garment losses.

Outlook for 2018

Performance in our Ambius business is linked to economic conditions in North America and the UK. However, the business has expertise in high-end installations and large-scale planting projects. It also benefits from a strong Q4, reflecting strong Holiday sales in North America in the run up to Christmas. The business is also well placed to capitalise on the rapidly growing global scenting market.

Performance in 2018 from our Property Care business, which has suffered in 2017 from a weak housing market since the June 2016 referendum result and the General Election, will be closely linked to an improving housing market and economic conditions in the UK.

While France remains challenging, we believe the improvements we have seen this year in the French economy and the workwear pricing environment will continue into 2018, which, when combined with our own operational and financial performance improvements, support our ambition to restore our France Workwear business to profitable growth in 2018.

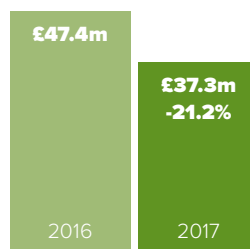
We expect trading conditions in our Dental Services markets of Germany and Sweden to be broadly similar to 2017.



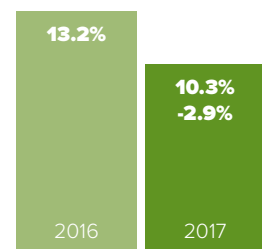
Ongoing Revenue
(AER: £382.9m, +6.6%)



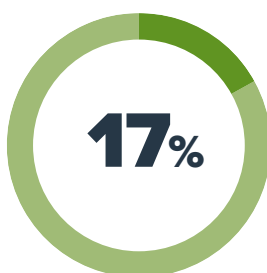
Ongoing Operating Profit
(AER: £40.8m, -13.9%)



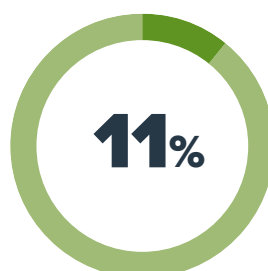
Net Operating Margin¹



Protect & Enhance as % of Group Ongoing Revenue



Protect & Enhance as % of Group Ongoing Operating Profit¹



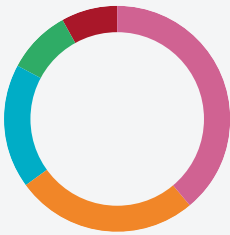
1. Pre central and regional overheads and restructuring costs.

Regional performance

World overview

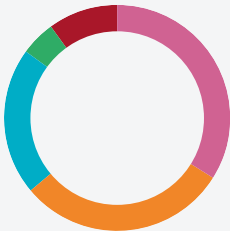
We have a clear and simple geographic model in which our businesses are grouped into five strong regions: **North America, Europe, UK & Rest of World, Asia and Pacific**. Operating in over 70 countries, c. 90% of our revenues are derived outside of the UK. Our single country management teams lead integrated, multi-local and multi-service operations with combined back office functions underpinned by shared systems and processes such as route optimisation and measurement of customer satisfaction.

Regions as % of Group Ongoing Revenue



North America	39%
Europe	26%
UK & Rest of World	18%
Asia	9%
Pacific	8%

Regions as % of Ongoing Operating Profit



North America	34%
Europe	30%
UK & Rest of World	21%
Asia	5%
Pacific	10%

North America

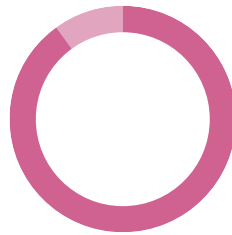
2017 Net Operating Margin

+0.1% at 13.6%

2017 Ongoing Revenue

+21.1% at £824.0m

Businesses as % of Group Ongoing Revenue



Pest Control	90%
Protect & Enhance	10%

Europe

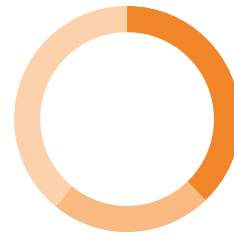
2017 Net Operating Margin

-1.3% at 19.1%

2017 Ongoing Revenue

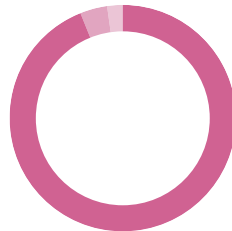
+7.3% at £556.6m

Businesses as % of Group Ongoing Revenue



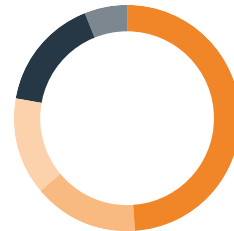
Pest Control	38%
Hygiene	23%
Protect & Enhance	39%

Countries as % of Group Ongoing Revenue



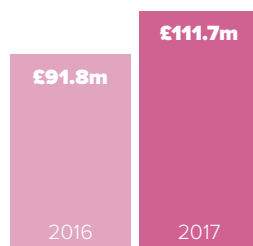
USA	94%
Canada	4%
Central America	2%

Countries as % of Group Ongoing Revenue

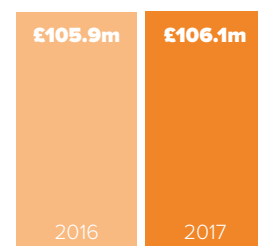


France	49%
Benelux	15%
Germany	14%
Southern Europe	16%
Latin America	6%

2017 Ongoing Operating Profit growth



2017 Ongoing Operating Profit growth



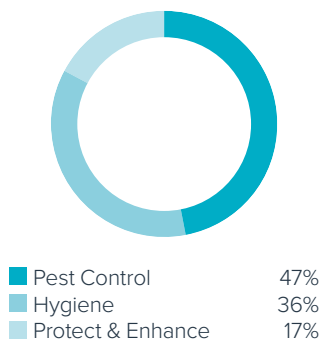
Regional performance

UK & Rest of World

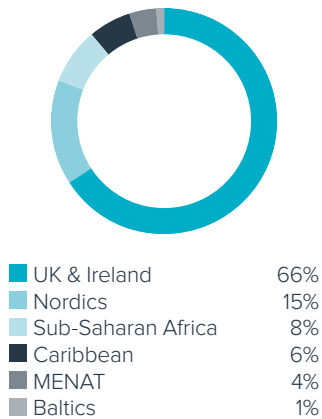
2017 Net Operating Margin
-0.2% at 20.7%

2017 Ongoing Revenue
+6.8% at £370.4m

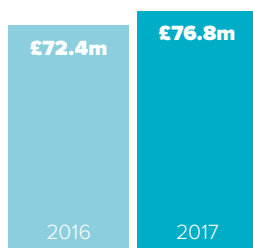
Businesses as % of Group Ongoing Revenue



