Chairman's address

A strong and effective governance culture.

"As a Board we aim to ensure our high governance standards are reflected across the business."

Iain Ferguson
Chairman

Included in this report:

If you would like to discuss any aspect of our Group's governance with me, please feel free to email me at **chairman@berendsen.eu**

Dear shareholder,

I am pleased to confirm that your company has complied in full with the principles and provisions of the 2014 UK Corporate Governance Code (the "Code") since April 2016 following shareholder approval of our remuneration policy. The approved remuneration policy included amendments to our performance related remuneration schemes which introduced malus and clawback provisions as recommended in provision D.1.1 of the Code; this was the only provision with which we did not previously comply.

2016 has been an extremely busy and challenging year for the Group, we are disappointed that the financial result for the year is below expectations following difficult late summer and autumn trading, particularly in the UK businesses. In his overview, our CEO James Drummond, explains both the reasons for the shortfall and also the actions that he and his team are taking to address the legacy challenges identified through implementing the Berendsen Excellence Strategy.

My Board colleagues and I are impressed by the focus and energy which James brings to his role and by the quality and diversity of the Executive Board which he has brought together. The Board has been heavily involved in developing the Group strategy, working closely with James and his senior executive team, and we now look forward to working with them to deliver the benefits of Berendsen Excellence to all of our stakeholders.

In my governance report to you last year, I identified four key areas of focus for the Board in 2016 as:

- Supporting the implementation of the new strategy
- Continuing to develop and maintain best practice standards in corporate governance
- Supporting the further development of talent and succession planning
- Participating and assisting with the review of the Group's advisers

We have made good progress against all of these areas of focus in the year.

Supporting the implementation of the new business strategy

Since we announced our new business strategy to the market in November 2015, the Board has been heavily involved in monitoring and supporting its implementation across the Group. Our strategy includes a focus on operational excellence (through the establishment of Berendsen Excellence), and as a Board we recognise our role in leading by example in striving for and promoting excellence in everything we do.

Much progress has been made in 2016 with the further development of our Business Lines and the appointment of a diverse and experienced executive team to drive the performance of those Business Lines.

Implementation of the strategy has been a significant focus area on the agenda for our Board meetings during the year; James has provided us with regular updates, and we have also received presentations from the Business Line Managing Directors. Our site visits, and discussions between non-executives and members of the Business Line teams have also helped to inform our view of the success, and the challenges, of the implementation process.

As described in greater detail on pages 42 to 51, our trading performance in 2016 was below expected levels primarily due to higher than expected costs in our UK textile operations.

This has obviously been a major point of discussion for the Board during the year and we are committed to working with James and his team to solve these challenges.

The resulting impact on our EPS performance means that our Executive Directors will not receive an annual bonus in respect of 2016, and the long-term incentive awards that were due to vest in 2017 will not pay out. This is explained in more detail in the Directors' remuneration report on page 98.

Developing and maintaining best practice governance standards

We see corporate governance as a core and vital discipline complementing our desire to continually improve upon the success of the Group on behalf of our shareholders. Our goal, is to be at the forefront of best practice in corporate governance.

We consistently challenge ourselves to achieve this. Our governance framework (described in this report) allows for the continued monitoring, review, development and implementation of the policies, procedures and culture that support our high governance standards.

Particular areas of focus for us in 2016 have been to strengthen policies and procedures in respect to acquisitions, to develop policies and procedures to address the implementation of the EU Market Abuse Regulation, and EU reform of the statutory audit market from July this year; more detail on which can be found in the following report.

Culture is a key theme for us. The success of our strategy is very much dependent on developing a culture across the Group that supports the pursuit of excellence. Our vision, mission and values are described on pages 14 to 15, and we recognise that the Board must lead by example to ensure these values are embedded not just in the boardroom, but in how all at Berendsen act on a day to day basis. I am pleased to report that our boardroom culture is good, with constructive challenge flowing freely from the Non-Executive Directors, underpinned by a genuine sense of mutual respect between all directors. This has been borne out by our performance evaluation process for 2016, the results of which are described on page 74.

Supporting the further development of talent and succession planning

We remain (led by our Nomination Committee) focused on ensuring that our talent pipeline is managed to support the Group's strategy. We have assisted the executive management in identifying and appointing candidates for the Executive Board and other senior management roles, and I am delighted with the appointments we have made which add significantly to the diversity in skills, background and experience at senior management level. Biographies of our Executive Board members can be found on pages 68 to 69, and my Nomination Committee Report on page 77, gives further detail about our input into the appointment process.

Chairman's address (continued)

The Board has continued to support and review the success of our leadership development programmes and we are confident that these, our talent pipeline, and other initiatives like our Women in Berendsen Network, mean that we are well set to continue our success in developing internal staff into diverse and experienced managers of the future.

Succession planning for the Board and Committees has also been on the Nomination Committee's agenda, particularly with respect to our longest serving Non-Executive Directors who also chair our Audit and Remuneration Committees. Again, more detail on our succession planning activity can be found in the Nomination Committee Report on page 77.

Review of the Group's advisers

It is a theme of our approach to governance generally that we must consistently challenge our procedures, processes and relationships to ensure we are delivering, and being provided with, the excellence that we strive for. During the year, the Group has reviewed its relationships with a number of key advisers, including our corporate lawyers and investment bankers. The Board has been central to these reviews, providing input into the evaluation of incumbent providers and meeting with key individuals to discuss service offerings going forward.

In connection with our review of key corporate advisers, we have also supported the appointment of Alice Darwall to the role of General Counsel. Alice will bring valuable legal and regulatory advice and knowledge directly to the Board, enhancing our governance approach and reducing our reliance on third-party advisers.

Other activity in 2016

Board effectiveness

The effectiveness of the Board is largely dependent on the relationships between Non-Executive and Executive Directors, and underpinned by our commitment to demonstrating the company's culture and values at the board table.

I am in frequent and open contact with James and the rest of the Board, and I aim to ensure that at all times the Board fully understands how the business is operating and any risks or challenges in our future.

Our programme of non-executive site visits has continued in 2016, which included visits to our Garment Design facility in Gothenburg (Sweden) and our new Workwear facility in Durham (UK), and continues to enhance the Board's understanding of business operations. This has been particularly helpful this year as it has allowed us a clear view of how well our new strategy is translating into the day-to-day activities of the business as a whole.

On 25 July 2016, I held my annual scheduled meeting with the Non-Executive Directors without the executive management present. Our discussions focused on succession planning and Board composition and, linked to that, the culture of the Board and our priorities for 2017.

We are in the third year of our performance evaluation cycle, and the evaluation process has this year been led by David Lowden (our Senior Independent Director). The process is described on page 74, and I am pleased to report that the outcome of the evaluation was positive and confirmed that the Board and Committees are operating to the high standards that we demand. Particular strengths identified were the relationship between directors and senior management, the Board's focus on supporting the implementation of strategy, and the open and constructive atmosphere in Board meetings.

Risk management

Risk management, and in particular the principal risks faced by the Group, are key elements of the Board's ongoing agenda and have been in particular focus this year given the uncertain political climate in Europe and the UK's Brexit vote. Details of our principal risks and uncertainties are set out on pages 56 to 59. Given the pan-European nature of our operations, the impact of Brexit has been discussed frequently by the Board.

Our IT governance and security was strengthened during 2015, and security generally (but particularly cyber-security) has remained high on our agenda in 2016. The company has completed a thorough risk assessment of information security during the year, with regular reports on progress considered by the Audit Committee.

Health, safety and security

As part of Berendsen Excellence, we have increased our focus on health and safety processes. This focus, supported by the appointment of Mark Sayer, our new Health and Safety Director, is being driven by James, and ensures that health and safety KPIs are reviewed by the Board regularly.

We have incentivised our Executive Directors to continue to focus on health and safety by making a portion of their annual bonus payment subject to health and safety performance. Safety is one of our core values; we are determined to drive continuous improvement in safety performance and have set an objective of zero accidents.

Our approach to health and safety, including a description of the metrics by which we measure our health and safety performance, are described in detail in our CR report on pages 32 to 39.

Legislation has also been introduced during the year on matters such as slavery and human trafficking. The Board has published its statement under Section 54 of the Modern Slavery Act on the company's website which sets out the steps we have taken during the year to ensure that our operations and supply chains are free from trafficking and slavery.

Meeting our major shareholders

We continued to operate a comprehensive investor relations programme with our Executive Directors meeting investors and analysts regularly, and being supported where appropriate by both myself and David Lowden as Senior Independent Director.

Our investor relations programme, which is described on page 76, is now supported by Peter Young who we appointed as Director of Investor Relations in October 2016. David and I also hosted a shareholder event on 1 November 2016 which was attended by nine of our major shareholders amounting to approximately 21% of our shareholding. We again received positive feedback and see the event as a valuable opportunity to understand the views of, and develop constructive relationships with our major shareholders.

The Board

There have been no changes to the composition of the Board during the year, and I would like to thank my colleagues on the Board for their continued support, commitment, challenge and passion for our business.

As I mentioned above, we have considered succession planning in respect of Andrew Wood and David Lowden, both of whom are entering their final three-year term of appointment as recommended under the Code. It is our current intention that Andrew will step down at our AGM in 2018 and that David will step down at the 2019 AGM. We will provide a further update on our succession plans in this respect next year.

Iain Ferguson
Chairman

UK Corporate Governance Code: Compliance Statement

Between 1 January 2016 and 28 April 2016, we complied with all of the principles and provisions of the Code with the exception of provision D.1.1 which requires that performance-related remuneration schemes should include both malus and clawback provisions. Following shareholder approval of our remuneration policy at our AGM on 28 April 2016, we have complied in full with the principles and provisions of the Code for the remainder of the year.

The corporate governance statement and the additional governance disclosures listed in the table below set out our approach to applying the Code.

See our business model, value generation and strategy in our Strategic report
01–59

Key areas of uncertainty considered in the preparation of the financial statements
83

See our approach to risk management and internal control in our Risk report
54–59

See our Directors' remuneration report
88–111

See our Directors' report
112–114

Further information on the Code can be found on the Financial Reporting Council's website at **www.frc.org.uk**

We are delighted that we have received several external accolades for our governance and remuneration reporting during the year.

- Nominated for and won Silver for the Corporate and Financial Awards 2016: Best Printed Report in the FTSE 250
- Nominated for and won the ICSA Awards 2016: Best Annual Report in the FTSE 250
- Nominated for and won the ICSA Awards 2016: Best Remuneration Report
- Nominated for the ICSA Awards 2016: Best Risk Disclosure in the FTSE 250

icsa AWARDS 2016 WINNER

Corporate & Financial Awards 2016 WINNER

Board priorities in 2017

- Support the Executive Board in delivering the new business strategy and developing the capabilities required to build Berendsen Excellence
- Progress the succession planning requirements at Board level (for Non-Executive Directors) and the broader succession planning and development initiatives across the Group
- Monitor the impact of the UK Organisation Capability review

Board of directors

Experienced leadership.

The depth of knowledge, and the diverse skills and experience of our directors ensure that our Board operates effectively and in the best interests of the Group as a whole.

Diversity, independence and experience

100% with international business experience

100% with business-to-business experience

71% experienced CEOs

29% female directors

66% independent directors (excluding the Chairman)

1

Iain Ferguson CBE (61)
Non-Executive Chairman

N Chairman R Member

Date appointed to Board:
March 2010

Independent:
No

Key strengths:

- CEO experience with an international plc
- Strong international strategic skills and experience of B2B and B2C businesses
- Significant M&A experience in Europe, USA and Asia
- Broadly based NED experience across the private and public sectors
- Strong commercial skills

Current external commitments:
Chairman of Stobart Group Limited, a Non-Executive Director of Balfour Beatty plc and Chairman of Wilton Park (Foreign Office Agency).

Previous roles:
Non-Executive Director of Defra (Government Department) and Chief Executive of Tate and Lyle plc, having also worked for Unilever and held a number of senior positions including Chief Executive Officer of Birds Eye Walls.

2

James Drummond (54)
Chief Executive Officer

N Member E Member

Date appointed to Board:
August 2015

Independent:
No

Key strengths:

- Developing people and teams to be successful
- Strategy development and execution experience
- Building and growing B2B contracting businesses, in both public and private sector in engineering services, rail, aviation and aerospace
- Experience of running businesses in varied business environments: Europe, the Commonwealth of Independent States (CIS), India, S E Asia, China, Australia, Latin America, USA

Current external commitments:
Non-Executive Director of Bath Festivals.

Previous roles:
Chief Executive of Avincis Group, the leading provider of aerial services for mission critical operations. Avincis was bought by Babcock plc in 2014. Before Avincis, James was the Chief Executive of Invensys Rail, a major division of Invensys plc. Earlier roles include Director of Business Development, Acquisitions and Projects at Kidde plc. Director of Strategy for Honeywell Aerospace Services and Allied Signal Aerospace Services.

3

Maarit Aarni-Sirviö (63)
Non-Executive Director

A Member N Member R Member

Date appointed to Board:
March 2014

Independent:
Yes

Key strengths:

- In-depth knowledge of Scandinavian markets
- Detailed operational expertise
- Proven experience of restructuring, acquisitions and integrations
- A strong track record of growing businesses
- Extensive international experience
- Experienced non-executive in several sectors

Current external commitments:
Non-Executive Director of Wärtsilä, Senior Adviser at Eera Oyj, Board member of ecoDa and Secretary General of the Directors' Institute of Finland.

Previous roles:
VP of Borealis, Non-Executive Director of Vattenfall Ab (in Sweden) and of Ponsse Oyj and Rautaruukki Oyj and President & CEO of Mint of Finland.

4

Lucy Dimes (50)
Non-Executive Director

A Member N Member R Member

Date appointed to Board:
June 2012

Independent:
Yes

Key strengths:

- Extensive experience of B2B, outsourcing and complex managed services contracts
- Track record in international sales and customer relationship management
- Significant experience in alliances, ventures and partnerships
- Operational and complex contractual experience
- Strong marketing, portfolio development and commercial skills
- Well-developed leadership and global team management skills

Current external commitments:
Trustee for the Garden Bridge Trust.

Previous roles:
COO and Executive Director of Equiniti Group, CEO UK & Ireland of Alcatel-Lucent and has held various senior roles at BT Plc, including Managing Director of Group and Openreach Service Operations.

5

David Lowden (59)
Senior Independent Director

A Member N Member R Chairman S

Date appointed to Board:
March 2010

Independent:
Yes

Key strengths:
- → Extensive experience in both general management and financial management
- → Many years of operating within international businesses with cultural diversity
- → Strong strategic understanding
- → Knowledge of B2B service related industry requirements
- → Proven ability for delivering shareholder value
- → Strong financial, marketing and commercial skills

Current external commitments:
Non-Executive Chairman of PageGroup plc and Non-Executive Director of William Hill PLC.

Previous roles:
Chief Executive of Taylor Nelson Sofres PLC, having also held the positions of Chief Operating Officer and Group Finance Director.

6

Kevin Quinn (56)
Chief Financial Officer

E Member

Date appointed to Board:
May 2005

Independent:
No

Key strengths:
- → Over ten years in the Group with a detailed knowledge of operations
- → Significant experience of financing and capital raising
- → Extensive experience of international companies
- → Experience of outsourcing and the support services sector
- → A strong network
- → Driver of our successful capital efficiency project to increase cash deliveries

Current external commitments:
Non-Executive Director of Benchmark Holdings plc.

Previous roles:
Senior finance positions within Amersham plc and was with PricewaterhouseCoopers, latterly as a partner in its Prague office, having also worked in the USA and France.

7

Andrew Wood (65)
Non-Executive Director

A Chairman N Member R Member

Date appointed to Board:
March 2010

Independent:
Yes

Key strengths:
- → Previously CFO of FTSE 250 plc's for 15 years
- → Strong strategic and commercial understanding
- → Extensive experience of acquisition and disposal of businesses in international markets
- → Detailed knowledge of risk assessment and management systems

Current external commitments:
Non-Executive Director of Lavendon Group plc and Stobart Group Limited.

Previous roles:
Group Finance Director of BBA Aviation plc, Non-Executive Director of Air Partner plc and also Group Finance Director of Racal Electronics PLC.

8

David Lawler (53)
Company Secretary

E Member

Date appointed:
May 2005

Independent:
No

Key strengths:
- → Detailed knowledge of the Group
- → Good understanding of international business having worked extensively outside the UK
- → Extensive knowledge of corporate governance and risk management
- → Strong financial skills
- → Significant experience in the acquisition and disposal of businesses in both the UK and Europe

Current external commitments:
None.

Previous roles:
Senior finance positions with Thorn EMI plc and KPMG.

Key:
- A Audit Committee
- N Nomination Committee
- R Remuneration Committee
- E Executive Board
- S Senior Independent Director

The Executive Board

A diverse and experienced team.

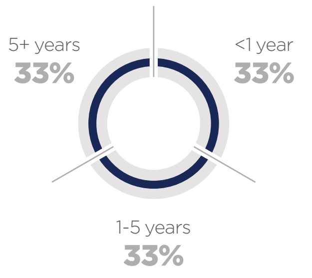
We have strengthened our Executive Board to support the delivery of our strategic objectives.

The Executive Board

We appointed three new members to our Executive Board in response to the evolution of our strategic approach: Baba (Suketu) Devani, Gillian Duggan and Christophe Martin.

During 2016, our Executive Board formally met nine times. The members of our Executive Board also communicate regularly outside of the formal scheduled meetings.

Executive Board tenure



Nationalities

1

James Drummond
Chief Executive Officer

More 66

2

Kevin Quinn
Chief Financial Officer

More 67

3

David Lawler
Company Secretary

More 67

4

Baba (Suketu) Devani (47)
Managing Director, Facility and Group Business Development

Date joined Berendsen:
May 2016

Key strengths:

- Creating and developing strong teams
- Corporate strategy, M&A development and execution, post-merger integration
- Commercial development: sales and marketing in B2B, major bids and opportunity management, and development of new markets
- P&L management in operationally complex environments where safety is a key priority
- International experience: having had responsibility for all regions across the globe and has lived and worked in Africa, India, China, Middle East and Europe

Previous roles:
Senior Strategy, Commercial and P&L roles in Babcock, UTi worldwide and British Airways.

Qualifications:
MA in Politics, Philosophy and Economics from the University of Oxford.

5

Gillian Duggan (49)
Group Director, Human Resources

Date joined Berendsen:
May 2016

Key strengths:

- Extensive HR Director experience
- International HR experience
- Leading talent development, succession planning and diversity strategies
- Facilities management and customer services

Previous roles:
Prior to joining Berendsen, Gillian was at Amey plc where she was Group HR Director from 2004 to 2008, Managing Director of the Built Environment division from 2008 to 2015 and Managing Director of the Social Infrastructure and Customer Experience Business Unit until 2016. Previous roles include senior HR positions at Danaher Corporation and Technicolor (UK).

Qualifications:
Postgraduate Diploma in Criminology from Kingston University.

6

Niels Peter Hansen (58)
Managing Director, Hospitality

Date joined Berendsen:
March 1997

Key strengths:
- Track record for implementing strategies and change execution
- Strong commercial and sales experience from all business areas and good operational insight
- International business and management experience from Europe
- Developing people and teams to be successful
- A strong leadership style and general management experience

Previous roles:
Joined the Group in 1997 and has experience of working across all Business Lines. From 2009 to 2015, Niels Peter was our Managing Director for German Healthcare and German Workwear. Prior to joining Berendsen, Niels Peter had a career in the Royal Danish Airforce followed by Management Consultancy in PwC and senior management roles in logistics.

Qualifications:
Degree from the Royal Danish Airforce Officers Academy and from the Danish Defence Academy.

