

Growth through the energy transition

Aggreko plc

Annual Report and Accounts 2020





I would like to recognise and thank everyone at Aggreko for the great job they have done in responding to the COVID-19 pandemic, adapting and continuing to serve our customers safely and reliably through these challenging times. We can, and will, emerge stronger, and we are excited about the opportunity in front of us to grow through the energy transition, while continuing to power progress for our customers wherever they are in the world.

Chris Weston
Chief Executive Officer

Performance highlights

Revenue

£1,365m

2019: £1,613m

Pre-exceptional profit before tax

£102m

2019: £199m

Post-exceptional operating loss

£(39)m

2019: £241m

Pre-exceptional operating profit

£136m

2019: £241m

Pre-exceptional return on capital employed¹

7.5%

2019: 11.2%

Post-exceptional loss before tax

£(73)m

2019: 199m

Pre-exceptional diluted EPS

21.8p

2019: 50.7p

Dividend per share

15.00p

2019: 9.38p²

Post-exceptional diluted EPS

(43.4)p

2019: 50.7p

Exceptional items are explained in Note 7 to the Accounts

1 ROCE calculation is detailed on page 159

2 Interim dividend only

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Growth through the energy transition

In order to grow while continuing to meet our customers' changing needs, we will evolve the way we do business.

To enable that, we have refreshed our strategy, with clear commitments.

1.

To become a net-zero business by 2050 or sooner

With commitments for the next decade:

- Reduce diesel fuel used in customer solutions by at least 50%
- Reduce local air quality emissions of our solutions by 50%
- Achieve net-zero emissions across our business operations

[Read more on page 07](#)

2.

To maintain our target of delivering a mid-teens ROCE

Focusing on profitable growth:

- Delivering revenue growth of ~5–10% per year over the medium term
- Driving mid-term margin expansion into the high teens

[Read more on page 12](#)

3.

To retain our relentless focus on capital employed:

- Disciplined capital investment in the range £250–350m per year supporting the transition
- Maintaining our focus on improving utilisation
- Continuous improvement in working capital performance

[Read more on page 20](#)

Our strategic priorities enable us to pursue these aims:



Customer focus

- Being particular about the sectors we target
- Offering specialist solutions
- Being simple to do business with

[Read more on page 12](#)



Technology investment

- Developing competitive configurable products
- Smarter use of connected systems and data analytics
- Integrating renewable and storage technology

[Read more on page 16](#)



Capital efficiency

- Being mobile and modular
- Getting the very maximum out of our assets
- Striving for the most competitive cost base

[Read more on page 20](#)



Expert people

- Living Always Orange
- Nurturing our full potential
- Staying safe and professional at all times

[Read more on page 22](#)

The world-leading provider of mobile modular power, temperature control and energy services

We are working at the forefront of a rapidly changing energy market. Our focus is on solving our customers' challenges to provide cost-effective, flexible and greener solutions across the world.

Our global reach

80

countries

6,008 MW

average power on hire

6,000+

permanent employees

697 MW

average temperature control on hire

182

sales and service centres

119 MW

of hybrid projects on hire

Rental Solutions

We provide power, heating and cooling in developed markets, focused on seven key sectors. Our customer requirements tend to revolve around smaller, short-term but often complex projects, and key events.



Revenue

£693m

53% of Group revenue



Pre-exceptional operating profit

£102m

75% of Group operating profit

Post-exceptional operating profit

£77m

Key sectors % of revenue

1. Building services & construction	21%
2. Petrochemical & refining	17%
3. Utilities	13%
4. Oil & gas	11%
5. Manufacturing	7%
6. Mining	7%
7. Events	4%
8. Other	20%

Power Solutions

We provide power, heating and cooling focused on seven key sectors across emerging markets for customers with generally longer-term power needs.

Industrial (PSI)

Comprises medium-term projects, as well as shorter-term rental contracts for industrial customers.



Revenue

£362m

● 27% of Group revenue



Pre-exceptional operating profit

£18m

13% of Group operating profit

Post-exceptional operating loss

£(22)m

Key sectors % of revenue

1. Oil & gas	39%
2. Mining	16%
3. Building services & construction	10%
4. Events	7%
5. Manufacturing	8%
6. Utilities	6%
7. Petrochemical & refining	5%
8. Other	9%

Utility (PSU)

Longer-term projects providing power to national utility customers.



Revenue*

£265m

● 20% of Group revenue



Pre-exceptional operating profit

£16m

12% of Group operating profit

Post-exceptional operating loss

£(94)m

*PSU revenue excludes pass-through fuel

100% of revenue is derived from national utility customers.

i See **page 24** for financial performance

Our purpose

We power progress by delivering energy anywhere

We are united by our ambition to power progress, as the world grows more concerned with how its energy is produced.

If we can lead our customers through the energy transition and help them achieve their carbon reduction targets – while remaining true to our values and being Always Orange – then we will power progress by delivering energy anywhere.

Our investment case

Attractive, enduring markets targeting 5 – 10% mid-term revenue growth

i Read more about our markets on **page 06**

Focus on key sectors where our specialisation differentiates us

i Read more about our business model on **page 08**

Proven technology expertise with a growing renewable and storage integration capability

i Read more about our technology strategy on **page 16**

Well positioned for profitable growth with a clear path to mid-teens returns

i Read more about our capital efficiency on **page 20**

Progressive dividend within a balanced capital allocation framework

i Read more about our capital allocation on **page 09**



Aggreko has been able to depend on its adaptability, flexibility and reliability through 2020, the toughest of years



In my 10 years with Aggreko, I have been immensely impressed by the resilience with which the business has adapted to significant changes in its markets, but never more so than in the way it dealt with COVID-19. As I write my final statement, I know this resilience will enable Aggreko to grow through the energy transition.

Ken Hanna
Chairman

Performance and the COVID-19 pandemic

As you look at last year's performance, you will see the impact of COVID-19, but what you will not be able to see is the valiant way in which our people responded. These results cannot do justice to the resilience of our business or the adaptability of our people, as well as the strengthening of Aggreko's foundations over the last five years. Profit before tax was down 45% on an underlying basis and our return on capital employed (ROCE) was 7.5% (the calculation is on page 159). Our financial performance is discussed on page 24.

Our primary concern has been and remains the welfare of our people, their families and the local communities in which we work. We have also focused on maintaining the financial strength of Aggreko, stringently managing our costs, and we are pleased not to have taken any government support or loans. We look forward to the time when we can remove all protection measures, but we are already seeing a marked improvement in market conditions.

Growth through the energy transition

In November 2020, we announced our energy transition commitments with targets for the next decade and to reach net zero by 2050. However, our financial aspirations are much nearer term. We are targeting revenue growth of between 5% and 10% per year in our sectors, margins in the high teens, and ROCE in the mid-teens in the medium term. We have evolved our strategic priorities and the entire company is excited by and committed to achieving these targets. The energy transition and how we will achieve our commitments form the body of the strategic report.

Dividend

We remain committed to a progressive dividend which, supported by the business performance, delivers regular cash returns to our shareholders. Following the decision at the 2020 Annual General Meeting (AGM), not to pay the 2019 final dividend, in line with steps taken to preserve the Group's cash position through the COVID-19 crisis, the Board approved an interim dividend of 5 pence per share for 2020. This reduction on the prior year reflected lower earnings and the market uncertainty at that time, and not a change in the Group's dividend policy.

Given the strength of our foundations, our disciplined execution and our evolved strategy for the energy transition, the Board is confident that Aggreko is well positioned for the future. Therefore, the Board is proposing to pay a final dividend of 10 pence per share, which, subject to shareholder approval, will result in a full year dividend of 15 pence (2019: 9.38 pence) per Ordinary Share.

Board changes

On 6 August 2020, we announced that I would step down from the Board at the 2021 AGM and that Mark Clare would join on 1 October 2020 as a Non-executive Director and Chair Designate. We are delighted to welcome Mark, whose calibre and suitability to lead the Board is reinforced by the depth of his experience, wealth of industry knowledge and strong leadership track record. I have every confidence that Mark will provide exactly the leadership needed in the next phase of Aggreko's journey.

I would like to thank Diana Layfield, who left the Aggreko Board at the end of 2020, for her dedicated service over nine years. We particularly valued her extensive international experience and deep understanding of markets in Asia and Africa.

Reflections on leaving Aggreko

As I leave Aggreko after nine years as Chair, the themes running through my reflections are resilience and adaptability. It is worth remembering just how much we have had to adapt, particularly in the time since Chris Weston joined as Chief Executive Officer in 2015. Following the significant impact of the collapse of the oil price in 2014, we reappraised the balance of our markets, resulting in today's greater diversity. From 2015, we addressed the increase in competition in our Power Solutions Utility markets, resulting in today's more resilient Group structure, with the faster-growing Rental Solutions and Power Solutions Industrial businesses representing 80% of Group revenue. Since 2018, when Heath Drewett joined as Chief Financial Officer, we have sharpened our focus on improving ROCE and, in 2019, we announced the first increase in the ordinary dividend since 2014. Then COVID-19 struck. Today, Aggreko is in good heart; it is more robust, with stronger foundations, a committed team of adaptable and expert people, and a clear strategy to grow through the energy transition.

Thank you

I would like to thank everyone in Aggreko for their tenacity in dealing with COVID-19, their energy in continuing to embrace our values, their resilience in coping with changing market conditions and their adaptability in evolving our business. I have been proud to be a part of all Aggreko has achieved. I know you will all continue to work as effectively in the future for our customers, our communities and our shareholders.

Ken Hanna
Chairman

i Read our section 172 statement on **page 46**

We have emerged from the pandemic stronger, and have set ambitious targets for growth through the energy transition



I thank our people for adapting so well to the challenges of COVID-19. We kept our people safe and all our operations going, we supported our customers and communities, and we accelerated structural improvements. This performance supports our confidence that we will meet our medium term growth targets and longer-term decarbonisation commitments.

Chris Weston
Chief Executive Officer

Aggreko came into 2020 with good momentum, and the trajectory on which we exited 2019 would, were it not for the impact of COVID-19, have delivered our 2020 mid-teens ROCE target. Our performance in 2020 was, of course, negatively affected by the pandemic, but we have proven the resilience and adaptability of our business. [Our Group performance review begins on page 24.](#)

Our response to COVID-19

As soon as the pandemic was declared, we identified four priorities:

1. Looking after our people: We enabled more than half our people to work from home and enhanced health and safety (H&S) measures to allow our depots and project sites to remain operational. Despite these very difficult working conditions, H&S indicators were good and our Be Heard survey achieved record levels of engagement. We were able to avoid the need for COVID-related redundancies or reductions in pay. [We discuss our strategic priority for expert people on page 22.](#)

2. Maintaining our financial strength: We took immediate action to strengthen our liquidity and reduce costs, including limiting fleet capex, cancelling the 2020 annual bonus and salary review, freezing recruitment, and reducing our temporary workforce. In addition, we continued our cost-saving programme in Power Solutions. As a result, we did not put any staff on government-funded furlough schemes. Our continued focus on debtor and credit management has led to significant improvements in working capital. We also completed a comprehensive balance sheet review, resulting in a £175 million non-cash exceptional impairment. [Further detail on the impairment taken this year, and our approach to capital efficiency can be found on pages 20 and 123 respectively.](#)

3. Supporting our customers: We maintained our proactive approach to customers and provided assistance to the COVID-19 relief effort, prioritising support

for critical services and helping customers manage pandemic-driven demand. In the UK, we also offered a fleet of small generators for NHS testing sites. Despite the pressures our customers and our people faced, our Group Net Promoter Score (NPS) rose to 71% from 65% a year ago. [We discuss our strategic priority of customer focus on page 12.](#)

Group Net Promoter Score (NPS)

71% 2019: 65%

4. Emerging stronger: We did not let the pandemic get in the way of our focus on improving the capability of our people, the condition of our fleet, or our financial returns. We undertook virtual training, serviced our fleet, identified surplus local fleet and inventory, and refined plans for depots and projects with sub-optimal returns. In parallel, we developed our strategy for the energy transition, announced in November. [Further detail on our response to the energy transition, can be found on page 06.](#)

The energy transition and our commitments for decarbonisation

The energy transition plays to Aggreko's strengths and will provide opportunities. Demand for electricity will continue to grow, driven by population growth and electrification. However, the climate imperative and availability of new technology are changing the way in which electricity is generated, distributed, consumed, stored and monitored, making it more complex. This means that the need for flexible, reliable and integrated solutions, with lower carbon and local emissions, has never been greater, and our market for temporary, distributed energy is growing.

Committed to reduce diesel fuel in customer solutions by 2030

50%

Our decarbonisation commitments are to reduce diesel fuel used in customer solutions and their local air quality emissions by at least 50% and to be net

zero across our business operations by 2030, and for Aggreko and the services we provide to be net zero by 2050. We have evolved our strategic priorities to deliver our commitments and are well supported by our cash generation and strong balance sheet to make the expected capital investment of between £250 million and £350 million per year.

[The energy transition, our commitments and our strategy to achieve them are covered on page 06.](#)

Driving profitable growth and returns in the medium term

As this demand for our services grows, so will we. By building on our sector specialisation and realising new opportunities in our markets as they transition, alongside our initiatives to improve profitability, we are targeting medium term growth in our sectors of 5% to 10% per year and expansion in Group margins into the high teens. In combination with improving capital efficiency, this gives us a clear path to mid-teens ROCE in the medium term.

[The drivers of revenue growth are covered in more detail on page 12 and margin expansion and returns on page 20.](#)

Targeted medium term key sector revenue growth

5–10%

Aggreko's strengths are evident in the way in which we responded to the challenges of the pandemic, and I thank all our people for their hard work through a difficult year. We are all excited by the opportunities the future holds as we execute our strategy for the energy transition, delivering the right solutions for our customers and improving returns for our shareholders.

Chris Weston
Chief Executive Officer

[Read more about our sustainability framework on page 42](#)

Four megatrends are shaping the energy industry, with decarbonisation as the key driver

The megatrends of decarbonisation, decentralisation, demand growth and digitalisation are increasing the demand for energy and complexity in the way it is managed. The fundamentals underpinning our markets are strong. Bloomberg NEF estimates electricity demand will grow 70% by 2050, driven by population growth and increasing electrification. Decarbonisation is driving the generation mix towards renewables, increasing the need to expand and replace ageing electricity infrastructure. This is leading to greater decentralisation, reduced reliability and increased volatility, with greater uncertainty for customers.

These are ideal conditions for Aggreko.

We are embracing these changes, delivering innovative solutions to meet the evolving needs of our customers. Investing in technology to reduce the cost of energy and its environmental impact, while delivering operational and capital efficiency by optimising our resources, means that we are well placed to benefit through the energy transition.



Decentralisation

leads to demand for smaller, flexible power solutions on a localised basis.

Decentralisation is being driven by lack of capital available to improve and expand grids, while capacity demand is rising and generation and storage technology costs have fallen. Demand for lower-cost generation technologies, renewables, flexibility and security of supply has led to rapid growth in the demand for distributed or off-grid solutions. These projects affect all segments of the energy market – business, residential and communities, particularly in emerging markets where decentralised power systems are an increasingly important self-supply solution. This will be seen mostly in Europe, where Bloomberg NEF estimates that the median power-plant size will fall from ~560 MW in 2020 to ~30 MW over the next three decades.

c.20 GW

installed microgrids forecast globally by 2028

Source: Navigant research

Decarbonisation

drives investment towards renewables and lower emission fuels.

Decarbonisation is the key driver of an accelerated energy transition, with national policies, sustainable financing and stronger corporate commitments all playing a role. There is pressure to improve the efficiency of existing installations and to limit the CO₂ and local emissions driven by increasing demand. Today, more than 170 countries have established renewable energy targets as governments increasingly drive decarbonisation policies. The falling cost of renewable technologies relative to traditional thermal capacity is helping to drive sustainable investment. Hybrid systems, which include a level of thermal generation, provide a pathway to integrating renewable energy while reducing CO₂ emissions, but will require effective demand management to balance the system.

170+

Number of countries with emissions reduction targets
Source: IRENA



Demand growth

increasing with population and economic growth but with a different demand profile through urbanisation, globalisation and generational change, including electrification of transport, building and industry sectors.

Global population is expected to increase by 1 billion over the next 10 years, with over 90% of this in urban areas in less developed regions where power supply is often unreliable. While the World Bank estimates that more people than ever before have access to power, by the end of this decade, some 650 million people, mainly in sub-Saharan Africa, will remain without access to power. Given the investment involved in electricity grids, there are vast geographic areas where the population density does not, and may never, support this investment.

650m

people, mainly in Africa, will remain without access to electricity by 2030

Source: IEA



Digitalisation

helps optimise operations, driving down cost and ensuring reliable integration of intermittent renewable power.

Digitalisation is making energy more accessible and, as a result, more important to users. There is a need to integrate diverse energy systems, including distributed generation, intermittent renewable power and energy storage. This also requires smart energy management to help balance the system in the most efficient way. Implementing digitalisation at each stage of the value chain of the energy system provides insight for users. It enables increased efficiency, stability and reliability through the ongoing monitoring of power assets to optimise operations, maintenance and emissions.

>\$100bn

investment in smart grid infrastructure since 2014

Source: IEA



Our commitment to net-zero

Alignment with the Paris Agreement limiting global warming to 1.5°C requires ambitious commitments.

By 2030

1. Reduce diesel fuel used in customer solutions by at least 50%
2. Reduce local air quality emissions of our solutions by 50%
3. Achieve net-zero emissions across our business operations

i Becoming net-zero means we plan to fully offset the greenhouse gas emissions from our activities, read more on **page 18**

By 2050 or sooner

1. Become a net-zero emissions business

i Read more about our future climate related disclosures using the TCFD framework on **page 44**

Projected global electricity demand drives speciality rental

Aggreko's underlying market in power rental will see growth as global electricity demand rises through the transition with the development of renewables crucial in meeting those needs sustainably.

~22,000 TWh

2020

- Demand is driven by a growing population and increasing electrification
- Renewables' growth will lead to greater decentralisation and the need to manage increased volatility
- Will require expansion and replacement of power generation and ageing grid infrastructure

The electricity market is becoming increasingly complex and decarbonisation is accelerating.

Source: Bloomberg NEF, New Energy Outlook 2020

~37,000 TWh

by 2050

Global electricity demand forecast to rise ~70% by 2050

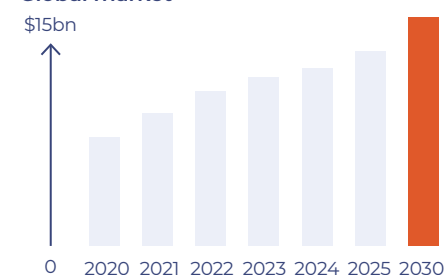


Estimated ~5% market CAGR between 2020-30 for global speciality rental

Speciality rental market growth is driven by the shift from ownership to rental, trends through the energy transition and wider infrastructure spend.

Source: Verify Markets study for Aggreko, 2020

Global market



Aggreko is well positioned to lead the transition and drive growth

Sector expertise

- Market leadership across key sectors
- Insight into customers' changing needs
- Leveraging sector specialism and expertise, and expanding global coverage

Technical capabilities

- Reputation and credentials founded on our technical capability in decentralised energy
- Expertise in flexible, multi-fuel equipment; with growing experience in hybrid micro-grids
- Digitally connected fleet and data analytics enable operational and cost efficiencies

Global presence with local knowledge

- Reliability and quality of service with a Group Net Promoter Score of 71% in 2020
- Our global relationships and infrastructure unlock opportunities

Aggreko has the right business model to grow through the energy transition

We solve our customers' energy problems whatever, and wherever, they are.

Working at the forefront of a rapidly changing energy market, we solve our customers' energy problems by providing sector-specific cost-effective, flexible and greener power and temperature control solutions.

Just under 90% of our revenue comes from seven key sectors:

1. Petrochemical and refining
 2. Building services and construction
 3. Oil and gas
 4. Utilities
 5. Events
 6. Manufacturing
 7. Mining
- Other sectors served include data centres and shipping.

How we make money

The main ways in which we generate revenue for the Group are:

Technical services

Including any design work completed to develop a customer solution

Fuel and logistics

We recover our costs and can provide a fully managed fuel service

Production

Customers pay an agreed rate for the power, heating or cooling generated based on use of our assets

Capacity charge

The charge for having each equipment item on rent

In some instances, we will operate the site, and the equipment on behalf of our customer in order for them to generate power as required. In these cases, the revenue streams are the same, but it will be charged as an "all-in" price to the customer. These items are closely linked and contribute to the three revenue-generating performance obligations detailed in the accounting policies on page 113.

An Aggreko project from start to finish



Build relationships and understand the requirement

Customers approach us through our website, word of mouth, advertising or existing relationships. They are generally other businesses, governments and individuals. Simple enquiries are managed by our inside sales channel. We operate a sector specialist approach for more complex needs, with experts who know the sector characteristics and our customers' needs in depth.



Proposal/tender

Having understood the challenge, we demonstrate our bespoke solutions and put together a proposal and quote. For larger government-funded projects, there is often a formal tender process.



Design and plan

Once the contract has been agreed, detailed design work is undertaken for the more complex projects. This will involve our engineering experts who develop bespoke applications and solutions. For large projects, there may be a number of design iterations. The design informs our fleet, logistics and people planning.

Who are our competition?

We compete with national, regional and local businesses, many of which are privately owned specialist rental businesses, general rental companies or divisions of large plant hire companies of OEM (original equipment manufacturer) dealerships.

What sets us apart?

Aggreko has a number of differentiating factors leading to high levels of repeat business from our customers.

1. Brand strength and reputation

Customers value our flexibility, reliability and innovation in offering options for lower cost and emissions, and strong focus on our ethics.

2. Global network of sales and service centres

A truly global footprint, operating in 80 countries with 182 sales and service centres. We respond quickly to worldwide events, moving our assets between sectors and countries.

3. Investment in our digital capability

We own our assets for their full useful life, generating vast amounts of fleet data. Based on this, we apply data science capabilities to refine asset performance. We also operate Group-wide market intelligence, customer relationship management (CRM) and sales platforms.

4. Continuous innovation

Our Global Products and Technology function optimises our existing applications and assets, while developing future technologies to deliver the reliability, flexibility and innovation our customers will continue to need through the transition.

5. Highly trained team of experts

A high degree of technical engineering expertise and experience within the business, with over 1,600 engineers, senior technicians and technical subject matter experts. This, combined with our sector, specialisation, helps to differentiate us.

6. Delivery of bespoke solutions for customers

The extensive technical, operational and engineering experience of our people, together with our values, reinforces our reputation for appropriate, reliable and, innovative solutions for every customer, even in the most challenging conditions.

Balanced approach to capital allocation

Effective capital allocation is critical given the capital-intensive nature of our business. We are committed to delivering long-term sustainable value for shareholders by:

1. Investing for growth

Maintaining our leadership position through the energy transition with disciplined investment in a lower-emission fleet while targeting returns in line with our mid-teens ambition.

2. Progressive dividend

Committed to a progressive dividend in the context of the business performance to deliver regular cash returns to our shareholders, targeting dividend cover of ~2.0x.

3. Selective M&A

Retaining optionality to pursue strategic investments in technology, skills and capabilities to enhance our ability to support customers through the energy transition.

4. Returning surplus capital

Ensuring surplus capital is identified and returned to investors via share buy-backs or additional dividends.

Maintaining 'through the cycle' gearing of ~1.0x net debt to EBITDA*.

*Reflecting the Group's operational risk profile, however, from time to time it may be higher as investment opportunities arise.



Mobilise and install

Mobilisation may take hours, days, weeks or months, depending on the contract scale and location. Rental Solutions contracts usually mobilise faster, with assets sourced from local service centres, while longer-term project contracts may require civil works and assets from further away for our technicians to install and commission the solution.



Operate

Customers can run our assets themselves following installation, although some contracts for power, heat or cool air require our skilled technicians to remain on site for operation. We monitor our fleet 24/7 from a remote operations centre in Louisiana, USA. We use this data insight and our experience to improve our operational efficiency.



Demobilise and redeploy

When a customer off-hires, we will remove the equipment and use our data monitoring and fleet management systems to determine whether the asset is moved to the next customer or returned to a service centre for maintenance. This helps reduce costs and improves utilisation through efficient fleet logistics.



Our refreshed strategy enables us to play our part in the energy transition, while growing profitably



Customer focus



Tailoring our solutions to support customers through the energy transition

The priorities in our customer strategy:

- Targeting particular sectors
- Offering specialist solutions
- Being simple to do business with

We are evolving our customer focus for the energy transition

- Understanding the impact of the transition
- Anticipating the needs of our customers
- Growth through flexibility and reliability to handle complex projects

[Read more on page 12](#)



Technology investment



Reducing emissions and the total cost of energy through innovation

Technology investment targeting:

- Developing competitive configurable products
- Smarter use of connected systems and data analytics
- Integrating renewable and storage technology

Our focus for technology investment through the energy transition

- Accelerating transition to lower-carbon solutions
- Offering alternative solutions to reduce fossil diesel fuel use
- Fleet evolution

[Read more on page 16](#)



Capital efficiency



Improving returns through more efficient deployment of resources

How we optimise our capital efficiency:

- Being mobile and modular
- Getting the most out of our assets
- Striving for the most competitive cost base

Our focus in improving returns through the energy transition

- Delivering profitable growth
- A relentless focus on capital employed
- Disciplined capital allocation

i Read more on **page 20**



Expert people



Our people set us apart as a trusted partner to power progress

Expert people priorities focus on

- Living Always Orange
- Staying safe and professional at all times
- Nurturing our full potential

We have a clear strategy for our people through the transition

- Increasing engagement by using our purpose to drive our organisation forward
- Improving performance by making sure we're always learning
- Differentiating ourselves from our competitors through our expertise

i Read more on **page 22**



Customer focus

Tailoring our solutions to support customers through the energy transition

The priorities in our customer strategy:

- Targeting particular sectors
- Offering specialist solutions
- Being simple to do business with

We are evolving our customer focus for the energy transition

- Understanding the impact of the transition
- Anticipating the needs of our customers
- Growth through flexibility and reliability to handle complex projects

We have proven that our diversified customer base and sector specialism drives growth

Over the last few years, we have focused our sales capability, applications and engineering on seven key sectors. Our customers share a common need for critical, flexible and reliable power, heating and cooling, but we use our strong relationships, specialist knowledge and experience to solve more challenging sector-specific problems. Our customer strategy has resulted in overall growth ahead of global GDP.

5%

Average Group revenue growth per year between 2016 and 2019

9%

Average Rental Solutions and PSI revenue growth per year between 2016 and 2019

This diversity and specialist expertise is at the core of the resilience with which we were able to support our customers during the COVID-19 pandemic.

Our review of the impact of the energy transition on our customers

We undertook a detailed review of what the energy transition means for our customers, assessing the pace of decarbonisation and trends and needs of our key sectors. We have identified an approach for each sector, whether to lead, collaborate or support. This review underpins our plans for growth through the transition.

We will drive growth in three principal ways:

1. Market penetration

We expect sector-specialisation to lead to market share gains or market creation in the way it has proven successful since its introduction. This approach has been a key driver of our average growth in Rental Solutions and PSI of 9% per year from 2016 to 2019.

2. Geographic expansion

We will continue to realise opportunities by taking our expertise into new geographic regions where we have an operational presence. We have done this successfully in mining, drawing on our expertise and relationships in Australia to build our position in Africa, which is now our largest source of mining revenue. We are also expanding into Latin America where we have secured a hybrid contract with the Salares Norte mine in Chile.

3. Energy transition opportunities

Our customers also face the decarbonisation imperative and the technological challenges it poses. Our strong customer relationships and track record in innovative technology, including a growing capability in hybrid solutions, are leading to increased opportunities for Aggreko as our customers turn to us for support through their transition.

5–10%

We are targeting average Group revenue growth of between 5% and 10% per year over the medium term

Reducing cost and emissions

A hybrid solution for the Syama gold mine, Mali

The adoption of new technology, integrating renewable energy, demonstrates the strong partnership we have built with our customer. A 20% reduction in carbon emissions is expected over the 16-year contract.



Find out more about our world-leading technology – delivering cost-effective power that ultimately lowers gold production costs

Demand for our capabilities increases as the transition accelerates

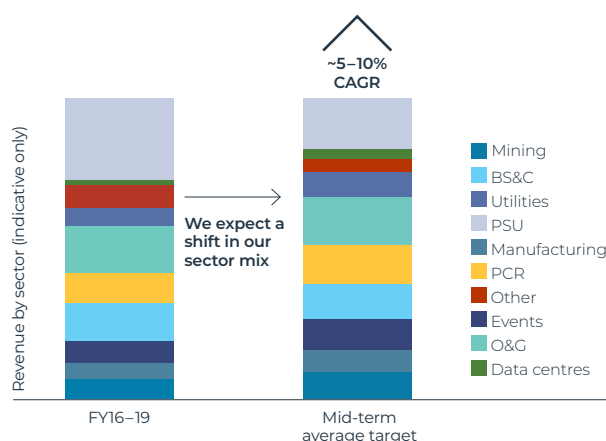
The pace at which our customers are decarbonising differs from sector to sector, as does the role we can play in supporting them. Whether our customers are operating within the limits of embedded infrastructures, such as in mining, or operating under compliance targets, such as construction, or putting on zero-carbon events, we are already tailoring solutions to their needs and rates of acceleration. This makes us a leader in the energy transition. We cover the ways in which we can support our customers in each sector on the following pages.

The three drivers of growth will result in a shift in our sector mix as the chart below indicates. We expect:

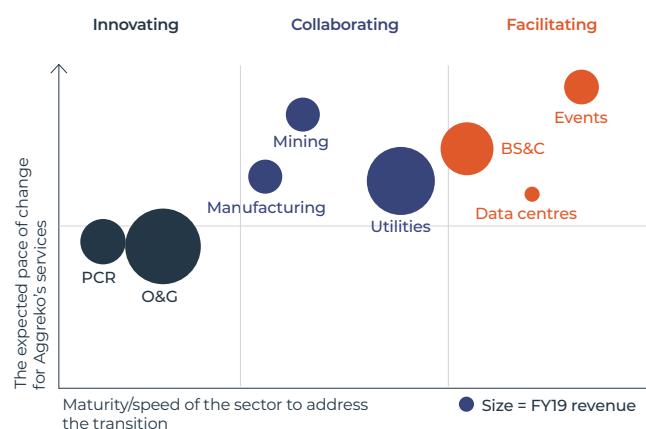
- Recovery and good growth in petrochemical and refining (PCR) and events
- Slower growth in oil and gas (O&G)
- Good growth in mining, manufacturing, and building services and construction (BS&C)
- Rapid growth in data centres, albeit from a lower base

The chart below illustrates the pace of the energy transition in each of our key sectors. We are working in different ways with each, designing solutions based on their level of adoption.

Growth in our sectors and shift in the mix



We are helping our customers transition at their pace



Measuring our performance

Customer loyalty

Measure

We use an industry standard known as Net Promoter Score (NPS) to measure and benchmark our performance against competitors and other B2B organisations.

Relevance

It is important that we understand the extent to which we meet our customers' expectations. The statistical insight we collect enables us to improve overall customer satisfaction and to be simple to do business with.

Target

Sustainable improvements in the NPS over time.

Performance

The improvement of our customer experience during 2020 is demonstrated by a Group NPS of 71% (2019: 65%). This puts Aggreko in the top 5% of B2B service organisations on a global basis.

Customer activity

Measure

Group average megawatts (MW) of power on hire.

Relevance

Average megawatts on hire across the year provides a good measure of the activity of the business globally.

Target

Our focus on returns means that we will not increase average megawatts on hire at the expense of price or the quality of our customer offering.

Performance

During the year, we have seen a reduction in the average megawatts on hire primarily reflecting the impact of COVID-19, which reduced power needs across most of our markets, and particularly in PSU where four major projects due for mobilisation in 2020 were delayed.

NPS

71%

Year	NPS
2020	71%
2019	65%
2018*	59%
2017	65%
2016	63%

* Reflects a change in how we measure.

Group average power on hire (MW)*

6,008 MW

Year	MW
2020	6,008
2019	6,381
2018	6,659
2017	6,613
2016	6,571

* Excludes hybrids.



Customer focus

Oil & gas

CAGR FY16–19 20%
Share of Group revenue
FY20 17%

What we do

Solutions where the grid is unavailable, to eliminate bottlenecks and monetise gas by-products, from exploration to production

Market commentary

The rapid growth in this sector has been curtailed by the weakening of the oil price in 2020. Nevertheless, we expect it to remain important for us, albeit at a slower rate of growth

Support for the energy transition

With their extensive infrastructure, the focus is on greater efficiency through the optimisation of existing sites and reduction in flaring



Building services & construction

CAGR FY16–19 flat
Share of Group revenue FY20 14%

What we do

Provision of reliable power, heating, cooling and dehumidification solutions

Market commentary

Strong growth in North America in response to our focus, but more challenging conditions in the Middle East due to the sanctions in Qatar

Support for the energy transition

Early adopters requiring innovative alternative solutions to meet increasing levels of environmental regulation. We are providing emissionised generators, alternative drop-in biofuels, gas-alternatives and battery storage

Events

CAGR FY16–19 13%
Share of Group revenue
FY20 4%

What we do

A valued and trusted partner, offering high-profile event knowledge, cost-efficient design capability combined with flexibility and reliability

Market commentary

Growth rates are affected by major events which tend to occur on a four-year basis, and almost all 2020 events were cancelled due to COVID-19. The Olympics are currently expected to proceed in 2021

Support for the energy transition

Stringent green credentials, without compromising the range of services, leading to battery storage and piloting of hydrogen fuel cells and step-down distribution from the grid



Mining

CAGR FY16–19 11%
Share of Group revenue FY20 8%

What we do

Fully flexible, cost-effective solutions for every stage of the mining lifecycle

Market commentary

Africa is now our largest source of mining revenue, built on our relationships in Australia, and we will expand into Latin and North America

Support for the energy transition

Requiring reliability and sustainability to a critical load, customers look for hybrid solutions to lower the cost of electricity and the environmental impact

Utilities

CAGR FY16–19 8%
Share of Group revenue
FY20 9%

Rental Solutions and PSI

What we do

Relying on expertise in high-voltage and grid connections, typically providing shorter-term solutions for emergency response

Market commentary

Good growth potential, building on our extensive utilities expertise, to resolve problems for power providers in developed markets, most notably the USA

Support for the energy transition

Looking for collaboration on infrastructure changes requiring interim solutions, such as gas, and long-term renewables and storage, which we are providing



Utilities

PSU

CAGR FY16–19 (8)%
Share of Group revenue
FY20 20%

What we do

Longer-term projects in emerging markets using our expertise in high-voltage, grid connections and ancillary services

Market commentary

Our focus on returns, with our stringent hurdle rates, sales and cost disciplines, reflect the changes in the market place

Support for the energy transition

Potential for collaboration as customers require gas bridging capabilities and flexibility to operate alongside renewables



Other, including data centres

CAGR FY16–19 8%
Share of Group revenue
FY20 12%

What we do

Data centres require power and temperature control for backup reliability, and testing applications during construction and commissioning, as well as bridging power ahead of grid connections

Market commentary

Data centres, a small, growing sector for us, is utilising a wide variety of our capabilities across power and temperature control

Support for the energy transition

The data centre sector is at the forefront of efforts to decarbonise. We are building a track record of providing highly efficient solutions suited to the market's stringent requirements



Petrochemical and refining

CAGR FY16–19 10%
Share of Group revenue
FY20 10%

What we do

Power and temperature control solutions to optimise turnaround and daily maintenance processes that improve production rates

Market commentary

We have exported our expertise in this sector from North America, our largest market, to continental Europe, which is growing strongly

Support for the energy transition

We help our customers, with their large, embedded infrastructure, on upgrades, repurposing plant and process enhancements, to fulfil the market's demand for changes in fuel mix

Manufacturing

CAGR
FY16–19 flat
Share of Group
revenue FY20 6%

What we do

Solutions to enhance processes and overcome power and temperature control challenges, reducing costly downtime

Market commentary

The lack of growth reflects the effect of the Qatar sanctions on Middle East markets, and the impact of the trade dispute between the USA and China

Support for the energy transition

Customers seek collaboration to use efficient, combined energy with alternative fuels to achieve process optimisation and on-site generation



Note: CAGR is defined as compound average growth rate



Technology investment

Reducing emissions and the total cost of energy through innovation

Technology investment targeting:

- Developing competitive configurable products
- Smarter use of connected systems and data analytics
- Integrating renewable and storage technology

Our focus for technology investment through the energy transition

- Accelerating transition to lower-carbon solutions
- Offering alternative solutions to reduce fossil diesel fuel use
- Fleet evolution

Accelerating transition to lower-carbon solutions

Our fleet today combines reliable, efficient and cost-effective technologies to serve our customers whether constrained in space and time, working in dusty, hot or very cold environments, in urban or in remote locations. All our services require energy, even where there is no existing infrastructure, or the existing infrastructure cannot accept any additional loads. Power generation, temperature control and oil-free air assets, run on widely available fuels, form the backbone of our services delivering uninterrupted, cost-effective power.

The in-house design of our assets and the development of unique, tailored solutions, some of which are patented, provide considerable value to the Group. These assets are managed centrally and deployed globally across the sectors in which we operate. Our knowledge of local emissions and regulatory requirements in the regions in which we operate significantly strengthens our ability to adapt as we move through the energy transition.

We see a growing and enduring need for our services as the shift to renewables accelerates. Opportunities to support the transition will exist as our customers face increased uncertainty and volatility. The intermittent nature of renewables creates grid instability, requiring complex control systems to manage supply through the integration of existing power sources, battery storage and renewables. We will drive innovation, achieving our net-zero commitments while reducing the overall cost of energy for our customers.

Offering alternative solutions to reduce fossil diesel fuel use

Where we are today

For modular mobile power generation, the internal combustion engine running on fossil diesel fuel is today's baseline. It combines a highly mobile, commodity liquid fuel with an efficient, flexible, reliable and cost-effective conversion technology. While no single fuel and technology combination will fully replace fossil diesel fuel and the internal combustion engine in the mid-term, Aggreko is committed to investing in less carbon-intensive alternatives that are economic, reliable and available across geographies at the scale required for our operations.

In 2020, 99% of our greenhouse gas emissions came from the operation of our predominantly diesel and gas fleet, and we recognise our responsibility to mitigate the carbon footprint of our products where possible. Aside from the running hours, the main factors driving our emissions are the fuel type chosen; usage pattern; and the fuel efficiency of our fleet. We will continue mitigating other impacts from our operations, such as refrigerants from our temperature control fleet and noise pollution.

i You can read more about our greenhouse gas emissions on **page 96**

Achieving our 2030 commitments

- **Switching to emissionised engines and using drop-in alternative fuels where possible.** We are investing in emissionised Stage V and Tier 4 Final generators which remove almost all local emissions such as nitrous oxide and particulate matter. We are developing a sustainable supply chain of 'drop-in' alternative biofuels, such as HVO (hydrotreated vegetable oil), which have a smaller carbon footprint than fossil diesel.
- **Natural gas as a bridging solution offers a 20–30% carbon improvement over fossil diesel and up to 80% lower air quality emissions.** We introduced our first gas fleet over a decade ago, and have built strong experience with a portfolio of complex gas applications across the world. Ready availability of natural gas is increasing as virtual pipelines supplying liquefied natural gas (LNG) or liquefied petroleum gas (LPG) become more economic.

→ Battery storage offers short-term flexibility within hybrid solutions.

It plays a key role increasing efficiency while reducing the size of the thermal assets we deploy; however, it will not substitute fuel as the primary source of power. Our leading position in delivering these solutions follows the acquisition of Younicos in 2017.

→ Renewables naturally fit into our hybrid microgrid offerings.

We have made these more attractive for our customers by developing standardised solutions, through more competitive electricity costs and lower emissions.

→ Aggreko has always worked hand in hand with existing grids, but we will do more.

We have strong capability in step-down distribution that we can leverage to utilise green power from the grid. Conversely, where local grids are constrained, our applications allow us to use our in-house storage products to support the grid.

Fleet evolution

Reaching net zero by 2050

This is a global challenge across all industries and geographies, and we will play a leading role in our markets. This cannot be achieved in isolation, and three key areas must come together:

- The single biggest enabler will be the adoption of drop-in liquid or gas fuels, such as synthetic diesel fuel and synthetic gas made from hydrogen to produce net-zero power. The availability and sustainability of these fuels are dependent on the investment in the green hydrogen economy which we expect to achieve scale in the 2030s.
- A strategy of investing in highly efficient, low-carbon and emissionised technology. We perform horizon scanning of the market to consider the options for our fleet, and understand the support needed from technology partnerships and small-scale pilots to develop capabilities enabling us to lead when the hydrogen economy arrives.
- The market must be incentivised to embrace net-zero options as clean technologies scale up.

i You can read more about our sustainability strategy on **page 42**

Our fleet is evolving – this offers our customers greater choice, efficiency and lower emissions



Average MW on hire



Diesel
4,578 MW
(2019: 5,064 MW)

Upgraded 46% of our 1 MW fleet from G3 to G3+ standard

- 5% improvement in fuel efficiency
- 15% improvement in power output

Launched the G16 standard in 2020

- 7% improvement in fuel efficiency vs G3

Investing in new Tier 4 and Stage V emissionised assets

Gas
1,357 MW
(2019: 1,264 MW)

Lower emissions, and at a lower cost to the customer vs diesel in many cases

Currently operate 1.5 GW of QSK60 gas engines

Since 2016 we have built 534 MW next generation gas (NGG) engines which are 14% more efficient than the QSK60

Heavy fuel oil (HFO)
73 MW
(2019: 53 MW)

Provides primary access to electricity in a fuel-efficient mid-term solution that meets World Bank emission standards

Battery storage and solar assets
23 MW
on hire at the end of 2020 (2019: 10 MW)

Deployed alongside thermal generators to reduce project emissions while delivering a reduction in the total cost of energy

Temperature control
697 MW
(2019: 793 MW)

Our temperature control assets provide heating, ventilation and air conditioning (HVAC) solutions

Oil-free air
348 CFM*
(2019: 356 CFM)
*cubic feet per minute

Our oil-free air products provide compressed air, air cooling or air drying solutions free of contaminants.

- Refreshing our fleet with Tier 4 Final emissionised assets

Operating a data-driven fleet

The investment in remote monitoring across more than 14,000 assets, combined with data science techniques, is providing the analytics to help increase our fleet longevity and efficiency through the roll-out of condition-based maintenance regimes.

The performance data also provides valuable insight required to run our equipment at their optimal operating level to benefit our customers and support our efforts to drive fleet utilisation with a reduction in unplanned maintenance.



Measuring our performance

Fleet size and composition

Measure

Total power fleet size (in MW), split between generation type (diesel, diesel G3+, gas, NGG, HFO) alongside renewables and battery storage.

Relevance

Our strategy is to grow ahead of the market. To remain competitive we have to offer our customers cheaper and cleaner sources of energy that can be adapted to meet their needs. The best way to do this is through more fuel-efficient engines and using cheaper and cleaner fuels where appropriate.

Target

To increase the proportion of our market-leading products in fuel efficiency across diesel and gas, alongside the introduction of clean energy sources such as battery storage and solar.

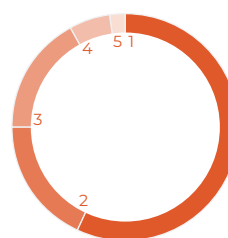
Performance

During the year, we have focused our investment on new fleet to support secured projects. Gas continues to see strong demand, and we invested in 93 MW of new NGG engines supporting customers to adopt cleaner, more efficient solutions. Within the diesel fleet, we have seen investment in emissionised diesel canopy generator assets, and refurbishments of our G3 engines to the more efficient G3+ standard and above.

We continue to make progress in growing our storage and solar technology within the fleet. Storage and solar are small in the context of our total fleet, yet when deployed as part of a hybrid solution they enable our thermal assets to be operated more efficiently, reducing our emissions profile and reducing our capital intensity.

Power fleet composition

9,365 MW



	2020	2019
1. Diesel	57%	60%
2. Diesel G3+	18%	17%
3. Gas	17%	17%
4. NGG	6%	4%
5. HFO	2%	2%

Total includes 75 MW (2019: 46 MW) of storage and solar assets. Excludes c. 500 MW impaired (2019 total power fleet composition: 9.7 GW)



Technology investment

Our track record in decarbonisation

The commitments towards net zero announced in November 2020 put sustainability firmly at the core of what we do. We are actively taking steps to develop economic, reliable and available alternatives to fossil diesel fuel, positioning Aggreko to take a leading role in the energy transition for the sectors and markets in which we operate. More broadly, we have developed our sustainability strategy; this includes building understanding of the key topics identified through our first materiality assessment, and ensuring proper governance and stakeholder engagement frameworks are in place to manage our approach effectively.

- i** You can read more about our approach to sustainability on **page 42**
- i** You can read more about our greenhouse gas emission disclosure on **page 96**



1. Deploying emissionised diesel generators to reduce local emissions

There is now more than 130 MW of Tier 4 or Stage V emissionised generators and oil-free air products across Rental Solutions. These assets reduce emission

particulates by 98% compared with non-emissionised equipment. Continued investment will increase capacity to above 220 MW in 2021 driven by demand in the events and building services and construction sectors. In late 2020, we launched our Tier 4 Final/Stage V 600 kVA canopy generator, offering a local emission reduction of more than 96% compared with the basic generator engines in use 20 years ago.



2. Offering alternative drop-in liquid biofuels

Increasingly offering renewable diesel as a drop-in replacement for fossil diesel fuel, with alternatives such as HVO (hydrotreated vegetable oil) or biodiesel. These are derived from a mix of 100% used vegetable oils and waste fats, while biodiesel is derived from feedstocks such as soybean or corn oil. These fuels eliminate up to 80% of CO₂ emissions and can significantly reduce local emissions. While fossil diesel fuel is used by the majority of our diesel customers, there is growing demand for renewable diesel across our regions in Rental Solutions, particularly our business in the Netherlands, which began to offer HVO 20 fuel (20% HVO and 80% fossil diesel) as standard to our customers during the year.

3. Increased use of gas generation with alternative gas types

Over 20% of our fleet today is gas, including experience delivering over 1 GW of flare gas to power projects. These projects reduce net carbon emissions from the venting and flaring of waste gas, and enable our customers to power their operations efficiently with reduced fuel costs, and we have developed similar propositions utilising waste landfill gas. For customers looking to switch, we have developed the experience to implement virtual gas pipelines, supplying gas to a project site by sea, road or rail to overcome the lack of local gas infrastructure and supply.



Scan the QR code to find out more about our gas to power experience



4. Investment in battery storage and renewable integration capabilities

The acquisition of Younicos in 2017 established capabilities within Aggreko to develop integrated hybrid energy propositions for our customers. We have developed intelligent software to enable integration of battery storage, renewables (such as solar) or step-down distribution technology alongside thermal generation. These solutions will operate more efficiently, using significantly less fuel, to deliver a lower CO₂ footprint compared with 100% thermal solutions. To date, we have secured ~270 MW of hybrid contracts including ~120 MW now deployed, such as Granny Smith mine in Australia, one of the world's largest hybrid microgrids.



5. Increasing the range of battery storage solutions

Following the launch of our 1 MW Y.Cube battery storage solution in 2019, we have been building out the range of our battery solutions. During 2020, we acquired small-scale battery storage assets to begin pilot projects across the UK and the US to deploy these assets alongside our small canopy generators on customer projects. This will enable our existing thermal technology to run at their optimal load, reducing engine wear and tear, and producing lower emissions.

6. Horizon scanning with our Future Technologies team

In 2019 we established a Future Technologies team within our Global Products and Technology function to explore zero- and lower-emission power and alternative fuels, and to understand how we can increase the efficiency and flexibility of our existing products and solutions. This will help position the business for the longer term, considering how we can invest in clean technology as it becomes reliable, economic and available at scale. We are already undertaking trials to assess the feasibility of hydrogen-ready engines and fuel cells.



Our plan for the next 10 years

Reducing our diesel fleet

- Diesel fleet reduces from ~75% to 30–40% of total fleet
- Reducing local emissions by investing in ~1 GW Tier 4 Final and Stage V assets

Increasing alternative technology

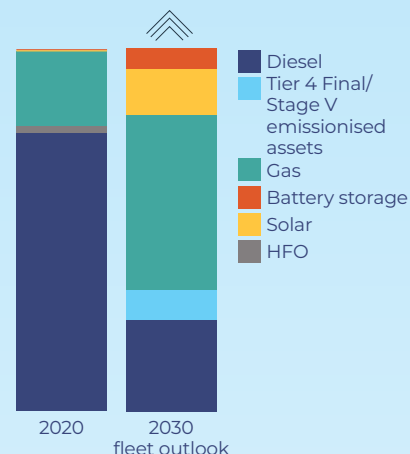
- Gas increases to ~50% of our fleet
- Invest in ~1 GW of battery storage assets
- Increased solar deployment

Uptake of drop-in fuel alternatives

- Alternative gases such as landfill, or compressed or liquefied natural gas
- Partnerships to develop virtual gas pipelines
- Wider use of alternative liquid fuels (such as HVO and biodiesel)

An accelerated transition

Fleet mix %



Pathways beyond 2030

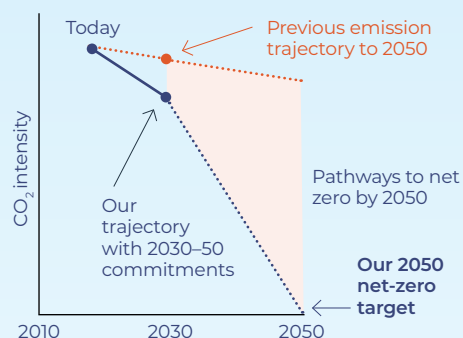
Dependent upon external investments in renewables and the hydrogen economy

- Fuels are an important lever to decarbonise
- Global scale-up of green hydrogen will drive economically viable e-fuels and hydrogen carriers
- E-fuels can reach net zero when used in either low-emission internal combustion engines or when converted for fuel cells
- An energy mix dominated by renewables enables carbon-neutral step-down distribution

We will pursue our strategy to invest in highly efficient, low-carbon and emissionised technology

- Technology partnerships and pilots enable us to lead the industry to develop new solutions

Targeting a material reduction in our emissions



Serving a market incentivised to embrace our net-zero applications



Capital efficiency

Improving returns through more efficient deployment of our resources

Our priorities in optimising capital efficiency:

- Being mobile and modular
- Getting the most out of our assets
- Striving for the most competitive cost base

Our focus in improving returns through the energy transition

- Delivering profitable growth
- A relentless focus on capital employed
- Disciplined capital allocation

Return on capital employed (ROCE) remains the key measure of our capital efficiency. To improve it, we must either deliver additional profit, or reduce the assets we employ to deliver that profit, or both. Our aim is to do both, and we cover our strategy to do so below.

Delivering margin expansion

We have a clear strategy for profitable revenue growth in our sectors of between 5% and 10% in the medium term, as covered in the Customer Focus section of this review. Given the relatively fixed nature of the Group's cost base, and therefore its higher operational leverage, there are material benefits to our operating margin from revenue growth. In addition, we have initiatives under way to improve margins.

As the impact of COVID-19 in 2020 meant there was no growth in our markets, and operational leverage worked against us, 2019 provides a better guide to the potential for margin improvement. The trajectory and momentum we had established pre-COVID, with margins of 14.9% in 2019, was driven by the initiatives we had already delivered. These

initiatives, such as our sector-specialisation, real-time pricing systems and improved operational efficiency, have structurally strengthened our business to achieve enduring benefits in the coming years.

We have a clear strategy targeting high-teens margins in the medium term

The three main drivers of this margin improvement:

1. Improved economic conditions

A key contributor to our margin expansion will be the expected revenue pick-up from the post-COVID recovery in the global economy and, specifically, in some of our hardest-hit sectors, such as events. Additionally, as the delayed projects in Power Solutions begin to move into mobilisation, they too will start to deliver revenue for the Group.

2. Pricing opportunities

We are increasingly benefiting from higher pricing which arises from the greater complexity and value-added nature of our services. We are also continuing to capture more freight, fuel and re-hire costs as a result of systematically recording them within our new customer-journey systems.

3. Further improving our operational efficiency

We remain committed to driving unnecessary cost out of the business and, as we near the end of the cost-out programme in Power Solutions in 2021, are identifying further opportunities

across the Group. Systems also continue to deliver efficiencies and we are realising the financial benefits of a more globally managed fleet through the increasing use of data analytics, which provide insight into various aspects of our cost base. Our depot review has resulted in the closure of our lowest-performing depots and we have begun a comprehensive review of our finance and procurement organisation.

Disciplined capital investment through the energy transition

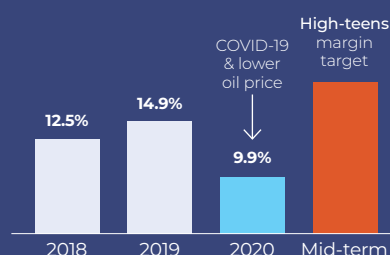
We expect future capital investment in the range of £250m – £350m per year

We will maintain our disciplined approach to capital investment as we grow through the transition, targeting total capital expenditure between £250 million and £350 million per year. This will, in part, be driven by our ability to reach optimal levels of fleet utilisation in the medium term, when we will no longer have surplus fleet to meet the demands of growth. The capex needs of the business will then align much more closely with our revenue and activity levels.

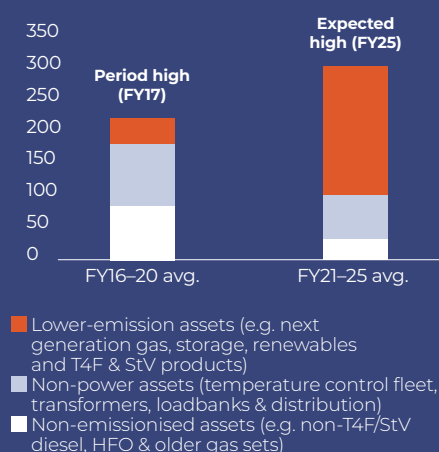
We expect the energy transition to lead to a shift in the mix of spend to a future profile where the majority of our fleet investment is in lower-emission assets, such as emissionised generators, gas, storage and renewable technology.

We are confident that the energy transition will not lead to the stranding of diesel assets, because 80% of the diesel fleet is either already fully depreciated or will be depreciated in the next three years, leaving us with no material exposure to stranded diesel assets as we transition to newer, cleaner technologies.

Group operating margin



Shift in fleet capex



A significant shift away from diesel to lower-carbon fuels and emissionised T4F and Stage V generators

Managing asset risk through the natural attrition of our diesel fleet



40% of our diesel assets are over 8 years old and fully depreciated, and the 40% between 5 and 8 years old will be depreciated in the next three years.

Our commitment to mid-teens ROCE

We expect to achieve mid-teens ROCE in the medium term

Our ability to achieve our mid-term ROCE target is best seen in the context of our 2019 performance, rather than that of 2020 which was negatively impacted by the COVID-19 pandemic. We exited 2019 on a trajectory to achieve our mid-teens ROCE target in 2020, based on our structural initiatives both to improve margin and increase balance sheet efficiencies.

During 2020, we achieved working capital efficiencies in both receivables and inventory, and we will continue this focus, supported by the improvement

in internal processes. Having delivered a strong receivables performance over the past few years, and with the receivables impairment during 2020, future gains in this area will be more limited.

Utilisation is an important driver of capital efficiency and our focus on further improvement continues. We believe that we can achieve our target utilisation level for PSU of around 80%, in due course, as our assets now more proportionately reflect the revised, more modest growth expectations for that segment following the impairment taken at the half year.

We are confident that we can meet our mid-teens ROCE target based on revenue growth, our continuing initiatives both to expand margins and achieve working capital efficiencies, our disciplined

approach to capital investment and asset management, and our ongoing fleet disposal programme.

Strong cash generation and capital allocation

Aggreko's highly cash-generative business model enables us to pursue our capital-intensive strategy for the energy transition

Aggreko is a highly cash-generative business and we have made significant progress in reducing net debt since the peak in 2018 to less than 1.0x net debt to EBITDA. Successful execution of the strategy is expected to deliver further reductions in the Group's gearing over the medium term and, with our target to maintain our through-the-cycle gearing of around 1.0x, we have set out clear priorities for capital allocation.

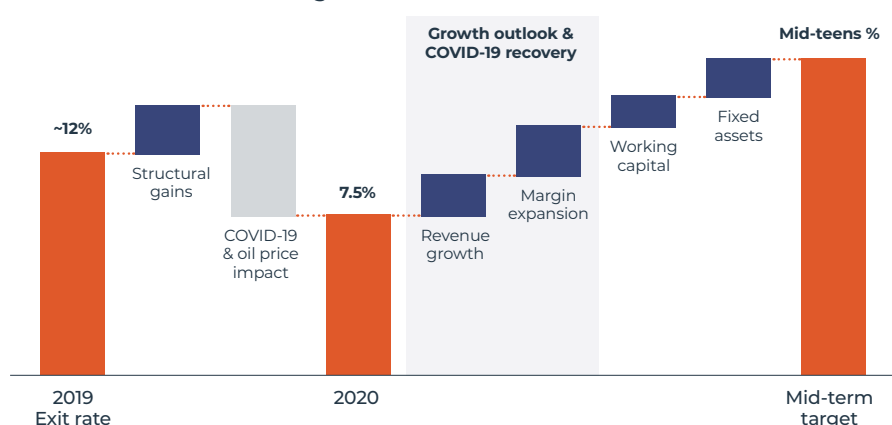
These are:

1. Invest for growth
2. Pay a progressive dividend
3. Undertake selective M&A to fulfil specific capability needs
4. Return surplus capital to shareholders to maintain an efficient balance sheet

[Read more about our capital allocation policy set out on page 09](#)

[Read more about our net debt to EBITDA calculation on page 160](#)

Path to mid-teens ROCE target in the medium term



Measuring our performance

Capital efficiency

Measure

Fleet utilisation.

Relevance

We are a capital-intensive business and in order to generate strong returns on our capital investment our fleet needs to be well utilised. Across our businesses we use megawatt utilisation as the metric (average MW on hire divided by the total fleet size in MW).

Target

In our Rental Solutions and PSI businesses we are targeting utilisation of 60–70%, while in our PSU business we target over 80%.

Performance

The improvement in PSU utilisation reflects our focus on the efficiency of our asset base; the impairment taken for certain, specific assets considered unlikely to go on rent in the future; and our successful disposal programme. Rental Solutions and PSI also performed well, given the challenges presented by the pandemic. The impairment is covered on pages 123.

PSI

Utilisation

67%

Year	Utilisation (%)
2020	67%
2019	68%
2018	71%
2017	69%
2016	63%

PSU

Utilisation

71%

Year	Utilisation (%)
2020	71%
2019	65%
2018	66%
2017	73%
2016	79%

Rental Solutions

Utilisation

58%

Year	Utilisation (%)
2020	58%
2019	58%
2018	62%
2017	56%
2016	52%



Expert people

Our people set us apart as a trusted partner to power progress

Expert people priorities focus on

- Living Always Orange
- Staying safe and professional at all times
- Nurturing our full potential

We have a clear strategy for our people through the transition

- Increasing engagement by using our purpose to drive our organisation forward
- Improving performance by making sure we're always learning
- Differentiating ourselves from our competitors through our expertise

Our purpose and culture: We power progress by delivering energy anywhere

The strategy refresh for the energy transition provided an opportunity to consider our purpose statement. Reviewing our existing statement against our new strategy, we found it lacking in clarity and direction and requiring too much explanation.

The idea of powering progress is relevant to all our people around the world, whichever market they're working in. And the concept of delivering energy anywhere precisely represents Aggreko's expertise and our capability to rise to the technical challenges this requires.

Our Always Orange culture underpins this purpose with the four unchanged key values we need to be successful:

Be Together

Asking the best of each other, harnessing our scale and diverse skills to grow stronger together

Be Expert

Using our blend of experience, expertise and planning to keep us ahead of the game

Be Dynamic

Using our entrepreneurial passion to deliver and make great things happen

Be Innovative

Learning from the world for a better today and for great leaps tomorrow

Together these embody our culture:

Always Orange

Our day-to-day behaviours help to govern our ways of working, ensuring that we remain safe and professional at all times. We focus on continually developing the expertise and capabilities of our people to influence our social interactions across our markets and deliver our business objectives.

We have committed and engaged people

80%

The level of overall employee engagement

Positive engagement results from leadership and the working environment that we create.

The level of employee engagement in the business was 80% in 2020 (2019: 76%) in our Be Heard survey, with 82% of our people recommending Aggreko as a great place to work. We invited everyone in the business to participate through a new online survey platform, allowing results to be viewed by everyone at the same time. Results were available at a team level, allowing for greater local and company-wide action. There was a high response rate of 74% compared with an average of 50% across the 2019 quarterly surveys, while 12,000 qualitative comments added to our depth of insight.

Managers are accountable for local action planning and globally we have taken action, be it through the work on the energy transition, being clear about our purpose and strategy, or in career development, encouraging open career discussions between colleagues and managers that inspire our people to achieve their potential. These actions help us to continue being an organisation our people are proud to work for.

Keeping our people informed

As COVID struck, we quickly communicated near-term priorities and assurances to our people around job security through the pandemic. We kept our people up to date on the progress of the Group with online tools such as Microsoft Teams and Yammer. Leaders hosted regular virtual meetings and we used a bespoke virtual conference platform to host our annual three-day Senior Leadership Team meeting. With the launch of our energy transition strategy in November we generated positive interest by combining leader-led engagement with our digital platforms to share video blogs, webinars and podcasts. This will continue in 2021 around our strategy and purpose.

Our people

believe they make a contribution

90%

believe that their work contributes to Aggreko's goals

Are proud to work at Aggreko

86%

say they take pride in working for Aggreko

Understand our commitment to safety

89%

believe the company is committed to everyone's health and safety



Capability and skills

At Aggreko, our people and their expertise are a key differentiator for our customers. That's why we continually invest in their skills and ongoing development. Our long-term commitment is to invest 1% of revenue annually. In each of the past three years, we have invested around 0.7%, and we expect to see growth in development aligned with achieving our net-zero commitments. In 2020, we used our competency management platform to evaluate technical skills across the business and will be leveraging this as we plan for the future. Growth in engineering and digital capability will be crucial in adapting to emerging technology.