Countries as % of Group Ongoing Revenue



2017 Ongoing Operating Profit growth

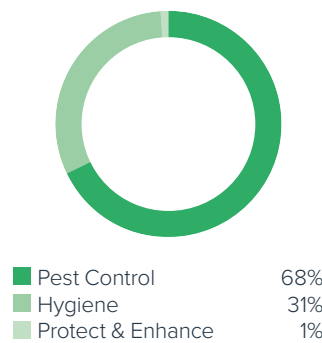


Asia

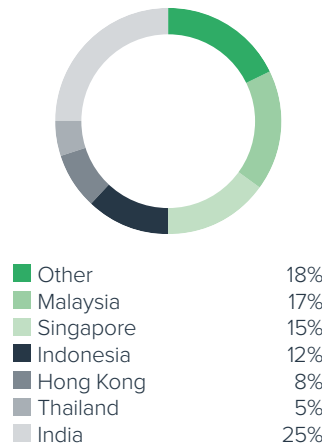
2017 Net Operating Margin
+0.2 at 10.5%

2017 Ongoing Revenue
+37.3% at £179.1m

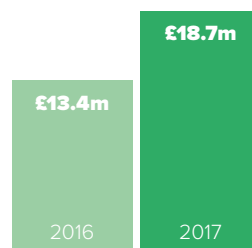
Businesses as % of Group Ongoing Revenue



Countries as % of Group Ongoing Revenue



2017 Ongoing Operating Profit growth

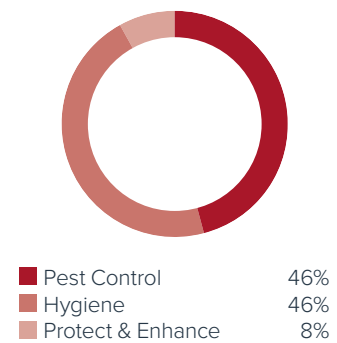


Pacific

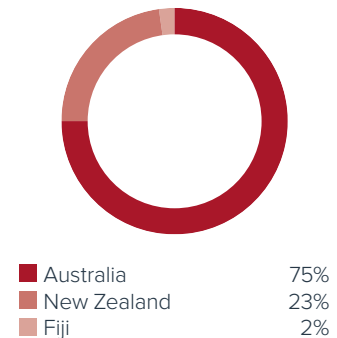
2017 Net Operating Margin
+0.4 at 21.6%

2017 Ongoing Revenue
+7.7% at £162.9m

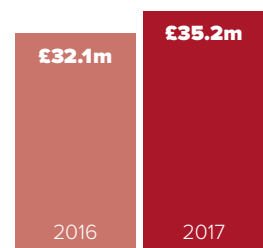
Businesses as % of Group Ongoing Revenue



Countries as % of Group Ongoing Revenue



2017 Ongoing Operating Profit growth



Corporate responsibility

Over the last five years, in line with our **RIGHT WAY** plan, the Company has made significant progress in performance against its priority areas for sustainability.

These corporate responsibility (CR) priorities include health and safety, skills development and engagement, innovation and digital service enhancements for customers, reductions in environmental impacts, supply chain governance including human rights and modern slavery, and supporting communities and charities in line with its mission to Protect People and Enhance Lives.

Further details of the Company's corporate responsibility activities and policies, including in the areas of environment, workplace and marketplace, can be found in this year's Corporate Responsibility Report, available on rentokil-initial.com.

Governance

Corporate responsibility is woven into the Company's overall governance arrangements, the cornerstone of which is the Code of Conduct. Rentokil Initial has a robust policy framework for each of the key CR areas, covering health and safety, anti-corruption and bribery, environmental management, human rights, modern slavery and relationships with customers and suppliers. These are reviewed regularly to ensure they meet current best practice and legislative needs. A full list is available on rentokil-initial.com with further details provided in the Company's Corporate Responsibility Report.

Rentokil Initial's strong pedigree in overall governance was demonstrated by being ranked 17th equal of all FTSE 100 companies in the Institute of Directors' Good Governance Index for 2017. The Chief Executive has Board responsibility for CR and the Company's broader corporate governance arrangements include CR as well as the Company's

engagement with its wider stakeholder groups under section 172 of the Companies Act 2006. CR policies, and the values, behaviour and culture they are designed to instil, are the underpinnings of the Code of Conduct. This is monitored by the Company's Internal Audit team, and there is a mandatory set of training modules in the U+ online learning platform which were completely revised and re-issued in 2017. The Internal Audit team also manages the confidential reporting channel, Speak Up, on an independent basis. Details of control incidents reported in 2017 can be found in the Audit Committee Report. There is also an annual Letter of Assurance process, whereby all senior management sign to confirm their personal commitment to and compliance with the Code of Conduct and key corporate policies, and their assurance that the colleagues for whom they are responsible are similarly aware of and understand what is required of them and have complied.

The Company's Human Rights Policy outlines the human rights principles that reinforce the behaviours expected of our colleagues as set out in the Code of Conduct. We acknowledge the responsibility of businesses to respect human rights, by acting with due diligence to avoid infringing on the rights of others and to address any adverse impacts in which they are involved, in line with the UN Guiding Principles on Business and Human Rights. There were no incidents reported in 2017 of human rights violations involving the Company.

Anti-Bribery and Corruption policy and controls are addressed by: a clear policy framework (within the Code of Conduct) as well as a separate Anti-Bribery policy; dedicated, mandatory training for all managers; reviews of businesses by Internal Audit as well as the critical and key supplier audits carried out by Group Procurement; due diligence processes for targets in M&A transactions; use of gifts and entertainment registers for tracking benefits given and received; and the use of Speak Up to raise any concerns outside the normal line management chain. There were no fines, penalties or settlements reported in 2017 involving the Company in relation to corruption.

Awards in 2017

The Company is proud to have been recognised with a number of independent awards, including in 2017:

The Queen's Award for Enterprise



Britain's Most Admired Companies – Business Support Services



Membership of sustainability indices including the Dow Jones Sustainability World Index.



Corporate Development award for most effective use of M&A to grow and increase shareholder value



International Plantscape Awards (25 winners) and European Plants@Work Awards (7 winners) for Ambius.



