

Completed acquisition by Rentokil Initial PLC of MPCL Limited

Consent to certain actions for the purposes of the Initial Enforcement Order made by the Competition and Markets Authority ('CMA') on 9 October 2018

We refer to your emails of 12, 16, 25 October, 25 and 27 November 2018 requesting that the CMA consents to derogations to the Initial Enforcement Order of 9 October 2018 (the 'Initial Order'). The terms defined in the Initial Order have the same meaning in this letter.

Under the Initial Order, save for written consent by the CMA, Rentokil Initial plc ('Rentokil Initial') is required to hold separate the MPCL business from the Rentokil Initial business and refrain from taking any action which might prejudice a reference under section 22 of the Act or impede the taking of any remedial action following such a reference. After due consideration of your request for derogations from the Initial Order, based on the information received from you and in the particular circumstances of this case, Rentokil Initial and MPCL Ltd ('MPCL') may carry out the following actions, in respect of the specific paragraphs:

1. *Paragraph 5(l) of the Initial Order*

On 27 November 2018, the CMA was informed that Rentokil Initial was seeking permission for three identified employees (Annex 1) within Rentokil Initial's central finance function to receive access to commercially-sensitive information of MPCL in order to support Rentokil Initial's statutory quarterly reporting obligations (which includes the MPCL business). The information concerned relates to MPCL's revenues, profits, cash and margin. The three employees identified are employed at the Rentokil Initial Group level rather than Rentokil Initial's pest control business.

Rentokil Initial proposed a series of controls to minimise the risk of any information being transferred between the Rentokil Initial and MPCL businesses (in line with the Initial Order), specifically:

- (a) The information required will be provided via a ring-fenced secure section of the Cognos database to which access will be limited to the Rentokil Initial named individuals;
- (b) The MPCL information provided to Rentokil Initial will be in a format agreed with the CMA;
- (c) Disclosure of information to the Rentokil Initial named individuals will be limited to that which is strictly necessary for the purpose of preparing Rentokil Initial's statutory quarterly reports;
- (d) The Rentokil Initial named individuals will enter into a confidentiality agreement, the form of which will be agreed with the CMA;

The CMA consents to the derogation request of Rentokil Initial in respect of paragraph 5(l) of the Initial Order, subject to the controls outlined above.

Further, the CMA reserves the right to increase or decrease the number of Rentokil Initial named individuals who have been granted permission by the CMA to receive access to commercially-sensitive information of MPCL for the abovementioned purpose.

2. Paragraphs 4, 5(a), 5(c) and 5(l) of the Initial Order

On 2 November 2018, the CMA consented to a derogation from paragraphs 4, 5(a), 5(c) and 5(i) of the Initial Order to enable Rentokil's Group CFO to approve or veto certain action by the Managing Director of the MPCL business (MD) exceeding the levels of delegated authority as set out by Rentokil Initial. This derogation was subject to a number of conditions, including the requirement that the MPCL MD should not share MPCL commercially sensitive information with Rentokil where requests are made for approval by Rentokil which exceed the MD's level of delegated authority.

Rentokil Initial subsequently submitted that there are various decisions which the Rentokil Initial CFO may need to take on which exceed the level of delegated authority and would necessitate the sharing of MPCL commercially sensitive information in order for the Rentokil Initial CFO to make an informed decision. These matters and the commercially sensitive information which is required in each case so as to enable an informed decision to be made is as follows:

<p>Selected matters covered by the delegation of authority derogation</p>	<p>Commercially sensitive information required in order for Rentokil Initial CFO to make an informed decision</p>
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<ul style="list-style-type: none"> The approval of new customer contracts or job sales with an annual value of above £[X] per customer 	<ul style="list-style-type: none"> Pricing terms and net/gross margin Details regarding term and termination Liability and indemnity clauses
<ul style="list-style-type: none"> The approval of prebates/rebates with a value of above £[X] per customer 	<ul style="list-style-type: none"> Pricing terms and net/gross margin Details regarding term and termination
<ul style="list-style-type: none"> The approval of price increases or decreases of above £[X] in respect of local customers 	<ul style="list-style-type: none"> In respect of price decreases – pricing terms
<ul style="list-style-type: none"> The approval of price increases or decreases of above £[X] in respect of key account customers 	<ul style="list-style-type: none"> In respect of price decreases – pricing terms
<ul style="list-style-type: none"> The issuing of credit notes with a value of over £[X] per customer 	<ul style="list-style-type: none"> Pricing terms Confirmation from MPCL that it has carried out all necessary financial control checks

Rentokil Initial submitted that taking a decision on the matters mentioned above has the potential to undermine to an unacceptable degree the profitability of MPCL customer contracts, as well as the viability of the business as a whole (given the scale of the items for which approval is needed compared to the total size of MPCL), and that it was critical to receive the commercially sensitive information detailed in the table above.