>110,000 hrs

learning and development delivered in 2020

Accelerating our investment in virtual classroom delivery

The impact of the COVID-19 pandemic has accelerated our investment in virtual classroom delivery with the vast majority of our learning and development in 2020 delivered online. While hands-on skills development will always be needed in a capability-based business such as Aggreko, we have increasingly adopted virtual learning over the past three years. This year we moved to a new global learning hub which provides a modern online experience, enabling our people to proactively shape their growth and development.

Our Learning and Development team also adapted more than 60 technical and sales-focused courses into an online format to allow the development of these critical skills to continue. We are also bringing innovation to learning with pioneering use of augmented reality technology to deliver technical courses to share our expertise globally.

Inclusion and diversity

With over 100 nationalities across our business, we are committed to creating an environment where everyone feels supported and can be themselves. We recognise the importance of inclusion in making the most of the talent and diversity we have to drive growth and innovation.

Our approach to improving inclusion and diversity across the Group is to address any underlying cultural issues. Our focus is on tying our inclusivity and wellbeing agendas to ongoing cultural change initiatives and core people processes such as recruitment and leadership development. We continue to drive improvements at a regional level such as training initiatives in North America to target racial inequality, and resource groups for women and indigenous people in Africa and in Australia, where the team have developed their first Reconciliation Action Plan (RAP) which is a commitment to Aboriginal and Torres Strait Islanders.

- Read more about our employees on **page 48**
- Our latest Gender Pay Gap Report will be available on **our corporate website** by 4 April 2021

Safety is at the core of what we do

We have worked hard to build an industry-leading safety culture and 89% of our people recognised that safety is a priority for everyone at Aggreko in our latest Be Heard survey. This is not taken for granted, and we remain focused on delivering continuous improvement.

Our Standard Zero approach to risk management considers 13 specific health, safety and environmental (HSE) risks directly related to our people and our business. We continually refine our global standard operating procedures to manage these risk effectively, and to remain safe at all times. All of our people are empowered with 'stop-work authority' if they are tasked with or see unsafe work. Following our second Safety Climate survey, which placed us in the top 5% of comparator companies, we conducted regional workshops to implement actions, and developed a Group HSE intranet site as a key resource.

893

physical and virtual site safety walks conducted globally in 2020

Despite the constraints of travel caused by COVID-19, we maintained safety engagement by moving to virtual management safety walks, holding safety discussions with our people located throughout the world on some of our most remote sites. We also created a COVID-19 intranet hub to share key information and guidelines with our people, particularly those working in on-site operations.

Measuring our performance

Safety

Measure

Lost time injury frequency rate (LTIFR).

Relevance

Rigorous safety processes are absolutely essential if we are to avoid accidents or incidents which could cause injury to people and damage to property and reputation. The main metric we use to measure safety performance is LTIFR which is calculated by dividing the number of recorded LTI cases by the number of hours worked at the Company, multiplied by 200,000. A lost time injury is a work-related injury resulting in an employee's inability to work the shift after the initial injury.

Target

Continued reduction in accident rates.

Performance

Our LTIFR was 0.22 (2019: 0.13) based on 47 total recordable injuries (2019: 64). We are committed to improvement, and we have developed learning content to be delivered in early 2021 to refresh our standards around lifting procedures and driving.

Employee satisfaction

Measure

Employee turnover.

Relevance

It is the attitude, skill and motivation of our people which makes the difference between mediocre and excellent performance. We monitor permanent employee turnover as a proxy for how our employees feel. It is measured as the number of employees who leave the Group (other than through redundancy) during the period, as a proportion of the total average number of employees during the period.

Target

We expect to see permanent employee turnover levels around 10% in order to retain the skill base that we have developed.

Performance

Our employee engagement score is 80%, an increase from 76% in 2019. Our employee turnover rate is 10%, in line with our average over the last five years.

Lost time injury frequency rate

0.22

(2019: 0.13)

2020	0.22
2019	0.13
2018	0.20
2017	0.25
2016	0.45

Employee turnover

10%

2020	10%
2019	10%
2018	8%
2017	8%
2016	9%

Employee engagement score

80%

(2019: 76%)

Strong 2020 cash performance and well prepared for the market recovery



We enter 2021 well positioned for the recovery which we are seeing in our markets and this momentum supports our confidence in the business going forward.

Chris Weston
Chief Executive Officer

Our response to COVID-19

When the effects of the COVID-19 pandemic began to impact the worldwide economy, Aggreko's performance was on track to meet market expectations and our mid-teens ROCE target. The material effects of the pandemic on our business during 2020 included:

- A sharp reduction in the oil price and the potential for this to be sustained for a prolonged period, impacting two of our key market sectors (oil & gas and petrochemical & refining);
- Cancellation or postponement of events including, most significantly, the postponement of the Tokyo Olympic & Paralympic Games until the summer of 2021;
- Reduced economic activity more generally as a result of a combination of the above;
- Reduced liquidity and/or access to foreign currency for some of our customers;
- Travel restrictions imposed to contain the virus, impacting the mobilisation and demobilisation of projects;
- Increased freight and logistics costs as a result of the reduced supply available in the market;
- An acceleration in the energy transition towards lower carbon solutions and technologies.

Despite the material impact on the business during 2020, we are now seeing signs of recovery across a number of our markets. We expect 2021 to be a year of transition and to return to pre-COVID levels of activity in 2022.

The steps taken in response to the pandemic were immediate and effective, demonstrating the resilient and strongly cash generative nature of our business model, as well as the adaptability of our people. We set out four near-term priorities to navigate the uncertainty, namely: looking after our people; maintaining our financial strength; supporting our customers; and emerging stronger. This approach enabled us to remain focused on our current business while continuing to strengthen our fundamentals, and we believe that we have exited the crisis stronger and better prepared for the future. This was evidenced in our November 2020 strategic update that set out our commitments to become a net-zero business while delivering long-term sustainable value for our shareholders.

Group trading performance

Underlying¹ Group revenue fell 14%, driven by the impact of COVID-19 and the lower oil price. The oil and gas, petrochemical and refining, and events sectors were most heavily impacted, with our Rental Solutions business showing the most significant year on year revenue reduction of 16%.

The underlying¹ operating margin was 9.9% (2019: 14.9%), with decreases in all business units, most notably in Power Solutions Industrial and Power Solutions Utility. In Power Solutions Industrial the margin decreased 9.1 percentage points driven by difficult trading conditions in Eurasia and the year-on-year impact of the 2019 Rugby World Cup and the Tokyo Olympics in both 2019 and 2020. In Power Solutions Utility the margin decreased 6.0 percentage points, driven by project off-hires, the planned repricing on our Ivory Coast contract, and delays in mobilising secured contracts due to COVID-19. Underlying¹ profit before tax was down 45% at £102 million, while diluted earnings per share (DEPS) was 21.8 pence (2019: 50.7 pence), down 54% on an underlying¹ basis, due to a combination of the profit reduction and an increase in the Group's effective tax rate.

The Group's return on capital employed (ROCE)* decreased to 7.5% (2019: 11.2%), reflecting the decrease in operating profit, partially offset by a reduction in net operating assets driven by working capital improvements, continued capital investment discipline and the impact of the exceptional impairment charge (which had an impact of c. 0.4 percentage points on ROCE). Fleet capital expenditure was £186 million (2019: £189 million), including £16 million relating to the Tokyo Olympics. Investment in lower emissions assets was £79 million, including £11 million for the renewal of our oil free air products with Tier 4 Final assets, £31 million supporting our next generation gas contract pipeline, and £13 million invested in battery storage assets for hybrid projects.

Reported financial performance

Throughout this release we use a number of 'adjusted measures' to provide a clearer picture of the underlying performance of the business. This is in line with how management monitors and manages the business on a day-to-day basis. These adjustments include the exclusion of:

- Exceptional items - these are summarised below with detail in Note 7 to the accounts.
- The translational impact of currency in comparing year on year performance – further information is on page 30.

¹ Underlying excludes exceptional items, pass-through fuel and currency. A reconciliation between reported and underlying performance is detailed on page 30.

* Refer to page 159 for calculation.

Fuel revenue is separately reported for certain contracts in the Power Solutions Utility business in Brazil, where we manage fuel on a pass-through basis on behalf of our customers. The fuel revenue on these contracts is entirely dependent on fuel prices and the volume of fuel consumed, which can be volatile and may distort the view of the underlying performance of the business.

On a reported basis, Group revenue was down 15% on the prior year, with Rental Solutions down 16%, Power Solutions Industrial down 19% and Power Solutions Utility down 10%. The operating margin was a loss of 2.9% (2019: operating profit margin of 14.9%), within which the Rental Solutions margin was down 4.8 percentage points on a post-exceptional basis at 11.1%; the Power Solutions Industrial margin was down 21.0 percentage points on a post-exceptional items basis; and the Power Solutions Utility margin, excluding pass-through fuel and on a post-exceptional items basis, was down 49.9 percentage points.

Group ROCE post-exceptional items was (2.2)% (2019: 11.2%). Loss before tax and post-exceptional items was £73 million (2019: profit before tax of £199 million) and diluted earnings per share post-exceptional items was a loss of 43.4 pence (2019: 50.7 pence).

Exceptional items

As previously announced at our interim results, the Board considered the impact of the COVID-19 pandemic, the lower oil price and the consequent deterioration in the short to medium term economic outlook, as well as the acceleration in the transition to lower carbon technologies, and concluded that they presented impairment indicators for certain of the Group's assets. As a result, we completed a detailed review across all asset classes, which identified four specific areas for a non-cash exceptional impairment of £175 million, as summarised below:

- Trade and other receivables (£67 million)
- Property, plant & equipment (net of exceptional gain on sale of £3 million) (£55 million)
- Inventory (£36 million)
- Other intangible assets (£17 million)

The property, plant & equipment assets were impaired in the first half of 2020, however in the second half of the year we recovered some value for a small amount of the assets by way of sales proceeds, with a resultant exceptional gain on sale of £3 million.

Given the size and nature of these impairment charges, both individually and in aggregate, they have been treated as 'exceptional items' in the Financial Statements. In addition, we have recorded an exceptional write down of £7 million in relation to the Group's deferred tax assets, which has been recorded as an exceptional item within the Group's overall exceptional tax credit of £8 million. There is no impact on cash flow from any of these exceptional impairment charges. The detail is in Note 7 to the accounts.

The exceptional impairment charge disclosed in our interim statement of £181 million has reduced to £175 million due to exchange rate movements (£3 million) and a gain on sale of impaired property, plant & equipment (£3 million).

Cash flow and liquidity

During the year, cash generated from operations was £521 million (2019: £628 million).

The decrease in operating cash flow is mainly driven by a £144 million decrease in EBITDA (pre-exceptional items) as a result of the operating profit decrease (explained on page 24). There was a £170 million working capital inflow in the year (2019: £107 million inflow) comprising a £98 million inflow from trade and other receivables, a £83 million inflow from trade and other payables and a £11 million outflow from inventory. Further details on the working capital movements are provided on page 32. Additionally, the Group incurred a £97 million outflow due to mobilisation (fulfilment assets) and demobilisation activities (2019: £72 million outflow), primarily related to the Japan Olympics as well as contracts in Brazil, Kurdistan and Russia. Capital expenditure in the year was £204 million (2019: £230 million), of which £186 million (2019: £189 million) was spent on fleet assets.

Net debt (including £90 million of a lease creditor) at 31 December 2020 was £380 million, £204 million lower than the prior year. Net debt to EBITDA was 0.9 times* (2019: 1.0 times), and undrawn committed facilities were £552 million.

The Group continues to maintain sufficient committed facilities to meet its normal funding requirements over the medium term. At 31 December 2020, these committed facilities totalled £881 million, in the form of committed bank facilities, arranged on a bilateral basis with a number of international banks, and US private placement notes. It has

been the Group's custom and practice to refinance its committed facilities in advance of their maturity dates, providing that there is an ongoing need for those facilities. \$175 million of US private placement notes that were due to mature in March 2021 were pre-paid on 31 December 2020. £87 million of committed facilities mature in 2021.

For the purposes of the Group's going concern assessment, we have stress-tested our cash flow forecasts and, even in the severe but plausible worst-case scenario, the Group expects to comply with the financial covenants in its committed debt facilities and to meet its funding requirement over the twenty one months from the date of approval of this report and ending 31 December 2022, without refinancing. Consequently, the Directors are confident that it is appropriate for the going concern basis to be adopted in preparing the financial statements.

Dividend

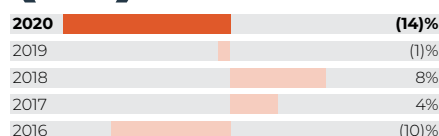
In line with steps taken to preserve the Group's cash position through the COVID-19 pandemic, the Board withdrew its recommendation to pay the 2019 final dividend at its AGM in April 2020 and will not be revisiting this decision. The Board is proposing a final dividend for 2020 of 10.00 pence (2019: nil). This will result in a full year dividend of 15.00 pence (2019: interim dividend of 9.38 pence) per Ordinary Share, giving dividend cover (basic EPS pre-exceptional items divided by the full year proposed dividend) of 1.5 times*. This dividend proposal reflects the Board's confidence in the outlook for the business, together with the Group's strong cash flow performance and financial position. Retained earnings of the Company as at 31 December 2020 were £387 million and the majority of these earnings are distributable.

* Calculation is on pages 159 and 160.

Measuring our performance

Underlying revenue growth

(14)%



Measure

Revenue growth excluding the impact of currency movements and pass-through fuel.

Relevance

As a business that is exposed to different cycles, we look at revenue growth over time in order to deliver shareholder value. This is calculated as the adjusted revenue growth over the previous year.

Further detail including why we exclude the impact of currency movements and pass-through fuel is provided within reported financial measures on page 24.

Target

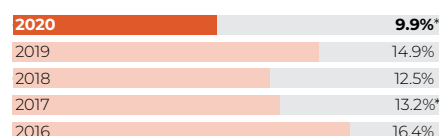
Our medium-term target is to grow ahead of our markets.

Performance

Group revenue fell 14%, driven by the impact of COVID-19 and the lower oil price. The oil and gas, petrochemical and refining, and events sectors were most heavily impacted, with our Rental Solutions business showing the most significant year on year revenue reduction of 16%.

Operating profit margin

9.9%



Measure

Pre-exceptional operating profit margin.

Relevance

Our business has a large fixed cost base, therefore strong operating profit margins demonstrate disciplined variable cost control and our ability to leverage the fixed asset base. This is calculated as operating profit pre-exceptional items divided by revenue.

Target

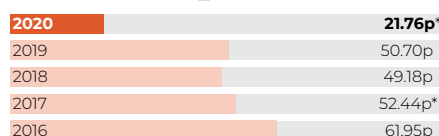
Our medium-term target is for Group operating profit margins in the high teens in the mid-term.

Performance

The operating margin was 9.9% (2019: 14.9%), with decreases in all business units, most notably in Power Solutions Industrial and Power Solutions Utility. Read more on our segmental performance on pages 27-29.

Diluted earnings per share

21.76p



Measure

Pre-exceptional diluted EPS.

Relevance

We believe that EPS, while not perfect, is a good measure of the returns we are generating as a Group for our shareholders, and reflects both revenue growth and trading margins. So, for the Group as a whole, the key measure of short-term financial performance is diluted EPS, pre-exceptional items. EPS is calculated based on profit attributable to equity shareholders (adjusted to exclude exceptional items) divided by the diluted weighted average number of ordinary shares ranking for dividend during the relevant period.

Target

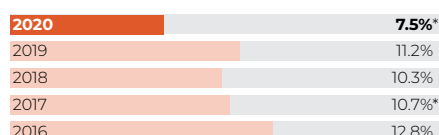
While we are exposed to different cycles and EPS varies accordingly, we target growing EPS in line with our strategic aims.

Performance

Diluted earnings per share (DEPS) was 21.8 pence (2019: 50.7 pence), down 54% on an underlying basis, due to a combination of the profit reduction and an increase in the Group's effective tax rate. Read more on pages 31-32.

Return on capital employed

7.5%**



Measure

Pre-exceptional return on capital employed (ROCE).

Relevance

In a business as capital intensive as Aggreko's, profitability alone is not an adequate measure of performance: it is perfectly possible to be generating good margins, but poor value for Shareholders, if assets (and in particular, fleet) are not managed efficiently. We calculate ROCE by dividing operating profit pre-exceptional items in the period by the average of the net operating assets as at 1 January, 30 June and 31 December.

Target

Our target is to achieve mid-teens ROCE in the medium term.

Performance

ROCE decreased to 7.5% (2019: 11.2%), reflecting the decrease in operating profit, partially offset by a reduction in net operating assets driven by working capital improvements, continued capital investment discipline and the impact of the exceptional impairment charge (which had an impact of c. 0.4 percentage points on ROCE).

* 2020 and 2017 numbers are shown on a pre-exceptional basis. 2017 numbers have been restated for the implementation of IFRS 15.

** ROCE calculation is on page 159.

Rental Solutions



Through the market challenges of 2020, Rental Solutions has been resilient, implementing cost-savings to protect the business and enable it to emerge stronger, while remaining focused on serving our customers. I'd like to thank all of our people for their tremendous efforts. Looking forward, we are encouraged to see our end markets recovering.

Bruce Pool

President, Rental Solutions

Revenue £m

	2020	2019	Change	Underlying change ²
	693	823	(16)%	(16)%

Operating profit £m

	2020 ¹ pre- exceptional items	Exceptional items	2020 post- exceptional items	2019	Change pre- exceptional items	Underlying change ² pre- exceptional items
Operating profit	102	(25)	77	132	(23)%	(22)%
Operating margin %	14.7%	(3.6)%	11.1%	15.9%	(1.2)pp	(1.2)pp
ROCE	14.3%	(3.5)%	10.8%	16.7%	(2.4)pp	(2.5)pp

→ Underlying² revenue down 16% and operating profit down 22% as the oil and gas, petrochemical and refining and events sectors have been heavily impacted by COVID-19 and the low oil price environment

→ Operating margin of 14.7%, down 1.2 percentage points on an underlying² basis

→ ROCE of 14.3%, an underlying² decrease of 2.5 percentage points, reflecting the decrease in profitability, partially offset by lower net operating assets driven by the impairment and an improved working capital position

North American underlying² revenue was down 17% on the prior year. The deterioration in market conditions, as a result of the COVID 19 pandemic and the lower oil price, has been compounded by a strong comparator in the prior year. The most significant reductions were in the oil and gas and events sectors: oil and gas, which accounts for 15% of revenue, was down 50%; while events, albeit a much smaller sector, experienced a 51% drop in revenue. Encouragingly, we saw good growth in utilities, in addition to revenue earned from the storms in the second half. Excluding the oil and gas sector, power volumes across North America were up 21% year on year driven by storm response jobs.

Our Continental European business underlying² revenue decreased 17% reflecting, in part, work in response to power shortages in Belgium during the prior year. Excluding this, revenue was down 12%, with the reduction predominantly driven by the events sector, which was heavily impacted by COVID-19 and included the FIFA Women's World Cup in France in the prior year.

Underlying² revenue in Northern Europe was down 16%, primarily reflecting the impact of the COVID-19 pandemic across the region with most sectors down against the prior year, although partially offset by work to support the UK's medical response to the pandemic.

In our Australia Pacific business, underlying² revenue decreased 1%. COVID-19 has had a more limited impact in this region, due in part to the slightly longer average contract length across our mining projects. This includes the successful commissioning during 2020 of the Granny Smith mine project in Western Australia, one of the world's largest hybrid microgrids utilising solar, battery storage and gas technology. Our transactional business in Australia Pacific was more impacted by the pandemic, although this was offset in part by revenue during the bush fire season early in the year.

Overall across Rental Solutions, we held the decline in our operating margin on an underlying² basis to 1.2 percentage points, as we benefited from the implementation of various cost saving initiatives, including reductions in temporary employment, service material, annual salary review and bonus and other discretionary costs. In addition, we recorded a £9 million gain on sale of assets as part of our ongoing disposal and depot review programmes.

1 Unless otherwise stated all figures are pre-exceptional costs. These are explained in Note 7 to the Accounts.

2 Underlying excludes exceptional items, and currency. A reconciliation between reported and underlying performance is detailed on page 30.

Power Solutions



I am very grateful to our people in Power Solutions for their commitment to fulfilling our customers' requirements during the pandemic. We maintained our focus on cash collections and cost-efficiency, and continued to take the steps needed to strengthen the Utility business. We have resumed mobilisation of the major projects delayed by COVID-19, with commissioning following during 2021.

Stephen Beynon
President, Power Solutions

Revenue £m

	2020	2019	Change	Underlying change ²
Industrial	362	444	(19)%	(13)%
Utility excl. pass-through fuel	265	319	(17)%	(11)%
Pass-through fuel	45	27	65%	117%

Operating profit £m

	2020 ¹ pre- exceptional items	Exceptional items	2020 post- exceptional items	2019	Change pre- exceptional items	Underlying change ² pre- exceptional items
Industrial	18	(40)	(22)	65	(73)%	(70)%
Utility excl. pass-through fuel	13	(110)	(97)	43	(70)%	(60)%
Pass-through fuel	3	–	3	1	118%	186%

Operating Margin %

Industrial	4.9%	(11.2)%	(6.3)%	14.7%	(9.8)pp	(9.1)pp
Utility excl. pass-through fuel	4.9%	(41.5)%	(36.6)%	13.3%	(8.4)pp	(6.0)pp

ROCE

Industrial	3.3%	(7.9)%	(4.6)%	10.4%	(7.1)pp	(6.6)pp
Utility excl. pass-through fuel	2.4%	(19.8)%	(17.4)%	5.8%	(3.4)pp	(2.3)pp

Power Solutions Industrial

- Underlying² revenue down 13% and operating profit down 70%. Excluding the 2019 Rugby World Cup and the Tokyo Olympics in both 2019 and 2020, underlying revenue was down 12% and operating profit declined 65%, driven by a more challenging trading environment in Eurasia and the Middle East
- Operating margin at 4.9% was down 9.1 percentage points on an underlying² basis driven by a reduction in profitability in our Eurasia oil and gas business and reduced activity across the events sector in other regions
- ROCE of 3.3% was down 6.6 percentage points on an underlying² basis
- Power Solutions Industrial order intake remained resilient with 467 MW secured (2019: 506 MW), including 274 MW in Eurasia (2019: 282 MW)

Power Solutions Utility

- Underlying² revenue was down 11% and operating profit down 60%, primarily due to known off-hires and the planned repricing of our Ivory Coast contract, together with delays in mobilising secured projects
- ROCE of 2.4% was down 2.3 percentage points on an underlying² basis
- Order intake of 296 MW was down on the prior year (2019: 497 MW) due to a reduced level of tendering activity and delays due to the pandemic, somewhat offset by a higher level of project extensions

¹ Unless otherwise stated all figures are pre-exceptional costs. These are explained in Note 7 to the Accounts.
² Underlying excludes exceptional items, pass-through fuel and currency. A reconciliation between reported and underlying performance is detailed on page 30.

Power Solutions Industrial

Power Solutions Industrial underlying² revenue decreased 13%. Excluding the 2019 Rugby World Cup and the Tokyo Olympics in both 2019 and 2020, underlying revenue declined 12%. Revenue was down in most regions, and across the majority of sectors, with the Middle East down 19%, Asia 22%, Eurasia 9% and Latin America 7%. Africa grew 2%, driven by the manufacturing sector in Nigeria and Angola. In Eurasia, the impact of the pandemic and low oil price compounded the already competitive environment across the region, putting further pressure on rates, particularly in gas.

Overall Power Solutions Industrial operating margin was 4.9%, a decrease of 9.1 percentage points on the prior year. The most significant reduction in profitability was in our Eurasia business, which experienced the revenue impact outlined above, alongside increased costs due to the devaluation of the Rouble and project mobilisation delays related to the pandemic.

Power Solutions Industrial order intake for the year was 467 MW (2019: 506 MW), including 274 MW in Eurasia (2019: 282 MW).

Power Solutions Utility

Power Solutions Utility saw underlying² revenue decrease 11%, primarily due to off-hires in Brazil, Benin, Angola, and Madagascar, and also reflecting the planned rate reduction in the Ivory Coast and delays in mobilisation of secured projects and new project awards due to COVID-19. However, these impacts were partially offset by on hires in Brazil (PIE-A), Mexico and Gabon. The operating margin of 4.9% (2019: 13.3%) largely reflects flow-through from the off-hires and the Ivory Coast re-pricing, partially offset by cost savings, including our previously announced cost reduction programme and various other cost saving initiatives taken in response to the pandemic.

Average megawatts on hire in this business were 2,190 (2019: 2,405), reflecting an overall reduction in diesel projects across Africa. The overall off-hire rate for Power Solutions Utility was 26% (2019: 33%). Order intake was 296 MW (2019: 497 MW), including 165 MW in Iraq. Contract extensions have been strong with 875 MW of work secured, particularly within Africa and Latin America. Since the beginning of the pandemic, due to travel and border restrictions in a number of territories, we have faced challenges in the mobilisation of new work. This has resulted in delays in our ability to generate revenue and also, in some cases, has increased the level of mobilisation assets held on our balance sheet in the short term.

Managing the trade receivables in our Power Solutions Utility business continues to be a major focus, with active engagement with our customers a key priority. While we have continued to maintain good cash collections during the period in relation to our more recent and current contracts, the more challenging outlook post COVID-19 for a number of our older contracts resulted in an increase in the overall level of the Power Solutions Utility bad debt provision at 31 December 2020 to £115 million (December 2019: £61 million). This increase is primarily driven by the exceptional impairment of £56 million as detailed in Note 7 to the Accounts.



Our 165 MW flare gas utility project in Kurdistan



Our 48 MW Mexicali gas utility project in Mexico



A 14 MW combined heat and power gas application for a manufacturing customer in Russia

A strong base to support growth and returns



We maintained our financial strength through the pandemic, with strong cash generation in 2020. This positions Aggreko well to continue investing to achieving profitable growth and improving returns through the energy transition.

Heath Drewett
Chief Financial Officer

Currency translation

The movement in exchange rates in the period had the translational impact of decreasing revenue by £56 million and operating profit by £18 million. Currency translation also gave rise to a £83 million decrease in the value of the Group's net assets. Set out in the table below are the principal exchange rates which affected the Group's profit and net assets.

Principal Exchange Rates

(Per £ Sterling)	2020		2019	
	Average	Year end	Average	Year end
United States Dollar	1.28	1.37	1.28	1.31
Euro	1.13	1.11	1.14	1.17
UAE Dirhams	4.72	5.02	4.69	4.80
Australian Dollar	1.86	1.77	1.83	1.88
Brazilian Reals	6.60	7.09	5.03	5.30
Argentinian Peso	90.63	114.94	61.10	78.28
Russian Rouble	92.71	102.70	82.61	80.94

Reconciliation of reported to underlying results

The tables below reconcile the reported and underlying revenue and operating profit movements:

Revenue

£ million	Rental Solutions			Industrial			Utility			Group		
	2020	2019	Change	2020	2019	Change	2020	2019	Change	2020	2019	Change
As reported	693	823	(16)%	362	444	(19)%	310	346	(10)%	1,365	1,613	(15)%
Pass-through fuel	–	–		–	–		(45)	(27)		(45)	(27)	
Currency impact	–	(3)		–	(26)		–	(20)		–	(49)	
Underlying	693	820	(16)%	362	418	(13)%	265	299	(11)%	1,320	1,537	(14)%

Operating profit/(loss)

£ million	Rental Solutions			Industrial			Utility			Group		
	2020	2019	Change	2020	2019	Change	2020	2019	Change	2020	2019	Change
As reported	77	132	(41)%	(22)	65	(135)%	(94)	44	(314)%	(39)	241	(117)%
Pass-through fuel	–	–		–	–		(3)	(1)		(3)	(1)	
Currency impact	–	(1)		–	(7)		–	(10)		–	(18)	
Exceptional items	25	–		40	–		110	–		175	–	
Underlying	102	131	(22)%	18	58	(70)%	13	33	(60)%	133	222	(40)%

Notes:

1. The currency impact is calculated by taking the 2019 results in local currency and retranslating them at the 2020 average rates.
2. The currency impact line included in the tables above excludes the currency impact on pass-through fuel in Power Solutions Utility, which in 2020 was £7 million on revenue and £nil on operating profit.

Interest

The net interest charge of £34 million was £8 million lower than the prior year, primarily due to a reduction in average net debt during the period. Interest cover, measured against rolling 12-month EBITDA (earnings before interest, taxes, depreciation and amortisation), remained strong at 12 times* (2019: 13 times).

Taxation

Tax strategy

We operate in an increasingly complex global environment, doing business in 80 countries, many of which have uncertain or volatile tax regimes. To ensure that our tax affairs are correctly and consistently managed, Aggreko's tax strategy is applied across all taxes in all countries where we operate.

Our tax strategy is reviewed and revalidated annually and revised as appropriate to reflect any material changes in our business or tax legislation.

Our strategy is to ensure that we pay, in a timely manner, the appropriate amount of tax commensurate with the activities performed in each country in which we operate. We recognise the importance of the tax we pay to the economic development of the countries in which we operate. We aim to be transparent in terms of the geographic spread of where we pay tax, with a breakdown provided in the figures overleaf. In applying the tax strategy, we undertake to comply with the applicable tax legislation utilising, where appropriate, any available legislative reliefs.

Our engagement with tax authorities

We seek to build good working relationships with local tax authorities based on trust, respect, and professionalism. We proactively engage, either directly or through local advisers, with the local tax authorities to ensure that our business and tax positions are well understood and that our tax positions are confirmed in a timely manner.

Tax governance

Our tax governance framework is encompassed within a set of documented policies and procedures covering both the application of the strategy and operational aspects of tax.

Ultimate responsibility for managing the Group's tax risk and its tax affairs rests with our Chief Financial Officer, with day-to-day responsibility delegated to the Director of Tax and the tax function. To ensure that we fully understand our tax obligations and the impact on our

business of any legislative change, advisory and technical support is provided by major accounting firms with which the Group has a long association. The use of the Group's external auditor for tax work of any kind is prohibited.

Approach to tax risk

The Group's appetite for risk, including tax risk, is reviewed regularly by the Group Risk Committee, and ratified annually by the Board. Given the overall risk profile of many of the countries in which we operate, we seek to structure our tax affairs in a way that carries a low degree of risk. Only the Director of Tax is permitted to consider any tax planning opportunities, with permission to implement any planning required from the Board or Finance Committee as appropriate. We will not implement any tax planning that is not driven by commercial aims or where the sole objective is to deliver tax benefit.

Tax management and provisioning

Given the complex, uncertain and often volatile nature of the tax environment in which we operate, strong local compliance and governance are key. This is particularly so for our Power Solutions business, where we may only be present in a country on a temporary basis. While we will always seek to manage our tax affairs and agree our tax positions in a timely manner, it can often take some time to settle our tax position and uncertainties may therefore exist for a period of time, particularly with complex tax regimes or where legislation is changing.

We may therefore need to create tax provisions for potential uncertain positions. These provisions are based on reasonable estimates of the range of possible outcomes. Management uses its best judgement to determine the appropriate level of provision, recognising that differences of interpretation and a range of possible outcomes may arise, depending on the facts in each case.

The provisions are principally held to manage the tax impact of various potential historic tax exposures, largely in connection with our Power Solutions Utilities business, together with potential transfer pricing risks faced by the Group with respect to how we transact internationally across the business. In order to ensure that all potential risks are properly understood and mitigated, we look to ensure that our local tax filings are made on a timely basis, appropriate advice is taken and that we proactively work with local tax authorities when issues arise.

The risk that the application of management judgements and estimates in our tax forecasting fails to represent a true and fair view of our tax position is an area that receives focus from management, our tax advisers and the Group's external auditor (to the extent necessary for them to form a view on the truth and fairness of the financial statements). In order to mitigate this risk, our tax position is internally reviewed four times per year by the Group tax team and any unanticipated variances to the forecast are reconciled and explained.

In addition to the work done by the Group's external auditor to confirm the appropriateness of our tax provisioning, tax is a matter that is regularly considered and discussed by the Audit Committee. The Group's internal audit team also periodically reviews management's assessment on the effectiveness of our tax controls and will also consider any relevant tax risks as part of its core assurance programme.

Legislative changes

Due to COVID we saw little material legislative change in 2020 but we continue to monitor this area to ensure that any impact is considered and reflected as appropriate.

Cash taxes paid

In 2020, Aggreko's worldwide operations resulted in direct and indirect tax payments of £232 million (2019: £272 million) to tax authorities in the various countries in which we operate.

This amount represents all corporate taxes paid on operations, payroll taxes paid and collected, import duties, sales taxes and other local taxes.

Within this overall total, corporate taxes paid decreased by £19 million to £57 million. Much of the reduction in corporate tax paid is as a result of the reduction in taxable profit due to the COVID-19 pandemic particularly in the US. In addition, we received tax refunds in both Russia (refund of overpaid tax for 2016-2020) and Australia (refund of overpaid tax for 2019).

Our indirect taxes paid decreased by £21 million to £175 million. The main contributor to this was an £8 million decrease in North America as a result of lower payroll taxes and decreased activity resulting in a reduction in sales tax paid. Overall, our indirect taxes paid in Latin America also decreased by £13 million principally in Argentina and Brazil in relation to customs and import duties.

* Calculation is on pages 159 and 160.

Tax charge

The Group's effective corporation tax rate for the year was 45% (2019: 35%), based on a tax charge of £46 million (2019: £70 million) on a pre exceptional profit before taxation of £102 million (2019: £199 million). The Group's effective post-exceptional corporation tax rate for the year was 52% (2019: 35%) based on a tax charge of £38 million (2019: £70 million) on a post-exceptional loss before tax of £73 million (2019: £199 million).

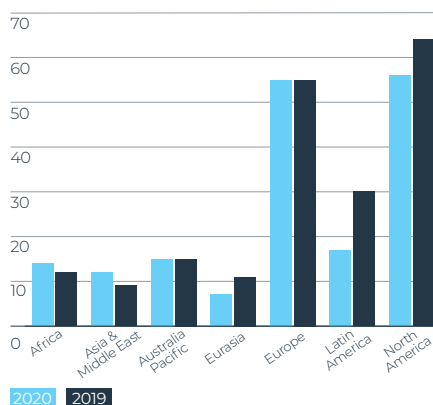
The Group's pre exceptional effective tax rate has risen in 2020 largely due to the geographic mix of the Group's profit. Further information, including a reconciliation of the current year tax charge, is shown at Note 10 to the Accounts. Looking beyond 2020, our effective tax rate will continue to be driven principally by our geographic mix of profit, the ongoing resolution of open issues and changes in tax legislation in the Group's most significant countries of operation.

Reconciliation of the Group's income statement tax charge and cash taxes

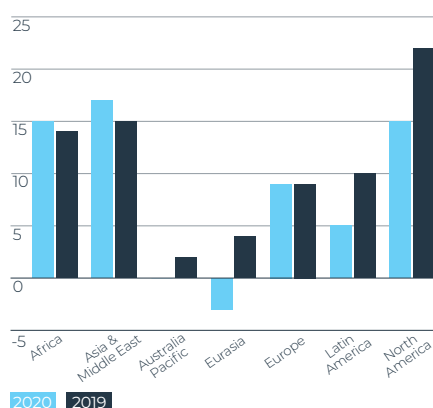
The Group's total cash taxes borne and collected were £232 million, comprising £175 million of indirect taxes and £57 million of corporate taxes. The difference between the corporate taxes paid of £57 million and the Group's tax charge of £46 million as reported in the income statement is analysed in the table below.

	£m
Cash taxes paid	232
Non-corporate taxes	(175)
Corporate tax paid	57
Movements in deferred tax and prior year adjustments	(15)
Differences relating to timing of tax payments	4
Corporate tax charge per the income statement	46

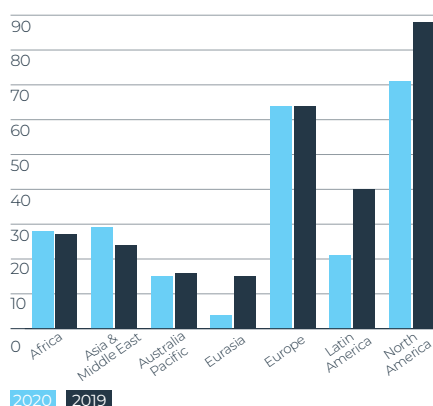
Total indirect taxes paid by region £m



Corporate taxes paid by region £m



Total taxes paid by region £m



Cash flow

During the year cash generated from operations was £521 million (2019: £628 million). The decrease in operating cash flow is mainly driven by a £144 million decrease in EBITDA (pre-exceptional items) as a result of the operating profit decrease explained on page 24. There was a £170 million working capital inflow in the year (2019: £107 million inflow) comprising a £98 million inflow from trade and other receivables, a £83 million inflow from trade and other payables and a £11 million outflow from inventory. There was a £97 million outflow relating to mobilisation (fulfilment assets) and demobilisation activities (2019: £72 million outflow), primarily due to the Japan Olympics, as well as contracts in Brazil, Kurdistan and Russia.

The decrease in trade and other receivables of £98 million includes a £41 million decrease in Rental Solutions (2019: £5 million increase), a £24 million decrease in Power Solutions Utility (2019: £93 million decrease) and a £33 million decrease in Power Solutions Industrial (2019: £10 million increase). While obviously reflecting lower revenue, we have also made good progress in improving our invoicing and cash collection processes within Rental Solutions this year, resulting in improved working capital efficiency across this business.

The increase in inventory of £11 million is primarily driven by cable purchased for the Tokyo Olympics and the movement in trade and other payables reflects increased deferred revenue for the Tokyo Olympics (following further milestone payments received in the year).

Fleet capital expenditure was £186 million (2019: £189 million). Within this, £69 million was invested in Rental Solutions, primarily in relation to the ongoing renewal of our oil free air (OFA) and temperature control (TC) fleet, and £117 million in Power Solutions, which included £16 million related to the Tokyo Olympics and £26 million on next generation gas (NGG) sets.

Net operating assets

The net operating assets of the Group (following the impairment and including goodwill) at 31 December 2020 totalled £1,577 million, £420 million lower than 31 December 2019. The decrease on the prior year is driven by the net impairment of £175 million (as explained in Note 7 to the Accounts) and a £72 million decrease due to the impact of exchange rates as well as working capital improvements and continued capital investment discipline. The main components of net operating assets are detailed below.

£m	2020	2019	Movement	Movement excluding the impact of currency
Goodwill/intangibles/investments	197	227	(13)%	(8)%
Rental fleet	793	939	(15)%	(11)%
Property & plant	203	227	(11)%	(8)%
Working capital (excl. interest creditors)	206	496	(58)%	(59)%
Fulfilment asset & demobilisation provision	121	72	68%	85%
Cash (incl. overdrafts)	57	36	57%	58%
Total net operating assets	1,577	1,997	(21)%	(18)%

A key measure of Aggreko's performance is the return (expressed as underlying operating profit) it generates from its average net operating assets (ROCE). We calculate ROCE by taking the underlying operating profit (pre-exceptional items) for the year and expressing it as a percentage of the average net operating assets at 31 December, 30 June and the previous 31 December. ROCE decreased to 7.5%, compared with 11.2% in 2019. This decrease is explained in more detail on page 24.

Property, plant and equipment

Our rental fleet accounts for £793 million, which is around 80% of the net book value of the Group's property, plant and equipment. The majority of equipment in the rental fleet is depreciated on a straight-line basis to a residual value of zero over eight years, with some classes of rental fleet depreciated over 10 and 12 years. The annual fleet depreciation charge of £227 million (2019: £265 million) reflects the estimated service lives allocated to each class of fleet asset. Asset lives are reviewed at the start of each year and changed, if necessary, to reflect their remaining lives in light of technological change, prospective economic utilisation and the physical condition of the assets. As noted on page 25 the Group incurred a net impairment charge of £55 million on total property, plant & equipment. This is explained in Note 7 to the Accounts.

Shareholders' equity

Shareholders' equity decreased by £212 million to £1,147 million, represented by the net assets of the Group of £1,527 million less net debt of £380 million. The movements in shareholders' equity are analysed in the table below:

Movements in Shareholders' Equity	£m
As at 1 January 2020	1,359
Loss for the period	(111)
Dividend	(13)
Employee share awards	(2)
Re-measurement of retirement benefits	(2)
Currency translation	(83)
Other	(1)
As at 31 December 2020	1,147

Pensions

Pension arrangements for our employees vary depending on market practice and regulation in each country. The Group operated a defined benefit scheme for UK employees, which was closed to new employees joining the Group after 1 April 2002. The Group closed the defined benefit scheme to future accrual from 31 December 2020. Most of the other schemes in operation around the world are defined contribution schemes.

Under IAS 19: 'Employee Benefits', Aggreko has recognised a pre-tax pension surplus of £4 million at 31 December 2020 (2019: £4 million surplus) which is determined using actuarial assumptions. The pensions surplus is in line with the prior year, with the additional contributions paid by the Company during the year, together with the returns on assets, offset by the growth in liabilities which was driven by the fall in discount rates and an increase in inflation expectations.

The sensitivities regarding the main valuation assumptions are shown in the table below.

Assumption	Potential change Inc./Dec	Deficit Impact (Inc.)/Dec £m	Profit Impact (Inc.)/Dec £m
Discount rate	(0.5)%	(17)	—
Inflation (0.5% increases on pensions increases, deferred revaluation and salary increases)	0.5%	(13)	—
Longevity	1 year	(5)	—

Treasury

Liquidity and funding

The Group maintains sufficient facilities to meet its funding requirements over the medium term.

At 31 December 2020 these facilities totalled £881 million, in the form of committed bank facilities, arranged on a bilateral basis with several international banks, and US private placement notes. The financial covenants attached to these facilities are that EBITDA should be no less than 4 times interest and net debt should be no more than 3 times EBITDA. At 31 December 2020, these ratios were 12 times* and 0.9 times* respectively. The Group does not expect to breach these covenants in the year from the date of approval of these financial statements.

Net debt (including £90 million of a lease creditor) amounted to £380 million at 31 December 2020 (2019: £584 million) and, at that date, undrawn committed facilities were £552 million.

Risks

The Group's operations expose it to a variety of financial risks that include liquidity, the effects of changes in foreign currency exchange rates, interest rates, and credit risk.

The Group's policy is to manage its exposure to interest rates by ensuring an appropriate balance of fixed and floating rate debt. At 31 December 2020, £329 million of the gross debt of £397 million (excluding the lease creditor of £90 million) was at fixed rates of interest, resulting in a fixed to floating rate debt ratio of 83:17 (2019: 84:16).

The Group manages its currency flows to minimise foreign exchange risk arising on transactions denominated in foreign currencies and uses forward contracts and forward currency options, where appropriate, to hedge net currency flows. The Group's foreign currency exposure on the translation into Sterling of its net investments in overseas subsidiaries is managed using debt in the same currency as those investments.

The Group manages its credit risk on cash deposits and other financial instruments by limiting the aggregate amounts and their duration depending on external credit ratings of the relevant counterparty.

Insurance

The Group operates a policy of buying cover against the material risks which the business faces, where it is possible to purchase such cover on reasonable terms. Where this is not possible, or where the risks would not have a material impact on the Group as a whole, we self-insure.

As our market and business changes, so do the risks

The Group recognises the importance of identifying and actively managing the financial and non-financial risks facing the business. We want our people to feel empowered to take advantage of attractive opportunities, but to do so within the risk appetite set by the Board. It is important that we have in place a robust risk management framework to facilitate this.

Risk management framework – roles and responsibilities

The Board has implemented a risk management framework that is summarised in the diagram below.

Ultimate responsibility

Board

- Ultimate responsibility for risk and internal control
- Approves the risk management framework
- Approves risk appetite and monitors compliance
- Approves the Group Register of Principal Risks
- Approves the viability statement

Oversight

Audit Committee (makes recommendations to the Board)

- Responsible for reviewing the effectiveness of the Group's systems for internal control and risk management
- Reviews and challenges the risk management framework
- Reviews the effectiveness of the control environment
- Reviews the effectiveness of and approves the approach for the viability statement

Management and monitoring

Group Risk Committee (makes recommendations to the Audit Committee and Board)

- Responsible for implementing and embedding risk management and internal controls
- Defines the risk management process to be followed by the business (including risk appetite)
- Reviews and challenges the Group Register of Principal Risks ensuring that the controls identified are operating and that open issues are closed out
- Facilitates the Group's risk process, collating risk registers and consolidating the Group Register of Principal Risks
- Aligns assurance activity

Ownership

Business units and Group functions leadership teams (supported by Group Risk)

- Responsible for identification, prioritisation, assessment and monitoring of risks which may arise in the business
- Risks and associated controls are designed, owned and operated by management
- Risk registers are maintained and form the basis of the Group Register of Principal Risks

Integrating risk and assurance

Risk management has always had a high profile at Aggreko, given what we do and where we work. We have developed a quantitative approach to measuring the residual risk that Aggreko is exposed to within its current control environment. We have integrated our approach to risk with that of assurance.

The main components of our risk management approach are:

- **A risk event universe:** We have defined a universe of 25 risk events that might prevent Aggreko from delivering its strategic plan. These risk events are a simple expression of what might go wrong and a reference point for working out the causes of risk events, identifying critical control activities and describing risk scenarios.
- **A set of critical control activities:** We have identified the critical control activities that could stop each risk event happening or mitigate the consequences of the risk event if it did happen. We have asked ourselves how good we are at these critical control activities and used the answers to estimate how likely it is that our 25 risk events might occur and how severe the consequences might be if they did.
- **An impact yardstick:** We have developed a yardstick that allows us to measure the relative level of concern we have for the environmental, financial, operational, regulatory, reputational and safety consequences of a risk event.
- **Quantitative risk scores:** We combine our level of concern for a particular risk event with the likelihood that it will occur, to calculate its risk score. Tracking the Group's risk scores over time allows us to see how our risk environment is changing.
- **Risk registers:** We describe risk scenarios as routes from a cause through the preventative controls to a risk event and then through the mitigating controls to the consequences. We consolidate risk scenarios into registers at business unit level for Global Products and Technology, Power Solutions and Rental Solutions and at functional level for Aggreko Technology Services, Finance, HR and Legal. We use risk scores to rank risk scenarios by our level of concern for them and include those with the highest risk scores in the Group Register of Principal Risks.
- **Emerging risks:** We expect new risk scenarios to emerge when the Group's activities or environment changes or when the effectiveness of our critical control activities change. By applying a consistent quantitative approach to risk scoring in all our risk registers, we get a better understanding of emerging risks before they reach the Group Register of Principal Risks.

→ **Risk appetite:** The Group is willing to take and manage considered risk within clear boundaries set by the Executive Committee and approved by the Board. We set our appetite for each of the risk scenarios in our registers by agreeing a maximum acceptable risk score for each scenario. If a risk scenario's score is outside our appetite, we look at our critical control activities to identify remedial actions that will lower the risk score to bring it within appetite.

Managing risk and assurance together helps us to see whether our control environment is operating effectively. We want to take the same standardised, quantitative approach to assurance as we do to risk so that we can see whether our assurance findings validate our estimates of risk.

We are integrating our approach to assurance with our approach to risk management as follows:

- **Assurance coordination:** We coordinate the Group's assurance activities using an assurance calendar that reduces duplication of effort by eliminating overlapping audits by different assurance teams, reducing potential audit fatigue within the business and lowering the total cost of assurance for the Group.
- **Assurance standardisation:** We are defining minimum standards for controls and introducing standard work programmes for all assurance teams to use in testing critical control activities.
- **Assurance findings database:** We record all findings from the work that our assurance teams do in a shared database using our risk-scoring methodology.
- **Risk experience history:** We are maintaining a historical dataset of our risk experiences as they are identified by the Group's assurance teams, which will allow the assumptions in our risk framework to be validated and updated as the environment changes.

By thinking in the same way about assurance and risk, and by managing them together, we can achieve better control, lower risk and higher efficiency.

Changes since 2019

Our Group Register of Principal Risks will change from time to time as the business environment in which we operate evolves and as we take action to manage our risk exposure. The overall composition of the principal risks and uncertainties facing the business has changed since the publication of the 2019 Annual Report and Accounts, primarily due to the COVID-19 pandemic.

Risk promoted to the Group Register of Principal Risks:

Major contract cancellation: The Olympics in Japan has been postponed until summer 2021. There remains a risk that the Games could ultimately be cancelled because of COVID-19.

Risks demoted from the Group Register of Principal Risks:

The scores of the following risks have fallen below the threshold for inclusion in the Group Register of Principal Risks. In each case, additional controls have been put in place to reduce the likelihood of a risk event occurring.

- **Change management:** We have successfully introduced new systems to manage customer requirements and to allow us to deliver our services more efficiently. We are continuing to refine these systems and the associated business processes within our Rental Solutions business.
- **Market dynamics:** We have continued to improve our sector focus, sales capability and technology offerings. Our greater concern has been the uncertainty caused by the impact of COVID-19 on global GDP.
- **Service delivery – major contractual failure:** The Group continues to operate large and often technically complex contracts around the world. The severity of this risk fluctuates with the number, scale and scope of major contracts that we are delivering at any time. Among other large contracts, supporting the Tokyo Olympics is a key priority for 2021 with associated risks gaining additional scrutiny as a result. Given the work already undertaken to prepare for delivery of the Games in 2020, we have reduced the score for this risk.





These risks remain on the risk registers of the relevant business units and corporate functions and, given their nature, will continue to be areas of focus for the Board.

The Directors have carried out a robust assessment of the principal and emerging risks and uncertainties facing Aggreko, including those that would threaten our future performance, business model, solvency and liquidity.

The list below is not exhaustive; our operations are large and geographically diverse and the list might change if something that seems immaterial today becomes more important tomorrow.

The Group's principal risks are presented in categories (strategic, hazard, operational, compliance and financial) for ease of reference.

Link to strategic priorities

-  Customer focus
-  Technology investment
-  Capital efficiency
-  Expert people

Risk change during 2020

-  Increased
-  No change
-  Lowered
-  New



Strategic

Global macroeconomic uncertainty

Lower than expected global GDP reduces demand

Executive responsible

Chris Weston, Chief Executive Officer

Background and impact

Several geopolitical factors have the potential to impact upon our ability to meet our forecast performance, none more so than the global economic impact of COVID-19 and factors related to this.

Given the uncertainty over the level of economic activity and the oil price created by the COVID-19 pandemic, there remains a degree of uncertainty over whether 2021 budgeted profit can be achieved. The likelihood of severe economic contractions arising from governments' responses to further waves has proven to be lower than it was early in 2020. Positivity with respect to the roll-out of vaccines also moderates our views on the potential impact of this risk.

Other than COVID-19, other geopolitical factors remain. An increased trend towards protectionism in several jurisdictions in which we operate; potential US trade policy shifts following

the change in government; continued oil price volatility; Russian foreign policy unpredictability; and the potential for a global economic slowdown resulting from sluggishness in China – each have the potential to impact upon our forecasts.

As we move into 2021, any shifts in GDP growth outside of those which we have factored into our forecasts could impact on our returns.

Key preventions and mitigations

- Market analysis and monitoring
- Market and product diversification
- Mobile, modular, homogenous equipment
- Improved sector focus: structure, resourcing and capabilities
- Improved technology offerings
- Internal efficiency improvements

Link to strategic priorities



Related KPIs


- Revenue growth
- Customer activity
- Customer loyalty
- Operating profit margin
- Fleet utilisation
- ROCE

Changes during 2020

Our profit expectations were downgraded in 2020 due to COVID-19 and a fall in the oil price. As a result, debtors, fleet and stock assets were impaired.

Other than the significant impact of COVID-19, the lower oil price and the knock-on impact on global GDP, the factors noted above have remained broadly consistent over the course of the year.

Increased uncertainty as to global growth levels in 2021 has resulted in an increase to the risk score.

 Read more about our perspectives on Brexit and on COVID-19 on **page 41**

Talent management

Failure to attract, retain and develop key personnel

Executive responsible

Kim Kersey, Group People Director

Background and impact

Our people make the difference between mediocre performance and great performance. The high-quality technical capability and exemplary attitude of our people is a competitive advantage that we wish to retain.

We are keenly aware of the need to attract the right people, establish them in their roles and manage their development. Failure to do so could result in loss of productivity and intellectual capital, increased recruitment costs and lower staff morale.

Where we seek to reorganise our business operations to better serve our customers, we engage with our people to ensure that we minimise the impact to their wellbeing.

Key preventions and mitigations

- Recruitment policy and succession planning
- Talent management reviews and development plans
- Feedback from staff surveys incorporated into strategic priorities
- Benchmarking of remuneration and benefits to attract and retain our required talent
- Long-term incentive plans (LTIP)
- Performance management
- Promoting our culture

Link to strategic priorities



Related KPIs


- Employee satisfaction
- Employee turnover

Changes during 2020

Early in 2020 we communicated to all of our people that it was our intention that no one would lose their job as a result of the COVID-19 pandemic. This was positively received by all staff. At that time we also implemented a pay freeze and cancelled the 2020 bonus scheme.

As job markets have begun to reopen in many of the jurisdictions in which we operate, we have begun to see an increase in attrition levels. In addition, current LTIP arrangements have not paid out since 2014. Our risk score has therefore increased as a result.

We expect that steps being taken to enact our succession and retention plans and to recruit more effectively will allow us to reduce this risk's score in 2021.

 Read more about our people on **page 22**



Strategic

Climate change

Climate change has a greater effect on our business than expected



Executive responsible

Chris Weston, Chief Executive Officer

Background and impact

There is growing global awareness of the implications for the planet of global warming caused by greenhouse gas emissions.

Business risks we might face as a result of climate change relate to physical risks (i.e. events arising due to extreme weather events or shifts in climate patterns) and transition risks (i.e. risks arising as a result of legal, technology or market changes as we move to a lower-carbon economy).

The most prevalent of these is the risk that we fail to win contracts due to our inability to service changing customer and legal requirements, for example not having the appropriate equipment in our fleet.

Our best estimate of the effect of climate change on our business is built into our budget and five-year plan. This risk is an estimate of the incremental adverse effect that we might experience beyond those current expectations.

Key preventions and mitigations

- Monitoring industry laws and regulations
- Market requirements monitoring
- Diversified product portfolio
- Technology roadmap for existing and alternative technologies
- Future Technologies team to nurture future innovation
- Demand forecasting
- Capital expenditure management

Link to strategic priorities



Related KPIs

- Revenue growth
- Customer activity
- Customer loyalty
- Operating profit margin
- Fleet size and composition
- Fleet utilisation
- ROCE

Changes during 2020

Our risk score was increased slightly at the half year. The apparent acceleration in targets to drive down emissions globally as we emerge from the COVID-19 pandemic was partially offset by the impairment of fleet and related intangible assets at the interim.

i Read more about climate change as it relates to our strategy on **page 42**

Technology developments

Failure to identify, develop and deploy new technology hinders growth



Executive responsible

Dan Ibbetson, Managing Director
Global Products & Technology

Background and impact

Alternative energy sources are becoming increasingly available and affordable. New energy business models using technology to manage the on-grid and off-grid environment have emerged. Disruptive technology could reduce the size of the rental market for energy generated from fossil fuels faster than expected.

Continuing to develop, build and deploy our power storage and renewable solutions as well as continuing to deploy more efficient gas and regulated diesel fleet is a key component of our strategic objectives.

We continue to monitor developments in this evolving area to ensure that we take advantage of opportunities and manage any associated risks. In addition, we continue research and development into alternative fuel models which might be deployed with our existing fleet.

Key preventions and mitigations

- Diversified product portfolio
- Technology roadmap for existing and alternative technologies and fuels
- Future Technologies team to nurture future innovation
- Market requirements monitoring
- New product introduction process – design and build
- Standard operating practices and training for new products

Link to strategic priorities



Related KPIs

- Revenue growth
- Operating profit margin
- Customer activity
- Fleet size and composition
- Fleet utilisation
- ROCE

Changes during 2020

We have a specialist team which identifies, monitors and researches new technology innovations. We have continued to develop our existing fleet in line with market demand as well as considering the introduction of new, greener technologies and fuel types into the fleet. We have also identified technology roadmaps to help us through the energy transition.

i Read more about the technology developments taking place as part of our strategic priorities on **page 16**



Hazard

Health and safety

A health and safety incident occurs that results in serious illness, injury or death



Executive responsible

Chris Weston, Chief Executive Officer

Background and impact

Our business involves transporting, installing and operating equipment which is heavy, can produce high voltages or high-pressure air and involves the use of millions of litres of fuel. All of these could cause serious injury or ill health to our people and third parties if not managed correctly.

In addition, some of our people work in high-risk locations. Besides the security considerations, issues facing these employees include poor road infrastructure, a lack of access to healthcare services and exposure to contagious diseases. We also operate on customer sites, which present their own health and safety risks, such as offshore oil and wind platforms and mine sites.

Key preventions and mitigations

- Senior leadership focus area with accountability replicated throughout line management
- Actions around leading indicators, management safety walks and risk reporting
- Group HSE policy supported by standard operating procedures
- Incident response procedures
- HSE training (against HSE standards and job-specific)
- 'Stop-work' protocol in place
- HSE compliance audits conducted
- Rigorous testing and ongoing maintenance of equipment
- Health testing and monitoring implemented, where required
- Comprehensive employee induction programme

Link to strategic priorities



Related KPIs

- Safety
- Employee satisfaction
- HSE culture survey

Changes during 2020

During 2020 we moved towards completion of the reauthorisation of our employees and contractors in our Energy Safety Rules. While we were initially concerned that the distraction in the daily lives of our people could result in an increase in the volume of incidents, we have seen no such trend. We have continued to embed our health and safety standards.

i Read more about health and safety on **page 23**



Operational

Cyber security

A cyber security incident leads to a loss of data, a loss of data integrity or disruption to operations



Executive responsible

Grant Nairn, Chief Information Officer

Background and impact

A cyber security incident may be caused by an external attack, internal attack or user error.

Such an incident may lead to the loss of commercially sensitive data, a loss of data integrity within our systems or the loss of financial assets through fraud.

A successful cyber attack on our back-office or operational control systems could also result in our not being able to deliver service to our customers. As a result, we could suffer reputational damage, revenue loss and financial penalties.

We recognise that this is an area where, if we stand still, the level of risk will continue to rise.

Key preventions and mitigations

- Cyber security forum that monitors risk threats and directs actions
- Security technologies including: antivirus and malware software; firewalls; monitoring of data egress points
- Third-party expertise engaged for incident response and security penetration testing
- IT user policy and training
- Data encryption and security incorporated into all new systems

Link to strategic priorities



Related KPIs

- Revenue growth
- Operating profit margin
- Customer loyalty
- Fleet utilisation
- ROCE

Changes during 2020

A continued focus on delivery of our cyber security strategy in 2020 has allowed us to reduce the risk score. We have raised awareness internally through training and certification and invested further in the security technologies we employ. We expect to continue to improve in this area in 2021.

Major contract cancellation

Tokyo Olympics cancellation due to COVID-19



Executive responsible

Dan Ibbetson, Managing Director
Global Products & Technology

Background and impact

The Olympics in Japan has been postponed until summer 2021. There remains a risk that the Games could ultimately be cancelled because of COVID-19. We have contractual provisions in place which would help mitigate risk were it to be cancelled.

With positive news regarding a vaccine, we see this risk as having reduced since our interim results in June 2020. However, if the Games were cancelled, this could have a material financial

impact on our 2021 financial performance.

Key preventions and mitigations

- Customer relationship management
- Group contract risk management policy – compliance and monitoring
- Mobile, modular, homogenous equipment
- Contractual provisions to reduce losses in the event of cancellation

Link to strategic priorities



Related KPIs

- Operating profit margin
- Revenue growth
- Customer loyalty
- Fleet utilisation
- ROCE

Changes during 2020

The scale and scope of the Tokyo Olympics contract in particular has seen this risk added to the Group Register of Principal Risks following our review process at the half year.



Compliance

Escalating sanctions

We are prosecuted as a result of trading with an entity subject to sanctions



Executive responsible

Simon Thomson, Group Legal Director & Company Secretary

Background and impact

The economic sanctions environment continues to change. Risk is predominantly in respect of changes which might impact contracts that we have previously approved which might subsequently become out of line with regulations.

We believe that we continue to have appropriate procedures in place to manage our compliance with current and developing sanctions regulations in the jurisdictions in which we operate currently and those where we might wish to work in the future.

Key preventions and mitigations

- Group contract risk management policy – compliance and monitoring
- Due diligence on all contracts and customers in high-risk jurisdictions
- Targeted training of employees and third parties
- Recruitment, training and performance management

Link to strategic priorities



Related KPIs

- Revenue growth
- Customer loyalty
- Operating profit margin
- Employee satisfaction

Changes during 2020

Sanctions have been extended in some countries in which we operate. We continue to operate robust processes to ensure that we are assessing each new contract against current regulations while staying abreast of any changes in regulations that might impact on existing contracts.



Financial

Failure to collect payments or to recover assets

Significant customer payment default or impounding of assets



Executive responsible

Heath Drewett, Chief Financial Officer

Background and impact

The Group continues to have some large contracts in emerging market countries where payment processes can be unpredictable, where liquidity has been adversely affected by a fall in commodity prices or our customers have competing demands on limited budgets. There is a risk that we do not obtain payment for a large project (or combination of projects) and/or that a material value of assets is confiscated.

A customer's non-payment would result in an increased bad debt provision or write-off of the debt. Should our assets be seized, we would also lose future revenue and profit associated with that equipment while having to write off its residual net book value.

Key preventions and mitigations

- Regular monitoring of the risk profile and debtor position for large contracts
- Contract risk management policy application

- Various mitigation techniques including: obtaining advance payment; letters of credit; insurance against losses
- Ongoing customer relationship management
- Business scale and customer portfolio diversification make it less likely that any unprovided bad debt or equipment seizure would be material to the Group

Link to strategic priorities



Related KPIs

- Operating profit margin
- Fleet size and composition
- Fleet utilisation
- ROCE

Changes during 2020

The COVID-19 pandemic created cash flow, liquidity and, in some cases, future viability challenges for some of our customers. While we continue to make progress on cash collections, it was our judgement that the more challenging economic outlook post-COVID-19 for

several of our larger PSU debtors was such as to require impairment of our residual balance sheet exposure. In addition, several specific debtors in our Rental Solutions and PSI business have faced similar challenges, the majority of which operate in the oil and gas, and events sectors.