Ranked 7th Best Company Workplace in Britain



Most effective communication of company investment proposition – FTSE 100



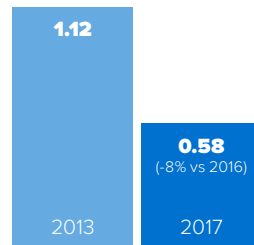
Most Innovative Deployment of HR Technology



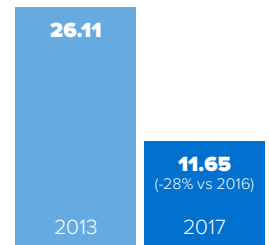
Best Learning Team; and Best Advance in Learning Technology Implementation



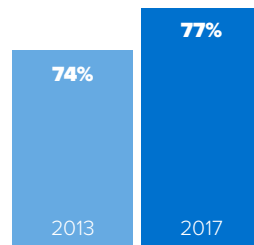
Safety – Lost Time Accidents



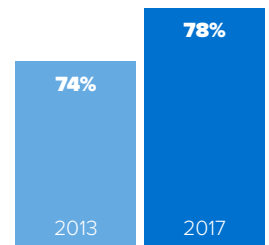
Safety – Working Days Lost



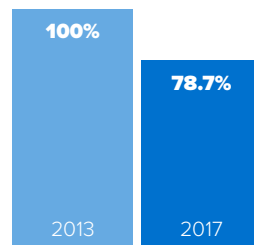
Colleague engagement



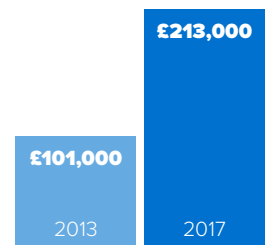
Colleague enablement



Index of emissions intensity



Charitable donations



Corporate responsibility

Health and safety

Since 2013 Rentokil Initial has improved its safety performance by approximately 50%. 2017 was its safest year ever with a 28% reduction in Working Days Lost and an 8% reduction in Lost Time Accidents.

KPI	2017	2016	2015	2014	2013
Lost Time Accidents (LTA) ¹	0.58	0.63	0.76	1.00	1.12
Working Days Lost (WDL) ²	11.65	16.14	19.59	28.99	26.11

1. LTA is defined as a work-related injury or work-related illness to an employee which results in them being absent from work for one day/shift or more (excludes the day of the accident).

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

Data excludes those companies which joined the JV with Haniel in 2017.

In 2017 the Company completed the roll-out of its Golden Rules for Safety across all countries as well as minimum Driving at Work standards and Safety Leadership Behaviours, which are specifically targeted at first level managers who have a significant influence on frontline safety standards. In 2018 the focus will be on driving safety, including use of digital technology such as mobile phone blocking, development of a driving behaviour app, and on sharing best practice through a Safety Moments campaign.

Although the number of major safety incidents recorded in 2017 was sharply reduced versus 2016 (14 versus 27), regrettably there were three fatalities in 2017, all related to driving incidents. These involved collisions between our vehicles and pedestrians in the US, Indonesia and Vietnam. The Company's investigations showed that its own drivers were at least partly at fault in each case and corrective actions were agreed.

Workplace

Rentokil Initial aims to become a world-class Employer of Choice. For the first time in 2017, levels of both colleague engagement and colleague enablement were within the global High Performing norm level, as measured independently by the Korn Ferry Hay Group within the Company's Your Voice Counts (YVC) survey.

This year's YVC survey received a response rate of 87% and the results were presented in detail to the Board, regional boards, country and functional management teams and in every branch, for specific follow-up actions to be determined. Main improvements have been seen in colleague engagement (+4%), colleague enablement (+4%), opportunities to learn and develop (+7%), open and honest communication (+7%) and opportunities to achieve career goals (+7%).

Career development is a key driver of engagement and enablement. U+, the Company's in-house 'university', delivers online courses, face to face programmes, as well as compliance and induction programmes. In 2017, over two million items of online training were viewed, 607,000 courses were completed by colleagues (337,785 in 2016) and c. 500 learning assets (videos, courses, etc.) were created covering topics such as sales, safety, technical and operational best practice and compliance. All were developed in-house. U+ received the 2017 Learning Team of the Year award at the Brandon Hall Group Excellence Awards.

In 2017 a major colleague consultation was undertaken involving the representatives of c. 2,500 colleagues across 10 European countries ahead of establishing the joint venture with Haniel (CWS-boco) in June, and a major consultation with unions, works councils and health and safety committees also took place in France in connection with the disposal of eight laundries in September.

Rentokil Initial's Diversity and Inclusion programme fosters greater diversity, leading to stronger business performance, creating competitive advantage and enhancing the attraction and retention of talent, and a new Diversity and Inclusion Policy was launched at the beginning of 2018. See fact box (right) for UK gender pay gap and Group diversity data.

Your Voice Counts

In 2017 all colleagues, including those in newly-acquired businesses such as in India, were invited to participate in a confidential survey. The results from the 2017 survey showed very strong colleague engagement and colleague enablement levels which, for the first time, were both above the global Korn Ferry Hay Group High Performance norms. Other areas of particular strength were:

Question area	High Performance norm
Company is open to new ideas	19 points above
Finding better ways to meet customer needs	17 points above
Company is innovative in developing products	13 points above
Motivation of colleagues	7 points above
Clear link between performance and pay	6 points above

Fact file

Total employees

(average over 2017)

36,036

(2016: 32,150)

Gender (UK) hourly pay gap

(as at 5 April 2017)

Mean pay gap

0%

Median pay gap

-2%

Gender diversity

(% of females in post as at 31 December 2017)

Board

38%

(3 out of 8)

Senior managers

27%

(21 out of 79 people)
(2016: 24%)

Total workforce

27%

(9,729 colleagues)

Colleague retention in 2017

Sales colleague retention

82.2%

(2016: 78.9%)

Service colleague retention

83.6%

(2016: 84.4%)

Independent review

The website Glassdoor provides employees of companies around the world with an independent forum to review workplace culture. Our scores on Glassdoor remained strong throughout 2017 and the Company was awarded the seventh Best Company Workplace in Britain, and eighth Best Workplace Culture by Glassdoor. As at 31 December 2017, our overall rating was 4.3 out of 5 with the average company rating on Glassdoor at 3.3 (based on a 5-point scale: 1.0 = very dissatisfied, 5.0 = very satisfied).

Rentokil Initial reviews – Glassdoor



Overall rating: **4.3**

Corporate responsibility

Marketplace

Rentokil Initial's focus areas include innovation, quality of products and services, digital excellence and product stewardship. The Company's innovation pipeline has never been stronger with around 70 projects under way and capital expenditure on research and development up by 20% since 2015. Customer service remained strong during the year with State of Service at 97.8% (2016: 97.7%). More than 110,000 Customers Voice Counts (Net Promoter Score) calls were made to customers with the overall customer satisfaction score remaining strong at over 40. Customer retention also improved during the year to 85.7% (2016: 84.9%).

Global innovation launches in 2017 included:

- Lumnia, the first commercial range of electronic fly killers to use LED lighting rather than traditional fluorescent tubes, reducing power consumption by over 50%; and
- RapidPro, authorised in Europe to control mouse infestation without the use of second-generation anticoagulant rodenticides.