7

Peter Havéus (54)
Managing Director, Workwear

Date joined Berendsen:
June 1985

Key strengths:
- Excellent industry experience and business model knowledge
- International management experience (EU)
- Good experience in general management
- Strong operational skills and commercial understanding
- Good experience of mergers and acquisitions
- Managed several turnarounds in the industry

Previous roles:
Joined the Group in 1985 and appointed MD for the Continent Region in 2007. He has held a number of senior posts, including MD Sweden, MD Denmark and COO, mainland Europe, having started his career in the textile rental industry in Sweden in 1983.

Qualifications:
Degree in Economics from Gymnasium 'Malmö Borgarskola'.

8

Christophe Martin (50)
Managing Director, Healthcare

Date joined Berendsen:
May 2016

Key strengths:
- Global business professional with 20 years of experience in the medical device industry
- Background includes sales, marketing, supply chain and operations
- Proven ability to start up, manage and expand businesses
- Strong track record in mature and emerging markets
- Experience in developing regional strategies and driving change in complex environments

Previous roles:
Joined the Group in 2016 as Managing Director, Healthcare. Prior to joining Berendsen, Christophe was Vice President One Ethicon EMEA for Johnson & Johnson. He has held various General Management positions in a number of countries across the EMEA region.

Qualifications:
Master of Science in Applied Mathematics and Business Administration from the University of Paris.

9

Claude Sada (45)
Director, Berendsen Excellence

Date joined Berendsen:
March 2013

Key strengths:
- Extensive international experience having worked in France, Germany, Switzerland and the UK
- Process excellence & system thinking
- Deep knowledge of procurement, supply chain and process re-engineering using Lean and Six Sigma methodologies
- Change management in transformational environments
- Strategy design and execution

Previous roles:
Joined the Group in 2013 after holding senior procurement and supply chain transformational roles, with a particular focus on process re-engineering applying Lean and Six Sigma methodologies, with companies such as Eaton Corporation, Hertz Corporation and MeadWestvaco (now Westrock).

Qualifications:
Degree in International Trade from the Grenoble School of Management. Masters degree in Business Management, Procurement and Supply Chain Management from the University of Geneva. A trained Lean practitioner and a Six Sigma Black Belt.

Corporate governance statement

Excellence in governance.

Our goal is to be at the forefront of best practice in corporate governance.

Leadership and effectiveness

Our Board

Role and responsibilities

- Set strategy and deliver value to shareholders and stakeholders
- Monitor management activity and performance against targets
- Provide constructive challenge to management
- Set parameters for promoting and deepening the interest of shareholders

More 71

Matters reserved for the Board's decision

- Group strategy, business objectives, long-range plans and annual budgets
- Annual and interim results
- Material acquisitions, disposals and contracts
- Major changes to internal controls, risk management or financial reporting policies and procedures
- Determining risk appetite
- Changes to capital, corporate or management structure
- Succession planning for the Board and senior management
- Board composition and independence

Audit* Committee

Role and responsibilities

- Monitor the financial and internal reporting processes including the integrity and clarity of the financial statements
- Monitor internal audit
- Agree the scope of the external audit and external auditor fees
- Conduct an annual review of external auditor independence and quality

More 80

Remuneration* Committee

Role and responsibilities

- Recommend to the Board the overall executive remuneration policy
- Recommend Chairman's fees
- Review the terms of service and remuneration of the Executive Directors and other members of the Executive Board

More 88

Nomination* Committee

Role and responsibilities

- Regularly review Board composition
- Lead the process for Board and Committee appointments
- Monitor succession planning and talent development

More 77

Executive Board

Role and responsibilities

- Develop and implement strategy
- Prioritise investments and allocate resources

More 68–69

Our Board, supported by its Committees, is responsible for embedding:

Vision, Mission and Values

More 14–15

Policies and procedures

More 01–59

Which are implemented by

* The terms of reference of the Audit, Remuneration and Nomination Committees are available on our website at www.berendsen.com/board-committees.

Governance framework

Our governance framework supports the development of good governance practices throughout our Group, and the Board work closely with the Executive Board, which is responsible for ensuring that the policies and behaviours set at Board level are effectively communicated and implemented across the Group.

We receive regular updates at Board and Committee meetings from the Chief Executive Officer and Chief Financial Officer, and we also meet with the Executive Board at least twice per year to establish how the business is progressing.

Through regular discussion with the Executive Directors and other members of the Executive Board, we are comfortable that our existing framework continues to ensure that the principles of good governance are rooted in the Berendsen culture and no changes to the framework have been required in the year. We continue to strive for excellence in governance, and as such keep our structure, policies and procedures under close review.

The Board meetings were preceded by a Board dinner during which presentations were given by advisers or other invited speakers. We received a talk from FTI Consulting (April), Ashurst LLP (October) and Nagore Marco, our Group Risk Manager (December), regarding our new Incident Reporting System (BIRS). Further information on the BIRS can be found on page 86.

Role	Attendance at scheduled meetings: Attended	Attendance at scheduled meetings: Max possible**	Responsibilities include:
Chairman* Iain Ferguson	8	8	→ Leadership of the Board and ensuring its effectiveness → Promoting a culture of challenge, debate, openness and support → Effective communication between the Board and its key stakeholders → Ensuring that the Board demonstrates the culture and values of the Group
Senior Independent Director David Lowden	8	8	→ Trusted sounding board for the Chairman and Chief Executive Officer → Conduit between Chairman, non-executives and shareholders → Leads the annual evaluation of the Chairman with assistance from the Non-Executive Directors
Non-Executive Directors			
Maarit Aarni-Sirviö	8	8	→ Promoting the highest standards of integrity, probity and corporate governance throughout the company and particularly at Board level → Constructively challenging and helping develop proposals on strategy
Lucy Dimes	8	8	→ Review the integrity of financial information, and that financial controls and systems of risk management are robust and defensible
Andrew Wood	8	8	→ Determining appropriate levels of remuneration for Executive Directors and have a prime role in appointing and, where necessary, removing Executive Directors → Ensuring that no individual or group dominates the Board's decision-making
Executive Directors			
James Drummond (CEO)*	8	8	→ Leading and managing the business within the authorities delegated by the Board → Developing and executing the Group's objectives and strategy → Managing the Group's risk profile, including the maintenance of appropriate health, safety and environmental policies → Ensure that a sound system of risk management and internal controls are in place → Effective and ongoing communication with shareholders → Ensure that the Board is kept fully informed of all key matters
Kevin Quinn (CFO)	8	8	→ Supporting the CEO in developing and implementing strategy → Overseeing the financial delivery and performance of the Group → Establishing strong control processes in a complex business environment → Treasury activities and ensuring that appropriate financing is in place to fund the company's strategic objectives → Investor relation activities and communication with investors alongside the CEO → Leading the development and talent management of the finance function across the Group

* The division of the Chairman and Chief Executive Officer's responsibilities is clearly established, set out in writing and regularly reviewed by the Board.

** Scheduled meetings only. Further meetings were held in February, April, June, July, October and November. All directors were in attendance at these additional meetings with the exception of Maarit Aarni-Sirviö (absent from 2 meetings) and David Lowden (absent from 1 meeting) due to previous arrangements.

Corporate governance statement (continued)

What the Board did in 2016

Governance and risk

- Reviewed reports on governance issues, including developments in EU audit legislation, the market abuse regulation, succession planning and executive remuneration
- Regularly and robustly reviewed principal risks
- Approved updated Audit and Nomination Committee terms of reference
- Received PwC training covering accounting and regulatory updates in October
- Received annual presentation from Ashurst covering areas of highest legal importance

More
54–87

Strategy

The implementation of our new strategy has been a key focus for the Board during the year. This has been covered in a number of ways including:

- General updates from the CEO
- Specific strategy review discussions with the Executive Board in September
- Presentations from the Managing Directors of all Business Lines on strategy implementation as follows:
  - 27 April: Washroom
  - 21 June: Berendsen Excellence
  - 22 June: Workwear
  - 22 June: Cleanroom
  - 22 September: Hospitality
  - 22 September: Mats
  - 22 September: Shared Services
  - 22 September: Healthcare

These updates were delivered either at scheduled Board meetings, during site visits or at the Board's annual strategy session from 22 to 23 June

More
01–12

Shareholder engagement

- Reviewed the 2016 AGM proxy voting figures
- Received regular updates from stockbrokers and PR advisers on the market perception of Berendsen
- Our Chairman and Senior Independent Director met with major shareholders on the 1 November 2016 and provided shareholder feedback to the Board
- Met with our investors at the 2016 AGM

More
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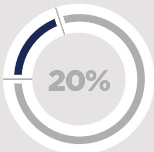
People, Vision and Values

- Met with the Executive Board in June and September
- Met local management teams in Gothenburg, Sweden (June) and Durham, UK (September)
- The Chairman met all new members of the Executive Board
- Regularly reviewed the status of the UK Organisation Capability Review

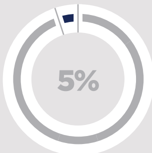
More
14–15
and 35



Performance monitoring

- Reviewed monthly reports on performance against budget and forecast
- Reviewed reports on the financial position of the Group including treasury management
- Reviewed regular reports from the Chairmen of the Audit, Remuneration and Nomination Committees
- Approved the year end and half year results

More
16–19



Other

- Approved the 2015 Annual Report and Accounts
- Received and reviewed monthly shareholders' analysis
- Approved the 2016 Notice of AGM

Further details of the Board's key achievements during the year are detailed in the Chairman's address on pages 62 to 65.

Non-Executive Director site visits and events

We encourage our Non-Executive Directors to visit one of our sites or attend one of our Group events at least once a year. This helps them to further their knowledge and understanding of our local operations, and allows them to meet with the local teams. The Board as a whole met with the management team of our Garment Design facility in Gothenburg, Sweden in June and visited our new Workwear plant in Durham, UK in September. The visits, combined with the presentations received by the Board from each of the Business Lines, have been particularly valuable this year in demonstrating the successful progress of the implementation of our new strategy at site level.

In 2017, the Board will meet with the management teams from all Business Lines to discuss the continued implementation of our strategy and will visit at least one operation in the UK and in Europe.

Independence and conflicts

The Board, excluding me as Chairman, is currently comprised of four independent Non-Executive Directors and two Executive Directors and we therefore comply with the independence requirements of the UK Corporate Governance Code.

The independence of our Non-Executive Directors is reviewed annually by the Nomination Committee (described in the Nomination Committee's report on page 79). Their independence could be impinged where a director has a conflict of interest, and the Board therefore operates procedures to identify and manage situations where such a conflict could arise.

An element of the procedure operates to restrict a director from voting on any matter in which they have a material personal interest unless the Board unanimously decides otherwise, and where necessary, directors are required to absent themselves from a meeting of the Board while such matters are being discussed.

David Lowden was appointed as Non-Executive Chairman of PageGroup plc in December 2015, a role which could present a potential conflict of interest in respect of his role as our Senior Independent Director. David consulted with the Board before taking on the role, and it has been agreed that David will excuse himself from any discussions where such a conflict arises. There have been no circumstances under which David has been required to excuse himself from Board discussions during the year. All other directors have confirmed that they did not have any conflicts of interest with the Group during 2016.

During the year, all directors confirmed (as they are required to do annually) that they have been able to allocate sufficient time to discharge their responsibilities effectively. Directors are also required to notify me and the Board of any alterations to their external commitments that arise during the year with an indication of the time commitment involved.

Performance evaluation

Our three-year performance evaluation cycle is now well established and operates effectively in assessing our performance as a Board. The 2015 performance evaluation was an internal process led by me and described in detail in our 2015 Annual Report. Key recommendations arising from that evaluation (and progress to date) are summarised in the chart on page 74. The 2016 evaluation process (year 3) was carried out internally by our Senior Independent Director, David Lowden and is detailed on page 74.

The outcome of the performance evaluations are discussed in detail at Board meetings and any key recommendations are considered Board priorities for the following year. The annual evaluation process is an important mechanism for ensuring best practice is at the forefront of all Board and Committee actions.

The review of my performance is led by David Lowden who has confidential discussions with the Non-Executive Directors whilst taking into account the views of Executive Directors.

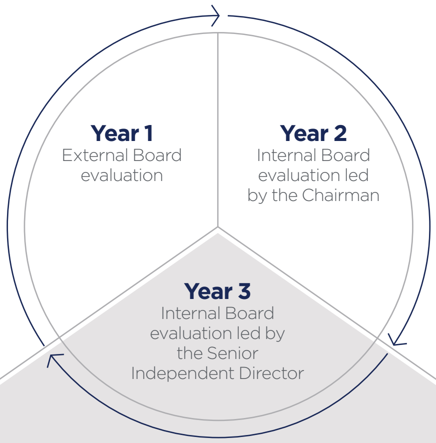
The Executive Directors are evaluated by reference to their executive duties through a separate process whereby the Non-Executive Directors and I assess the Chief Executive Officer, and the Chief Executive Officer assesses the Chief Financial Officer and other members of the Executive Board.

In accordance with our three-year cycle and the UK Corporate Governance Code, the Board anticipates that the 2017 Board evaluation will be externally facilitated. The Board proposes to interview and adopt an adviser for this by the end of June.

Meeting with our new legal advisers
One of the Board's priorities for 2016 was to review the Group's advisers. Following their appointment as our corporate lawyers in March, Ashurst LLP undertook a thorough 100-day induction plan to fully understand our business, which included meeting with our Board and members of our senior management team. In October, the Board received a presentation from Ashurst LLP which covered a range of topic areas, including: inside information and disclosure obligations under the EU Market Abuse Regulations and refresher training on directors' duties.

Corporate governance statement (continued)

Berendsen three-year approach



Individual meetings

Our Senior Independent Director met with each director and held discussions focused on:

- → How the Board defines its role and approaches its work
- → Balance of skills, diversity and experience on the Board
- → Integration and induction of our new CEO
- → Knowledge about the Group
- → Culture and dynamics of the Board
- → Committee composition and effectiveness

Reporting

- → A report summarising the key outcomes was circulated to the Board
- → Outcomes were initially discussed by the Non-Executive Directors at the Board meeting on 14 December 2016
- → The Board discussed the outcomes and agreed priorities at the March 2017 meeting
- → Key actions and priorities for 2017 were agreed

2016 outcomes

- → The Board has continued to operate effectively and in a constructive manner
- → The transparency and culture of the Board was highlighted
- → The strategy session held in Durham (UK) in September was described as positive and engaging

2017 actions

- → Support the Executive Board in delivering upon the new strategy
- → Monitor the UK Organisation Capability Review
- → Implement succession planning of Non-Executive Directors
- → Progress the broader succession planning and development initiatives

Training, development and induction

A key part of my role as Chairman is to ensure that all Non-Executive Directors receive ongoing training and development to provide them with the relevant expertise and skills for their role on the Board and its Committees. Our Non-Executive Directors engage fully in this ongoing development, which is discussed at the Non-Executive Directors' meeting each year, and was delivered in 2016 in a number of ways including:

- → All of our UK-based Non-Executive Directors are active members of the Deloitte Academy and received a programme of briefings and update sessions in the year on relevant topics including executive remuneration, accounting standards, corporate governance and the wider economy
- → Specific tailored training for our Board delivered by PricewaterhouseCoopers LLP, with key themes focused around developments in accounting and auditing standards, implications of the economy on financial reporting and regulatory updates
- → Regular updates on regulatory and legislative developments are provided to the Board by the Company Secretary
- → Ashurst LLP provided detailed training to the Board, covering inside information and disclosure obligations under the EU Market Abuse Regulation and also refresher training covering directors duties on the 27 October 2016

As there have been no new appointments to the Board during the year, we have not had to deliver an induction programme. Our approach to induction, led by me with support from the Company Secretary, remains to ensure that we provide a comprehensive introduction to the Berendsen Group as a whole, focusing on the practical delivery of information rather than just supplying reading materials.

Outcomes of our 2015 performance evaluation

Recommendation	Progress
Support and monitor the CEO and senior management team in seamlessly executing our strategy and the implementation of our new organisation structure	Execution of our new business strategy has been a key feature of the Board's agenda during 2016. We have received presentations from all Business Lines on strategy implementation progress and a two day Board meeting was held in September focusing on the strategic review.
Support the further development of talent and succession planning.	Appointments were made to the Executive Board during 2016, including Baba (Suketu) Devani, Gillian Duggan and Christophe Martin. Further information on our talent development initiatives can be found in the People section on page 35.
Participate in the review of the Group's advisers	The Board took an active role in the review of advisers and reviewed our corporate lawyers and investment advisors in Q1 of 2016, following which Ashurst LLP and Credit Suisse were appointed.
Continue to develop and maintain best practice standards in corporate governance	We have reviewed and updated policies and procedures to ensure we have addressed requirements introduced by the EU Market Abuse Regulation, EU Statutory Audit Reforms, and UK legislation relating to matters such as modern slavery and persons of significant control (PSC registers).

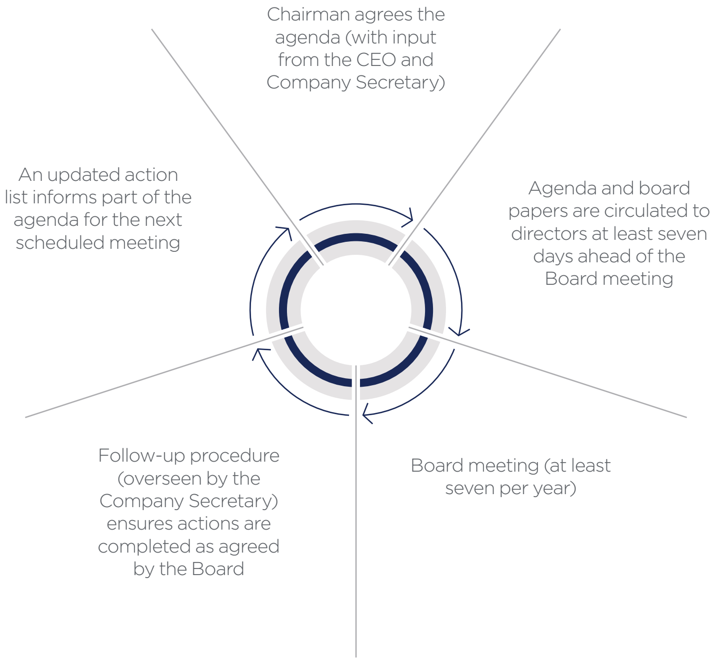
Information flow at Board meetings

The information flow in advance of, and following, Board meetings is described in the adjacent chart.

The Board continues to use an electronic board paper system which provides quick, easy and secure access to board papers and materials (including a 'Resource Centre' which contains comprehensive reference materials). Briefing packs, which ensure our Non-Executive Directors are kept informed of the latest issues affecting the Group, are also circulated via this system at times when Board meetings are not scheduled.

The Chief Executive Officer and the Chief Financial Officer ensure that the Board are aware of business issues and prospects throughout the Group. During the year, a number of ad hoc matters were identified, and those that were deemed important were discussed individually with the Board outside of the usual timetable.

The directors indicated in their responses to the 2016 performance evaluation that the quality of information supplied to them remains of a high standard.



Corporate governance statement (continued)

Relations with shareholders

Shareholder engagement

We are committed to proactive and constructive engagement with shareholders and recognise the important and valuable role that shareholders play in safeguarding the Group's governance. The Board receives regular updates on the views of our shareholders through briefings and reports from our interaction with shareholders during the year and from our brokers.

In October, we appointed Peter Young as Director of Investor Relations with a remit to build on and enhance our shareholder engagement activities.