Specifically, this has resulted in an impairment of £67 million in trade and other debtors. While we continue to pursue these debtor balances, we no longer consider their recovery probable given the customers' financial position. In addition, the value of bad debts occurring in the normal course of business was at an increased level than in previous years.

Finally, stock and fleet assets have also been written off as it was concluded that we would not be able to recover these assets from the countries in which they were operating.

As a result of the impairment, together with strong cash collections across the remainder of our debtors, the level of this risk has reduced over the course of the year.

Coronavirus

As soon as the COVID-19 pandemic was declared we identified four priorities: looking after our people; maintaining our financial strength; supporting our customers; and emerging stronger.

Details of the steps taken to address each priority are detailed on page 05. We have been able to meet the challenges we set for ourselves within these priority areas. All of our depots and project sites have continued to operate throughout the pandemic.

As the pandemic continues to evolve, our primary concern remains the welfare of our people, their families and the local communities in which we work. We have followed the development of the further COVID-19 outbreaks and have implemented measures to protect our people, to prepare for further possible consequences of the virus and to continue to provide service to our customers.

In 2020 we learnt a lot about the impact of the pandemic on our business and how to manage it. Although it is still unclear how the current outbreaks will develop, we are more confident forecasting business performance in this environment than we were at the beginning of the outbreak. We will continue to follow developments closely and will take further action to protect our people and business as appropriate.

The uncertainty arising from the pandemic and governments' responses to it has been reflected in our Group Register of Principal Risks.

Brexit

In 2020, we finalised our preparations to mitigate any potential impact of the UK's exit from the EU on our business.

The end of the transition period on 31 December 2020 has not resulted in material disruption to Aggreko's supply chain or export of finished products so far. Although the introduction of new customs rules on movement of equipment and tax legislation (and the associated system changes) at short notice has made shipments between the UK and EU slower, we are developing the expertise to deal with them.

Likewise, in the area of product compliance, we have seen the introduction of new rules on how we must certify some of our products in relation to regulatory, safety or technical standards. Also, the introduction of the new UK Conformity Assessed (UKCA) mark which replaces the CE (Conformité Européenne) mark in the UK, has led us to develop our processes to dual mark our new products for both the UK and EU27 markets. In all of these areas, our teams have developed the knowledge and expertise to deal with these changes. While it is early days and the detail of the Brexit legislation is still being worked through, we do not expect these changes to have a material effect on the Group's future performance because a large majority of its operations take place outside the UK and the EU.

The Group earns approximately 5% of its revenue from the UK and 10% from EU markets. Demand for our services in these markets is, in part, GDP dependent. A significant change in the GDP growth in these markets is likely to have a knock-on impact on our level of activity there. We will continue to monitor the situation closely and refine our contingency plans as the situation develops.

Assessment of prospects and viability

The prospects for our Rental Solutions business are linked to growth in local economies and commodity cycles. Our PSI business is driven by growth in developing markets, which can be commodity dependent, while PSU is driven by shortfalls in permanent capacity caused by economic growth, ageing power infrastructure, hydro shortages and social pressures.

The Executive Committee and the Board regularly discuss factors that might affect Aggreko's prospects. The nine principal risks which the Board concluded could affect business performance are set out on the previous pages.

With the above as background, the Board approached the viability assessment as follows:

- It took the decision to carry out the assessment over a three-year period to 2023. Although the prospects of the Group are considered over a longer period, three years was deemed appropriate for the viability assessment as:
 - The Group's funding requirement can be forecast with sufficient accuracy over this period
 - The Board expects to be able to arrange sufficient finance to meet its funding requirement over the viability period
 - PSU's historical off-hire rate of 30% suggests an average contract life of three years. Rental Solutions and PSI have shorter hire periods than PSU
- It stress-tested the Group's strategic plan to 2023 by modelling scenarios linked to each principal risk, together with scenarios of combinations of principal risks

The results of this stress-testing showed that the Group has sufficient scale, diversity and balance sheet strength to withstand the impact of these scenarios by making adjustments to its operating plans within the normal course of business.

Based on the results of this analysis, the Directors have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the three-year period of their detailed assessment.

This year, we have refreshed our approach to sustainability, with a clear goal of becoming a net-zero business by 2050

2020 was an important year for our sustainability programme. The net-zero commitments announced in November 2020 put sustainability at the core of our Group strategy. Although sustainability is not a new topic for Aggreko, this represented the right opportunity to bring together the various sustainability workstreams operating across the Group to develop our first formal sustainability framework, while ensuring proper governance and stakeholder engagement on these important issues.

The focus of our sustainability work over the last 12 months has been:

- Carrying out a materiality assessment to identify the sustainability topics that we should initially focus on
- Identifying the most appropriate external frameworks to align with and report under
- Presenting the materiality assessment and suggested governance structure to the Board for review and approval in October 2020
- Establishing workstreams and defining initiatives across the high-priority topics identified through the materiality assessment to work on our sustainability commitments, metrics and targets
- Setting up a steering committee to pull together the efforts of the workstreams and present our sustainability framework to the Board in early 2021

Next steps for 2021 include:

- Finalising our sustainability framework
- Driving the implementation and execution of our sustainability framework, including target setting and identification of detailed metrics to support delivery
- Fully embedding our sustainability governance and risk management structure
- Continuing our work to align with, and make meaningful disclosures under, the external frameworks with which we have chosen to align
- Improving our external communications on sustainability, including the development of a sustainability hub on our corporate website
- Setting up a steering committee to develop and lead our approach to reporting for the Task Force on Climate-related Financial Disclosures (TCFD)

Materiality: identifying what matters most

Our continued success depends on understanding the ever-changing sustainability landscape and the issues that will influence our future strategic direction, while managing our impact on society and the world around us. We monitor business developments, risks and opportunities facing the Group, as well as changes in legislation and the perspectives and needs of our stakeholders. Our material issues identify what matters most to our business and our stakeholders, enabling us to act on these accordingly.

In 2020, we carried out our first materiality assessment in order to understand better the importance of a range of sustainability topics to our stakeholders and to inform our priorities for the sustainability framework.

Our materiality assessment comprised five main steps:

1. Stakeholder identification and prioritisation

An exercise to identify the stakeholder groups most impacted by our approach to sustainability and map their level of influence using the Mendelow power-interest model was carried out in order to ensure we focused on the right stakeholders and issues.

2. Define sustainability topic long list

A desktop exercise was conducted to develop a long list of over 60 sustainability topics that are relevant to Aggreko. This included a review of the most common areas of interest of our investors, customers and environmental, social and governance (ESG) bodies, including a detailed analysis of our key customers' sustainability strategies and benchmarking against reporting standards, such as the SASB materiality map and past sustainability rating agency reports.

3. Stakeholder engagement to create a short list of sustainability topics and rank those topics

The initial long list was reduced to a short list of about 20 topics through two internal workshops. Participants in those workshops held positions across the business, including general management, operations, sales, legal, strategy and HR, and their geographic locations spanned four continents. A survey was then sent to all internal and external stakeholder groups (including employees, customers, investors, analysts, suppliers and lenders) asking for their views on the relative importance of the short list.

4. Focus groups to rate the business impact of the short list

Running concurrently with the survey, our internal focus groups assessed the risks and opportunities associated with each topic, and the results of our stakeholder identification and prioritisation exercise, to determine which topics could have the most significant impact on the Group.

5. Development of our materiality matrix

Using the results of the survey and the business impact analysis, a materiality matrix was drawn up. An iterative process of review and revision by the Senior Leadership Team and Executive Committee was conducted, before the materiality matrix was signed off by the Board.

Our materiality matrix

The initial area of focus as we developed our sustainability framework was on those topics that appear in the very high segment of the matrix. In addition, we included topics from the high segment that have current or emerging regulatory reporting requirements and/or are aligned with risks identified within our Group risk framework.

As a result, the high-priority sustainability topics that our sustainability framework will initially focus on are:

- Air quality and emissions
- Investment in clean technology
- Energy consumption
- Global climate commitment
- Health, safety and security
- Employee training and education
- Inclusion and diversity
- Cyber security
- Anti-bribery and corruption
- Corporate governance

We understand the importance of the full spectrum of sustainability topics and this approach does not exclude action in other areas and, in many cases, we already have developed policies and initiatives. Over time, we aim to broaden out the topics we focus on in order to cover all areas in the materiality matrix.

Sustainability governance

A significant proportion of the sustainability priorities identified during our materiality assessment is already built into Aggreko's business and well embedded within internal governance frameworks, leading to clearly defined oversight and reporting at the Board, or one of its Committees. In examining these governance frameworks, we identified and addressed some gaps and built on existing structures to ensure that the Board has the appropriate level of oversight of our sustainability priorities.

During the year, the Board reviewed sustainability governance and agreed the below points to ensure that management has a clear understanding on the roles and responsibilities for sustainability:

- The named Executive Director with responsibility for sustainability matters is the CEO.
- The Board oversees high-priority environmental sustainability topics, given the integral part they play in the overall Group strategy.
- Oversight of sustainability priorities and initiatives for social and governance matters are undertaken by the relevant Board Committee, in accordance with their respective terms of reference.
- An annual update on all sustainability topics and initiatives to the Board has been introduced. This will supplement the more detailed and regular oversight of our sustainability priorities at the Board/Committee level with a holistic review of all sustainability topics and progress against our sustainability framework.
- The Executive Committee has overall responsibility for implementing the sustainability framework as approved by the Board.
- A sub-committee of the Executive Committee with responsibility for sustainability will be established.



Task Force on Climate-related Financial Disclosures (TCFD)

Aggreko has committed to meeting the TCFD recommendations in full by 2021. Below is our first disclosure using the TCFD framework. We intend to use this as a building block for our future reports as we implement our sustainability strategy and develop our reporting in this area.

Governance



Describe the Board's oversight of climate-related risks and opportunities

The Board has collective responsibility for the oversight of climate-related risks and opportunities. More information on sustainability governance is included on page 43.

Describe management's role in assessing and managing climate-related risks and opportunities

Chris Weston as CEO has specific responsibility for all sustainability matters and is supported in this by the Executive Committee and its sub-committees for risk and sustainability.

Strategy



Describe the climate-related risks and opportunities the organisation has identified over the short, medium and long term

The energy transition has a significant impact on power markets and demand, representing challenges that are both risks and opportunities for Aggreko. We describe the climate-related risks and opportunities within the following time horizons:

Short-term (0-5 years)

Customer local emission targets and adoption of renewable energy could encourage a move towards more efficient engines, more gas and thermal/renewable energy hybrids instead of fossil diesel. This represents an opportunity for a new generation of engines, for more gas and more efficient solutions, as well as our thermal/renewable hybrid offering. We could experience a decrease in the rental activity of diesel generators and there is also a risk to growth of heavy fuel oil activity.

Medium-term (5-10 years)

Further climate-related regulations, acceleration of decarbonisation with the cost decrease of renewables and storage and the potential ban of fossil diesel could accelerate the decrease of the diesel market and the emergence of new commercial propositions. The availability of biofuels and biogas grows. This represents increased opportunities for gas and hybrid applications as well as for blending fossil fuels and gas with bio-solutions. If we don't actively manage the size our diesel fleet, we face the risk of having stranded assets on our balance sheet. Decarbonisation of transport, buildings and industry will drive electrification, opening new opportunities to Aggreko if we are able to develop the required commercial propositions.

Long-term (10+ years)

Clean solutions will become more competitive and available to customers. Moreover, more fuel options to reduce dependence on fossil diesel will be more widely available. If we are too slow to invest and adapt our technology, we face the risk of losing market share to competitors who are more agile and quick to adapt. Especially in the long term, the oil and gas, and petrochemical and refining industries will have to adapt and do business differently. Today those sectors represent one-third of our revenues. We need to monitor how they evolve and understand what types of services they need from Aggreko.

Describe the impact of climate-related risks and opportunities on the organisation's businesses, strategy and financial planning

To leverage opportunities from the energy transition, Aggreko will have to transform a significant part of its fleet and offering, and develop and commercialise many new options for our customers. Our offerings will become more complex, combining several technologies and we will have to develop many new competences.

Describe the resilience of the organisation's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario

In 2020, we conducted a comprehensive review of our markets to understand and assess the impact of the energy transition on our customers and the necessary evolution of our solutions. We conducted this analysis sector by sector and region by region where our customers are impacted differently and the pace of the evolution is also very different. This assessment and the business options were discussed broadly in our organisation and with our experts. Our plans are built by sector and by region and shared deep within the organisation so we align our teams and actions with our Group vision.

We consider that reaching our net-zero target for our own emissions is achievable, while reaching net zero on our Scope 3 emissions will be more difficult and will not be under our full control as it will require the will of our customers but also the widespread development of synthetic fuels from the industry.

Risk management



Describe how processes for identifying, assessing and managing climate-related risks are integrated into the organisation's overall risk management

Twice a year, the Group Risk function undertakes a review to validate the existing risk registers as well as to identify and assess any emerging risks. The process includes discussions with all business leaders and subject matter experts with consideration given to any potential risk event which might occur that would impact upon Aggreko's ability to meet its objectives. This includes consideration of the impact of climate-related risks. More information on our risk management approach can be found on page 35.

In addition to the standard risk update process described above, the Group Risk function has interrogated our Group risk management framework to determine the risk events and specific risk scenarios which might be triggered by climate change. This was undertaken while reflecting on best practice external materials, in particular the findings of TCFD. As a result of this we have now included a climate change risk into our Group Register of Principal Risks which is monitored by the Risk Committee, Audit Committee and Board.

During 2021, we plan to refresh the approach taken to identification, assessment and management of sustainability/climate-related risks and we will report on developments in our 2021 Annual Report and Accounts.

Metrics and targets



Disclose the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process

We report various consumption and intensity metrics relating to energy and CO₂ on page 96. We aim to improve the disclosure of climate-related metrics as we develop our sustainability framework and will provide more detail in our 2021 report

Disclose Scope 1, Scope 2 and, if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks

These disclosures can be found on page 96.

Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets

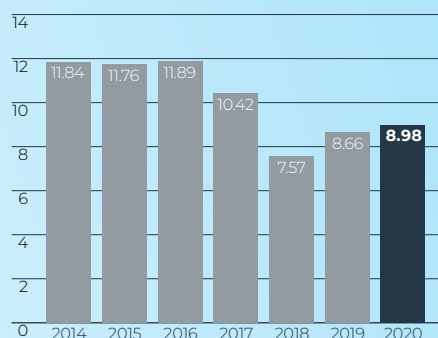
By 2030, we will:

- Reduce the amount of diesel fuel used in customer solutions by at least 50%
- Reduce local air quality emissions of those solutions by the same amount
- Achieve net zero across our business operations

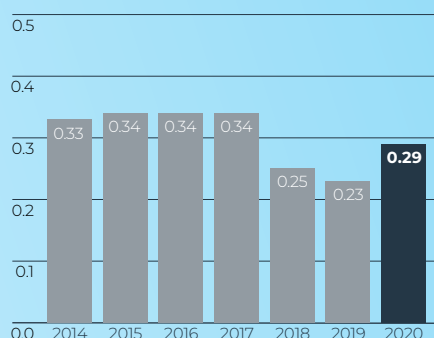
By 2050 or sooner:

- Aggreko, and the services we provide will be net zero

Revenue intensity ratio
tCO₂e/thousand £



Running hour intensity ratio
tCO₂e/running hour



Total GHG emissions by fleet/non-fleet

tCO ₂ e/ year	2020	2019	2018
Fleet	12,159,451	13,829,638	13,149,392
Non-fleet	97,944	139,978	126,277
Total	12,257,395	13,969,616	13,275,669

i Read our full GHG emissions report on **page 96**

Sustainability Performance Benchmarks

Our sustainability performance is regularly assessed by external organisations and benchmarks, including CDP, MSCI, Sustainalytics and FTSE4Good. You can read more about our ratings at www.plc.aggreko.com

Non-financial information statement

We comply with the non-financial reporting requirements contained in sections 414CA and 414CB of the Companies Act 2006. The table shown here is intended to guide stakeholders to where relevant non-financial information is included within our Annual Report.

Business model description

08 Our business model

Risk management

35 Principal risks and uncertainties

Non-financial KPIs

13 Customer focus
17 Technology investment
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Anti-bribery and corruption

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Employees

22 Expert people
48 Our stakeholders – employees

Social matters

46 Our stakeholders – local communities

Listening to and understanding our stakeholders is critical

Transparent reporting: section 172 statement

In line with the reporting requirements of the 2018 UK Corporate Governance Code and the Companies (Miscellaneous Reporting) Regulations 2018 for a separately identifiable section 172 (s172) statement, we have described our stakeholders and how the matters set out in s172 of the Companies Act 2006 have been considered in Board discussions and decision-making. On pages 46 to 49, we have identified our key stakeholders, the issues that matter most to them and engagement activities during the year. On pages 50 and 51, we describe how stakeholder considerations have been taken into account in a selection of Board decisions in 2020, along with a discussion of capital allocation.



Environment

The impact of our operations

What we do, and the way that we do it, can affect the world around us. We take that responsibility seriously by focusing on working in safe, responsible and honest ways. From designing our equipment, to building, installing and operating it, health and safety is our top priority for our people, our customers and our communities. We are also progressive in the way we provide power, by looking into alternative fuels and developing renewable energies and storage solutions. We also aim to keep noise to a minimum and find ways to be more efficient with fuel burnt and energy used. Wherever we operate, we fully comply with regulations and follow strict standards for our equipment.



On 17 November 2020, we published our net-zero targets alongside a strategic update to address how the Group will evolve and deliver through the energy transition. This has been well received by our stakeholders, accompanied by confirmation of enduring investor priorities, including long-term focus, a commitment to addressing climate change and the commitment to broader sustainability issues.

- i** Read more about the upgrade of our facilities to meet our own operations net-zero target on **page 51**
- i** Read more about engaging with stakeholders to develop our sustainability materiality matrix on **page 42**



Suppliers

Material issues

- Working with them in partnership
- Commitment to integrity and honesty, and conducting business in a socially responsible and sustainable way
- Open channels of communication enable an understanding of our strategy and how they can work best with us to support its delivery

Engagement in 2020

Supplier performance management:

Our dedicated Global Procurement team focuses on developing and managing our relationships with suppliers. This has enabled us to improve product quality and relationships with suppliers, introduce regular account review meetings and generate cost savings across the Group.

Code of Conduct: We expect our suppliers to share our commitment to conducting business with integrity, honesty and in a socially responsible and sustainable way, and to work in partnership with us to achieve this goal. We expect all our suppliers to sign up to our Code of Conduct and ways of doing business. We monitor compliance and will terminate a relationship in the event of a supplier falling short of the standards expected.

Development agreements and sharing data:

Subject to appropriate confidentiality and intellectual property protections, we share field data with our key suppliers. We are reducing the total cost of ownership of our fleet while continuously innovating to drive performance improvements.



Local communities

Material issues

- Minimising the impact of our activities on the local area and environment around a site
- Contributing to the communities we work in: providing opportunities for local employment and training, investing in children's welfare, education and health and partnering with local charities

Engagement in 2020

The nature of the services we provide mean we are often powering critical services on which local economies and communities depend. We have a responsibility to listen to the needs of local people and where possible work with them to make a lasting difference.



We seek to employ and train local people wherever we work; during 2020, 90% of our global workforce were locally employed – this number is slightly higher than usual owing to the impact of COVID-19 on movement of our people. We provide extensive on-the-job training for new recruits and give them the skills to become technicians. This helps us to build relationships in the local community which are very important when we might be operating a contract for a number of years. We also run apprenticeship schemes at our largest locations and employ c.112 apprentices in around 10 countries.



Investors

Material issues

- Financial performance, including working capital and the strength of our balance sheet
- Capital allocation, including how we think about investment in new technology and the potential for capital returns
- Understanding the strategy and operations of the Group
- Development of new, and deployment of existing, technology in the broader context of climate change
- Understanding our policies in relation to the environment (including specific actions to reduce fossil fuel consumption and emissions) and broader sustainability issues
- Strong relationships, with open communication channels to the Board and senior management

Engagement in 2020

Annual Report: Each year we aim to improve our overall explanations across the Annual Report and provide simple messaging.

Remuneration Policy: read more about this on page 50.

Annual General Meeting (AGM):

Ordinarily this is an opportunity for direct engagement with the Board. This year COVID-19 affected the format of our AGM and we instead invited shareholders to submit their questions via email for response after the AGM on our website.

Webcasts: Live webcast presentation and Q&As for our full and half year results and also for our update on Q3 results, alongside the strategy refresh and announcement of net-zero targets.

Investor website: A central resource to view announcements and associated materials.

We also have engagement activities designed to specifically target the needs of the following investors:

- Institutional investor engagement during the year involved formal events, teach-ins, small group and one-to-one meetings. The Investor Relations team and senior management conducted the majority of our 141 meetings in 2020 virtually, engaging with 87 institutions. We also utilise an online tool which enables us to ask for, and receive, feedback directly from analysts and investors.
- Our lenders receive an annual briefing with the Executive and senior management.
- Private shareholder engagement is available on an ad hoc basis by request.



Customers

Material issues

- Cost is nearly always top of the list for our customers
- Pressure to reduce emissions is increasingly important and is starting to play a pivotal role in some of our sectors
- Offering tailored solutions and sector-specialist knowledge
- Reliability of supply, efficiency, customer service and product quality are also key

Engagement in 2020

Voice of Customer surveys: These provide both transactional and relationship-based feedback on what matters most to our customers.

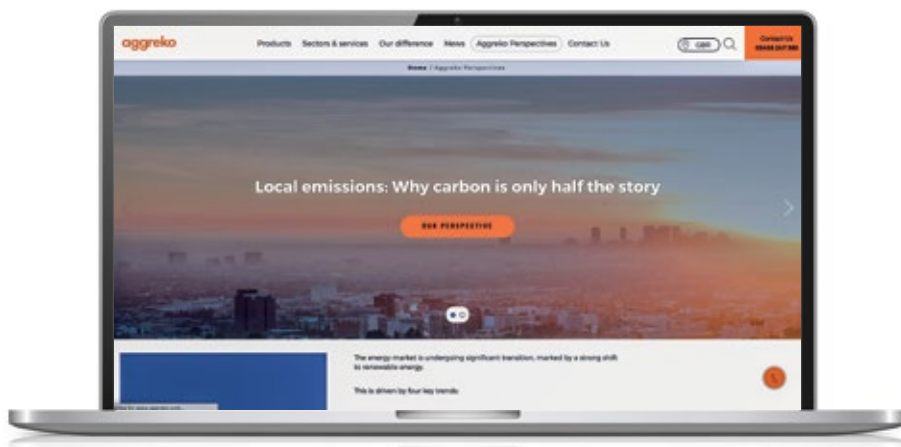
Net Promoter Score (NPS): We use the industry standard NPS to measure our performance and customer loyalty. We use this score to identify areas for improvement. We were delighted with an NPS of 71% in 2020, a significant increase of six percentage points since 2019, consolidating our position within the top 5% of B2B service organisations globally.

CRM system: This is an enhanced customer relationship management system which gives us a better understanding of customer requirements by analysing our operating history and service provision, improving the speed of our service delivery.

Online platforms: An online customer portal which will enable customers to see their account with Aggreko, including, for example, what they have on rent, fuel usage and invoices. For more transactional services, we have evolved our e-commerce platform, providing a more agile and cost-effective sales channel.

i Read more about our strategic priority of customer focus on **page 12**

i Read more about our Net Promoter Score on **page 13**





Employees

Material issues

- Working for a company they can be proud of and the difference we can make in the world
- Working environment, health and safety, reward, training, progression and inclusion
- Ensuring our employees feel engaged with, and listened to, about what matters most to them
- Understanding our strategy and values, how to promote them and how their performance can influence them

Engagement in 2020

Be Heard survey: In 2020, we overhauled Be Heard, engaging a new supplier, introducing some additional questions and providing every employee with a summary of their local team's response. This means we were able to reflect on our collective feedback and take action, with hundreds of managers putting actions in place to respond to the needs of their teams. Our 2020 Be Heard survey attracted our highest ever response rate: 74% compared with an average of 50% in 2019. There were strong levels of engagement, with 80% of our respondents feeling engaged. We acknowledged that there was still room for improvement and supported the CEO in identifying three focus areas for the Group:

1. Strategy – 68% of employees felt senior leaders had shared a vision for the future that motivated them. Although this score is slightly ahead of the benchmark, we know it's a strong driver of engagement and have paid particular attention to this. We've defined a new purpose which we've engaged our senior leaders with, and we'll engage the wider organisation with throughout 2021. We built a comprehensive internal communication plan around our strategy refresh, starting in November and continuing throughout 2021.

2. Career development – 64% of employees believed there are good career opportunities at Aggreko, and although this again is ahead of benchmark, it's a very strong driver of engagement at Aggreko. We've encouraged all of our employees to address this for themselves by speaking with their managers during the mid-year and annual review process. And we rolled out a specific training programme for all managers around having great career conversations with their teams.

3. Taking action – only 58% of employees believed that action would take place as a result of the survey. We addressed this through our employee communication channels, explaining that our approach to Be Heard has changed, that results are available to everyone so that everyone can take ownership for changes and that action is being taken at all levels to address the feedback received. Our CEO also made a personal commitment to ensure that the Executive Team is making improvements based on employee feedback.

Communication during a pandemic:

We were well placed to address any challenges presented by COVID-19 in how we communicate across the business. Microsoft Teams and Yammer had been launched and enabled across the business before the pandemic hit, and we've used these channels for virtual communication and collaboration. The Executive Team has held regular, interactive Teams calls with colleagues from different teams and locations across the world. Our CEO has used video, email and Yammer posts to update colleagues on a regular basis about business performance and the importance of their wellbeing during the pandemic. Colleagues regularly post stories, videos and photographs on Yammer, keeping in touch on business and social topics. We've conducted local surveys on wellbeing and provided guidance to managers on how to communicate with and manage your team virtually. We established a specific site on the intranet for all pandemic-related information and resources for all our colleagues across the world. The Board takes its responsibilities for workforce engagement seriously and engages with our employees via our Ethics & Corporate Responsibility Committee.

i Read more about the workforce engagement activities undertaken by the Board on **page 59**

Future ways of working: As we continue to work around the challenges of working more flexibly during COVID-19, we asked some of our employees for their views on what future working practices might look like. Although we have not made any long-term decisions yet, we will use employee feedback to guide us through some of the benefits and challenges differing ways of working can have. We are keen to ensure that the right support mechanisms are in place for all of our employees.

Safety Climate surveys: Our biennial Safety Climate surveys attract a high response rate, which we follow up with regional workshops and actions for implementation. The results of our most recent survey showed an improvement on the previous survey, and put us in the top 5% of comparator companies.

Plan on a Page: We share our annual Plan on a Page to help our teams align behind the key actions to deliver our budget, updating our employees with progress on a quarterly basis. In response to COVID-19 we engaged and aligned all employees with a revised plan for 2020, setting four new priorities to ensure we remain focused on the right activities, while also helping us to exit the crisis stronger and better prepared for the future.

The first priority in the plan was 'Look after our people', prioritising everyone's safety and wellbeing; protecting jobs around the world and reinforcing our value of 'Be Together' in supporting each other through the pandemic. Stating very early on that we'd do everything we could do protect jobs during the pandemic had a very positive impact on our people's engagement and wellbeing.

Senior Leadership Team: Given the diverse and dispersed nature of our teams, we regularly engage a core group of senior leaders. Our focus this year has been on improving collaboration among this team, using insights to foster better working relationships on key strategic topics. We hold virtual meetings every fortnight and aim to get together face to face at least twice a year. This year we held a virtual, three-day event where we discussed our purpose and strategy, helping us to shape the future agenda of our business.

Inclusion and diversity

In 2021, as part of the development work for our sustainability framework, we will outline our global approach to inclusion and diversity, which involves looking at addressing any underlying cultural issues rather than focusing on specific minority groups, which we will continue to do at a local level. Our approach centres on tying our inclusivity and wellbeing agendas to ongoing cultural change initiatives and core people processes such as recruitment and leadership development. Our first step is to bring together the disciplines of communication, culture, wellbeing, inclusion and leadership development into one function, as we believe it is the integration of these agendas that will drive sustainable change. We will provide further detail on this in our 2021 Annual Report and Accounts.

- i** Read more about our strategic priority of expert people on **page 22**
- i** Read more about the actions implemented following our Safety Climate surveys on **page 51**

Diversity metrics at 31 December 2020

Gender of Board

	No.	%
Male	7	64
Female	4	36

Gender of Executive Committee

	No.	%
Male	7	88
Female	1	12

Gender of Executive Committee direct reports*

	No.	%
Male	40	73
Female	15	27

* As required by the Companies Act 2006, the composition of our subsidiary company Boards 104 males and 15 females

Gender of permanent employees

	No.	%
Male	5,351	83
Female	1,073	17

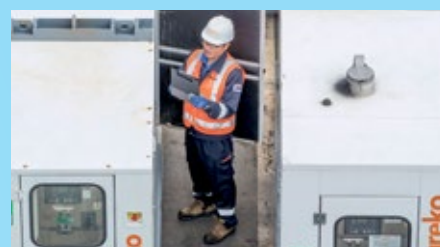
Our global inclusion statement

“At Aggreko, we power progress by delivering energy anywhere. We have customers in over 80 countries who rely on us to help them achieve their energy goals. We can only do this with a team that reflects our diverse markets. We hire great people from all walks of life because it makes our company stronger. We encourage everyone to be themselves at work, because we know that's how everyone can be their best. Together, we do what's right for our planet, for our customers, for the communities we work in and for each other.”

Golden Ticket programme: recognising the outstanding contributions of our employees

The Golden Ticket programme was launched in July 2020 as a way to recognise the outstanding work our employees delivered against the challenging backdrop of COVID-19. This global peer-to-peer recognition scheme saw employees from across the world, alongside a guest of their choice, win VIP tickets to Tokyo to watch the rescheduled Olympic Games in 2021.

Over 1,700 nominations were received from 49 countries from across the Group and 30 employees were selected as winners. Not only was this a great opportunity for recognition but it also provided us with a way of reinforcing our values and culture through the stories we told about the winning individuals. Members of the Senior Leadership Team, including the CEO, were involved in informing the winners and sharing their stories via video meetings. These emotional stories, and the campaign overall, have had significant engagement with colleagues from across Aggreko.



Decisions in 2020 where stakeholder views were specifically considered

Committing to net-zero by 2050

Four statements setting out our environmental commitments

How we engaged

Increased demand for clean technology has come from governments, institutional investors and customers. Government policies and regulation are driving market economics, with over 180 countries joining the Paris Agreement and net-zero becoming the new standard across the EU. Governments are also creating incentives and regulations to influence the evolution of the energy market. Sustainable financing is also on the rise, with institutional investors leading the way and development finance organisations driving sustainability requirements in emerging economies. Customers are responding at their own pace to these challenges, with many setting their own net-zero ambitions and long-term targets. We engaged with our customers, looking at the impact of the energy transition by sector on their activities, holding a number of working groups to assess what solutions they need now and in the future.

Assessing the potential

Committing to net-zero targets, investing in new technology and developing new solutions are challenging, time-consuming and expensive, but meeting the needs of our customers and investors, reducing emissions and clearly setting our own environmental targets is key for the long-term sustainability of Aggreko. Setting environmental targets are also important in retaining current and attracting future employees. We undertook a review of existing and emerging technologies, availability and pricing of fuels and potential combinations of technology and fuel to enable our customers during the energy transition. This gave us the confidence in our long-term ambitions and strategy.

Long-term implications

We already have a strong track record of responding to low-carbon demands: our investments in low-carbon technologies, partnerships and developing commercial systems within our Global Products and Technology division. This provides important momentum for Aggreko to take the lead in the energy transition. We have refreshed our strategic priorities for the transition to help us to drive growth and address environmental concerns, while optimising our existing assets to deliver efficiencies and improve returns.

i Read the four statements setting out our environmental commitments on **page 07**

i Read more about our sustainability strategy and engaging with stakeholders to develop our materiality matrix on **page 42**

We power progress by delivering energy anywhere

Uniting our employees behind a new corporate purpose

How we engaged

In 2020, we reviewed our purpose statement against the strategic update announced in November 2020. The strategy refresh exercise caused us to closely examine our purpose statement. Our old purpose statement lacked clarity and direction, it no longer felt at the heart of our strategy and required too much explanation. We ran a detailed interview process with our Executive Committee to define key areas to explain who we are and develop a number of potential purpose statements for development and discussion. From there, we worked closely with our Senior Leadership Team to debate the proposed purpose statements against the context of our refreshed strategy.

Assessing the potential

A strong purpose is important to employees, maintaining morale and energy. It creates a strong sense of direction, guiding their work, shaping their choices and leading them to do things that create competitive advantage. Purpose makes actions easier because it creates a shared understanding about what is important. This stimulates initiatives and cooperation, helping people remain focused. Working with the Senior Leadership Team, a diverse group of 46 people from six countries and many different business functions and operations presented many different perspectives and points of view, but it was a crucial step to broaden the ownership of the purpose statement, ensuring our senior leaders endorse our approach to purpose and engage and believe in the final statement.

Long-term implications

Our new purpose statement enables us to present a coherent external message, successfully aligning our strategy, values, culture and purpose. It also unites our employees around one common message about what it means to work at Aggreko, at a time when we're asking them to embrace change, be more agile and engage with the challenges of the energy transition. The new purpose statement sums up both what we do and why we do it in a short, simple and memorable phrase.

i Read more about the Board's role in our new purpose statement on **page 58**

Consulting on a new remuneration policy

Consulting with major shareholders and governance bodies

How we engaged

Proactive engagement took place from late summer 2020 with key stakeholders, including shareholders, employees and governance bodies, to help shape our new policy.

Our Remuneration Committee Chair engaged with most of our top 20 shareholders on initial proposals and continued a dialogue as the policy evolved, including consultation with key institutional investor bodies.

The views of management were also sought to ensure focus on whether key proposed changes in variable reward structures were fit for purpose for our people across the Group as part of a fair and consistent reward package.

Assessing the potential

The consultation process influenced the decisions made by the Remuneration Committee. We are grateful to our shareholders for their feedback and further details of the feedback received can be found on page 69. Our proposed new remuneration policy includes restricted stock – we believe our executives are best aligned with shareholders in delivering long-term success during the energy transition, by owning Aggreko stock through a restricted stock plan. The Remuneration Committee has also taken steps to align our proposed new policy with best practice, including the changes to pensions and the introduction of post-employment shareholding guidelines. In addition to the change of our long-term incentive, the Remuneration Committee also decided to maintain some existing components considered important parts of the overall package.

Long-term implications

The revised reward structure aligns remuneration with our strategy to drive the long-term success of Aggreko. The policy avoids paying out more than we consider necessary and aligns with our culture and broader reward framework. We offer a reward package that continues to attract, retain and motivate quality leaders. A large proportion of our people are also eligible to participate in our Sharesave plans which promote share ownership by giving employees an opportunity to invest in Aggreko shares. We remain committed to engagement with our shareholders to ensure an open and transparent dialogue on the issue of executive remuneration arrangements at Aggreko.

i Read more about our proposed remuneration policy on **page 69**

Asking employees to share their views on our safety culture

62% of employees responded to our Safety Climate survey

How we engaged

We run our Safety Climate survey on a biennial basis. The first survey was held in 2017, which we followed up with regional workshops and actions for implementation. Following the first survey we implemented a number of changes, including: (1) the Leading Safety programme for front-line operational leaders; (2) stop-work authority, giving people the authority and responsibility to stop work if it is not safe to proceed and supported by reporting via the HSE app; (3) targeted our senior leaders in carrying out management safety walks; and (4) changed our approach to the Aggreko documented HSE management system, replacing 49 Best Operating Practices with 13 risk-focused Standards. In Q1, we reviewed the results of our second Safety Climate survey, which showed an improvement on the previous survey and benchmarked us in the top 5% of comparator companies.

Assessing the potential

Following discussion of the feedback at the Executive Committee, the Board approved the establishment of two global initiatives. The first initiative builds on the success of the Leading Safety programme, which was introduced in 2018 and was aimed at our front-line leaders, and will see the development of this programme to suit middle managers. The second initiative responds to the concern around reports not always being acted upon. Here, we will look to build in improved levels of accountability with line management, by providing better visibility and transparency on the report management and closure.

Long-term implications

Following the changes implemented after the first Safety Climate survey, we saw improvements across a number of our HSE metrics. Headlines included:

- 9,122 more risk reports
- 889 senior management engagements through safety walks
- 32 fewer lost time injuries
- 34 fewer recordable injuries
- 43 fewer 'at fault' vehicle accidents
- 105 fewer vehicle accidents overall

i Read more about our approach to safety on **page 23**

Capital allocation

Capital allocation and dividend policy decisions also have an impact on the long-term prospects of our business

This year's budget was approved by the Board following a comprehensive review of our strategic priorities and risks to our business.

We regularly review how we allocate capital and invest across the business. As part of the budget process, we conduct a thorough review of our fleet which considers the age, utilisation, legislative requirements and sales pipeline in each of the geographies in which we operate. This review considers whether the business needs can be met by transferring existing fleet or whether they require the purchase of new fleet. During the year there is a monthly process where the regional teams submit requests to spend their budgeted capex and these requests are reviewed and approved by the Executive team. Monthly and year-to-date spend versus budget is reported to the Board on a regular basis.

During the annual budget process and as part of our regular strategy reviews, we look at our funding requirements. This ensures that our capital allocation supports the strategy of the business with due consideration to enabling organic growth, investing in the capability and scale of the business, and meeting shareholder expectations by paying sustainable dividends and returning capital to shareholders as appropriate.

Our plans are demanding, but will position Aggreko well against our longer-term value creation ambition, while honouring our commitments to our stakeholders.

i Read more about capital allocation on **page 09**

i Read about our investment in fleet on **page 16**

Supporting our commitment to net-zero emissions from our own operations by 2030 by upgrading our facilities

In January 2021, we announced an upgrade of our production facility in Dumbarton, with an investment totalling £4.5 million. As part of Aggreko's industry-leading net-zero strategy, the site will turn into a future energy hub, replacing all diesel with low-emission HVO (hydrotreated vegetable oil) as well as exporting surplus power generated during production tests of NGG gensets back to the national grid. Smart battery storage systems and LED lighting systems will also be used to make the use of energy at the facility more efficient.

In addition to the external upgrades, the office space will be redesigned to provide a modern campus style working environment as we consolidate our office space, currently spread across three locations, into one.

This investment is a demonstration of the commitment to our employees and the local area, and making sure that we're continuing to produce the high-quality, reliable and greener products that our customers expect. We will continue to look for ways to enhance the value that the site brings to the business and the local community.



Chairman's introduction



“Aggreko is committed to high standards of corporate governance; it is the way we do business and is at the core of everything we do.”

Ken Hanna
Chairman

2020 in review

2020 has been a difficult year for everyone, significant decisions and adjustments have had to be made and Aggreko has been no exception. I am incredibly proud of the way Aggreko has dealt with this year, the resilience we have shown and adaptability to the challenges that have come our way.

i Read more about the Board's response to COVID-19 on **page 56**

As I stand down after nine years as Chairman, I am proud of the way Aggreko has developed its governance credentials. We have expanded the remit of all of the Board Committees and under Chris Weston's leadership, we have significantly increased the Group's focus on the health and safety of our employees and the impact of our business on the environment.

The Board takes its responsibilities on governance very seriously and I am confident this will remain a focus for Aggreko.

Board changes

On 6 August 2020, we announced that I would step down from the Board at the 2021 Annual General Meeting (AGM) and that Mark Clare would join on 1 October 2020 as a Non-executive Director and Chair Designate. We are delighted to welcome Mark, whose calibre and suitability to lead the Board is reinforced by the depth of his experience, wealth of industry knowledge and strong leadership track record. He is an experienced Non-executive Director and Chair, with extensive knowledge of customer needs and market-leading service levels. I have every confidence that Mark will provide exactly the leadership needed in the next chapter of Aggreko's journey.

Since joining the Board, Mark has embarked upon a detailed induction programme to enable a smooth transition to the role of Chair. Key elements included spending time with the CEO, CFO, members of the Executive Committee, senior management and the Company Secretary, giving Mark a thorough grounding in Aggreko's business on a Group and business unit level, areas of significant risk and a clear understanding, of his role and responsibilities.

On 29 October 2020, we announced that Diana Layfield would step down from the Aggreko Board on 31 December 2020. I would like to thank Diana for her dedicated service to the Board over the last nine years. We particularly valued her market and financial experience and her detailed knowledge of Aggreko during the transition period for our Chair Designate.

Diana's resignation was a little earlier than planned, ahead of completing nine years of service in May 2021. This was to allow Diana to join the AstraZeneca Board. As a result this has temporarily taken our Board's gender diversity beneath the recommended level of the Hampton-Alexander Review. Following my retirement at the AGM in April 2021, we will be back in line with the 33% target set by the Hampton-Alexander Review.

i Read more about our approach to inclusion and diversity on **page 63**

Looking ahead to reporting in 2021

The Board is acutely aware of the increased focus on sustainability topics. Sustainability is key to our long-term success, so we have worked hard on developing our sustainability framework in 2020 and will continue to monitor emerging practices as we move forward and agree the metrics to drive progress against our sustainability commitments.

i Read more about our approach to sustainability governance on **page 43**

i Read more about stakeholder engagement in our section 172 statement on **page 46**

Our approach to corporate governance and compliance statement

The UK Corporate Governance Code (2018 Code) calls for companies to focus on the application of the principles, with high-quality reporting on the provisions. Aggreko is committed to high standards of corporate governance; it is the way we do business and is at the core of everything we do. We work hard to ensure compliance with the principles and provisions of the 2018 Code and fully support the 'comply or explain' basis of reporting against it. Except as referred to below, Aggreko has complied with all relevant provisions of the 2018 Code throughout the year.

Chair tenure

Provision 19 of the Code states that the Chair should not remain in post beyond nine years from the date of their first appointment to the board. To facilitate effective succession planning and the development of a diverse board, this period can be extended for a limited time, particularly in those cases where the Chair was an existing Non-executive Director on appointment.

The Chair tenure overrun is related to our succession planning process, which was in place prior to the implementation of provision 19. I was appointed as a Non-executive Director in October 2010 and as Chairman in April 2012, so my overall tenure with Aggreko is just over 10 years, my tenure as Chairman being almost nine years as at the date of this report in March 2021. In March 2018 (before the publication of the 2018 Code), the Nomination Committee extended my appointment as Chairman for a further three years, expiring at the conclusion of the 2021 AGM.

Although this has taken my overall tenure as a Non-executive Director beyond the total nine-year tenure described in the 2018 Code (this includes 18 months as a Non-executive Director before my appointment as Chairman), the Board made the decision to retain the existing timescales to ensure an orderly succession for the role of Chairman. On 6 August 2020, we announced the appointment of Mark Clare as Non-executive Director and Chair Designate. I will step down from the Board and retire as Chairman at the AGM in 2021.

Board evaluation

Provision 21 of the Code states that there should be a formal and rigorous annual evaluation of the performance of the board, its committees, the chair and individual directors. The chair should consider having a regular externally facilitated board evaluation. In FTSE 350 companies this should happen at least every three years. The external evaluator should be identified in the annual report and a statement made about any other connection it has with the company or individual directors.

In line with this provision, we undertake an annual evaluation of the performance of the Board, its Committees, the Chairman and the individual Directors. We operate on the three-year cycle of Chair's review, Company Secretary's review and externally facilitated review. Our 2018 evaluation was externally facilitated and our 2019 evaluation was undertaken by myself as Chairman. For 2020, we made the decision not to undertake an evaluation, although we did ensure all actions from the 2019 evaluation had been closed. The 2020 evaluation was to have been the Company Secretary's review and ideally this would have been completed while our previous Company Secretary was in post. However, our intended timeline was impacted by COVID-19 which meant that we were unable to complete the review prior to his departure. In August, we also announced the appointment of a new Chair and agreed that the most appropriate and effective time for an evaluation would be after the new Chair was in post, after the 2021 AGM.

Workforce engagement

Provision 5 of the 2018 Code requires the Board to explain if it has not chosen one, or a combination of, the methods set out in provision 5 for board engagement with the workforce. The Guidance on Board Effectiveness (the Guidance) supporting the 2018 Code notes that the methods set out in provision 5 are not mandatory and other methods may be more effective.

In deciding what method would be best for workforce engagement at Aggreko we: reviewed the three options suggested by the 2018 Code; undertook a detailed review of the Guidance for the 2018 Code; and reviewed the existing engagement mechanisms we had in place. We also considered this against the structure of our highly diversified workforce, operating in around 80 countries, with many different languages. We concluded that Aggreko already had a well-established and effective approach to workforce engagement. In 2019, we identified some areas for improvement, including scope for expansion and greater participation from the Non-executive Directors and articulating the formal mechanism for workforce engagement. We have continued this work in 2020.

Our Ethics & Corporate Responsibility Committee is responsible for workforce engagement

Given the highly diversified nature of our workforce, we decided that to appoint a director from the workforce, or to have a formal workforce advisory panel would be impractical. We also decided that the global scale of the business meant that oversight by a single Non-executive Director would be too onerous. We therefore decided to give the task to the Ethics & Corporate Responsibility (ECR) Committee, while ensuring that it was adequately resourced for it. The ECR Committee is a committee of the Board, made up of Independent Non-executive Directors. In support of the ECR Committee's role in workforce engagement, we agreed the following:

- Support from a core team led by the Group People Director and members of the HR team
- Review and approval of a formal planner of Board engagement activities to oversee and report back to the Board
- Additions to the ECR Committee planner, including a biannual presentation on workforce engagement from the HR team
- A requirement for the ECR Committee Chair to formally report to the Board on workforce engagement annually, in addition to the informal updates at each Board meeting
- Review and update of the ECR Committee terms of reference

All of the items described above have been in place throughout 2020. The Chair of the ECR Committee presented a formal report on workforce engagement activities to the Board in December 2020, which included a review of the effectiveness of the current arrangements. The Board confirmed that workforce engagement mechanisms for 2020 were effective.

i Read more about workforce engagement on **page 48**

i Read the ECR Committee report on **page 59**



Ken Hanna
Chairman

Our Board



Ken Hanna

Chairman

Appointed: Non-executive Director in October 2010 and Chairman in April 2012.

Experience: Ken brings international financial and leadership expertise to Aggreko. He possesses knowledge of many different business sectors and is an experienced senior executive and leader, promoting robust debate and a culture of openness in the Boardroom.

Ken is also currently Chairman of Arena Events Group plc, an AIM-listed company, and Chairman of RMD Kwikform, a privately owned engineering services company. Until 2009, Ken spent five years as Chief Financial Officer of Cadbury plc. He has also held positions as Chair of Inchcape plc, Operating Partner for Compass Partners, Group Chief Executive at Dalgety plc, Group Finance Director of United Distillers plc and Group Finance Director of Avis Europe plc. He is also a fellow of the Institute of Chartered Accountants.



Chris Weston

Chief Executive Officer

Appointed: January 2015.

Experience: Chris has experience at a senior level in the energy industry, proven leadership skills in a large international business and has consistently succeeded in driving performance and growth in his career.

Chris also holds Non-executive Director positions with Barratt Developments plc and the Royal Navy. Prior to his appointment as CEO in January 2015, Chris was Managing Director, International Downstream at Centrica plc, where he was the Executive Director responsible for the Group's largest division. In this role, Chris was operationally responsible for both British Gas in the UK and Direct Energy in the USA. He joined Centrica in 2001 after a successful career in the telecoms industry, working for both Cable & Wireless and One.Tel. Before that, Chris served in the Royal Artillery. He has a BSc in Applied Science, as well as an MBA and PhD from Imperial College London.



Mark Clare

Independent Non-executive Director and Chair Designate

Appointed: October 2020.

Experience: Mark has extensive plc experience in the energy, utility and construction sectors. He is currently the Chairman of Grainger plc; the Senior Independent Director at United Utilities Group plc; and Non-executive Director at Premier Marinas Holdings Ltd.

Previously, Mark was the Senior Independent Director at Ladbroke's Coral Group plc from 2016 until 2018; and Non-executive Director and Audit Committee Chair at BAA plc from 2001 until 2006.

Mark's executive career included being Chief Executive for Barratt Developments plc from 2006 until 2015; Managing Director of Centrica's retail subsidiary British Gas from 2002 to 2006; and CFO of Centrica plc from 1997 to 2002. He also served as a trustee of the Energy Savings Trust, the Green Building Council and BRE. Mark is a qualified accountant and held a number of senior finance roles earlier in his career including at Nortel, STC and GEC-Marconi.



Heath Drewett

Chief Financial Officer

Appointed: January 2018.

Experience: Heath is an experienced CFO and proven leader with experience in the engineering, leisure, transportation and industrial sectors. He has 30 years of experience within various finance, corporate finance, business performance, financial and strategic planning roles. He has extensive international experience in both M&A and corporate development activities.

Prior to his appointment at Aggreko, Heath was Group Finance Director for eight years at WS Atkins plc where, following the acquisition of WS Atkins by SNC-Lavalin, he was appointed President, with responsibility for its global engineering, design, project and programme management business. Before that, Heath worked at British Airways plc within corporate strategy, business planning and finance. Heath is a chartered accountant, having trained at PwC, with an MA in Mathematics from Cambridge University.



Uwe Krueger

Senior Independent Director

Appointed: Non-executive Director in February 2015 and Senior Independent Director in April 2018.

Experience: Uwe brings expertise in the engineering, services and renewable energy sectors. He is a physicist with a PhD and an honorary professorship from the University of Frankfurt and an honorary PhD from Heriot-Watt University. Most of his career has been spent leading engineering and consulting organisations.

Uwe is currently Senior Managing Director, Head of Industrials/Business Services/Energy & Resources and Head of EMEA for Temasek. He also sits on the Board of Gategroup AG and lectures at the University of Frankfurt on renewable energy. Before joining Temasek, Uwe was Chief Executive Officer of WS Atkins plc and his past roles include Chief Executive Officer of Oerlikon, Senior Advisor at Texas Pacific Group, President of Cleantech Switzerland, and various senior leadership positions at Hochtief AG.



Dame Nicola Brewer

Independent Non-executive Director

Appointed: Non-executive Director in February 2016 and Chair of the Ethics & Corporate Responsibility Committee in January 2019.

Experience: Nicola brings extensive geopolitical and diplomatic experience to Aggreko, having worked in many of the developing regions in which we operate.

She is also a Non-executive Director on the boards of Iberdrola SA and London First, and is a trustee of Prince Harry's southern African charity, Sentebale. In her previous diplomatic career, she worked in Mexico, India and France, was a member of the Foreign and Commonwealth Office Board from 2004 to 2007, and was High Commissioner to South Africa, Lesotho and Swaziland from 2009 to 2013. As a member of the board of the Department for International Development from 2002 to 2004, she supervised all UK bilateral aid programmes in Africa, Asia, Eastern Europe, the Middle East and Latin America. As Vice Provost at University College London from 2014 to 2020, she was responsible for its first global engagement strategy. She has a PhD in Linguistics from the University of Leeds.

Key to committee membership

A Audit **R** Remuneration **N** Nomination **E** Ethics & Corporate Responsibility **C** Committee Chair

**Barbara Jeremiah**

Independent Non-executive Director

Appointed: Non-executive Director in March 2017 and Chair of the Remuneration Committee in April 2018.

Experience: Barbara brings extensive international non-executive experience, largely in the USA and Australia, together with an executive career in the mining, exploration and energy industries.

An experienced Non-executive Director, Barbara is Senior Independent Director for the Weir Group, having recently retired as Non-executive Director and Remuneration Committee Chair of Premier Oil. Previously, Barbara was Chair of Boart Longyear, a US-based company in the minerals drilling sector, and a Non-executive Director for Russel Metals, a metal distribution company based in North America. Until her retirement in 2009, Barbara spent over 30 years in a number of roles in Alcoa Inc, the world leader in the production of aluminium and related products. Her roles in Alcoa included Assistant General Counsel, VP Corporate Development and Executive VP in charge of strategy and M&A. Barbara is an American citizen with a BA in Political Science and is a qualified lawyer.

**Miles Roberts**

Independent Non-executive Director

Appointed: March 2017.

Experience: Miles brings extensive international business experience both as a Chief Executive and Finance Director. Miles is currently Group Chief Executive of DS Smith Plc, a FTSE 100 international packaging group with operations in nearly 40 countries. Prior to joining DS Smith Plc in 2010, Miles was Group Chief Executive of McBride plc having previously been Group Finance Director.

Prior to this, Miles worked for Costain Group plc and Vivendi UK. He also has Non-executive experience, having served on the Boards of Poundland Group plc as Senior Independent Director and Care UK plc as a Non-executive Director. Miles has a degree in Engineering and is also a chartered accountant.

**Sarah Kuijlaars**

Independent Non-executive Director

Appointed: October 2019.

Experience: Sarah brings extensive international finance expertise, together with experience in many of our most important markets.

Sarah is currently Chief Financial Officer of De Beers Group, a leading international diamond company with expertise in the exploration, mining and marketing of diamonds. Prior to joining De Beers Group, Sarah was Chief Financial Officer of Arcadis NV, a global design and engineering consultancy with a listing on the Euronext Amsterdam Stock Exchange. During a 25-year career at Royal Dutch Shell plc, Sarah held a number of senior financial leadership roles, in addition and prior to joining Arcadis NV, Sarah was Deputy Chief Financial Officer at Rolls-Royce Holdings plc.

Sarah has a Master's degree in Mathematics from Oxford University, is a Fellow of the Chartered Institute of Management Accountants and an Associate member of Corporate Treasurers.

**Ian Marchant**

Independent Non-executive Director

Appointed: Non-executive Director in November 2013 and Chair of the Audit Committee in April 2016.

Experience: Ian brings knowledge of the domestic and international energy markets, along with a substantial understanding of associated strategic, financial and regulatory issues. Until his retirement in June 2013, Ian spent 21 years at SSE Plc, most recently as Chief Executive, and prior to that as Finance Director.

Ian is an experienced Non-executive Director, currently serving as Chair of Thames Water Utilities, having recently retired as Chair of John Wood Group Plc. He is also a Member of the Prince's Council of the Duchy of Cornwall and Honorary President of RZSS.

Other Directors who served during 2020

Diana Layfield, Independent Non-executive Director and member of our Audit, Ethics & Corporate Responsibility and Nomination Committees, until 31 December 2020

Company Secretary

Peter Kennerley, until 30 June 2020
Simon Thomson, from 1 July 2020

Executive/Independent Non-executive composition of Board (excludes Chairman)

	No.	%
Executive	2	20
Non-executive	8	80

Tenure of Non-executive Directors

	No.	%
0–3 years	2	25
3–6 years	4	50
6–9 years	2	25

Sector experience of the Board

	%
Customer	91
Finance	55
Energy	55
Geopolitics/diplomacy	18
Operational	73
Technology	36

Board attendance in 2020

Name of Director	Board meetings		%
	A	B	
Ken Hanna	10	10	100
Chris Weston	10	10	100
Heath Drewett	10	10	100
Dame Nicola Brewer	10	10	100
Mark Clare	3	3	100
Barbara Jeremiah	10	10	100
Uwe Krueger	10	10	100
Sarah Kuijlaars	10	10	100
Diana Layfield	10	10	100
Ian Marchant	10	10	100
Miles Roberts	10	10	100

A Maximum number of meetings Director could have attended.

B Actual number of meetings Director attended.

Independence

The Board reviews the independence of its Non-executive Directors annually. We are committed to ensuring that the Board comprises a majority of independent Non-executive Directors who objectively challenge management, balanced against the continuity on the Board. All of our Non-executive Directors bring strong independent oversight and continue to demonstrate independence.

2020 Board priorities

A busy year for Aggreko

Key discussion and decisions in the year

In 2020, the Board held six scheduled meetings, alongside four ad hoc and a number of informal meetings. At each scheduled meeting, the Board received reports from the CEO on the key issues affecting the business, the CFO on the performance of the business and the Committee Chairs on matters discussed at the Committee meetings. A number of ad hoc and informal meetings were also held this year, by telephone and video conference, as the Board closely monitored the impact of COVID-19 on Aggreko, taking any actions necessary to ensure our stability and viability for the longer term.

Key priorities and discussions in 2020 included:

Monitored the impact of, and our response to, COVID-19: The page opposite includes a deep dive into the key actions taken in response to COVID-19.



Strategy refresh and net-zero commitments: At our February meeting, we discussed the potential impact of climate change on Aggreko to ensure the right topics would be addressed as part of the strategy refresh work planned for 2020 and the developing sustainability strategy. At our October meeting, we approved the refreshed strategy and our net-zero commitments. Read more about our refreshed strategy and net-zero commitments on pages 10 and 07.



Sustainability strategy: At our October meeting, we received an update on the work to develop a sustainability strategy, approving the materiality matrix and governance framework for sustainability monitoring and reporting at Aggreko. Read more about our sustainability strategy on pages 42 to 45.



Purpose: At our December meeting, we approved an update to our corporate purpose. Read more about the process to develop a new corporate process and consultation process on page 50.



Approving the 2021 budget: At our meetings in October and December, we reviewed and approved the proposed allocation of capital across the Group, including investing in new technology and dividend strategy. Read more about our capital allocation process on page 51.



Monitored culture and workforce engagement mechanisms: Through regular reports from the Ethics & Corporate Responsibility Committee. You can read more about how the Board monitors culture on page 58 and our workforce engagement mechanisms on page 59.



Remuneration policy: We monitored the work of the Remuneration Committee, including the shareholder consultation process for the proposed remuneration policy, which will be put to shareholders for approval at our April 2021 AGM. Read more about the consultation process and our proposed remuneration policy on pages 50 and 68.



i Read more about our stakeholders, how we engaged with them in 2020 and the impact of stakeholder views on our decision making in our section 172 statement on **page 46**

Key areas of focus for 2021

- Continue to closely monitor the impact of COVID-19 on our business and our response to it.
- Approve our sustainability strategy, including a review of our position and risk exposure to climate change in light of the upcoming TCFD reporting requirements, and agree targets.
- Review our dividend policy.
- Monitor the roll-out and communication of our new corporate purpose.
- Consider the most effective means to continue our Board internal stakeholder engagement programme in the context of COVID-19, to allow virtual or in-person visits to Aggreko locations. This is important to enable deep dives into specific parts of the business, engage with local stakeholder groups and undertake workforce engagement activities.

COVID-19 response

The COVID-19 pandemic has been unprecedented in the scale and pace of its impact and has changed the way people around the world live their lives, bringing significant human, social, economic and business uncertainty. Significant decisions and adjustments have had to be made by organisations on a daily basis and Aggreko has been no exception. The Board has taken steps to understand and mitigate the risks posed by and impacts arising from COVID-19, with quick actions required to respond to a constantly changing and uncertain situation.

Our immediate response and setting a revised plan for 2020

At the start of the COVID-19 outbreak, our primary concern was the welfare of our employees, their families and the local communities in which we work. We implemented a number of measures to protect our people and engaged in frequent communication to help them respond safely to the spread of the virus. This overriding priority was set out in an update issued by the Regulatory News Service (RNS) on 23 March 2020.

In April, we engaged and aligned all employees with a revised plan for 2020, setting four new priorities to ensure that we remain focused on the right activities, while also helping us exit the crisis stronger and better prepared for the future:

- Looking after our people
- Maintaining our financial strength
- Supporting our customers
- Emerging stronger

We provided more detail on the areas of focus under these new priorities in the update issued by RNS on 6 August 2020.

Supporting employees

In order to ensure the fulfilment of the Board's overriding priority to protect the welfare of our people, their families and the local communities in which we operate, the Board endorsed management's decision not to furlough any employees and to do everything we could to protect jobs within Aggreko.

The Board endorsed management's decision not to furlough any employees and to do everything we could to protect jobs within Aggreko.

The Board acknowledged the engagement activities undertaken by the Executive Directors and management, including the regular video and email updates from our CEO to all employees, regular informal calls between the CEO and groups of employees, development of a trial for a wellbeing survey and initiatives to engage colleagues during challenging times.

i Read more about our workforce engagement, communications and initiatives on **page 48** and Board engagement on **page 59**

Being transparent about the issues arising from COVID-19

The Board recognised that forecasting with accuracy the human, social and economic effects of COVID-19, and its impact on Aggreko, would be very difficult. We acknowledged this point in the update issued by RNS on 23 March 2020, providing commentary on our current financial position, the stress-testing of the Group's liquidity and revised financial priorities to preserve Aggreko's financial position. We also provided an update on trading, specifically referencing the immediate impact on the events sector, uncertainties around future demand, operational challenges and supply chain. On 24 March 2020, we issued another update by RNS in response to the announcement of the postponement of the 2020 Tokyo Olympics Games. We provided context on the contract, payments to date and our intention to enter discussions regarding our role in supporting the Games to a later timetable. On 6 August 2020, as part of our interim results announcement by RNS, we provided more detail on the specific impacts of COVID-19 on our business.

Overseeing financial management

We entered the COVID-19 pandemic with a strong financial position. Notwithstanding this, the Board's immediate priority was to understand better the potential impact on the Group's financing and liquidity, and to take prompt action to preserve Aggreko's financial position. Measures implemented included, but were not limited to, a detailed review of and reduction in discretionary spend, hiring freezes, travel restrictions and the limiting of our fleet capital expenditure to that required to fulfil secured orders and meet known demand. As the situation continued to develop with increasing uncertainty over its duration, the Board considered a range of scenarios to stress-test the Group's liquidity position through to the end of 2020. We published an update by RNS on 23 March 2020 explaining our current position and reporting that we had already refinanced all our facilities that would have matured in 2020, and would continue with our usual practice of refinancing our facilities well in advance of their maturity dates. In addition, we announced our intention to explore the COVID Corporate Financing Facility (CCFF) from the Bank of England, should this be required. Having assessed our position, we were able to maintain

our strong financial position without drawing on the CCFF. This was announced to the market on 6 August 2020, as part of our interim results announcement.