Digital leadership continued with:

- PestConnect having c. 50,000 connected devices for sensor-based rodent control;
- customer portals providing added transparency of service, with c. 100,000 users in place by the end of 2017; and
- accelerating growth in organic website sessions in 2017 – c. 30% growth (44% organic) – an additional 3.4m visitors.

Product stewardship is critical in developing new services. Each Rentokil operation has an Authorised Product List. This year the Regulatory team produced 1,400 new Classification, Labelling and Packaging Safety Data Sheets.

In 2017, the Company announced a strategic partnership with the British Retail Consortium to help manufacturers mitigate risks throughout the food industry, played a key role in the Global Food Safety Initiative's global conference, and commissioned research into the impact of the Internet of Things on the food supply chain (producing the From Farm to Fork report).

Independent review

Trustpilot

In the UK the website Trustpilot provides customers with an independent forum to review customer service. As at the end of 2017, our UK businesses have had over 3,000 reviews, with each business rated great or excellent (scoring over 9.0 out of 10).

Rentokil Pest Control UK



Overall rating: 5

Initial Washroom Hygiene UK



Overall rating: 5

The Power Centre

Opened in 2017, The Power Centre is Rentokil Initial's new science, innovation and training centre – bringing science and training together in one building. This £2m investment provides three times the amount of laboratory floor space compared with the previous science centre and includes simulated on-site locations for training in commercial spaces, such as supermarkets, hotels, restaurants and kitchens.



Corporate responsibility

Environment

Rentokil Initial's five-year target for a 10% reduction in emissions intensity was achieved by 2016 and the Board set a new target for a further 20% reduction in emissions intensity by 2020.

The Company reports tonnes of CO₂e, using 2017 DEFRA and International Energy Agency conversion factors. The tables below show global absolute emissions derived from property energy and vehicle fuels, together with the emissions intensity levels at constant exchange rates (CER). The divested European Workwear operations reduced absolute emissions by 15% (compared with 2016 data), and all data below excludes these operations, with prior years restated. Since the beginning of 2016, emissions intensity has reduced by over 11%.

Index of CO₂ emissions

Type of scope	2017	2016	2015	2014	2013
Index of energy and fuel-derived CO ₂ emissions at CER	78.7	80.0	88.7	98.6	100

Index of CO₂ emissions – calculated as an index of kilograms per £m turnover on a constant exchange rate basis, providing an accurate like-for-like performance comparison, removing the variables of currency and divestments and acquisitions.

Absolute values of energy and fuel-derived emissions – tonnes of CO₂e

Type of scope	2017	2016	2015	2014	2013
Total scope 1	166,287	151,164	145,947	149,578	148,033
Total scope 2	17,239	14,331	15,337	20,076	17,684
Total scope 3	40,953	36,436	34,777	35,203	34,971
Total outside scope	3,887	3,405	3,178	3,032	3,063
Total – all scopes & outside scopes	228,366	205,337	199,238	207,889	203,751

Vehicle emissions represented 77% of total energy and fuel-derived emissions at the end of 2017 (2016: 75%) with programmes underway using technology and influencing driving behaviour, as well as fleet renewal, to improve vehicle energy efficiency. The Company continues to consolidate properties through co-location, resulting in improved property energy efficiency.

Sulfuryl fluoride is a gas used to fumigate buildings to protect public health. In 2017, absolute sulfuryl fluoride emissions were 481,390 tonnes (2016: 720,322 tonnes). The usage of this gas is very much determined by customer demand for specialist fumigation work.

Reduced greenhouse gases

Reduction in energy and fuel-derived greenhouse gas emissions in 2017

-1.6%

Energy-derived emissions reduction since 2013

-21.3%

Vehicle efficiency

Improvement in vehicle fuel efficiency since 2013

+10.9%

UK car fleet emissions per km driven in 2017 (2014: 113g)

102g



Rentokil's new Lumnia insect light trap reduces energy usage by up to 60% in comparison to traditional units.

Supply chain

The three key elements of Rentokil Initial's Supply Chain Management are product quality, service delivery and delivered cost. These are delivered through the robust implementation of Group governance procedures including the Rentokil Initial Supplier Standard, Group Procurement Policy, and Warehouse Management and Inventory Control standards. Contracts are based on standard templates that include anti-bribery and corruption clauses. The Modern Slavery Statement covers policies, contractual practices and due diligence processes and has been ranked in the top 30 of FTSE 100 by the Business and Human Rights Centre. A copy of the statement can be found at rentokil-initial.com/modern-slavery.

Detailed audits are conducted on all new suppliers who are classified as Critical Suppliers, after which they are placed on a programme with an audit frequency between one and four years, based on the risk profile and previous audit scores. In Pest Control, 87% of Critical Suppliers are on the audit programme, while 92% of Critical Suppliers in Hygiene are on the programme. Major global suppliers of products under their own brands, e.g. Bayer and Dyson, are not on the programme as they have their own stringent quality assurance procedures, but would be audited in the event of a quality, service or corporate responsibility failure.

Hygiene product recycling in Europe

In France and Italy an initiative is underway to substantially reduce the waste burden within our Hygiene washroom business.

This involves establishing facilities to refurbish dispensers (made from metal and plastics) rather than buy new units. In 2017, our business in France established three new facilities (in Paris, Nantes and Nice) with a new facility in Lyon to open in 2018. During the year, the business refurbished approximately 25,000 dispensers and will start to refurbish electrical products such as air hand dryers and electronic fly killing units in Nice with dedicated and certified operations in 2018. In Italy, the business sent over 4,400 hygiene units for refurbishment in 2017, resulting in c. 30% reduction in waste.

Community and charitable support

The Company's community involvement is important to colleagues and stakeholders. Charitable cash donations amounted to £213,000 in 2017 with a wide range of charities supported across the globe.

Since 2011, the Company has supported Malaria No More in its important work to save lives in Africa. To date colleagues have raised almost £180,000. Meanwhile, Better Futures, the Company's own community health initiative launched in 2013, has delivered health and hand hygiene education to over 16,000 people. In 2017 in India alone, 1,113 children and 2,014 adults participated.

During 2017, hurricanes in the Caribbean and USA affected customers and colleagues alike. The Company set up dedicated resources to support affected colleagues, customers and suppliers.

Charitable cash donations



Find out more in the Company's Corporate Responsibility Report, available at rentokil-initial.com/responsible-delivery

2017 community stories from around the world



15 volunteers from Yogyakarta went to Kindergarden Al Baraakah, in Central Java in Indonesia, to share knowledge about flu habits and hand hygiene to around 70 children.