In the event that shareholders have any concerns, which the normal channels of communication to the Chief Executive Officer, or the Chief Financial Officer have failed to resolve or for which contact is inappropriate, our Senior Independent Director, David Lowden, is available to address them. To that end, both David and I make ourselves available, when requested, for meetings with shareholders on issues relating to the Group's governance and strategy. The Committee Chairmen and I also receive correspondence from shareholders, institutional investors and proxy voting agencies, typically in the lead up to the AGM. This correspondence is presented to the Board or relevant Committee as appropriate.

Shareholder engagement activities during 2016 included:

Major shareholder reception with our Chairman and Senior Independent Director

On 1 November 2016, David Lowden and I hosted a reception for major shareholders without the Executive Directors present. The event was attended by nine major shareholders with a total shareholding of approximately 21%.

The feedback received was yet again very positive, and we see great benefits from the opportunity to engage with our shareholders in this informal environment. We will host a similar event in November 2017, and sincerely hope that it continues to be as well attended as it has been in the past.

Analyst and investor meetings and presentations

In common with most listed companies, we hold analyst and investor meetings and presentations following the release of our annual, half year and trading update announcements. We aim to ensure that all questions are comprehensively dealt with at these meetings, which are also streamed via a live webcast for those unable to attend in person. We also ensure that the presentations are available on our website after broadcast.

Other shareholder meetings

Throughout the year, 215 separate meetings and conference calls were held with existing and potential shareholders. These meetings were attended by either the Chief Executive Officer or the Chief Financial Officer or sometimes both, and since October some have also been attended by our Director of Investor Relations. The meetings focus primarily on trading operations and the implementation of our new business strategy. Any significant views expressed are recorded and circulated to the Board to keep them up to date with shareholder and investor sentiment. The number of meetings held is driven by investor demand, which was higher in 2016 than in 2015 when 128 separate meetings were held.

Annual General Meeting

The Annual General Meeting takes place in London. The 2017 meeting will be held on 27 April at The Athenaeum Hotel at 116 Piccadilly, Mayfair, W1J 7BJ and details of the meeting and the resolutions to be proposed are set out in the Notice of AGM which is available to download on our website (www.berendsen.com) from 20 March 2017. The Annual General Meeting gives shareholders, in particular our private shareholders, an opportunity to hear about the general development of the business and to ask questions to the Board.

2017 AGM
In response to a request from a shareholder at our 2016 Annual General Meeting (AGM), we will be bringing a selection of Berendsen products to our 2017 AGM and presenting our new corporate video, so that our shareholders can obtain a better understanding of how we provide value to our customers. Our corporate video is also available to view at www.berendsen.com

Nomination Committee Report

Iain Ferguson
Chairman of the Nomination Committee

2016 Key achievements:

- Considered the succession planning requirements at Board and Committee level and agreed a timetable for Non-Executive Director succession
- Confirmed the independence of Maarit Aarni-Sirviö and recommended her re-appointment for a further three year term
- Monitored the recruitment and induction of new members to the Executive Board
- Focused on the development of effective working relationships within the Executive Board

Areas of focus in 2017

- Continue to develop Board and executive succession plans, ensuring they are linked to the mid and long-term strategic objectives of the Group
- Review, and where appropriate enhance, Board appointment and induction processes to ensure they are fit for purpose and in line with best practice
- Begin the process of identifying new Non-Executive Directors in accordance with the agreed succession timetable detailed on page 78

If you would like to discuss any aspect of the Committee's activities with me, please feel free to email me at **chairman@berendsen.eu**

Dear shareholder

I am pleased to present to you the report of the work of the Nomination Committee during 2016.

Despite there being no changes to Board appointments during the year, the Committee has been active in a number of areas. This activity extends beyond formal meetings of the Committee (we met formally on one occasion during the year), with the Committee members discussing matters such as succession planning, executive talent development and pipeline and Board culture at other events (for example: at Board dinners, during the meeting of the Non-Executive Directors and at site visits).

In terms of Board succession, our focus has been around ensuring a smooth transition and continuity of experience as our longer serving Non-Executive Directors are now in their final three year terms as recommended under the UK Corporate Governance Code. Our aim is to ensure that any changes are phased to prevent a sudden loss of knowledge and experience of our business at non-executive level. More detail on our planning can be found in the following report. We have also reviewed Maarit Aarni-Sirviö's appointment as her current term of office is due to expire, and I'm delighted to confirm our recommendation that Maarit be re-appointed for a further three year term.

We have been active in assisting with the process to fill the outstanding positions on the Executive Board during the year, and were particularly pleased that this process has resulted in a significant increase in the diversity of the Executive Board in terms of gender, nationality and international experience. This in turn, enhances the diversity of our executive talent pipeline, and strengthens our succession plans for the next period of our strategic development.

Given the significant changes at Executive Board level in a relatively short period of time, we recognised the need to ensure that its new members could develop close and effective working relationships as quickly as possible. A team building event was arranged for the Executive Board during the year, and we also continually encourage and challenge them to ensure their lines of communication are open, transparent and collaborative.

We have also considered the culture of the Board and the company as a whole during our discussions this year. Berendsen's culture, articulated through our vision, missions and values, has been a key factor in our continued development. The development of our new strategy has given us the opportunity to re-assess the Board's role in developing and embedding a positive culture across the Group, which will in turn help to ensure we continue to deliver long-term success for our stakeholders. The Nomination Committee has a key role in this process, by ensuring that our succession planning and appointment processes identify candidates who will be exemplars of our culture, vision, mission and values, and through our interaction with the Board evaluation process and the training and development needs of current Board members. This will be an area of continued focus for the Nomination Committee going forward.

Iain Ferguson
Chairman of the Nomination Committee
2 March 2017

Corporate governance statement (continued)

Membership and meetings

At the request of the Committee Chairman, other individuals and external advisers may be invited to attend all or part of any meeting, as and when appropriate. The Chief Executive Officer's role on the Committee is to provide a better understanding of the strategic issues facing the company and the current skills and experience of the Executive Board.

Induction and experience

Upon appointment to the Committee, Non-Executive Directors are provided with details about the current composition of the Board, the company's succession planning procedures and how the Board's and Committees' annual performance reviews are conducted.

Induction to the Committee includes detailed briefings with the Chairman and Chief Executive Officer in order to understand the issues being discussed at Board and Executive Board level.

During the year under review, there has been no new appointments to the Committee.

Committee activity in 2016

Culture

Berendsen's culture is summed up in the set of values that inform our activities across the Group on a day to day basis, and which drive our vision and mission and ensure we deliver on our strategic ambitions. It is essential to the success of our strategy that these values are demonstrated throughout the business, including around the board table.

The Nomination Committee therefore has a key role in promoting these values in all of our directors through our induction and training programmes, and through the annual performance evaluation processes.

In July 2016, the non-executive members of the Committee met and discussed the culture of the Board, describing it as being open and collaborative, and providing an environment in which the directors, in particular the Non-Executive Directors can engage with the company and discharge their duties and obligations effectively.

Succession planning

We have continued to develop and monitor extensive succession plans both at a Board and senior management level throughout the Group.

Our focus in terms of Board appointments this year, which were discussed in detail by the non-executive members of the Committee at a meeting in July, was on succession planning for our two most senior Board members; Andrew Wood and David Lowden.

Both Andrew and David are in their final three year terms of appointment as recommended under the UK Corporate Governance Code. We agreed that the impact of both Andrew and David leaving the Board at the same time would be a significant loss of knowledge and experience in the business, and our plans have therefore developed around a phased approach to their departures. We have agreed with Andrew and David that they will step down from the Board at the 2018 and 2019 Annual General Meeting's, respectively (subject to their continued re-election by shareholders before then). We will therefore commence a process to identify new Non-Executive Directors during the course of 2017.

As in previous years, the Board and Committee have met with individuals within the business identified as potential future executive talent during our site visits and other events during the year. We also continue to receive regular reports from James Drummond and Gillian Duggan (our Group Director, Human Resources) on wider succession plans throughout the Group.

We continue to be satisfied that our succession plans are proactive, appropriate and proportionate and that we are developing a good pipeline of future executive talent.

Membership and attendance in 2016

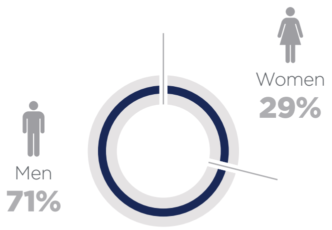
Committee members	Independent	Attendance*
Iain Ferguson	No	100%
Maarit Aarni-Sirviö	Yes	100%
Lucy Dimes	Yes	100%
James Drummond	No	100%
David Lowden	Yes	100%
Andrew Wood	Yes	100%

* % based on the meetings entitled to attend.

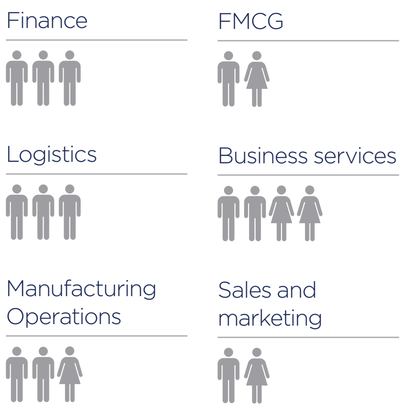
(One formal meeting was held during the year. In addition, Committee members discussed matters at Board dinners, site visits and the meeting of Non-Executive Directors)

We believe that our Board is diverse, with a good balance of skills, experience and independence.

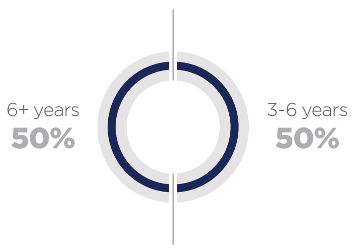
Gender



Industry experience



Non-Executive Director tenure



Diversity

We have a number of diversity programmes and initiatives across the Group including the 'Women in Berendsen' network (which aims to mentor and provide guidance and support to the development of female executive talent within our Group) and the company-wide diversity policy.

The Committee receives updates on all of the diversity initiatives, and monitors the level of awareness and engagement of employees with them, at regular intervals. The executive team is challenged by the Committee to ensure that the profile of these initiatives is maintained.

Our gender diversity policy ensures that, where possible, each time a member of senior management or a director is recruited at Berendsen at least one of the shortlisted candidates is female. Although gender diversity is a key area of focus throughout the Group, the Board considers all diversity issues in the broadest sense including, but not limited to, nationality and ethnicity. As a multinational business, it is crucial that the Board considers all diversity practices that could affect its efficiency and leadership, while ensuring that the strongest candidates on merit are considered for vacant positions.

Although there have been no appointments to the Board during the year, the diversity of our Executive Board has increased in terms of gender, nationality and international experience through recent appointments. The Committee have been engaged with the recruitment process for the Executive Board positions and we are delighted at the outcome both in terms of the quality of the candidates and the level of diversity they bring to our senior team.

We were also pleased that two of the new roles were filled by internal candidates who had been identified through our succession planning process. The Executive Board's biographies are set out on pages 68 to 69.

The Board itself continues to comprise 29% female directors, in excess of its stated minimum target of 25% female directors. We have noted the recommendation in the Hampton Alexander review that a target of 33% female Board representation be achieved by FTSE 350 companies by 2020, and also the recommendations of the Parker Review Committee published in November 2016 relating to ethnic diversity on Boards. We will consider how best to address those recommendations during 2017.

Independence and re-election to the Board

We annually review the composition of the Board and its Committees to ensure there is an effective balance of skills, experience and knowledge. This review helps to inform our training plans for directors, and to identify areas of knowledge, expertise or diversity which should become factors in our succession planning.

The Committee conducted a specific review of Maarit Aarni-Sirviö's appointment as her current term of appointment is due to expire in 2017. In conducting this review, we considered Maarit's skills and experience, her contribution to the Board during her first three year term and noted her continuing independence and other external commitments. Having taken these factors into account, we were delighted to recommend to the Board that Maarit's appointment be extended for a further three years (subject to her re-election by shareholders at the 2017 Annual General Meeting).

As is now our usual practice, and in accordance with the UK Corporate Governance Code, all directors wishing to continue will retire and offer themselves for re-election by shareholders at the 2017 AGM. Further biographical information on each of our directors can be found on pages 66 and 67, which shows the breadth of strategic and financial management insight brought to our board table.

Corporate governance statement (continued)

Audit Committee Report

Andrew Wood
Chairman of the Audit Committee

2016 Key achievements

- Reviewed the significant financial judgements made during the year
- Focused on the Group's risk management in order to ensure that the implementation of our new business strategy did not weaken our internal control systems
- Conducted a review of our external auditors and proposed reappointment of PricewaterhouseCoopers LLP for the year ending 31 December 2017
- Conducted a review of the 2016 Annual Report and Accounts to confirm that it was fair, balanced and capable of being understood by shareholders
- Completed a focused internal audit programme during 2016

Areas of focus in 2017

- Continue to monitor the implementation of the business strategy and its impact on the Group's internal control and risk management framework
- Support the delivery of a comprehensive internal audit programme
- Undertake a more detailed review of the effectiveness of the external auditor

If you would like to discuss any aspect of the Committee's activities with me, please feel free to email me at **auditchairman@berendsen.eu**

Dear shareholder

I am pleased to present our Audit Committee report for 2016 which describes our activities and areas of focus during the year.

Significant financial judgements and financial reporting

Our review of the significant financial judgements made during the year and any key financial reporting issues are described on page 83 of this report. In addition to our routine consideration of the potential for fraud in revenue recognition and management override of controls, which includes updates from management as to how these risks are managed and mitigated, we also considered the following key reporting judgements:

- Quality of earnings
- Contingent liabilities
- Goodwill impairment

We were pleased to advise the Board that the 2016 Annual Report and Accounts are fair, balanced and understandable (in accordance with the relevant provision of the UK Corporate Governance Code). Our review of the Annual Report and Accounts is described on page 82.

Risk management

Our focus on risk management has been enhanced during 2016 as we sought to ensure that the implementation of our new business strategy did not lead to any weakening of our risk management and internal control systems. We have also monitored broader market conditions and changes to the risk landscape facing the Group, not least the impact of the Brexit vote on our business. As we operate across Europe, there is potential impact in particular on our UK businesses if free movement of people, goods and capital were lost. Further details on these risks can be found in our Risk section on page 54.

The principal risks facing the company, which are subject to robust assessment by the Board, are set out on pages 56 to 59, and the ongoing monitoring, and effectiveness review of the Group's risk management and internal control systems are described on pages 55 and 85. The assessment of risk and the review of the risk management systems feed into the process by which we assess the longer-term viability of the company, as described on page 81.

Non-audit services

During the year we considered the non-audit services our external auditor provided across our Group, which predominantly related to corporate tax advisory and compliance advice, and whether a suitable alternative adviser could be found. I have provided full details of this review, and the outcome, on page 84 of this report.

As part of our work to ensure the independence of our external auditor, we reviewed and updated our policy on non-audit services (summarised on page 85 of this report) so that it is aligned with the new EU Statutory Audit regime. Further detail about how we monitor and review external auditor independence is set out on page 84 of this report.

Internal audit

We continue to work closely with our internal audit function, and in particular Luke Walker, our Head of Internal Audit. We regularly challenge Luke on management's response to his recommendations, and generally seek to ensure that such recommendations are implemented effectively throughout the business thereby supporting and developing our control environment and governance framework.

Andrew Wood
Chairman of the Audit Committee
2 March 2017

Accountability

Membership and meetings

In addition to its members, other individuals and external advisers may attend each Committee meeting at the request of the Committee Chairman. At least once a year, the Committee meets with the external auditor and the Head of Internal Audit without executive management present. The Committee Chairman also regularly meets with the Head of Internal Audit and the external auditor, again without any other members of management being present.

Andrew Wood is a Chartered Management Accountant and has over 15 years' experience as a Group Finance Director (at two FTSE 250 listed companies). Andrew is also Chairman of the Audit Committee at Lavendon Group plc and Stobart Group Limited, and is therefore considered by the Board to have sufficient recent and relevant financial experience to discharge his duties as Chairman of the Committee.

The company provides an induction programme for new Committee members and on at least an annual basis also provides ongoing training to enable the Committee members to carry out their duties.

During the year under review, there have been no new appointments to the Committee.

Committee activity in 2016

Financial reporting

The Committee's main responsibilities in respect of financial reporting are to review with the executive team and our external auditors whether the half-year and year-end financial statements are appropriate. In particular, this includes reviewing and assessing:

- → The accounting policies and practices applied
- → Material accounting judgements and assumptions made by management, or significant issues or audit risks identified by the external auditor
- → Whether the financial statements, including associated narrative reporting are fair, balanced and understandable and provide the necessary information for shareholders to assess the company's position and prospects, business model and strategy
- → Compliance with relevant accounting standards and other legal or regulatory financial reporting requirements, including the UK Corporate Governance Code

Key accounting issues identified by the Group Finance Team are monitored and discussed throughout the year as part of the Chief Financial Officer's report at each scheduled Committee meeting.

Viability statement

We have reviewed the process and assessment of the company's prospects and viability made by management to support the company's viability statement which can be found in full on page 56. Our review included:

- → Time period:
  - Challenging management as to whether the three year time period adopted remained appropriate and in alignment with the long-term forecasting of the Group
- → Risk assessment and identification:
  - Considering the wider context of the Group, and challenging whether management's assessment of the principal risks facing the Group and their potential impact was appropriate
  - Considering the existence of other risks which could impair solvency/liquidity, or which, while not necessarily principal risks in themselves, could become severe if they occurred in conjunction with other risks
  - Considering the likelihood of the risks occurring in the time period selected, and the impact severity in the event that they did occur
- → Scenario modelling:
  - Challenging management as to the appropriateness of the assumptions used in stress testing and modelling scenarios
  - Ensuring that a range of Brexit scenarios were modelled and potential impacts assessed

Committee attendance in 2016

Committee members	Independent	Committee meetings Feb	Jul	Dec	Attendance*
Andrew Wood	Yes	✓	✓	✓	100%
Maarit Aarni-Sirviö	Yes	✓	✓	✓	100%
Lucy Dimes	Yes	✓	✓	✓	100%
David Lowden	Yes	✓	✓	✓	100%

* % based on the meetings entitled to attend

Corporate governance statement (continued)

Fair, balanced and understandable

The Board asked the Committee to consider whether the 2016 Annual Report is fair, balanced and provides the necessary information for shareholders to assess the company's position and prospects, business model and strategy. In order to arrive at a position where the Committee was satisfied with the overall fairness, balance and clarity of the Annual Report, the following comprehensive review process was followed:

Reporting requirements and timetable
December 2016 and February 2017

We received detailed briefings on changes to reporting requirements and key areas to be considered when performing the review. The accounts production timetable was agreed allowing sufficient time for a comprehensive review of early drafts and input from the Committee, and all contributors were reminded of the fair, balanced and understandable requirement.

External auditor review
January 2017

We considered the external auditor's review of the Annual Report and Accounts. The views of the external auditor were provided to management, who were challenged on proposed disclosures to ensure a fair and balanced view was presented.

Formal Audit Committee review
23 February 2017

We conducted a thorough review of the final draft Annual Report and provided comments.

Finalised report
2 March 2017

The Committee's comments were incorporated (and agreed).

During the course of our review, the following questions were considered for debate:

Fairness and balance

- Is the Annual Report open and honest? Does it report on weaknesses, difficulties and challenges as well as successes?
- Is there consistency between different sections of the Annual Report, including between the narrative and the financial statements?
- Does the Annual Report explain our key performance indicators (KPIs) and their linkage to strategy?

Understandable

- Does the Annual Report contain simple explanations of business models, strategies and accounting policies, using precise and clear language?
- Is the Annual Report easy to read; for example, is the narrative broken up by quotes, tables, case studies and other graphics?
- Does the Annual Report have a consistent tone across all sections and provide clear signposting to where additional information can be found?

