

ACQUISITION BY RENTOKIL INITIAL PLC OF CANNON HYGIENE LIMITED

Directions issued pursuant to paragraph 10 of the Interim Order made by the Competition and Markets Authority pursuant to section 81 of the Enterprise Act 2002 (the Act) on 5 July 2018.

- A. On 1 January 2018 Rentokil Initial Plc (**'Rentokil'**) acquired Cannon Hygiene Limited (**'Cannon'**) (together known as **'the Parties'**) (the **'Merger'**).
- B. On 31 January 2018 the Competition and Markets Authority (**CMA**) made an Initial Enforcement Order (**'IEO'**) in accordance with section 71 of the Enterprise Act 2002 (the **'Act'**) for the purpose of preventing pre-emptive action.
- C. On 26 February 2018 the CMA granted a derogation exempting Rentokil Initial International, a subsidiary of Rentokil from the IEO (the **'February derogation'**). The February derogation continues to apply.
- D. On 28 June 2018 the Competition and Markets Authority (CMA) referred the Merger for a phase 2 investigation pursuant to section 22 of the Act (the Reference).
- E. On 5 July 2018, the CMA made an Interim Order in accordance with section 81 of the Act for the purpose of ensuring that no action is taken pending determination of the Reference which might prejudice the Reference or impede the taking of any action by the CMA under Part 3 of the Act which may be justified by the CMA's decisions on the Reference.
- F. The CMA now issues written directions under paragraph 10 of the Interim Order that, for the purposes of securing compliance with the Interim Order, that Rentokil must appoint a monitoring trustee in accordance with the terms provided for in the Annex and shall comply with the obligations set out in the Annex.

Anne Lambert
Group Chairman
10.07.2018

Annex

Directions to appoint a monitoring trustee

Interpretation

In these Directions:

- (a) 'the Act' means the Enterprise Act 2002;
- (b) 'CMA' means the Competition and Markets Authority;
- (c) 'Directions' means the directions issued under paragraph 10 of the Interim Order;
- (d) 'Interim Order' means the interim order made by the CMA on 5 July 2018;
- (e) 'the Cannon business' means the business of Cannon Hygiene Limited and its subsidiaries carried on as at the commencement date;
- (f) 'Rentokil' means Rentokil Initial Plc, a company incorporated in the United Kingdom with its registered address at Riverbank Meadows Business Park, Blackwater, Camberley, Surrey, United Kingdom, GU17 9AB.
- (g) 'the Rentokil business' means the business of Rentokil and its subsidiaries excluding those subsidiaries the subject of the February derogation and excluding the Cannon business carried on as at the commencement date;
- (h) 'MT' means the monitoring trustee appointed in accordance with the Directions;

Terms and expressions defined in the Interim Order have the same meaning in these Directions, unless the context requires otherwise.

Appointment

1. Rentokil must appoint an MT in order to:
 - (a) support the CMA taking any remedial action which may be required to maintain the Cannon business and the Rentokil business as viable businesses; and
 - (b) monitor compliance by Cannon and Rentokil and all of their subsidiaries with the Interim Order.
2. The MT must act on behalf of the CMA and be under an obligation to the CMA to carry out his or her functions to the best of his or her abilities.

3. Rentokil and Cannon must cooperate fully with the MT, in particular as set out below, and Rentokil must ensure that the terms and conditions of appointment of the MT reflect and give effect to the functions and obligations of the MT and the obligations of Rentokil and Cannon as set out in these Directions.

General

4. The MT must possess appropriate qualifications and experience to carry out his or her functions.
5. The MT must neither have nor become exposed to a conflict of interest that impairs the MT's objectivity and independence in discharging his or her duties under these Directions, unless it can be resolved in a manner and within a timeframe acceptable to the CMA.
6. Rentokil shall remunerate and reimburse the MT for all reasonable costs properly incurred in accordance with the terms and conditions of the appointment and in such a way so as not to impede the MT's independence or ability to effectively and properly carry out his or her functions.
7. Rentokil must appoint the MT as soon as is reasonably practicable and in any event by 19 July 2018 and the MT will continue to act either until the CMA has finally determined the reference (within the meaning of section 79 of the Act) or directs that the MT is no longer required.
8. The appointment of the MT by 19 July 2018 is subject to the approval of the CMA as to the identity of the MT and the terms and conditions of appointment in their entirety and;

(a) the name of the proposed MT must be notified to the CMA as soon as is reasonably practicable and in any event by 13 July 2018 along with draft terms and conditions of appointment; and

(b) once the MT has been approved by the CMA and appointed, Rentokil must provide the CMA with a copy of the agreed terms and conditions of appointment.