Volunteers take the hygiene programme to children in the Puram community in Chennai, India.



40 Rentokil PCI colleagues joined forces to help clean up a 20km stretch of Chennai coastline.



As part of our Better Futures community programme, in India children from Bangalore marched in their community with Rentokil PCI colleagues to promote awareness of Hand Hygiene.



North American colleagues volunteered to share their joy of reading with the children from Thompson Child Family Focus, an organisation that works to improve the well-being of at-risk children and their families in the Charlotte area.



In South Africa colleagues washed over 50,000 hands to celebrate Global Handwashing Day.

2017 community stories from around the world



20 colleagues in Kenya walked 21km to raise funds for the Mater Cardiac Programme for children.



Nine colleagues undertook a gruelling 66-mile mountainous route from Preston to Morley in Leeds in the north of England to raise funds for Diabetes UK in memory of Rentokil Technician Mark McNulty.



Lex Autolease donated £10,000 to Malaria No More to celebrate a 10 year partnership with Rentokil Initial.



Colleagues in Cape Town made a great success of the first Rentokil Initial sponsored Yabonga Youth Programme Mini Olympics. 240 young people from seven support centres participated on the day.



16 colleagues from Trinidad took part in Scotiabank's Women Against Breast Cancer 5km run.



After cycling 40 miles and parachuting out of a plane, colleagues completed a triple challenge by eating a giant water bug, raising over £5,000 for Malaria No More.



In Australia, Claudia Guevara took part in 'The World's Greatest Shave' to raise funds for the Leukaemia Foundation. Her A\$5,740 was augmented by £500 from the Helping Hands scheme.



Not far from Rentokil Initial's head office in Camberley, a group of our graduates spent a day helping the residents of the Woodlarks Centre with gardening and maintenance.



In Australia, a Brisbane branch manager was 'locked' in the store cupboard until a 'bail' of A\$1,000 was raised to donate to Movember.

Key performance indicators

Measuring achievement in 2017

Priorities and principles	Link to strategy	How we measure performance
Colleagues Ensuring 'Everyone Goes Home Safe'	<ul style="list-style-type: none"> As a service organisation, our people make our company what it is. Our priority is ensuring 'Everyone Goes Home Safe'. Health & Safety (H&S) is the first agenda item in all senior management meetings (including Executive Leadership Team and Board). We hold an annual Board review of H&S Policy. 	Lost Time Accident (LTA) rate LTA rate defined as number of lost time accidents per 100,000 standard working hours. Working Days Lost (WDL) rate WDL rate defined as number of working days lost as a result of LTAs per 100,000 standard working hours.
Employer of Choice	<ul style="list-style-type: none"> We invest in training and development to ensure 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. 	Sales and service colleague retention Defined as total sales and service staff retained in year as a percentage of sales and service headcount at start of year. YVC trend score analysis.
Customers Keeping our promises to customers	<ul style="list-style-type: none"> We are passionate about delivering excellent service to every customer and keeping our promises to them. 	State of Service Defined as total number of service visits performed as a percentage of total number of visits due.
Delivering outstanding customer service	<ul style="list-style-type: none"> Our business model depends on servicing the needs of our customers in line with internal high standards and to levels agreed in contracts. Measuring customer satisfaction allows us to identify unhappy customers, reduce customer attrition and increase revenue, profit and cash. 	Customer Voice Counts (CVC) Measured by 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.
Retaining our customers	<ul style="list-style-type: none"> Customer retention is crucial to our long-term success. Benefits include: increased purchasing and cross-selling; lower price sensitivity and terminations; positive customer recommendations and a strengthened unique selling point. 	Customer retention Defined as total portfolio value of customers retained as a percentage of opening portfolio.
Shareholders Driving higher revenue	<ul style="list-style-type: none"> We aim to drive shareholder value through higher revenue by focusing on our Pest Control, Hygiene and Protect & Enhance businesses, supported by M&A investment and divestment of non-core or poorly performing businesses. Medium-term financial target: 5% to 8% Ongoing Revenue growth. 	Ongoing Revenue growth Defined as revenue growth (at CER) from the continuing operations of the Group (including acquisitions) after removing the effect of disposed or closed businesses.
Achieving greater profitability	<ul style="list-style-type: none"> Our objective is to deliver sustainable profit growth through reductions in central/regional overheads and restructuring costs, and by improving service productivity pricing and margin improvement. Medium-term financial target: Ongoing Operating Profit growth of c. 10% per annum. 	Ongoing Operating Profit Defined as operating profit (at CER) from 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) and one-off items.
Delivering sustainable Free Cash Flow	<ul style="list-style-type: none"> We aim to generate sustainable Free Cash Flow through managing working capital, bringing capex in line with depreciation and significantly reducing restructuring costs. Medium-term financial target: Free Cash Flow conversion of c. 90% per annum. 	Free Cash Flow at AER Defined as net cash flows from operating activities, adjusted for cash flows related to property, plant, equipment and software, the interest element of finance lease payments and dividends received from associates.

Key performance indicators

Commentary on performance

- Overall, our lowest ever LTA and WDL scores with improvements driven by execution of the Company's H&S operating plan. Our safety culture is strong: employee survey responses show 87% positive on the safety dimension.
- Strong LTA performances from our biggest business (North America -35% vs 2016) and the region which in previous years had the poorest performance (Pacific -64% vs 2016 to LTA 0.33).
- While Asia rates remain low (LTA: 0.43, WDL: 5.52) the LTA rate is being impacted by LTAs reported in Rentokil PCI in India.
- The frequency of major accidents is 50% lower than in 2016, however there were three fatalities, all driving-related, in 2017:
 - in Indonesia a Pest Control technician riding his own motorcycle from customer to branch office overtook a minibus and struck a pedestrian standing in the middle of the road. The pedestrian later died in hospital;
 - in Vietnam a Pest Control service vehicle collided with a motorbike whose rider rejected the offer of a lift to hospital but later collapsed and died; and
 - in the US an Ambius service vehicle collided with two pedestrians in Chicago, one died, and the other was injured. Our driver is being prosecuted for careless driving offences.

- Significant increase in colleague participation in our online university, U+, training programmes:
 - over two million items of training viewed, 607,000 courses completed and c. 500 learning assets created.
- Highly encouraging colleague engagement survey (Your Voice Counts or YVC):
 - 87% of colleagues participated (in 38 languages across 70 countries);
 - overall Engagement (+4% points) and Enablement (+4% points) from 2015 – both in world class 'High Performance' norm territory for the first time;
 - strong improvements in 'learning and development' (+7% points), 'recommend our services' (+8% points), 'respect' (+4% points); and
 - more work required to improve short-term colleague retention, a key focus for 2018.