Following our detailed review, and the incorporation of our comments, we were pleased to advise the Board that, in our view, the Annual Report is fair, balanced and understandable in accordance with the requirements of the UK Corporate Governance Code.

Significant financial judgements in 2016

The key reporting judgements considered by the Committee and discussed with the external auditor during the year are provided below:

Issues	Judgements
Quality of earnings: The Committee reviewed the impact of any matters that might influence or distort the presentation of the accounts and ensured that these are appropriately disclosed.	The Committee was presented with an analysis of a limited number of immaterial and unusual or non-trading items and concluded that the effect of these were not material to a fair and balanced understanding of the accounts. The Committee concluded that costs related to the implementation of the strategy update and in relation to merger and acquisition activity should be separately disclosed as exceptional items due to their size and nature. The Committee also concluded that the pension curtailment gain and the profit on the disposal of Mitre should also be separately disclosed as exceptional items due to their nature.
Contingent liabilities: The Committee considered the likelihood of regulatory and environmental liabilities crystallising and whether a provision should be recognised. In addition, the Committee reviewed the strength of the claim on the warranties received for environmental damage when it acquired laundry sites in Sweden.	The Committee reviewed the level of regulatory and environmental provision and considered them sufficient in light of certain third party reports and management estimates including in relation to the CMA investigation in the UK. The claim on the warranties was confirmed following a review by the company's lawyers.
Goodwill impairment: The Committee assessed the carrying value of goodwill based on the future cash flow projections of the business.	The Committee reviewed the level of headroom provided by the business cash flows and discount rate utilised and challenged the basis of these as appropriate. It concluded that significant headroom exists and that the application of reasonable sensitivities to the cash flows would not impact the carrying value of goodwill.
Potential for fraud in revenue recognition and management override of controls: The Committee considered the presumed risks of fraud in revenue recognition and management override of controls as defined by auditing standards and the threat to risk.	The Committee considered its risk processes and controls and confirmed that these risks are appropriately managed.

External audit

The Committee has primary responsibility for overseeing the relationship with the external auditor, including assessing the external auditor's performance, independence and effectiveness, recommending the appointment, reappointment or removal of the external auditor, and negotiating and agreeing the external audit fees.

Audit tender

PricewaterhouseCoopers LLP (PwC) has effectively been the company's incumbent external auditor since 1980. Under the transitional provisions of the EU Statutory Audit regime and the Competition and Markets Authority Order (CMA Order), we are not required to conduct a mandatory competitive audit tender process until 2020.

We have considered during the year our previously stated belief that it will be most appropriate to conduct a competitive tender in the financial year ending 2019 which is at the end of the current audit partner's five-year engagement.

We remain of this view, particularly as we are still in a period of implementing and embedding significant change to the business. We will review the position on an annual basis and will keep shareholders fully informed of any developments in our proposed timetable for audit tender/rotation. We confirm that the company has complied with the provisions of the CMA Order for the financial year under review.

For the financial year ending 31 December 2017, we have recommended to the Board that PwC be reappointed under the current external audit contract and the directors will be proposing PwC's reappointment at the Annual General Meeting on 27 April 2017.

Corporate governance statement (continued)

Working with the external auditor

PwC attend each scheduled meeting of the Committee, and present their reports on our half-year and year-end financial statements. We also ensure that the Committee holds private meetings with PwC without management present at least once a year. These sessions provide an opportunity for open dialogue and we typically discuss PwC's relationship with, and assessment of, executive management and particular audit or business risks identified by PwC. We also challenge PwC on the independence of their audit. In addition to these private sessions, I also meet with our lead audit engagement partner outside the formal Committee environment at least once a year.

Effectiveness of the external audit process

Following the publication of the Annual Report, we review and consider the quality and effectiveness of the external audit process. The 2016 review (in respect of the audit of our 2015 Annual Report) is summarised in the chart above and the Committee's assessment was informed by senior management providing feedback on the external audit process and any comments provided by the Chief Financial Officer, the Head of Internal Audit and the Company Secretary. PwC also provide feedback on their view of their own performance, measured against their internal performance objectives, and we take this into account in forming our opinion. I then discuss feedback arising from the evaluation process with our lead audit engagement partner.

Following the review, we were satisfied that PwC's audit process in respect of our 2015 annual financial statements was robust and effective, and in particular that they provided appropriate focus and challenge to management on the key areas of audit risk.

External auditor effectiveness review

The Committee considered whether the external auditor had appropriate resources and expertise to conduct the audit.

The Committee received comments from the CFO and management on the objectivity of the auditor.

Non-audit services provided by PwC were reviewed and, as described below, are not considered to have affected the auditor's independence.

The Committee considered the effectiveness and organisation of the planning process for the audit and post-audit evaluation.

The Committee also reviewed the quality of reporting from the external auditor and their recommendations.

Independence

An important aspect of managing the external auditor relationship, and of the annual effectiveness review, is ensuring there are adequate safeguards to protect auditor objectivity and independence. In conducting our annual assessment, we considered:

- → Feedback from the Chief Financial Officer who monitors the independence of the external auditor
- → Audit fee benchmarking against other comparable companies, both within and outside of the Group's sector, to ensure ongoing objectivity in the audit process
- → The level and nature of non-audit fees accruing to the external auditor
- → The external auditor's formal letter of independence
- → The length of tenure of the external auditor and of the audit engagement partner

Non-audit services

We had determined during 2015 that one area that the EU Statutory Audit Regime would effect Berendsen is the use of our external auditor for corporate tax advisory and compliance work.

During 2016, a review was conducted of the suppliers of corporate tax services across the Group, which identified three countries in which we were using our external auditor; Finland, Germany and Norway. A tender was conducted in Q2 2016 to determine if suitable alternative providers could be found for this advisory work. Following the review process, we have moved the provision of corporate tax advisory and compliance work to alternative providers.

During 2016, other accounting firms were used for larger non-audit services. Details of services provided by the external auditor and its associates are included in note 3 on page 139. PwC were engaged to conduct permitted non-audit services with a value of £400,000 during the year, representing 29% of the total fee. These services were principally related to tax advisory and compliance and were contracted in accordance with the non-audit services policy.

One of the key elements in protecting the external auditor's objectivity and independence is our non-audit services policy. During 2016, we have reviewed and amended our non-audit services policy to ensure compliance with the new EU Statutory Audit regime which became effective in June. The revised policy for the provision of non-audit services by the external auditor is described on page 85.

Overview of our non-audit services policy

The revised policy for the provision of non-audit services draws a distinction between permissible non-audit services (those that may be provided by the external auditor subject to certain conditions set out in the policy) and prohibited non-audit services (which may not be provided by the external auditor except in exceptional circumstances where the external auditor has FCA approval to provide such services).

When considering permissible non-audit services for approval, the Committee will apply judgement concerning the provision of such services, assessing:

- Threats to the objectivity and independence of the company's auditor resulting from the provision of such services and any safeguards in place to eliminate or reduce those threats to a level where they would not compromise the external auditor's independence and objectivity
- The nature of the non-audit services;
  - Whether the skills and experience of the external auditor make it the most suitable supplier of the non-audit service
  - The fees incurred, or to be incurred, for non-audit services both for individual services and in aggregate, relative to the audit fee

The revised policy also allows for the Audit Committee to pre-approve permissible non-audit services which are clearly trivial if they fall below a set fee level (which is agreed annually by the Committee and currently stands at £25,000). Permissible non-audit services which may be pre-approved include:

- Due diligence services pertaining to potential business acquisitions and disposals and closing balance sheet audits
- Accounting consultations related to accounting, financial reporting or disclosure matters which fall outside the definition of Audit Services
- Assistance with understanding and implementing new accounting and financial reporting guidance from rule-making authorities which the Group has agreed is beyond the normal scope of the audit
- Financial audits of employee benefit plans
- Agreed upon or expanded audit procedures required to respond to or comply with financial, accounting or regulatory reporting matters
- Assistance with internal control reporting requirements as required under the revised UK Corporate Governance Code

Board assessment of the effectiveness of internal control systems

The Board, with the assistance of the Audit Committee, regularly monitors and reviews the policies and procedures making up the Group's internal control and risk management system through the following:

Control policy/procedure	Monitoring
Minimum control framework for financial reporting	Core financial reviews conducted by internal audit and presented to the Audit Committee (see below)
IT minimum control framework (developed by IT steering Committee)	IT general control reviews conducted by internal audit and presented to the Audit Committee
Incident reporting system identifying all issues in respect of health and safety, anti-bribery and corruption and all other corporate responsibility-related incidents	Issues reported to the Audit Committee and the Board, both of which also receive biannual reports on: → Health and safety incidents and statistics → Corporate responsibility-related incidents and CO_2 emission statistics
Group Risk Manager compliance review (confirming that all businesses are in compliance with group corporate responsibility and risk policies and procedures including (but not limited to): → Business continuity planning → Health and safety policy → Ethics and anti-bribery and corruption → Incident reporting → Environment and community → Whistleblowing	Results from the annual anti-bribery and corruption risk assessments, completed by our businesses, are reported to the Audit Committee. The review is conducted biannually in May and November and where non-compliance is detected, actions are agreed and followed up until implementation. Outcomes of both reviews, and the follow-up on outstanding actions, are reported to the Board.

Internal control and risk management

To support ongoing monitoring activity, during the year the Board and Audit Committee requested, received and reviewed reports from senior management, advisers, Group internal audit and our external auditor. At Board level, discussions are held routinely on the effectiveness of our internal control mechanism and risk management.

The Committee receives a risk management update at each of its scheduled meetings, and also reviews a schedule of key controls on a twice yearly basis. In addition, we review and approve an annual Risk Management Plan prepared by the Group Risk Manager. This Plan outlines the risk areas and corresponding activities where the Group Risk department will place its focus in the upcoming year to ensure that risk management activities across the Group are continuously improved.

The Committee and the Board consider that the information we receive is sufficient to enable a review of the effectiveness of the Group's internal controls in accordance with the FRC's Guidance on Risk Management, Internal Control and Related Financial and Business Reporting.

Using the ongoing processes outlined on page 55, we continuously identify areas where internal controls can be improved and devise action plans as appropriate. Progress towards completion of actions is regularly monitored by management and the Board. The Board considers that none of the areas for improvement identified constitute a significant failing or weakness but note, that the processes and controls in respect to acquisitions have been strengthened following the establishment of the Group Business Development department during 2016.

Berendsen Incident Reporting System (BIRS)

During the year, we have implemented a new incident reporting system which covers incidents relating to health and safety, environment, fraud and other incidents such as business disruption, significant quality issues with customers, suppliers, community etc.

The Board received a demonstration of the new incident reporting system on 13 December 2016, which provided the Board with an opportunity to view the system in operation and to understand how it will improve reporting at Berendsen.

The key benefits and characteristics of the BIRS system are:

- It moves away from manual methods of submitting and sharing information about incidents
- Covers a wide range of incidents which have the potential to damage Berendsen and/or have an impact on our employees
- Structured incident management process with:
  - Instant notifications to key stakeholders
  - Clear mandatory steps to ensure the incident is managed adequately and key information is captured (initial report, validation, investigation and approval)
  - Assignment of responsibilities for each step of incident management
- Corrective actions management (assign responsibilities and monitoring through to completion)
- Lesson learnt capturing and sharing across businesses
- Dashboard monitoring capabilities at all levels of the business

Financial reporting framework

The Group's minimum control framework for financial reporting includes clear policies and procedures for ensuring that the Group's financial reporting processes and the preparation of its consolidated accounts comply with all relevant regulatory reporting requirements. These are comprehensively detailed in the Group Finance Manual, which is used by the businesses in the preparation of their results.

Financial control requirements are also set out in the 'Group Finance Manual – Minimum Control Framework' which are:

- Subject to half-yearly and year-end confirmation of compliance as part of the half-year and year-end reporting
- Reviewed as part of the Group balance sheet reviews
- Monitored via inclusion in the internal audit core financial reviews

Detailed accounts for each reporting entity are prepared monthly, comprising an income statement, cash flow statement and balance sheet in a manner very similar to the year-end and half-yearly reporting processes. These are subject to management review and analysis in the financial review cycle.

As part of our ongoing monitoring of the Group's financial controls, during 2016 the Committee reviewed delegated authorities across the Group and particularly focused on the delegated authorities in the new Hospitality Business Line to ensure that they were appropriate and in alignment with Group financial controls.

Internal audit

Our Group internal audit function, led by Luke Walker, the Head of Internal Audit, is appropriately resourced with the skills and experience relevant to the operations of the Group. As Head of Internal Audit, Luke is accountable to the Committee, and has access to the Committee members at any time. Luke also meets independently with me on a regular basis during the year.

The Committee approves the annual Group Internal Audit Plan, and receives a report on internal audit activity and progress against that Plan at each scheduled meeting. We monitor the status of internal audit recommendations and management's responsiveness to their implementation, and challenge both the internal audit function and management where appropriate to provide us with assurance that our control environment is robust and effective.

During 2016, the key internal audit areas discussed by the Committee included:

- Financial controls across the business and their alignment to Group standards
- Information technology strategy for the Group and controls established in respect of information security and cyber threats
- Plant maintenance processes and controls established to safely and effectively maintain Berendsen equipment
- Group governance controls in place to verify that stewardship of the Group is in line with required corporate governance and key regulations are complied with

We also annually review the adequacy, qualifications and experience of our internal audit resources and the nature and scope of internal audit activity in the context of the Group's risk management system as set out on pages 54 and 55.

A key focus of internal audit activity in 2017 will be providing assurance over financial and non-financial processes transferred offshore as part of our shared services project. The function will also focus on other key change programmes and initiatives within the business and audit key operational and strategic risk areas linked to the delivery of our strategic objectives. The Committee will be regularly appraised of progress in these areas.

Information security

As noted above, the internal audit function reported to the Committee during the year on the controls established in respect of information security and cyber threats. We have recognised that this is a growing risk area for many businesses, and have therefore focused on gaining an understanding of any areas of vulnerability in our information security controls and processes. We have challenged internal audit and management on the effectiveness of these controls and are satisfied that appropriate steps are being taken to address any areas of potential vulnerability. We are currently liaising with our Group insurance brokers to ascertain if we can cover information security risks through a cyber insurance policy.

Whistleblowing

Our whistleblowing procedures operate in 27 languages and 16 countries and includes systems which ensure that any concerns are addressed confidentially, promptly and thoroughly.

The Audit Committee receives a biannual report (February and July) from the Company Secretary which includes details of any new incidents, as well as providing updates on the integrity of the whistleblowing procedures and the state of any ongoing investigations and the conclusions reached.

Significant issues relating to potential fraud are escalated to the Audit Committee Chairman immediately. Through the reporting provided to us, and our review of the whistleblowing procedures, we are comfortable that those procedures operate effectively.

Andrew Wood
Chairman of the Audit Committee
2 March 2017

Capex & Bids Committee

In January 2016, the Capex & Bids Committee was established in response to our new business strategy and our ambition to invest for growth. The Committee strengthens our internal procedures and will focus on reviewing and authorising large customer contract bids and capital expenditure in accordance with the Delegated Authority Limits set by the Board. The Committee members are the Chief Executive Officer, Chief Financial Officer and Company Secretary. The Committee meets on a weekly basis and during 2016 held 50 meetings.

Report on directors' remuneration

Remuneration linked to performance and priorities.

The cornerstone of our remuneration policy is alignment of executive reward, business performance and the delivery of our strategic priorities.

This report is structured as follows:

If you would like to discuss any aspect of our remuneration policy, please feel free to email me at **RemCoChairman@berendsen.eu**

Annual statement

Dear shareholder

As Chairman of the Remuneration Committee and on behalf of the Board, I am pleased to present our report on directors' remuneration for 2016.

At the 2016 AGM, shareholders endorsed our simplified remuneration framework with 98.8% of votes cast in favour of our new remuneration policy. This year, rather than reproduce in full the approved policy, we have instead provided extracts from it. A copy of the complete remuneration policy can be found on our website at www.berendsen.com/board-committees

The annual report on remuneration, describing how the remuneration policy has been applied in practice for the year ended 31 December 2016, is provided on pages 91 to 107 and has been updated to reflect decisions made and outcomes generated during the year.

We work hard to ensure that our remuneration disclosures are accessible, clear and above all relevant to shareholders and so I am delighted to report that Berendsen won the 'Remuneration Report of the Year' award at the ICSA Awards 2016. We will continue to be transparent about how pay and performance is reported at Berendsen and how decisions made by the Committee continue to support the strategic direction of the business.

Review of the year

Our performance

Our year-end results were lower than projected at the start of the year. This was largely due to higher than expected costs in our UK operations in order to maintain customer service levels, against declining operational performance, due to past underinvestment in people, plant and equipment. Whilst our strategy recognised the need to invest in these operations, the pace of decline was more rapid than expected.

Financially, this meant that revenue increased by 9% (underlying growth by 2%) and adjusted operating profits increased by 5%, whilst underlying profit declined by 4%. Group adjusted EPS increased by 4% from 60.4 pence to 63.1 pence.

The Group's free cash flow reduced to £47.0 million, primarily driven by a £51.2 million increase in capital expenditure and exceptional cash costs of £11.6 million. The Group's ROIC reduced by 70 bps to 9.6% mainly due to a decline in adjusted operating profit at constant exchange rates and adverse foreign exchange movements.

The fundamental strength of the business remains and with the opportunities we continue to see in our markets, the proposed total dividend for 2016 will be 5% higher than in 2015 at 33.0 pence per share.

Strategic implementation

2016 was the first year following our strategic review. It was therefore a year of change and challenge for the company as we set about implementing our new business strategy and taking the necessary steps for delivering improved business performance throughout the Group. As outlined in our Strategic report (on pages 1 to 59), tangible improvements are being made and the management team is working hard to implement the company's strategic priorities, namely: delivering better customer service levels, enhancing our organisational capabilities, achieving operational excellence and introducing greater discipline around how we manage capital.

Despite the short-term challenges encountered, over the long-term we remain focused on completing the execution of the Berendsen Excellence strategy and developing attractive growth opportunities for our shareholders.

Against this backdrop, the key decisions made in respect of performance in 2016 by the Committee are set out below.

Pay and performance outcomes

The Committee determines the Executive Directors' remuneration against the strategic objectives and priorities of the company. Executive performance is therefore closely aligned to business performance with a high proportion of total remuneration delivered through variable pay designed to reward achievement of short and long-term strategic targets. In a remuneration context this means rewarding performance that reflects:

- → Revenue growth ahead of GDP
- → EPS growth ahead of revenue growth
- → Strong underlying cash flow and cash conversion
- → Superior post-tax ROIC, well ahead of the company's cost of capital

Given the stretching performance targets set by the Committee, the business challenges noted in the strategic report and the performance achieved during the year, actual compensation earned through the year is significantly lower versus the previous fiscal year, driven by the following remuneration outcomes:

- → Annual bonuses paid to Executive Directors will be zero, reflecting below-threshold EPS performance. In accordance with our remuneration policy, threshold EPS performance must be achieved before any bonus can be paid
- → Long-term incentive awards scheduled to vest in 2017 will not pay out, reflecting below-threshold performance against the company's three-year targets for EPS growth and ROIC

The Committee reviewed the performance and development of our Executive Directors during the year. Consistent with our approach to calibrating base pay by reference to general increases across the Group, with effect from 1 January 2017, the Committee has agreed salary increases of £13,500 and £9,000 for the Chief Executive and Chief Financial Officer respectively, an increase of 2.5% in both cases.

Further information about the levels of executive remuneration earned in 2016, including details of performance against the relevant targets, are given on pages 93 and 98.