Withdrawing our recommendation for a final dividend

Despite the strong financial position of the Group, given the rising level of uncertainty and alongside the other measures we took to preserve the Group's cash position, the Board withdrew its recommendation to pay a final dividend and accordingly withdrew the relevant resolution from the April 2020 AGM. We announced this in our update issued by RNS on 23 March 2020. The Board recognised that this was a significant step and represented a decision that we would not revisit. Subsequently, however, the Board was pleased to be able to announce an interim dividend, alongside our interim results announcement on 6 August 2020, paid to shareholders on 1 October 2020.

Adapting the Annual General Meeting

In light of the compulsory stay-at-home measures announced by the UK and Scottish Governments, the Board agreed that changes were required to the location and format of the AGM planned for April 2020. Taking into account the compulsory measures, shareholder and employee safety, we issued an update by RNS on 7 April 2020 on our revised AGM arrangements for 2020. Taking into account the need to safeguard shareholder engagement, the Board encouraged all shareholders to exercise their right to vote by appointing the Chairman as proxy and providing voting instructions in advance of the meeting. We also encouraged the electronic submission of questions relating to the business of the meeting by shareholders and committed to publishing responses on our website as soon as possible after the meeting.

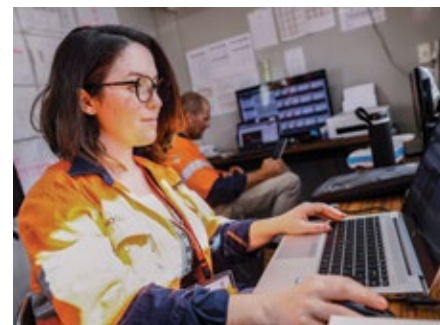
Adapting the way the Board operates and monitoring the ongoing response to COVID-19

There is a standing item for the CEO to update the Board at each meeting on the impact of COVID-19 on the Group, providing assurance on operational continuity and possible impacts of COVID-19 on human, social and economic factors. Since March 2020, all meetings of the Board and its Committees have been conducted by virtual means, with full attendance. Agendas have been prepared with consideration of the status of COVID-19 and the priorities of the Group.

Impairment review

At our June 2020 Board meeting, the Board considered the impact of COVID-19 on the global oil price and the consequent deterioration in the short-to medium-term economic outlook, as well as the acceleration in the transition to lower-carbon technologies. The Board and Audit Committee concluded that they presented impairment indicators for a number of the Group's assets and instructed management to complete a detailed review across all asset classes,

which identified four specific areas for impairment. Additional meetings of the Board and Audit Committee were arranged and took place in July 2020 to work through the draft results of the detailed review carried out. In August 2020, the Audit Committee received the final result of the detailed review and recommended it to the Board for approval. We explained the process and impact of the impairment in detail in our interim results, issued by RNS on 6 August 2020.



Refreshing our strategy

Work to refresh our strategy was already under way before COVID-19 and we had planned to provide an update to our strategic priorities on 6 August 2020, alongside our interim results. On 23 March 2020, we announced our intention to postpone this update given the current market uncertainties. Despite the announced delay, the Board continued to monitor the work to refresh our strategic priorities, taking into account stakeholder feedback and the acceleration in the transition to lower-carbon technologies during 2020. On 17 November 2020, we published our net-zero targets alongside a strategic update to address how the Group will evolve and deliver through the energy transition. This has been well received by our stakeholders, accompanied by confirmation of enduring investor priorities, including long-term focus and commitments to addressing climate change and broader sustainability issues.

i Read more about our net-zero targets on **page 07**

Support from the Board Committees

Audit Committee: Throughout June, July and August 2020, the Audit Committee provided valuable support to the Board by overseeing the impairment review process.

Remuneration Committee: During the course of 2020, the Remuneration Committee considered the impact of COVID-19 on executive and wider employee pay. In April 2020, we announced a pay freeze and cancellation of the 2020 bonus scheme in order to preserve our financial position and protect jobs. These measures were implemented across the Group and the Remuneration Committee kept the position under review to ensure a fair and balanced approach to remuneration.

Approving a new purpose statement: **We power progress by delivering energy anywhere**

We are united by our ambition to power progress, as the world grows more concerned with how its energy is produced.

If we can lead our customers through the energy transition and help them achieve their energy goals – while remaining true to our values and being “always orange” – then we will power progress by delivering energy everywhere.

The Board has overall responsibility for establishing the Company’s purpose, values and strategy to deliver long-term sustainable success for the Group and generate value for shareholders. The Board places great importance on ensuring that these key themes are relevant and appropriate for the Group and the sectors in which we operate, while being aligned with our culture.

Our values underpin our purpose and are recognised across the Group as the basis of our culture. The Board sets the strategy for the Group to align with our purpose. It oversees the implementation of that strategy to ensure that the Group is suitably resourced to deliver on its strategic objectives. In 2020, the Board held a number of strategic planning sessions in preparation for the strategic update in November 2020.

Following the announcement of our strategic update, we decided to review our purpose statement.

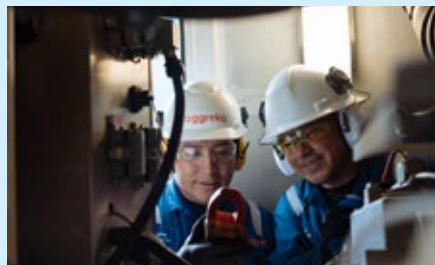
To do so, we asked ourselves a series of questions:

- Does Aggreko need a purpose statement?
- Who is the purpose statement for and why do they need it?
- What makes a good purpose statement?
- What is wrong with the purpose statement we have?

The conclusion of this work was that we needed a new purpose statement. Our old purpose statement lacked clarity and direction, it no longer felt at the heart of our strategy and required too much explanation.

i Read more about how we engaged with stakeholders and the process to agree a new purpose statement on **page 50**

We have engaged our Senior Leadership Teams with our purpose and in 2021 will take this engagement wider, pulling together our story – linking purpose, strategy, values and brand – and engaging all our colleagues across the business so that they can be clear about why we’re here and what we do.



Leading by example, and promoting our culture and values

Defining our culture

After reorganising our business in 2015, we spent some time researching and refreshing the components of our culture. Always Orange was launched in 2017 and is the cultural framework that resulted, bringing together our values and behaviours. Our four values, and their respective day-to-day behaviours, govern the way in which we work and remain safe and professional, help to develop the expertise of our people, influence our interactions across our markets and ultimately allow us to deliver our business objectives.

The creation of Always Orange involved employee workshops in Buenos Aires, Houston, Dumbarton, Tanzania and Dubai. We gathered input from our online community and through debate at the Board, with the Executive Committee and Senior Leadership Team.

Setting the tone from the top

Our leaders have a critical role in setting the tone of our organisation and championing the behaviours we expect to see. At Board level, commitment to Always Orange values and behaviours is demonstrated through transparent operations and engagement outside the Boardroom, which ensures that the Directors lead by example, reinforcing the cultural tone and expected behaviours. Our strategic initiatives for each year are underpinned by Always Orange values and behaviours. Culture is also monitored and assessed by the Board through a combination of direct contact and a number of recognised indicators.

Indicators of culture reviewed by the Board and its Committees:

- Reviewing the results of our employee surveys (Be Heard)
- Reviewing the volume and nature of whistleblowing reports and outcome of any investigations
- Our safety performance, uptake of initiatives and trends, as attitudes to safety can act as an early warning of potential culture-related issues
- Internal audit reports and findings, as attitudes to regulators and internal audit can give an early indication of potential culture-related issues
- Monitoring our KPI on employee satisfaction
- Training completion rates
- Feedback reports on workforce engagement activities
- Visiting Aggreko locations in the UK and overseas to spend time with our people, allowing us to assess culture in the local context, we suspended site visits in March 2020, but were able to continue with some of our planned Board engagement activities, holding virtual sessions
- Reviewing and monitoring compliance with our Code of Conduct
- Receiving reports from the Ethics & Corporate Responsibility Committee

i Read more about our culture on **page 22**

Ethics & Corporate Responsibility Committee report



The role of the Ethics & Corporate Responsibility Committee is to ensure that Aggreko conducts business with integrity and transparency and in accordance with the law, and to oversee workforce engagement.

Dame Nicola Brewer

Ethics & Corporate Responsibility Committee Chair

Attendance in 2020

Members in 2020	Position	Meetings attended/ No. of meetings eligible to attend
Dame Nicola Brewer	Committee Chair and Independent Non-executive Director	3/3
Diana Layfield	Independent Non-executive Director	3/3
Ken Hanna	Chairman, Aggreko plc	3/3
Barbara Jeremiah	Independent Non-executive Director	3/3
Mark Clare	Independent Non-executive Director and Chair Designate	1/1

Areas of activity in 2020

- Reviewed the findings and actions from the annual Be Heard survey
- Monitored the workforce engagement activities of the Board and reported to the Board on the findings from this engagement
- Monitored the effectiveness of the Third-Party Sales Representatives Policy
- Monitored the effectiveness of the Speaking Up Policy and procedures
- Oversaw the completion of internal investigations
- Reviewed the findings from an external review of the sanctions compliance framework and the implementation of measures to further strengthen the framework

- Reviewed the effectiveness of the policy and procedures designed to manage the risk of the facilitation of tax evasion

Areas of focus for 2021

- Implement the plan for increased workforce engagement
- Oversee the continued implementation of the sanctions compliance framework
- Review the effectiveness of the anti-bribery and corruption compliance framework
- Engage with external advisers on emerging ethical risks relevant to the business
- Conduct a review of the policies which fall under the remit of the Committee

Introduction by Dame Nicola Brewer, Ethics & Corporate Responsibility Committee Chair

The Ethics & Corporate Responsibility Committee is made up of three Independent Non-executive Directors and the Chairman of Aggreko Plc.

Mark Clare also joined the Committee in October in his role as Non-executive Director and Chair Designate. I have been the Chair of the Committee since 1 January 2019. In 2020, we held three meetings. We invited the Head of Compliance, the Group Legal Director and the CEO to attend all meetings.

A primary purpose of the Ethics & Corporate Responsibility Committee is to oversee the effectiveness of Aggreko's compliance programme. Aggreko aims to conduct its business with integrity, honesty and transparency. We expect all Aggreko employees and any third parties acting on behalf of Aggreko to adopt these values. We are proud that we have a reputation for conducting business fairly and professionally and we are committed to maintaining these standards throughout the business.

We recognise that our business is exposed to potential risks of unethical conduct, across all of the countries in which we operate, because of the nature and value of many of our contracts.

However, we believe that we have a robust compliance programme in place which allows us to manage these potential risks effectively.

The Committee also facilitates and monitors engagement with the workforce in line with the 2018 UK Corporate Governance Code.

As part of our duties to monitor engagement with the workforce, in 2020, we reviewed the findings from the annual Be Heard survey to understand the feelings of the workforce on key issues like engagement, health and safety, ethics, company confidence, inclusion, learning and development, and leadership. We also reviewed the various initiatives adopted in response to the findings from this engagement survey. Our Non-executive Directors also conducted site visits and hosted a number of focus groups directly with employees in the UK, Africa, Latin America and North America. These sessions allowed the Non-executive Directors to share with the workforce the key priorities for the Board as well as hearing from the workforce on their experiences, particularly in such a challenging year.

The travel restrictions forced us to adapt our plans to hold these sessions in person. However, we were still able to host the focus groups in Africa, Latin America and North America remotely.

Ethics & Corporate Responsibility Committee report continued

These remote sessions worked well and enabled us to engage directly with members of the workforce who are a little more remote. We intend to include this approach in our workforce engagement plans for 2021 allowing us to reach more of the workforce.

The Committee reviewed workforce engagement activities at every meeting and discussed opportunities for the Board to extend its engagement with the workforce. The Committee reported to the Board in December on the workforce engagement activities overseen by the Committee and the insights identified from these activities.

The Board has welcomed the increased engagement with the workforce and the Committee will continue to explore ways in which we can extend our engagement with the workforce in 2021.

Main activities of the Ethics & Corporate Responsibility Committee during the year

Third-party monitoring

We recognise that it is not just our employees who could be exposed to ethics risks but also our third-party sales representatives including sales consultants, agents and joint venture partners. Although the number of third-party sales representatives used by the business has reduced over the past few years, there are circumstances in which we still need them to support some areas of the business. A summary of the measures we take to ensure these representatives conduct business in line with Aggreko's standards is set out below in the overview of our compliance programme. In 2020, we received a briefing from the Power Solutions Managing Director on the outcome of his review of all arrangements with, and payments to, third-party sales representatives. We are pleased to observe the continued focus of the business in monitoring all activities in this area.

Failure to prevent the facilitation of tax evasion

As new policies and procedures are introduced to address emerging areas of risk, we monitor the effectiveness of the policies and procedures designed to address those risks. In 2020, we reviewed the procedures implemented in 2018 in response to the introduction of the new corporate offence of the failure to prevent the facilitation of tax evasion and we introduced updated guidance on potential areas of risks and the steps employees should follow if they have any concerns relating to a potential transaction.

Speaking Up Policy and procedures

We monitor the volume and nature of whistleblowing reports received throughout the year to identify any underlying concerns and/or trends and to assess whether the process which enables the workforce to report any concerns remains effective. In 2020, we reviewed the current Speaking Up service and selected a new external service provider to manage our independent speaking up service.

This new service will operate from 2021 and will provide additional channels through which our workforce can report any concerns. We also reviewed the volume and nature of the reports received in 2020 and the actions taken in response to the reports. We are satisfied that the mechanisms that are in place to enable all members of the workforce to raise any concerns are effective.

Sanctions

The introduction and extension of sanctions in some of the countries in which we operate potentially attracts increased risk for the business. We received briefings on developments in relation to sanctions, the potential impact to the business and the actions being taken to manage potential risks. This included a review of the sanctions developments in relation to Russia, Belarus, Venezuela and Zimbabwe.

We are committed to ensuring that our compliance programme remains robust and is in line with best practice. We continually monitor the effectiveness of the policies and procedures and recommend areas where further improvements could be made. In 2020, we reviewed the policies and controls designed to ensure compliance with sanctions restrictions and oversaw an external review of the sanctions compliance framework and the implementation of additional measures to further strengthen the sanctions controls.

Workforce engagement

We recognise the valuable insight the Board can obtain by engaging directly and indirectly with the workforce. This engagement supplements the employee engagement mechanisms detailed in the section 172 statement on page 46 and is intended to provide the Board with additional feedback from the workforce.

In 2020, we reviewed the findings from the annual Be Heard survey. We were pleased to see the high level of participation in this survey and also the high engagement score reported. We were also pleased to see the responses from the workforce on key topics including health and safety, ethics, company confidence, inclusion, learning and development, and leadership. We reviewed the actions adopted throughout the business to address the findings from the survey around strategy, career development and communication. We were particularly pleased to see the plans adopted at a local level allowing each leader to understand and address the feedback from their own teams.

Although site visits have been limited in 2020, owing to travel restrictions implemented to protect our employees, we were still able to facilitate direct engagement by the Non-executive Directors through focus groups held with employees in the UK, Africa, Latin America and North America business. During these sessions, the Non-executive Directors were able to share with employees some of the key areas of focus for the Board as well as hearing from the employees on their own experiences and challenges. We heard positive feedback on the support that had been provided to employees during COVID-19, appreciation of Aggreko's ability to support remote working and recognition that the challenges of 2020 had enabled many employees to develop their skills. However, we also acknowledged that remote working had been challenging for some team members. We also heard a strong appreciation for the increased communication with the workforce, particularly on the updated strategy and the activities across all parts of the business.

We shared the feedback from the engagement activities with the Board, highlighting the need for continued focus on increased communication on the strategy to respond to the energy transition as well continued focus on career development activities. These are key elements of Aggreko's updated strategy and the feedback was welcomed by the Board.

During 2021, we will continue to broaden our engagement with the workforce, reviewing the insights from the Be Heard surveys, conducting site visits where possible and hosting focus groups with employees, allowing the Board to hear views directly from the workforce.

Our workforce engagement has focused on individuals who have formal employment contracts with Aggreko, wherever they work. Aggreko also uses the services of individual contractors, directly or through agencies or third-party companies. Since the tasks and terms on which contractors work vary greatly throughout the business, and there is no particular group that provides a substantial element of our workforce, we do not include them in our formal engagement.

An overview of our compliance programme

Our compliance programme is coordinated by our Head of Compliance and Compliance Manager with support from the business units and the central functions. The programme has a number of elements designed to ensure that we effectively manage compliance risks.

Code of Conduct

Every employee receives a copy of the Code of Conduct when they join Aggreko. This Code sets out the standards and behaviours we expect from our employees and is an effective tool to allow us to challenge any improper behaviours identified. It is supported by a number of supplementary policies, procedures and guidelines to cover due diligence, gifts and hospitality, charitable donations, facilitation payments, conflicts of interest and speaking up. We provide training to all employees on these policies and we regularly monitor compliance with these policies to obtain assurance that they continue to work effectively.

Training

Every employee receives training, which is regularly refreshed, via our multilingual online ethics compliance training programme. This online training is supplemented by additional workshops with senior management, which gives us comfort that our employees remain alert to risks.

Third-party sales representatives

All of our sales consultants and agents are comprehensively reviewed before they are engaged and this exercise is refreshed at least every two years. Our sales consultants and agents are contractually required to comply with our Code of Conduct and we require them to confirm compliance with the Code annually. We also provide ethics training to our sales consultants and agents to ensure that they remain alert to potential risks. We have controls in place in relation to the remuneration of sales consultants and agents and we monitor all payments to them to ensure that the remuneration structure does not incentivise unethical behaviour. This gives us a robust framework to enable us to clearly understand who our third-party sales representatives are and the activities they have undertaken on our behalf. This policy also enables us to avoid engaging with third parties who do not meet our ethical standards.

Suppliers

We have a Supplier Code of Conduct which sets out the standards we expect from all suppliers to Aggreko and we require suppliers to confirm adherence to these standards. Any suppliers who do not agree to the standards or an equivalent standard will not be engaged by Aggreko.

Gifts, entertainment and hospitality

We have a clear approval process for gifts, entertainment and hospitality offered by, or given to, Aggreko employees. All gifts, entertainment and hospitality above a nominal value are recorded centrally and monitored by the Compliance team.

This process enables us to challenge any proposed gifts or hospitality which could be perceived as inappropriate.

Sponsorship and charitable donations

We have a clear approval process for sponsorships and charitable donations made by Aggreko. All sponsorships and charitable donations require senior management approval and are recorded centrally and monitored by the Head of Compliance. This policy enables us to challenge any donations or sponsorships which could be perceived as inappropriate.

Speaking Up

We encourage our workforce to speak up if they have any concerns. We have an independent Speaking Up service operated by an external agency. This multilingual Speaking Up service is available to all of our workforce and allows anyone who has any concerns to report them anonymously. All reports are followed up, and we regularly analyse the types of reports we receive. Where appropriate, our Group Internal Audit team is asked to investigate the issue and report on the outcome.

Sanctions

We have procedures in place to ensure that we conduct due diligence on any proposed activities in countries targeted by sanctions and/or export control restrictions. Any activities involving countries subject to the most extensive sanctions require approval by the Board.

As at the date of this report, this includes the Crimea region of Ukraine, Cuba, Iran, North Korea, Syria and Venezuela. Our sanctions compliance framework details our policies and procedures designed to manage potential sanctions risks.

Modern slavery

We apply high employment standards across our business, complying with relevant employment, health and safety, and human rights laws to ensure that our workforce is safe. We also expect our suppliers to adopt a similar approach in relation to the protection of their workers. Our Supplier Code of Conduct sets out the minimum standards we require from them. It specifically requires our suppliers to comply with workers' fundamental rights, including standards of pay, working hours and freedom of association. Our modern slavery statement, available to read at www.plc.aggreko.com, provides more detail on the approach we take in relation to modern slavery.

Non-executive Director workforce engagement activities in 2020

Board lunches/dinners

February

Senior leaders were invited to attend the Board dinner

Focus groups

February

Nicola Brewer and Barbara Jeremiah led a focus group in London

September

Nicola Brewer and Ian Marchant led two focus groups with members of the Africa team

September

Nicola Brewer led a focus group with members of the Latin America team

October

Nicola Brewer and Barbara Jeremiah led two focus groups with members of the North America team

Site visits

February

Ken Hanna visited the Dubai office and together with Heath Drewett also visited Tokyo and met with the Aggreko Olympics team, together with executives from our local partners

Nomination Committee report



The Nomination Committee's role is to lead the process for appointments to, and ensure orderly succession for, the Board and Executive Committee. Having a diverse pipeline for succession ensures Aggreko has the right structure, skills and diversity for the effective management of the Group.

Ken Hanna
Nomination Committee Chair

Attendance in 2020

Members in 2020	Position	Meetings attended/ No. of meetings eligible to attend
Ken Hanna	Committee Chair and Chairman, Aggreko plc	2/2
Nicola Brewer	Independent Non-executive Director	3/3
Mark Clare	Independent Non-executive Director and Chair Designate	1/1
Barbara Jeremiah	Independent Non-executive Director	3/3
Sarah Kuijlaars	Independent Non-executive Director	3/3
Uwe Krueger	Senior Independent Director	3/3
Diana Layfield	Independent Non-executive Director	3/3
Ian Marchant	Independent Non-executive Director	3/3
Miles Roberts	Independent Non-executive Director	3/3

Areas of activity in 2020

- Oversaw the recruitment, appointment and induction of Mark Clare as a Non-executive Director and Chair Designate
- Reviewed succession plans
- Approved the terms of reappointment for four Non-executive Directors

Areas of focus for 2021

- Continued focus on succession planning
- Monitor the implementation of the sustainability strategy in relation to the workstream for inclusion and diversity

Introduction by Ken Hanna, Nomination Committee Chair

Monitoring and reviewing the composition and balance of the Board and its Committees is key to the role of the Committee. By doing so, we ensure that Aggreko has the right structure, skills and diversity for the effective management of the Group.

The Nomination Committee is currently made up of all of the Non-executive Directors, each of whom is independent, in addition to myself as Chair. I have been Chair of the Committee since my appointment as Chairman of Aggreko in April 2012. The Senior Independent Director chairs the Committee when it is dealing with succession to the Chairman of Aggreko. In 2020, we had three formal meetings to which we also invited the CEO.

Main activities of the Nomination Committee during the year

Appointment of a new Non-executive Director and Chair Designate

During the year, the Committee commenced the search for a new Non-executive Director and Chair Designate. Uwe Krueger, Senior Independent Director, led the search and appointed Lygon Group, an independent search firm with no other connection to Aggreko, or any of our Directors, to assist in identifying suitable candidates.

A structured timetable was adopted for the process, with regular Committee discussions and updates held throughout. Lygon Group compiled an extensive range of potential candidates for consideration. This was narrowed down to a shortlist for interview. Shortlisted candidates met with all members of the Board. The Committee were unanimous in their final selection.

In August 2020, we were delighted to announce the appointment of Mark Clare as a Non-executive Director and Chair Designate with effect from 1 October 2020. Subject to shareholder approval of his election to the Board, Mark will become Chair of the Board following our 2021 Annual General Meeting. This allows for a managed and orderly handover of responsibilities.

Mark's appointment to the Board as Non-executive Director and Chair Designate reflects his calibre and suitability for the role of leading the Aggreko Board. He is an experienced Non-executive Director and Chair, bringing a wealth of industry knowledge, strong leadership track record, extensive knowledge of customer needs and market-leading service levels. Mark has joined our Nomination, Remuneration and Ethics & Corporate Responsibility Committees. Mark is currently Chair of

Grainger plc, Senior Independent Director of United Utilities Group plc and a Non-executive Director of Premier Marina Holdings Limited. His full biography is set out on page 54.

In making the appointment, we carefully considered the question of the independence of Mark and the criteria set out in the UK Corporate Governance Code. It was clear that he was independent in character, but the Board gave particular thought as to whether the fact that Mark and our CEO, Chris Weston, had both worked for Centrica between 2002 and 2006 could affect his independent judgement. Among other matters, it was noted that Mark and Chris had not worked together during their time at Centrica, having worked in different divisions, and that there had been a significant passage of time since they had both worked for Centrica. Moreover, the selection process for a new Non-executive Director and Chair Designate was run by our Senior Independent Director with the advice of independent search consultants and Chris had not been directly involved in the selection process. In conclusion, it was agreed that there was no significant link between Mark and Chris and the concurrent time at Centrica would not compromise his independence or lead the Committee to change the view that Mark was the right choice for Non-Executive Director and Chair Designate.

We also took into account Mark's existing time commitments, particularly his role as Chair of Grainger Plc (a FTSE 250 company) and Senior Independent Director of United Utilities Plc (a FTSE 100 company) and concluded that he had sufficient time to devote to Aggreko. His appointment as a Non-executive Director of Aggreko would take his total mandates to four, with his subsequent appointment as Chair increasing that to five. It was noted that this position was acceptable under the UK Corporate Governance Code and would not be regarded as over boarded. We will keep this position under review.

Reappointment of Non-executive Directors

Our Non-executive Directors serve under letters of appointment for a term of three years. Since the Committee's last report, the Company has extended terms of appointment as follows:

- Barbara Jeremiah, for a further three years, expiring on 7 March 2023.
- Miles Roberts, for a further three years, expiring on 7 March 2023.
- Diana Layfield, for a further 11 months, expiring at the conclusion of our 2021 AGM. Since Diana had already served for eight years, we undertook a rigorous review and were unanimous in our view that Diana's tenure had not compromised her independence in anyway, and that it was important

to retain her market and financial experience and knowledge of Aggreko, particularly during the transition period of the new Chair Designate. Diana retired from the Board on 31 December 2020.

- Ian Marchant, for a further year, expiring on 1 November 2021. Since Ian had already served for seven years, we undertook a rigorous review and were unanimous in our view that Ian's tenure had not compromised his independence, and we would retain his knowledge of Aggreko, particularly in his critical role as Audit Committee Chair.

Succession planning

Executive Committee and senior management: The Committee formally met with the CEO and Group People Director in December 2020 to review succession plans. The focus of this discussion was to review the succession plans for each Executive Committee member. In line with the UK Corporate Governance Code, we have continued with our visibility of the succession pipeline below Executive Committee level and also looked at the internal movements during 2020 of our CEO-2 population and succession quality for our CEO-2 roles, diversity across the Group and reviewed senior leadership and talent plans for 2021.

Board: The Committee monitors a schedule on the length of tenure of the Chairman and Non-executive Directors and the diversity and skills mix of the Directors.

The Committee is satisfied that adequate succession planning is in place for the Board, Executive Committee and senior management and will keep succession planning under review.

Inclusion and diversity

Aggreko acknowledges the importance of inclusion and diversity to the effective functioning of the Board and Group. While we acknowledge that the current make-up of the Board has good gender diversity, we are always mindful of the need to recruit Board members from a wider and more diverse population and recognise the voluntary targets published by the Hampton-Alexander and Parker Reviews.

We also acknowledge that inclusion extends beyond the Boardroom and continue to encourage management to be more mindful of inclusion and diversity in the Group. During the course of 2021, we will monitor the development of the sustainability framework to build on our global approach to inclusion and will provide further detail on the resulting initiatives in our 2021 Annual Report and Accounts.

- Read more about inclusion and diversity on **page 49**

Board Diversity Policy

A diverse Board makes prudent business sense and makes for better corporate governance. Diversity promotes the inclusion of different perspectives and ideas and ensures that Aggreko has the opportunity to benefit from all available talent.

Aggreko seeks to maintain a Board comprising dynamic, expert and innovative individuals, who together demonstrate our values and lead our behaviours through a diverse mix of expertise, experience, skills and backgrounds. We aim to ensure that the skills and backgrounds collectively represented on the Board reflect the diverse nature of the business environment in which Aggreko operates. In particular, we look for a range of technical, financial and market expertise. We aim to balance long corporate memory with new insights from other fields. For the purposes of Board composition, diversity is taken to refer to, but is not limited to, protected characteristics covered by UK legislation; other factors such as business experience and geography will also be relevant. We monitor our net diversity but do not set formal targets or quotas. Our focus is on finding talented individuals from as wide a range of backgrounds as possible.

Aggreko is committed to a merit-based system for Board composition within a diverse and inclusive culture, which solicits multiple perspectives and views. When assessing Board composition or identifying suitable candidates for appointment or re-election to the Board, Aggreko will consider candidates on merit against objective criteria, having due regard for the benefits of diversity and the needs of the Board. Any search firm engaged to assist the Board or a Committee of the Board in identifying candidates for appointment to the Board will be specifically directed to include a diverse range of candidates that reflects this policy.

Audit Committee report



The role of the Audit Committee is to ensure the integrity of the Group's financial reporting and provide oversight of our systems for internal control and risk management.

Ian Marchant
Audit Committee Chair

Attendance in 2020

Members in 2020	Position	Meetings attended/ No. of meetings eligible to attend
Ian Marchant	Committee Chair and Independent Non-executive Director	4/4
Sarah Kuijlaars	Independent Non-executive Director	4/4
Diana Layfield	Independent Non-executive Director	4/4
Miles Roberts	Independent Non-executive Director	4/4

Areas of activity in 2020

- Close monitoring of contract provisions and tax provisions. Held an additional meeting in February 2020, ahead of the year-end meeting, to discuss contract provisions in detail, with a particular focus on Venezuela and Africa
- Assessed the appropriateness of the impairment review; additional informal meeting in July 2020 to allow for detailed discussion
- Received regular updates on managing financial risks in our Power Solutions business following the identification of various balance sheet control issues identified by management in Eurasia
- Monitored the status of subsidiary statutory accounts in overseas jurisdictions to drive improvements in the timelines of reporting
- Received regular updates on the status of the internal control environment
- Monitored our cyber security strategy and status

- Received an update on risk management within our tax function
- Monitored the closure of outstanding internal audit findings

Areas of focus for 2021

- Continue close monitoring of contract provisions and tax provisions
- Receive regular updates on the status of the internal control environment
- Continue to monitor the management of financial risk in our Power Solutions business
- Continue to monitor the status of subsidiary statutory accounts in our overseas jurisdictions
- Receive an update on the management of financial risk in our Rental Solutions business
- Monitor our cyber security ratings
- Receive an update on treasury risk management
- Monitor the closure of outstanding internal audit findings
- Oversight of the Future of Finance programme to identify cost savings and operational improvements across the Global Finance team

Introduction by Ian Marchant, Audit Committee Chair

Ensuring the integrity of the Group's financial statements and determining whether the judgements taken by management are appropriate are key to the workings of the Committee. This report provides an overview of the significant issues we considered. This report also shares some insight into the work we have undertaken this year to assess the independence and effectiveness of the external auditor and oversee the Group's systems for internal control and risk management.

In 2020, the challenges posed by COVID-19 underlined the importance of effective internal controls and risk management systems. The Committee played a key role, providing oversight and advice, ensuring the resilience of our systems and supporting a framework against which the Board could effectively manage the potential risks posed during the year.

For the 2020 financial year, the Committee was made up of four Independent Non-executive Directors. Since Diana's retirement from the Board at the end of December 2020, the Committee is made up of three Independent Non-executive Directors, including myself as Chair. I have been a member of the Committee since November 2013 and was appointed as Chair of the Committee in April 2016. I am a chartered accountant and, prior to my appointment as Chief Executive of SSE (2002 to 2015), I served as Finance Director of SSE for four years and of Southern Electric for two and a half years. As a Committee, we bring an appropriate balance of financial and accounting experience, together with a deep understanding of Aggreko's business and market sector.

All members of the Committee have recent and relevant financial experience.

In 2020, we held four meetings. The meetings are aligned with the Group's financial reporting timetable, to allow sufficient time for full discussion of key topics and enable early identification and resolution of risks and issues. We invited the Chairman of the Board, the CEO and the CFO to attend our meetings in 2020, together with the Group Financial Controller, Director of Internal Audit and the KPMG audit partner. At three of our meetings, the Committee met with the KPMG audit partner without management present.

The primary areas of judgement considered by the Committee in relation to the 2020 Annual Report were:

Area of judgement Contract provisions – Power Solutions Utility (PSU)

Reporting issue

One of the more significant risks facing the Group is that of non-payment by customers under some of the larger contracts in our PSU business. The Group policy is to consider each significant debtor individually, within its relevant context, taking into account a number of factors. These factors include, but are not limited to, the political and economic conditions in the relevant country, the duration and quality of our relationship with the customer, the age of the outstanding debt and the customer's payment profile with us, together with any relevant communication exchanges with the customer (and other relevant stakeholders) throughout the year.

How did the Audit Committee address the judgement?

The Committee addressed contract provisions by considering accounting judgements papers, presented by the CFO, at its August 2020, December 2020 and February 2021 meetings. We also held an additional informal meeting in July 2020 with the Board to allow for a detailed discussion of the impairment review and its impact on contract provisions. The papers presented at these meetings detailed the latest position of debtors outstanding (at the half year and year end respectively), including any cash received against amounts invoiced during the year and post the reporting period end, and gave an assessment of the likelihood of future receipts. The Committee discussed in detail the main changes during the period and assessed the adequacy of all the provisions, particularly in light of the impact of the COVID-19 pandemic and the low oil price on certain of Aggreko's customers. In assessing the adequacy of the Group's overall provision, consideration was given as to whether it was both sufficient to cover the risks identified and also whether it was in excess of the risks identified. Historically, the Group has experienced a low level

of bad debt write-offs. However, we do operate in countries within our PSU business where customer payments are more unpredictable and volatile, and where political and economic conditions mean that there is a risk of default, and therefore the Group's bad debt history may not be indicative of potential future outcomes.

While the Audit Committee considered all of the most significant PSU debtors, as noted below, its discussions focused on legacy debts in parts of Africa, Venezuela, Yemen and Brazil where the COVID-19 pandemic has created cash flow, liquidity and, in some cases, future viability challenges. It is our judgement that the more challenging economic outlook post-COVID-19 for these customers is such as to require impairment of our residual balance sheet exposure. Specifically, this has resulted in an impairment across our PSU debtor book of £56 million, £54 million of which was used to reduce the carrying value of these debtors to £nil. More detail on this impairment is contained in Note 7 to the financial statements.

The Committee also discussed the four customers whose net exposure was greater than \$5 million, all of which are within our Africa business. We are in regular contact with these customers and remain confident that there is currently no material balance sheet exposure with respect to these debts.

In forming its view on the appropriateness of the Group's provision against its receivables balances, the Committee noted that PSU cash collections in the year were \$483 million compared with amounts invoiced of \$443 million, which provides strong evidence about the recoverability of debts with our current customers. The Committee also discussed the 15 most significant debtors in the PSU business, which accounted for 82% (2019: 84%) of the total PSU overdue

debtor value at 31 December 2020 (before taking into account provisions or payment security/guarantees). At 31 December 2020, 90% (2019: 87%) of the PSU impairment provision (including an exceptional impairment of £56 million) related to these top 15 debtors. Among these debtors the Group had a net exposure, after taking into account provisions or payment securities/guarantees, of \$10–20 million to one customer (December 2019: three customers), a net exposure of \$5–10 million to three customers (December 2019: four customers) and a net exposure of less than \$5 million to each of the others. At 31 December 2020, there were no customers to whom the Group had a net exposure in excess of \$20 million (December 2019: two customers).

KPMG also reported on these contract provisions at both the August 2020 and February 2021 meetings in the context of its half year review and year-end audit. In addition, the Committee noted that the Executive Committee receives a report on contract exposures each month and has assessed the Group's processes for calculating and regularly monitoring contract risk provisions.

Conclusion and outcome

We concluded that the judgements and estimates with respect to the Group's contract provisions were reasonable and appropriate.

Overall, the PSU contract provision at 31 December 2020 was \$157 million (2019: \$81 million), with the increase mainly driven by the exceptional impairment detailed above, together with other specific provisions mainly relating to customers in Africa.

More information on our risk profile and mitigation for failure to collect payment or to recover assets can be found on page 40.

Area of judgement Impairment review

Reporting issue

The impact of the COVID-19 pandemic, the lower oil price and the consequent deterioration in the short- to medium-term economic outlook, together with the acceleration in the transition to lower-carbon technologies, were reviewed by the Committee and it was concluded that they presented impairment indicators for certain of the Group's assets. As a result, we completed a detailed review across all asset classes, which identified four specific areas for a non-cash exceptional impairment of £175 million, as summarised below:

- Trade and other receivables (£67 million)
- Property, plant and equipment (net of exceptional gain on sale of £3 million) (£55 million)

- Inventory (£36 million)
- Other intangible assets (£17 million)

How did the Audit Committee address the judgement?

The Committee considered papers presented by the CFO at an informal meeting in July 2020 and at the scheduled meetings in August 2020 and February 2021. The papers presented in these meetings detailed the methodology used and the rigorous steps taken by management for each area of the balance sheet to ensure that all asset classes had been considered, not just those where an impairment was recorded, that the impairment review had a clear trigger and that adequate explanations and disclosures were provided. Given the size and nature of the impairment charge, the Committee

agreed that this should be treated as an 'exceptional item' within the reported operating profit in our interim and year-end financial statements. KPMG also reported on the impairment review at the August 2020, December 2020 and February 2021 meetings in the context of its half year review and year-end audit.

Conclusion and outcome

We assessed the appropriateness of the impairment review, ensuring that a trigger point was correctly identified, that all asset classes had received proper consideration and that the communication to the market was both thorough and clear. Further detail on the impairment review can be found in Note 7 to the financial statements.

Audit Committee report continued

In addition to the primary areas of judgement outlined in the table on the previous page, the Committee also paid close attention to the following items during its assessment of Aggreko's financial reporting:

- We assessed the appropriateness of a tax provision in relation to the ongoing dispute of a tax assessment in Bangladesh. We have strong legal opinion which supports our case; however, we recognise that this is a judgement issue due to the complexities and uncertainties of local tax legislation.
- We considered the appropriateness of carrying a deferred tax asset in respect of tax losses in Brazil and our ability to use these in the foreseeable future, taking into account current forecasts and secured long-term contracts.
- We received regular updates on the reinforcement of financial controls in Eurasia following the balance sheet controls issues identified.
- We continued to review the status of subsidiary statutory accounts in overseas jurisdictions in order to drive improvements in adherence to local reporting deadlines.

Following completion of the above steps, we agreed to recommend the approval of the 2020 Annual and Interim Reports to the Board.

Main activities of the Audit Committee during the year

Financial reporting

During the course of the year, the Committee met with the external auditor and management as part of the 2020 Annual and Interim Report approval process. We reviewed the draft financial statements and considered a number of supporting papers, including: information presented by management on the impairment review and significant accounting judgements to ensure that all issues raised had been properly dealt with; key points of disclosure and presentation to ensure adequacy, clarity and completeness; external audit reports; documentation prepared to support the viability statement and going concern statements given on pages 41 and 112; and information presented by management on the process underpinning the fair, balanced and understandable assessment and confirmation on page 97.

In November 2020, we received a letter from the Financial Reporting Council (FRC) explaining its thematic review of climate disclosures in annual reporting and noting that the Aggreko plc 2019 Annual Report had been included in the sample for review. The Committee noted that this was a limited scope review of Aggreko's climate disclosures and was based solely on our 2019 Annual Report. We were pleased that the FRC raised no questions or queries in relation to our

climate disclosures, although four areas were noted where the FRC believed that users of the Annual Report would benefit from improvements to existing disclosures. Following the announcement of our net-zero commitments on 17 November 2020, we have strengthened our climate disclosures across a number of areas of our 2020 Annual Report; we have also sought to address each of the points raised by the FRC review.

Fair, balanced and understandable reporting

Aggreko recognises its responsibility to present a fair, balanced and understandable assessment in all of our reporting obligations. This responsibility covers the Annual Report and extends to the Interim Report and other regulatory announcements. At the request of the Board, the Committee has considered whether, in its opinion, the 2020 Annual Report is fair, balanced and understandable, and whether it provides the information necessary for shareholders to assess the Group's position, performance, business model and strategy.

For the 2020 Annual Report, this process included:

- Review in December 2020 of a summary paper on key messages and changes from 2019
- Feedback provided by Committee members on a number of drafts during January and February 2021
- Full draft provided to the Committee and Board seven days prior to the February 2021 meetings to enable time for review and comment and to provide a final opinion
- Comprehensive management and statutory accounts processes, with written confirmations provided by the business unit senior management teams on the 'health' of the financial control environment
- Confirmations provided by the business unit senior management teams that the Group performance review text is a fair reflection of their business and performance in 2020
- A verification process, involving our Internal Audit team, dealing with the factual content of the Annual Report
- A key accounting judgements paper covering contract and tax provisions for 2020

Following its review, the Committee was of the opinion that the 2020 Annual Report is representative of the year and presents a fair, balanced and understandable overview, providing the necessary information for shareholders to assess the Group's position, performance, business model and strategy.

External auditor

The Committee is responsible for making recommendations to the Board in relation to the appointment of the external auditor. We also approve the audit plan, terms of engagement and fees, and assess its effectiveness.

Audit plan

KPMG presented its audit plan at the July 2020 meeting and an update at the December 2020 meeting, setting out the scope and objectives of the audit, together with an overview of the planned approach, an assessment of the Group's risks and controls, proposed areas of audit focus and coverage. In setting the audit plan, KPMG works with internal audit and management at a Group and business unit level to identify risk areas for the audit to determine where its effort should be focused.

KPMG carried out its work using an overall materiality of £8 million, as stated in its report on page 102, and confirmed that unadjusted audit differences were not material. We also agreed with the external auditor that it would inform us of any unadjusted misstatements above £0.4 million, as well as misstatements below this amount that warranted reporting for qualitative reasons.

Tenure

KPMG was appointed by shareholders as the Group's Statutory Auditor in 2016 following a formal tender process. The external audit contract will be put out to tender at least every 10 years. The current Audit Partner rotated off the engagement at the conclusion of the 2020 audit, having completed a 5-year engagement, and the Committee Chair was involved in the selection of the replacement Audit Partner. The Committee recommends the appointment of KPMG for 2021. We believe the independence and objectivity of the external auditor and the effectiveness of the audit process are safeguarded and strong. The Company has complied with the Statutory Audit Services Order for the financial year under review.

Effectiveness

The Committee met with KPMG on a number of occasions without management present and the Committee Chair also maintained regular contact with the Audit Partner throughout the year. This enabled the Committee to closely monitor its work, ensure independence was maintained and a successful external audit of the 2020 Annual Report was carried out.

We also used an internal questionnaire sent in December 2020 to Committee members, CFO, Group Functional Heads, Business Unit Finance Directors and a selection of Business Unit Heads of Finance (where a full scope audit had been undertaken in the year. Respondents were asked to rate KPMG's effectiveness in a number of areas,

including quality of processes, audit team, audit scope and communications. Results were collated and presented at the February 2021 meeting of the Committee for discussion. Management concluded that both KPMG and its audit processes are considered to be effective, and that a good working relationship is complemented by a sufficiently rigorous and challenging audit approach. The Committee concurred with this view.

Non-audit services

To safeguard the objectivity and independence of the external auditor from becoming compromised, the Committee has a formal policy governing the engagement of the external auditor to provide non-audit services, which we review on a two-yearly basis. Non-audit services are normally limited to assignments that are closely related to the annual audit or where the work is of such a nature that a detailed understanding of the Group is necessary.

Any proposal to use the external auditor for non-audit work requires prior approval of the CFO and, depending on the nature of the service and fee involved, authorisation may also be required from the Committee Chair or the full Committee.

Non-audit fees are monitored by the Committee and this year we were satisfied that all non-audit work undertaken was in line with our policy and did not detract from the objectivity and independence of the external auditor. The majority of the non-audit work carried out by KPMG during the year related to the June 2020 Interim Review and impairment review. In 2020, we spent £1,631,000 on audit fees (2019: £1,442,000) and £67,000 on non-audit fees (2019: £51,000); this accounted for 4% (2019: 4%) of the overall audit fee for the year. Further details of the fees paid to the external auditor are set out in Note 6 to the Accounts.

i The non-audit services policy is available on our corporate website www.plc.aggreko.com

Risk management and internal control

The objective of our risk framework is to provide the Board, Audit Committee and Executive Committee with a useful management tool to capture, assess and proactively manage the risks we face. Our risk management process also ensures that we take account of our business model and strategy to ensure alignment with our risk appetite, framework and controls. In turn, this enables us to fully comply with the UK Corporate Governance Code requirement for a viability statement. The process is designed to manage rather than eliminate risk, and can only provide

reasonable and not absolute assurance against material misstatement or loss.

The Board assumes ultimate responsibility for the effective management of risk across the Group, determining our risk appetite as well as ensuring that each business unit implements appropriate internal controls. The Board has delegated responsibility for oversight of risk management to the Committee.

The Committee provides oversight by reviewing the effectiveness of the Group's systems for risk management, internal control and financial reporting. In 2020, we worked closely with the Group Risk Committee, receiving regular reports which enabled us to review and challenge the risk management framework, review the effectiveness of the control environment and approve the methodology for the viability statement.

The Committee also maintains a programme of in-depth review into specific financial, operational and regulatory areas of the business. These reviews are critical to the role of the Committee, as they allow us to meet key members of the management team and provide independent challenge to their activities. Agenda items in 2020 included:

- Reviewing our cyber security arrangements with the Chief Information Officer and Director of IT Operations and Security to understand progress against our security programme
- Receiving a detailed presentation on the management of financial risk in our Power Solutions business, focusing on the capabilities of the finance leadership team, the status of statutory account filings, outstanding internal audit actions and the results of the financial control checklist
- Reviewing the management of financial risk in our Tax team with the Director of Tax
- Receiving a detailed presentation on the internal control environment in place to protect the business from material risks identified; management is responsible for establishing and maintaining adequate internal controls over financial reporting and the Committee has responsibility for ensuring the effectiveness of those control – in 2020, the Committee continued to receive assurance that financial controls were in place for items on the Group Register
- Receiving regular updates on the reinforcement of balance sheet controls following the issues identified by management in Eurasia as part of its year-end close process for 2019
- Reviewing the remediation plan following a controls issue identified during the year in Angola, where certain month-end processes had not been completed properly for several months

The Committee has completed its review of the effectiveness of the Group's system of internal control, including risk management, during the year and up to the date of this Annual Report in accordance with the requirements of the Guidance on Risk Management, Internal Control and related Financial and Business Reporting published by the FRC. Beyond the issues identified in Eurasia, as noted above, together with less material control breakdowns in Angola, the Committee confirms that no significant failings or weaknesses were identified in the review for the 2020 financial year and allowed us to provide positive assurance to the Board to assist it in making the statements required by the UK Corporate Governance Code. Where areas for improvement were identified, processes are in place to ensure that the necessary action is taken and that progress is monitored.

Viability statement

The Committee reviewed management's work in conducting a robust assessment of those risks which could threaten our business model and the future performance or liquidity of Aggreko, including our resilience to the threats of viability posed by those risks in severe but plausible scenarios. This assessment included stress and sensitivity analyses of these risks to enable us to evaluate the impact of a severe but plausible combination of risks. We then considered whether additional financing would be required in such eventualities. We also considered the review period and alignment with the Group's strategic plans and internal long-term forecasts. Based on this analysis, we recommended to the Board that it could approve the viability statement included on page 41.

Internal audit

Monitoring and review of the scope, extent and effectiveness of the activity of internal audit is an agenda item at each Committee meeting. We approve the annual audit plan prior to the start of each financial year and receive a detailed report from the Group Internal Audit Director on audit activities, audit results and remedial actions at each meeting. The audit plan is risk-based and includes themed reviews based on an assessment of the strategic risks faced by the Group along with cyclical coverage of key business processes and locations. We also specifically followed up on a selection of areas where audit actions were outstanding to ensure that the overall control environment was still adequate.

The Committee assessed the effectiveness of the internal audit function by reviewing its reports, progress against the 2020 plan and meeting with the Director of Internal Audit without management being present.

Remuneration Committee report



The principal role of the Remuneration Committee is to determine the remuneration for Executive Directors and Executive Committee members. We also oversee Aggreko's overall remuneration policy and practice for the wider workforce.

Barbara Jeremiah
Remuneration Committee Chair

Attendance in 2020

Members in 2020	Position	Meetings attended/ No. of meetings eligible to attend
Barbara Jeremiah	Committee Chair and Independent Non-executive Director	4/4
Mark Clare	Independent Non-executive Director and Chair Designate	2/2
Ken Hanna	Chairman, Aggreko plc	4/4
Uwe Krueger	Senior Independent Director	4/4
Ian Marchant	Independent Non-executive Director	4/4

Areas of activity in 2020

- Determined outcomes for the 2019 Annual Bonus for financial and personal/strategic objectives (February 2020)
- Set targets for the 2020 Long-term Incentive Plan (LTIP) and Annual Bonus Plan (subsequently cancelled), both financial and personal/strategic objectives (February 2020)
- Approved awards under the 2020 LTIP (February 2020)
- Considered the impact of COVID-19 on the Executive and all employee remuneration arrangements
- Oversaw workforce remuneration and related policies and received feedback from workforce engagement, including site visits, undertaken by the Ethics & Corporate Responsibility Committee in 2020
- Consulted with major shareholders and governance bodies on our new remuneration policy to apply from 2021

- Ensured compliance with the revised FRC UK Corporate Governance Code (Code) in respect of remuneration

Areas of focus for 2021

- Reflect feedback from shareholder consultation in proposed amendments to incentive arrangements
- Secure shareholder approval for new remuneration policy at the 2021 AGM
- Set targets for the 2021 Annual Bonus Plan, both financial and personal/strategic objectives
- Approve awards under the 2021 restricted stock plan (RSP)
- Ensure continued compliance with the Code in respect of remuneration, to include a market and governance update from our remuneration consultants

Introduction by Barbara Jeremiah, Remuneration Committee Chair

Dear shareholders

On behalf of the Board and the Remuneration Committee, I am pleased to present our Remuneration Committee report for 2020. This past year presented many challenges to Aggreko and the Board, including how to fairly compensate our employees who have worked tirelessly to support our customers and communities in the midst of the pandemic.

This report includes my annual statement, our annual report on remuneration and the proposed 2021–2024 remuneration policy (the 2021 Policy). Our 2021 Policy will be submitted to shareholders for approval at our Annual General Meeting (AGM) on 22 April 2021. The annual report on remuneration and this annual statement will be subject to an advisory vote at our AGM. Details of the proposed changes to the policy are set out on page 72.

- i** Annual remuneration statement on **page 68**
- i** Annual report on remuneration on **page 77**
- i** 2021 Policy on **page 85**

COVID-19 context

The COVID-19 pandemic has had an unprecedented impact on all of us.

We made an early commitment to prioritise our employees and protect jobs so that we can emerge from the pandemic as a stronger and even more resilient company. The Company has not made any redundancies as a direct result of the pandemic and our salary structure has remained in place with no reductions due to COVID-19. Job losses and any new hires (which have been minimal in 2020) have been part of our normal response to changes in demand for our services and the continuing drive for efficiencies in our operations. We have not taken any UK government financial support or loans. Our investments in technology infrastructure have stood us in good stead and allowed us to seamlessly pivot to more than half our people working from home. Employee engagement has remained high throughout the pandemic and continued flexible working arrangements will contribute to further improving how we work together.

We started the year reporting a good set of 2019 results and our business has remained financially strong throughout the crisis. In recognition of the economic situation and the experience of the Company's wider stakeholders, the Executive Directors voluntarily deferred 100% of their 2019 annual bonus into Aggreko shares for three years (25% of the total bonus is usually deferred in Aggreko shares for three years). The Committee commended this gesture, which demonstrated not only leadership but acknowledgement from the Executive Directors of the extraordinary circumstances of 2020.

Our performance in 2020 was negatively impacted by the pandemic, but the Company's financial strength remained robust. We have resumed dividend payments and paid a dividend of 5 pence per share on 1 October 2020.

However, given the need to be cautious on variable remuneration, we took the decision to cancel the 2020 annual bonus for all employees, thus Chris Weston, Chief Executive Officer and Heath Drewett, Chief Financial Officer will not receive a bonus for 2020. Our financial performance is set out on page 24.

After consideration, the Remuneration Committee determined that the 2020 LTIP grants would be maintained at 250% of salary at grant. We acknowledge that, in common with many other companies we saw a significant fall in our share price due to external factors. Under the LTIP rules, the Remuneration Committee has full discretion to ensure that the final outturns reflect all relevant factors, including consideration of any windfall gains, so the value delivered to Executive Directors will remain appropriate relative to the performance of the Group, shareholder experience and wider workforce impact over the entire period.

Changes in remuneration policy

This year we will ask our shareholders to approve a new remuneration policy for Executive Directors at our AGM and full details of the policy are set out on pages 85 to 92. A short summary of the background to, and the reasons for, the proposed changes to the Company's Executive remuneration policy follows.

Remuneration policy review

During the past year, the Committee began their review of the three-year policy approved by shareholders in 2018, examining the remuneration framework, both its performance and its continued utility. The aim of our remuneration policy is to provide a simple structure that:

- Aligns remuneration with our strategy to drive the long-term success of the Company;
- Aligns with the Company's culture and broader reward framework;
- Ensures that the Company can continue to attract, retain and motivate quality leaders; and
- Avoids paying more than the Committee considers necessary.

The 2018 policy followed the withdrawal, in 2017, of a proposed policy that included a hybrid of restricted stock and more traditional performance shares. We continue to believe that restricted stock is appropriate to Aggreko's business model given the cyclical nature of our business which means we do not plan for year-on-year growth in the same way as some other businesses.

During our quarterly market update on 17 November 2020, we shared an ambitious 10-year plan to replace fossil diesel fuel with alternative, cleaner fuels; to continue investing in energy storage and incorporating renewable next generation technology in our portfolio; and investing in distribution equipment to leverage green grid power. Full details are set out on page 07. This plan is the key to reshaping the group for the future to achieve our goal of leading the sustainability agenda among temporary power suppliers and better managing our assets – people, power and technology – for our shareholders and wider stakeholders. Our energy transition impacts the way in which we will deliver power and temperature control to all our customer segments. We will continue to identify technology and practices that will support reduction in carbon and emissions intensity when providing solutions for our customers. This transformation will take several years. To achieve this, we want our Executives to think and act as shareholders – to take a long-term perspective to ensure we take the right decisions today and drive behaviours consistent with our refreshed purpose statement and our strategic priorities. We continue to believe that our Executives are best aligned with shareholders in delivering long-term success during a period of fundamental change in our industry by owning Aggreko stock through a restricted stock plan.

Restricted stock proposal

Against this strategic background, we believe that the remuneration in the form of restricted stock, granted at a smaller fixed vesting level, better supports the stewardship role of management in these potentially volatile circumstances. This will be all the more so, given that the ultimate value received will be dependent upon share price movement and, therefore, the wider shareholder experience.

Our proposed Restricted Stock Plan (RSP) (which will be our only long-term incentive going forwards) will operate on the following basis:

- Replace LTIP with restricted stock at a 50% reduction from the potential current value (i.e. the two Executive Directors' awards will reduce from 250% of salary to 125%).
- Create performance underpins, whereby an award will not vest unless performance is sufficient to warrant vesting.
- Vesting will be at the Committee's discretion, and awards will be reduced if ROCE, revenue growth (both referencing 2019 performance) and/or delivery of the Board's agreed strategy for the repositioning of our environmental impact is not considered by the Committee to be at an acceptable level. An assessment will be made by the Board taking into account the long-term targets we set out in November 2020 for the next decade.
- Awards will be contingent on employment (with one-third contingent on employment to each of the third, fourth and fifth anniversary of grant) and only released on the fifth anniversary of grant.
- A similar plan will apply across the broad management population of approximately 125 individuals.

i A detailed question and answer section is set out on **page 73**

Other changes

In addition to the proposal to introduce a restricted stock plan to replace the performance share plan, we propose revisions to other elements of pay to reflect evolving market practice and shareholder expectations as well as to comply with the 2018 UK Corporate Governance Code.

Pensions: In our 2019 Remuneration Committee report, we made a commitment to align the pension rates for Executive Directors with those available to the workforce. Any new Executive Director's allowance will be set at a rate (when expressed as a percentage of salary) no higher than the rate available to the majority of colleagues either in the UK or in the jurisdiction in which the Executive resides – currently 9% for the majority of the UK workforce. Both Chris Weston's (Chief Executive Officer) rate (currently 24% of salary) and Heath Drewett's (Chief Financial Officer) rate (currently 20%) will reduce to the rate applicable to the UK workforce generally with effect from 1 January 2023.

Post-cessation share ownership guidelines:

In light of evolving market practice and to comply with the Code, we shall introduce a post-cessation share ownership requirement. Executive Directors will be expected to maintain a minimum shareholding of 250% of salary (or actual shareholding if lower) for the first year following stepping down as an Executive Director and 125% of salary for the second year. The Committee will have the discretion to permit release of shares from this requirement if it is no longer considered appropriate in the circumstances.

Bonus deferral: As a rule, not less than 25% of bonus payments will be deferred into shares. Starting in 2021, 50% of bonus payments will be cash and 50% deferred into shares and released after three years. The Committee will periodically review the amount of deferral, relative to the share ownership levels of each Executive Director.

Other elements of the policy: No changes are being proposed to any other elements of the remuneration policy. When considering the remuneration arrangements for the Executive Directors and the Executive Committee, the Committee continues to take into account remuneration throughout the Group to ensure alignment of executive remuneration with the wider workforce. For example, we will introduce an RSP that will operate for the next 125 or so senior managers.

i Further details can be found on **pages 72**

i Full details of the new policy are set out in the Policy report on **pages 85 to 92**

Summary of 2020 performance outcomes

The Committee set challenging targets for 2020 and were it not for the effects of COVID-19 on the business, the Company would have been on track to have performed well against these stretching targets. However, the Company took an early decision when the likely impact of the pandemic first became apparent to focus on sustaining the business, servicing its customers and protecting jobs. In this context the Committee with the support of the Executive Directors determined, in April 2020, that no bonuses would be payable for either Executive Director or for the wider workforce in respect of 2020 performance.

i Further details can be found on **page 77**

LTIP awards granted in May 2018 did not meet the performance targets, so these awards will lapse in full.

i Full details are set out on **page 78**

All of these outcomes reflected the operation of our incentive programme formulas without the exercise of any discretion by the Committee.

Implementation of the policy for 2021 (subject to approval by shareholders)

Base salary

Due to the ongoing impact of COVID-19, no salary increase is proposed for the Executive Directors. The salaries of both Executives will be reviewed again in December 2021.

Annual bonus

The annual bonus for 2021 for Executive Directors will operate on a similar basis as in 2020, with financial performance accounting for 80% of the total opportunity and the remaining 20% measured against personal/strategic objectives.

In order to reflect the importance of capital efficiency in Aggreko we have added to the financial performance element this year an adjusted operating profit (AOP) measure set at 25% of the total opportunity. The remaining 55% of the 80% financial performance remains measured against diluted earnings per share (D-EPS).

i Further details can be found on **page 74**

Restricted Stock Plan (RSP)

As noted earlier, awards under the LTIP will be replaced with awards of restricted stock at a maximum level of 125% of salary.

i Further details can be found on **page 74**

Engagement with stakeholders

We remain committed to engagement with our shareholders to ensure an open and transparent dialogue on the issue of executive remuneration arrangements at Aggreko.

During the last several months, I engaged with most of our top 20 shareholders and key institutional investor bodies on our proposed changes to the Directors' remuneration policy. I am very pleased with the level of shareholder support received for the adoption of the RSP with many shareholders commenting that they believe it is the right incentive to support our strategy and more closely align Executive Directors' remuneration with the shareholder experience. Shareholders were also supportive of the steps we have taken to align with best practice, particularly the changes to pensions and the introduction of post-employment shareholding guidelines.

Our people set us apart and engaging with the workforce in a meaningful way is critical. Our CEO has provided regular video and email updates throughout the year. This includes our "Plan on a Page" which is used as a basis to set personal objectives for all employees in the annual bonus plan.

Employees have the opportunity to participate in our Be Heard survey on all topics including compensation, with every employee being provided with a summary of their local team's response to enable us to reflect on our collective feedback and take action. The Committee has supported a set of reward principles which have been communicated widely as a means of increasing transparency on remuneration. Non-executive Directors have also conducted site visits and a number of focus groups, mainly remotely due to COVID-19 considerations, with employees in the UK, Africa, Latin America and North America, and we will continue to explore ways in which the Board can extend engagement with the workforce. See page 48.

In conclusion

I would like to thank shareholders for all their feedback over the last few months and welcome any further feedback. We look forward to receiving your support of the proposed new Directors' remuneration policy and Directors' remuneration report at the AGM in April, and should you wish to discuss any elements of this, please contact me via the Company Secretary's office.

Yours faithfully



Barbara Jeremiah
Remuneration Committee Chair

Our remuneration at a glance

Summary of 2020 remuneration

Our aim

The aim of Aggreko's remuneration policy is to support our strategy and drive the long-term success of the Company.

The following table summarises how the policy was applied in 2020 and the components making up the reported single figure on page 77.

Element of remuneration	How the policy works	How it was implemented in 2020	Total single figure (% change from 2019)	
			CEO	CFO
Fixed	Salary	To pay at an appropriate level in the talent market(s) relevant to each individual Cap of £900,000	Increase of 2% with effect from 1 January 2020 ¹	£765,000 (2%) £469,200 (2%)
	Benefits	To provide market-normal benefits Not expected to exceed 20% of salary	Market-competitive insured benefits and company car allowance	£29,801 (9.7%) ² £20,918 (8.1%) ¹
	Pension	Defined contribution and/or cash in lieu Between 20% and 30% of salary (with no more than 20% for new hires)	24% of salary cash supplement for the CEO and 20% of salary for the CFO The rate for Chris Weston was reduced for 2020 from 30% of salary to 24%	£183,600 (-18.4%) £93,840 (2%)
Variable	Annual bonus	Reward for delivery of annual targets Cap of 175% for Executive Directors 75% paid in cash, 25% deferred into shares for three years	No bonus plan for 2020 2019 bonus was deferred in full into shares	0% of maximum (see page 77) £0 (-100%) 0% of maximum (see page 77) £0 (-100%)
	Long-term incentives	2020 LTIP grant subject to pre-vest performance conditions over three years 50% subject to D-EPS 50% subject to ROCE Legacy awards continue on their terms	2018 LTIP award: subject to continued service, due to vest in May 2021 ³ D-EPS 0% vesting ROCE 0% vesting	0% of maximum (see page 78) £0 (0%) 0% of maximum (see page 78) £0 (0%)
Other	Sharesave	All-employee scheme Savings capped at £500 per month Options granted at a discount of 20%	2020 Sharesave exercisable from January 2024	£10,936 £10,936
Total			£989,337 (-35.7%)	£594,894 (-33.9%)

1 For both Executive Directors, for the first time since joining Aggreko, their salaries were reviewed by the Committee in December 2019. The increases were in line with the budgeted level set for the wider UK workforce in 2020.