- In-year improvements have been generated through:
 - increased customer account management to drive customer loyalty;
 - improved customer service responsiveness within European operations, in particular in our Workwear operations through implementation of the Quality agenda; and
 - improved products and services.

- We made over 110,000 CVC calls to our customers in 2017, to rate us on five service elements: technician, complaint handling, customer contact, product quality and documentation – all five have improved since 2014.
- On a like-for-like basis (removing business lines transferred into the Haniel JV), our CVC performance remained at 42 points.
- Asia was the most improved region in 2017, with an increase of 4.4 points (rising to 43.6 points).
- In our retained Hygiene businesses, CVC scores improved from 44.0 points in 2016 to 45.9 points in 2017.

- In-year improvements have been generated through:
 - increased customer account management to drive customer loyalty;
 - improved customer service responsiveness within European operations, in particular in our Workwear operations through implementation of the Quality agenda; and
 - improved products and services.

- Organic Revenue growth +3.8% (2016: +3.6%, 3.0% Reported), growth from acquisitions +10.7% (2016: +9.6%).
- Strong Ongoing Revenue performance from Pest Control: +21.4% (+5.8% Organic Revenue growth).
- Encouraging momentum in Hygiene Ongoing Revenue: +7.6% (2016: 6.3%, 4.8% Reported) (+2.1% Organic Revenue growth).
- 41 companies acquired in 2017 adding £224.7m of annualised revenues.

- Performance reflects growth in North America, UK & Rest of World, Asia, Pacific and Latin America.
- However, partially offset by lower profits in Europe, notably France.

- Increase driven by higher profit delivery in 2017 and a year-on-year reduction in interest payments following the bond refinancing in Q1 2016, offset by the disposal of the businesses transferred to the Haniel joint venture and the non-repeat of the £7.3m special dividend from our Japanese associate in 2016.
- Free Cash Flow conversion of c. 90% and in line with our medium-term guidance.

Our progress in 2017

7.9%

LTA rate: 7.9% improvement at 0.58 (2016: 0.63)

27.8%

WDL rate: 27.8% improvement at 11.65 (2016: 16.14)

82.2%

Sales colleague retention: 82.2% (2016: 78.9%)

83.6%

Service colleague retention: 83.6% (2016: 84.4%)

97.8%

State of Service: 97.8% (2016: 97.7%)

42.3

Customer Voice Counts (CVC): 42.3 points (2016: 42.4)

85.7%

Customer retention: 85.7% (2016: 84.9%)

14.5%

Ongoing Revenue growth: +14.5% (2016: +15.4%, 12.6% Reported)

14.8%

Ongoing Operating Profit growth: +14.8% (2016: +11.5%)

£175.8m

Free Cash Flow: £175.8m, representing cash conversion of c. 90% (2016: £156.4m, 84%)

Risks and uncertainties

Principal risks

The Group's overall risk management approach, described on pages 69 and 70, is designed to provide reasonable, but not absolute, assurance at all levels of the Group that risks are properly identified and are being 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 principal risks most relevant to the Group are described in the table on pages 43 to 47, together with mitigating actions.

Full details of the Company's financial risks can be found in Note C1 to the Financial Statements on pages 135 and 136. 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. However, as a rule of thumb, a 1% decrease in revenue, if not mitigated at all, would have an impact on operating profit in the range of £9m to £11m (3% to 4%) and on operating cash flow in the range of £8m to £10m (3% to 4%).

Other risks

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.

Changes in risk profile of the Company in 2017

The Company continues to monitor risks regularly in both the Audit Committee (see pages 65 to 70) and the Group Risk Committee (see page 61), and take mitigating action as necessary.

Areas where the risk profile of the business has improved in 2017 include:

- a generally improving macro-economic environment in most of our regions, which helps support growth across the Group;
- continued lower turnover of senior management limiting loss of corporate knowledge and experience;
- further roll-out of our target financial systems across the globe, helping ensure standardisation of finance processes and improvement in the overall financial control environment;
- investment in information security to mitigate the risk of cyber attack;
- transfer of the Rentokil Initial's Workwear and Hygiene businesses in Benelux, Sweden and CEE into a joint venture with Haniel and the disposal of the French flat linen business to RLD; and
- reduction in net debt due to cash received from disposals and refinancing of our term loans with a €400m corporate bond at a € interest rate of 0.95% in November 2017.

Areas where risk profile has increased in 2017 include:

- difficulties in attracting staff in territories with economies close to full employment and others with political trends to limit immigration;
- integration risk in relation to acquisitions – the acquisition programme continues to be focused primarily on North America (where there is already a significant systems integration programme in progress) but the business has also made significant acquisitions in India, Saud Arabia and Italy during the year; and
- the increased likelihood of rising interest rates impacting the future cost of debt.

Implications of business model on risks

The Group's business model incorporates a number of elements that moderate the risk profile of the Company, and which are increasingly the case as the portfolio accelerates its focus on Pest Control and Hygiene. The low capital intensity nature of these businesses, delivering similar route-based services, also benefits from high portfolio retention rates. Pest Control and Hygiene services are characterised by low customer concentration (no single customer is responsible for more than 1% of revenue), local market operations with very limited dependency on cross-border flows of people or products, revenue earned and costs incurred in local currency which reduces foreign exchange risk and the potential impact of Brexit. They exhibit strong defensive qualities, as density and efficiency gains are reflected in margin growth. The global nature and scale of the Group's operations acts to limit exposure to the economic cycle in individual markets: the largest market, North America, represents 39% of revenue (from ongoing operations at CER), with no other single market representing more than 14%.

Viability statement

In line with provision C.2.2 of the UK Corporate Governance Code the Directors have assessed the viability of the Group over a period of three years. The Directors have reviewed the viability period and have determined that a three-year period is appropriate as it is consistent with the period reviewed by the Group Board in the strategic planning process and is aligned with the typical length of both customer and supplier contract periods entered into by the business. In making their assessment, the Directors have considered the current position of the business and have taken into account the potential impact of the principal risks, described above, that could impact on the solvency and viability of the Group.

The assessment included stress testing the financial forecasts for severe but plausible scenarios (both individually and in aggregate) together with the effectiveness of mitigating actions. It also considered the level of financing headroom, bank defaults and the ability of the Group to raise additional finance and deploy capital. In particular, the Directors have considered the impact of a prolonged downturn in trading performance (a reduction in Group profits of 10% each year) and have assessed liquidity in the context of a credit rating downgrade. In addition to this the Directors have also considered scenarios that could threaten the viability of the Group.