Looking ahead to 2017

Reinvestment plan for the UK

To deliver on our strategic priorities we have identified that the UK business in particular requires additional operational attention. Therefore, over the next two to three years we will build on our ongoing capital investment programme and accelerate the investment and upgrade of new and existing facilities (including where appropriate relocating sites), and the implementation of systems and controls to generate productivity improvements and drive greater cost efficiencies.

Given the increased strategic focus on the UK business that emerged in the later part of 2016, the Committee believes it is appropriate for executive performance to be measured against delivery of the UK reinvestment plan, in addition to existing targets. It has therefore been determined that the performance measures for the 2017 long-term incentive awards granted to Executive Directors should be rebalanced to accommodate the introduction of an additional financial target aligned to the UK reinvestment plan. Currently, the long-term performance measures comprise EPS and ROIC weighted equally.

Given the exceptional nature of the additional focus and accelerated investment required for the UK business, the Committee considered it appropriate to increase the long-term incentive opportunity this year to 240% of base salary for James Drummond, which is within our remuneration policy.

The Committee is satisfied that the purpose of this additional award is to incentivise and reinforce the leadership behaviours and focus required to deliver on the stretching targets set under the UK reinvestment plan over the next two to three years.

The performance measures and rebalanced weightings for the 2017 long-term incentive awards can be found on page 102 and are summarised below.

- CEO (James Drummond): total award equivalent to 240% of base salary. Financial targets weighted: EPS (100%), ROIC (70%) and a financial target relating to the UK reinvestment plan (70%)
- CFO (Kevin Quinn): total award equivalent to 200% of base salary. Financial targets weighted: EPS (100%), ROIC (50%) and a financial target relating to the UK reinvestment plan (50%)

For reasons of commercial sensitivity, full disclosure of the UK related target (including all relevant threshold, target and maximum hurdles) will be made at the time the awards are scheduled to vest.

In all other respects we will continue to operate our executive remuneration arrangements in line with the package implemented in 2016.

Future success

Following a challenging 2016, the Committee has maintained its strong commitment to a clear link between pay and performance. I am confident that the measured adjustments to the long-term performance framework for 2017 will help drive the successful delivery of our UK reinvestment plan.

I look forward to receiving your support at the AGM where I will be available to respond to any questions shareholders may have on this report or in relation to any of the Committee's activities.

In the meantime if you would like to discuss any aspect of our remuneration policy, please feel free to email me at RemCoChairman@berendsen.eu

David Lowden
Chairman of the Remuneration Committee
2 March 2017

Annual report on remuneration

This part of the directors' remuneration report explains how we have implemented our remuneration policy during 2016. The policy in place for the year was approved by shareholders at the 2016 AGM. This annual report on remuneration will be subject to an advisory vote at the 2017 AGM.

Role and membership of the Remuneration Committee

The role of the Committee is to determine and recommend to the Board a fair and responsible remuneration framework for ensuring that the company's most senior executives are appropriately rewarded and incentivised for their contribution to company performance. The Committee's primary purpose is to ensure that there is a clear link between reward and performance and that the policy, structure and levels of remuneration for both the Executive Directors and throughout the Group:

- → Reinforce the strategic aims and objectives of the business, whilst mitigating any risk factors
- → Are aligned to maximise shareholder value on a sustainable basis
- → Are capable of securing, retaining and motivating high calibre individuals to deliver results for shareholders, customers and employees alike
- → Are market competitive, rewarding individuals in line with genuine Group performance
- → Encourage and promote appropriate behaviours and outcomes consistent with the culture of the Group

The Committee's composition, responsibilities and operation comply with the principles of good governance (as set out in the UK Corporate Governance Code), with the Listing Rules (of the Financial Conduct Authority) and with the Companies Act 2006. The terms of reference for the Committee can be found on the company's website at www.berendsen.com

Committee membership in 2016		Appointed to the Committee
Chairman	David Lowden	March 2010
Committee	Maarit Aarni-Sirviö	March 2014
	Lucy Dimes	June 2012
	Iain Ferguson	March 2010
	Andrew Wood	March 2010
Management attendees (by invitation)		
Chief Executive Officer	James Drummond	
Group HR Director (until April 2016)	Chris Thrush	
Group HR Director (from May 2016)	Gillian Duggan	
Company Secretary	David Lawler	

Committee attendance in 2016	Independent	Committee meetings					Attendance*
		Feb	Apr	Jul	Oct	Dec	
David Lowden	Yes	✓	✓	✓	✓	✓	100%
Maarit Aarni-Sirviö	Yes	✓	✓	✓	✓	✓	100%
Lucy Dimes	Yes	✓	✓	✓	✓	✓	100%
Iain Ferguson	No	✓	✓	✓	✓	✓	100%
Andrew Wood	Yes	✓	✓	✓	✓	✓	100%

* % based on the meetings entitled to attend.

Excluding Iain Ferguson, all members of the Committee are considered independent Non-Executive Directors and no member (or attendee) was present when their own remuneration was considered.

Report on directors' remuneration (continued)

Committee activity during 2016

Committee meeting date	Regular items	Other items
22 February	Approved and provided feedback on the 2015 directors' remuneration report	Approved the remuneration policy to be voted on by shareholders at our 2016 AGM
	Approved the financial targets for the 2016 grant under the Performance Share Plan (PSP)	Approved the revised Berendsen Sharesave Plan and Performance Share Plan Rules to be voted on by shareholders at our 2016 AGM
	Reviewed the achievement of performance targets for the year ending 31 December 2015 and approved the vesting of PSP, CIP and DBSP awards granted in 2013	Approved the base salaries and total remuneration packages for the new members of the Executive Board
	Reviewed the achievement of personal targets for the year ending 31 December 2015 and approved the payment of the 2015 annual bonuses to the Executive Board	Approved the vesting of Peter Ventress' outstanding DBSP awards from the 2014 and 2015 grants on his Retirement Date (28 April 2016)
	Reviewed the results of the Committee's 2015 performance evaluation, discussed the key topics that arose and established key priorities for 2016	Received an update on ISS policy on 'pay for performance' ratings
28 April	Approved the 2016 grant of PSP and DBP awards	Following shareholder approval of the Rules of the Berendsen Sharesave Plan and Performance Share Plan, the Committee adopted the Plans
27 July	Reviewed reports by Willis Towers Watson on investor reactions to the 2016 AGM resolutions (for the FTSE 100 and 250) and market trends	Reviewed the process that would be followed to prepare the gender pay balance report
	Reviewed briefing notes on executive remuneration and market best practice	Approved the Settlement Agreement for Christian Ellegaard
	Agreed that a benchmarking exercise for the Executive Board and Non-Executive Directors would not be performed during 2016	Received a status update on the independent review of Executive Board Service Agreements
28 October	Agreed the fees for the Chairman and Non-Executive Directors effective from 1 January 2017	Approved the vesting of Steve Finch's outstanding DBSP awards from the 2014 and 2015 grants in advance of his retirement date (31 December 2016)
	Received a corporate governance and market update on remuneration trends from Willis Towers Watson	Reviewed Legal & General's Executive Remuneration Principles and the Executive Remuneration Working Group Report
14 December	Received a corporate governance and market update on remuneration trends from Willis Towers Watson	Considered the impact of the new business strategy on the ROIC performance target under the PSP
	Agreed base salaries for the Executive Directors effective from 1 January 2017	
	Agreed base salaries for the Executive Board effective from 1 January 2017	

Total remuneration in 2016 – Executive Directors (audited)

	Executive Directors				Previous Executive Directors	
	James Drummond		Kevin Quinn		Peter Ventress	
Fixed pay (£000)	**2016**	2015	**2016**	2015 (restated)	**2016**	2015 (restated)
Base salary	538	263	359	350	188	565
Taxable benefits	35	20	36	37	6	31
Pension contributions	108	53	72	70	47	141
Subtotal	681	336	467	457	241	737
Pay for performance (£000)						
Annual bonus (iv)	–	295	–	385	–	356
Performance LTIPs (v)	–	–	–	716	–	1,161
Subtotal	–	295	–	1,101	–	1,517
Other items in the nature of remuneration (£000)						
Dividend equivalents on DBSP (vi)	–	–	14	16	37	27
Non-performance LTIPs (vii)	–	–	–	–	–	–
Subtotal	–	–	14	16	37	27
Total remuneration (£000)	**681**	631	**481**	1,574	**278**	2,281

Notes:

(i) James Drummond joined Berendsen on 1 July 2015. His 2015 annual base salary was £525,000. His fixed salary was subject to a pro rata reduction from the date he joined.

(ii) Peter Ventress resigned as a director on 31 July 2015. In the table above, Peter's 2016 fixed pay is related to payments made during his notice period from 1 January 2016 to 28 April 2016 (amounting to £188,333 in base salary, £5,728 in taxable benefits and £47,083 in pension contributions). Further details of the payments made to Peter during the year, can be found on page 94.

(iii) 2015: 'Performance LTIPs' have been restated using the actual share price on the day of vesting for awards under the PSP and CIP 2013 grants which vested on 1 June 2016. In the 2015 annual report on remuneration these awards were valued using the average share price in the three months ending 31 December 2015 being 1038 pence. The PSP and CIP 2013 awards have been restated using the actual share price on the day of vesting being 1222 pence (a difference in value of 184 pence per share – £72,972 and £44,986 for Peter Ventress and Kevin Quinn, respectively).

(iv) Including 25% of annual bonus which is deferred for three years under the DBSP. The annual bonus paid to James Drummond and Peter Ventress for 2015 was subject to a pro rata reduction. Peter was not entitled to an annual bonus for 2016. James Drummond and Kevin Quinn did not receive an annual bonus during 2016, due to below threshold EPS performance, further details can be found on page 98.

(v) 2016: 'Performance LTIPs' which are due to vest on 6 March 2017 and 7 April 2017 (being, PSP 2014 and CIP 2014 awards) will lapse in full and will not vest (further details on page 98).

(vi) 2016: Dividend equivalents arising from the vesting of 2013 DBSP awards on 1 June 2016. For Peter Ventress: the dividend equivalents in 2016 relate to the vesting of the DBSP 2013 awards on 7 March 2016 and DBSP 2014 and 2015 awards on 28 April 2016.

(vii) 'Non-performance LTIPs' includes grants under the UK Sharesave Plan. The last grant under the Sharesave Plan was made on 23 October 2014. Further information on the UK Sharesave Plan can be found on page 106.

(viii) Written confirmation has been received from the directors that they have not received any other items in the nature of remuneration.

Advisers to the Committee

The Committee has authority to obtain the advice of external independent remuneration consultants and is solely responsible for their appointment, retention and termination. In February 2017, the Committee conducted a review into the independence of Willis Towers Watson who have acted as their principal independent remuneration consultants since April 2013.

During 2016, the Committee agreed that a review was necessary following the merger between Towers Watson and the Willis Group, creating Willis Towers Watson with effect from 4 January 2016. As the Willis Group act as our insurance brokers, the Committee wished to ensure that Willis Towers Watson remained capable of providing appropriate, objective and independent advice to the Committee.

Following their review, the Committee have deemed that Willis Towers Watson's independence had not been impacted following the merger and that they have continued to provide valuable, impartial advice and support to the Committee.

Willis Towers Watson received quarterly retainer fees of £8,000 which covered attendance at a set number of Committee meetings, general advice and updates on remuneration developments. Additional ad hoc work is carried out at an agreed hourly rate. The total fee invoiced by Willis Towers Watson during the year ending 31 December 2016 was £59,626.

Shareholder voting and engagement

At last year's AGM, our remuneration policy and annual remuneration report (comprised in the directors' remuneration report), received the following votes from shareholders, broken down as follows:

Resolution	Votes for (m)	% For	Votes against (m)	% Against	Total votes cast (m)	Votes withheld (m)
2) Approval of the directors' remuneration policy	132.9	98.8%	1.7	1.2%	135.4	0.8
3) Approval of the directors' remuneration report (excluding the remuneration policy)	132.9	99.5%	0.6	0.5%	135.4	1.9

The Committee was extremely pleased with the level of shareholder support at the 2016 AGM, with a 99.5% vote in favour of the directors' remuneration report (2015 AGM: 98.5%) and 98.8% vote in favour of the directors' remuneration policy (2014 AGM: 99.3%).

Payments to directors leaving the Group (audited)

As announced on 30 April 2015, Peter Ventress resigned as Chief Executive Officer on 31 July 2015 and retired from Berendsen on 28 April 2016. In accordance with our remuneration policy approved by shareholders at the 2014 AGM, Peter was treated as a 'good leaver' by reason of retirement. Full details of remuneration payable to Peter was contained within the 2015 Annual Report on page 91. The remuneration paid to Peter during 2016 is summarised below:

Salary and benefits:	Salary and benefits were paid in accordance with Peter's current service agreement until 28 April 2016. Full details of Peter's remuneration paid for his notice period, from 1 January to 28 April 2016, are set out in the total remuneration table on page 93
Deferred Bonus Share Plan (DBSP):	DBSP awards granted in 2013, vested on 7 March 2016, whereby Peter received, and immediately sold, 23,808 shares. The market price on the day of vesting was 1145.4 pence
	Awards granted in 2014 and 2015 vested on 28 April 2016 (Peter's retirement date) and were exercised on 4 May 2016 whereby Peter received, and immediately sold, 28,831 shares. The market price on the day of vesting was 1200.4 pence
Performance Share Plan (PSP):	PSP awards granted in 2013, vested on 7 March 2016, whereby Peter received, and immediately sold, 39,573 shares. The market price on the day of vesting was 1145.4 pence
Co-Investment Plan (CIP):	CIP awards granted in 2013, vested on 11 April 2016, whereby Peter received, and immediately sold, 55,402 shares. The market price on the day of vesting was 1189.6 pence
UK Sharesave Plan:	Peter's sharesave options became exercisable on his retirement date, being 28 April 2016. Peter exercised his options on 25 May 2016 to acquire 4,458 shares. The share price at the time of exercise was 1200.5 pence. Further information can be found on page 106

As identified on page 98, the PSP and CIP awards granted on 6 March 2014 and 7 April 2014 will lapse in full, due to the performance conditions not being achieved. With the lapsing of these awards, there are no further awards outstanding for Peter Ventress.

Relative importance of spend on pay

In order to give shareholders an understanding of how: a) total expenditure on remuneration (for all employees) compares to certain core financial dispersals of the company; and b) the percentage change in remuneration for the CEO compares to the Group's workforce, the tables below demonstrate the relative importance of the company's spend on employee and CEO pay for the period 2012 to 2016.

	2016		2015		2014		2013		2012
Expenditure	£m	% change	£m	% change	£m	% change	£m	% change	£m
Total Group employee costs (including directors)	**413.9**	**+6%**	390.1	–2%	399.5	–2%	408.1	+6%	383.7
Dividend payments (pence)	**33.0**	**+5%**	31.5	+5%	30.0	+7%	28.0	+10%	25.5
Relativities (i)									
Revenue (ii) (iii)	**1,110.0**	**+9%**	1,018.1	–3%	1,038.6	–2%	1,054.2	+7%	985.1
Free cash flow	**47.0**	**–54%**	102.5	–16%	122.6	–12%	139.4	+11%	125.1
Adjusted earnings per share (EPS) (pence)	**63.1**	**+4%**	60.4	–3%	62.1	+4%	59.8	+18%	50.7

Notes:

(i) Revenue, free cash flow and adjusted EPS were chosen because they are considered to be key indicators of the stated strategic objectives. These numbers are as reported in the financial statements.

(ii) 2015 Revenue has been restated. Please find further information in note 1 on page 136.

(iii) 2016 Revenue: +2% underlying – includes a positive currency impact of 7% on revenue. Please find further details of Berendsen's underlying performance on page 42.

Change in CEO and employee pay

	2015 to 2016			2014 to 2015		
	Percentage change in salary	Percentage change in taxable benefits	Percentage change in annual bonus	Percentage change in salary	Percentage change in taxable benefits	Percentage change in annual bonus
CEO (i)(iii)	**+2.5%**	**–12%**	**–100%**	+2.5%	+3%	+5.2%
All employees (ii)	**+3.2%**	**No material change**	**-8%**	+2.2%	No material change	+4.6%

Notes:

(i) CEO taxable benefits: there has been no change in the benefits received. The decrease from 2015 to 2016 is due to lower life and permanent health insurance premiums.

(ii) All employees taxable benefits: there has been no material change to the benefit policy during 2016. Further details about employee remuneration and engagement are set out on page 35.

(iii) CEO annual bonus: The 2016 annual bonus for the CEO was zero leading to a 100% reduction in the annual bonus received in comparison to 2015.

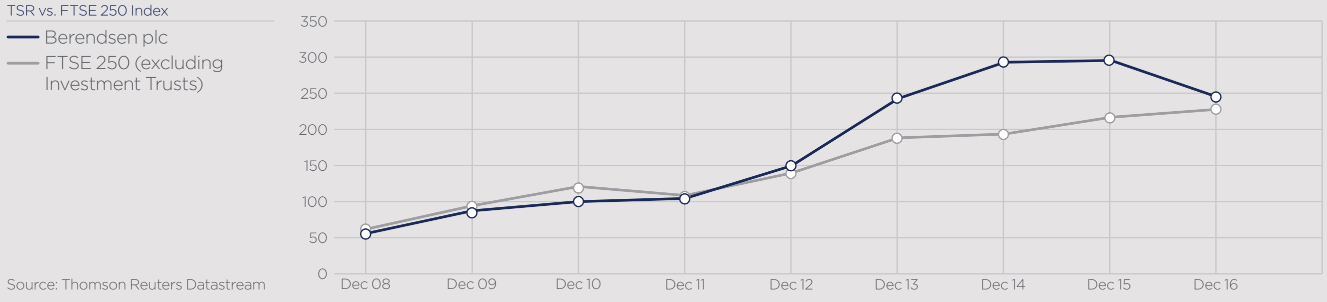
Report on directors' remuneration (continued)

CEO pay for performance comparison

The graph below shows the total shareholder return (TSR) of the company compared with the index over the eight-year period to 31 December 2016. Since December 2008, the company's average TSR has outperformed the FTSE 250 (excluding investment trusts). The Committee believes that, due to the size of the company, the FTSE Mid 250 Index (excluding Investment Trusts) is the most appropriate index against which to compare the historic TSR of the company.

Share price graph – total shareholder return

TSR vs. FTSE 250 Index



Source: Thomson Reuters Datastream

Financial year ending	31/12/2009	31/12/2009	31/12/2010	31/12/2011	31/12/2012	31/12/2013	31/12/2014	31/12/2015 (restated)	31/12/2015 (pro rata)	31/12/2016
CEO	Roger Dye	Peter Ventress	Peter Ventress	Peter Ventress	Peter Ventress	Peter Ventress	Peter Ventress	Peter Ventress	James Drummond	James Drummond
Total remuneration (single figure) (£000)	1,261	1,277	1,297	1,299	2,638	3,152	3,430	2,281	631	681
Annual variable pay (% of maximum)	80.0%	100.0%	84.0%	70.7%	90.8%	87.0%	79.1%	83.2%	86.5%	0.0%
Long-term variable pay (% of maximum)										
CIP (non-performance awards)	–	–	100.0%	100.0%	100.0%	–	–	–	–	–
CIP (performance awards)	–	–	–	–	62.5%	77.5%	79.4%	47.5%	–	–
PSP awards	64.1%	–	–	–	62.5%	77.5%	79.4%	47.5%	–	–
Recruitment award	–	100.0%	–	–	–	–	–	–	–	–

Notes:

(i) The 2015 total remuneration figure has been restated using the actual share price on the day of vesting for awards under the PSP and CIP 2013 grants which vested on 1 June 2016. Further information can be found in the total remuneration table on page 93.