2 Any change in reported value reflects the cost of provisions rather than a change in the level of benefits.

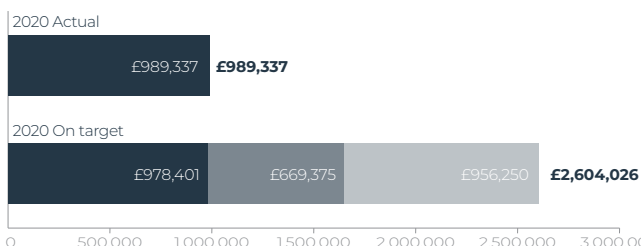
3 The 2018 LTIP award which is due to vest in May 2021 is subject to performance conditions over three years, ending on 31 December 2020, with 50% of the award subject to D-EPS and 50% of the award subject to ROCE.

Executive Directors' remuneration scenarios

■ Fixed pay ■ Bonus ■ LTIP

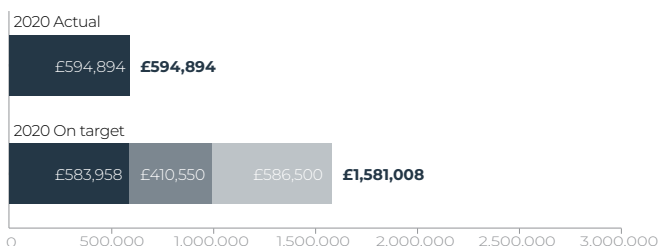
Chris Weston

Chief Executive Officer



Heath Drewett

Chief Financial Officer



Proposed new policy for 2021

The following table summarises the updated policy being proposed to shareholders which, if approved, will be operated from the 2021 AGM until the 2024 AGM unless an alternative policy is approved by shareholders earlier. The formal policy is set out, commencing on page 85:

	Element of remuneration	How the policy works	Changes from previous policy
Fixed	Salary	To pay at an appropriate level in the talent market(s) relevant to each individual Cap of £900,000	None
	Benefits	To provide market-normal benefits Not expected to exceed 20% of salary	None
	Pension	To provide relevant statutory benefits in the market in which the individual is employed Defined contribution and/or cash in lieu New hires to be aligned with the average for UK staff (subject to periodic review but currently 9%) Between 20% and 24% of salary of incumbent Executives to reduce to the average for UK staff on 1 January 2023	Allowance for any new Executive Director set at a rate no higher than the rate available to the majority of colleagues either in the UK or in the jurisdiction in which the Executive resides. Set at a cap of 24% for incumbent CEO and 20% for incumbent CFO and to be reduced to the rate applicable to the UK workforce generally, with effect from 1 January 2023 (currently 9%)
Variable	Annual bonus	Reward for delivery of annual targets Cap of 175% for Executive Directors At least 70% linked to financial measures 75% paid in cash, 25% deferred into shares for three years	Bonus payments will be delivered as to not less than 25% deferred into shares although the current intent is for 50% to be typically delivered in cash and 50% deferred into shares and released after three years
	Long-term incentives	Align the interests of management with those of shareholders New Restricted Stock Plan (RSP) to operate from 2021 Annual grant limit of 125% of salary Vesting of awards contingent on: → Service to third, fourth and fifth anniversaries of grant (as to one-third of the award each) → Assessment of the underpin on the third anniversary of grant Shares only released following fifth anniversary of grant. Good leavers pro-rated to the vesting dates set out above Legacy LTIP awards continue on their terms	A new Restricted Stock Plan (RSP) will be operated and awards granted to Executive Directors from 2021 onwards Vesting of RSP awards subject to an underpin such that award will only vest to the extent that performance warrants it Further details are set out in our Q&As section on page 73
	Share ownership guidelines	To support shareholder alignment Minimum requirement of 250% of salary Post-cessation guidelines of 250% of salary for one year and 125% of salary for a second year	Introduction of post-cessation guidelines The Committee will have the discretion to release if no longer appropriate in the circumstances Shares will be valued at the higher of value on departure and their value over the two-year retention period Shares vesting from RSP grants from 2021 onwards and any bonus deferred relating to the 2021 bonus year onwards will be lodged in escrow to provide an enforcement mechanism

The rationale for these changes is set out in the Statement from the Committee Chair on pages 69 and 70.

Formal caps have been included in each element of pay (these are caps and do not reflect any form of aspiration).

Restricted Stock Plan (RSP) – Q&As

Why are you changing your long-term incentive arrangements?

For several years, we have considered that restricted stock is appropriate to Aggreko's business model, given the inherently cyclical nature of the business which means we do not plan for year-on-year growth in the same way as some other industries. Similarly, our energy transition strategy will impact the way in which we will deliver power and temperature control to all our different customer segments. We will continue to identify technology and capability pathways that will support a reduction in carbon and emissions intensity when providing solutions for our customers. This is a long-term initiative which needs executive management to take a long-term perspective to ensure the right decisions are taken today.

We continue to believe that our Executives will be best aligned with shareholders in delivering long-term success during a period of fundamental change in our industry through restricted stock, which inherently provides a significant interest in delivering long-term sustained shareholder value alongside our long-term investors.

We have also taken into account the clear views of institutional shareholders, proxy advisory agencies and specialists in the area of executive remuneration that the quantum of executive pay packages should be reduced. Our proposed RSP will result in a reduced level of total potential pay for our Executive Directors by ending the LTIP. The RSP will also align our Executive Directors with many of our senior executives below Board level, for whom similar arrangements have been in place previously.

Taking all of the above into consideration, we feel that the RSP offers shareholders and participants a simple, clear and understandable long-term reward structure.

What are the key features of the RSP?

- Reduced policy award levels at a 50% reduction from the potential current value (i.e. the maximum potential Executive Director awards would reduce from 250% of salary under the current LTIP to 125% under the RSP)
- RSP awards will be contingent on employment, vesting in three equal tranches on the third, fourth and fifth anniversaries of grant and only released on the fifth anniversary of grant
- No performance conditions giving clarity of outturn
- Vesting of RSP awards subject to performance underpins, whereby an award will not vest unless performance is sufficient to warrant a vesting at this level

What is a negative performance underpin and why are you applying it?

An underpin is included to ensure that a minimum level of performance is achieved before an award vests. We are aware that the typical operation of restricted share schemes would not include an underpin (certainty of vesting outcome being the trade-off for the reduced quantum of awards).

Having considered feedback from those shareholders that we consulted with, the Board has decided to apply a set of negative performance underpins to RSP awards which will allow the Remuneration Committee to reduce vesting outcomes if certain key metrics are not considered to be at an acceptable level. The default assumption will be that RSP awards will vest, unless these measures have fallen below the standards anticipated by the Remuneration Committee. The Board considers this an appropriate protection to ensure that our Executive Directors do not receive payment for failure.

What underpins will you be applying?

Vesting will be at the Committee's discretion, and awards will be reduced if ROCE, revenue growth and/or delivery of the Board's agreed strategy for the repositioning of our environmental impact is not considered by the Committee to be at an acceptable level. An assessment will be made by the Board taking into account the long-term targets we set out in November 2020 for the next decade, with assessment of ROCE and revenue growth having regard to performance in 2019 as the basis for such assessment.

Why have you reduced the RSP policy award level by 50% compared with the old LTIP?

As noted above, the RSP trades the size of awards for certainty of vesting. We consider that the stability of a smaller fixed vesting level, with the ultimate value received dependent upon share price movement and therefore fully aligned with the shareholder experience, better supports the stewardship role of management in these potentially volatile circumstances.

Implementation of remuneration policy in 2021

Base salaries

Chris Weston and Heath Drewett's base salaries were reviewed by the Committee in December 2020; their salaries will remain unchanged for 2021. The Committee intends to next review the salaries of both these Executive Directors in December 2021 to take effect from January 2022.

The base salaries for Executive Directors as at 1 January 2021 and 1 January 2020 were as follows:

Executive Director	Position	1 January 2021 £	Increase* %	1 January 2020 £
Chris Weston	Chief Executive Officer	765,000	0	765,000
Heath Drewett	Chief Financial Officer	469,200	0	469,200

* The average increase across the Group for 2020 was 1.6%. The majority of employees received no increase.

Pensions and benefits

Pension allowances will reduce to a rate (when expressed as a percentage of salary) no higher than the rate available to the majority of colleagues either in the UK or in the jurisdiction in which the Executive resides – currently 9% for the majority of the UK workforce – with effect from 1 January 2023. This transition for the incumbent Chief Executive Officer began in 2020 with Chris Weston's pension reducing from 30% to 24% in 2020. Heath Drewett's rate is currently 20% of salary. Any new Executive Director's allowance would be set at the rate applicable to the jurisdiction in which the Executive resides. Benefits will continue in line with policy.

Annual bonus

The Committee set annual bonus targets for the Executive Directors as follows:

Executive Director	Total max bonus % salary	D-EPS growth		AOP*		Personal objectives
		Max bonus % salary	On-budget bonus % salary	Max bonus % salary	On-budget bonus % salary	Max bonus % salary
Chris Weston	175	96.25	48.125	43.75	21.875	35
Heath Drewett	175	96.25	48.125	43.75	21.875	35

* Adjusted Operating Profit (AOP) is the Group's annual operating profit figure adjusted up or down by applying a credit or charge based on the level of Net Operating Assets (NOA) within the Group compared to budget. Net Operating Assets are a business's operating assets minus its operating liabilities.

The personal objectives were set individually for each Director. All include agreed outcomes for set strategic objectives specific to their role.

Consistent with the Code, the Committee has appropriate discretion to adjust any formulaic result if it concludes that it is not appropriate in all the circumstances. The Committee will also have regard to any safety concerns.

We do not disclose full details of the personal/strategic objectives for the Executive Directors or the financial targets in this report, as we consider them to be commercially sensitive. It is, however, our intention to disclose retrospectively these targets in next year's annual report on remuneration.

50% of any bonus payments will be cash and 50% deferred into shares and released after three years.

Restricted Stock Plan (RSP)

The Committee proposes to approve the grant of 2021 RSP awards to Executive Directors with a face value of 125% of salary. For the 2021 RSP awards, an underpin will apply so that the Committee may reduce the vesting outturn if ROCE, revenue growth and/or delivery of the Board's agreed strategy for the repositioning of our environmental impact is not considered by the Committee to be at an acceptable level. An assessment will be made by the Board taking into account the long-term targets we set out in November 2020 for the next decade, with assessment of ROCE and revenue growth having regard to performance in 2019 as the basis for such assessment.

Initial awards are expected to be granted in April 2021, subject to approval of the new remuneration policy for Executive Directors at the 2021 AGM.

As with the annual bonus, consistent with the Code, the Committee has appropriate discretion to adjust any formulaic result if it concludes that it is not appropriate in all the circumstances.

Remuneration in context

How our remuneration policy relates to reward in the wider employee context

The Committee has clear line of sight and oversight of workforce remuneration and related policies when setting policies of Executive Director remuneration and to enable it to advise the Board whether Company policies and practices support culture and strategy. The Group People Director and Group Director of Reward support the Committee in this and at the August meeting of the Committee provided an overview of annual pay in Aggreko. Throughout the year, the Committee reviews the frameworks and budgets for key components of the wider workforce remuneration, together with the broader structure of Group bonus arrangements, which ensures appropriate alignment with executive pay arrangements. The Committee, as members of the Board, has oversight of the annual Be Heard survey. The Committee has direct engagement with the workforce through focus groups and team meetings, and receives feedback from workforce engagement undertaken by the Ethics & Corporate Responsibility Committee. The Chair of the Committee is also a member of the Ethics & Corporate Responsibility Committee.

The Committee considered the impact of COVID-19 on executive and wider employee pay. In April 2020, the 2020 annual bonus and salary review process were cancelled, to preserve our financial position and protect jobs. These measures were implemented across the Group and the Committee kept the position under review to ensure a fair and balanced approach to remuneration.

Employee engagement

Share ownership – employees in a number of countries in which we operate are offered the opportunity to participate in our Sharesave plan – nearly 70% of our workforce.

Pay and bonus budgets – the Committee notes the total budgeted salary and bonus expenditure for all Aggreko employees, ensuring reward principles are aligned throughout the business.

Direct engagement with our people – we will let our colleagues know about the 2020 Annual Report through our global communication channels and invite questions and comments through our internal social media platform, Yammer.

Chief Executive Officer's pay ratio

In line with new reporting requirements, the table below discloses the ratios which compare the total remuneration of the CEO to the remuneration of the 25th, 50th and 75th percentile of our UK employees. The ratio pay has been calculated using the statutory method A approach – the general preference of institutional shareholders and most robust way the Committee believes for it to calculate the ratios from the options available in the regulations. This method is calculated in line with the methodology for the single total figure of remuneration for the CEO set out on page 77. The best equivalents for the three UK employees whose rates of pay were at the 25th, median and 75th percentiles were selected, with a small number of employees around each quartile reviewed, to ensure that the employees chosen at the three percentile points were representative of the pay of the workforce at each quartile. The disclosure will build up over time to cover a rolling 10-year period.

Year	Method	25th percentile ratio	50th percentile ratio	75th percentile ratio
2020	Method A	29 : 1	20 : 1	14 : 1
2019	Method A	44 : 1	30 : 1	21 : 1

Throughout 2020, the Committee has reviewed the framework for key components of the wider workforce remuneration and taken these into account when setting policies of Executives' remuneration. The Committee is, therefore, satisfied that the median pay ratio for 2020 is consistent with the pay policies for Aggreko's UK employees as a whole. Consistent with practice elsewhere, Executives have a greater proportion of their overall pay subject to performance than other staff. Accordingly, the ratio will fluctuate each year, driven largely by the variable pay outcome for the CEO, which will significantly outweigh any other changes in pay at Aggreko. This is particularly relevant for the 2020 financial year where remuneration paid to the CEO was significantly lower due to the cancellation of the bonus. The ratio is likely to be materially higher in following years. For the delivery of an on-target bonus and LTIP vesting (ignoring share price appreciation), the median ratio would have been 30.

The following table shows the total pay and benefits and the salary component of this for the employees who sit at each of the three quartiles in 2020.

	Total pay and benefits	Base salary
25th percentile	£34,677	£27,461
50th percentile	£48,927	£38,091
75th percentile	£70,710	£56,000
CEO	£989,337	£765,000

Annual percentage change in remuneration of Directors and employees

The table below shows the percentage change in remuneration (salary, benefits and annual bonus) of the Directors and employees of the business between the 2019 and 2020 financial years. This is the first year under which this reporting requirement is applicable for the Company. Over subsequent years this will build up to a rolling five-year period.

	% change from 2019 to 2020 ¹		
	Salary or fees	Benefits	Bonus
Aggreko plc employees ²	1.5%	8.2%	-99.8%
Aggreko Group Functions employees ³	2.3%	11.0%	-98.5%
Executive Directors:			
Chris Weston	2%	9.7%	-100%
Heath Drewett	2%	8.2%	-100%
Non-executive Directors:			
Ken Hanna	0%	N/A ⁷	N/A
Nicola Brewer	0%	N/A	N/A
Mark Clare ⁴	N/A	N/A	N/A
Barbara Jeremiah	0%	N/A ⁷	N/A
Uwe Krueger ⁵	N/A	N/A	N/A
Sarah Kuijlaars ⁶	0%	N/A	N/A
Diana Layfield	0%	N/A	N/A
Ian Marchant	0%	N/A	N/A
Miles Roberts	0%	N/A ⁷	N/A

1. Average employee pay is based on a Full Time Equivalent (FTE) calculation and calculated by reference to the mean average pay of employees within the UK.

2. The comparison for employees of Aggreko plc as required under the reporting regulations. This dataset is small and therefore provides a result that doesn't allow for meaningful comparisons – see note 3 below.

3. The Company has also chosen to voluntarily disclose the information for all Group central functions employees as the Committee believes that it provides a sufficiently large comparator group to give a reasonable understanding of changes in remuneration, while reducing the distortion that would arise from including all of the many countries in which the Group operates, with their different economic conditions.

4. Mark Clare was appointed as a Non-executive Director with effect from 1 October 2020 and therefore there is no year-to-year change.

5. Uwe Krueger opted to forego any fees for 2019 and 2020 and therefore there is no year-to-year change.

6. Sarah Kuijlaars was appointed as a Non-executive Director with effect from 1 October 2019. The percentage change in respect of her fees was calculated by reference to the full-year equivalent of her fees for 2019.

7. Percentage change in benefits for Ken Hanna, Barbara Jeremiah and Miles Roberts have not been reported as they are de minimus.

Gender pay gap

The reported data on our gender pay gap as at 5 April 2020 with information on our progress and future plans will be available on our corporate website by 4 April 2021.

We have seen some improvements in the base pay gap at both median and mean positions, although the bonus gap has widened. This is due to a lower bonus award in one of our businesses which has a higher proportion of women, and with a higher proportion of our senior leaders being men, more men receiving long term incentive payouts than women. These results reinforce the need for us to continue to target actions that will generate lasting change. For 2021 we are placing further emphasis on inclusion, focusing on leadership and culture, as well as specific people management practices.

For 2021

During the coming year, subject to shareholder approval, the Committee will be implementing a new remuneration policy for 2021. Consistent with the widening of its remit, the Committee will also review arrangements which extend beyond the Executive Directors and Executive Committee members.

In the following section of our report we explain how we have implemented Aggreko's remuneration policy during 2020. The policy in place for the year was the one which was approved by shareholders at Aggreko's 2018 AGM, which is available on the Company's website: www.plc.aggreko.com

Annual report on remuneration

Single total figure of remuneration – Executive Directors (audited)

The table below sets out a single figure for the total remuneration received by each Executive Director for the years ended 31 December 2020 and 31 December 2019.

Executive Director	Year	Base salary £	Benefits £	Annual bonus £	LTIP £	Sharesave £	Pension £	Total £	Variable £	Fixed £
Chris Weston	2020	765,000	29,801	–	–	10,936	183,600	989,337	10,936	978,401
Chris Weston	2019	750,000	27,175	536,550	–	–	225,000	1,538,725	536,550	1,002,175
Heath Drewett	2020	469,200	20,918	–	–	10,936	93,840	594,894	10,936	583,958
Heath Drewett	2019	460,000	19,342	329,084	–	–	92,000	900,426	329,084	571,342
2020 Total		1,234,200	50,719	–	–	21,872	277,440	1,584,231	21,872	1,562,359
2019 Total		1,210,000	46,517	865,634	–	–	317,000	2,439,151	865,634	1,573,517

The figures have been calculated as follows:

- Base salary: amount earned for the year.
- Benefits: the taxable value of benefits received in the year (see Benefits below).
- Annual bonus: the total bonus earned on performance during the year; no bonus is payable for 2020 (see annual bonus scheme below).
- No LTIPs vested in relation to the 2020 final performance.
- Sharesave: the value is based on the average of the market price of an Aggreko share for the last quarter of 2020, less the option price, multiplied by the number of options.
- Pension: the amount of any Company pension contributions and cash in lieu. Chris Weston and Heath Drewett both received payment entirely in cash.

Total aggregate emoluments for Executive and Non-executive Directors were £2.37 million in 2020 and £3.16 million in 2019.

Additional disclosures in respect of the single total figure of remuneration table

Benefits

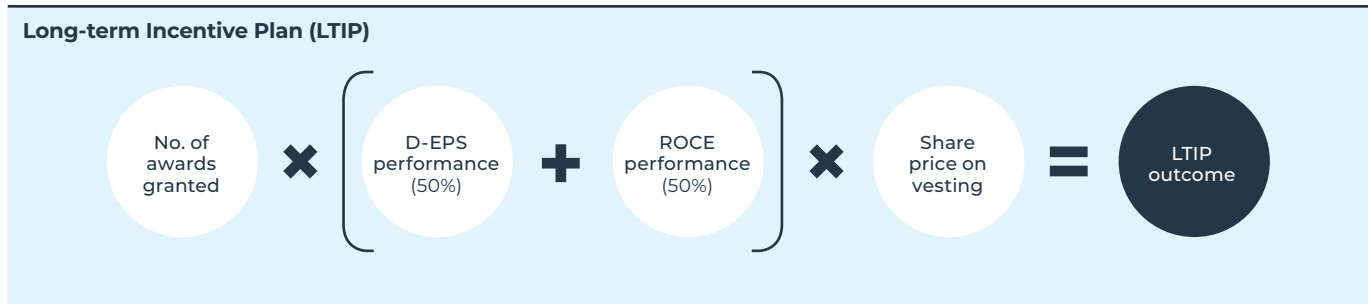
Chris Weston and Heath Drewett received healthcare benefits, life assurance cover, income protection, accident insurance and a car allowance.

The following table shows those benefits that the Committee considers significant:

Executive Director	Car £	Other £	Total £
Chris Weston	12,000	17,801	29,801
Heath Drewett	12,000	8,918	20,918

Annual bonus scheme

At the start of the year targets were set in the normal way with a maximum bonus opportunity, for both Executive Directors, of 175% of salary. 20% of the annual bonus targets were linked to a range of personal/strategic objectives, including sustainability objectives. There was pleasing performance against these objectives. The other 80% of the opportunity was based on a financial performance measure of diluted earnings per share (D-EPS), with the threshold set at 60.6 pence and maximum that could be earned set at 79.8 pence. This target was not adjusted in the light of COVID-19 and were it not for the effects of COVID-19 on the business, the Company would have been on track to have performed well against these stretching targets. However, the Executive Directors asked not to be considered for an annual bonus in respect of 2020. The bonus plan was cancelled in April 2020 and no payment will be made to either of them nor the rest of the workforce.



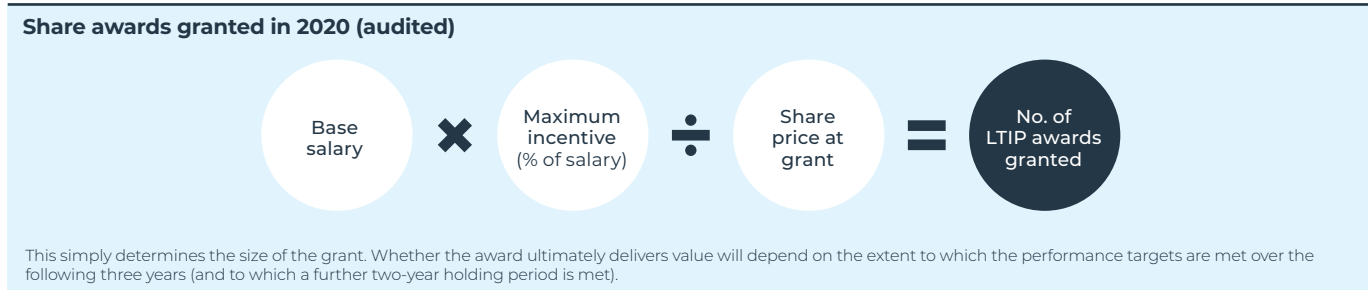
The performance criteria for the LTIP awards granted in 2018 were as follows:

- 50% of the award is based on three-year cumulative D-EPS as compared with three-year compound growth. No performance shares will be awarded against this element if performance is below an equivalent of 5% per annum growth. If performance is equivalent to 5% per annum growth, 25% of the award will vest. Vesting will increase on a straight-line basis to a maximum at an equivalent of 12% per annum growth; and
- 50% of the award is based on final year ROCE (2020) in a range of 15% to 22%. No performance shares will be awarded against this element if performance is less than 15%. If performance is equivalent to 15% ROCE, 25% of the award will vest and awards will increase on a straight-line basis to the maximum at 22% ROCE.

The performance period for the 2018 LTIP awards ended on 31 December 2020. Over the three-year period:

- Aggreko's aggregate D-EPS was 144.9 pence. Since the threshold of growth of 5% was not achieved, no shares will vest under this performance measure; and
- Aggreko's actual final year ROCE for 2020 was 7.5%. Since this was less than the threshold of 15%, no shares will vest under this performance measure.

As a result, all 2018 LTIP awards will lapse in full, along with a conditional share award granted under a restricted stock agreement on 3 May 2018 to compensate Heath Drewett for the forfeiture of performance awards from his previous employment, as explained on page 80 of our 2017 Annual Report and Accounts. This award was also subject to the performance criteria above.



In March 2020, Chris Weston and Heath Drewett were granted awards of shares under the LTIP, with a value equivalent to 250% of salary. The three-year performance period over which D-EPS will be measured began on 1 January 2020 and will end on 31 December 2022. ROCE will be measured on a final year basis – in 2022. None of the awards granted under the LTIP are eligible to vest until 23 March 2023.

The performance criteria for the LTIP awards granted in 2020 are as follows:

- 50% of the award is based on three-year cumulative EPS. No performance shares will be awarded against this element if performance is below an equivalent of 5% per annum growth. If performance is equivalent to 5% per annum growth, 25% of the award will vest. Vesting will increase on a straight-line basis to a maximum at an equivalent of 12% per annum growth; and
- 50% of the award is based on final year ROCE (2022) in a range of 13% to 18%. No performance shares will be awarded against this element if performance is less than 13%. If performance is equivalent to 13% ROCE, 25% of the award will vest and awards will increase on a straight-line basis to the maximum at 18% ROCE.

Shares which vest will be subject to a further holding period of two years in accordance with the rules of the LTIP.

In addition, Chris Weston and Heath Drewett elected for 100% of their 2019 bonus payments to be deferred into shares under the Deferred Share Bonus Plan (DSBP). These shares will be released three years from the date of grant.

Chris Weston and Heath Drewett also participated in the 2020 Sharesave Plan. Under the UK Sharesave Plan rules, the scheme has a three-year savings period. No performance conditions apply to options granted under the plan. For the 2020 Sharesave grant, the exercise price was set at £3.28, a 20% discount on the average share price on 9, 10 and 11 September 2020 of £4.0887.

The table below shows details of interests awarded to Executive Directors during 2020:

Executive Director	LTIP ³			DSBP ³			Sharesave		
	Shares	Face value ¹ £	% vesting on minimum performance	Shares	Face value ² £	% vesting on minimum performance	Shares	Face value ⁴ £	% vesting on minimum performance
Chris Weston	532,729	1,912,497	25	149,456	536,547	100	5,487	5,553	100
Heath Drewett	326,740	1,172,997	25	91,666	329,081	100	5,487	5,553	100

1 Face value of LTIP is the maximum number of shares that would vest if all performance targets are met multiplied by the average market price of Aggreko shares over the five business days prior to the date of grant of 23 March 2020, which was used to determine the number of shares awarded, being 359 pence.

2 Face value of DSBP is the number of shares awarded on 23 March 2020 multiplied by the average market price of Aggreko shares over the five business days prior to the date of grant which was used to determine the number of shares awarded, being 359 pence.

3 Both awards will further increase to reflect the value of any dividends paid over the vesting period.

4 Face value of Sharesave is the market price of Aggreko shares on 8 October 2020, being the date of grant, of 429.2 pence, less the option price of 328 pence multiplied by the number of options granted.

Executive Directors' shareholdings (audited)

As at 31 December 2020, the shareholdings of the Executive Directors were as follows:

Director	(A) Shares owned outright ¹	(B) Shares held subject to deferral	Shares held subject to performance conditions ²	Options held not subject to performance conditions ³	Shareholding guidelines % salary	Shares counting towards guidelines (A + B)	Current shareholding % salary ⁴
Chris Weston	88,504	195,050	1,031,787	5,487	250	283,554	232
Heath Drewett	18,066	104,832	722,140	5,487	250	122,898	164

1 This includes shares held by connected persons.

2 Shares held subject to performance comprise LTIP awards over shares.

3 Options held under the Sharesave Plan.

4 Percentage is calculated using a share price of 626 pence as at 31 December 2020. Under the Company's share ownership guidelines, Executive Directors have a period of five years to achieve the shareholding guideline of not less than 250% of base salary.

There have been no changes in the Executive Directors' interests in Ordinary Shares between 31 December 2020 and 1 March 2021.

Chris Weston and Heath Drewett, as employees of the Company, have an interest in the holdings of the Aggreko Employee Benefit Trust (EBT) as potential beneficiaries. The EBT is a trust established to distribute shares to employees of the Company and its subsidiaries in satisfaction of awards granted under the Aggreko Long-term Incentive Plans and Sharesave Schemes. At 31 December 2020, the trustees of the EBT held a total of 768,749 Aggreko plc Ordinary Shares and the holding at the date of this report is 761,759. The dividend has been waived on these shares. All Aggreko share plans are settled through the use of market purchase shares so the Company has not utilised any of its available dilution limits.

Annual report on remuneration continued

Share awards and share options

The table below shows details of share awards or options over Ordinary Shares in the Company pursuant to the Company's share-based incentive plans for Executive Directors who were in office for any part of the 2020 financial year. Details of awards and options granted to Executive Directors in 2020 under these plans are also included on pages 78 and 79.

	As at 1 January 2020	Options/ awards granted during year	Dividend equivalent shares	Options/ awards exercised/ vesting during year	Options/ awards lapsing during year	At 31 December 2020	Market price at date awards granted (pence) ⁴	Exercise price – options (pence)	Market price at date awards vested (pence)	Normal vesting date/ exercise period
Chris Weston										
LTIP¹										
2017	260,718	–	–	–	260,718	–	863			June 2020
2018 ⁵	256,497	–	–	–	–	256,497	731			May 2021
2019	242,561	–	–	–	–	242,561	773			April 2022
2020	–	532,729	–	–	–	532,729	359			March 2023
DSBP²										
2017	5,569	–	1,294	6,863 ⁶	–	–	909		423.1	March 2020
2018	24,540	–	–	–	–	24,540	735			March 2021
2019	21,054	–	–	–	–	21,054	773			April 2022
2020	–	149,456	–	–	–	149,456	359			March 2023
Sharesave										
2018	2,727	–	–	–	2,727	–	865.8	660		January – June 2022
2020	–	5,487	–	–	–	5,487	429.2	328		January – June 2024
Total	813,666	687,672	1,294	6,863	263,445	1,232,324				
	As at 1 January 2020	Options/ awards granted during year	Dividend equivalent shares	Options/ awards exercised/ vesting during year	Options/ awards lapsing during year	At 31 December 2020	Market price at date awards granted (pence) ⁴	Exercise price – options (pence)	Market price at date awards vested (pence)	Normal vesting date/ exercise period
Heath Drewett										
LTIP¹										
2018 ⁵	157,318	–	–	–	–	157,318	731			May 2021
2019	148,771	–	–	–	–	148,771	773			April 2022
2020	–	326,740	–	–	–	326,740	359			March 2023
DSBP²										
2019	13,166	–	–	–	–	13,166	773			April 2022
2020	–	91,666	–	–	–	91,666	359			March 2023
Restricted stock agreements³										
2018	29,770	–	3,946	33,716 ⁶	–	–	724.6		440.6	August 2020
2018 ⁵	89,311	–	–	–	–	89,311	724.6			April 2021
Sharesave										
2018	2,727	–	–	–	2,727	–	865.8	660		January – June 2022
2020	–	5,487	–	–	–	5,487	429.2	328		January – June 2024
Total	441,063	423,893	3,946	33,716	2,727	832,459				

1 All LTIPs have performance periods of three financial years commencing with the financial year in which the award is granted.

2 Awards under the Deferred Share Bonus Plan (DSBP) are not subject to any performance conditions other than continued employment on the vesting date.

3 Restricted stock agreements – conditional share awards were granted under our restricted stock agreements on 3 May 2018 to compensate Heath Drewett for the forfeiture of variable awards from his previous employment as explained on page 80 of our 2017 Annual Report and Accounts.

4 Market price at date awards granted is the average market price of an Aggreko share over the five business days prior to the date of grant for the LTIP and DSBP awards (which was used to determine the number of shares awarded). Market price for Sharesave is the market price on the date of grant. For the awards granted under the restricted stock agreements market price is the share price on date of grant, being 3 May 2018.

5 These awards are due to lapse following the year-end as they are subject to performance conditions which have not been met as set out on page 78.

6 25% of Chris Weston's 2016 bonus was deferred into shares (5,569 shares). The shares were released on 24 March 2020. Chris Weston was entitled to a further 1,294 shares equivalent to the dividends on the shares between grant and vesting. The aggregate value of the shares on the date of vesting was £29,037. To compensate Heath Drewett for the forfeiture of variable awards from his previous employment, as set out on page 80 of our 2017 Annual Report and Accounts, he received 29,770 shares. The shares were released on 10 August 2020. Heath Drewett was entitled to a further 3,946 shares equivalent to the dividends on the shares between grant and vesting. The aggregate value of the shares on the date of vesting was £148,553. The aggregate gains of directors arising in the year from the vesting of awards granted under the DSBP and a restricted stock agreement totalled £177,590 based on the share prices on the dates of vesting.

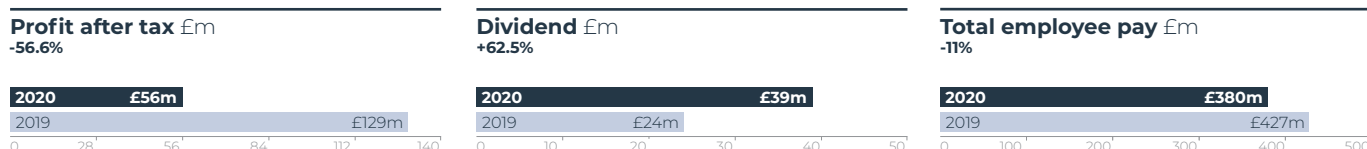
Arrangements with past Directors (audited)

Exit payments

There were no exit payments during the year.

Relative importance of spend on pay

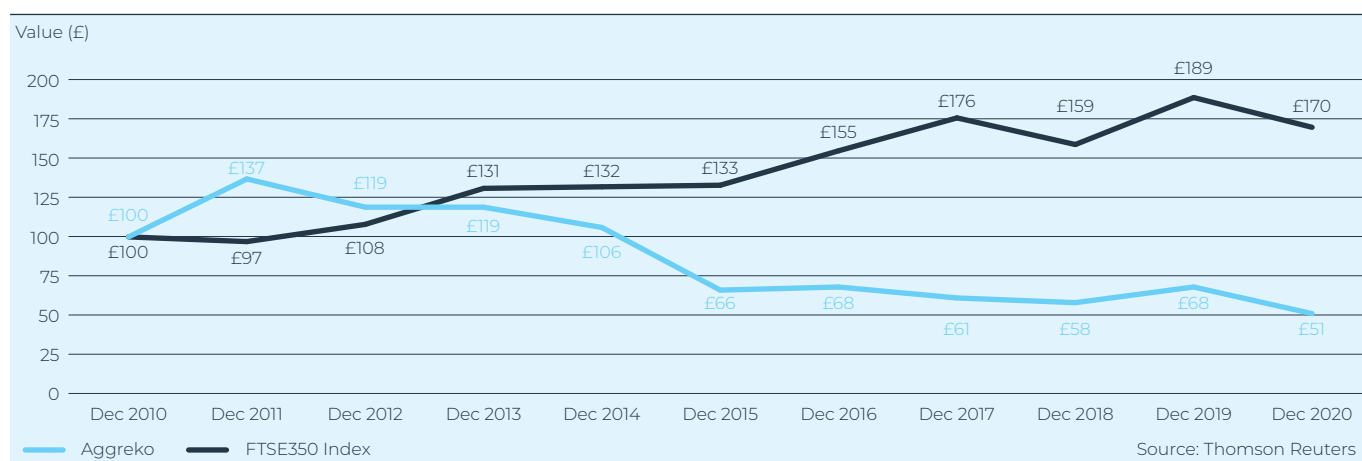
The chart below shows Aggreko's profit after tax, dividend and total employee pay for the financial years ended 31 December 2019 and 31 December 2020, and the percentage change.



Profit after tax is pre-exceptional items. Profit after tax and exceptional items is -£111 million. Dividends are the interim dividend paid in respect of the financial year ended 31 December 2019 and the interim dividend paid and the final dividend recommended in respect of the financial year ended 31 December 2020.

Comparison of Company performance

The graph below shows the value, at 31 December 2020, of £100 invested in Aggreko's shares on 31 December 2010 compared with the current value of the same amount invested in the FTSE 350 Index. The FTSE 350 Index is chosen because Aggreko has been a constituent member of this group over the entire period.



For comparative purposes, the remuneration of the Director undertaking the role of Chief Executive Officer for the same financial years is set out below:

Year	CEO	Single figure of total remuneration £ ¹	Annual bonus payout against maximum %	Long-term incentive vesting rates against maximum opportunity %
2011	Rupert Soames	8,501,865	82.4	100
2012	Rupert Soames	2,685,840	6.4	100
2013	Rupert Soames	1,779,144	49.6	72.5
2014	Angus Cockburn	1,290,906 ²	42.4	5.8
2015	Chris Weston	1,485,516 ³	0	0
2016	Chris Weston	1,909,155 ³	15	0
2017	Chris Weston	2,320,112 ³	55	0
2018	Chris Weston	1,657,936	50	0
2019	Chris Weston	1,538,725	40.9	0
2020	Chris Weston	989,337	0	0

1 The data for this table was taken from the Remuneration Reports for the relevant years and adjusted to take account of the actual share price on the date of vesting for the LTIP.

2 Angus Cockburn was Interim Chief Executive from 25 April to 30 September 2014, and his emoluments have been calculated on the assumption that he held the role for the full year at the rates of remuneration in place on 30 September 2014.

3 The 2015 figure for Chris Weston includes an amount of £483,392 to compensate him for his annual bonus from his previous employer he forfeited as a result of his resignation. The 2016 figure includes an amount of £706,620 and the 2017 figure includes an amount of £598,865 to compensate him for the forfeiture of long-term incentives from his previous employer.

Annual report on remuneration continued

Non-executive Directors (including the Chairman)

The Board determines the remuneration policy and level of fees for the Non-executive Directors, within the limits set out in the Articles of Association. The Remuneration Committee recommends the remuneration policy and level of fees for the Chairman of the Board (although the Chairman of the Board does not take part in the discussions concerning his remuneration). Remuneration comprises an annual fee for acting as a Chairman or Non-executive Director of the Company. Additional fees are paid to Non-executive Directors in respect of service as Chair of the Audit, Remuneration and Ethics & Corporate Responsibility Committees and as Senior Independent Director. The Chairman and Non-executive Directors are not eligible for bonuses, retirement benefits or to participate in any share scheme operated by the Company. The Chairman's fee has not increased since April 2015 and the fees for the Non-executive Directors have not increased since July 2015. Uwe Krueger has opted to forego any fees as a Non-executive Director for 2020, as he did in 2018 and 2019. The Company will make donations to ShelterBox (an international disaster relief charity) and African Parks (an organisation that supports rehabilitation and long-term management of national parks across Africa) equivalent, in total, to the fees foregone.

The fees for the Chairman and Non-executive Directors as at 1 January 2021 and 1 January 2020 were as follows:

Role	1 January 2021 £	Increase %	1 January 2020 £
Chairman fee	342,000	0	342,000
Non-executive Director base fee	61,000	0	61,000
Committee Chair additional fee	20,000	0	20,000
Senior Independent Director additional fee	20,000	0	20,000

Single total figure of remuneration – Non-executive Directors (audited)

Non-executive Director	Year	Fees £	Benefits £	Total £
Ken Hanna	2020	342,000	1,282	343,282
Ken Hanna	2019	342,000	1,925	342,925
Mark Clare¹	2020	15,250	–	15,250
Nicola Brewer	2020	81,000	–	81,000
Nicola Brewer	2019	81,000	–	81,000
Barbara Jeremiah	2020	81,000	385	81,385
Barbara Jeremiah	2019	81,000	1,755	82,755
Sarah Kuijlaars	2020	61,000	–	61,000
Sarah Kuijlaars ²	2019	15,250	–	15,250
Uwe Krueger³	2020	–	–	–
Uwe Krueger ³	2019	–	–	–
Diana Layfield	2020	61,000	–	61,000
Diana Layfield	2019	61,000	–	61,000
Ian Marchant	2020	81,000	–	81,000
Ian Marchant	2019	81,000	–	81,000
Miles Roberts	2020	61,000	113	61,113
Miles Roberts	2019	61,000	–	61,000
2020 Total		783,250	1,780	785,030
2019 Total		722,250	3,680	725,930

1 Mark Clare's remuneration for 2020 is from date of appointment, 1 October 2020.

2 Sarah Kuijlaars' remuneration for 2019 is from date of appointment, 1 October 2019.

3 Uwe Krueger opted to forego any fees for 2019 and 2020. The Company made donations to ShelterBox and African Parks equivalent, in total, to the fees foregone.

The figures have been calculated as follows:

→ Fees: amount earned for the year

→ Benefits: the taxable value of benefits received in the year, including reimbursement of travel costs and taxes thereon, as well as healthcare benefits for the Chairman

Non-executive Directors' shareholdings (audited)

As at 31 December 2020, the shareholdings of the Non-executive Directors were as follows:

Director	Shares owned outright ¹
Ken Hanna	15,644
Mark Clare	25,000
Nicola Brewer	1,450
Barbara Jeremiah	1,000
Uwe Krueger	3,101
Sarah Kuijlaars	3,000
Diana Layfield	2,855
Ian Marchant	8,331
Miles Roberts	—

¹ This includes shares held by connected persons.

There have been no changes in the Non-executive Directors' interests in Ordinary Shares between 31 December 2020 and 1 March 2021. Diana Layfield retired on 31 December 2020. The value in the table above reflects her shareholding as at 31 December 2020.

Directors' service contracts

In line with the requirements of the Corporate Governance Code and Listing Rules, each of the Directors will be proposed for election or re-election at the Company's Annual General Meeting to be held on 22 April 2021.

The Executive Directors are employed under contracts of employment with Aggreko plc. The Remuneration Committee sets notice periods for the Executive Directors at 12 months or less. The principal terms of the Executive Directors' service contracts (which have no fixed term) are as follows:

Executive Director	Position	Effective date of contract	Notice period	
			From Director	From Company
Chris Weston	Chief Executive Officer	2 January 2015	12 months	12 months
Heath Drewett	Chief Financial Officer	3 January 2018	12 months	12 months

Non-executive Directors are appointed for a term of three years, subject to three months' notice from either party.

The dates of the Chairman's and Non-executive Directors' appointments are as follows:

Non-executive Director	Position	Effective date of letter of appointment	Unexpired term as at 31 December 2020
Ken Hanna	Chair	29 April 2018 ¹	4 months
Mark Clare	Chair Designate	1 October 2020	2 years 9 months
Nicola Brewer	Non-executive Director	25 February 2019 ¹	1 year 2 months
Barbara Jeremiah	Non-executive Director	7 March 2020 ¹	2 years 2 months
Uwe Krueger	Non-executive Director	1 February 2018 ¹	1 month
Sarah Kuijlaars	Non-executive Director	1 October 2019	1 year 9 months
Ian Marchant	Non-executive Director	1 November 2020 ¹	10 months
Miles Roberts	Non-executive Director	7 March 2020 ¹	2 years 2 months

¹ Replaces earlier letter of appointment.

External appointments

It is the Board's policy to allow the Executive Directors to accept non-executive directorships of other quoted companies. Any such directorships must be formally approved by the Chairman of the Board. Directors are generally permitted to retain any earnings from these appointments. During the year, Chris Weston did not hold any external directorships of other quoted companies. He served as a Non-executive Director of the Royal Navy during the year. Fees for 2020 in relation to this appointment were £15,000. He was also appointed Non-executive Director of Barratt Developments plc with effect from 1 March 2021. Heath Drewett did not hold any external directorships.

Annual report on remuneration continued

Our Remuneration Committee

Determining the remuneration for the Executive Directors and Executive Committee members is a key focus of the Committee. The Committee oversees Aggreko's overall remuneration policy, strategy and implementation to ensure that the policy is aligned with the key objectives of growing earnings and delivering a strong return on capital employed.

Environmental, social and governance (ESG) factors are considered when assessing the personal element of the Executive Directors' performance and the Committee is satisfied that the design of the incentive plans supports ESG.

The Remuneration Committee is currently made up of five Independent Non-executive Directors. Simon Thomson, Company Secretary of the Company, is Secretary to the Committee. We also invite the Chief Executive Officer, Group People Director and Group Director of Reward to attend our meetings to discuss, for example, Senior Executive and wider workforce remuneration policies and structures. Mark Clare, Chair Designate has attended our meetings since his appointment on 1 October 2020. The Chairman and the Executives are not present when their personal remuneration is discussed.

In 2020, as well as holding four meetings of the Committee, we also took a number of decisions based on papers circulated outside the context of a formal meeting.

Our role is as follows:

- Determine and agree with the Board the policy for remuneration for the Chairman, Executive Directors and Executive Committee
- Within the terms of the remuneration policy, determine the total individual remuneration package for the Chairman, each Executive Director and each member of the Executive Committee (including the Secretary)
- Approve the design of, and determine targets for, performance-related pay schemes operated by the Company and approve the total annual payments made under such schemes
- Review the design of all share incentive plans for approval by the Board and shareholders
- Review the pay and other main terms of employment of employees more generally
- Determine the policy for and scope of pension arrangements for each Executive Director and members of the Executive Committee
- Oversee any major changes in employee benefit structures throughout the Group

Read the full terms of reference for the Committee: www.plc.aggreko.com

Shareholder voting and shareholder engagement

The following table shows the results of the binding vote on the remuneration policy at the 2018 AGM and the advisory vote on the 2019 Remuneration Report at the 2020 AGM.

	Remuneration policy		Remuneration report	
	Total number of votes	% of votes cast	Total number of votes	% of votes cast
For	187,861,052	98.63	182,420,967	90.68
Against	2,606,948	1.37	18,757,643	9.32
Total votes cast (excluding withheld votes)	190,468,000	100	201,178,610	100
Votes withheld ¹	20,902	–	7,333	–
Total votes cast (including withheld votes)	190,488,902	–	201,185,943	–

¹ A withheld vote is not a vote in law and is not counted in the calculation of the proportion of votes cast for and against a resolution.

The Committee is committed to a continuous, open and transparent dialogue with shareholders on the issue of executive remuneration. The Committee consulted extensively with our shareholders in 2020 and 2021 as we developed the remuneration policy for consideration by shareholders at our 2021 AGM.

Consideration by the Directors of matters relating to Directors' remuneration

The Committee was advised by FIT Remuneration Consultants LLP as the principal external adviser to the Committee for 2020. FIT was appointed in 2017 by a sub-committee of the Committee comprising the current Chair, Barbara Jeremiah, and the previous Chair, Russell King. FIT is a member of the Remuneration Consultants Group and signatory to its code of conduct and charges on its normal terms. Taking these factors into account, the Committee is satisfied as to the impartiality and objectivity of FIT's advice. FIT provided no other services to the Group.

The fee paid to FIT in respect of work that materially assisted the Committee in 2020 was £72,216, which includes advice for and attendance at all meetings of the Committee including a market and governance update, and share plan implementation support.

Policy report

This section of our report describes each component of Aggreko's remuneration policy for Directors and has been prepared in accordance with Part 4 of Schedule 8 to the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (as amended). Subject to approval at the Annual General Meeting (AGM), this policy will replace the current policy (which was approved by shareholders at the 2018 AGM) and is expected to apply for three years from 22 April 2021.

New remuneration policy

Aggreko's current remuneration policy was approved by shareholders at the 2018 AGM and has governed the way we have paid our Directors over the last three years. It is now due for renewal and we will be asking our shareholders to approve a new remuneration policy for Executive Directors at our AGM.

To comply with best practice, formal caps have been included in each element of pay (these are caps and do not reflect any form of aspiration).

Remuneration principles

The overall objectives of the Remuneration Committee are to determine an appropriate remuneration policy that:

- Aligns remuneration with strategy to drive the long-term sustainable success of the Company
- Aligns with the Company's culture and broader reward framework
- Ensures that the Company can continue to attract, retain and motivate quality leaders
- Avoids paying more than the Committee considers necessary

Our new remuneration policy is therefore shaped by the following underlying principles:

- Align pay with the long-term strategy of the business and shareholder interests
- Recognise the inherently cyclical nature of the business which requires executive management to take a long-term perspective
- Encourage the long-term success of the Company
- Reward performance with competitive remuneration
- Pay on a consistent and transparent basis
- Support the Company's values
- A mixture of fixed remuneration, short-term and long-term incentives

UK Corporate Governance Code considerations

As part of its review of the new remuneration policy for Executive Directors, the Committee has considered the factors set out in provision 40 of the Corporate Governance Code. In our view, the proposed policy addresses those factors as set out below:

Factor	How addressed
Clarity: remuneration arrangements should be transparent and promote effective engagement with shareholders and the workforce.	Our remuneration policy and pay arrangements are clearly disclosed each year in the Annual Report. The Remuneration Committee proactively seeks engagement with shareholders on remuneration matters (see page 70 for further details of the consultation on proposed policy), and is regularly updated on pay and employment conditions elsewhere in the Group during the course of its activity.
Simplicity: remuneration structures should avoid complexity and their rationale and operation should be easy to understand.	Our remuneration structure is comprised of fixed and variable remuneration, with the performance conditions for variable elements clearly communicated to, and understood by, participants. The Restricted Stock Plan (RSP) will provide a mechanism for aligning Executive Director and shareholder interests. It also removes the difficult challenge of setting robust, appropriately challenging and easily understandable performance targets. A summary of our updated policy is set out on page 72.
Risk: remuneration arrangements should ensure that reputational and other risks from excessive rewards, and behavioural risks that can arise from target-based incentive plans, are identified and mitigated.	The rules of the annual bonus scheme, Long-term Incentive Plan (LTIP) and RSP (if approved by shareholders) provide discretion to the Committee to reduce award levels (see the policy table on page 87), and awards are subject to malus and clawback provisions. As noted above, the RSP reduces the risk of unintended remuneration outcomes associated with complex performance conditions.
Predictability: the range of possible values of rewards to individual Directors and any other limits or discretions should be identified and explained at the time of approving the policy.	Possible reward scenarios are illustrated in the charts on page 91. As noted above, the RSP increases the predictability of reward values (removing the risk of potentially unintended outcomes). Maximum award levels and discretions are set out in the policy table on page 87.
Proportionality: the link between individual awards, the delivery of strategy and the long-term performance of the company should be clear. Outcomes should not reward poor performance.	As shown in the scenario charts on page 91, variable performance-related elements represent a significant proportion of the total remuneration opportunity for our Executive Directors. The Committee considers the appropriate financial and personal performance measures each year to ensure that there is a clear link to strategy. Discretions available to the Committee ensure that awards can be reduced if necessary to ensure that outcomes do not reward poor performance.
Alignment to culture: incentive schemes should drive behaviours consistent with company purpose, values and strategy.	The Committee seeks to ensure that personal performance measures under the annual bonus scheme incentivise behaviours consistent with the Company's culture, purpose and values. The RSP will clearly align Executive Director interests with those of shareholders by ensuring a focus on delivering against strategy to generate long-term value for shareholders.

Policy report continued

Aggreko's proposed new remuneration policy for Executive Directors

Fixed pay

Base salary		
Purpose and link to strategy To attract, reward and retain talent by ensuring base salaries are at an appropriate level in the talent market(s) relevant to each individual.	Operation Base salaries are generally reviewed annually. In determining the appropriate level of adjustment, we take into account: Company performance; the individual's responsibilities and contribution to the business; salary levels for comparable roles at relevant comparators; and salary increases more broadly across the Group. External benchmarking data is used with caution, but will reflect the size and complexity of the role in question. Internal relativities are equally important when determining the correct level at which to set base salaries. Opportunity Any base salary increases are applied in line with the outcome of the annual review and generally expected to be in line with those of the wider workforce, although the Committee may award a higher increase in exceptional circumstances (such as to reflect development in role). Any salary will not exceed £900,000.	Performance measures None, although continued good performance is a factor considered when reviewing salaries.
Pension		
Purpose and link to strategy To provide relevant statutory benefits and be competitive in the market in which the individual is employed.	Operation All Executive Directors are entitled to a defined contribution pension. They can opt to take a cash payment in lieu of all or part of their pension. Opportunity New Executive Directors will receive contributions aligned with the average contributions available to all UK staff from time to time (or in the jurisdiction in which the Executive Director resides). The CEO and CFO's contributions are currently 24% and 20% respectively. Both will be aligned to the average UK all-employee rate (currently 9% but subject to periodic review) from 1 January 2023.	Performance measures None.
Benefits		
Purpose and link to strategy Designed to be competitive in the market in which the individual is employed. Expatriate and relocation packages designed to ensure a geographically mobile management population related to business needs.	Operation Includes healthcare benefits, life assurance cover, a company car (or an allowance in lieu). Where appropriate, we would provide an expatriate package, including bearing the cost of any local taxes payable on any expatriate benefits, relocation costs, living allowances and school fees. Any reasonable business-related expenses (including tax thereon) can be reimbursed if determined to be a taxable benefit. Executive Directors are eligible for other benefits which are introduced for the wider workforce on broadly similar terms. Opportunity Benefits vary by role and local practice, and are reviewed periodically relative to market. Benefits (excluding travel and related taxes and tax equalisation payments where appropriate) payable to Executive Directors will not exceed 20% of salary (and did not exceed 10% of salary during the most recent financial year). In line with market practice, it is not anticipated that in normal circumstances the cost of benefits provided will exceed this level of 10% over the next three years. The Committee retains the discretion to approve a higher cost in exceptional circumstances (e.g. relocation and/or tax equalisation) or in circumstances where factors outside the Company's control have changed materially (e.g. increases in insurance premiums, provider costs or taxes).	Performance measure None.

Variable pay

Annual bonus scheme

<p>Purpose and link to strategy To focus Executive Directors on achieving demanding annual targets relating to Group performance. Bonus payments partially deferred into shares align interests of Executive Directors with shareholders and support retention.</p>	<p>Operation Performance measures and targets are set at the start of the year and are weighted to reflect the balance of Group and, where appropriate, business unit responsibilities for each Executive Director.</p> <p>At the end of the year, the Committee determines the extent to which these have been achieved. The Committee has the ability to exercise discretion to adjust for factors outside management control.</p> <p>The Committee has the discretion to reduce vesting levels if, exceptionally, it considers the strict application of the performance conditions would produce a result inconsistent with our remuneration principles, where the formulaic outcome does not genuinely reflect the underlying performance of the Group, or where necessary to avoid unintended consequences.</p> <p>Bonus payments will be deferred at least 25% in shares. Starting in 2021, 50% of bonus payments will be cash and 50% deferred into shares and released after three years. Dividends will accrue on the deferred share element.</p> <p>i Malus and/or clawback provisions apply as described on page 89</p> <p>Opportunity The maximum annual bonus opportunity for Executive Directors is 175% of salary. The financial element of the bonuses start to be earned for threshold performance (for which no bonus is paid).</p>	<p>Performance measures Performance is assessed annually with up to 30% (currently 20%) of the maximum bonus potential based on personal/strategic objectives aligned to the Group's KPIs and the balance based on appropriate Group and/or business unit financial performance. The current measures for financial performance are D-EPS and AOP, but may vary each year depending on business context and strategy.</p> <p>i Further details of the performance measures proposed for the 2021 annual bonus are set out in the annual remuneration statement on page 74</p>
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Restricted Stock Plan (RSP)

<p>Purpose and link to strategy The value of the awards is based on the movement in the share price over the vesting period and therefore aligns the interests of management with those of shareholders in growing the value of the business over the long term.</p>	<p>Operation Executive Directors will be eligible to participate in the RSP.</p> <p>Awards are normally granted annually and are subject to an underpin (for material under-performance) as described below. Award levels and underpins are reviewed from time to time to ensure that they remain appropriate and aligned with shareholder interests.</p> <p>Awards normally vest three to five years from grant (as to one-third of the award on each anniversary), subject to continued office or employment. Awards which vest will be subject to a further holding period and will be released on the fifth anniversary of grant. The holding period will typically end early on a takeover, scheme of arrangement or winding up of the Company, upon the death of an individual or in exceptional circumstances on such other date determined by the Committee. On vesting, participants will be entitled to the equivalent of any dividends on the shares between grant and vesting or the earlier of the date of exercise of an option and the expiry of any holding period.</p> <p>i Malus and/or clawback provisions apply as described on page 89</p> <p>Opportunity The RSP provides for a nil-cost conditional award of shares worth up to an aggregate limit of 125% of salary per annum for Executive Directors.</p>	<p>Performance measures RSP awards will normally vest in full, subject to assessment of an underpin by the Committee.</p> <p>Awards to be made in 2021 will be subject to an underpin that will enable the Committee to reduce vesting outcomes if ROCE, revenue growth and/or delivery of the Board's agreed strategy for the repositioning of our environmental impact is not considered by the Committee to be at an acceptable level, with ROCE and revenue growth having regard to performance in 2019 as the basis for such assessment.</p> <p>When considering these factors, the Committee will assess overall performance in the round, with a default to full vesting unless there has been material under-performance.</p> <p>The Committee retains the discretion prior to making the award to amend the underpin. Once set, the Committee may only amend the underpin in respect of outstanding awards in the event that exceptional circumstances occur which make it appropriate to do so, provided that the amended underpin is not, in the view of the Committee, materially less difficult to satisfy.</p> <p>The Committee has the discretion to reduce vesting levels if, exceptionally, it considers the strict application of the underpin would produce a result inconsistent with our remuneration principles, where the formulaic outcome does not genuinely reflect the underlying performance of the Group, or where necessary to avoid unintended consequences.</p> <p>i Further details of the underpins proposed for the 2021 RSP awards are set out on page 73</p>
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Policy report continued

Sharesave		
Purpose and link to strategy To align the interests of employees and shareholders by encouraging all employees to own Aggreko shares.	Operation This is an all-employee scheme whereby all eligible employees including Executive Directors invited by the Board to participate may save up to £500 (or local currency equivalent) per month over a fixed period. Higher monthly savings may be permitted in line with any changes to the statutory limits applying to UK SAYE share option schemes. Options under the Sharesave Option Schemes and the US Stock Purchase Plan are granted at a discount of 20% and 15% respectively. Opportunity Savings currently capped at £500 a month (or local currency equivalent). Higher savings may be permitted in line with the statutory limit for UK schemes.	Performance measures None.
Share ownership guidelines		
Purpose and link to strategy To further align Executive Directors' long-term interests with those of other shareholders by encouraging Executive Directors to acquire and retain a material number of shares in the Company.	Operation Shares vesting from RSP awards granted from 2021 onwards, and any bonus deferral relating to the 2021 bonus year onwards, will be lodged in escrow to provide an enforcement mechanism. Opportunity The minimum requirement for Executive Directors is 250% of salary. Shares that count towards achieving these guidelines include: → shares beneficially owned by an Executive Director or by a connected person, as recognised by the Committee; → deferred bonus shares, LTIP and RSP awards (and any other equivalent awards) which have vested and so are no longer subject to performance conditions or underpins but are subject to post-vesting deferral provisions; and → shares held under any restricted stock plan or any plan established under Listing Rule 9.4.2 if not subject to pre-vest performance conditions. Executive Directors are expected to build their shareholding over a five-year period (retaining at least 50% of vested incentives (post-tax) until such guidelines have been met), but are not required to make personal share purchases if awards do not vest through failing to meet performance conditions. For example, a newly appointed Director may not reach the required level within the period, depending on the Company's performance against target over the period. If so, the Committee will review the circumstances and agree an appropriate forward plan. The Committee retains the discretion to grant dispensation from these requirements in exceptional circumstances. Directors' shareholdings are included in the table on page 79. Executive Directors are subject to a post-cessation shareholding requirement of 250% of salary for the first year and 125% of salary for the second year, with this requirement applicable to all shares acquired under deferred bonus and/or RSP awards granted following approval of the remuneration policy at the AGM in April 2021. Shares will be valued at the higher of value on departure and their value over the two-year retention period. The Committee has discretion to permit the release of shares under this requirement if it is no longer considered appropriate in the circumstances.	Performance measures None.

Payments from outstanding awards

Executive Directors will be entitled to receive any awards vesting under the incentive arrangements included in the remuneration policy approved at the Company's 2018 AGM.

Managing potential conflicts of interest

In order to avoid any conflict of interest, remuneration is managed through well-defined processes ensuring that no individual is involved in the decision-making process related to their own remuneration. In particular, the remuneration of all Executive Directors is set and approved by the Committee; none of the Executive Directors is involved in the determination of their own remuneration arrangements nor attends the meetings where this is discussed.

The Committee also receives support from external advisers and evaluates the support provided by those advisers annually to ensure that advice is independent, appropriate and cost-effective.

Performance measure selection and approach to target setting

The measures used under the annual bonus scheme will reflect the Group's key financial objectives for the year. The Committee considers that both EPS, Net Operating Assets and Operating Profit are objective and well-accepted measures of the Company's performance which reinforce the strategic objective of achieving profitable growth.

Targets for the annual bonus scheme are tied to the annual budgets set by the Board and have due regard to external forecasts. Performance targets are set to be stretching but achievable and take into account the economic environment in a given year.

If personal/strategic objectives are used in the annual bonus scheme, to the extent that relevant financial performance is below threshold performance, then the Committee has the discretion to reduce, if appropriate to zero, the personal/strategic element that would otherwise have been paid.

Under the RSP, the underpin measures will be used to ensure that award will only vest to the extent that the Company's performance warrants it. The proposed 2021 RSP awards will be subject to an underpin determined by reference to ROCE, revenue growth and/or delivery of the Board's agreed strategy for the repositioning of our environmental impact, if not considered by the Committee to be at an acceptable level, with ROCE and revenue growth having regard to performance in 2019 as the basis for such assessment.