The Directors have taken account of the Group's liquidity position, its current credit metrics, and its ability to raise new finance, if required, in most market conditions. The geographic and category diversification of the Group's operations helps minimise the risk of a serious business disruption. In addition, the Group's ability to flex the cost base protects the viability of the business in the face of adverse economic and/or political uncertainty. The Directors have also considered the key potential mitigating actions of reducing capital expenditure or expenditure on acquisitions and ultimately restricting dividend payments.

Based on this assessment and after careful consideration, the Directors have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the three-year period ending December 2020.

Risks and uncertainties

Principal risks

Growing our business profitably in a changing macro-economic environment

Risk description and impact

The Company's three primary business categories (Pest Control, Hygiene and Protect & Enhance) operate in a global macro-economic environment that is subject to uncertainty and volatility. Examples include:

- changes that impact on free movement of people such as Brexit and reduced appetite for immigration in the US which may make it more difficult to attract technicians in the Pest Control and Hygiene businesses and create wage inflation;
- rises in commodity prices that could raise the cost of fuel and hence the cost of delivering our services;
- re-emergence of global inflation;
- low-growth economies with inherent cost inflation but where the Company has weak pricing power; and
- changes to regulations that prevent or limit the use of certain products and chemicals used to deal with pests, e.g. rodents and mosquitos.

Any significant change in macro-economic environment may impact the Company's ability to grow while maintaining or growing margins, and may have an adverse impact on cash flow.

Mitigating actions

- Regular review of our capital allocation model to ensure that scarce resources are directed to countries and businesses that have the most attractive returns and future prospects.
- Employer of Choice being rolled out across the Group to ensure focus on the key priorities of the organisation including recruiting and retaining critical talent and specialists in all markets.
- Working with governments and regulators to set realistic timescales for implementation of new regulations.
- Regular monitoring of market pricing trends (where available) and individual customer profitability to ensure that margin erosion is minimised; sales incentives increasingly prioritise margin and customer profitability.
- Continuing focus on cost, with regular reviews of cost base and productivity programmes (KPI: Gross Margin). Group Procurement function with executive authority to deliver economies of scale in IT, fleet, energy and logistics (KPI: annual cost savings).
- Regular monitoring of debtor days outstanding with action taken against customers with overdue debts (KPI: Days Sales Outstanding).

Read more: [Q Our key performance indicators on page 40](#)

[Q Employer of Choice on page 6](#)

[Q Our business model on page 18](#)

Delivering consistently high levels of service to the satisfaction of our customers

Risk description and impact

Our business model depends on servicing the needs of our customers in line with internal high standards and to levels agreed in contracts. If our operatives are not sufficiently qualified, or do not have the right technical and inter-personal skills, or we fail to deliver successful innovations, this may negatively impact our ability to acquire new customers or retain existing customers, with the consequent impact on growth, profitability and cash flow.

Industrial action in one or more of our key operations could result in diminished service levels to our customers and if prolonged could damage the Company's reputation and ability to secure new contracts or renew existing contracts.

In markets where overall employment rates are high we may have difficulty attracting and retaining key personnel at all levels of the business.

Mitigating actions

- Regular tracking of customer satisfaction and the perception of both customers and non-customers of Rentokil Initial, benchmarked against competitors (KPI: NPS scores through Customer Voice Counts exercise).
- Dedicated Operational Excellence team to drive superior customer service and establish key metrics (KPI: State of Service; Customer retention).
- Incentives for sales and service staff aligned closely with strategic targets and based on delivering and improving customer service levels.
- International Key Accounts team developing business with multi-national customers across geographies to take advantage of the Company as the most international player in our markets.
- HR development processes including leadership and development training, performance management, reward and incentives (KPI: sales and service colleague retention monitored).
- Oversight of key industrial relations matters by Group HR Director and regular review by the Chief Executive for countries where risk of industrial action is considered high.

Read more: [Q Our Pest Control business on page 22](#)

[Q Our Hygiene business on page 26](#)

[Q Our colleagues on page 35](#)

Risks and uncertainties

Principal risks

Developing products and services that are tailored and relevant to local markets and market conditions

Risk description and impact

We operate across markets that are at different stages in the economic cycle, which are at varying stages of market development and which have different levels of market attractiveness. Our Company must be sufficiently agile to develop and deliver products and services that meet local market needs, or we risk ceding advantage to our competitors and will fail to deliver against our targets of growth, profitability and cash conversion.

If we are not flexible, agile or innovative enough to adapt to local business and consumer needs our existing customers may choose not to renew contracts, or may look for reductions in prices which may have a negative impact on our ability to maintain or increase margins and cash flow.

Mitigating actions

- Acquisition of targets that have a strong cultural fit with the brand and our service model whilst supporting growth.
- Targeted investment in innovation to support value-added and innovative concepts to meet market and regulatory needs and defend against commoditisation.
- Investing in new digital platforms to provide improved marketing channels and opportunities for customers to order or amend services.
- Exit from unprofitable businesses with commodity characteristics, e.g. flat linen.
- In North America consolidation onto one IT operating platform to help drive visibility of performance, and improve customer satisfaction and operating efficiency.

Read more: [Q Leading the field in innovation on page 4](#)

[Q Our markets on page 16](#)

[Q Our value-enhancing M&A on page 2](#)

Integration of acquisitions and separation of disposals from continuing business

Risk description and impact

The Company has a strategy which includes growth by acquiring existing companies to extend its geographic footprint or to improve its market share in existing geographies. If the Company fails to successfully integrate these acquisitions into its existing organisation structures, the business may not achieve the expected financial and operational benefits which may have an adverse impact on growth, profitability and cash flow.

Since 2014 the Company has been successful in acquiring 135 businesses across all regions with the majority in North America.

In 2017 the Group transferred Rentokil Initial's Workwear and Hygiene businesses in Benelux, Sweden and CEE to a new joint venture with Haniel, in which it retains a minority interest. If the integration of the new JV with Haniel is not completed quickly the JV may fail to deliver the expected financial returns.

In 2017 the business formed a joint venture with PCI in India. Failure to successfully integrate the PCI business with the Rentokil Initial India business may lead to loss of revenue, profit and cash flow.

Mitigating actions

- Integration plans considered by Investment Committee as part of acquisition approval process. Material integration activities managed during relevant monthly performance reviews.
- Dedicated project teams established for largest acquisitions and demergers, e.g. PCI and former CWS-boco business in Italy, with clear deliverables over three months, six months and one year. Additional resources provided to North America to support integration and re-platforming activities.
- Tried and tested induction programme for 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, e.g. Health & Safety, Legal, Insurance, and IT, involved early with new acquisitions to drive compliance with Group standards, especially when entering new geographies.
- Formal post-acquisition review (PAR) by Investment Committee of benefits delivered against original business plan within 18-24 months. The PAR is undertaken by the Investment Committee ahead of releasing any deferred payments.
- Board review of acquisitions in aggregate every six months.
- Internal Audit review within 12 months of businesses acquired in new geographies.