(ii) The annual bonus payment for Executive Directors for 2016 was zero.

(iii) The CIP guaranteed match (25% of the granted award) is not performance-related and therefore all guaranteed matching awards are achieved at 100% of the potential maximum. The CIP awards granted in 2010, 2011 and 2012 all contained a guaranteed matching element. The 2013, 2014 and 2015 CIP awards did not contain a guaranteed match and all awards are performance-related.

(iv) Peter Ventress joined Berendsen on 1 November 2009 and was appointed to the board as Chief Executive on 1 January 2010. Peter was awarded a share award pursuant to Listing Rule 9.4.2(2) of 130,446 shares (non-performance) which were exercised on 8 April 2013 (share price upon vesting was 782.8 pence).

Fixed pay in 2016 (audited)

Base salary

The Committee took into account the company's financial results, the satisfaction of challenging personal objectives and the overall economic environment when setting base salaries for 2016.

Executive Director	2016 base salary (£000)	2015 base salary (£000)	% Change
James Drummond	538	525	+2.5
Kevin Quinn	359	350	+2.5
Previous Executive Directors			
Peter Ventress (i)	188	565	–

Note:

(i) Peter Ventress retired from Berendsen on 28 April 2016. Peter's base salary remained unchanged from 2015 (£565,000) and was subject to a pro rata reduction to his retirement date.

Benefits

Executive Directors are entitled to a fully expensed car (or cash allowance), life assurance, permanent health and medical insurance. Further details of the taxable benefits paid in 2016 can be found in the table below.

Executive Director	Car benefit (£000)	Life assurance (£000)	Permanent health insurance (£000)	Medical insurance (£000)	Total 2016 taxable benefits (£000)	Total 2015 taxable benefits (£000)
James Drummond	20	2	12	1	35	20
Kevin Quinn	26	2	7	1	36	37
Previous Executive Directors						
Peter Ventress	5	–	–	<1	6	31

Notes:

(i) Included within their car benefit, Peter Ventress and Kevin Quinn received a cash benefit of £3,800 (2015: £3,800) in respect of their fuel allowance.

(ii) James Drummond's 2015 taxable benefits were subject to a pro rata reduction from the date he joined. There has been no change in the benefits received in 2016. The annual cost of James' benefits have decreased due to lower life and permanent health insurance premiums.

Pension

During 2016, pension contributions were 20% of base salary for James Drummond and Kevin Quinn.

Executive Director	2016 base salary (£000)	%	2016 pension contributions (£000)	2015 pension contributions (£000)
James Drummond	538	20%	108	53
Kevin Quinn	359	20%	72	70
Previous Executive Directors				
Peter Ventress (i)	188	25%	47	141

Note:

(i) Peter Ventress retired from Berendsen on 28 April 2016. Peter's pension contributions were 25% of base salary.

Report on directors' remuneration (continued)

Pay for performance

Annual bonus outcomes for 2016

The financial metrics during the year were: (a) EPS; (b) the generation of free cash flow (FCF) and (c) revenue. As can be seen from the table below, the annual bonus payment for Executive Directors for 2016 was zero (in 2015, annual bonus payments were between 108.1% and 112.5% of base salary for Executive Directors). Despite the threshold target for revenue being achieved, the annual bonus payout is zero, due to below threshold EPS performance. In accordance with our remuneration policy, any bonus payment is conditional upon the threshold EPS target having first been achieved.

Notwithstanding the zero bonus payout, we have strengthened our market footprint, with underlying revenue growth of 2% to £1,110.0 million. As a result, we continue to be a strong business as evidenced by delivering a 5% increase in the final dividend reflecting the positive outlook for growth and the ongoing strength of the balance sheet.

									% of base salary
(audited)		Threshold		Target		Maximum			
Achievement of annual bonus targets in 2016	% of bonus	Required performance	% of bonus	Required performance	% of bonus	Required performance	Actual achieved	James Drummond	Kevin Quinn
EPS (adjusted)	10	60.7p	30	63.7p	50	66.7p	57.9p	0%	0%
FCF	5	£70m	15	£75m	25	£85m	£41.2m	0%	0%
Revenue	5	£1,035m	15	£1,060m	25	£1,085m	£1,043.9m	0%	0%
Subtotal	20		60		100				
Total								0%	0%
Total bonus paid (£000s)								–	–
Bonus paid in cash (£000s)								–	–
Bonus paid in shares (£000s)								–	–

The targets above have been calculated and assessed on the exchange rates set in the 2016 budget. In comparison to the figures disclosed in our strategic report, the effect of exchange rates on the figures above are: 5.2 pence on EPS, £5.8 million on free cash flow and £66.1 million on revenue.

LTIPs: Outcomes in 2016

Performance targets for the PSP and CIP

As shown in the table below, performance-related awards granted in 2014 will lapse (they will not vest).

Achievement of performance targets	Performance period	Weighting	Threshold (25%)	Stretch (100%)	Achieved	% of award to vest
Final year EPS (adjusted)	3 years ending 31/12/16	50%	67 pence	77 pence	63.1 pence	0%
Final year ROIC	3 years ending 31/12/16	50%	10%	11%	9.6%	0%
Total						0%

During the three-year period under review, although EPS increased by 5.5% and ROIC increased by 30 bps, this falls below the required threshold performance. As neither the EPS nor ROIC performance conditions have been achieved, the Committee have determined that the awards granted under the 2014 PSP and CIP will lapse in full.

Summary of LTIP outcomes

(£000)			2016 (i)			2015 (ii) (restated)
Executive Directors	PSP 2014	CIP 2014	Total performance LTIPs	PSP 2013	CIP 2013	Total performance LTIPs
Kevin Quinn	–	–	–	298	418	716
Previous Executive Directors						
Peter Ventress	–	–	–	484	677	1,161

Notes:

(i) The total performance LTIPs are shown in the total remuneration table on page 93.

(ii) The 2015 'Performance LTIPs' have been restated using the actual share price on the day of vesting for awards under the PSP and CIP 2013 grants which vested on 1 June 2016. Further information can be found in the total remuneration table on page 93.

(iii) Further details of awards granted and vested are detailed on page 105.

Performance Share Plan (PSP)

PSP awards granted on 6 March 2014 will lapse on 6 March 2017. Vesting of these awards was dependent upon the achievement of performance targets set for the three years ending 31 December 2016. The performance targets, weightings and actual results achieved are detailed in the table on page 98.

Executive Directors	Awards granted	Dividend equivalent	Maximum available awards	Vesting awards (0%)	Vesting outcome	Value of awards (£000)
Kevin Quinn	32,850	2,699	35,549	–	All lapse	–
Previous Executive Directors						
Peter Ventress	53,236	4,374	57,610	–	All lapse	–

Co-Investment Plan (CIP)

CIP awards granted on 7 April 2014 will lapse on 7 April 2017. Vesting of these awards was dependent upon the achievement of performance targets set for the three years ending 31 December 2016. The performance targets, weightings and actual results achieved are detailed in the table on page 98.

Executive Directors	Awards granted	Dividend equivalent	Maximum available awards	Vesting awards (0%)	Vesting outcome	Value of awards (£000)
Kevin Quinn	45,992	3,779	49,771	–	All lapse	–
Previous Executive Directors						
Peter Ventress	74,532	6,125	80,657	–	All lapse	–

Report on directors' remuneration (continued)

LTIPs: target setting in 2016

Performance conditions for the Performance Share Plan (PSP)

EPS performance targets to be satisfied in 2018	Awards vesting
Less than 72 pence	0% of award vests
72 pence	25% of award vests
85 pence	100% of award vests
Between 72 pence and 85 pence	Straight-line basis
Weighted average ROIC for the 12-month period to 31 December 2018	
Less than 10%	0% of award vests
10%	25% of award vests
11%	100% of award vests
Between 10% and 11%	Straight-line basis

The 2015 performance (being the base year performance for these grants) was 60.4 pence for adjusted EPS and 10.3% for ROIC. The EPS targets above (72 pence to 85 pence) maximise with a growth of 41% over the three-year period and equates to annual growth of approximately 6 to 14%.

Details of 2016 grant

The PSP is our sole long-term incentive plan for senior executives. Awards were granted to Executive Directors equal to 200% of base salary which equals 88,172 awards (£1,075,992) for James Drummond and 58,836 awards (£717,995) for Kevin Quinn. Vesting of these awards is subject to two performance conditions that operate independently of each other. Half of an award was based upon a performance condition relating to adjusted EPS and the other half was based upon weighted average post-tax ROIC. Both performance conditions are measured over a three-year performance period. To the extent that awards vest, the directors would receive the benefit of any dividends paid over the vesting period in the form of share-based dividend equivalents.

Outside appointments for Executive Directors

Subject to Board approval, the company encourages its Executive Directors to hold one non-executive position outside of the Group, thereby broadening their experience and knowledge. Any fees may be retained by the director.

James Drummond was appointed as a Non-Executive Director of Bath Festivals, a charitable organisation, with effect from 29 September 2016. James does not receive fees for this external position. Kevin Quinn was appointed as a Non-Executive Director of Benchmark plc with effect from 25 November 2016. Kevin's annual fee for this external position is £45,000 and during 2016 he received a pro rata fee of £4,615.

Total remuneration in 2016: Chairman and Non-Executive Directors

	Policy fees effective 1 January 2016			Actual fees paid in 2016	
	Base fee (£000)	Chairman of Committee (£000)	Senior Independent Director (£000)	Total fee 2016 (£000)	Total fee 2015 (£000)
Iain Ferguson	190	–	–	190	175
Maarit Aarni-Sirviö	55	–	–	55	52
Lucy Dimes	55	–	–	55	52
David Lowden	55	11	6	72	69
Andrew Wood	55	11	–	66	63
Total remuneration (£000)				438	411

The maximum authority for directors' fees (in aggregate), as outlined in our Articles of Association, is £750,000 a year.

Implementation of policy in 2017

An extract of our remuneration policy is set out on pages 108 to 111. The full remuneration policy is published on our corporate website, www.berendsen.com/board-committees. Below we detail how this policy will be applied in 2017.

Base salary and fees

Effective from 1 January 2017, the base salary of Executive Directors will be £551,500 for James Drummond and £368,000 for Kevin Quinn (increased by approximately 2.5%). These increases are broadly consistent with the average salary increases across the broader employee population. Non-Executive Directors' base fees were increased by 4.6%. These increases reflect the significantly increased workloads in recent years and are also designed to bring them further into line with levels paid at similar-sized companies. Further details of the fees effective from 1 January 2017 are detailed below:

			Changes to policy effective 1 January 2017
Non-Executive Chairman fee	Base fee	Chairman of Committee	Senior Independent Director
£200,000	£57,000	£12,000	£6,600

Annual bonus: target setting for 2017

In accordance with our remuneration policy, the maximum annual bonus potential for Executive Directors is 130% of base salary, with 100% of the performance targets based on financial metrics. The bonus outcome may be reduced if, at the Committee's discretion, progress toward the Group's non-financial strategic priorities has not been satisfactory. In addition, bonus outcomes will only be determined provided that the earnings per share (EPS) threshold has first been achieved.

The annual bonus targets for 2017 will be set in accordance with our remuneration policy and will remain aligned to our current strategic goals, namely:

Strategic goals	Link to strategic objectives
→ Adjusted earnings per share (50%)	→ Captures long-term growth and improving financial returns by leveraging operational efficiency
→ The generation of free cash flow (25%)	→ Encourages operational cash discipline and improving capital efficiency
→ Revenue (25%)	→ Delivers sustainable organic growth

The Committee will set calibrated targets for each of these three measures and intends to disclose these targets retrospectively in next year's directors' remuneration report. The actual targets are therefore not being disclosed now as this is considered by the Committee to be commercially sensitive information because the majority of our competitors are in the private, unquoted sector and so are not required to publicly disclose the same level of information as Berendsen.

LTIP: Grant in 2017

In accordance with our remuneration policy approved at the 2016 AGM, long-term incentives in 2017 will comprise a PSP award. Given the exceptional nature of the additional focus and accelerated investment required for the UK business, the Committee considered it appropriate to increase the long-term incentive opportunity to 240% of base salary for James Drummond. The increased award is matched by the introduction of UK reinvestment related measures, as outlined on the next page, to incentivise and reinforce the leadership behaviours and focus required to deliver on the stretching targets relevant to the UK reinvestment plan over the next two to three years. Kevin Quinn will continue to be granted an award equivalent to 200% of base salary and will also have UK reinvestment related measures included.

Report on directors' remuneration (continued)

LTIP: Financial metrics and weightings

Given the increased strategic focus on the UK businesses, the Committee has deemed it appropriate for executive performance to be measured against delivery of the UK reinvestment plan. It has therefore been determined that the performance measures for the 2017 long-term incentive awards granted to Executive Directors should be rebalanced to accommodate the introduction of an additional financial target aligned to the UK reinvestment plan. The weightings for the 2017 long-term incentive plan are detailed below:

Financial metrics	James Drummond	Kevin Quinn
EPS	100%	100%
ROIC	70%	50%
Financial target relating to the UK reinvestment plan	70%	50%
Award as a % of base salary	240%	200%

LTIP: Performance targets

The performance targets approved by the Committee under the PSP during 2017 have been provided below. For reasons of commercial sensitivity, full disclosure of the UK related target (including all relevant threshold, target and maximum hurdles) will be made at the time the awards are scheduled to vest.

EPS performance targets to be satisfied in 2019	Awards vesting
Less than 72 pence	0% of award vests
72 pence	25% of award vests
85 pence	100% of award vests
Between 72 pence and 85 pence	Straight-line basis
Weighted average ROIC to be satisfied for the 12-month period to 31 December 2019	
Less than 9.5%	0% of award vests
9.5%	25% of award vests
10.5%	100% of award vests
Between 9.5% and 10.5%	Straight-line basis

These targets are based on actual 2016 performance (performance for the financial year ending immediately prior to the date of grant) being 63.1 pence for adjusted EPS and 9.6% for ROIC. The EPS targets above (72 pence to 85 pence) maximise with a growth of approximately 35% over the three-year period and equates to annual growth of approximately 5% to 10%. The ROIC target of 9.5% to 10.5% recognises the importance of generating returns well in excess of the Group's cost of capital during a period of significant capital investment for the Group.

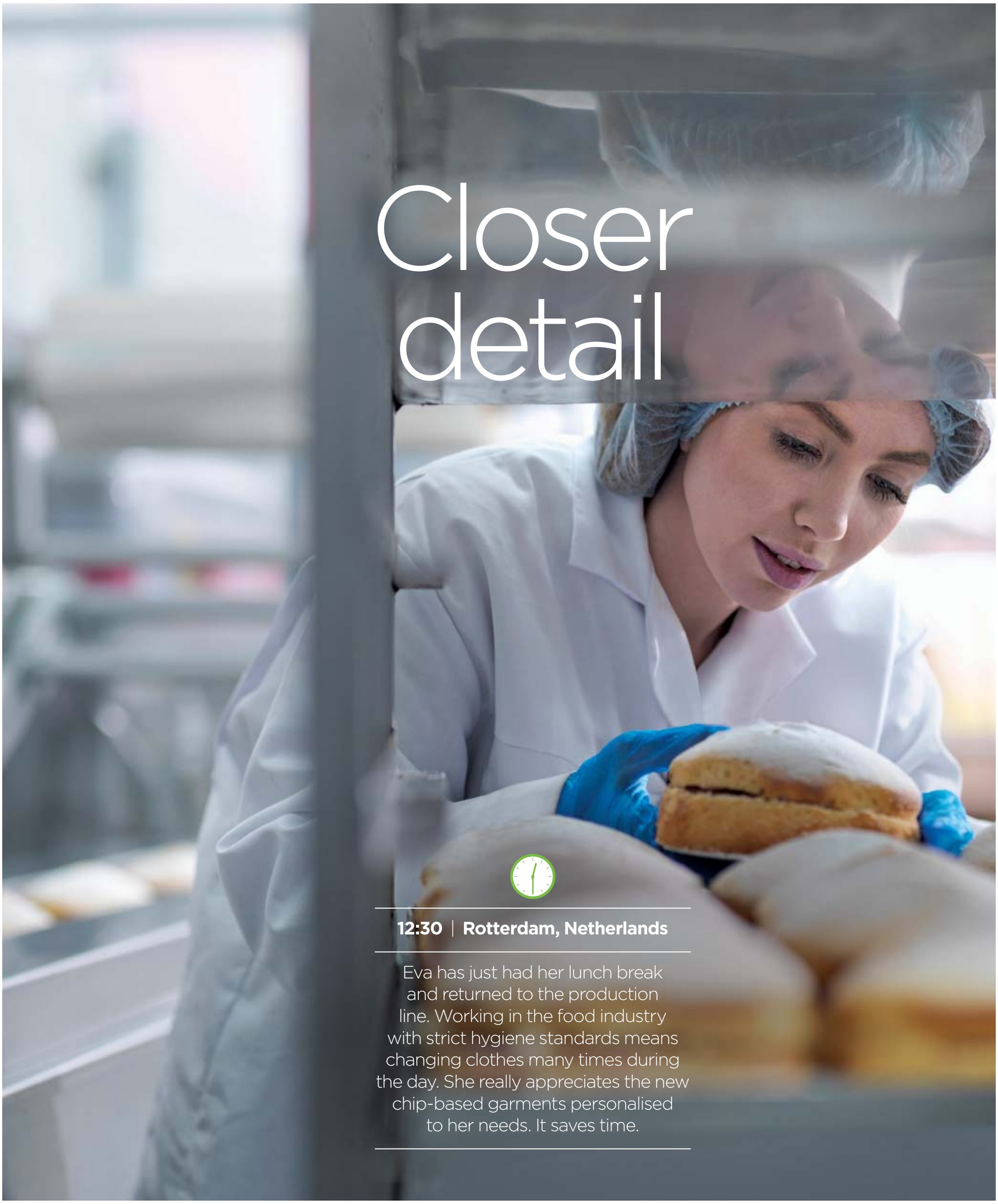
Aligning long-term awards with strategic objectives

Both EPS and ROIC measures are main Group KPI's and link to two of our strategic objectives, improving financial returns by leveraging operational efficiency and improving capital efficiency, respectively.

Summary of our main KPIs **16-19**

Strategic objectives **08**

Essential every day



Closer detail

12:30 | Rotterdam, Netherlands

Eva has just had her lunch break and returned to the production line. Working in the food industry with strict hygiene standards means changing clothes many times during the day. She really appreciates the new chip-based garments personalised to her needs. It saves time.

Report on directors' remuneration (continued)

Schedules to the annual report (unaudited unless otherwise indicated)

Directors' interests (audited)

The interests (all being beneficial) of the directors and their families in the share capital of the company are shown below:

	Number at 31 December 2016						Number at 31 December 2015					
	30 pence ordinary shares	Share awards	Deferred shares	Share options	Sharesave scheme	Total	30 pence ordinary shares	Share awards	Deferred awards	Share options	Sharesave scheme	Total
James Drummond (i)(ii)	20,000	138,872	6,048	–	–	**164,920**	10,000	50,700	–	–	–	60,700
Kevin Quinn (i)(iii)	205,473	213,395	24,937	–	2,272	**446,077**	205,473	267,763	30,223	–	2,272	505,731
Iain Ferguson (iv)	125,000	–	–	–	–	**125,000**	110,000	–	–	–	–	110,000
Maarit Aarni-Sirviö	1,400	–	–	–	–	**1,400**	1,400	–	–	–	–	1,400
Lucy Dimes	10,000	–	–	–	–	**10,000**	10,000	–	–	–	–	10,000
David Lowden	32,500	–	–	–	–	**32,500**	32,500	–	–	–	–	32,500
Andrew Wood (v)	20,000	–	–	–	–	**20,000**	25,000	–	–	–	–	25,000
Previous Executive Directors												
Peter Ventress (vi)	167,804	127,768	–	–	–	**295,572**	167,804	311,389	49,511	–	6,234	534,938

There have been no other changes to the above interests between 31 December 2016 and 2 March 2017.