The CMA consents to a derogation from paragraphs 4, 5(a), 5(c) and 5(i) of the Initial Order to enable Rentokil's Group CFO (for the purposes of approving or vetoing certain action by the Managing Director of the MPCL business (MD) exceeding the levels of delegated authority), to receive only the commercially sensitive information enumerated in the table provided that

- (a) this information is shared only where it specifically relates to requests for approvals by Rentokil Initial under one of the five matters listed above;
- (b) information shared with Rentokil Initial's CFO for these purposes is limited to that which is strictly necessary to allow the Rentokil Initial CFO to reach a view on the specific matter at hand and should not include any other commercially sensitive information beyond that enumerated in the table, including, but not limited to, information relating to customers including names and key contractual terms; and
- (c) the CMA will be provided with a summary of the MPCL information shared with Rentokil Initial in order to allow the Rentokil CFO to reach a decision on the matter at hand.

For the avoidance of doubt, the conditions otherwise listed in the CMA derogation consent of 2 November 2018 in section 2, paragraph (b), (c) and (d) still apply.

3. Paragraph 5(l) of the Initial Order

On 30 September 2018, Rentokil Initial appointed [X] as the Company Secretary of MPCL.

On 2 November 2018, the CMA consented to [X] continuing in her position as Company Secretary of MPCL under certain conditions, inter alia that she will only attend MPCL board meetings where discussions relate to her regulatory reporting obligations.

Rentokil Initial subsequently submitted that there are various matters, that require the presence of the Company secretary of MPCL during board meetings, which are not regulatory or statutory duties, and which will not involve any commercially sensitive information. For instance, adding signatories to bank mandates, changing accounting reference date, change of directors etc. These are integral duties to her role as Company Secretary, but are not formally set out by statute.

The CMA consents to [X] continuing in her position as Company Secretary of MPCL provided that:

- (a) [X] will only attend MPCL board meetings where: (i) discussions relate to her regulatory reporting obligations or (ii) [X]'s attendance is otherwise necessary in order for her to effectively discharge her duties as MPCL's company secretary and no commercially sensitive information is discussed.

For the avoidance of doubt, the conditions listed in the CMA derogation consent of 2 November 2018 in section 4, paragraph (b), (c) and (d) still apply.

5. Paragraphs 4, 5, 6, 7 and 8 of the Initial Order

Rentokil Initial submits it operates on a global level whereas MPCL only offers pest control services in the UK and therefore requests the CMA to exclude the Rentokil Initial International from the scope of the Initial Order.

During the specified period as defined in the Initial Order, the CMA consents that the requirements in paragraphs 4, 5, 6, 7 and 8 of the Initial Order do not apply to those businesses carried out by Rentokil Initial outside the UK and with no operational, logistical and/or commercial connection with the businesses of Rentokil Initial in the UK, provided that:

- (a) In respect of customers with pest control contracts in place with MPCL which cover both the UK and Republic of Ireland (ROI) where one key account manager is currently in place:
- 1) MPCL UK key account managers servicing those contracts on behalf of MPCL Ireland will remain with the MPCL UK business and will not transfer to Rentokil Initial or MPCL Ireland;
 - 2) The MPCL UK account manager will not have responsibility for any aspect of the customer accounts which relate to the ROI;
 - 3) Rentokil Initial will ensure that clear communications are issued to the key account managers in respect of these UK and ROI customer contracts to ensure they understand their obligations going forward in order to ensure separate operations of the MPCL Ireland and MPCL UK businesses, in accordance with the IEO and related derogation; and
- (b) In respect of the use by MPCL Ireland of the MPCL UK [X] system, Rentokil Initial and MPCL will ensure that:
- 1) MPCL Ireland is transitioned from MPCL UK's [X] system to Rentokil's [X] system within a period of 30 working days from the date of publication of the present derogation so as to ensure that MPCL Ireland can only access information related to the MPCL Ireland business and customers, and that no information is made available to MPCL Ireland in respect of the MPCL UK business and customers.
 - 2) Rentokil Initial does not have access to the MPCL UK [X] system and will not gain access to this system in order to effect the migration of the [X] system to the [X] system.
 - 3) Following the transition of MPCL Ireland to [X], MPCL Ireland/Rentokil Initial will not be provided with access to the [X] system nor with any data which relates to the MPCL UK business or its customers.
 - 4) All employees within MPCL Ireland with access to the MPCL UK [X] system will enter in a confidentiality agreement, the form of which will be agreed with the CMA.

Alba Ziso

Assistant Director, Mergers

5 December 2018

Annex 1

Area	Employee	Role	Intended purpose of derogation
Finance	[✂]	Corporate Accounts	Prepare financial results
	[✂]	Corporate Accounts	
	[✂]	Corporate Accounts	