Read more: [Q Q&A with Andy Ransom, Chief Executive on page 13](#)

[Q Acquisitions and disposals on page 105](#)

[Q Our governance framework on page 61](#)

Risks and uncertainties

Principal risks

Business continuity

Risk description and impact

A significant cyber-attack or IT failure which cannot be recovered from in a short period of time could prevent normal business operations across one or more countries for a prolonged period and have an adverse impact on revenue, profitability or cash flow.

In our Workwear business, where deliveries to our customers are often daily, business could be adversely affected if access to the laundries and inventory is not possible due to incidents such as fire or flood.

Failure to service our customers may adversely affect our ability to retain those customers and may badly damage the Company's reputation. This may have a negative impact on growth, profitability and cash flow.

Mitigating actions

- All countries and units maintain business continuity plans and (for IT) disaster recovery plans that are tested regularly.
- Procedures in place to ensure that potential industrial disputes are escalated quickly to Group HR Director.
- Local plans to service customers from adjacent laundries/branches where supply has been interrupted.
- Ongoing programme to transfer key data and applications from local servers to regional data centres with higher levels of backup capability and resilience.
- Security governance framework and standards established, including IT security management framework, incident management reporting, global standards for network segmentation and incident response protocols being reviewed.
- IT self-assessment exercises carried out across the Group to assess the Company's resilience to cyber attack and remedial action to improve controls where necessary.
- Penetration testing on all systems on at least an annual basis to test external firewalls with action to address any weakness identified.

Read more: [Data privacy on page 62](#) [Our approach to risk management and internal control on page 69](#)

Financial market risks

Risk description and impact

Our business is exposed to foreign exchange risk, interest rate risk, liquidity risk, counterparty risk and settlement risk. The impact of Brexit may make some of these risks more volatile and uncertain. If any of these risks materialise, this may have a negative impact on profitability, cash flow and financial statements, and may have a negative impact on financial ratios, credit ratings or the 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 reporting and monitoring of financial covenants and rating agency metrics and compliance with treasury policies.
- Monitoring of the impact of exchange rate movements on non-sterling profits and net debt.
- Cash pooling and debt financing arrangement to match, as closely as possible, currency availability/demand across borders.

Read more: [Our business model on risks on page 42](#) [Our financial risk management in Note C1 to the Financial Statements on page 135](#)

Risks and uncertainties

Principal risks

Fraud, financial crime and loss or unintended release of personal data

Risk description and impact

Loss of personal data of customers, suppliers or employees 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 employee information, or misstatement of financial or other records via deliberate action by employees or third parties may constitute fraud and result in financial loss to the business, damage to the Company's reputation or fines by regulators.

Mitigating actions

- Programme to review and validate key applications for compliance with data privacy requirements including forthcoming EU General Data Protection Regulation (GDPR).
- Code of Conduct refreshed in 2016 and circulated to all employees. Mandatory online training by all senior employees refreshed annually for competition law, anti-bribery and corruption, information security and privacy. Training was relaunched in Q4 2017 (KPI: % compliance with training).
- Compliance with Code of Conduct and other key policies affirmed by annual Letter of Assurance by all senior management.
- Standardised control framework operating in all locations with a focus on risk prevention and mitigation; framework defined centrally and independently assessed at all material business units every year.
- Wherever possible credit card transactions are managed by regulated third parties who have robust controls in place to prevent loss of data.
- Specific review of adequacy of controls in Group Treasury and remedial actions implemented.
- International confidential 'Speak Up' hotline and email address, monitored by Internal Audit.
- Significant frauds investigated by Internal Audit and lessons learned widely shared.

Read more: [Data privacy on page 62](#)

[Our Code of Conduct and key policies on page 34](#)

[Our governance and compliance monitoring on page 62](#)

Health, safety and the environment

Risk description and impact

The Company operates in a number of hazardous environments and situations, for example:

- the use of poisons and fumigation materials in Pest Control;
- driving to customers across all our businesses;
- working at height; and
- exposure to needlestick injury/bio-hazards from dealing with 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 damage to the Company's reputation.

There could also be potential environmental risks associated with former activities at sites currently or previously operated by the Company.

Mitigating actions

- Robust and up-to-date health and safety (H&S) policies supplemented by SHE Golden Rules re-issued in 2017 providing increased focus to higher risk and regulated activities, e.g. driving, working at height, fumigation or heat treatment.
- H&S officers appointed in all jurisdictions.
- Mandatory training of all relevant employees in safe working practices, including mandatory training for drivers and those working in hazardous environments, e.g. heat treatment or fumigation.
- Safety Leadership Behaviours initiative for first level management.
- H&S considered as first item on all Board and senior management meetings.
- H&S KPIs discussed at all country and regional board meetings.
- Formal review of accidents and lessons learned widely circulated.
- Monitoring of energy-derived emissions and water usage including energy efficiency target of 20% reduction in energy costs/emissions by 2020.
- Monitoring and remediation plans where required.

Read more: [Health and safety on page 35](#)

[Our key performance indicators on page 40](#)

[Our energy and fuel-derived emissions on page 37](#)

Risks and uncertainties

Principal risks

Breach of laws or regulations (including tax, competition and anti-trust laws)

Risk description and impact

The Company is a multi-national business that operates in many jurisdictions and is increasing its business in emerging markets, including by acquisition and new country entry. Failure to comply with local laws such as anti-bribery and corruption laws, competition law, employment legislation, data protection and privacy laws or financial and tax reporting requirements may result in fines or withdrawal of licence to operate, which could have an adverse impact on 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 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, including advising on risk and regulatory issues.
- Regular compliance exercises, for example on anti-corruption and anti-bribery legislation, competition law, labour law and data protection; monitoring of online U+ training completion rates.
- Tax policy re-issued and approved by Board. 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.
- Authority schedule in place and regularly reviewed.
- Group and local policies in place and regularly reviewed.
- Requirement to report breaches in controls or laws to Group General Counsel and Head of Internal Audit.
- Mandatory training on Code of Conduct, competition, anti-bribery and corruption, IT security and privacy, seeking to instil a highly principled culture of ethical behaviour.
- All major business transactions or internal reorganisations are subject to a rigorous internal and external review.
- A dedicated and experienced central tax department is involved in all tax audits.

Read more: [Our key policies on page 34](#)

[Our governance and compliance monitoring on page 62](#)

[Read our Code of Conduct at **rentokil-initial.com/responsible-delivery**](#)

[Read our key policies at **rentokil-initial.com/responsible-delivery/policies**](#)