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15 January 2010

Dear Ms O'Sullivan,

**CONSULTATION ON AUDIT FIRMS PROVIDING NON AUDIT SERVICES TO LISTED COMPANIES THAT THEY AUDIT**

This letter is in response to your consultation document dated 6 October 2009.

In summary:

- The board is supportive of the current regime under which the provision of non-audit services provided by listed companies' auditors is managed and disclosed.
- It is the board's view that further restrictions on listed companies' ability to determine the circumstances in which it would be in the company's interests to utilise professional services provided by a company's auditors would be unwelcome.

A board has an existing duty to ensure that when its auditors are engaged to provide professional services outside the scope of the audit they do so within a framework of controls that ensures that the independence of the auditors is not prejudiced. A company's controls are of course mirrored by similar controls in the audit firm and both parties have a strong incentive to ensure that these control processes work effectively.

This company maintains a policy on the provision of non-audit services by its auditors which specifies categories of activity that would be prohibited and those that would be permitted, but ultimately the board and the audit committee (consisting entirely of non-executive directors) retain the ability to exercise judgement over non-audit engagements. The board and the audit committee would not welcome a reduction in the company's flexibility to procure best value services to support the company's business.

The company's policy specifies that any material non-audit engagement is approved by the audit committee before any such engagement is undertaken and requires that information on the overall level of non-audit services is monitored in relation to the

cost of external audit provision. Information on non-audit services provided by the company's auditors is disclosed in the company's annual report.

The company believes that the existing disclosures in this area provide a reasonable level of transparency for shareholders; however the board can see some benefit in there being clearer guidance relating to disclosure of such information in companies' published accounts.

In sourcing external assistance both over technical and operational matters the audit committee considers that, by utilising the knowledge-base of the company within the audit firm, it is able to obtain for the company a benefit in terms of cost, response time and quality of work product. In making these judgements the audit committee discharges this responsibility carefully and balances the benefit that may be obtained from using the audit firm against any risks of lack of independence.

Additional controls or prohibitions in this area would in the board's view remove an element of the company's ability to manage its business affairs for no particular enhancement to the governance processes.

The company has not experienced any difficulty in exercising its judgement over the circumstances in which it would be appropriate to use its auditors for non-audit services without impacting their independence and does not consider, even in the light of recent events in world markets, that this is an area where the corporate governance process would be enhanced by limiting further the services offered by accountancy firms to audit clients.

The board also believes that if a restriction was placed on the external auditor such that they only provided the basic external audit process, the attractiveness of this role may reduce. As the company believes that one of the key benefits of the existing external audit approach is that the audit partner and his team provide a valuable independent view on the company, its management, its strategy and its risks, reducing the quality of the individuals attracted to these roles would reduce the quality of the insights provided.

We trust that the above comments is helpful.

Yours sincerely

*John McAdam*

John McAdam  
Chairman

Yours sincerely

*Duncan Tatton-Brown*

Duncan Tatton-Brown  
Chairman of the Audit Committee