The Committee also has the ability to include additional or alternative performance measures, weightings and/or targets in future years to take account of the Group's key strategic and operational aims and targets, and business outlook at that time.

The annual bonus scheme calculates D-EPS on a fixed currency basis.

Existence of discretions

The Committee will operate the incentive plans according to their respective rules, the Listing Rules and HMRC rules where relevant. As part of this, the Committee retains a number of discretions to ensure the efficient operation and administration of these plans. These include, but are not limited to, the following:

- the participants of the respective plans;
 - the timing of award grants, vesting and/or payment;
 - the size of an award and/or payment (subject to the limits set out in the policy table);
 - the determination of vesting;
 - dealing with a change of control or corporate restructuring;
 - the determination of a good/bad leaver for incentive plan purposes and the treatment of pro-rating and holding periods;
 - adjustments required in certain circumstances (e.g. rights issues, corporate reorganisation and/or change to capital structure); and
 - determining the appropriate performance conditions, underpins, weightings and targets for the annual bonus scheme and RSP.
- If events occur (for example, the sale of a material part of the business) which mean the original performance conditions or underpins set are no longer appropriate, the Committee may adjust the targets and/or set different performance measures or underpins as long as any adjustment is not, in the Committee's view, materially less difficult to satisfy but for the event in question.

Malus and clawback

Payments and awards under the annual bonus scheme, LTIP and RSP are subject to malus and clawback as described below.

The Committee has discretion to decide at any time prior to the third anniversary of the date of payment of a bonus or the vesting of an award under the LTIP or RSP that the relevant individual shall be subject to malus/clawback if:

- the Committee forms the view that the Company materially misstated its financial results for whatever reason; or
- the Committee forms the view that in assessing any performance condition, underpin and/or any other condition imposed on the bonus or award, such assessment was based on an error, or on inaccurate or misleading information or assumptions; or
- the relevant individual ceases to be a Director or employee of Aggreko as a result of his/her gross misconduct or the Committee is of the view that the relevant individual could have been summarily dismissed by reason of his/her gross misconduct; or
- (annual bonus scheme and RSP only) the relevant individual has caused serious reputational damage to the Company; or
- (annual bonus scheme and RSP only) the relevant individual has caused, wholly or in part, a corporate failure or insolvency of the Company; or
- any other circumstance(s) or event(s) arise which the Committee considers to be sufficiently exceptional to justify the operation of malus/clawback. (Clawback in exceptional circumstances is a new feature to the Policy.)

Where malus/clawback applies as a result of a misstatement or error, the amount will generally be based on the additional value which the Committee considers has been granted to, vested in, or received by the relevant individual as a result of the relevant misstatement or error. Where the malus/clawback applies for any other reason, it will be the amount that the Committee decides is appropriate.

The Committee has wide discretion in deciding how any clawback will be satisfied, including:

- reducing the amount of any future bonus which would otherwise be payable;
- reducing the extent to which any subsisting awards under the LTIP and/or RSP vest;
- reducing the extent to which subsisting awards under any other share incentive plan vest;
- reducing the number of any deferred bonus shares and LTIP/RSP awards which have vested and so are no longer subject to performance conditions but are subject to post-vesting deferral provisions;
- requiring the relevant individual to pay the amount of clawback to the Company; and
- deducting the amount from the relevant individual's salary or from any other payment to be made by the Company.

If the relevant individual is required to repay any additional value, the Committee may consider whether that amount should take into account any income tax and national insurance contributions (or their equivalent) paid by the relevant individual and any possibility of him/her reclaiming such income tax and national insurance contributions.

Approach to recruitment remuneration

The Company's general approach to remuneration for newly appointed Directors is identical to that for existing Directors. As a matter of practicality, we recognise that it may be necessary to pay more than the existing Directors in order to attract candidates of the quality the business needs at that time. Consistent with the regulations, the limits contained within the remuneration policy table for base salary or any other element of fixed pay do apply to a new Executive Director either on joining or for any subsequent salary review within the period of this Policy unless the Committee considers there are exceptional circumstances. However, the Committee would seek to avoid exceeding those limits in practice. The level of variable remuneration that may be awarded to a new Executive Director will not exceed the maximum annual bonus and RSP limits that can be awarded in line with the principles set out in the remuneration policy table, with the exception of any compensation for variable remuneration forfeited (as explained below).

Policy report continued

Approach to recruitment remuneration continued

New Executive Directors will be invited to participate in incentive plans on the same basis as existing Executive Directors. However, the Committee may alter the underpins, performance measures, performance period, reference salary and vesting period of the annual bonus and/or RSP, subject to the rules of the plans, if the Committee determines that the circumstances of the recruitment merit the alteration. The Committee will explain the rationale for any such changes.

Where appropriate the Company will offer to pay reasonable relocation expenses for new Executive Directors for a limited period in line with the Company's policies described above. The Company will also bear any UK tax that Executive Directors resident overseas incur as a result of carrying out their duties in the UK.

The Company will not provide sign-on payments beyond buy-outs consistent with established market practice. In respect of buy-outs, the Remuneration Committee will only sanction compensation where it considers it necessary to do so in order to recruit a particular individual and will ensure that the terms of any such buy-out are not overall more generous than the award forfeited in terms of overall quantum, likelihood of payment or time of payment. In exceptional cases, it may recognise that the performance period is substantially complete through assessment at the point of joining with a suitable discount.

In doing so, the Committee will consider all relevant factors, including time to vesting, delivery vehicle (cash vs shares vs options), any performance conditions attached to the awards and the likelihood of the conditions being met. In order to facilitate such compensation, the Committee may rely on the exemption contained in Listing Rule 9.4.2, which allows for the grant of awards in exceptional circumstances to facilitate the recruitment of a Director.

Where the Company is considering the promotion of senior management to the Board, the Committee may, at its discretion, agree that any commitments made before promotion will continue to be honoured whether or not consistent with the policy prevailing at the time the commitment is fulfilled.

In recruiting a new Non-executive Director, the Remuneration Committee will use the policy as set out in the table below. A base fee in line with the prevailing fee schedule would be payable for acting as a Non-executive Director and serving as a member of any Committees, with additional fees payable for acting as Chairman of a Committee or as Senior Independent Director. In recruiting a new Chairman of the Board, the fee offered would be inclusive of serving on any Committees.

Aggreko's proposed new remuneration policy for Non-executive Directors and Chairman

Non-executive Directors' and Chairman's fees		
Purpose and link to strategy To attract and retain Non-executive Directors and a Chairman with an appropriate degree of skills, experience, independence and knowledge of the Group and its business.	Operation Fee levels for Non-executive Directors are generally reviewed by the Board annually. Remuneration comprises an annual fee for acting as a Non-executive Director and serving as a member of any Committees. Additional fees are paid in respect of service as Chairman of a Committee or as Senior Independent Director. The Chairman's remuneration comprises an annual fee for acting as Chairman, which includes serving as Chairman or as a member of any Committees. The Remuneration Committee sets the Chairman's remuneration, subject to review when appropriate. When reviewing fees, reference is made to fees payable in companies of a similar size and complexity, information provided by a number of remuneration surveys, the extent of the duties performed and the expected time commitment of the role. Any reasonable business-related expenses (including tax thereon) can be reimbursed if determined to be a taxable benefit. Opportunity Any fee increases are applied in line with the outcome of the annual review. Currently the maximum aggregate annual fee for all Non-executive Directors, including the Chairman, provided in the Company's Articles of Association is £900,000.	Performance measures None.

Incentives and benefits for Non-executive Directors and Chairman

Non-executive Directors and the Chairman do not participate in incentive arrangements or receive any pension benefits or other remuneration in addition to their fees. However, where appropriate the Company may provide additional benefits in kind (for example, reimbursement of travel costs and taxes thereon), and the Chairman may receive healthcare and/or other market standard benefits. Overall, benefits are not expected to exceed 20% of the annual fee in any year.

Pay-for-performance: scenario analysis

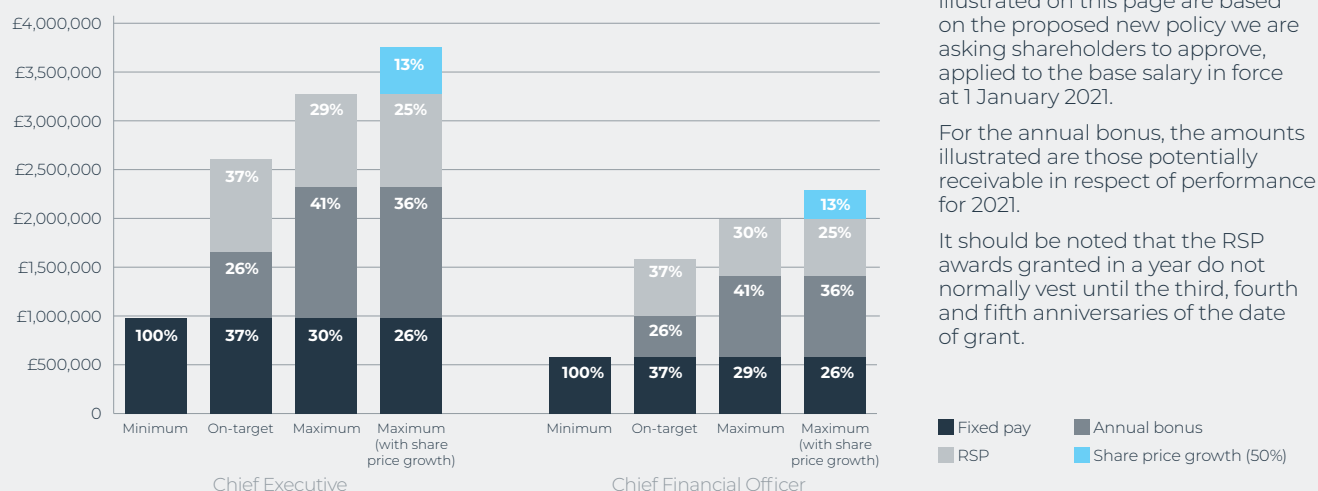
The graphs below provide estimates of the potential future reward opportunities for Executive Directors, and the potential split between the different elements of remuneration under four different performance scenarios: 'Minimum', 'Target', 'Maximum' and 'Maximum (with share price growth)'.

In illustrating potential reward opportunities the assumptions in the table below are made.

Assumptions for potential future reward opportunities

	Fixed pay	Annual bonus	Long-term incentives (RSP)
Impact of share price growth	Not applicable	Not applicable	Share price appreciation of 50% of RSP award value
Maximum	Latest base pay, pension and ongoing benefits	Maximum annual bonus	Maximum vesting of RSP award
Target	Latest base pay, pension and ongoing benefits	On target annual bonus	Maximum vesting of RSP award
Minimum	Latest base pay, pension and ongoing benefits	No annual bonus	Underpin not satisfied, so no amount of RSP award vesting

Policy Scenario



Consideration of shareholder views

During 2020 and 2021, we consulted with a number of our shareholders on the proposed changes to our remuneration policy. The new remuneration policy reflects the results of these consultations.

The Committee also receives regular updates on the views of investors and corporate governance matters. This ensures that best practice principles are taken account of by the Committee to assist it with its decision-making.

We welcome an open dialogue with shareholders and will continue to consult with major shareholders before implementing any significant changes to the remuneration policy.

Employment conditions elsewhere in the Group

The policy and practice with regard to the remuneration of senior executives below the Board is broadly consistent with that for the Executive Directors. Our senior executive population will be invited to participate in the RSP. Different award levels and targets may apply below Board level. RSP awards may also vest earlier (or later) than the third anniversary of grant and may be subject to a shorter holding period or no holding period.

In making remuneration decisions, the Remuneration Committee also considers the pay and employment conditions elsewhere in the Group, and is informed of changes to broader employee pay. The Remuneration Committee reviews the results of the Group's periodical employee satisfaction survey which includes questions covering remuneration to identify any remuneration issues which may require further action. In doing so it is able to consider this when setting the Executive remuneration policy. The requirement for specific consultation directly with employees will be kept under review.

Service contracts and policy on payment for loss of office

It is the Company's policy to provide for 12 months' notice for termination of employment for Executive Directors, to be given by either party. For Executive Directors who have been newly recruited from outside the Group, the period would normally be six months, increasing to 12 months after 12 months' service.

Under normal circumstances, the Company may terminate the employment of an Executive Director by making a payment in lieu of notice equivalent to basic salary and benefits for the notice period at the rate current at the date of termination. In case of gross misconduct the Executive can be dismissed without compensation.

The Company's policy is to limit severance payments on termination to agreed contractual arrangements. The Committee has discretion to contribute towards outplacement services and the legal fees for any departing Director to the extent it considers appropriate.

The Committee reserves the right to make additional payments, which it considers fair and reasonable, to satisfy any existing legal obligation and/or to settle any claim for damages or by way of settlement or compromise of any claim arising on or as a result of termination.

Copies of the service contracts of the Executive Directors and copies of the letters of appointment of the Non-executive Directors are available for inspection at the registered office of the Company.

i Further details can be found on **page 83**

Policy report continued

Treatment of annual bonuses and long-term incentive awards and options on termination of employment and corporate events

	Timing of vesting/payment	Calculation of vesting/payment
Annual bonus		
'Bad leaver' (all cases other than those specified below).	Not applicable.	No bonus to be paid for the financial year.
Redundancy, retirement or otherwise at the Committee's discretion.	At the end of the financial year.	Bonuses will only be paid to the extent that the performance measures have been met. Any bonus will be paid on a time pro-rata basis.
Change of control/merger.	Awards normally continue but the Committee may measure performance to the relevant event and award a pro-rated amount.	Awards continue or pro-rated.
Deferred bonus		
'Bad leaver' (gross misconduct).	Not applicable.	Unvested awards lapse.
All cases other than gross misconduct.	Vesting: At the time of normal maturity (unless the Committee accelerates vesting).	Awards vest in full (as pre-earned).
Change of control/merger.	On the occurrence of the relevant event.	Awards vest in full (as pre-earned).
LTIP (outstanding awards made up to 2020)		
'Bad leaver' (all cases other than those specified below).	Not applicable.	Unvested awards lapse. In normal circumstances, any holding period on vested awards will continue to apply, although the Committee may release awards early.
Death, ill health, injury, permanent disability, retirement with the agreement of the Committee, redundancy, sale of a division or subsidiary or any other reason that the Committee determines in its absolute discretion.	Vesting: At the end of the relevant performance period. Payment: At the end of the relevant holding period.	Awards held for less than one year will normally lapse. Otherwise awards vest over the original timescales, subject to the original performance conditions. Awards are normally pro-rated for time although the Committee has discretion to release early or to disapply pro-rating. In normal circumstances, any holding period on vested awards will continue to apply (except on death when it will end early) although the Committee may release awards early.
Change of control/merger.	On change of control.	Awards will vest to the extent that any performance conditions have been satisfied or would have been satisfied and will, unless the Committee determines otherwise, be reduced pro-rata to take account of the performance period not completed. Awards may be exchanged for awards over shares in the acquiring company in some circumstances. Any holding period will typically end early.
RSP		
'Bad leaver' (all cases other than those specified below).	Not applicable.	Unvested awards lapse. In normal circumstances, any holding period on vested awards will continue to apply, although the Committee may release awards early.
Death, ill health, injury, permanent disability, retirement with the agreement of the Committee, redundancy, sale of a division or subsidiary or any other reason that the Committee determines in its absolute discretion.	Vesting: At the end of the relevant vesting period. Payment: At the end of the relevant holding period.	Awards vest over the original timescales, subject to the applicable underpins. Awards are normally pro-rated for time although the Committee has discretion to release early or to disapply pro-rating. In normal circumstances, any holding period on vested awards will continue to apply (except on death when it will end early) although the Committee may release awards early.
Change of control/merger.	On change of control.	Awards will vest to the extent that the underpins have been satisfied or would have been satisfied and will, unless the Committee determines otherwise, be reduced pro-rata to take account of the vesting period not completed. Awards may be exchanged for awards over shares in the acquiring company in some circumstances. Any holding period will typically end early.

Options held under the Sharesave Plans will vest and become exercisable in accordance with the rules of the relevant plan and the governing legislation (to the extent applicable) upon cessation of employment or the occurrence of a designated corporate event.

Period for policy

The policy will take effect from 22 April 2021, being the date of the Company's 2021 AGM, and is intended to apply for a period of three years.

This Report was approved by the Board on 1 March 2021.



Barbara Jeremiah
Remuneration Committee Chair

Statutory disclosures

Directors' report and strategic report

The Directors' report and strategic report for the year ended 31 December 2020 comprise pages 52 to 97 and pages 1 to 51 of this report, together with the sections incorporated by reference. We have included some of the matters normally included in the Directors' report which we consider to be of strategic importance in the strategic report on pages 1 to 51. Specifically these are:

- Future business developments on page 10
- Stakeholder information in the section 172 statement on page 46

Disclosures in relation to Listing Rule LR 9.8.4R, where applicable, are included on page 78 in relation to Long-term Incentive Plans and on page 95 in relation to the dividend waiver arrangements in place for our Employee Benefit Trust.

Both the Directors' report and strategic report have been presented in accordance with applicable company law, and the liabilities of the Directors in connection with those reports are subject to the limitations and restrictions provided. Other information to be disclosed in the Directors' report is given in this section.

Management report

The strategic report and the Directors' report together include the 'management report' for the purposes of Disclosure and Transparency Rule (DTR) 4.1.8R.

Division of responsibilities and matters reserved for the Board

How we divide up our responsibilities at Board level and the schedule of matters reserved for the Board are available on our website at www.plc.aggreko.com.

2021 Annual General Meeting

Our 2021 AGM will be held at 11.00am on 22 April 2021 at 21 Palmer Street, London, SW1H 0AD.

In light of the current COVID-19 legislation and public health guidance issued by the UK and Scottish governments, restricting amongst other things, public gatherings and travel, and in order to protect the wellbeing of our people and our shareholders, the Board have made the decision that this year's AGM will be a closed meeting. Shareholders can, however, be represented by the Chairman of the meeting acting as their proxy and we remain committed to encouraging engagement on the business of the AGM. We are pleased to be able to provide a facility for shareholders to access the AGM remotely and follow the business of the meeting by webcast, together with facilities for shareholders to submit questions by email in advance or live during the webcast.

The Company will continue to closely monitor the developing impact of COVID-19 and the latest legislation and guidance issued by both the UK and Scottish governments. If circumstances evolve such that the Board consider that, within safety constraints and in accordance with government guidance, arrangements regarding attendance at the AGM can change, the Company will notify shareholders as soon as reasonably practical of any such changes via Regulatory Information Service and on the AGM information page of our website at www.plc.aggreko.com.

We strongly encourage all shareholders to exercise their vote by appointing the Chairman of the meeting as their proxy and providing voting instructions in advance of the AGM, in accordance with the instructions explained in the Notice of AGM.

The Notice of AGM is available on the AGM information pages of our website at www.plc.aggreko.com.

Dividends

The interim dividend of 5.00 pence per Ordinary Share was paid on 1 October 2020. The Directors recommend a final dividend of 10.00 pence per Ordinary Share in respect of the year, making a total for the year of 15.00 pence per Ordinary Share (2019: 9.38 pence), payable on 20 May 2021 to shareholders on the register at the close of business on 23 April 2021.

Dividend payments and DRIP

The Dividend Reinvestment Plan (DRIP) allows shareholders to purchase additional shares in Aggreko with their dividend payments. Further information and a mandate can be obtained from our Registrar, Link Group, whose details are set out on the inside back cover and the shareholder information pages of our website at www.plc.aggreko.com.

Share capital

On 31 December 2020, the Company had in issue 256,128,201 Ordinary Shares of, 4³²⁹/₃₉₅ pence each, 188,251,587 Deferred Shares of 9⁸⁴/₇₇₅ pence each, 18,352,057,648 Deferred Shares of 1¹/₇₇₅ pence each, 182,700,915 Deferred Shares of 6¹⁸/₂₅ pence each and 573,643,383,325 Deferred Shares of 1³⁰⁶¹²⁵/₃₀₆₁₂₅ pence each comprising 29.43%, 40.77%, 0.56%, 29.20% and 0.04% respectively of the Company's issued share capital. Details of the changes in issued share capital during the year are shown in Note 24 to the Accounts.

Material share interests

As at 31 December 2020, the Company had received notifications of the following major shareholdings, representing 3% or more of the voting rights attached to the issued Ordinary Share capital of the Company:

Shareholder	Number of shares	% of total voting rights
Liontrust Investment Partners LLP	28,222,309	11.02
The Capital Group Companies Inc	13,446,515	5.24
M&G plc	9,351,326	3.65

Between 31 December 2020 and 1 March 2021, the Company received the following notifications of major shareholdings:

Shareholder	Date	Number of shares	% of total voting rights
The Capital Group Companies Inc	19/02/2021	11,818,080	4.61

The Directors are not aware of any other material interests amounting to 3% or more in the share capital of the Company.

Rights and obligations attached to shares

Subject to applicable statutes (in this section referred to as the Companies Acts) and to any rights conferred on the holders of any other shares, any share may be issued with or have attached to it such rights and restrictions as the Company may by ordinary resolution decide or, if no such resolution has been passed or so far as the resolution does not make specific provision, as the Board may decide.

Voting

Subject to any special terms as to voting upon which any shares may be issued or may for the time being be held and to any other provisions of the Articles of Association of the Company (the "Articles"), on a show of hands every member who is present in person or by proxy or represented by a corporate representative at a general meeting of the Company has one vote.

On a poll, every member who is present in person or by proxy or represented by a corporate representative has one vote for every share of which he or she is the holder. In the case of joint holders of a share the vote of the senior who tenders a vote, whether in person or by proxy, is accepted to the exclusion of the votes of the other joint holders and, for this purpose, seniority is determined by the order in which the names stand in the register in respect of the joint holding.

Statutory disclosures continued

The holders of the Deferred Shares are not entitled to receive notice of any general meeting of the Company or to attend, speak or vote at any such meeting.

Restrictions on voting

No member is, unless the Board otherwise decides, entitled in respect of any share held by them to vote (either personally or by proxy or by a corporate representative) at any general meeting of the Company or at any separate general meeting of the holders of any class of shares in the Company if any calls or other sums presently payable by them in respect of that share remain unpaid or if they are a person with a 0.25% interest (as defined in the Articles) and they have 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 Companies Acts.

The Company is not aware of any agreement between holders of securities that may result in restrictions on voting rights.

Dividends and other distributions

Subject to the provisions of the Companies Acts, the Company may by ordinary resolution from time to time declare dividends in accordance with the respective rights of the members, but no dividend can exceed the amount recommended by the Board.

Subject to the provisions of the Companies Acts, the Board may pay such interim dividends as appear to the Board to be justified by the financial position of the Company and may also pay any dividend payable at a fixed rate at intervals settled by the Board whenever the financial position of the Company, in the opinion of the Board, justifies its payment. If the Board acts in good faith, it shall not incur any liability to the holders of any shares for any loss they may suffer in consequence of the payment of an interim or final dividend on any other class of shares ranking *pari passu* with or after those shares. The Deferred Shares confer no right to participate in the profits of the Company.

On a return of capital on a winding up (excluding any intra-Group reorganisation on a solvent basis), holders of Deferred Shares are entitled to be paid the nominal capital paid up or credited as paid up on such Deferred Shares after paying to the holders of the Ordinary Shares the nominal capital paid up or credited as paid up on the Ordinary Shares held by them respectively, together with the sum of £100,000,000 on each Ordinary Share.

The Board may deduct from any dividend or other monies payable to a member by the Company on or in respect of any shares all sums of money (if any) presently payable by them to the Company on account of calls or otherwise in respect of shares of the Company. The Board may also withhold payment of all or any part of any dividends or other monies payable in respect of the Company's shares from a person with a 0.25% interest (as defined in the Articles) if such a person 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 Companies Acts.

Variation of rights

Subject to the provisions of the Companies Acts, rights attached to any class of shares may be varied either with the consent in writing of the holders of not less than three-quarters in nominal value of the issued shares of that class (excluding any shares of that class held as Treasury shares) or with the sanction of a special resolution passed at a separate general meeting of the holders of those shares. The necessary quorum applying to any such separate general meeting is two persons holding or representing by proxy not less than one third in nominal value of the issued shares of the class (excluding any shares of that class held as Treasury shares), but at any adjourned meeting one holder present in person or by proxy (whatever the number of shares held by them) will constitute a quorum; every holder of shares of the class present in person or by proxy (excluding any shares of that class held as Treasury shares) is entitled on a poll to one vote for every share of the class held by them (subject to any rights or restrictions attached to any class of shares) and any holder of shares of the class present in person or by proxy may demand a poll.

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); in particular we operate a share dealing code which requires Directors of the Company and certain employees to obtain the approval of the Company before dealing in the Company's Ordinary Shares.
- The Deferred Shares are not transferable except in accordance with the paragraph headed 'Powers in relation to the Company issuing or buying back its own shares' below or with the written consent of the Directors.
- The Company is not aware of any agreements between holders of securities that may result in restrictions on the transfer of securities.

Articles of Association

Our Articles are available on our website at www.plc.aggreko.com. Unless expressly specified to the contrary in the Articles, the Articles may be amended by a special resolution of the Company's shareholders.

Appointment and replacement of Directors

The rules for the appointment and replacement of Directors are contained in the Company's Articles. They include: the number of Directors must not be less than two or more than 15; the Board may appoint any person to be a Director; any Director so appointed by the Board shall hold office only until the next general meeting and shall then be eligible for election; each Director must retire from office at the third AGM after the AGM at which he/she was last elected. However, in line with the 2018 UK Corporate Governance Code, all Directors, with the exception of those who have stood down during the course of the year, will stand for annual election at the 2021 AGM.

A Director may be removed by special resolution of the Company. In addition, the office of a Director must be vacated if: (i) they resign their office by notice in writing delivered to the office or tendered at a meeting of the Board; or (ii) by notice in writing they offer to resign and the Board resolves to accept such offer; or (iii) their resignation is requested by all of the other Directors and all of the other Directors are not less than three in number; or (iv) a registered medical practitioner who is treating that Director gives a written opinion to the Company stating that that Director has become physically or mentally incapable of acting as a Director and may remain so for more than three months; or (v) by reason of a Director's mental health, a court makes an order which wholly or partly prevents that Director from personally exercising any powers or rights which that Director would otherwise have; or (vi) they are absent without the permission of the Board from meetings of the Board (whether or not an alternate Director appointed by them attends) for six consecutive months and the Board resolves that their office is vacated; or (vii) they become bankrupt or compound with their creditors generally; or (viii) they are prohibited by law from being a Director; or (ix) they cease to be a Director by virtue of the Companies Acts or are removed from office pursuant to the Articles.

Directors' conflicts of interest

The Company has procedures in place for monitoring and managing conflicts of interest. Should a Director become aware that they, or their connected parties, have an interest in an existing or proposed transaction with Aggreko, they should notify the Board in writing or at the next Board meeting. Directors have a continuing duty to update any changes to these conflicts.

Powers of the Directors

Subject to the provisions of the Companies Acts, the Articles and to any directions given by the Company in general meeting by special resolution, the business of the Company is managed by the Board, which may exercise all the powers of the Company whether relating to the management of the business of the Company or not.

In particular, the Board may exercise all the powers of the Company to borrow money and to mortgage or charge all or any part of the undertaking, property and assets (present and future) and uncalled capital of the Company and to issue debentures and other securities, whether outright or as collateral security for any debt, liability or obligation of the Company or any third party.

Powers in relation to the Company issuing or buying back its own shares

The Directors were granted authority at the last Annual General Meeting held in 2020 to allot relevant securities up to a nominal amount of £4,126,149, representing 33.33% of our issued share capital. That authority will apply until the earlier of 30 June 2021 or at the conclusion of the Annual General Meeting for 2021. At this year's Annual General Meeting, shareholders will be asked to grant an authority to allot relevant securities up to a nominal amount of £4,126,149, representing 33.33% of our issued share capital, such authority to apply until the end of next year's Annual General Meeting (or, if earlier, until the close of business on 30 June 2022).

Special resolutions will also be proposed to renew the Directors' power to make non-pre-emptive issues for cash up to a nominal amount of £1,237,844, representing 10% of our issued share capital.

The Company was also authorised at the Annual General Meeting held in 2020 to make market purchases of up to 25,612,820 Ordinary Shares, representing 10% of our issued share capital. This authorisation will expire on the earlier of the conclusion of the Annual General Meeting of the Company for 2021 or 30 June 2021.

A special resolution will also be proposed at this year's Annual General Meeting to renew the Directors' authority to repurchase the Company's Ordinary Shares in the market. The authority will be limited to a maximum of 25,612,820 Ordinary Shares, representing 10% of our issued share capital, and will set the minimum and maximum prices which may be paid.

The Company may at any time, without obtaining the sanction of the holders of the Deferred Shares:

- (a) Appoint any person to execute on behalf of any holder of Deferred Shares a transfer of all or any of the Deferred Shares (and/or an agreement to transfer the same) to the Company

or to such person as the Directors may determine, in any case for not more than one penny for all the Deferred Shares then being purchased from him/her; and

- (b) Cancel all or any of the Deferred Shares so purchased by the Company in accordance with the Companies Acts.

Securities carrying special rights

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

Rights under the employee share scheme

Estera Trust (Jersey) Limited, as Trustee of the Aggreko Employee Benefit Trust, holds 0.3% of the issued share capital of the Company as at 1 March 2021 on trust for the benefit of the employees and former employees of the Group and their dependants. The voting rights in relation to these shares are exercised by the Trustee and there are no restrictions on the exercise of the voting of, or the acceptance of any offer relating to, the shares. The Trustee is obliged to waive all dividends on the shares unless requested to do otherwise by the Company in writing.

Going concern and viability statements

The going concern statement is included on page 112 of the financial statements.

The viability statement is included on page 41 of the strategic report.

Change of control

The Company has in place a number of agreements with advisers, financial institutions and customers which contain certain termination rights which would have an effect on a change of control. The Directors believe these agreements to be commercially sensitive and that their disclosure would be seriously prejudicial to the Company; accordingly, they do not intend to disclose specific details of these. In addition, all of the Company's share schemes contain provisions which, in the event of a change of control, would result in outstanding options and awards becoming exercisable, subject to the rules of the relevant schemes.

There are no agreements between the Company and its Directors or employees providing for compensation for loss of office or employment that occurs because of a takeover bid.

Disclosure of information to the Company's auditor

In accordance with section 418 of the Companies Act 2006, the Directors who held office at the date of approval of this Directors' Report confirm that, so far as they are each aware, there is no relevant audit information (as defined by section 418(3) of the Companies Act 2006) of

which the Company's auditor is unaware; and each Director has taken all the steps that they ought to have taken as a Director to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Indemnity of officers

Under Article 154 of the Articles, the Company may indemnify any Director or other officer against any liability, subject to the provisions of the Companies Acts. The Articles grant an indemnity to the Directors against any liability for the costs of legal proceedings where judgement is given in their favour.

Under the authority conferred by Article 154, the Company has granted indemnities to Directors and officers of the Company and its subsidiaries. The indemnities do not apply to any claim which arises out of fraud, default, negligence or breach of fiduciary duty or trust by the indemnified person.

In addition, the Company may purchase and maintain for any Director or other officer, insurance against any liability. The Company maintains appropriate insurance cover against legal action brought against its Directors and officers and the Directors and officers of its subsidiaries.

Equal opportunities

Aggreko is committed to promoting equal opportunities for all, irrespective of disability, ethnic origin, gender or any other considerations that do not affect a person's ability to perform their job. Our policies for recruitment, training, career development and promotion of employees are based on the suitability of the individual and give those who are disabled equal treatment with the able bodied where appropriate. Employees disabled after joining the Group are given suitable training for alternative employment with Aggreko or elsewhere.

Human rights

As we continue to grow our business in developing countries, we recognise that human rights are a concern in many regions in which we operate. We have a responsibility to all of our stakeholders to ensure that all of our interactions with them meet or exceed the standards of compliance set out in our ethics policies, approach to equal opportunities, health and safety policies, environmental policies and grievance mechanisms. In addition, we manage risks in relation to talent management and health and safety within our risk management framework. While all these matters are linked, to a greater or lesser extent, to human rights, we prefer to address them as part of our operations, rather than as a separate issue. We continue to evaluate all potential risks and do not think that human rights present material issues for our business.

Statutory disclosures continued

Pensions

The assets of the UK defined-benefit pension fund are controlled by the Directors of Aggreko Pension Scheme Trustee Limited; they are held separately from the assets of the Company and invested by independent fund managers.

These segregated funds cannot be invested directly in the Company. Four trustees have been appointed by the Company and, in addition, two member-nominated trustees have been appointed. This fund was closed to new employees joining the Group after 1 April 2002; new UK employees are now offered membership of a Group Personal Pension Plan. Following a consultation with impacted employees, this fund was closed to future accrual from 31 December 2020. Further detail can be found in Note 28.A4 to the financial statements.

Greenhouse gas emissions

In line with the Company's Act 2006, we are reporting on our greenhouse gas (GHG) emissions. We have used the method outlined in the GHG Protocol Corporate Accounting and Reporting Standard (revised edition), using the location-based scope 2 calculation method, together with the latest emission factors from recognised public sources including the UK Department for Business, Energy and Industrial Strategy (BEIS), the US Energy Information Administration (EIA), the US Environmental Protection Agency (EPA) and the Intergovernmental Panel on Climate Change (IPCC).

The tables below present the principal findings from GHG analyses of the previous three years:

Total GHG emissions by GHG protocol Scope

tCO ₂ e/ year	2020	2019	2018
Scope 1	114,775	4,571,080	6,259,024
Scope 2	15,939	21,964	17,017
Scope 3	12,126,681	9,376,572	6,999,628
Total	12,257,395	13,969,616	13,275,669

Total GHG emissions by fleet/non-fleet

tCO ₂ e/ year	2020	2019	2018
Fleet	12,159,451	13,829,638	13,149,392
Non-fleet	97,944	139,978	126,277
Total	12,257,395	13,969,616	13,275,669

In 2020 we emitted 12,257,395 tonnes of CO₂e, a decrease of 12% over 2019. In line with previous years, the results show that 99% of GHG emissions arise from the operation of our fleet when it is out on rent. There are three main factors driving our annual GHG emissions: the fuel types our customers use; the pattern of their usage; and the fuel efficiency of the fleet.

There is a decrease in fleet emissions of 12% owing to a reduction in running hours. In 2020 we improved the methodology for collecting the running hours data, which has improved the data accuracy and reduced reliance on estimated data.

During 2020 we reviewed our business model against the GHG Protocol, with particular reference to the control approach taken when reporting our GHG emissions. Our conclusion from this review is that emissions from our fleet when operated on behalf of customers should be reported under Scope 3. This is a change to previous years whereby the emissions from fleet operated within Power Solutions Utility were reported under Scope 1. Our customers define their energy needs and we supply to them power or cooling equipment to meet that need. Whilst we may operate the equipment on behalf of our customers, our customers maintain operational control as defined by the GHG Protocol. Accordingly, the emissions from our fleet when operated on behalf of customers fall within the Scope 1 remit of our customers.

We have retrospectively applied the same Scope methodology for 2018 and 2019 in the chart below to allow comparison of emissions in each Scope year on year.

Comparative analysis showing scope change

tCO ₂ e/ year	2020	2019	2018
Scope 1	114,775	147,664	114,917
Scope 2	15,939	21,964	17,017
Scope 3	12,126,681	13,799,988	13,143,735
Total	12,257,395	13,969,616	13,275,669

In line with best practice, our GHG accounting systems include an estimate of the upstream GHG emissions associated with fuel supply chains; in 2020 this contributed 16% of fleet combustion emissions, accounting for 16% of Scope 3 emissions.

In terms of the non-fleet activities, emissions from activities associated with premises use (energy, waste, water and refrigerant gases), company vehicles, business travel and third-party freight have all decreased compared to 2019. The most significant change seen is with business travel which is 48% lower than 2019, this can be attributed to reduced travel linked to COVID-19 as well as changes to our business travel practices. Third-party freight has reduced by 30%, premises activities by 33% and company vehicle use has remained mostly static with just a 2% reduction.

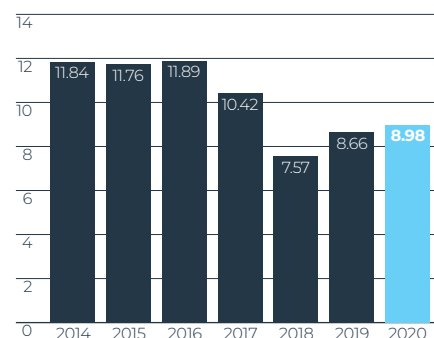
We are reviewing our Scope 3 emissions with the aim of including more Scope 3 activities in future reporting.

The intensity ratio expresses the GHG impact per unit of physical activity or economic output, with a declining intensity ratio reflecting a positive performance improvement. In 2013 we chose to report Revenue Intensity as a suitable metric to measure year on year performance.

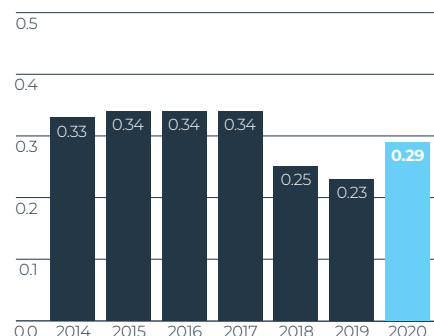
As can be seen from the chart below relative emissions (expressed in tCO₂e/k€) have increased slightly (3.7%) from 2019 due to the aforementioned increase in fleet emissions.

Whilst normalising emissions by Revenue can be informative, we feel that running hours (the number of hours our fleet are operational for) is a more suitable intensity metric to measure year on year performance. The chart below shows relative emissions using the running hours intensity metric for reporting years 2014 to 2020. There is a slight increase in the running hours emissions intensity for 2020 due to higher utilisation of high KVA sets.

Revenue intensity ratio tCO₂e/thousand £



Running hour intensity ratio tCO₂e/running hour



Energy Consumption

In 2020 our Scope 1 energy consumption (from facilities fuel, fleet testing and company vehicles) was 430,739 MWh of which 27,768 MWh (6.4%) was consumed in the UK. Our Scope 2 energy consumption (from facilities electricity use) was 37,047 MWh of which 4,717 MWh (13%) was consumed in the UK.

Focusing on our facilities, 2020 energy consumption from electricity and fuel was 59,914 MWh, with 12,200 MWh (20%) consumed in the UK. As part of our initiatives to achieve net-zero in our own operations we are reviewing the energy efficiency of our facilities to identify measures to reduce our energy consumption. In 2019 energy consumption from our facilities was 178,922 MWh, with 12,826 MWh (7.2%) consumed in the UK.

In addition, Aggreko's Northern Europe business has been certified to the Carbon Trust Standard (replacing our CEMARS certification as referenced in previous Annual Reports). The Carbon Trust Standard recognises organisations that follow best practice in measuring, managing and reducing their environmental impact, achieving year-on-year reductions in carbon dioxide emissions. The Northern Europe business and our manufacturing facility in Dumbarton have maintained certification to ISO 50001. These standards set out and validate a best practice approach to energy management, helping us to set a framework to continually improve energy performance. As part of this work, the Northern Europe business changed its electricity supplier for its service centres to a supplier offering 100% renewable electricity.

Branches

Subsidiaries of the Company have established branches in a number of different countries in which they operate.

Auditor

Resolutions reappointing KPMG as the Company's and Group's auditor and authorising the Audit Committee to determine its remuneration will be proposed at the AGM.

Important events since 31 December 2020

On 6 January 2020, we announced that we had agreed and signed contract revisions with the Tokyo Organising Committee of the Olympic and Paralympic Games. Further detail can be found in Note 1 to the financial statements.

There have been no other important events affecting the Company or any subsidiary since 31 December 2020.

Political donations

No political donations were made during the financial year (2019: nil).

Approval of the strategic report and Directors' Report

The strategic report set out on pages 1 to 51 and Directors' Report set out on pages 52 to 97 were approved by the Board on 1 March 2021 and have been signed by the Company Secretary on behalf of the Board.



Simon Thomson
Group Legal Director and Company Secretary

1 March 2021

Statement of Directors' responsibilities in respect of the Annual Report and the Financial Statements

The directors are responsible for preparing the Annual Report and the Group and parent Company financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare Group and parent Company financial statements for each financial year. Under that law they are required to prepare the Group financial statements in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and applicable law and have elected to prepare the parent Company financial statements in accordance with UK accounting standards and applicable law, including FRS 101 Reduced Disclosure Framework. In addition the Group financial statements are required under the UK Disclosure Guidance and Transparency Rules to be prepared in accordance with International Financial Reporting Standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union ("IFRSs as adopted by the EU").

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 parent Company and of the Group's profit or loss for that period. In preparing each of the Group and parent Company financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable, relevant, reliable and prudent;
- for the Group financial statements, state whether they have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and International Financial Reporting Standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union ("IFRSs as adopted by the EU");
- 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;
- assess the Group and parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Group or the parent Company or to cease operations, or have no realistic alternative but to do so.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent Company's transactions and disclose with reasonable accuracy at any time the financial position of the parent Company and enable them to ensure that its financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

Under applicable law and regulations, the directors are also responsible for preparing a Strategic Report, Directors' Report, Directors' Remuneration Report and Corporate Governance Statement that complies with that law and those regulations.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Responsibility statement of the directors in respect of the annual financial report

We confirm that to the best of our knowledge:

- the financial statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the company and the undertakings included in the consolidation taken as a whole; and
- the strategic report includes a fair review of the development and performance of the business and the position of the issuer and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

We consider the annual report and accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy.

By order of the Board, 1 March 2021.



Ken Hanna
Chairman



Chris Weston
Chief Executive Officer

1 Our opinion is unmodified

We have audited the financial statements of Aggreko Plc ("the Company") for the year ended 31 December 2020 which comprise the Group Income Statement, Group Statement of Comprehensive Income, Group Balance Sheet, Group Cash Flow Statement, Group Statement of Changes in Equity, and the related Notes, including the accounting policies in Note 1 and the Company Balance Sheet, Company Statement of Comprehensive Income, Company Statement of Changes in Equity, and the related notes, including the accounting policies in Note 29.

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the parent Company's affairs as at 31 December 2020 and of the Group's loss for the year then ended;
- the Group financial statements have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and International Financial Reporting Standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union;
- the parent Company financial statements have been properly prepared in accordance with UK accounting standards, including FRS 101 Reduced Disclosure Framework; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation to the extent applicable.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion. Our audit opinion is consistent with our report to the audit committee.

We were first appointed as auditor by the shareholders on 27 April 2016. The period of total uninterrupted engagement is for the five financial years ended 31 December 2020. We have fulfilled our ethical responsibilities under, and we remain independent of the Group in accordance with, UK ethical requirements including the FRC Ethical Standard as applied to listed public interest entities. No non-audit services prohibited by that standard were provided.

2 Key audit matters: our assessment of risks of material misstatement

Key audit matters are those matters that, in our professional judgement, were of most significance in the audit of the financial statements and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by us, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. We summarise below the key audit matters, in decreasing order of audit significance, in arriving at our audit opinion above, together with our key audit procedures to address those matters and, as required for public interest entities, our results from those procedures. These matters were addressed, and our results are based on procedures undertaken, in the context of, and solely for the purpose of, our audit of the financial statements as a whole, and in forming our opinion thereon, and consequently are incidental to that opinion, and we do not provide a separate opinion on these matters.

The risk:	Our response:	Our procedures included:
<p>Recoverability or appropriateness of provision, as relevant, of Power Solutions Utility overdue receivables and accrued income in certain countries including Yemen, Zimbabwe, Venezuela, Brazil and other parts of Africa – group Exceptional Impairment charge £56 million (2019: £nil)</p> <p>Refer to page 65 (Audit Committee Report), page 116 (accounting policy) and pages 133 to 136 (financial disclosures)</p> <p>Risk vs 2019: decreasing (subsequent to impairment charge)</p>	<p>Subjective estimate – Certain customers of the Power Solutions Utility (“PSU”) business operate in territories with volatile regimes and adverse macroeconomic conditions where the risk of customer default (the customer often being the government) is high. In these territories, cash receipts are volatile and unpredictable due to factors such as regime change and economic stress; this year we considered that deteriorating economic outlook in these territories as a result of the COVID-19 pandemic and reduction in oil price has increased the risk of non recovery of these receivables.</p> <p>We considered that this resulted in significant judgement being applied in the Group’s assessment of the recoverability of receivables (both trade receivables and accrued income), and the appropriateness of the associated provisions, from customers in these territories.</p> <p>We note this risk is in relation to certain Power Solutions Utility debtors in Yemen, Zimbabwe Venezuela, Brazil and other parts of Africa, those being the receivables that we consider give rise to our key audit matter. We consider the overall net risk of recoverability to have increased this year due to the economic impacts of COVID-19 and the oil price decline on the group’s customers in these areas.</p> <p>The effect of these matters is that, as part of our risk assessment for planning purposes, which was performed prior to the impairment charge being recorded, we determined that the recoverability of certain Power Solutions Utility overdue receivables and accrued income, and the associated level of provisions, in respect of certain countries outlined above had a high degree of estimation uncertainty, with a potential range of reasonable outcomes greater than our materiality for the financial statements as a whole, and possibly many times that amount. In conducting our final audit work, we concluded that reasonably probable changes to the impairment provisions would not be expected to result in a material change to the provision against PSU debtors.</p>	<p>→ Our experience: using our experience of geographical issues and the impact of COVID-19 on economic outlook assessing and challenging the Directors’ judgement as to the likely recoverable amount of the receivables, which includes seeking evidence of the status of receivables from the latest communications with the relevant customer (including deposits and guarantees) where available, considering the Group’s previous experience of recovery, considering any non-corroborating evidence and our knowledge of in-country exposures;</p> <p>→ Tests of details: Assessing evidence for overstatement and understatement of the provisions made by the Directors; assessing post year end debt collection by vouching receipts to supporting documentation and considering evidence of planned payments; and</p> <p>→ Assessing transparency: Assessing the adequacy of the Group’s disclosures about the degree of estimation involved.</p> <p>We performed the tests above rather than seeking to rely on any of the group’s controls because the nature of the balance is such that we would expect to obtain audit evidence primarily through the detailed procedures described.</p> <p>Our results</p> <p>We found the carrying amount of the trade receivables and accrued income that were the subject of the Key Audit Matter to be acceptable (2019: acceptable).</p>

The risk:	Our response:	Our procedures included:
<p>Impairment of assets (specifically goodwill, development assets (intangible assets) used to enhance PPE, inventory and PPE) – group</p> <p>Exceptional Impairment charge £108 million (2019: £nil)</p> <p>Refer to page 65 (Audit Committee Report), page 114 (accounting policy) and pages 123 to 126 (financial disclosures)</p> <p>Risk vs 2019: increasing</p>	<p>Forecast based uncertainty – PPE, development assets, related inventory and goodwill is significant and at risk of irrecoverability due to the impact of the COVID-19 pandemic, the lower oil price and the consequent deterioration in the short to medium term economic outlook, as well as the acceleration in the transition to lower carbon technologies – in this regard we paid specific attention to the impact of climate change on impairment triggers. For goodwill and certain of the PPE and related inventory, the estimated recoverable amount is subjective due to the inherent uncertainty involved in forecasting and discounting future cash flows. For the remainder of the PPE and related inventory and development assets the estimated recoverable amount is uncertain due to the level of judgement over future use of assets.</p> <p>The effect of these matters is that, as part of our risk assessment, we determined that the value in use of certain PPE, related inventory and goodwill and the estimated recoverable amount for the remainder of PPE and inventory and development assets has a high degree of estimation uncertainty, with a potential range of reasonable outcomes greater than our materiality for the financial statements as a whole, and possibly many times that amount. The financial statements (note 7) disclose the range of sensitivities estimated by the Group.</p>	<p>→ Assessing forecasts: in relation to goodwill, challenging the principles of the cashflow models used to support the carrying value of goodwill and agreeing certain profit and cash flow inputs to source documentation, being the group's five year plan, as well as challenging sensitivity analysis and the group's assumptions, particularly in relation to the discount rate and perpetual growth rate using our sector knowledge, our experience and the input of our valuations subject matter expert.</p> <p>→ Comparing valuations: in relation to goodwill, comparing the sum of the discounted cash flows to the group's market capitalisation to assess the reasonableness of those cashflows;</p> <p>→ Challenging assumptions and sensitivity analysis: in relation to PPE, intangibles and inventory relating to HFO assets, challenging the principles of the cashflow models used to support the carrying value, challenging sensitivity analysis and the group's assumptions, in particular in relation to the number of projects likely to be secured in the future and the discount rate, using our sector experience and our knowledge.</p> <p>→ Our sector experience: in relation to development assets (which are shown within intangible assets), challenging the group's assessments in relation to the future viability of ongoing projects by sceptically evaluating the likely future prospects of each project following interviews with operational managers, using our sector experience and knowledge and considering alternative possible conclusions;</p> <p>→ Independent recalculation: in relation to PPE and inventory, on a sample basis, agreeing utilisation percentages to assess whether items being reviewed for impairment met the criteria set by the group. Where relevant we re-performed the group's impairment calculation, where this was based on a percentage allocation;</p> <p>→ Our sector experience: in relation to PPE and inventory, challenging the group's identified indicators of impairment, in particular utilisation percentages, based on our sector experience and our knowledge;</p> <p>→ Challenging assumptions: in relation to PPE and inventory, where impairment decisions were made on a line by line basis, for a sample of assets we challenged the group's assessment of the likely future use, by critically evaluating the group's decision as to whether to impair or retain the relevant asset, considering alternative possible conclusions;</p> <p>→ Independent recalculation: in relation to PPE and inventory, where impairments were determined by applying a percentage matrix, we challenged the group's proposed criteria for applying the matrix, through consideration of utilisation percentages for reasonableness based on our sector experience and our knowledge. We reperformed the calculation and performed sensitivity analysis by applying different percentages;</p> <p>→ Assessing transparency: Assessing whether the group's disclosures about the sensitivity of the outcome of the impairment assessment to changes in key assumptions reflected the risks inherent in the valuation of non current assets.</p> <p>We performed the tests above rather than seeking to rely on any of the group's controls because the nature of the balance is such that we would expect to obtain audit evidence primarily through the detailed procedures described.</p> <p>Our results</p> <p>→ We found the impairment charge in relation to PPE, development assets, and related inventory that were the subject of the Key Audit Matter to be acceptable.</p>

The risk:	Our response:	Our procedures included:
<p>Carrying value of investments in the parent company</p> <p>Refer to page 155 (accounting policy) and page 156 (financial disclosures)</p> <p>Risk vs 2019: increasing</p>	<p>Low risk, high value</p> <p>The carrying amount of the parent company's investments in subsidiaries represents 54% (2019 : 53%) of the company's total assets. Their recoverability is not at a high risk of significant misstatement or subject to significant judgement. However, due to their materiality in the context of the parent company financial statements, this is considered to be the area that had the greatest effect on our overall parent company audit.</p>	<p>We performed the tests below rather than seeking to rely on any of the company's controls because the nature of the balance is such that we would expect to obtain audit evidence primarily through the detailed procedures described.</p> <p>→ Tests of detail: Comparing the carrying amount of 100% of investments with the relevant subsidiary draft balance sheet to identify whether their net assets, being an approximation of their minimum recoverable amount, were in excess of their carrying amount</p> <p>Our results</p> <p>→ We found the carrying amount of the investments that were the subject of the Key Audit Matter to be acceptable (2019: acceptable).</p>
<p>Consolidated and parent company taxation provisions in relation to the ongoing dispute in relation to a tax assessment in Bangladesh</p> <p>Refer to page 66 (Audit Committee Report), page 117 (accounting policy) and page 128 (financial disclosures)</p> <p>Risk vs 2019: ◀▶</p>	<p>Subjective estimate – Provision for tax contingencies require the Directors to make an estimate in relation to a tax assessment in Bangladesh. This is highly judgemental due to the complexities and uncertainties of Bangladesh tax legislation.</p> <p>The matter is in court proceedings and may take many years to resolve. The risk to the financial statements is that the eventual resolution of the matter with the tax authorities is at an amount materially different to the position taken by the group in reflecting the financial exposure in relation to this item.</p> <p>The effect of this matter is that, as part of our risk assessment, we determined that the provision in relation to the ongoing dispute in relation to the Bangladesh tax assessment has a high degree of estimation uncertainty, with a potential range of outcomes greater than our materiality for the financial statements as a whole, and possibly many times that amount.</p>	<p>→ Our tax expertise: Assessing, together with our own international and local tax specialists, the Group's tax position in relation to the ongoing tax assessment in Bangladesh, inspecting relevant correspondence with the tax authority and legal opinions and analysing and challenging the</p> <p>→ judgement about the likely conclusion used to determine the tax provision based on our knowledge and experience of the application of the international and local legislation by the relevant authority and courts; and</p> <p>→ Assessing transparency: Assessing the adequacy of the Group's disclosures in respect of the Bangladesh tax assessment.</p> <p>We performed the tests above rather than seeking to rely on any of the group's controls because the nature of the balance is such that we would expect to obtain audit evidence primarily through the detailed procedures described.</p> <p>Our results</p> <p>We found the level of tax provisioning in relation to the tax assessment in Bangladesh in the Group and Company to be acceptable (2019: acceptable).</p>

3 Our application of materiality and an overview of the scope of our audit

Materiality for the group financial statements as a whole was set at £8.0 million (2019: £9.9 million), determined with reference to a benchmark of an average of group profit before tax, normalised to exclude this year's impairment charge as disclosed in note 7, and averaged using the over the previous two years profit before tax, of £160m (2019: benchmark of profit before tax for that year), of which it represents 5.0% (2019: 5.0%).

Materiality for the parent company financial statements as a whole was set at £6.0 million (2019: £5.9 million) based on component materiality. This is lower than we would otherwise have determined with reference to a benchmark of company net assets, and represents 1.3% (2019: 1.2%) of this benchmark.

In line with our audit methodology, our procedures on individual account balances and disclosures were performed to a lower threshold, performance materiality, so as to reduce to an acceptable level the risk that individually immaterial misstatements in individual account balances add up to a material amount across the financial statements as a whole. Performance materiality for the group and parent company was set at 75% (2019: 75%) of materiality for the financial statements as a whole, which equates to £6 million and £4.5 million respectively (2019: £7.4 million and £4.5 million respectively). We applied this percentage in our determination of performance materiality because we did not identify any factors indicating an elevated level of risk.

We agreed to report to the Audit Committee any corrected or uncorrected misstatements identified exceeding £400,000 (2019: £500,000), in addition to any other identified misstatements that warranted reporting on qualitative grounds.

The Group audit team instructed component auditors in Australia, Brazil, Cyprus and Russia as to the significant areas to be covered, including the relevant risks detailed above and the information to be reported back. The group team completed audit work on components in Dubai, the UK and US (2019: Dubai, the UK and US) including the audit of the parent company. The Group audit team approved the component materialities, which ranged from £1.2 million to £6.0 million (2019: from £2.0 million to £5.9 million), having regard to the mix of size and risk profile of the Group across the components. The group team performed procedures on the items excluded from normalised group profit before tax.

The components not included were not individually financially significant enough to require an audit for group reporting purposes, and did not present specific individual risks that needed to be addressed.

Due to travel restrictions arising from the COVID-19 pandemic, telephone calls were held with the component auditors in Australia, Cyprus, Brazil and Russia to participate in component auditor planning and assess the audit risk and strategy. On these calls, the audit risks and strategy were discussed, the findings from the audit reported to the Group audit team were discussed in more detail, and any further work required by the Group audit team was then performed by the component auditor as relevant.

The components within the scope of our work accounted for the following percentages of the group's results

	Revenue	Loss before tax	Total assets
Full audit	74%	72%	71%
	(2019: 66%)	(2019: 67%)	(2019: 71%)
Specified on revenue, cost of sales and accounts receivable	0%	0%	0%
	(2019: 7%)	(2019: 23%)	(2019: 3%)

The remaining 26% (2019: 27%) of total group revenue, 28% (2019: 10%) of group loss before tax and 29% (2019: 26%) of total group assets is represented by a number of reporting components, none of which individually represented more than 2% of any of total group revenue, of group loss before tax or of total group assets. For these components we performed analysis at an aggregated group level to re-examine our assessment that there were no significant risks of material misstatement within these.

4 We have nothing to report on going concern

The Directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the Group or the Company or to cease their operations, and as they have concluded that the Group's and the Company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over their ability to continue as a going concern for at least 21 months from the date of approval of the financial statements ("the going concern period").

We used our knowledge of the Group, its industry, and the general economic environment to challenge the inherent risks to its business model and analysed how those risks might affect the Group's and Company's financial resources or ability to continue operations over the going concern period. In The Directors' modelling simulated financial impacts of the Group's principal risks to generate a severe but plausible scenario; the resulting downside scenarios are the average of 100 simulations of the financial impact of the Principal Risks as set out on page 36 over the period. We challenged the appropriateness of this method of evaluating the risks most likely to adversely affect the Group's available financial resources and the quantum of that impact. To further evaluate the Group's assessment using this model we considered whether it resulted in an appropriate reduction in cash generation compared to the group's base case budget, based on our knowledge and experience and the actual results the group has recorded in 2020.

We considered whether these risks could plausibly affect the liquidity or covenant compliance in the going concern period by comparing severe, but plausible downside scenarios that could arise from these risks individually and collectively against the level of available financial resources and covenants indicated by the Group's financial forecasts.

We considered whether the going concern disclosure in note 1 to the financial statements gives a full and accurate description of the Directors' assessment of going concern, including the identified risks and related sensitivities.

Our conclusions based on this work:

- we consider that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate;
- we have not identified, and concur with the directors' assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the Group's or Company's ability to continue as a going concern for the going concern period;
- we have nothing material to add or draw attention to in relation to the directors' statement in Note 1 to the financial statements on the use of the going concern basis of accounting with no material uncertainties that may cast significant doubt over the Group and Company's use of that basis for the going concern period, and we found the going concern disclosure in note 1 to be acceptable; and
- the related statement under the Listing Rules set out on page 97 is materially consistent with the financial statements and our audit knowledge.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the above conclusions are not a guarantee that the Group or the Company will continue in operation.

5 Fraud and breaches of laws and regulations – ability to detect

Identifying and responding to risks of material misstatement due to fraud

To identify risks of material misstatement due to fraud (“fraud risks”) we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:

- Enquiring of directors, the audit committee, internal audit and inspection of policy documentation as to the Group’s high-level policies and procedures to prevent and detect fraud, including the internal audit function, and the Group’s channel for “whistleblowing”, as well as whether they have knowledge of any actual, suspected or alleged fraud.
- Reading Board minutes and attending the Audit Committee meetings.
- Using our own forensic subject matter expert to assist us in identifying fraud risks based on discussions of the circumstances of the Group and Company.
- Using analytical procedures to identify any usual or unexpected relationships

We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit. This included communication from the group to full scope component audit teams of relevant fraud risks identified at the Group level and request to full scope component audit teams to report to the Group audit team any instances of fraud that could give rise to a material misstatement at group.

As required by auditing standards, and taking into account possible pressures to meet profit targets, we perform procedures to address the risk of management override of controls, in particular the risk that Group management may be in a position to make inappropriate accounting entries and the risk of bias in accounting estimates and judgements such as provision for receivables, impairment and pension assumptions. On this audit we do not believe there is a fraud risk related to revenue recognition because revenue is highly transactional, non complex and does not contain estimation uncertainty.

We did not identify any additional fraud risks.

Further detail in respect of accounting estimates and judgements is set out in the key audit matter disclosures in section 2 of this report.

In determining the audit procedures we took into account the results of our evaluation and testing of the operating effectiveness of the Group-wide fraud risk management controls.

We also performed procedures including:

- Identifying journal entries to test for all full scope components based on risk criteria and comparing the identified entries to supporting documentation. These included, as relevant, those posted to unusual accounts,
- Assessing significant accounting estimates for bias.

We discussed at the audit committee, matters related to actual or suspected fraud, for which disclosure is not necessary, and considered any implications for our audit.

Identifying and responding to risks of material misstatement due to non-compliance with laws and regulations

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience and through discussion with the directors and other management (as required by auditing standards), and from inspection of the Group’s regulatory and legal correspondence and discussed with the directors and other management the policies and procedures regarding compliance with laws and regulations.

As the Group is regulated, our assessment of risks involved gaining an understanding of the control environment including the entity’s procedures for complying with regulatory requirements.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit. This included communication from the group to component audit teams of relevant laws and regulations identified at the Group level, and a request for component auditors to report to the group team any instances of non-compliance with laws and regulations that could give rise to a material misstatement at group.

The potential effect of these laws and regulations on the financial statements varies considerably.

Firstly, the Group is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related companies legislation), distributable profits legislation and taxation legislation, and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Secondly, the Group is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines. We identified the following areas as those most likely to have such an effect: anti-bribery recognising the nature of the Group’s activities and the Governmental nature of many of the group’s customers. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the directors and other management and inspection of regulatory and legal correspondence, if any. Therefore if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

For the uncertain tax positions discussed in note 1 we used our taxation specialists to help us assess disclosures against our correspondence with tax authorities and the group’s transfer pricing arrangements.

Context of the ability of the audit to detect fraud or breaches of law or regulation

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

6 We have nothing to report on the other information in the Annual Report

The directors are responsible for the other information presented in the Annual Report together with the financial statements. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work we have not identified material misstatements in the other information.

Strategic report and directors' report

Based solely on our work on the other information:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Directors' remuneration report

In our opinion the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006.

Disclosures of emerging and principal risks and longer-term viability

We are required to perform procedures to identify whether there is a material inconsistency between the directors' disclosures in respect of emerging and principal risks and the viability statement, and the financial statements and our audit knowledge.