Notes:

(i) As potential beneficiaries under the company's Employee Benefit Trust, James Drummond and Kevin Quinn are deemed to have an interest in the company's ordinary shares held by the Trust. As at 31 December 2016, the Trust held 1,390,393 shares.

(ii) On 28 October 2016, James Drummond acquired 10,000 shares at an average price of 994 pence per share.

(iii) Kevin Quinn acquired and immediately sold 24,396 shares (inclusive of dividend equivalents in the form of 1,991 shares) from the PSP 2013 grant which vested on 1 June 2016. These shares were sold at an average price of 1222.4 pence per share. Under the DBSP 2013 grant, Kevin acquired and immediately sold 14,329 shares (inclusive of dividend equivalents in the form of 1,168 shares) on 1 June 2016. These shares were sold at an average price of 1222.4 pence per share. Following the vesting of the CIP 2013 grant on 1 June 2016, Kevin Quinn acquired and immediately sold 34,155 shares (inclusive of dividend equivalents in the form of 2,788 shares). These shares were sold at an average price of 1222.4 pence per share.

(iv) On 27 October and 4 November 2016, Iain Ferguson acquired 10,000 and 5,000 shares at an average share price of 1033 and 940 pence per share, respectively.

(v) On 2 June 2016, Andrew Wood sold 5,000 shares at an average share price of 1219 pence per share.

(vi) Peter Ventress resigned from the Board on 31 July 2015. The beneficial interests shown in the table above are as at his retirement date being 28 April 2016. The Remuneration Committee classified Peter as a 'good leaver' and his share awards and sharesave options will be dealt with in accordance with our remuneration policy. During the year under review, Peter acquired and immediately sold 39,573 shares (inclusive of dividend equivalents in the form of 3,230 shares) from the PSP 2013 grant which vested on 7 March 2016. These shares were sold at an average price of 1145.4 pence per share. Peter acquired and immediately sold 23,808 shares (inclusive of dividend equivalents in the form of 1,943 shares) from the DBSP 2013 grant which vested on 7 March 2016. These shares were sold at an average price of 1145.4 pence per share. Following the vesting of the CIP 2013 grant on 11 April 2016, Peter acquired and immediately sold 55,402 shares (inclusive of dividend equivalents in the form of 4,524 shares). These shares were sold at an average price of 1189.6 pence per share. Peter's sharesave options and outstanding DBSP awards became exercisable on his retirement date being 28 April 2016. On 25 May 2016, Peter exercised his sharesave options to acquire 4,458 shares, the deemed gain on the exercise of this option was £35,521.43. The share price at the time of exercise was 1200.5 pence and the option prices were 347 and 792 pence. On 28 April 2016, Peter acquired and immediately sold 15,710 and 13,121 shares (inclusive of dividend equivalents in the form of 830 and 355 shares) from the DBSP 2014 and 2015 grants, respectively. These shares were sold at an average price of 1200.9 pence per share.

The table below provides further analysis of the interests of Executive Directors and their families in the issued shares of the company and rights under the company's share-based remuneration plans on 31 December 2016:

		Total number of shares/options			
		Owned outright	Subject to deferral	Subject to performance	Total
James Drummond	Shares	20,000	6,048	–	
	Nil cost options	–	–	138,872	
	Market value options	–	–	–	
		20,000	6,048	138,872	**164,920**
Kevin Quinn	Shares	205,473	24,937	–	
	Nil cost options	–	–	213,395	
	Market value options	–	2,272	–	
		205,473	27,209	213,395	**446,077**

(i) There are no awards subject to deferral or performance conditions for the Chairman or Non-Executive Directors.

Policy on share ownership

The Committee recognises the importance and value of having Executive Directors and other senior employees working towards holding shares. Under our remuneration policy approved by shareholders at the 2016 AGM, the Executive Directors are required to work towards holding shares with a value equivalent to 200% of their base salary. To achieve this, senior management are not permitted to sell any vested shares under the PSP or the CIP (other than to satisfy tax liabilities) until these guidelines are satisfied. The current shareholdings as a percentage of base salary, for James Drummond and Kevin Quinn are 32.3% and 498.5% respectively, based on the closing mid-market share price of 871 pence on 31 December 2016.

Long-term incentive plans (audited)

Performance Share Plan and Co-Investment Plan

	1 January 2016 (number)	During the year: Granted (number)	During the year: Vested (number)	During the year: Lapsed (number)	31 December 2016 (number)	Market price at date of grant (pence)	Value vested £000	Performance conditions	Date of award	Exercise period/ Vesting date
Performance Share Plan (PSP)										
Executive Directors										
James Drummond	50,700	–	–	–	50,700	1035.5			06/08/15	06/08/18–06/08/22
	–	88,172	–	–	88,172	1220.3		Note (ii)	03/06/16	03/03/19–03/03/23
	50,700	88,172	–	–	138,872					
Kevin Quinn	47,168	–	24,396	22,772	–	712.3	298	Note (iii)	07/03/13	07/03/16–07/03/20
	32,850		–	–	32,850	1035.0		Note (vi)	06/03/14	06/03/17–06/03/21
	31,549	–	–	–	31,549	1110.0			09/03/15	09/03/18–09/03/22
	–	58,836	–	–	58,836	1220.3		Note (ii)	03/06/16	03/03/19–03/03/23
	111,567	58,836	24,396	22,772	123,235					
Previous Executive Directors										
Peter Ventress	76,509	–	39,573	36,936	–	712.3	453	Note (v)	07/03/13	07/03/16–07/03/20
	53,236	–	–	–	53,236	1035.0		Note (vi)	06/03/14	06/03/17–06/03/21
	129,745	–	39,573	36,936	53,236					
Co-Investment Plan (CIP)										
Executive Directors										
Kevin Quinn	66,036	–	34,155	31,881	–	766.2	418	Note (iv)	09/04/13	09/04/16–09/04/20
	45,992	–	–	–	45,992	1119.8		Note (vi)	07/04/14	07/04/17–07/04/21
	44,168	–	–	–	44,168	1110.0			07/04/15	07/04/18–07/04/22
	156,196	–	34,155	31,881	90,160					
Previous Executive Directors										
Peter Ventress	107,112	–	55,402	51,710	–	766.2	659	Note (v)	09/04/13	09/04/16–09/04/20
	74,532		–	–	74,532	1119.8		Note (vi)	07/04/14	07/04/17–07/04/21
	181,644	–	54,402	52,710	74,532					
Total awards vested in 2016			**152,526**				**1,828**			

Notes:

(i) The closing mid-market price of the ordinary shares at 31 December 2016 was 871 pence and during the year ranged from 775 pence to 1355 pence.

(ii) PSP awards granted on 3 June 2016 are subject to both EPS and post-tax ROIC performance targets. The EPS target (applying to half of an award) requires EPS of 72 pence in 2018 for 25% to vest, rising to full vesting for EPS of 85 pence or higher. The ROIC target (applying to the other half of an award) requires average ROIC of 10% for the 12 months ending 31 December 2018 for 25% to vest, rising to full vesting for average ROIC of 11% or higher. These EPS targets have been set in accordance with the changes in IAS 19 'Employee Benefits' effective from 1 January 2013.

(iii) PSP awards granted on 7 March 2013 were subject to both EPS and post-tax ROIC performance targets. Following the vesting of awards on 1 June 2016 (which vested at a level of 47.5%), 24,396 shares were transferred to Kevin Quinn (inclusive of dividend equivalents in the form of shares). The market price on the day of vesting was 1222.4 pence.

(iv) CIP matching awards granted on 9 April 2013 were subject to both EPS and post-tax ROIC performance targets. Following the vesting of awards on 1 June 2016 (which vested at a level of 47.5%), 34,155 shares were transferred to Kevin Quinn (inclusive of dividend equivalents in the form of shares). The market price on the day of vesting was 1222.4 pence.

(v) On 7 March 2016 and 11 April 2016, PSP and CIP awards granted in 2013 vested at a level of 47.5% and 39,573 and 55,402 shares were transferred to Peter Ventress, respectively (inclusive of dividend equivalents in the form of shares). The market prices on the day of vesting were 1145.4 pence and 1189.6 pence, respectively.

(vi) PSP and CIP awards granted in 2014 will lapse on the normal vesting date due to below threshold performance.

Report on directors' remuneration (continued)

Deferred Bonus Plan

Awards over deferred shares are granted under the Deferred Bonus Plan (DBSP). Awards relate to 25% of the annual bonus that is compulsorily deferred into shares and vest after three years.

	1 January 2016 (number)	During the year: Granted (number)	Vested (number)	Lapsed (number)	31 December 2016 (number)	Market price at date of grant (pence)	Value vested £000	Notes on vesting	Date of award	Exercise period/ Vesting date
Executive Directors										
James Drummond	–	6,048	–	–	6,048	1220.3			03/06/16	03/03/19
	–	6,048	–	–	6,048					
Kevin Quinn	13,161	–	13,161	–	–	712.3	175	Note (i)	07/03/13	07/03/16
	9,179	–	–	–	9,179	1035.0			06/03/14	06/03/17
	7,883	–	–	–	7,883	1110.0			09/03/15	09/03/18
	–	7,875	–	–	7,875	1220.3			03/06/16	03/03/19
	30,223	7,875	13,161	–	24,937					
Previous Executive Directors										
Peter Ventress	21,865	–	21,865	–	–	712.3	273	Note (ii)	07/03/13	07/03/16
	14,880	–	14,880	–	–	1035.0	189	Note (iii)	06/03/14	28/04/16
	12,766	–	12,766	–	–	1110.0	158	Note (iii)	09/03/15	28/04/16
	49,511	–	49,511	–	–					
Total awards vested in 2016			**62,672**				**795**			

Notes:

(i) DBSP awards granted in 2013 vested on 1 June 2016 with Kevin Quinn receiving 14,329 shares (inclusive of dividend equivalents in the form of shares). The market price on the day of vesting was 1222.4 pence.

(ii) Peter Ventress' 2013 DBSP award vested on 7 March 2016, whereby he received 23,808 shares (inclusive of dividend equivalents in the form of shares). The market price on the day of vesting was 1145.4 pence.

(iii) Peter Ventress' outstanding DBSP awards (which were granted in 2014 and 2015) vested after his retirement date on 4 May 2016, whereby he received 28,831 shares in aggregate (inclusive of dividend equivalents in the form of shares). The market price on the day of vesting was 1200.9 pence. Peter was not granted a DBSP award in 2016, prior to his retirement date.

UK Sharesave Plan

The UK Sharesave Plan is open to all eligible employees including the Executive Directors. As is the case with all savings-related share option schemes, there are no performance conditions.

	1 January 2016 (number)	During the year: Granted (number)	Vested (number)	Lapsed (number)	31 December 2016 (number)	Exercise price (pence)	Market price at date of grant (pence)	Value vested £000	Exercise period
Executive Directors									
Kevin Quinn	2,272	–	–	–	2,272	792.0	990.0		01/12/17–31/05/18
	2,272	–	–	–	2,272				
Previous Executive Directors									
Peter Ventress (i)	4,322	–	3,890	432	–	347.0	433.2	47	01/12/16–31/05/17
	1,912	–	568	1,344	–	792.0	990.0	7	01/12/19–31/05/20
	6,234	–	4,458	1,776	–				
Total options vested in 2016			**4,458**					**54**	

Note:

(i) Peter Ventress' sharesave options became exercisable on his retirement date, being 28 April 2016. Peter exercised his options on 25 May 2016 to acquire 4,458 shares. The deemed gain on the exercise of these options was £35,521.43. The share price at the time of exercise was 1200.5 pence.

Managing shareholder dilution

The table below sets out the available dilution capacity for the company's employee share plans based on the limits set out in the rules of those plans that relate to issuing new shares.

	2016
Total issued share capital as at 31 December 2016	172.6m
ABI share limits (in any consecutive ten-year period):	
Current dilution for all share plans	2.2%
Headroom relative to 10% limit	7.8%
5% for executive plans – current dilution for discretionary (executive) plans	1.1%
Headroom relative to 5% limit	3.9%

Awards granted under share-based plans, including the UK Sharesave Plan, will be satisfied by shares purchased in the market and held in the company's Employee Benefit Trust.

Directors' service agreements

The table below provides details of the directors' service contracts and unexpired term, as at the date of the 2017 AGM.

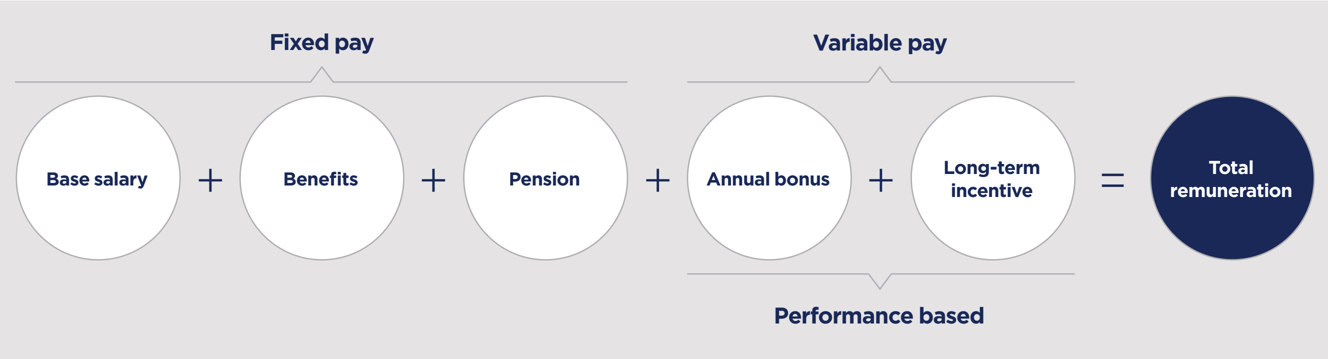
Director	Date of last contract	Unexpired term as at 27 April 2017	Notice period (months)
James Drummond	24 February 2016	n/a	12
Kevin Quinn	24 February 2016	n/a	12
Iain Ferguson	18 December 2014	1 year	6
Maarit Aarni-Sirviö	14 December 2016	2 years, 10 months	1
Lucy Dimes	30 April 2015	1 year, 1 month	1
David Lowden	18 December 2015	1 year, 10 months	1
Andrew Wood	18 December 2015	1 year, 10 months	1

Report on directors' remuneration (continued)

Policy report extracts

Berendsen's policy report remains unchanged from that approved by shareholders at the AGM on 28 April 2016 (which was approved by 98.8% of those shareholders who voted). For convenience, extracts from the policy are included below (with numbers and dates appropriately updated) to provide context for how decisions were made during the year. Our full remuneration policy can be found on our website at www.berendsen.com/board-committees.

Remuneration for Executive Directors comprises the following elements:



Our strategic aim

Our remuneration strategy is to reward executives in line with underlying company performance and the achievement of its strategic goals and priorities. The aim is to encourage appropriate leadership behaviours whilst promoting challenging performance-based outcomes that are capable of incentivising genuine value creation for our shareholders.

Our principles

The company's remuneration principles ensure that the structure and levels of executive remuneration remain appropriate for Berendsen. This is achieved by having a remuneration policy that:

- Provides an appropriate mix of rewards, incentives and benefits balanced between:
  - fixed and variable pay
  - short and long-term performance
- Is weighted towards long-term performance and sustained shareholder value creation
- Recognises and rewards stretching performance and appropriate risk/reward behaviours

Performance measures and target setting

The performance measures that apply to annual bonuses (adjusted EPS, free cash flow generation and revenue) were chosen because of the company's ongoing strategic objectives to deliver organic revenue growth ahead of GDP, strong underlying cash flow and cash conversion, and EPS growth ahead of revenue.

Remuneration performance measures and how these relate to our strategic objectives:

Incentive plan	Performance measure	Reason for selection
Annual bonus/PSP	Adjusted EPS	Captures long-term growth and improving financial returns by leveraging operational efficiency
Annual bonus	Free cash flow	Encourages operational cash discipline and improving capital efficiency
Annual bonus	Revenue	Delivers sustainable organic growth
PSP	ROIC	Improves capital discipline and efficiency

More about our main KPIs
16-19

More about our strategic objectives
08

In setting performance targets, the Committee takes account of annual budgets set by the Board, internal and external forecasts as well as the prevailing economic environment. Performance targets are meant to be stretching but achievable.

The Committee will keep these performance measures and targets under periodic review and it retains the discretion to alter them or their respective weightings to ensure continued alignment with the company's prevailing strategy. As part of any review, the Committee would consider the effect of that strategy on existing performance measures and targets.

Summary of remuneration elements for Executive Directors

Fixed pay

Base salary

Purpose and link to strategy
To provide a core reward for the role which is set at a level appropriate to attract and retain high calibre individuals needed to execute and deliver on the Group's strategic objectives.

Operation
Base salaries are normally reviewed annually with effect from 1 January. Salary levels and increases take account of a variety of factors such as:
- the scope and responsibility of the role;
- the experience, qualifications and skills of the individual director;
- general economic and market conditions;
- salary levels for comparable roles at relevant comparators; and
- general increases across the Group.

Maximum
There is no prescribed maximum increase. In normal circumstances, increases will be broadly in line with those awarded to Group employees taking into account performance and geography. In exceptional circumstances, such as a significant increase in the complexity/size of the Group or the scope of an individual's position and/or role has changed or where base salary has been set at a level below the desired market level contingent on individual performance, the Remuneration Committee can exceed the 'normal' level of increase including exceeding it, over a phased period.

Performance framework
The performance of both the Group and the individual are key considerations when determining salary increases.

Benefits

Purpose and link to strategy
To be market competitive for the purpose of attracting and retaining high calibre individuals.

Operation
Benefits may be provided as determined by the Remuneration Committee. Typically, this includes a company car (or cash allowance), life assurance/death in service, permanent health insurance and medical insurance.

Executive Directors are also eligible to participate in all-employee share plans operated by the company on the same basis as other employees.

Where applicable, relocation costs may be provided in line with the company's relocation policy, which may include removal costs, accommodation assistance, a cost of living allowance, school fees and tax equalisation.

Maximum
There is no formal maximum limit as the cost of benefit provision can fluctuate depending on changes in provider cost and individual circumstances.

Participation in all-employee share plans is subject to statutory limits.

Performance framework
None.

Pension

Purpose and link to strategy
To provide a market competitive level of retirement benefit.

Operation
Pension contributions not exceeding a percentage of the individual's base salary can be made to an appropriate retirement funding vehicle (typically, the individual's personal pension scheme) or the contributions can be taken as a pension allowance cash supplement.

Maximum
The maximum pension contribution/cash supplement (in respect of a financial year) is 20% of base salary.

Performance framework
None.

Variable pay

Annual bonus

Purpose and link to strategy
To incentivise and recognise the achievement of specific annual financial and business objectives in support of the company's short to medium-term strategy.

Operation
Executive Directors may be eligible to receive a discretionary annual cash bonus which is not pensionable.

At the start of each financial year, performance measures and weightings are determined and annual financial targets are set by the Committee. Bonus outcomes are determined by the Committee based on performance against those targets.

A quarter of any bonus that may be paid shall be compulsorily deferred into shares that vest after three years subject to continued employment. Deferred bonus shares are eligible for dividend equivalents over the period from the date the deferred award is granted, to the date of its satisfaction.