Functions

9. The functions of the MT will be to:

- (a) ascertain the current level of compliance by Rentokil and Cannon with the IEO and the Interim Order;
- (b) assess the arrangements made by Rentokil and Cannon for compliance with the Interim Order and what changes to those arrangements, if any, are necessary to preserve the possibility of the CMA taking any remedial action, if required;
- (c) identify and supervise if necessary the arrangements made by [Rentokil and Cannon for ensuring compliance with the Interim Order;
- (d) monitor compliance by Rentokil and Cannon with the Interim Order; and
- (e) without prejudice to the right of Rentokil or Cannon to contact the CMA, respond to any questions which Rentokil or Cannon may have in relation to compliance with the Interim Order, in consultation with the CMA.

10. The MT must take such steps as he or she reasonably considers necessary in order to carry out his or her functions effectively, including the monitoring of communications within and between the Rentokil business and the Cannon business, such as written and electronic communications, telephone conversations and meetings as may be required.

11. The MT must comply with any requests made by the CMA for the purpose of ensuring the full and effective compliance by Rentokil and Cannon and all their subsidiaries with the Interim Order.

Obligations of Rentokil and Cannon

12. Rentokil and Cannon and their subsidiaries and their employees, officers, directors, advisers and consultants must cooperate fully with the MT, in particular by providing the MT with all cooperation, assistance and information as the MT may reasonably require in order to discharge his or her functions, including but not limited to:

(a) the provision of full and complete access to all personnel, books, records, documents, facilities and information of Rentokil or Cannon as the MT may reasonably require; and

(b) the provision of such office and supporting facilities as the MT may reasonably require.

13. If Rentokil or Cannon or any of their subsidiaries are in any doubt as to whether any action or communication would infringe the Interim Order, it is required to contact the MT for clarification.

14. If Rentokil or Cannon or any of their subsidiaries has any reason to suspect that the Interim Order may have been breached, it must notify the MT and the CMA immediately.

Reporting functions

15. The MT is required to provide an initial report to the CMA no later than 2 August 2018 giving details of any arrangements which have been, or should be, put in place to ensure compliance with the IEO and the Interim Order, and including among other things:

(a) a statement to the CMA stating whether or not, in his or her view, Rentokil and all its subsidiaries has complied with the IEO;

- (b) details of the current extent of compliance with the Interim Order;
- (c) a description of the current arrangements made for the separate operation of the Rentokil business and the Cannon business and for the preservation of the assets required to operate the Cannon business; and
- (d) recommendations as to what changes to those arrangements, if any, are necessary.

16. In addition to providing the initial report referred to in paragraph 15 above, the MT must provide a statement to the CMA every two weeks thereafter (or otherwise as required by the CMA) stating whether or not, in his or her view, Rentokil and all its subsidiaries has complied with the Interim Order. At the same time, the MT must provide the CMA with a report setting out the following:

- (a) the basis for the MT's view that the Interim Order have or have not, as the case may be, been complied with and in particular whether:
 - (i) anything has caused him or her to be concerned as to whether Rentokil and all its subsidiaries has complied with the Interim Order, and if it has, whether those concerns have been resolved and why;
 - (ii) he or she has any remaining doubts or uncertainties as to whether Rentokil and all its subsidiaries has complied with the Interim Order; and
 - (iii) anything that causes him or her to be concerned about a possible future breach of the Interim Order (whether deliberate or inadvertent);
- (b) details of the performance of the Rentokil business and Cannon business, including any factors that might indicate asset deterioration;
- (c) whether appropriate steps are being taken to maintain the Cannon business as a going concern;

- (d) the extent to which Rentokil and Cannon and all their subsidiaries have cooperated with the MT in his or her task of monitoring its compliance with the Interim Order and details of any aspects of the cooperation of Rentokil or Cannon or all their subsidiaries that he or she considers could be improved;
- (e) the extent to which the MT considers that he or she is in an appropriate position to monitor the compliance of Rentokil and Cannon and all their subsidiaries with the Interim Order and if there is anything that the MT considers would assist him or her in monitoring compliance;
- (f) any current or anticipated requests for consent to vary the Interim Order; and
- (g) the information he or she used to compile the report.

17. When providing reports to the CMA the MT must ensure that he or she does not disclose any information or documents to the CMA which Rentokil or Cannon or any of their subsidiaries would be entitled to withhold from the CMA on the grounds of legal privilege.

18. The MT must immediately notify the CMA in writing if he or she forms a reasonable suspicion that the Interim Order have been breached, or if he or she considers that he or she is no longer in a position to effectively carry out his or her functions. In that situation, the MT must give reasons for this view; including any supporting evidence available (unless doing so would infringe the obligations referred to in paragraph 17 above).

19. All communications between the MT and the CMA (including the statements and reports referred to in paragraphs 15 and 16) are confidential and should not be disclosed to Rentokil and Cannon or any of their subsidiaries or to the Rentokil business or Cannon business, save with the prior written consent of the CMA. The MT shall not disclose such communications to third parties.