Based on those procedures, we have nothing material to add or draw attention to in relation to:

- the directors' confirmation within the Assessment of prospects and viability on page 41 that they have carried out a robust assessment of the emerging and principal risks facing the Group, including those that would threaten its business model, future performance, solvency and liquidity;
- the Principal Risks disclosures describing these risks and how emerging risks are identified, and explaining how they are being managed and mitigated; and
- the directors' explanation in the Assessment of prospects and viability of how they have assessed the prospects of the Group, over what period they have done so and why they considered that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

We are also required to review the Assessment of prospects and viability, set out on page 41 under the Listing Rules. Based on the above procedures, we have concluded that the above disclosures are materially consistent with the financial statements and our audit knowledge.

Our work is limited to assessing these matters in the context of only the knowledge acquired during our financial statements audit. As we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of anything to report on these statements is not a guarantee as to the Group's and Company's longer-term viability.

Corporate governance disclosures

We are required to perform procedures to identify whether there is a material inconsistency between the directors' corporate governance disclosures and the financial statements and our audit knowledge.

Based on those procedures, we have concluded that each of the following is materially consistent with the financial statements and our audit knowledge:

- the directors' statement that they consider that the annual report and financial statements taken as a whole is fair, balanced and understandable, and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy;
- the section of the annual report describing the work of the Audit Committee, including the significant issues that the audit committee considered in relation to the financial statements, and how these issues were addressed; and
- the section of the annual report that describes the review of the effectiveness of the Group's risk management and internal control systems.

We are required to review the part of Corporate Governance Statement relating to the Group's compliance with the provisions of the UK Corporate Governance Code specified by the Listing Rules for our review. We have nothing to report in this respect.

7 We have nothing to report on the other matters on which we are required to report by exception

Under the Companies Act 2006, we are required to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent Company financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in these respects.

8 Respective responsibilities

Directors' responsibilities

As explained more fully in their statement set out on page 97, the directors are responsible for: the preparation of the financial statements including being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Group and parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Group or the parent Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

9 The purpose of our audit work and to whom we owe our responsibilities

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

John Luke (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants
319 St Vincent Street
Glasgow
G2 5AS

1 March 2021

Group income statement

For the year ended 31 December 2020

	Notes	Total before exceptional items 2020 £ million	Exceptional items (Note 7) 2020 £ million	2020 £ million	2019 £ million
Revenue	4	1,365	–	1,365	1,613
Cost of sales		(587)	(94)	(681)	(644)
Gross profit		778	(94)	684	969
Distribution costs		(432)	(2)	(434)	(482)
Administrative expenses		(206)	(17)	(223)	(249)
Impairment loss on trade receivables	18	(17)	(65)	(82)	(7)
Other income	2	13	3	16	10
Operating profit/(loss)	4	136	(175)	(39)	241
Net finance costs	9				
– Finance cost		(38)	–	(38)	(46)
– Finance income		4	–	4	4
Profit/(loss) before taxation	5	102	(175)	(73)	199
Taxation	10	(46)	8	(38)	(70)
Profit/(loss) for the year		56	(167)	(111)	129
All profit/(loss) for the year is attributable to the owners of the Company					
Basic earnings per share (pence)	12			(43.40)	50.80
Diluted earnings per share (pence)	12			(43.40)	50.70

Group statement of comprehensive income

For the year ended 31 December 2020

	2020 £ million	2019 £ million
(Loss)/profit for the year	(111)	129
Other comprehensive income/(loss)		
<i>Items that will not be reclassified to profit or loss</i>		
Remeasurement of retirement benefits	(2)	(1)
Taxation on remeasurement of retirement benefits	–	–
<i>Items that may be reclassified subsequently to profit or loss</i>		
Cash flow hedges	(1)	1
Net exchange losses offset in reserves	(83)	(75)
Other comprehensive loss for the year (net of tax)	(86)	(75)
Total comprehensive (loss)/income for the year	(197)	54

Group balance sheet (Company Number: sc177553)

As at 31 December 2020

	Notes	2020 £ million	2019 £ million
Non-current assets			
Goodwill	13	165	177
Other intangible assets	14	23	41
Investment		9	9
Property, plant and equipment	15	996	1,166
Deferred tax asset	23	47	44
Fulfilment assets	16	59	54
Retirement benefit surplus	28.A4	4	4
		1,303	1,495
Current assets			
Inventories	17	182	216
Trade and other receivables	18	462	659
Fulfilment assets	16	77	32
Cash and cash equivalents	3	107	87
Derivative financial instruments	28.A3	2	1
Current tax assets		21	21
		851	1,016
Total assets		2,154	2,511
Current liabilities			
Borrowings	19	(68)	(59)
Lease liability	20	(32)	(33)
Derivative financial instruments	28.A3	(1)	(1)
Trade and other payables	21	(439)	(388)
Current tax liabilities		(34)	(42)
Demobilisation provision	22	(6)	(5)
		(580)	(528)
Non-current liabilities			
Borrowings	19	(329)	(511)
Lease liability	20	(58)	(68)
Deferred tax liabilities	23	(31)	(36)
Demobilisation provision	22	(9)	(9)
		(427)	(624)
Total liabilities		(1,007)	(1,152)
Net assets		1,147	1,359
Shareholders' equity			
Share capital	24	42	42
Share premium		20	20
Treasury shares	25	(6)	(13)
Capital redemption reserve		13	13
Hedging reserve (net of deferred tax)		1	2
Foreign exchange reserve		(209)	(126)
Retained earnings		1,286	1,421
Total Shareholders' equity		1,147	1,359

The financial statements on pages 106 to 151 were approved by the Board of Directors on 1 March 2021 and signed on its behalf by:

K Hanna
Chairman

H Drewett
Chief Financial Officer

Group cash flow statement

For the year ended 31 December 2020

	Notes	2020 £ million	2019 £ million
Operating activities			
(Loss)/profit for the year		(111)	129
Adjustments for:			
Tax		38	70
Depreciation		278	315
Amortisation of intangibles		6	8
Exceptional – property, plant and equipment (PPE) impairment charge	7	58	–
Exceptional – Intangible asset impairment charge	7	17	–
Fulfilment assets	16	31	21
Demobilisation provisions	22	12	9
Finance income		(4)	(4)
Finance cost		38	46
Profit on sale of PPE ⁽ⁱ⁾	2	(16)	(10)
Share-based payments		(2)	11
Changes in working capital (excluding the effects of exchange differences on consolidation):			
Decrease in inventories ⁽ⁱⁱ⁾		25	8
Decrease in trade and other receivables ⁽ⁱⁱⁱ⁾		165	78
Increase in trade and other payables		83	21
Cash flows relating to fulfilment assets	16	(87)	(66)
Cash flows relating to demobilisation provisions	22	(10)	(6)
Cash flows relating to 2017 exceptional items		–	(2)
Cash generated from operations		521	628
Tax paid		(57)	(76)
Interest received		4	4
Interest paid ⁽ⁱⁱⁱ⁾		(46)	(46)
Net cash generated from operating activities		422	510
Cash flows from investing activities			
Purchases of PPE		(204)	(230)
Purchase of other intangible assets		(6)	(8)
Proceeds from sale of PPE	2	19	21
Net cash used in investing activities		(191)	(217)
Cash flows from financing activities			
Increase in long-term loans		188	393
Repayment of long-term loans		(219)	(493)
Increase in short-term loans		12	2
Repayment of short-term loans		(139)	(127)
Payment of lease liabilities		(33)	(31)
Dividends paid to shareholders		(13)	(69)
Purchase of treasury shares		–	(4)
Net cash used in financing activities		(204)	(329)
Net increase/(decrease) in cash and cash equivalents		27	(36)
Cash and cash equivalents at beginning of the year		36	76
Exchange loss on cash and cash equivalents		(6)	(4)
Cash and cash equivalents at end of the year	3	57	36

(i) Profit on sale of PPE includes an exceptional gain of £3 million. Refer to Note 7.

(ii) Movements include an exceptional impairment for inventories (£36 million) and trade and other receivables (£67 million). Refer to Note 7.

(iii) Interest paid of £46 million (2019: £46 million) includes £5 million relating to leases (2019: £5 million).

Cash flows for the purchase and sale of rental fleet assets are presented as arising from investing activities because the acquisition of new fleet assets represents a key investment decision for the Group, the assets are expected to be owned and operated by the Group to the end of their useful economic lives, the disposal process (when the assets are largely depreciated) is not a major part of the Group's business model and the assets in the rental fleet are not specifically held for subsequent resale.

Reconciliation of net cash flow to movement in net debt

For the year ended 31 December 2020

As at 31 December 2020

	At 1 January 2020 £ million	Cash flow £ million	Exchange £ million	Other non-cash movements £ million	At 31 December 2020 £ million
Analysis of changes in net debt					
Cash and cash equivalents (Note 3)	36	27	(6)	–	57
Current borrowings:					
Bank borrowings (Note 19)	(8)	(9)	(1)	–	(18)
Private placement notes (Note 19)	–	136	–	(136)	–
Lease liability	(33)	33	2	(34)	(32)
	(41)	160	1	(170)	(50)
Non-current borrowings:					
Bank borrowings (Note 19)	(33)	31	2	–	–
Private placement notes (Note 19)	(478)	–	13	136	(329)
Lease liability	(68)	–	1	9	(58)
	(579)	31	16	145	(387)
Net debt	(584)	218	11	(25)	(380)
Analysis of changes in liabilities from financing activities					
Current borrowings	(41)	160	1	(170)	(50)
Non-current borrowings	(579)	31	16	145	(387)
Financing derivatives	–	1	–	–	1
Total financing liabilities	(620)	192	17	(25)	(436)

Other non-cash movements include reclassifications between short-term and long-term borrowings, with £136 million being reclassified from non-current to current borrowings and £23 million from non-current to current lease liabilities. The remaining balance is due to £20 million of new lease liabilities and £5 million of interest.

As at 31 December 2019

	At 1 January 2019 £ million	IFRS 16 Transition £ million	Cash flow £ million	Exchange £ million	Other non-cash movements £ million	At 31 December 2019 £ million
Analysis of changes in net debt						
Cash and cash equivalents	76	–	(36)	(4)	–	36
Current borrowings:						
Bank borrowings	(115)	–	105	2	–	(8)
Private placement notes	(20)	–	20	–	–	–
Lease liability	–	(31)	31	–	(33)	(33)
	(135)	(31)	156	2	(33)	(41)
Non-current borrowings:						
Bank borrowings	(134)	–	100	1	–	(33)
Private placement notes	(493)	–	–	15	–	(478)
Lease liability	–	(73)	–	2	3	(68)
	(627)	(73)	100	18	3	(579)
Net debt	(686)	(104)	220	16	(30)	(584)
Analysis of changes in liabilities from financing activities						
Current borrowings	(135)	(31)	156	2	(33)	(41)
Non-current borrowings	(627)	(73)	100	18	3	(579)
Total financing liabilities	(762)	(104)	256	20	(30)	(620)

Other non-cash movements include reclassifications between short-term and long-term borrowings, with £nil being reclassified from non-current to current borrowings and £24 million from non-current to current lease liabilities. The remaining balance is due to £25 million of new lease liabilities and £5 million of interest.

Group statement of changes in equity

For the year ended 31 December 2020

As at 31 December 2020

Notes	Attributable to equity holders of the Company							
	Ordinary share capital £ million	Share premium account £ million	Treasury shares £ million	Capital redemption reserve £ million	Hedging reserve £ million	Foreign exchange reserve (translation) £ million	Retained earnings £ million	Total equity £ million
Balance at 1 January 2020	42	20	(13)	13	2	(126)	1,421	1,359
Loss for the year	–	–	–	–	–	–	(111)	(111)
Other comprehensive loss:								
Fair value losses on foreign currency cash flow hedge (net of tax)	–	–	–	–	(1)	–	–	(1)
Currency translation differences ⁽ⁱ⁾	–	–	–	–	–	(83)	–	(83)
Remeasurement of retirement benefits (net of tax)	–	–	–	–	–	–	(2)	(2)
Total comprehensive loss for the year ended 31 December 2020	–	–	–	–	(1)	(83)	(113)	(197)
Transactions with owners:								
Employee share awards	–	–	–	–	–	–	(2)	(2)
Issue of Ordinary Shares to employees under the share option schemes	–	–	7	–	–	–	(7)	–
Dividends paid during 2020	11	–	–	–	–	–	(13)	(13)
	–	–	7	–	–	–	(22)	(15)
Balance at 31 December 2020	42	20	(6)	13	1	(209)	1,286	1,147

(i) Included in currency translation differences of the Group are exchange gains of £18 million arising on borrowings denominated in foreign currencies designated as hedges of net investments overseas, and exchange losses of £101 million relating to the translation of overseas results and net assets. The currency translation difference is explained in the Financial Review on page 30.

As at 31 December 2019

	Attributable to equity holders of the Company							
	Ordinary share capital £ million	Share premium account £ million	Treasury shares £ million	Capital redemption reserve £ million	Hedging reserve £ million	Foreign exchange reserve (translation) £ million	Retained earnings £ million	Total equity £ million
Balance at 1 January 2019	42	20	(17)	13	1	(51)	1,359	1,367
Profit for the year	–	–	–	–	–	–	129	129
Other comprehensive (loss)/income:								
Transfers from hedging reserve to revenue	–	–	–	–	(1)	–	–	(1)
Fair value gains on foreign currency cash flow hedge (net of tax)	–	–	–	–	2	–	–	2
Currency translation differences ⁽ⁱ⁾	–	–	–	–	–	(75)	–	(75)
Remeasurement of retirement benefits (net of tax)	–	–	–	–	–	–	(1)	(1)
Total comprehensive income/(loss) for the year ended 31 December 2019	–	–	–	–	1	(75)	128	54
Transactions with owners:								
Purchase of Treasury shares	–	–	(4)	–	–	–	–	(4)
Employee share awards	–	–	–	–	–	–	11	11
Issue of Ordinary Shares to employees under share option schemes	–	–	8	–	–	–	(8)	–
Dividends paid during 2019	–	–	–	–	–	–	(69)	(69)
	–	–	4	–	–	–	(66)	(62)
Balance at 31 December 2019	42	20	(13)	13	2	(126)	1,421	1,359

(i) Included in currency translation differences of the Group are exchange gains of £16 million arising on borrowings denominated in foreign currencies designated as hedges of net investments overseas, and exchange losses of £91 million relating to the translation of overseas results and net assets.

(ii) There was no impact on retained earnings at 1 January 2019 from the adoption of IFRS 16 'Leases'.

1 Accounting policies

The Company is a public limited company which is listed on the London Stock Exchange and is incorporated and domiciled in the UK. The address of the registered office is 120 Bothwell Street, Glasgow G2 7JS, UK. The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all years presented, unless otherwise stated.

Basis of preparation

The Group financial statements have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 ("Adopted IFRS"). In addition, the Group financial statements have been prepared in accordance with international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union.

The financial statements have been prepared under the historical cost convention, as modified by the revaluation of certain financial assets and financial liabilities (including derivative instruments) at fair value.

The preparation of financial statements requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of the revenue and expense during the reporting period.

Although these estimates are based on management's best knowledge of the amount, event or actions, actual results ultimately may differ from those estimates.

Adjusted measures

Throughout the Annual Report we use a number of 'adjusted measures' to provide users with a clearer picture of the underlying performance of the business. This is in line with how management monitors and manages the business on a day-to-day basis. These adjustments include the exclusion of:

- Exceptional items – these are explained in Note 7.
- The translational impact of currency in comparing year-on-year performance – further information is on page 30.
- Fuel revenue, which is separately reported for certain contracts in the Power Solutions Utility business in Brazil, where we manage fuel on a pass-through basis on behalf of our customers. The fuel revenue on these contracts is entirely dependent on fuel prices and the volume of fuel consumed, which can be volatile and may distort the view of the underlying performance of the business.

Going concern

During the year the Group has been significantly impacted by the global COVID-19 pandemic. The Group performance review on page 24 explains how COVID-19 has impacted the business in the year and the risks section on page 35 explains how it has impacted the Group's principal risks. Prior to the outbreak the Group's balance sheet and liquidity position were strong and, although impacted by COVID-19, the Group's financial position remains robust.

The Group balance sheet shows consolidated net assets of £1,147 million (2019: £1,359 million), of which £793 million (2019: £939 million) relates to fleet assets.

The Group continues to maintain sufficient committed facilities to meet its normal funding requirements over the medium term. At 31 December 2020, these committed facilities totalled £881 million, in the form of committed bank facilities arranged on a bilateral basis with a number of international banks and US private placement notes. The financial covenants attached to these committed facilities are that EBITDA should be no less than 4 times interest and net debt should be no more than 3 times EBITDA. At 31 December 2020 these ratios were 12 times* and 0.9 times*. It has been the Group's custom and practice to refinance its committed facilities in advance of their maturity dates, providing that there is an ongoing need for those facilities. \$175 million of US private placement notes that were due to mature in March 2021 were pre-paid on 31 December 2020. £87 million of committed facilities mature in 2021.

Net debt (including £90 million of a lease creditor) amounted to £380 million at 31 December 2020 and, at that date, undrawn committed facilities were £552 million.

For the purposes of the Directors' assessment of the Group's going concern position and to satisfy them of the Group's ability to pay its liabilities as they fall due, the Directors have prepared a Group cash flow statement for a period of 21 months from the date of approval of these financial statements, ending 31 December 2022.

The base case forecast comprised the budget for the year to 31 December 2021, which forms the first year of the five-year plan (5YP) and an extract from the 5YP from 1 January 2022 to 31 December 2022. The base case forecast assumes a slow recovery from current levels in 2021 and assumes that the Tokyo Olympics take place in 2021 as currently planned. The base case forecast has been stress-tested with simulated financial impacts of the Group's principal risks to generate a severe but plausible downside scenario, in which the forecast revenue and EBITDA over the period are reduced by around 10% and 30%, respectively. This results in a reduction in the Group's cash generation, as compared with the base case forecast, of more than £275 million over the 21 month period.

The above stress-test analysis shows that even in the severe but plausible worst-case scenario, the Group does not expect to breach its covenants in the 21 months from the date of approval of these financial statements.

Based on the above the Directors are confident that it is appropriate for the going concern basis to be adopted in preparing the year-end financial statements.

Changes in accounting policy and disclosures

(a) New and amended standards adopted by the Group

There are no new standards and amendments that have a material impact on the Group.

(b) New standards, amendments and interpretations issued but not effective for the financial year beginning 1 January 2020 and not early adopted

Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37) applies to periods beginning on or after 1 January 2022. The Group will assess the impact of this closer to the implementation date, but it is not expected to have a material impact on the Group. There are no other standards, amendments and interpretations that are not yet effective that would be expected to have a material impact on the Group.

Basis of consolidation

The Group financial statements consolidate the financial statements of Aggreko plc and all of its subsidiaries for the year ended 31 December 2020. Subsidiaries are those entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The Group uses the acquisition method of accounting for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair value of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition related costs are expensed as incurred. Identifiable assets and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

Inter-company transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

* Calculation is on pages 159 to 160.

1 Accounting policies continued

Revenue recognition

Revenue is measured based on the consideration specified in a contract with a customer and excludes amounts collected on behalf of third parties. The Group recognises revenue when it transfers control over a service to a customer as detailed below.

As explained on page 02 and 03, Aggreko has three operating segments as detailed below:

- Rental Solutions: This business provides power, heating and cooling in developed markets. These customers' requirements tend to revolve around smaller, short-term projects and key events.
- Power Solutions Industrial (PSI): This business comprises medium-term projects for industrial customers in emerging markets, as well as shorter-term rental contracts.
- Power Solutions Utility (PSU): This business delivers longer-term projects providing power to national utility customers.

The Group generally has three performance obligations:

- In Rental Solutions and shorter-term rental contracts within PSI the Group provides rental contracts for the supply of temporary power, temperature control, oil-free compressed air and related services (for example, fuel, logistics and technical services).
- In Power Solutions Utility and medium-term projects for industrial customers, the Group supplies temporary power, temperature control, oil-free compressed air and related services (for example, fuel, logistics and technical services).
- In some contracts the Group is responsible for the design and project management phase (for example, in some of the major events contracts) and at the end of this phase the Group will hand over the design documentation and project management knowledge/documentation to the customer who can then take this documentation and use someone else for the provision of power if they so wish. This is different from the technical services in the first two performance obligations where the design phase is part of the normal running and is not handed over to the customer.

In the first two performance obligations, revenue is recognised over time based on outputs provided to the customer, because this is the most accurate measurement of the satisfaction of the performance obligation. Revenue can comprise a fixed rental charge and a variable charge related to the usage of assets or other services (including pass-through fuel). The Group earns a fixed charge on certain contracts by providing agreed levels of power generation capacity to the customer

and this is recognised when availability criteria in the contract are met. Variable charges are earned as the Group provides power or rental and associated services in accordance with contractual arrangements and are recognised as the power is produced or the service is provided.

In the third performance obligation, revenue is recognised over the period of the performance obligation which ends when the documentation/knowledge is transferred to the customer. The Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced as the Group delivers the design and project management for the customer.

Revenue is accrued or deferred at the balance sheet date depending on the period covered by the most recent invoice issued and the contractual terms.

A receivable is recognised by the Group when the service is provided to the customer. In the majority of countries within our Rental Solutions business the customer payment terms are 30 days from date of invoice. There are a few countries where payment terms are 60 or 90 days from date of invoice. Within our PSI business payment terms generally range from 30 to 60 days. Within our PSU business payment terms vary from contract to contract. The majority of receivables across the Group are paid within or close to the payment terms. However, some of the contracts the Group undertakes in developing countries in our PSU business are very large and are in jurisdictions where payment practices can be unpredictable. These are explained in more detail on page 116.

Variable consideration

The Group is liable to penalties on certain contracts if we fail to fulfil the relevant performance obligation. The transaction price is reduced by the amount of any penalties in the contract unless it is highly likely that they will not occur.

Disaggregation of revenue

In Note 4 to the Accounts revenue from contracts with customers is disaggregated by business unit, geography and sector.

Contract balances

The following table provides information about receivables, accrued income, fulfilment assets (contract assets) and demobilisation provisions from contracts with customers.

	Notes	2020 £ million	2019 £ million
Receivables	18	274	444
Accrued income	18	113	124
Fulfilment assets	16	136	86
Demobilisation provisions	22	15	14

Mobilisation and demobilisation

Mobilisation costs are classified as fulfilment costs where they are separately identifiable and specific to a project and where the mobilisation does not itself form a separate performance obligation. In these circumstances, mobilisation costs are capitalised as they relate to future performance obligations, i.e. the provision of power is the future performance obligation, which begins when the power starts to be generated.

During the phase of mobilisation this service has not yet started and as such represents a future performance obligation. The costs incurred during mobilisation are directly related to the contract and enable Aggreko to earn revenue from the provision of power. They are expected to be recovered because the contract is profitable, although they will be reviewed carefully for any indication of impairment if any loss-making contracts arise.

With respect to demobilisation costs the Group has a legal obligation to incur demobilisation costs once the assets are installed on site, as this is required by the contract. This creates a legal obligation from a past event. The majority of these costs can be measured reliably and therefore they meet the definition of a provision. These costs are capitalised as a fulfilment cost asset as they are incurred in relation to a performance obligation (delivering power) and are expected to be recovered and generate or enhance resources because they facilitate Aggreko's delivery of the contract.

The fulfilment costs (mobilisation and demobilisation costs) are amortised to the income statement over the period of the initial contract. The amortisation starts when we start to earn revenue and stops when the initial contract period ends. If there is a signed extension, the unamortised amount left in the balance sheet when the extension is signed is then amortised over the remaining period of the initial contract and the extension period. Generally there are no options in contracts to extend at an advantageous price.

In contracts where mobilisation and demobilisation income timing is specifically stipulated in the contract in order to match the timing of associated costs, then this income is generally recognised during the period of provision of power.

During the year, £87 million of fulfilment assets were capitalised mainly relating to mobilisation costs for the Tokyo Olympics as well as our contracts in Brazil, Kurdistan and Russia.

1 Accounting policies continued

Segmental reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker has been identified as the Board of Directors.

Aggreko has two business units: Rental Solutions and Power Solutions. Within Power Solutions we serve both Utility and Industrial customers. Aggreko therefore has three segments comprising: Rental Solutions, Power Solutions Industrial and Power Solutions Utility. A description of these business units is contained on pages 02 and 03. This is reflected by the Group's divisional management and organisational structure and the Group's internal financial reporting systems.

The Global Products and Technology results and assets, as well as central administrative costs, are allocated between segments based on revenue.

Exceptional items

Exceptional items are items which individually or if of a similar type, in aggregate, need to be disclosed by virtue of their size or incidence if the financial statements are to be properly understood. To monitor our financial performance we use a profit measure that excludes exceptional items.

We exclude these items because, if included, these items could distort understanding of our performance for the year and comparability between periods. The income statement has been presented in a columnar format, which separately highlights exceptional items. This is intended to enable users of the financial statements to determine more readily the impact of exceptional items on the results of the Group.

These costs are explained in Note 7 to the Accounts.

Property, plant and equipment

Property, plant and equipment is carried at cost less accumulated depreciation and impairment losses. Cost includes purchase price, and directly attributable costs of bringing the asset into the location and condition where it is capable for use. Borrowing costs are not capitalised since the assets are assembled over a short period of time.

Freehold properties are depreciated on a straight-line basis over 25 years or over the term of each lease. Short leasehold properties are depreciated on a straight-line basis over the terms of each lease.

Other property, plant and equipment are depreciated on a straight-line basis at annual rates estimated to write off the cost of each asset over its useful life from the date it is available for use or over the term of each lease. Assets in the course of construction are not depreciated. The periods of depreciation are reviewed on an annual basis and the principal periods used are as follows:

Rental fleet	8 to 12 years
Vehicles, plant and equipment	4 to 15 years

Intangibles

Intangible assets acquired as part of a business combination are capitalised, separately from goodwill, at fair value at the date of acquisition if the asset is separable or arises from contractual or legal rights and its fair value can be measured reliably. Amortisation is calculated on a straight-line method to allocate the fair value at acquisition of each asset over their estimated useful lives as follows: customer relationships: 5-10 years, non-compete agreements: over the life of the non-compete agreements, technology intangible assets acquired: four years.

The useful life of intangible assets is reviewed on an annual basis.

Impairment of non-financial assets

The carrying amounts of the Group's Property, plant & equipment, inventory and other intangible assets and the Group's investments, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable, or where there are indications that a previously recognised impairment loss has reduced.

For assets subject to impairment testing, the asset's carrying value is compared to the asset's recoverable amount. The recoverable amount is determined to be the higher of the fair value less costs to sell (FVLCS) and the value in-use (VIU) of the asset. If the carrying amount of the asset exceeds its recoverable amount, an impairment charge will be recognised immediately in the income statement. Reversals of previous impairment charges are recognised if the recoverable amount of the asset significantly exceeds the carrying amount. Value in use (VIU) calculations require the estimation of future cash flows to be derived from the respective assets and the selection of an appropriate discount rate in order to calculate their present value. The methodology is based on the pre-tax cash flows arising from the specific assets, underlying assets, and discounted using a pre-tax discount rate based on the Group's cost of funding and adjusted for any specific risks. The estimation of the timing and value of underlying projected cash flows and the selection of appropriate discount rates involves management judgement. Subsequent changes to these estimates or judgements may impact the carrying value of the assets

Goodwill

On the acquisition of a business, fair values are attributed to the net assets acquired. Goodwill arises where the fair value of the consideration given for a business exceeds the fair value of such assets. Goodwill arising on acquisitions is capitalised and is subject to impairment reviews, both annually and when there are indicators that the carrying value may not be recoverable.

For the purpose of the impairment testing, goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the combination.

Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, then the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit.

An impairment loss recognised for goodwill is not reversed in a subsequent period. Any impairment of goodwill is recognised immediately in the income statement.

Research and development costs

All research expenditure is charged to the income statement in the period in which it is incurred.

Development expenditure is charged to the income statement in the period in which it is incurred unless it relates to the development of a new product or technology and it is incurred after the technical feasibility and commercial viability of the product has been proven, the development cost can be measured reliably, future economic benefits are probable and the Group intends, and has sufficient resources, to complete the development and to use or sell the assets. Any such capitalised development expenditure is amortised on a straight-line basis so that it is charged to the income statement over the expected useful life of the resulting product or technology, which is currently deemed to be between two to five years.

Leases

In accordance with IFRS 16 the Group recognises all leases on balance sheet with limited exemptions. This results in the recognition of a right-of-use asset and corresponding liability on the balance sheet, with the associated depreciation and interest expense being recorded in the income statement over the lease period. Limited exemptions apply for short-term leases (leases with a term of 12 months or less) and low-value leases (which have been defined as <\$10,000). The payments for the exempt leases are recognised as an expense in the income statement on a straight-line basis over the lease term.

1 Accounting policies continued

On initial measurement the right-of-use asset is recognised at cost, which comprises the value of the lease liability adjusted for any lease payments made on or before the commencement date, less any incentives received, any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset. The right-of-use asset is depreciated using the straight-line method from the commencement date to the end of the lease term. The right-of-use asset is periodically adjusted for impairment, if any, and any remeasurements of the lease liability.

On initial measurement the lease liability is measured at the present value of the future lease payments, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate as the majority of subsidiary debt is funded by Group borrowings and therefore this is the rate at which lessees obtain funding for the asset. In addition, given the types of leases entered and the geographies of the majority of the leasing activity the interest rates implicit in these leases would be expected to gravitate around the Group's incremental rate. The Group's weighted average incremental borrowing rate throughout 2020 was 5%. If the discount rate increased or decreased by 0.5%, then the lease liability would change by circa £1 million.

The lease liability is measured at amortised cost using the effective interest rate method and is remeasured when there is a change in the future lease payments arising from a change in index or a change in the original assessment made. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to the income statement over the lease period to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

The Group presents the right-of-use asset and lease liability on the balance sheet.

The Group leases various properties, vehicles, plant and equipment. Rental contracts are typically for fixed periods from three to seven years but may have extension options. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions.

Lease payments associated with short-term and low-value leases are recognised on a straight-line basis as an expense in the profit or loss.

Foreign currencies

Items included in the financial statements for each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (functional currency). The Group's consolidated financial statements are presented in Sterling, which is the Group's presentational currency.

At individual company level, transactions denominated in foreign currencies are translated at the rate of exchange on the day the transaction occurs. Assets and liabilities denominated in foreign currency are translated at the exchange rate ruling at the balance sheet date. Non-monetary assets are translated at the historical rate. In order to hedge its exposure to certain foreign exchange risks, the Group enters into forward contracts and foreign currency options.

On consolidation, assets and liabilities of subsidiary undertakings are translated into Sterling at closing rates of exchange. Income and cash flow statements are translated at average rates of exchange for the period. Gains and losses from the settlement of transactions and gains and losses on the translation of monetary assets and liabilities denominated in other currencies are included in the income statement.

Taxation

Deferred tax

Deferred tax is provided in full, using the liability method, on temporary differences arising between the tax base of assets and liabilities and their carrying amounts in the financial statements. In principle, deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill, negative goodwill or from the acquisition of an asset, which does not affect either taxable or accounting income. Deferred tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled. Deferred tax is charged or credited in the income statement, except when it relates to items credited or charged directly to equity, in which case the deferred tax is also dealt with in equity.

Deferred tax is provided on temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Provision for income taxes, mainly withholding taxes, which could arise on the remittance of retained earnings, principally relating to subsidiaries, is only made where there is a current intention to remit such earnings.

Current tax

The charge for current tax is based on the results for the year, as adjusted for items which are non-assessable or disallowed. It is calculated using taxation rates that have been enacted or substantially enacted by the balance sheet date.

Where the amount of tax payable or recoverable is uncertain, in accordance with IFRIC 23, provisions are based on either: the Group's judgement of the most likely amount of the liability or recovery; or, when there is a wide range of possible outcomes, a probability weighted average approach.

Inventories

Inventories are valued at the lower of cost and net realisable value, using the weighted average cost basis. Cost of raw materials, consumables and work in progress includes the cost of direct materials and, where applicable, direct labour and those overheads that have been incurred in bringing the inventories to their present location and condition.

Inventory is written down on a case-by-case basis if the anticipated net realisable value declines below the carrying amount of the inventory or to take account of inventory losses. Net realisable value is the estimated selling price less cost to completion and selling expenses. When the reasons for a write-down of the inventory have ceased to exist, the write-down is reversed.

Employee benefits

Wages, salaries, social security contributions, paid annual leave and sick leave, bonuses and non-monetary benefits are accrued in the year in which the associated services are rendered by the employees of the Group. Where the Group provides long-term employee benefits, the cost is accrued to match the rendering of the services by the employees concerned.

The Group operates a defined benefit pension scheme and a number of defined contribution pension schemes. The cost for the year for the defined benefit scheme is determined using the projected unit method with actuarial updates to the valuation being carried out at each balance sheet date.

Remeasurements are recognised in full, directly in retained earnings, in the period in which they occur and are shown in the statement of comprehensive income. The current service cost of the pension charge and administrative expenses are included in arriving at operating profit. Interest income on scheme assets and interest on pension scheme liabilities are included in net finance costs.

The retirement benefit obligation recognised in the balance sheet is the present value of the defined benefit obligation at the balance sheet date less the fair value of the scheme assets. The present value of the defined benefit obligation is determined by discounting the estimated future cash flows using interest rates of high-quality corporate bonds.

1 Accounting policies continued

Employee benefits continued

The Group recognises gains and losses on the settlement of a defined benefit plan when the settlement occurs. The gain or loss on a settlement is the difference between the present value of the defined benefit obligation being settled as determined on the date of settlement and the settlement price, including any plan assets transferred and any payments made directly by the Group in connection with the settlement

Contributions to defined contribution pension schemes are charged to the income statement in the period in which they become payable.

Trade receivables

Trade receivables are recognised initially at fair value (which is the same as cost).

Impairment of financial assets

Receivables (including accrued revenue) are considered immediately for impairment to reflect the possibility of future default or non-collectability.

The Group assesses the Expected Credit Loss (ECL) as explained below:

Power Solutions Industrial and Rental Solutions

The Group has taken advantage of the practical expedient in IFRS 9 to use a provision matrix to simplify the calculation where accounts receivable are split into various risk categories (e.g. based on credit rating agencies) and then a percentage is applied to each category to obtain the impairment allowances. The combined provision matrix for Rental Solutions and PSI is shown in Table 1 below.

Each operating unit within the PSI and Rental Solutions businesses will consider the specific economic and operating conditions applicable to their own operating units. They will also consider the following: significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation and default, or large and old outstanding balances, particularly in countries where the legal system is not easily used to enforce recovery. Using this criterion, the operating units will firstly create specific provisions related to relevant customers and then for the customers with no provision they will apply the matrix shown in Table 1. When a trade receivable is uncollectable it is written off against the provision for impairment of trade receivables.

Power Solutions Utility

Within our PSU business, when considering the risk profile of the debtors and the relevant impairment provision the Group considers each debtor and customer individually, within the relevant environment to which it relates, taking into account a number of factors. These factors include advanced payments and guarantees, the political and economic conditions in the relevant country, duration and quality of relationship with the customer, age of debt, cash flows from the customer and any relevant communication throughout the year. We then apply the matrix approach detailed above to any debtors that do not have a specific provision.

Trade payables

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

Provisions

Provisions are recognised where a legal or constructive obligation has been incurred which will probably lead to an outflow of resources that can be reasonably estimated. Provisions are recorded for the estimated ultimate liability that is expected to arise, taking into account the time value of money where material.

A contingent liability is disclosed where the existence of the obligation will only be confirmed by future events, or where the amount of the obligation cannot be measured with reasonable reliability. Contingent assets are not recognised, but are disclosed where an inflow of economic benefits is probable.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, deposits with a maturity of three months or less and short-term overdrafts.

Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost. Any difference between the proceeds, net of transaction costs, and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest rate.

Accounting judgements and estimation uncertainty

In the process of applying the Group's accounting policies, management necessarily makes judgements and estimates that have a significant impact on the amounts recognised in the financial statements. Changes in the assumptions underlying the estimates could result in a significant impact to the

financial statements. The Group's key accounting judgement and estimation areas are set out below, with the most significant financial judgement areas discussed by the Audit Committee being highlighted separately.

Significant financial judgements and estimation uncertainty
Trade receivables

The trade receivables accounting policy is noted above.

The approach to exercising judgement in this area is to consider each significant debtor and customer individually, within the relevant environment to which it relates, taking into account a number of factors. These factors include the political and economic conditions in the relevant country, the duration and quality of relationship with the customer, age of debt, recent cash receipts from the customer and any relevant communication throughout the year. A review of the provision for bad and doubtful debts is performed at each month end and, specifically, at the end of each reporting period. It is an assessment of the potential amount of trade receivables which will not be paid by the customer after the balance sheet date. This is calculated by reference to the factors above as well as the information disclosed in Note 18, notably the ageing of past due but not impaired.

The management of trade receivables is the responsibility of the operating units, although they report monthly to the Group on debtor days, debtor ageing and significant outstanding debts.

At an operating unit level, a credit rating is normally established for each customer based on ratings from external agencies. Where no ratings are available, cash in advance payment terms are often established for new customers. Credit limits are reviewed on a regular basis. The majority of the contracts the Group enters into are small relative to the size of the Group and, if a customer fails to pay a debt, this is dealt with in the normal course of business. However, some of the contracts the Group undertakes in developing countries in our Power Solutions Utility business are very large, and are in jurisdictions where payment practices can be unpredictable.

The Group monitors the risk profile and debtor position of all such contracts regularly and deploys a variety of techniques to mitigate the risks of delays or non-payment; these include securing advance payments and guarantees. On the largest contracts, all such arrangements are approved at Group level. Contracts are reviewed on a case-by-case basis to determine the customer and country risk.

Table 1 IFRS 9 Matrix Ageing

	Notes	0-60 days	61-120 days	121-240 days	>240 days
Risk					
Low risk	1	0.01%-0.5%	0.02%-5.0%	0.03%-10.0%	0.05%-100%
Medium risk	1	0.02%-5.0%	0.04%-15.0%	0.05%-100%	0.05%-100%
High risk	1	0.05%-20.0%	0.05%-100%	0.05%-100%	0.05%-100%
Specific	2				

Notes: 1. Classification based on assessment of customer credit risk 2. Specific provision for customers.

1 Accounting policies continued

While the Audit Committee considered all of the most significant debtors as noted below, the discussion focused on legacy debts in parts of Africa, Venezuela, Yemen and Brazil where the COVID-19 pandemic has created cash flow, liquidity and, in some cases, future viability challenges. It is our judgement that the more challenging economic outlook post COVID-19 for these customers is such as to require impairment of our residual balance sheet exposure. Specifically, this has resulted in an impairment across our PSU debtor book of £56 million, £54 million of which was used to reduce the carrying value of legacy debtors to £nil. More detail on this impairment is contained in Note 7 to the financial statements.

The Committee also discussed the four customers whose net exposure was greater than \$5 million, all of which are within our Africa business. We are in regular contact with these customers and remain confident that there is currently no material balance sheet exposure with respect to these debts.

In forming its view on the appropriateness of the Group's provision against its receivables balances the Audit Committee noted that Power Solutions Utility cash collections in the year were \$483 million compared with amounts invoiced of \$443 million, which provides strong evidence about the recoverability of debts with our current customers. The Audit Committee also discussed the 15 most significant debtors in the PSU business, which accounted for 82% (2019: 84%) of the total PSU overdue debtor value at 31 December 2020 (before taking into account provisions or payment security/guarantees).

At 31 December 2020, 90% of the total provision (including an exceptional impairment of £56 million) across our PSU debtor book related to the top 15 debtors (December 2019: 87%). Among these debtors the Group had a net exposure, after taking into account provisions or payment securities/guarantees, of \$10-20 million to one customer (December 2019: three customers), a net exposure of \$5-10 million to three customers (December 2019: four customers) and a net exposure of less than \$5 million to each of the others. At 31 December 2020, there were no customers to whom the Group had a net exposure in excess of \$20 million (December 2019: two customers).

Taxation

Ongoing tax dispute in Bangladesh

We continue to have an open tax issue in Bangladesh. This was appealed in 2017 and is still waiting to be heard by the courts. We do not anticipate that this matter will progress to conclusion over the course of the coming financial year and believe that it may be many years before the matter is resolved. Our position is supported by a strong legal opinion and so we remain of the opinion that we will be successful in the courts.

We therefore believe that there is no likelihood of further financial exposure on this in the coming year.

Impairment testing

Identifying whether there are indicators of impairment for assets involves a high level of judgement and a good understanding of the drivers of value behind the asset. At each reporting period an assessment is performed to determine whether there are any such indicators, which involves considering the performance of our business and any significant changes to the markets in which we operate. If there is an impairment indicator, then an impairment review is carried out. This review involves a high level of estimation.

The Directors believe that the impact of the COVID-19 pandemic, the lower oil price and the consequent deterioration in the short to medium term economic outlook, as well as the acceleration in the transition to lower carbon technologies, presented a potential impairment indicator for certain of the Group's assets and, as a result, we have carried out a detailed impairment review across all asset classes. We have concluded that the specific trigger for the potential impairment and the resulting impacts mentioned above was the World Health Organisation's declaration of the coronavirus outbreak as a pandemic on 11 March 2020. Further detail is disclosed in Note 7 to the financial statements.

Other areas of judgement and consideration

Property, plant and equipment (PPE) – asset lives

Our rental fleet accounts for £793 million, which is around 80% of the net book value of the Group's property, plant and equipment. The majority of equipment in the rental fleet is depreciated on a straight-line basis to a residual value of zero over eight years, with some classes of rental fleet depreciated over 10 and 12 years. The annual fleet depreciation charge of £227 million (2019: £265 million) reflects the estimated service lives allocated to each class of fleet asset.

Asset lives are reviewed each year and changed, if necessary, to reflect their remaining lives in light of technological change, prospective economic utilisation and the physical condition of the assets.

As explained in Note 7 we carried out an impairment review of all PPE with a resulting £55 million exceptional impairment charge. As part of this review we considered the asset lives, including the impact of climate change and the energy transition. As explained on page 06 we are well placed for the energy transition and consider this an opportunity. With respect to PPE we expect a shift in the mix of capital spend to a future profile where significantly more of our fleet investment will be in low emission assets and renewable technology. We do not believe that the fleet technology shift driven by the energy transition will result in "stranded" diesel fleet around the Group. Nearly 80% of our diesel fleet assets are five years old or more and, in net book value terms, around 40% of our current diesel

fleet will be fully depreciated over the next three years, leaving us with no material exposure to stranded diesel assets as we transition to newer, cleaner technologies. In addition, we specifically reviewed the life of our HFO equipment and, based on a combination of current projects and those in the pipeline, we see no need to adjust the existing useful lives.

Tokyo Olympics

We have agreed and signed the necessary contract revisions with The Tokyo Organising Committee of the Olympic and Paralympic Games to reflect both scope changes and the impact of the delay of the Games into 2021. Our preparation work for the Games continues to progress well and we remain confident of delivering to the revised schedule. As at 31 December 2020 we have £53 million included in fulfilment assets related to the Tokyo Olympics. Given the current COVID-19 environment there are a range of possibilities regarding whether the Games take place and, if they do, whether that is with or without spectators. Our contractual obligations would not be materially impacted to the extent that the Games proceed without spectators, and the contract contains certain commercial protections for us in the event that the Games are cancelled.

Leases

Lessor

IFRS 16 'Leases' requires that any arrangement that is dependent on the use of a specific asset or assets, and that conveys a right to use the asset, is accounted for as a lease. The Directors have concluded that none of the Group's contracts are dependent on the use of a specific asset or assets as the Group swaps in and out the rental fleet required to provide the services to our customers and the assets are not contract specific (i.e. one asset could work across many contracts).

Lessee

The Group has applied judgement to determine the lease term for some lease contracts that include renewal options. The assessment of whether the Group is reasonably certain to exercise such options impacts the lease term, which affects the amount of lease liabilities and right-of-use assets recognised. The overall impact of this is not material.

Hyperinflationary environments

The Group operates in Venezuela which is considered a hyperinflationary environment. The Group does not consider that the provisions of IAS 29 'Financial Reporting in Hyperinflationary Economies' apply to the Group's operations in Venezuela as the functional currency of the Venezuelan operation is US Dollars. The Group also operates in Argentina, Zimbabwe and Lebanon which are similarly considered hyperinflationary environments, however the impact is not material.

1 Accounting policies continued

Supplier payment

The Group participates in a supply chain finance programme under which its suppliers may elect to receive early payment of their invoice from a bank by factoring their receivable from the Group. Under this arrangement, a bank agrees to pay amounts to a participating supplier in respect of invoices owed by the Group and receives settlement from the Group at a later date. The principal purpose of this programme is to facilitate efficient payment processing and enable the willing suppliers to sell their receivables due from the Group to a bank before their due date.

From the Group's perspective, the arrangement does not significantly extend payment terms beyond the normal terms agreed with other suppliers that are not participating. The Group does not incur any additional interest cost to the bank on the amounts due to the suppliers.

The Group has not derecognised the original liabilities to which the arrangement applies because neither a legal release was obtained, nor was the original liability substantially modified on entering into the arrangement. The Group discloses the amounts factored by suppliers within trade payables (Note 21), as the nature and function of the financial liability remain the same as those of other trade payables, but it does disclose disaggregated amounts in the notes.

Revenue

Identification of performance obligations

Judgement is required in determining the number of performance obligations in relation to each revenue stream given the number of services (including mobilisation and demobilisation) that can be provided as part of the contract. In the majority of cases Aggreko will only have two performance obligations. In Rental Solutions and shorter-term rental contracts within PSI the Group provides rental contracts for the supply of temporary power, temperature control, oil-free compressed air and related services. In PSU and medium-term projects for industrial customers the Group supplies temporary power, temperature control, oil-free compressed air and related services. We believe these are performance obligations as any services to mobilise or demobilise assets are not considered distinct from the provision of power. The Group's services are considered to be a service or series of services that are substantially the same and have the same pattern of transfer to the customer.

In some cases the Group will have an additional performance obligation where it is responsible for the design and project management phase of the project (for example, in some of the major events contracts) and at the end of this phase the Group will hand over the design documentation and project management knowledge/

documentation to the customer who can then take this documentation/ knowledge and use someone else for the provision of power if they so wish.

Rehire arrangements (Principal vs Agent)

Aggreko will sometimes hire equipment from a third party to use on a contract. Under IFRS 15 Aggreko is acting as an agent rather than principal in this instance, mainly because Aggreko does not control the provision of the service due to factors such as the fact that the third party is still responsible for repairs to the equipment. Under IFRS 15 the cost of the rehire is netted against revenue. Judgement is required in determining if there is a Principal/Agent relationship in the relevant contracts.

Taxation

Other uncertain tax positions excluding Bangladesh

Aggreko's tax charge is based on the profit for the year and the applicable tax rates in force at the balance sheet date. As well as corporation tax, Aggreko is subject to indirect taxes such as sales and employment taxes across the tax jurisdictions in which the Group operates. The varying nature and complexity of the tax laws requires the Group to review its tax positions and make appropriate judgements at the balance sheet date.

Due to the uncertain nature of the tax environment in many of the countries in which we operate, it can take some time to settle our tax position. We therefore create appropriate tax provisions for significant potential or contentious tax positions, and these are measured using the most likely outcome method. Provisions are considered on an individual basis. All provisions are calculated in line with IFRIC 23.

For other uncertain direct tax positions, excluding Bangladesh, as at 31 December 2020, we had tax provisions totalling £18 million (2019: £26 million). The provisions are principally held to manage the tax impact of various potential tax exposures, largely in connection with our Power Solutions Utilities business, and potential transfer pricing risks faced by the Group with respect to how we transact internationally within the business.

Due to the uncertainty associated with such tax positions, it is possible that at a future date, on conclusion of these open tax positions, the final outcome may vary significantly. While a range of outcomes is reasonably possible, based on management's historic experiences of these issues, we believe a likely range of outcomes is additional liabilities of up to £8 million and a reduction in liabilities of around £10 million. The range of sensitivities depends upon quantification of the liability, risk of technical error and difference in approach taken by tax authorities in different jurisdictions. In addition, the recognition of deferred tax assets is dependent upon an estimation of future taxable profits available against which deductible temporary differences can be utilised.

Retirement benefit obligations

The assumptions in relation to the cost of providing post-retirement benefits during the period are based on the Group's best estimates and are set after consultation with qualified actuaries. While these assumptions are believed to be appropriate, a change in these assumptions would impact the level of the retirement benefit obligation recorded and the cost to the Group of administering the schemes. Further detail of the calculation basis and key assumptions used, the resulting movements in obligations and the sensitivity of key assumptions to the obligation is disclosed in Note 28.A4.

Financial risk management

Financial risk factors

The Group's operations expose it to a variety of financial risks that include liquidity, the effects of changes in foreign currency exchange rates, interest rates and credit risk. The Group has a centralised treasury operation whose primary role is to ensure that adequate liquidity is available to meet the Group's funding requirements as they arise, and that financial risks arising from the Group's underlying operations are effectively identified and managed.

The treasury operations are conducted in accordance with policies and procedures approved by the Board and are reviewed annually. Financial instruments are only executed for hedging purposes and transactions that are speculative in nature are expressly forbidden. Monthly reports are provided to senior management and treasury operations are subject to periodic internal and external review.

Liquidity, funding and capital management

The intention of Aggreko's strategy is to deliver long-term value to its shareholders while maintaining a balance sheet structure that safeguards the Group's financial position through economic cycles. Total capital is equity as shown in the Group balance sheet.

Given the proven ability of the business to fund organic growth from operating cash flows, and the nature of our business model, we believe it is sensible to run the business with a modest amount of debt. We say 'modest' because we are strongly of the view that it is unwise to run a business which has high levels of operational gearing with high levels of financial gearing. Given the above considerations, we believe that a Net Debt to EBITDA ratio of around one times is appropriate for the Group over the longer term. This is well within our covenants to lenders which stand at three times Net Debt to EBITDA.

At 31 December of 2020, Net Debt to EBITDA was 0.9* times (2019: 1.0* times).

* Calculation is on pages 159 to 160.

1 Accounting policies continued

The Group maintains sufficient facilities to meet its normal funding requirements over the medium term. At 31 December 2020, these facilities totalled £881 million in the form of committed bank facilities arranged on a bilateral basis with a number of international banks and private placement notes.

The financial covenants attached to these facilities are that EBITDA should be no less than four times interest and net debt should be no more than three times EBITDA. At 31 December 2020, these ratios were 12* times and 0.9* times. The Group does not expect to breach these covenants in the year from the date of approval of these financial statements.

The Group expects to be able to arrange sufficient finance to meet its future funding requirements. It has been the Group's custom and practice to refinance its facilities in advance of their maturity dates, providing that there is an ongoing need for those facilities. Net debt (including £90 million of a lease creditor) amounted to £380 million at 31 December 2020 and, at that date, undrawn committed facilities were £552 million. The maturity profile of the borrowings is detailed in Note 19 to the Accounts.

Interest rate risk

The Group's policy is to manage the exposure to interest rates by ensuring an appropriate balance of fixed and floating rates.

At 31 December 2020, £329 million of the gross debt of £397 million (excluding the lease creditor of £90 million) was at fixed rates of interest resulting in a fixed to floating rate net debt ratio of 83:17 (2019: 84:16).

The Group monitors its interest rate exposure on a regular basis by applying forecast interest rates to the Group's forecast net debt profile after taking into account its existing hedges.

The Group also calculates the impact on profit and loss of a defined interest rate shift for all currencies. Based on the simulations performed, the impact on profit or loss of a +/- 100 basis-point shift, after taking into account existing hedges, would be £1 million (2019: £1 million). The sensitivity analysis is performed on a monthly basis and is reported to the Board.

Foreign exchange risk

The Group is subject to currency exposure on the translation of its net investments in overseas subsidiaries into Sterling. In order to reduce the currency risk arising, the Group uses direct borrowings in the same currency as those investments.

Group borrowings are predominantly drawn down in the currencies affecting the Group. The Group manages its currency flows to minimise foreign exchange risk arising on transactions denominated in foreign currencies and uses forward contracts where appropriate in order to hedge net currency flows.

The impact of currency decreased our revenue by £56 million (2019: increased by £6 million) and decreased operating profit by £18 million (2019: decrease of £9 million) for the year ended 31 December 2020.

The Group monitors the impact of exchange closely and regularly carries out sensitivity analysis. For every 5% movement in the US Dollar to GBP exchange rate there is an approximate impact of £3 million (2019: £4 million) in operating profit in terms of translation.

Currency translation also gave rise to a £83 million decrease in reserves as a result of year on year movements in the exchange rates (2019: decrease of £75 million). For every 5% movement in the US Dollar, there is an approximate impact in equity of £17 million (2019: £24 million) arising from the currency translation of external borrowings which are being used as a net investment hedge. However, this will be offset by a corresponding movement in the equity of the net investment being hedged.

The principal exchange rates which impact the Group's profit and net assets are set out in the Financial Review on page 30.

Credit risk

Cash deposits and other financial instruments give rise to credit risk on amounts due from counterparties. The Group manages this risk by limiting the aggregate amounts and their duration depending on external credit ratings of the relevant counterparty. In the case of financial assets exposed to credit risk, the carrying amount in the balance sheet, net of any applicable provisions for loss, represents the amount exposed to credit risk.

Management of trade receivables

Refer to page 116.

Insurance

The Group operates a policy of buying cover against the material risks which the business faces, where it is possible to purchase such cover on reasonable terms. Where this is not possible, or where the risks would not have a material impact on the Group as a whole, we self-insure.

* Calculation is on pages 159 to 160.

2 Proceeds from sale of property, plant and equipment

In the cash flow statement, proceeds from sale of PPE comprise:

	2020 £ million	2019 £ million
Net book amount	3	11
Profit on sale of PPE	16	10
Proceeds from sale of PPE	19	21

Profit on sale of PPE is shown within other income in the income statement. Included within the £16 million profit on sale of PPE in 2020 is £3 million which was treated as an exceptional item (refer to Note 7).

3 Cash and cash equivalents

	2020 £ million	2019 £ million
Cash at bank and in hand	107	87
Bank overdrafts (Note 19)	(50)	(51)
Cash and cash equivalents	57	36

4 Segmental reporting

Effective 1 January 2020 the operational and management control of Mexico was transferred from Rental Solutions to Power Solutions Industrial. Accordingly, the comparative prior year figures have been restated. The impact was to reduce the previously stated Rental Solutions balances and results, and to correspondingly increase the Power Solutions Industrial balances and results, by the amounts shown below.

	2019 £ million
Revenue	10
Operating profit	1
Depreciation and amortisation	1
Net operating assets	12
Average number of employees	44
Non-current assets	4
Provision for impairment of receivables (Note 18)	3

(A) Revenue by segment

	External revenue	
	2020 £ million	2019 Restated £ million
Power Solutions		
Industrial	362	444
Utility	310	346
	672	790
Rental Solutions	693	823
Group	1,365	1,613

(i) Inter-segment transfers or transactions are entered into under the normal commercial terms and conditions that would also be available to unrelated third parties.
All inter-segment revenue was less than £1 million.

Disaggregation of revenue

In the tables below revenue is disaggregated by geography and by sector.

Revenue by geography

	2020 £ million	2019 Restated £ million
North America	430	496
UK	65	76
Continental Europe	140	176
Eurasia	64	73
Middle East	126	169
Africa	172	206
Asia	115	146
Australia Pacific	79	80
Latin America	174	191
	1,365	1,613

4 Segmental reporting continued

Revenue by sector

	31 December 2020				31 December 2019			
	PSI £ million	PSU £ million	RS £ million	Group £ million	PSI Restated £ million	PSU £ million	RS Restated £ million	Group £ million
Utilities	22	310	91	423	19	346	82	447
Oil & gas	141	–	77	218	173	–	144	317
Petrochemical & refining	17	–	119	136	17	–	157	174
Building services & construction	36	–	146	182	44	–	150	194
Events	27	–	28	55	58	–	69	127
Manufacturing	28	–	49	77	31	–	56	87
Mining	56	–	49	105	64	–	48	112
Other	35	–	134	169	38	–	117	155
	362	310	693	1,365	444	346	823	1,613

As part of our continued focus on our key sectors, which includes establishing consistent definitions to be used globally, we have identified three jobs in our Power Solutions Industrial business that should be reported through the petrochemical & refinery sector instead of the oil and gas sector. Accordingly, the comparative prior year figures have been restated. The impact was to reduce the previously stated oil & gas revenue by £9 million and to correspondingly increase the petrochemical & refining revenue by £9 million.

(B) Profit/(loss) by segment

	Total before exceptional items 2020 £ million	Exceptional items (Note 7) 2020 £ million	2020 £ million	2019 Restated £ million
Power Solutions				
Industrial	18	(40)	(22)	65
Utility	16	(110)	(94)	44
	34	(150)	(116)	109
Rental Solutions	102	(25)	77	132
Operating profit/(loss)	136	(175)	(39)	241
Finance costs – net	(34)	–	(34)	(42)
Profit/(loss) before taxation	102	(175)	(73)	199
Taxation	(46)	8	(38)	(70)
Profit/(loss) for the year	56	(167)	(111)	129

(C) Depreciation and amortisation by segment

	2020 £ million	2019 Restated £ million
Power Solutions		
Industrial	94	101
Utility	78	100
	172	201
Rental Solutions	112	122
Group	284	323

(D) Capital expenditure on property, plant and equipment and intangible assets by segment

	2020 £ million	2019 £ million
Power Solutions		
Industrial	68	80
Utility	68	78
	136	158
Rental Solutions	94	105
Group	230	263

Capital expenditure comprises additions of property, plant and equipment (PPE) of £224 million (including £20 million in relation to leased right-of-use assets) (2019: £255 million) and additions of intangible assets of £6 million (2019: £8 million).

4 Segmental reporting continued**(E) Assets/(liabilities) by segment**

	Assets		Liabilities	
	2020 £ million	2019 Restated £ million	2020 £ million	2019 Restated £ million
Power Solutions				
Industrial	678	781	(237)	(176)
Utility	653	828	(180)	(187)
	1,331	1,609	(417)	(363)
Rental Solutions	749	832	(86)	(81)
Group	2,080	2,441	(503)	(444)
Tax and finance assets/(liabilities) (Note (i))	68	65	(66)	(87)
Derivative financial instruments	2	1	(1)	(1)
Borrowings	–	–	(347)	(519)
Lease liability	–	–	(90)	(101)
Retirement benefit surplus	4	4	–	–
Total assets/(liabilities) per balance sheet	2,154	2,511	(1,007)	(1,152)

(i) This includes an interest payable of £1 million (2019: £9 million)

(F) Average number of employees by segment

	2020 Number	2019 Restated Number
Power Solutions		
Industrial	2,264	2,115
Utility	1,245	1,227
	3,509	3,342
Rental Solutions	2,899	2,862
Group	6,408	6,204

(G) Geographical information

	Non-current assets	
	2020 £ million	2019 Restated £ million
North America	266	290
UK	122	177
Continental Europe	148	140
Eurasia	57	69
Middle East	118	181
Africa	176	179
Asia	144	142
Australia Pacific	77	79
Latin America	148	194
	1,256	1,451

Non-current assets exclude deferred tax.

(H) Reconciliation of net operating assets to net assets

	2020 £ million	2019 £ million
Net operating assets	1,577	1,997
Retirement benefit surplus	4	4
Net tax and finance receivable/(payable)	2	(22)
	1,583	1,979
Borrowings and derivative financial instruments	(346)	(519)
Lease liability	(90)	(101)
Net assets	1,147	1,359

5 Profit before taxation

The following items have been included in arriving at profit before taxation:

	2020 £ million	2019 £ million
Staff costs (Note 8)	380	427
Depreciation of property, plant and equipment (Note 15)	278	315
Amortisation of intangibles (included in administrative expenses) (Note 14)	6	8
Fulfilment asset amortisation (Note 16)	36	24
Net gain on disposal of property, plant and equipment (Note 2)	(16)	(10)
Research costs	1	–
Net foreign exchange losses ⁽ⁱ⁾	–	4

(i) The translational impact of currency on the Group's revenue and profit is discussed in the Group Performance Review on page 30.

6 Auditor's remuneration

	2020 £000	2019 £000
Audit services		
Fees payable to the Company's auditor for the audit of the Company's annual accounts and consolidated financial statements	447	363
Fees payable to the Company's auditor and its associates for other services:		
– the audit of the Company's subsidiaries	1,184	1,079
– other assurance related services	64	48
– tax compliance	3	3

In addition to the above services, the Group's auditor acted as auditor to the Group's defined benefit pension scheme. The appointment of the auditor to this pension scheme and the fees paid in respect of the audit and for any other services are agreed by the Trustee of the scheme, who acts independently from the management of the Group. The aggregate fees paid to the Group's auditor for audit and non-audit services to the pension scheme during the year were £9k (2019: £8k).

7. Exceptional items

The Directors believe that the impact of the COVID-19 pandemic, the lower oil price and the consequent deterioration in the short to medium term economic outlook, as well as the acceleration in the transition to lower carbon technologies presents a potential impairment indicator for certain of the Group's assets and, as a result, we have carried out a detailed impairment review across all asset classes. We have concluded that the specific trigger for the potential impairment and the resulting impacts mentioned above was the World Health Organisation's declaration of the coronavirus outbreak as a pandemic on 11 March 2020.

Following our review of all of the Group's asset classes, there are four specific areas where we considered an impairment to be necessary, totalling £175 million, as summarised below:

- Trade and other receivables (£67 million)
- Property, plant & equipment (net of exceptional gain on sale of £3 million) (£55 million)
- Inventory (£36 million)
- Other intangible assets (£17 million)

The accounting policy and definition of exceptional items is contained in Note 1, namely that we believe exceptional items are items which individually or, if of a similar type, in aggregate, need to be disclosed by virtue of their size or incidence if the financial statements are to be properly understood. Given the size and nature of these impairment charges, both individually and in aggregate, they have been treated as 'exceptional items' in accordance with this policy. In addition, we have reported an exceptional tax credit in the year of £8 million. This comprises an exceptional tax credit of £15 million on expenses treated as exceptional items in the accounts, which are deductible for tax purposes in either the current or future periods, together with an exceptional write down of £7 million in relation to certain deferred tax assets. These deferred tax assets are no longer expected to be utilised in the foreseeable future due to the impact of COVID-19 and the lower oil price on certain of Aggreko's markets and customers, which have impacted our forecast taxable profit.