In future years, the Committee retains the discretion to change the deferred amount and/or vary the deferral period provided that the change does not make the deferred amount any less or the deferral period any shorter, than as outlined in this Policy report.

The Committee may apply judgement and shall have discretion to make appropriate adjustments to an individual's annual bonus, for example, to reduce any potential annual bonus if the Committee believes that an individual has not made satisfactory progress in contributing to the Group's non-financial strategic objectives.

Malus and/or clawback provisions apply to both the cash and the deferred element.

Maximum
The maximum annual bonus potential for Executive Directors is 130% of base salary. The threshold, target and maximum bonus levels are as follows:

Threshold as a % of bonus	Target as a % of bonus	Stretch as a % of bonus
20%	60%	100%

Performance framework
Current measures for financial performance are adjusted earnings per share (EPS), free cash flow and revenue but outcomes will only be determined provided that the earnings per share threshold has first been achieved.

The Committee retains discretion to annually adjust the performance measures/targets/weightings in future years to reflect the prevailing operational and strategic aims and objectives of the business. However, a minimum of 50% of the total will always be based on key financial measures.

Further details of the performance measures/target/weightings are set out in the Annual report on remuneration on page 98.

Report on directors' remuneration (continued)

Variable pay

Long-term incentives

Purpose and link to strategy
To create, incentivise and recognise long-term shareholder value through the satisfaction of challenging and stretching performance measures/targets linked to the company's strategic objectives.

Operation
Long-term incentives will only comprise a Performance Share Plan (PSP) award.

Awards are normally granted annually with vesting on the third anniversary of the grant date dependent on the achievement of stretching performance measures/targets over a period of three financial years. The performance measures/targets will be determined at the start of each performance period in line with the company's strategic objectives.

Malus and/or clawback provisions apply.

Awards will be eligible for dividend equivalents over the period from the date the award is granted, to the date of its satisfaction.

Maximum
The maximum award limit in each financial year will be 200% of base salary. In exceptional circumstances, the Committee may make awards of up to 240% of base salary.

Performance framework
There are two equally weighted performance measures:
– Adjusted earnings per share (EPS); and
– Weighted average post-tax return on invested capital (ROIC).

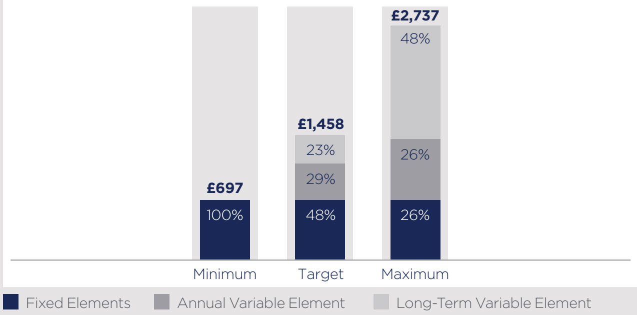
For threshold performance, 25% of the award will vest. For maximum performance, 100% will vest. Vesting will operate on a straight-line basis.

The Committee retains discretion to include additional or alternative financial performance measures/targets and/or adjust the weightings in future years to reflect the prevailing operational and strategic aims and objectives of the business.

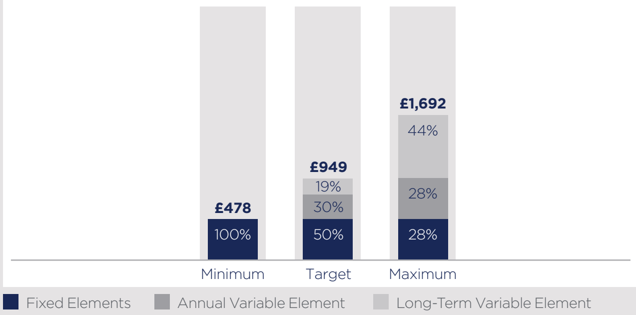
Further details of long-term incentive awards are contained in the Annual report on remuneration on pages 91 to 107.

Illustrating the application of the remuneration policy

James Drummond (£000)



Kevin Quinn (£000)



The potential reward opportunities illustrated above were calculated using base salaries effective from 1 January 2017. For the annual bonus, the amounts illustrated are those potentially receivable in respect of performance for 2017. It should be noted that any awards granted under the PSP do not normally vest until the third anniversary of the date of grant. The projected values of PSP awards exclude the impact of share price growth and dividend accrual. Illustrations are intended to provide further information to shareholders regarding the pay for performance relationship. However, actual pay delivered will be influenced by changes in share price and the vesting period of awards.

The assumptions set out below have been made in compiling the above charts:

Assumptions	Minimum	Target	Maximum
Fixed pay	Base salary and pension provision effective 1 January 2017. Benefit levels are assumed to be the same as the last financial year.	Base salary and pension provision effective 1 January 2017. Benefit levels are assumed to be the same as the last financial year.	Base salary and pension provision effective 1 January 2017. Benefit levels are assumed to be the same as the last financial year.
Annual bonus	No annual bonus payable.	On target annual bonus of 60% of bonus potential.	Maximum annual bonus (100% of bonus potential).
PSP	Threshold not achieved (zero vesting).	Share award of 240% of base salary for James Drummond and 200% of base salary for Kevin Quinn. Threshold vesting (25% of award).	Share award of 240% of base salary for James Drummond and 200% of base salary for Kevin Quinn. Full vesting (100% of award).

Notes:
(i) In 2017, James Drummond will be granted an additional (and exceptional) long-term incentive award of 40% of base salary (the total award will be equivalent to 240% of base salary).
(ii) Pension contributions are 20% of base salary for James Drummond and Kevin Quinn.
(iii) The Berendsen Sharesave Plan is excluded from the scenarios as the values are negligible.

Summary of remuneration elements for Non-Executive Directors and the Chairman

Purpose and link to strategy

To attract and retain Non-Executive Directors with the appropriate and requisite degree of experience, independence, knowledge and skills and to attract and retain a Chairman capable of providing effective leadership of the Board.

Operation

Fee levels are reviewed and determined annually by the Board (other than fee levels for the Chairman which are reviewed and determined by the Remuneration Committee) under a policy that seeks to recognise the time commitment, responsibilities, the technical skills required to make a valuable contribution to the Board, and by reference to comparators.

Additional fees may be paid in respect of service as Chairman of a Committee or for additional duties such as serving as the Senior Independent Director.

Participation is not permitted in any incentive or pension arrangement operated by the company and, other than fees, no additional or other remuneration is paid. Travel and subsistence for Non-Executive Directors based outside of the UK for company-related business will be reimbursed by the company.

Maximum

Any fee increases are applied in line with the outcome of the annual review. The maximum aggregate annual fee for all Non-Executive Directors, including the Chairman, as provided for in the company's Articles of Association, is £750,000.

Performance framework

None.

Directors' report

The directors present their Annual Report and audited financial statements for the year ended 31 December 2016.

This Annual Report contains forward-looking statements. These forward-looking statements are not guarantees of future performance. Rather they are based on current views and assumptions and involve known and unknown risks, uncertainties and other factors that may cause actual results to differ from any future results or developments expressed in, or implied from, the forward-looking statements. Each forward-looking statement speaks only as of the date of that particular statement.

The Directors' report of the Group for the financial year ended 31 December 2016 is set out on pages 112 to 114 inclusive. Additional information which is incorporated by reference into this Directors' report, including information required in accordance with the Companies Act 2006 and Listing Rule 9.8.4R of the Financial Conduct Authority's Listing Rules, can be located as follows:

Disclosure	Location
Future business developments	Throughout the Strategic report (pages 1 to 59)
Employee involvement	Our people (page 35)
Financial risk management objectives and policies (including hedging policy and use of financial instruments)	Note 17 to the financial statements (pages 154 to 161)
Details of long-term incentive schemes	Note 21 to the financial statements (pages 165 to 168)
Directors' responsibilities statement	Page 115
Greenhouse gas emissions	Corporate responsibility report (page 39)

Both the Directors' report and the Strategic report have been drawn up and presented in accordance with, and in reliance upon, applicable English company law. The liabilities of the directors in connection with that report shall be subject to the limitations and restrictions provided by such law.

Branches outside the UK

The Group has a branch in Finland.

Results and dividends

The financial statements set out the results of the Group for the financial year ended 31 December 2016 and are shown on page 136. The directors recommend a final dividend of 22.5 pence per ordinary share which, together with the interim dividend of 10.5 pence per ordinary share paid in October 2016, makes a total dividend for the year of 33.0 pence (2015: 31.5 pence) per ordinary share. Subject to approval by shareholders of the recommended final dividend, the dividend award to shareholders for 2016 will total £54.8 million. If approved, the company will pay the final dividend on 5 May 2017 to shareholders on the register of members at 7 April 2017.

Directors

The current directors of the company, including their biographical details, are set out on pages 66 and 67. Each director served throughout the financial year ended 31 December 2016.

Copies of Executive Directors' service contracts are available to shareholders for inspection at the company's registered office and at the Annual General Meeting (AGM). Details of the directors' remuneration and service contracts and their interests in the shares of the company are included in the Directors' remuneration report which is set out on pages 88 to 111.

Powers of the directors

The Board of directors is responsible for the management of the business of the company and may exercise all the powers of the company, subject to the company's Articles of Association (the 'Articles'), the Companies Act 2006 and any directions given by the shareholders by special resolution. The Articles may be amended by a special resolution of the company's shareholders.

Appointment and replacement of directors

Directors may be appointed by the shareholders by ordinary resolution or by the Board. A director appointed by the Board holds office only until the following AGM of the company and is then eligible for election by the members. The Board or any Committee authorised by the Board may from time to time appoint one or more directors to hold any employment or executive office for such period and on such terms as they may determine and may also unanimously revoke or terminate any such appointment.

The shareholders may, by special resolution, remove any director before the expiration of that director's period of office.

At every AGM of the company, any of the directors who have been appointed by the Board since the last AGM shall seek election by the members. Notwithstanding provisions in the company's Articles in respect of the retirement by rotation of directors, the Board has agreed, in accordance with the UK Corporate Governance Code, and in line with previous years, that all of the directors wishing to continue will offer themselves for re-election by the shareholders at the 2017 AGM.

Directors' indemnity

Article 131 of the Articles provides, among other things that, insofar as permitted by law, every director of the company or any associated company may be indemnified by the company against any liability.

Deed polls, which include the grant of indemnities constituting qualifying third party indemnity provisions (as defined by Section 234 of the Companies Act 2006), were in force during the year for each of the Chairman, Executive and Non-Executive Directors of the company and its wholly-owned subsidiaries.

In addition, the company has arranged appropriate insurance cover in respect of legal action against its directors and officers.

Share capital

As at 2 March 2017, the company's issued share capital equalled an amount of £51,785,326 divided into 172,617,754 ordinary shares of 30 pence each (no shares are held in treasury). Details of the movements in the company's issued share capital in the year are set out in note 20 to the financial statements.

Rights and obligations attaching to shares

Subject to the Articles, the Companies Act 2006 and other shareholders' rights: shares in the company may be issued with such rights and restrictions as the shareholders may by ordinary resolution decide, or if there is no such resolution, as the Board may decide provided it does not conflict with any resolution passed by the shareholders.

The rights attached to any class of shares can be amended if approved, either by 75% of shareholders holding the issued shares in that class by amount, or by special resolution passed at a separate meeting of the holders of the relevant class of shares.

Every member and every duly appointed proxy present at a general meeting or class meeting has, upon a show of hands, one vote and every member present in person or by proxy has, upon a poll, one vote for every share held by him or her.

No person holds securities in the company carrying special rights with regard to control of the company.

Restrictions on transfer of securities in the company

There are no restrictions on the transfer of securities in the company, except:

- That certain restrictions may from time to time be imposed by laws and regulations (for example, insider trading laws)
- Pursuant to the Listing Rules of the Financial Conduct Authority, whereby certain employees of the company require the approval of the company to deal in the company's ordinary shares

The directors are not aware of any agreements between holders of securities that may result in restrictions on the transfer of securities.

Restrictions on voting

No shareholder shall be entitled to vote at any general meeting or upon a poll or exercise any other right conferred by membership (unless the directors decide otherwise) in respect of any share held by him or her if any call or other sum then payable by him or her in respect of that share remains unpaid or if a shareholder has been served with a restriction notice (as defined in the Articles) after failure to provide the company with information concerning interests in those shares required to be provided under the Financial Conduct Authority's Listing Rules.

The directors are not aware of any agreements between holders of securities that may result in restrictions on voting rights.

Rights under the employee share scheme

As at 31 December 2016, Estera Trust (Jersey) Limited ('Estera'), as trustee of the Berendsen Employee Benefit Trust, held 1,390,393 shares in trust for the benefit of the Executive Directors and employees of the Group. A dividend waiver is in place in respect of Estera's shareholding and Estera currently abstains from voting but Estera may, upon the recommendation of the company and having taken into account all relevant matters including the interests of beneficiaries, accept or reject any offer relating to the shares in any way it sees fit, without incurring any liability and without being required to give reasons for its decision.

Authority to purchase own shares

At the AGM held on 28 April 2016, shareholders authorised the company to purchase in the market up to 10% of its issued share capital (17,257,992 ordinary shares) and, as at 31 December 2016, the full extent of this authority remained in force and unused. This authority is renewable annually, and a special resolution will be proposed at the 2017 AGM to renew it. The directors will only purchase the company's shares in the market if they believe it is in the best interests of shareholders generally.

Substantial shareholdings

The table below shows the holdings in the company's issued share capital which had been notified to the company pursuant to the Financial Conduct Authority's Disclosure Guidance and Transparency Rules. The information below was correct at the date of notification. It should be noted that these holdings are likely to have changed since the company was notified. However, notification of any change is not required until the next notifiable threshold is crossed.

	31 December 2016			2 March 2017*		
	Direct/indirect	No. of shares (m)	%	Direct/indirect	No. of shares (m)	%
Prudential plc	Direct	14.4	8.33	Direct	14.4	8.33
Ameriprise Financial Inc and its group	Direct	8.67	5.03	Direct	8.67	5.03
Fidelity Management & Research Company (FMR)	Direct	8.65	5.01	Direct	8.65	5.01
BlackRock	Direct	8.64	5.00	Direct	8.64	5.00
Royal London Asset Management	Direct	5.18	3.00	Direct	5.18	3.00

* Being the latest practicable date prior to publication of the Annual Report.

Directors' report (continued)

Significant agreements

There are a number of agreements that take effect, alter or terminate upon a change of control of the company, such as commercial contracts, bank loan agreements, property lease arrangements and employees' share plans. None of these are deemed to be significant in terms of their potential impact on the business of the Group as a whole, except for the following: US Private Placement Note Agreements US$100 million dated 25 May 2006, US$229 million and £25 million dated 24 November 2009, €80 million and DKK655 million dated 15 December 2015 and the €510 million Multicurrency Revolving Credit Facility dated 19 March 2016. These agreements contain change of control provisions which, if triggered, could limit future utilisations, require the repayment of existing utilisations or lead to a renegotiation of terms.

Employees

The Board recognises the importance of attracting, developing and retaining the right people, as well as maintaining a safe working environment for our existing employees. Please refer to page 35 for further details about Group policies and procedures on how employees' skills, communication and engagement are strengthened; go to page 36 for health and safety policies and procedures.

In accordance with best practice, the company has employment policies in place which provide equal opportunities for all employees, irrespective of sex, age, race, colour, disability, sexual orientation, religious beliefs or marital status, educational and professional background. The company gives full and fair consideration to applications for employment from applicants with disabilities where they have the appropriate skills and potential.

Appropriate arrangements are made for the continued employment and training, career development and promotion of persons with disabilities employed by the Group. If there were to be any instance of an employee becoming disabled during their employment with us, every effort would be made to make sure that their employment with us continues and that, where needed, appropriate retraining is arranged.

Political donations

There were no political donations during 2016 (2015: nil).

Auditors and disclosure of information to auditors

The company's auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office and a resolution to reappoint them will be proposed at the AGM.

As far as each director is aware, there is no relevant audit information of which the company's auditors are unaware. Each director has taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

Going concern

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Strategic report on pages 1 to 59. The financial position of the Group, its cash flows, liquidity position and borrowing facilities are described in the Financial review on pages 42 to 51. In addition, note 17 to the financial statements includes the Group's objectives, policies and processes for managing its capital; its financial risk management objectives and policies; details of its financial instruments and hedging activities; and its exposures to price, credit, liquidity and cash flow risk.

The Group has considerable financial resources together with long-term contracts with a number of customers and suppliers across different geographic areas and industries. As a consequence, the directors believe that the Group is well placed to manage its business risks successfully.

Having assessed the principal risks, and other matters discussed in connection with the viability statement, the directors consider it appropriate to adopt the going concern basis of accounting in preparing the financial statements.

Annual General Meeting

The Notice of the AGM to be held at 11.00 am on Thursday 27 April 2017 is being sent separately to shareholders with this report. The venue for the meeting is The Athenaeum Hotel at 116 Piccadilly, Mayfair, London, W1J 7BJ.

The Directors' report has been approved by the Board of directors and is signed on its behalf by:

David Lawler
Company Secretary
2 March 2017

Directors' responsibilities for the financial statements

The directors are responsible for preparing the Annual Report and Accounts, the report on directors' remuneration and the audited financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law, the directors have prepared the Group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union, and the company financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101).

Under company law, the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and the company and of the profit or loss of the Group and the company for that period.

In preparing these financial statements, the directors are required to:

- → Select suitable accounting policies and then apply them consistently
- → Make judgements and accounting estimates that are reasonable and prudent
- → State whether applicable IFRSs as adopted by the European Union have been followed, subject to any material departures disclosed and explained in the financial statements
- → For the parent company financial statements, state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the parent company financial statements
- → Notify its shareholders in writing about the use of disclosure exemptions, if any, of FRS 101 used in the preparation of financial statements
- → Prepare the financial statements on a going concern basis unless it is inappropriate to presume that the company will continue in business

The directors are responsible for ensuring that the company keeps adequate accounting records which are sufficient to show and explain the company's and the Group's transactions, disclose with reasonable accuracy, at any time, the financial position of the company and the Group and enable them to ensure that the financial statements and the report on directors' remuneration comply with the Companies Act 2006 and, as regards to the Group financial statements, Article 4 of the International Financial Reporting Standards (IFRS). The directors also have a general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and company and hence to prevent and detect fraud and other irregularities.

This statement, which should be read in conjunction with the auditors' report, is made with a view to distinguishing for shareholders the respective responsibilities of the directors and the auditors in relation to the financial statements.

A copy of the Annual Report and the financial statements of the company are on the company's website at www.berendsen.com. The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website; the work carried out by the auditors does not involve consideration of these matters. Accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were placed on the website. Information published on the internet is accessible in many countries with different legal requirements. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

In accordance with DTR 4.1.12, each of the directors confirms that, to the best of their knowledge:

i) The financial statements of the Group, prepared in accordance with IFRS as adopted by the EU, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group

ii) The Strategic report (on pages 1 to 59) and the Directors' report contained in this Annual Report, include a fair review of the development and performance of the business and the position of the Group, together with a description of the principal risks and uncertainties they face

In accordance with the provisions of the UK Corporate Governance Code, the directors confirm that, to the best of their knowledge, the Annual Report and Accounts, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the performance, business model and strategy of the company and the Group.

Each director who holds office at the date of approval of this Directors' report confirms that:

(a) so far as each such director is aware, there is no relevant audit information of which the Company's auditors are unaware; and

(b) the directors have taken all the steps that they ought to have taken as directors to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

The current directors and their responsibilities are listed on pages 66 and 67.

This statement has been approved by the Board of directors and signed on its behalf by:

David Lawler
Company Secretary
2 March 2017