The exceptional impairment charge disclosed in our interim statement of £181 million has reduced to £175 million due to exchange rate movements (£3 million) and gain on sale of impaired property, plant & equipment (£3 million). There are no other changes to the impairment amounts.

There is no impact on cash flow from any of these exceptional impairment charges.

7. Exceptional items continued

Exceptional items by income statement category

	Trade & other receivables £ million	Property plant & equipment £ million	Inventory £ million	Other intangible assets £ million	Total exceptional items £ million
Cost of sales	–	58	36	–	94
Distribution costs	2	–	–	–	2
Administrative expenses	–	–	–	17	17
Impairment loss on trade receivables	65	–	–	–	65
Other income	–	(3)	–	–	(3)
	67	55	36	17	175

Exceptional items by segment

	Trade & other receivables £ million	Property plant & equipment £ million	Inventory £ million	Other intangible assets £ million	Total exceptional items £ million
Power Solutions					
Industrial	8	13	14	5	40
Utility	57	37	10	6	110
	65	50	24	11	150
Rental Solutions	2	5	12	6	25
Group	67	55	36	17	175

Trade and other receivables (£67 million)

COVID-19 and its impact on the wider economy, as stated above, has created cash flow, liquidity and, in some cases, future viability challenges for some of our customers in the most hard-hit sectors (e.g. oil & gas, events). Equally, for some of our larger, and mostly legacy, customers in Power Solutions Utility (PSU), access to hard currency and funding has become increasingly challenged for those whose governments rely on oil sales to generate foreign currency reserves. As a consequence, despite some signs of progress in recent years (and increased provisions where this has not been the case), it is our judgment that the more challenging outlook post COVID-19 for several of our larger PSU debtors is such as to require full impairment of our residual balance sheet exposure. Specifically, this has resulted in an impairment, across our PSU debtor book, of £57 million (comprising £56 million against trade receivables and £1 million against other receivables), primarily relating to legacy debts in parts of Africa, Venezuela, Yemen and Brazil. In addition, we have reviewed the trade receivables of all business units to identify specific customers whose ability to pay has been materially impacted by COVID-19 as well as the consequent fall in oil price. As a result of this review we have identified an impairment of £10 million across certain other specific debtors within Rental Solutions and Power Solutions Industrial, the majority of which operate in the oil & gas and events sectors. While we continue to pursue these debtor balances, we no longer consider their recovery probable given the customers' financial position.

At 31 December 2020, 90% of the total provision (including the above impairment of £56 million) across our PSU debtor book related to the top 15 debtors (December 2019: 87%). Among these debtors the Group had a net exposure, after taking into account provisions or payment securities/guarantees, of \$10-20 million to one customer (December 2019: three customers), a net exposure of \$5-10 million to three customers (December 2019: five customers) and a net exposure of less than \$5 million to each of the others. At 31 December 2020, there were no customers to whom the Group had a net exposure in excess of \$20 million (December 2019: two customers). Further detail can be found in Note 1 on page 116.

Property, plant & equipment (£55 million)

The combined effects of a sustained lower oil price environment and reduced economic activity as a result of COVID-19 have impacted the Group's growth expectations in the near term. While expert views continue to vary on the likely speed/shape of the economic recovery from the effects of COVID-19, there is increasing certainty over the short-term impact. This revised market outlook has dampened our internal growth expectations for the next few years. In the context of this reduced demand outlook, to establish the need for any impairment across the fleet we have first identified, at an individual fleet asset level, those items that have not been on hire over the past 12 months. With the prima facie assumption that there is unlikely to be stronger demand in the future, as compared with the recent past, for these particular assets, a review has been undertaken to determine whether there is any likelihood of these items going on hire, either from their current location or elsewhere in the Group, such that the item should be retained at full value with no impairment. Additionally, we have identified assets that are currently "stranded" in countries where, in the current social and economic climate, there is little/no likelihood of the fleet being put on hire. We have also reviewed the fleet for assets beyond economic repair in the current market, where demand for the fleet no longer supports the case for investment to return the fleet to a rental ready state.

In addition to a reduction in demand more generally, the COVID-19 crisis has caused an acceleration in the transition to lower carbon solutions and technologies. This acceleration, combined with the lower oil price which has narrowed the gap between the cost of diesel and HFO, has reduced the attractiveness of our HFO product specifically and we have therefore impaired the value of this fleet accordingly. In carrying out the impairment review on our HFO fleet, we have determined the recoverable amount by using 'value in use' calculations based on a discount rate of 8.9% which was the Group WACC at the time of the impairment.

We have recorded an exceptional gain on sale of £3 million (shown in Other income in the table above) on disposal of impaired fleet in the second half of 2020 which has been netted against the exceptional charge.

7. Exceptional items continued

Inventory (£36 million)

Consistent with the rationale and approach taken to the Group's fleet, we have reviewed the Group's inventory to determine the extent to which the projected fall in revenue creates a materially reduced need for the inventory, and a consequent need for impairment. We reviewed inventory for slow and non-moving items (with the time period reviewed for parts being the last 24 months and for cable, duct & hose being a 3-year average utilisation), with our prima facie assumption being that there is unlikely to be stronger demand in the future, as compared with the recent past, for these items. We considered whether there is any likelihood of these items being consumed, either at their current location or elsewhere in the Group, such that the items should be retained with no impairment. Additionally, we have identified items that are currently "stranded" alongside our "stranded" fleet, as identified above. Finally, we have reviewed our inventory for items beyond economic repair in the current market (where future demand no longer supports the case to repair them) and those relating to fleet that is now considered obsolete as a result of the acceleration in the energy transition.

Other intangible assets (£17 million)

As we have moved through the COVID-19 crisis, there is strong evidence of an acceleration of the transition to lower carbon solutions and technologies, with increased support for governments and businesses to place sustainability at the heart of the global recovery. It is against this changing market backdrop that we have reviewed in detail our capitalised development expenditure, highlighting several projects where, as a consequence of the faster energy transition to lower carbon technologies and renewables, the future demand for the products or applications no longer supports the capitalised development spend.

Impairment charge sensitivities

In determining the impairment charge detailed above, in addition to considering various independent external and internal data sources regarding the future economic outlook for the Group, management has exercised a significant level of commercial judgment. As a result, there is a wide range of potential outcomes.

Specifically, in terms of the amount relating to the Group's trade and other receivables, the debts are largely undisputed by our customers and our assessment is based on their ability, rather than their willingness, to pay. Consequently, as we will continue to pursue payment going forward, we may receive some monies in the future. Consistent with the initial impairment, any material receipts would be credited through the income statement as 'exceptional' items. Further, it should be noted that for the legacy PSU debts, against which we have recorded an impairment of £57 million, the Group was already holding a provision of £50 million at 31 December 2019 against these customers, reflecting our assessment of the risk of non-payment at that point. In terms of the potential need for further future impairment, we believe that the combination of continued good cash collections on our more current debts and the impact of the impairment on our more legacy debtors has significantly reduced the risk of a material bad debt exposure across the Group.

Regarding the property, plant and equipment impairment of £55 million, there are certain specific categories of assets that we have judged as impaired at March 2020, namely:

- Assets with a value of £9 million which have not been on hire in the past 12 months and are now considered unlikely to be put on rent anywhere across the Group due to reduced forecast demand were fully impaired. The fleet assets in PSU were reviewed on a line by line basis to determine whether there is any likelihood of these items going on hire, either from their current location or elsewhere in the Group, such that the item should be retained at full value with no impairment. To illustrate a range of potential sensitivities for the assets impaired in PSI/RS; if we had performed the review on assets which have not been on hire in the past 24 month the value impaired would have been £4 million less. We do not believe considering an off-hire period of shorter than 12 months is appropriate given the seasonal nature of the Group's activities.
- Assets with a value of £2 million currently "stranded" in countries where, in the current social and economic climate, there is little or no likelihood of the fleet being put on hire were fully impaired. While we may, in time, be able to move these assets or put them on hire given the value impaired any recovery would be immaterial.
- Assets with a value of £20 million which are deemed to be beyond economic repair in the current market, where demand for the fleet no longer supports the case for investment to return the fleet to a rental ready state. This review was conducted on an asset by asset basis and assessed the condition of the fleet, the estimated cost to repair and the economic conditions in the market in which that fleet would typically be rented.
- We have recorded an exceptional gain on sale of £3 million on disposal of impaired fleet in the second half of 2020 which has been netted against the exceptional charge. We may be able to recover some value in the future, in the form of sale proceeds or through the potential future hire of the equipment. We do not believe, however, that any such amounts would be material.
- Assets within our HFO fleet for which we now expect reduced demand due to the acceleration in the transition to lower carbon solutions and technologies, and for which the lower oil price reduces the customer benefit of the cost advantage of HFO over diesel. We reviewed the book value of fleet and fulfilment assets relating to ongoing HFO contracts for impairment using a 'value in use' calculation which we used to determine the recoverable amount. While the fulfilment assets were supported by cashflows from signed contracts we have recorded an impairment of £27 million against the book value of the fleet having considered the cash flows from existing signed contracts and our conversion expectations of the current pipeline of opportunities. Impairment of inventory and intangibles in relation to HFO is discussed in the relevant sections. There is clearly scope that these expectations prove to be either over, or under, optimistic, and therefore we will continue to keep the value of this fleet under review going forward. The residual net book value, after the impairment, of the Group's HFO fleet at 31 December 2020 is £49 million.
- The main sensitivities in the HFO fleet impairment relate to:
 - The discount rate used in the discounted cash flow model where we have used the Group WACC of 8.9% which was the Group WACC at the time of the impairment. An increase in the discount rate of 1pp would increase the impairment charge by £2.5 million, while a reduction in the discount rate by 1pp would reduce the impairment charge by £2.6 million.
 - The number of new projects converted from our sales pipeline, where we have based the number of new project wins, their timing and quantum on our view of what is reasonably probable in the pipeline. Within the pipeline there are a number of likely opportunities which are the same size, application and duration as existing contracts which allows us to estimate the likely cash flows. If we won one more project of a similar size to those projected the impairment charge would reduce by £7.6 million, if we won one less project then the impairment charge would increase by £7.6 million.
 - The duration of our existing contracts and whether these extend. We have currently assumed that our existing HFO projects will off-hire at the end of the current contract term based on our discussions to date with the customers. If the contracts extended by 1 year this would reduce the impairment charge by £9.7 million.

7. Exceptional items continued

Regarding the inventory impairment of £36 million there are certain specific categories of assets that we have judged as impaired at March 2020, namely;

- Inventory with a value of £3 million which is “stranded” in countries where, in the current social and economic climate, there is little or no likelihood of the inventory being used was fully impaired. While we may, in time, be able to move these assets or utilise them given the value impaired any recovery would be immaterial.
- Inventory with a value of £10 million which is obsolete or beyond economic repair. This review was conducted on an asset by asset basis and assessed what the inventory was to be used for, the condition of the inventory, the estimated cost to repair and the economic conditions in the market in which that inventory would typically be used. While we may be able to recover some value by selling this inventory for scrap we do not believe this will be material.
- Parts, net of existing provisions, with a value of £4 million which have not been used in the last 24 months. These parts were reviewed on a line by line basis and in our assessment there is unlikely to be stronger demand in the future, as compared with the recent past, for these items. We considered whether there is any likelihood of these items being consumed, either at their current location or elsewhere in the Group, such that the items should be retained with no impairment. To illustrate a range of potential sensitivities; if we had performed the review on parts which have not been used in the past 12 months the value impaired would have been £10 million higher. We do not believe considering a non-usage period of shorter than 12 months is appropriate given the seasonal nature of the Group's activities, while using a period of 24 months was chosen as a reasonable timeframe in which we would expect most inventory items to have been utilised given the seasonal nature of our business and the level of repeat customers.
- Cable, duct & hose with an average 3-year utilisation of less than 10% was impaired by 65% which led to an impairment of £12 million and with an average 3-year utilisation of between 10% and 30% was impaired by 33% which led to an impairment of £7 million.

The key sensitivities here relate to the levels of utilisation and the impairment percentage applied. With regard to the impairment charge applied to the cable, duct & hose with utilisation of less than 10% which was impaired by 65%, if the impairment charge was +/- 10pp then the impact on the impairment charge would have been +/- £2 million. A similar change in the impairment percentage applied to the assets with utilisation of between 10% and 30% would have led to a change in the impairment charge of +/- £3 million.

With regard to the levels of utilisation, if we had applied the same 65% impairment charge to cable, duct & hose with an average 3-year utilisation of less than 20% rather than 10% the impairment charge would have increased by £4 million.

If we had applied the same 33% impairment charge to cable, duct & hose with an average 3-year utilisation of between 20% and 50% rather than between 10% and 30% the impairment charge would have increased by £12 million.

We believe that the utilisation levels and impairment percentages applied are appropriate given the seasonal nature of the business and the cyclical nature of some of the key sectors in which we operate such as events, where some larger events occur on a bi-annual or four yearly cycle.

The inventory impairment covers items with a relatively low individual unit value and, therefore, while it is possible that some of the parts may be used in the future, the risk that this results in a significant understatement of costs going forward is considered to be immaterial. Equally, we do not believe that there is any prospect of material value being generated through the subsequent sale of any of the impaired inventory.

Finally, concerning the intangible assets impairment, this amount represents the full capitalised value of the respective development programmes, with an immaterial likelihood of any subsequent revaluation.

The sensitivities stated above are plausible, but we consider the reasonable probable sensitivities to be:

- HFO: An increase in the discount rate of 1pp: this would increase the impairment charge by £2.5 million
- Cable, duct & hose utilisation of less than 10% which was impaired by 65%: If the impairment charge was +/-10pp then the impairment charge would have been +/- £2 million
- Cable, duct & hose utilisation of between 10% and 30% If the impairment charge was +/-10pp then the impairment charge would have been +/- £3 million

Therefore we believe that a reasonably probable reduction in impairment could be £5 million and a reasonably probable increase in the impairment could be £7.5 million.

The exceptional impairment charge disclosed in our interim statement of £181 million has reduced to £175 million due to exchange rate movements (£3 million) and gain on sale of impaired property, plant & equipment (£3 million). There are no other changes to the impairment amounts.

With the exception of the HFO fleet assets and the Group's inventory (which we reviewed at a total fleet and part number level respectively), the above impairment review considered the assets within each class on an individual basis. Given this level of detail, we believe that the overall risk of a further impairment within these asset classes, or indeed the Group's other asset classes where an impairment has been made, is not material.

8 Employees and Directors

Staff costs for the Group during the year:

	2020 £ million	2019 £ million
Wages and salaries (including severance costs)	332	367
Social security costs	32	34
Share-based payments	(2)	11
Pension costs – defined contribution plans	16	13
Pension costs – defined benefit plans (Note 28.A4)	2	2
	380	427

Key management personnel compensation

Full details of the Directors' remuneration are set out in the Remuneration Report on pages 68 to 92. The key management comprises the Executive Committee as well as Non-executive Directors.

Key management compensation comprised the following:

	2020 £ million	2019 £ million
Short-term employee benefits	5	7
Share-based payments	1	2
	6	9

9 Net finance charge

	2020 £ million	2019 £ million
Finance cost on bank loans and overdrafts	(31)	(38)
Finance cost on lease liability (Note 20)	(5)	(5)
Finance cost on employee benefit scheme liabilities (Note 28.A4)	(2)	(3)
	(38)	(46)
Finance income on bank balances and deposits	2	1
Finance income on employee benefit scheme assets (Note 28.A4)	2	3
	4	4

10 Taxation

	Total before exceptional items 2020 £ million	Exceptional items (Note 7) 2020 £ million	2020 £ million	2019 £ million
Analysis of charge in year				
Current tax expense:				
– UK corporation tax	7	(1)	6	6
– Double tax relief	–	–	–	(1)
	7	(1)	6	5
– Overseas taxation	54	(2)	52	70
	61	(3)	58	75
Adjustments in respect of prior years:				
– UK	(9)	–	(9)	(2)
– Overseas	4	–	4	5
	56	(3)	53	78
Deferred taxation (Note 23):				
– Temporary differences arising in current year	(14)	(5)	(19)	(2)
– Movements in respect of prior years	4	–	4	(6)
	46	(8)	38	70

The tax charge relating to components of other comprehensive income is as follows:

	2020 £ million	2019 £ million
Deferred tax on retirement benefits	–	–
	–	–

Variances between the current tax charge and the standard 19% (2019: 19%) UK corporate tax rate when applied to profit on ordinary activities for the year are as follows:

	Total before exceptional items 2020 £ million	Exceptional items (Note 7) 2020 £ million	2020 £ million	2019 £ million
Profit/(loss) before taxation	102	(175)	(73)	199
Tax calculated at 19% standard UK corporate tax rate	19	(33)	(14)	38
Differences between UK and overseas tax rates	30	21	51	32
Expenses not tax effected	1	4	5	3
Income not subject to tax	(1)	–	(1)	(1)
Impact of deferred tax rate changes	(2)	–	(2)	1
Tax on current year profit/(loss)	47	(8)	39	73
Prior year adjustments – current tax	(5)	–	(5)	3
Prior year adjustments – deferred tax	4	–	4	(6)
Total tax on profit/(loss)	46	(8)	38	70
Effective tax rate	45%	(5%)	52%	35%

11 Dividends

	2020 £ million	2020 per share (p)	2019 £ million	2019 per share (p)
Final paid	–	–	45	17.74
Interim paid	13	5.00	24	9.38
	13	5.00	69	27.12

In addition, the Directors are proposing a final dividend in respect of the financial year ended 31 December 2020 of 10.00 pence per share which will utilise an estimated £26 million of Shareholders' funds. It will be paid on 20 May 2021 to shareholders who are on the register of members on 23 April 2021.

12 Earnings per share

Basic earnings per share have been calculated by dividing the earnings attributable to ordinary Shareholders by the weighted average number of shares in issue during the year, excluding shares held by the Employee Share Ownership Trusts which are treated as cancelled.

	2020	2019
(Loss)/profit for the year (£ million)	(110.6)	129.3
Weighted average number of Ordinary Shares in issue (million)	255.0	254.6
Basic earnings per share (pence)	(43.40)	50.80

For diluted earnings per share, the weighted average number of Ordinary Shares in issue is adjusted to assume conversion of all potentially dilutive Ordinary Shares. These represent share options granted to employees where the exercise price is less than the average market price of the Company's Ordinary Shares during the year. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options.

	2020	2019
(Loss)/profit for the year (£ million)	(110.6)	129.3
Weighted average number of Ordinary Shares in issue (million)	255.0	254.6
Adjustment for share options	1.7	0.4
Diluted weighted average number of Ordinary Shares in issue (million)	256.7	255.0
Diluted earnings per share (pence)	(43.40)	50.70

Given basic earnings per share in 2020 is a loss then the diluted earnings per share is reported as the same as basic earnings per share.

Aggreko plc assesses the performance of the Group by adjusting earnings per share, calculated in accordance with IAS 33, to exclude items it considers to be material and non-recurring as it believes that the exclusion of such items provides a better comparison of business performance. The calculation of earnings per Ordinary share on a basis which excludes exceptional items is based on the following adjusted earnings:

	2020	2019
(Loss)/profit for the year (£ million)	(110.6)	129.3
Exclude exceptional items (net of tax) (£ million)	166.5	–
Adjusted earnings (£ million)	55.9	129.3
Basic earnings per share pre-exceptional items (pence)	21.91	50.80
Diluted earnings per share pre-exceptional items (pence)	21.76	50.70

13 Goodwill

	2020 £ million	2019 £ million
Cost		
At 1 January	177	184
Exchange adjustments	(12)	(7)
At 31 December	165	177
Accumulated impairment losses	–	–
Net book value	165	177

Goodwill impairment tests

Goodwill has been allocated to cash-generating units (CGUs) as follows:

	2020 £ million	2019 £ million
Power Solutions		
Industrial	52	56
Utility	14	20
	66	76
Rental Solutions	99	101
Group	165	177

Goodwill is tested for impairment annually or whenever there is an indication that the asset may be impaired. As noted in Note 7 the Group carried out an impairment review of all assets at March 2020, including goodwill, and at that point no impairment was considered necessary. A further review of goodwill was carried out at 31 December 2020, as detailed below, and no impairment was considered necessary. Goodwill is monitored by management at an operating segment level. The recoverable amounts of the CGUs are determined from value in use calculations which use cash flow projections based on the five-year strategic plan approved by the Board and are discounted to present values using the Group WACC of 9.1% to account for the value of money and associated risk. The strategic plan approved by the Board is based on past performance, the opportunity pipeline, and management's best estimate of future market developments. The key assumptions for value in use calculations are those relating to expected changes in revenue (utilisation and rates) and the cost base, discount rates and long-term growth rates, are as follows:

	2020				2019			
	EBITDA pre- exceptional items £ million	Post-tax discount rate	Pre-tax discount rate	Long-term growth rate	EBITDA £ million	Post-tax discount rate	Pre-tax discount rate	Long-term growth rate
Power Solutions Industrial	112	9.1%	16.5%	2%	166	7.3%	11.2%	3%
Power Solutions Utility	94	9.1%	16.5%	2%	144	7.3%	11.2%	3%
Rental Solutions	214	9.1%	16.5%	2%	254	7.3%	11.2%	3%

Values in use were determined using current year cash flows and a prudent view of the medium-term business strategy. A terminal cash flow was calculated using a long-term growth rate of 2%. On the basis that the business carried out by all CGUs is closely related and assets can be redeployed around the Group as required, a consistent Group discount rate has been used for all CGUs.

As at 31 December 2020, based on internal valuations and using the key assumptions in the table above to calculate a base case scenario, management concluded that the values in use of the CGUs exceeded their net asset value with the highest headroom value being Rental Solutions at £1.2 billion and the lowest being Power Solutions Utility at £194 million. Reasonably possible downside sensitivities, where the long-term growth rate was reduced to 1%, were then carried out which resulted in a maximum headroom of £1 billion in Rental Solutions and a minimum headroom of £111 million in Power Solutions Utility. Given these headroom numbers the Directors consider that there is no reasonably possible change in the key assumptions made in their impairment assessment that would give rise to an impairment.

14 Other intangible assets

Year ended 31 December 2020

	Customer relationships and non-compete agreements £ million	Development expenditure £ million	Technology £ million	Total £ million
Cost				
At 1 January 2020	58	32	2	92
Additions	–	6	–	6
Disposals	–	–	(1)	(1)
Impairment – exceptional (Note 7)	–	(20)	–	(20)
Exchange adjustments	(4)	–	–	(4)
At 31 December 2020	54	18	1	73
Accumulated amortisation				
At 1 January 2020	46	3	2	51
Charge for the year	4	2	–	6
Disposals	–	–	(1)	(1)
Impairment – exceptional (Note 7)	–	(3)	–	(3)
Exchange adjustments	(3)	–	–	(3)
At 31 December 2020	47	2	1	50
Net book values				
At 31 December 2020	7	16	–	23
At 31 December 2019	12	29	–	41

Amortisation charges in the year have been recorded in administrative expenses.

Year ended 31 December 2019

	Customer relationships and non-compete agreements £ million	Development expenditure £ million	Technology £ million	Total £ million
Cost				
At 1 January 2019	58	24	3	85
Additions	–	8	–	8
Exchange adjustments	–	–	(1)	(1)
At 31 December 2019	58	32	2	92
Accumulated amortisation				
At 1 January 2019	42	–	1	43
Charge for the year	4	3	1	8
At 31 December 2019	46	3	2	51
Net book values				
At 31 December 2019	12	29	–	41
At 31 December 2018	16	24	2	42

Amortisation charges in the year have been recorded in administrative expenses.

15 Property, plant and equipment**Year ended 31 December 2020**

	Freehold properties £ million	Short leasehold properties £ million	Rental fleet £ million	Vehicles, plant and equipment £ million	Total £ million
Cost					
At 1 January 2020	183	22	3,528	231	3,964
Exchange adjustments	(3)	–	(175)	(11)	(189)
Additions (Note (ii))	6	–	186	32	224
Disposals (Note (iii))	(3)	(1)	(167)	(26)	(197)
Transfer to fulfilment assets	–	–	(4)	–	(4)
IFRS 16 remeasurements (Note (iv))	2	–	–	2	4
At 31 December 2020	185	21	3,368	228	3,802
Accumulated depreciation					
At 1 January 2020	59	16	2,589	134	2,798
Exchange adjustments	–	–	(133)	(1)	(134)
Charge for the year	22	1	227	28	278
Impairment ((Note (vi))	–	–	58	–	58
Disposals	(3)	(1)	(166)	(24)	(194)
At 31 December 2020	78	16	2,575	137	2,806
Net book values:					
At 31 December 2020	107	5	793	91	996
At 31 December 2019	124	6	939	97	1,166

(i) The net book value of assets capitalised in respect of leased right-of-use assets at 31 December 2020 is £85 million.

(ii) Additions of £224 million include £20 million in relation to leased right-of-use-assets.

(iii) Disposals include £6 million of cost and £6 million of depreciation in relation to leased right-of-use assets.

(iv) Remeasurements represent amendments to the terms of existing leases which are prospectively applied.

(v) Assets in the course of construction total £18 million (2019: £39 million).

(vi) Further information about the impairment can be found in Note 7.

Year ended 31 December 2019

	Freehold properties £ million	Short leasehold properties £ million	Rental fleet £ million	Vehicles, plant and equipment £ million	Total £ million
Cost					
At 1 January 2019	92	23	3,612	168	3,895
Exchange adjustments	(5)	(2)	(112)	(2)	(121)
Transition to IFRS 16	75	–	–	29	104
Additions (note (ii))	17	1	189	48	255
Disposals (note (iii))	(2)	–	(161)	(10)	(173)
IFRS 16 remeasurements (note (iv))	6	–	–	(2)	4
At 31 December 2019	183	22	3,528	231	3,964
Accumulated depreciation					
At 1 January 2019	40	16	2,555	115	2,726
Exchange adjustments	–	(1)	(79)	(1)	(81)
Charge for the year	21	1	265	28	315
Disposals	(2)	–	(152)	(8)	(162)
At 31 December 2019	59	16	2,589	134	2,798
Net book values:					
At 31 December 2019	124	6	939	97	1,166
At 31 December 2018	52	7	1,057	53	1,169

(i) The net book value of assets capitalised in respect of leased right-of-use assets at 31 December 2019 is £98 million.

(ii) Additions of £255 million include £25 million in relation to leased right-of-use-assets.

(iii) Disposals include £1 million of cost and £1 million of depreciation in relation to leased right-of-use assets.

(iv) Remeasurements represent amendments to the terms of existing leases which are prospectively applied.

(v) Assets in the course of construction total £39 million (2018: £49 million).

16 Fulfilment assets

	2020 £ million	2019 £ million
Balance at 1 January	86	44
Capitalised in period	87	66
Transfer from property, plant and equipment	4	–
Provision created for future demobilisation costs	5	3
Amortised to the income statement	(36)	(24)
Exchange	(10)	(3)
Balance at 31 December	136	86
Analysis of fulfilment assets		
Current	77	32
Non-current	59	54
Total	136	86

17 Inventories

	2020 £ million	2019 £ million
Raw materials and consumables	178	214
Work in progress	4	2
	182	216

The cost of inventories recognised as an expense within cost of sales amounted to £81 million (2019: £81 million). The write down of inventories to net realisable value amounted to £42 million, £36 million of which relates to the exceptional impairment (refer to Note 7) (2019: £4 million).

18 Trade and other receivables

	2020 £ million	2019 £ million
Trade receivables	425	529
Less: provision for impairment of receivables	(151)	(85)
Trade receivables – net	274	444
Prepayments	35	45
Accrued income	113	124
Other receivables (Note (ii))	40	46
Total receivables	462	659

- (i) Material amounts included in other receivables include taxes receivable (such as sales taxes) of £22 million (2019: £23 million) and deposits of £5 million (2019: £6 million). At 31 December 2019 other receivables also included the fair value of private placement notes with one customer in Venezuela (PDVSA) of £1 million. At 31 December 2020 the fair value of these notes is zero. Information regarding exceptional impairment losses recognised during the period can be found in Note 7.
- (ii) The value of trade and other receivables quoted in the table above also represents the fair value of these items. The carrying amounts of the Group's trade and other receivables are denominated in the following currencies:

	2020 £ million	2019 £ million
Sterling	27	20
Euro	77	84
US Dollar	219	347
Other currencies	139	208
	462	659

Movements on the Group's provision for impairment of trade receivables are as follows:

	2020 £ million	2019 £ million
At 1 January	85	85
Net provision for receivables impairment	17	7
Net provision for receivables impairment – exceptional	65	–
Utilised	(3)	(2)
Receivables written off during the year as uncollectable	(4)	(3)
Exchange	(9)	(2)
At 31 December	151	85

18 Trade and other receivables continued

Credit quality of trade receivables

The table below analyses the total trade receivables balance per operating segment into fully performing, past due and impaired.

Concentrations of credit risk are limited in the Rental Solutions and Power Solutions Industrial businesses due to the Group's large number of internationally dispersed customers. Disclosures in relation to concentration of credit risk in the Power Solutions Utility business are set out in Note 1 on page 116.

	Fully performing £ million	Past due £ million	Impaired £ million	Total £ million
31 December 2020				
Power Solutions				
Industrial	22	56	22	100
Utility	7	67	115	189
	29	123	137	289
Rental Solutions	72	50	14	136
Group	101	173	151	425
	Fully performing Restated £ million	Past due Restated £ million	Impaired Restated £ million	Total Restated £ million
31 December 2019				
Power Solutions				
Industrial	57	63	15	135
Utility	26	141	61	228
	83	204	76	363
Rental Solutions	91	66	9	166
Group	174	270	85	529

The transfer of the operational and management control of Mexico from Rental Solutions to Power Solutions Industrial (Note 4) has reduced Rental Solutions trade receivables by £6 million and increased the Power Solutions Industrial by £6 million at 31 December 2019.

Ageing of gross trade receivables and the provision for impairment

31 December 2020

Group	Weighted average total loss rate	Gross trade receivables £ million	Provision – Matrix approach £ million	Provision – Specific approach £ million	Net trade receivables £ million
Not past due	0.7%	101	–	–	101
1-30 days past due	2.1%	62	(1)	(1)	60
31-60 days past due	3.3%	42	(1)	(1)	40
61-90 days past due	2.8%	16	–	–	16
91-180 days past due	16.8%	28	(1)	(3)	24
181-365 days past due	57.2%	32	(2)	(16)	14
366- 730 days past due	65.9%	54	(2)	(34)	18
More than 730 days past due	98.8%	90	(5)	(84)	1
		425	(12)	(139)	274

The £12 million provision based on the matrix approach is split into Rental Solutions (£10 million) and Power Solutions Industrial (£2 million).

This is analysed by business unit as follows

	PSI				PSU			
	Weighted average total loss rate	Gross trade receivables £ million	Provision £ million	Net trade receivables £ million	Weighted average total loss rate	Gross trade receivables £ million	Provision £ million	Net trade receivables £ million
Not past due	0.5%	22	–	22	1.4%	7	–	7
1-30 days past due	0.7%	19	–	19	6.4%	14	(1)	13
31-60 days past due	2.7%	15	–	15	4.9%	15	(1)	14
61-90 days past due	3.3%	4	–	4	1.1%	7	–	7
91-180 days past due	14.4%	9	(1)	8	7.1%	14	(1)	13
181-365 days past due	54.7%	10	(5)	5	55.5%	16	(9)	7
366- 730 days past due	64.2%	13	(9)	4	65.2%	37	(24)	13
More than 730 days past due	90.6%	8	(7)	1	100.0%	79	(79)	–
		100	(22)	78		189	(115)	74

18 Trade and other receivables continued

31 December 2020 continued

	RS			
	Weighted average total loss rate	Gross trade receivables £ million	Provision £ million	Net trade receivables £ million
Not past due	0.7%	72	–	72
1-30 days past due	1.0%	29	(1)	28
31-60 days past due	2.0%	12	(1)	11
61-90 days past due	5.0%	5	–	5
91-180 days past due	49.4%	5	(2)	3
181-365 days past due	66.4%	6	(4)	2
366- 730 days past due	79.4%	4	(3)	1
More than 730 days past due	92.7%	3	(3)	–
		136	(14)	122

31 December 2019

Group	Weighted average total loss rate	Gross trade receivables £ million	Provision – Matrix approach £ million	Provision – Specific approach £ million	Net trade receivables £ million
Not past due	0.1%	175	(1)	–	174
1-30 days past due	0.2%	70	(1)	–	69
31-60 days past due	0.3%	42	(1)	–	41
61-90 days past due	0.1%	23	(1)	–	22
91-180 days past due	8.3%	42	(5)	(1)	36
181-365 days past due	29.5%	35	(4)	(5)	26
More than 365 days past due	50.2%	142	(11)	(55)	76
		529	(24)	(61)	444

This is analysed by business unit as follows

	PSI				PSU			
	Weighted average total loss rate	Gross trade receivables £ million	Provision £ million	Net trade receivables £ million	Weighted average total loss rate	Gross trade receivables £ million	Provision £ million	Net trade receivables £ million
Not past due	0.1%	57	–	57	0.2%	26	–	26
1-30 days past due	0.2%	18	–	18	1.2%	17	–	17
31-60 days past due	0.3%	11	–	11	1.0%	15	–	15
61-90 days past due	0.1%	5	–	5	5.1%	10	–	10
91-180 days past due	8.3%	11	(1)	10	4.6%	23	(1)	22
181-365 days past due	29.5%	14	(3)	11	23.9%	17	(5)	12
More than 365 days past due	50.2%	19	(11)	8	45.1%	120	(55)	65
		135	(15)	120		228	(61)	167

	RS			
	Weighted average total loss rate	Gross trade receivables £ million	Provision £ million	Net trade receivables £ million
Not past due	0.7%	92	(1)	91
1-30 days past due	0.4%	35	(1)	34
31-60 days past due	3.2%	16	(1)	15
61-90 days past due	6.8%	8	(1)	7
91-180 days past due	48.1%	8	(4)	4
181-365 days past due	16.3%	4	(1)	3
More than 365 days past due	84.5%	3	–	3
		166	(9)	157

The Group seeks to secure advance payments and guarantees and as at 31 December 2020 these amounted to £49 million (advance payments: £21 million; guarantees: £28 million). In determining the Expected Credit Loss (as explained in the trade receivables accounting policy on page 116) one of the factors taken into account of is the level of security obtained as we consider that the security obtained is effective in mitigating credit risk. The Group assesses credit quality as explained below:

18 Trade and other receivables continued

Power Solutions – Industrial

This is a transaction intensive business and the majority of the contracts in this business are small relative to the size of the Group. There is no concentration of credit risk in this business and there is a large number of customers who are unrelated and internationally dispersed.

The management of trade receivables is the responsibility of the operating units, although they report monthly to Group on debtor days, debtor ageing and significant outstanding debts. At an operating unit level a credit rating is normally established for each customer based on ratings from external agencies. Where no ratings are available, cash in advance payment terms are often established for new customers. Credit limits are reviewed on a regular basis. Receivables written off during the year as uncollectable as a percentage of total gross debtors was 2% (2019: 1%). As explained in Note 7 there was a £7 million exceptional impairment in the year. (There was also a £1 million impairment against other receivables).

Power Solutions – Utility

This business concentrates on medium to very large contracts. Customers are mainly state owned utilities in emerging markets.

In many instances these contracts are in jurisdictions where payment practices can be unpredictable. The Group monitors the risk profile and debtor position of all such contracts regularly, and deploys a variety of techniques to mitigate the risks of delayed or non-payment; including securing advance payments, bonds and guarantees. On the largest contracts, all such arrangements are approved at a Group level. Contracts are reviewed on a case by case basis to determine the customer and country risk.

The total trade receivables balance as at 31 December 2020 for our Power Solutions Utility business was £189 million (2019: £228 million). Within this balance, receivable balances totalling £49 million (2019: £52 million) had some form of payment cover attached to them. This payment cover guards against the risk of customer default rather than the risk associated with customer disputes. The risk associated with the remaining £140 million (2019: £176 million) is deemed to be either acceptable or payment cover is not obtainable in a cost-effective manner. As explained in Note 7 there was a £56 million exceptional impairment in the year.

Rental Solutions

This business is similar to the Power Solutions Industrial business above and the management of trade receivables is similar. Receivables written off during the year as uncollectable as a percentage of total gross debtors was 2% (2019: 1%). As explained in Note 7 there was a £2 million exceptional impairment in the year.

19 Borrowings

	2020 £ million	2019 £ million
Non-current		
Bank borrowings	–	33
Private placement notes	329	478
	329	511
Current		
Bank overdrafts	50	51
Bank borrowings	18	8
	68	59
Total borrowings	397	570
Cash at bank and in hand	(107)	(87)
Lease liability	90	101
Net borrowings	380	584

Overdrafts and borrowings are unsecured.

(i) Maturity of financial liabilities

The maturity profile of the borrowings was as follows:

	2020 £ million	2019 £ million
Within 1 year, or on demand	68	59
Between 1 and 2 years	–	138
Between 2 and 3 years	–	10
Between 3 and 4 years	109	–
Between 4 and 5 years	–	146
Greater than 5 years	220	217
	397	570

19 Borrowings continued

(ii) Borrowing facilities

The Group has the following undrawn committed floating rate borrowing facilities available at 31 December 2020 in respect of which all conditions precedent had been met at that date:

	2020 £ million	2019 £ million
Expiring within 1 year	87	69
Expiring between 1 and 2 years	50	81
Expiring between 2 and 3 years	305	201
Expiring between 3 and 4 years	110	50
Expiring between 4 and 5 years	–	115
	552	516

20 Leases

(i) Amounts recognised in the balance sheet

Property, plant and equipment comprise owned and leased assets.

	2020 £ million	2019 £ million
Property, plant and equipment owned	911	1,068
Right-of-use assets	85	98
	996	1,166

The Group leases many assets including land and buildings, vehicles and machinery. Information about leases for which the Group is a lessee is presented below.

Right-of-use assets

31 December 2020

	Freehold properties £ million	Vehicles, plant & equipment £ million	Total £ million
Net book value at 1 January 2020	75	23	98
Additions for the year	6	14	20
Remeasurements	2	2	4
Depreciation charge for year	(22)	(13)	(35)
Exchange adjustments	(1)	(1)	(2)
Net book value at 31 December 2020	60	25	85

Right-of-use assets

31 December 2019

	Freehold properties £ million	Vehicles, plant & equipment £ million	Total £ million
Net book value at 1 January 2019	75	29	104
Additions for the year	16	9	25
Remeasurements	6	(2)	4
Depreciation charge for year	(18)	(12)	(30)
Exchange adjustments	(4)	(1)	(5)
Net book value at 31 December 2019	75	23	98

Lease liabilities

	2020 £ million	2019 £ million
Maturity analysis – contractual undiscounted cash flows		
Less than one year	34	35
One to five years	56	63
More than five years	20	23
Total undiscounted lease liabilities at 31 December	110	121
Impact of discounting	(20)	(20)
Lease liabilities included in the balance sheet	90	101
Current	32	33
Non-current	58	68

(ii) Amounts recognised in the income statement

	2020 £ million	2019 £ million
Depreciation charge of right-of-use assets		
Freehold property	22	18
Vehicles, plant & equipment	13	12
	35	30
Interest on lease liabilities	5	5
Expenses relating to short-term leases	10	4

The short-term lease commitments are not dissimilar to the short-term lease expense in the year.

20 Leases continued

(iii) Amounts recognised in the statement of cash flows

	2020 £ million	2019 £ million
Total cash outflow for leases	38	36

This £38 million is included in the cash flow statement with £33 million included within cash flows from financing activities and £5 million included in interest paid within net cash generated from operating activities.

21 Trade and other payables

	2020 £ million	2019 £ million
Trade payables	90	106
Trade payables – supplier factoring facility	2	3
Other taxation and social security payable	19	17
Other payables	70	106
Accruals	128	96
Deferred income	130	60
	439	388

The value of trade and other payables quoted in the table above also represents the fair value of these items.

The Group participates in a supply chain finance programme under which its suppliers may elect to receive early payment of their invoice from a bank by factoring their receivable from the Group. Under the arrangement, a bank agrees to pay amounts to a participating supplier in respect of invoices owed by the Group and receives settlement from the Group at a later date. The principal purpose of this programme is to facilitate efficient payment processing and enable the willing suppliers to sell their receivables due from the Group to a bank before their due date. From the Group's perspective, the arrangement does not significantly extend payment terms beyond the normal terms agreed with other suppliers that are not participating. The Group does not incur any additional interest towards the bank on the amounts due to the suppliers.

The Group has not derecognised the original liabilities to which the arrangement applies because neither a legal release was obtained, nor the original liability was substantially modified on entering into the arrangement. The Group discloses the amounts factored by suppliers within trade payables because the nature and function of the financial liability remain the same as those of other trade payables, but discloses disaggregated amounts in the notes.

The payments to the bank are included within operating cash flows because they continue to be part of the normal operating cycle of the Group and their principal nature remains operating, i.e. payments for the purchase of goods and services. The payments to a supplier by the bank are considered non-cash transactions and amounted to £20 million (2019: £4 million).

We have undrawn bank facilities to cover a withdrawal of the supply chain finance programme.

22 Demobilisation provision

	2020 £ million	2019 £ million
Balance at 1 January	14	11
New provisions	12	9
Utilised	(10)	(6)
Exchange	(1)	–
Balance at 31 December	15	14
Analysis of demobilisation provision		
Current	6	5
Non-current	9	9
Total	15	14

23 Deferred tax

31 December 2020

	At 1 January 2020 £ million	Credit to income statement 2020 £ million	Exchange differences 2020 £ million	At 31 December 2020 £ million
Fixed asset temporary differences	(46)	13	(8)	(41)
Retirement benefit obligations	(1)	–	–	(1)
Overseas tax on unremitted earnings	(1)	1	–	–
Tax losses	25	1	–	26
Other temporary differences	31	–	1	32
	8	15	(7)	16

31 December 2019

	At 1 January 2019 £ million	Credit/(debit) to income statement 2019 £ million	Exchange differences 2019 £ million	At 31 December 2019 £ million
Fixed asset temporary differences	(44)	–	(2)	(46)
Retirement benefit obligations	–	(1)	–	(1)
Overseas tax on unremitted earnings	(1)	–	–	(1)
Tax losses	30	(5)	–	25
Other temporary differences	17	14	–	31
	2	8	(2)	8

A deferred tax liability of £nil (2019: £1 million) has been recognised in respect of unremitted earnings.

No deferred tax liability has been recognised in respect of unremitted earnings of subsidiaries. It is likely that the majority of the overseas earnings will qualify for the UK dividend exemption and the Group can control the distribution of dividends by its subsidiaries. In some countries, local tax is payable on the remittance of a dividend. The aggregate value of such potential taxable temporary differences is £255 million and were dividends to be remitted from these countries, the additional tax payable would be £13 million.

The movements in deferred tax assets and liabilities (prior to offsetting of balances within the same jurisdiction as permitted by IAS 12) during the period are shown below. Deferred tax assets and liabilities are only offset where there is a legally enforceable right of offset and there is an intention to settle the balances net.

Deferred tax assets are recognised to the extent that the realisation of the related deferred tax benefit through future taxable profits is probable based on current forecasts. The Group did not recognise deferred tax assets of £42 million (2019: £39 million) of which £36 million (2019: £38 million) relates to carried forward tax losses and £6 million (2019: £1 million) relates to fixed asset timing differences as our forecasts indicate that these assets will not reverse in the near future.

Deferred tax assets of £39 million (2019: £13 million) have been recognised in respect of entities which have suffered a post exceptional loss in either the current or preceding period. Deferred tax assets have been recognised on the basis it is probable there will be future taxable profits against which they can be utilised based on current forecasts and secured long term contracts. The majority of these assets can be carried forward indefinitely.

Deferred tax assets and liabilities

	31 December 2020			31 December 2019		
	Assets £ million	Liabilities £ million	Net £ million	Assets £ million	Liabilities £ million	Net £ million
Fixed asset temporary differences	16	(57)	(41)	21	(67)	(46)
Retirement benefit obligations	–	(1)	(1)	–	(1)	(1)
Overseas tax on unremitted earnings	–	–	–	–	(1)	(1)
Tax losses	26	–	26	25	–	25
Other temporary differences	35	(3)	32	32	(1)	31
Total	77	(61)	16	78	(70)	8
Offset of deferred tax positions	(30)	30	–	(34)	34	–
Net deferred tax	47	(31)	16	44	(36)	8

The net deferred tax asset due after more than one year is £16 million (2019: £8 million).

24 Share capital

	2020 Number of shares	2020 £000	2019 Number of shares	2019 £000
(i) Ordinary Shares of 4³²⁹/₃₉₅ pence (2019: 4³²⁹/₃₉₅ pence)				
At 1 January and 31 December	256,128,201	12,378	256,128,201	12,378
(ii) Deferred Ordinary Shares of 6¹⁸/₂₅ pence (2019: 6¹⁸/₂₅ pence)				
At 1 January and 31 December	182,700,915	12,278	182,700,915	12,278
(iii) Deferred Ordinary Shares of 1⁷⁷⁵/₇₇₅ pence (2019: 1⁷⁷⁵/₇₇₅ pence)				
At 1 January and 31 December	18,352,057,648	237	18,352,057,648	237
(iv) Deferred Ordinary Shares of 9⁸⁴/₇₇₅ pence (2019: 9⁸⁴/₇₇₅ pence)				
At 1 January and 31 December	188,251,587	17,147	188,251,587	17,147
(v) Deferred Ordinary Shares of 1³⁰⁶/₁₂₅ pence (2019: 1³⁰⁶/₁₂₅ pence)				
At 1 January and 31 December	573,643,383,325	19	573,643,383,325	19
Total		42,059		42,059

The rights and obligations attached to shares is described on pages 93 to 94.

25 Treasury shares

	2020 £ million	2019 £ million
Treasury shares	(6)	(13)

Interests in own shares represents the cost of 768,749 of the Company's Ordinary Shares (nominal value 4³²⁹/₃₉₅ pence). Movement during the year was as follows:

	2020 Number of shares	2019 Number of shares
1 January	1,611,875	1,949,676
Purchase of shares	–	510,082
Deferred shares and restricted stock	(820,506)	(835,050)
Sharesave maturity expenses	(22,620)	(12,833)
31 December	768,749	1,611,875

These shares represent 0.3% of issued share capital as at 31 December 2020 (2019: 0.6%).

These shares were acquired by a Trust in the open market using funds provided by Aggreko plc to meet obligations under the Long-term Incentive Plan and Aggreko Sharesave Plans. The costs of funding and administering the scheme are charged to the income statement of the Company in the period to which they relate. The market value of the shares at 31 December 2020 was £5 million (2019: £13 million).

26 Capital commitments

	2020 £ million	2019 £ million
Contracted but not provided for (property, plant and equipment)	26	39

27 Investments in subsidiaries

The subsidiary undertakings of Aggreko plc at 31 December 2020, and the main countries in which they operate, are shown below. All companies are wholly owned and, unless otherwise stated, incorporated in the UK or in the principal country of operation and are involved in the supply of modular, mobile power, heating, cooling and related services.

All shareholdings are of Ordinary Shares or other equity capital.

Company	Country of incorporation	Registered address
Aggreko Angola Lda	Angola	Rua 21 Jan, Qunintalao Escola de Enfermagem, Bairro Morro Bento III, District of Samba, Luanda, Angola
Aggreko Argentina S.R.L.	Argentina	465, 2D, Av. L.N. Alem, Buenos Aires, 1001, Argentina
Aggreko Aruba VBA	Aruba	Weststraat 13, Aruba
Aggreko Generators Rental Pty Limited	Australia	101, Woodlands Drive, Braeside, VIC, 3195, Australia
Aggreko Bangladesh Power Solutions Limited	Bangladesh	Concord Baksh Tower, Level-6, Plot-11A, Road-48, Block-CWN(A), Kamal Ataturk Avenue, Gulshan-2, Dhaka, Bangladesh
Aggreko Bangladesh Energy Solutions Limited	Bangladesh	Concord Baksh Tower, Level-6, Plot-11A, Road-48, Block-CWN(A), Kamal Ataturk Avenue, Gulshan-2, Dhaka, Bangladesh
Aggreko Belgium NV	Belgium	7, Smallandlaan, Antwerpen, 2660, Belgium
Aggreko Energia Locacao de Geradores Ltda	Brazil	3500, Av. das Américas, – Ed Toronto 2000 – 6º Andar – Barra da Tijuca, Rio de Janeiro, 22640-102, Brazil
Aggreko Cameroon LTD	Cameroon	Centre des Affaires Flatters, Rue Flatters, BP 4999, Bonanjo, Doula, Cameroon
Aggreko Canada Inc	Canada	199, Bay Street, Suite 2800, Commerce Court West, Toronto, ON, M5L1A9, Canada
Aggreko Financial Holdings Limited +	Cayman Islands	89, Nexus Way, Camana Bay, PO Box 31106, Grand Cayman, KY1-1205, Cayman Islands
Aggreko Chile Limitada	Chile	Galvarino 9450, Parque Industrial Buenaventura, Quilicura, Region Metropolitana, Santiago, Chile
Aggreko Events Services (Shanghai) Limited	China	Building 16, No 99 HuaJia Road, SongJiang District, Shanghai, 201611, China
Aggreko Colombia SAS	Colombia	Parque Industrial Gran Sabana Vereda Tibitoc Lote M Unidad 67-A, Tocancipa, Colombia
Aggreko Power Solutions Colombia SA ESP	Colombia	Parque Industrial Gran Sabana, Carretera Snrto Zipaquirá Lote 67, Tocancipa – Cundinamarca, Colombia
Aggreko DRC S.A.R.L.	Congo	50, Avenue Goma- Commune de la Gombe, Kinshasa
Aggreko Cote d'Ivoire SARL	Cote d'Ivoire	Vridi Canal – Base Centrale thermique à gaz, Abidjan, Cote d'Ivoire
Aggreko Curacao B.V.	Curacao	Hoogstraat 30, PO Box 3961, Curacao
Aggreko (Middle East) Limited**	Cyprus	3 Themistokli Dervi, Julia House, P.C. 1066, Nicosia, Cyprus
Aggreko Denark ApS	Denmark	Rådhuspladsen 4, 4. 1550 København V
Aggreko Dominican Republic SRL	Dominican Republic	Paseo de los Locutores No. 53, Santo Domingo, Dominican Republic
Aggreko Energy Ecuador CIA.LTDA	Ecuador	E 2324, Rumipamba y Av. Amazonas, Quito, NA, Ecuador
Aggreko Finland Oy	Finland	Hatanpaan Valtatie 13, Tampere, Finland
Aggreko France SARL	France	5, Rue Boole, Saint-Michel sur Orge, 91240, France
Aggreko Gabon S.A.R.L.	Gabon	Residence Du Golf, Libreville, BP: 4568, Gabon
Aggreko Deutschland GmbH	Germany	Barbarastraße 62, 46282 Dorsten, Germany
Younicos GmbH	Germany	Am Studio 16, 12489 Berlin, Germany
Aggreko Guinea SARLU	Guinea	Manquepas, Commune de Kaloum-Conakry, Conakry, Guinea
Aggreko Hong Kong Limited	Hong Kong	Lots 1845 and 1846 in DD125 Ho Tsuen, Yuen Long, N.T. Hong Kong, SAR, 00852, Hong Kong
Aggreko Energy Rental India Private Limited +++	India	"The Chambers", Office No 501, Plot No 4/12/13, Viman Nagar, Pune, 411014, India
Aggreko Energy Services Indonesia PT	Indonesia	Talavera Tower Lantai 5 Talavera Office Park, Jl. Letjend TB Simatupang Kav 22 – 26, Cilandak Barat Cilandak, Jakarta Selatan, DKI Jakarta 12430
PT Kertabumi Teknindo	Indonesia	Talavera Tower Lantai 5 Talavera Office Park, Jl. Letjend TB Simatupang Kav 22 – 26, Cilandak Barat Cilandak, Jakarta Selatan, DKI Jakarta 12430
Aggreko Ireland Ltd	Ireland	Riverside One, Sir John Rogerson's Quay, Dublin 2, D02 X576, Ireland
Aggreko Italia S.R.L.	Italy	29, Via A. Einstein, Assago (MI), 20090, Italy
Aggreko Japan Limited	Japan	4F, Ace Kudan Building, 2-2-1 Kudan-Minami, Chiyoda-ku, Tokyo, Japan
Aggreko Events Services Japan Ltd	Japan	4F, Ace Kunda Building, 2-2-1 Kudan-Minami, Chiyoda-ku, Tokyo, Japan
Aggreko Kazakhstan LLP	Kazakhstan	Building 14/2, Oteshkaly Atambayev street, Atyrau city, Atyrau region, Republic of Kazakhstan
Aggreko Kenya Energy Rentals Limited	Kenya	Plot 12100, Tulip House, Mombasa Road, P.O. Box 10729, 00100, Nairobi, Kenya
Aggreko Malaysia SDN BHD	Malaysia	Level 8 Symphony House Berhad Pusat Dagangan Dana 1 Jalan PJU 1A/46, Petaling Jaya, 47301, Malaysia
Aggreko Mali S.A.R.L.	Mali	Bamako-Lafiabougou ACI 2000, Immeuble Samassa, 1 Etage, porte 02
Aggreko Mauritania SARL	Mauritania	Tevragh Zeina, Lot ZRB, Villa No 225, Avenue Mactar Daddah, Nouakchott
Aggreko Africa Limited	Mauritius	co/o Abax Corporate Services Ltd, 6th Floor, Tower A, 1 CyberCity, Mauritius
Aggreko Energy Mexico SA de CV	Mexico	8, Carretera Coacalco Tultepec, Estado de Mexico, 55717, Mexico
Aggreko Services Mexico SA de CV	Mexico	8, Carretera Coacalco Tultepec, Estado de Mexico, 55717, Mexico

27 Investments in subsidiaries continued

Company	Country of incorporation	Registered address
Aggreko SA de CV ++++	Mexico	Mar Cantabrico No. 20, Co. Popotla C.P. 11400, Mexico, D.F., Mexico
Aggreko Mocambique Limitada	Mozambique	7 Andar, Av. 24 de Julho, No 7, Bairro Polana Cimento, Distrito Urbano 1, Maputo, Mozambique
Aggreko Myanmar Co Limited	Myanmar	No. 112 (First Floor), 49th Street, Pazundaung Township, Yangon, Myanmar
Aggreko Namibia Energy Rentals (Proprietary) Limited	Namibia	344 Independence Avenue, Windhoek, Namibia
Aggreko (NZ) Limited	New Zealand	Level 8, 188 Quay Street, Auckland, 1010, New Zealand
Aggreko Projects Limited	Nigeria	27 Festival Road, Victoria Island, Lagos, Nigeria
Aggreko Gas Power Generation Limited ++++	Nigeria	27 Festival Road, Victoria Island, Lagos, Nigeria
Aggreko Norway A/S	Norway	44, Dragonveien, Bygg 31, Oslo, Norway
Aggreko Energy Rentals Panama SA	Panama	Patton, Moreno & Asvat offices in Capital Plaza Building, 8th floor, Roberto Motta y Costa del Este Avenue, Panama, PA, 507, Panama
Aggreko Latin America Inc	Panama	Street 50, PH 909, 14° floor, Panama City, Panama
Aggreko Generator Rentals (PNG) Limited	Papua New Guinea	c/- Ashurst PNG, Level 4, Mogoru Moto Building, Champion Parade, Port Moresby, National Capital District, Papua New Guinea
Aggreko Peru S.A.C.	Peru	Avenida Elmer Faucett 4800, Callao, Peru
Aggreko Energy Rental Solutions Inc	Philippines	Unit 1101, Picadilly Star Building, 4th Avenue, 27th Street Bonifacio Global City, Taguig City, 1634, Philippines
Aggreko Polska Sp. z o.o.	Poland	Fort Ordona 6 street, Czosnow, 05-152, Poland
Aggreko South East Europe SRL	Romania	Soseaua de Centura 7A, Tunari, Ilfov, 077180, Romania
Aggreko Eurasia LLC	Russia	Building 1, House 8, 2nd km Stariy Tobolsky Trakt, Tyumen, 625000, Russian Federation
Aggreko Rwanda Limited	Rwanda	1st Floor, Omega House, Boulevard de los, Nyarugenge, Rwanda
Aggreko Senegal SARL	Senegal	Route De Ngor 29912, Dakar, Senegal
Aggreko Singapore PTE Ltd	Singapore	8B Buroh Street, Singapore, 627532
Milman International PTE LTD	Singapore	8B Buroh Street, Singapore, 627532
Aggreko Energy Rental South Africa Proprietary Ltd	South Africa	29 Spier Rd Unit E1 Plumbago Business Park, Glen Erasmia Kempton Park Gauteng, 1619, South Africa
Aggreko South Africa Holdings (Pty) Limited	South Africa	Ground Floor, Building 25 Thornhill Office Park, 94 Bekker Road, Vorna Valley, 1685, South Africa
Aggreko South Korea Limited	South Korea	Unit 3203 S-Trenue, 37 Gukjegeumyung-ro 2-gil, Yeongdeungpo-gu, Seoul, Republic of Korea
Aggreko Iberia SA	Spain	35-37, Avinguda Torre Mateu, Pol.Industrial Can Salvatella, Barbera del Valles, 08210, Spain
Aggreko Sweden AB	Sweden	Box 16285, Stockholm, 103 25, Sweden
Aggreko Energy Rentals Tanzania Limited	Tanzania	Ubungu Plaza Unit 209, 2nd Floor, PO Box 158, Dar Es Salaam, Tanzania
Aggreko (Thailand) Limited	Thailand	Central World, 29th Floor, Rama I Road, Pathumwan Sub-district, Pathumwan District, Bangkok, Thailand
Aggreko Americas Holdings B.V. +	The Netherlands	Amstelveenseweg 760, 1081 JK Amsterdam, Netherlands
Aggreko Euro Holdings B.V. +	The Netherlands	Amstelveenseweg 760, 1081 JK Amsterdam, Netherlands
Aggreko Rest of the World Holdings B.V. +	The Netherlands	Amstelveenseweg 760, 1081 JK Amsterdam, Netherlands
Aggreko (Investments) B.V. ++	The Netherlands	3, Fuutweg, Haven 461b, Klundert, 4791PB, Netherlands
Aggreko Nederland B.V.	The Netherlands	3, Fuutweg, Haven 461b, Klundert, 4791PB, Netherlands
Aggreko International Power Projects B.V.	The Netherlands	Between Roundabouts 7 and 8, Opposite Red Sea Housing, PO Box 17576, Jebel Ali, Dubai, United Arab Emirates
Aggreko Trinidad Limited	Republic of Trinidad & Tobago	5/7 Sweet Briar Road, St. Clair, Trinidad and Tobago
Aggreko Enerji ve Isi Kontrol Ticaret Anonim Sirketi	Turkey	EGS Business Park B2 Blok Kat:6 D:227 Yeşilköy, Bakırköy, Istanbul, Turkey
Aggreko Middle East Limited FZE	UAE	E-LOB Office No E2-112F-40, PO Box 52462, Hamriyah Free Zone, Sharjah, United Arab Emirates
Aggreko Fujairah FZE	UAE	PO Box 50283, Fujairah, United Arab Emirates
Aggreko Employment Services Limited	UK	5th Floor, Asticus, 21 Palmer Street, London, SW1H 0AD, England
Aggreko Events Services Limited	UK	120 Bothwell Street, Glasgow, G2 7JS, Scotland, United Kingdom
Aggreko Finance Limited +	UK	120 Bothwell Street, Glasgow, G2 7JS, Scotland, United Kingdom
Aggreko Holdings Limited +	UK	120 Bothwell Street, Glasgow, G2 7JS, Scotland, United Kingdom
Aggreko International Projects Holdings Limited +	UK	120 Bothwell Street, Glasgow, G2 7JS, Scotland, United Kingdom
Aggreko International Projects Limited	UK	120 Bothwell Street, Glasgow, G2 7JS, Scotland, United Kingdom
Aggreko Mexico Finance Limited	UK	120 Bothwell Street, Glasgow, G2 7JS, Scotland, United Kingdom
Aggreko Pension Scheme Trustee Limited	UK	120 Bothwell Street, Glasgow, G2 7JS, Scotland, United Kingdom
Aggreko Russia Finance Limited ++	UK	120 Bothwell Street, Glasgow, G2 7JS, Scotland, United Kingdom
Aggreko UK Finance Limited ++	UK	120 Bothwell Street, Glasgow, G2 7JS, Scotland, United Kingdom
Aggreko UK Limited	UK	Overburn Avenue, Dumbarton, G82 2RL, Scotland, United Kingdom
Aggreko Generators Limited ++++	UK	120 Bothwell Street, Glasgow, G2 7JS, Scotland, United Kingdom

27 Investments in subsidiaries continued

Company	Country of incorporation	Registered address
Aggreko Luxembourg Holdings	UK	120 Bothwell Street, Glasgow, G2 7JS, Scotland, United Kingdom
Dunwilco (680) Limited +++++	UK	120 Bothwell Street, Glasgow, G2 7JS, Scotland, United Kingdom
Golden Triangle Generators Limited	UK	Aggreko House Orbital 2, Voyager Drive, Cannock, Staffordshire, WS11 8XP, England, United Kingdom
Aggreko Global Solutions Limited	UK	8th Floor, 120 Bothwell Street, Glasgow, G2 7JS, Scotland
Aggreko Indonesia Finance Limited ++	UK	8th Floor, 120 Bothwell Street, Glasgow, G2 7JS, Scotland
Aggreko Ukraine LLC	Ukraine	77, 709, Sichovyh Strilistiv St, Kyiv, Ukraine, 04053
Aggreko Uruguay S.A.	Uruguay	675, Of 20, Peatonal Sarandi, Montevideo, Uruguay
Aggreko Holdings Inc +	USA	Wilmington Trust SP Services Inc, 1105 N. Market Street, Suite 1300, Wilmington DE, 19801, United States
Aggreko USA LLC +	USA	The Corporation Trust Company, Corporation Trust Center, 1209 Orange Street, Wilmington, DE, 19801, United States
Aggreko LLC	USA	The Corporation Trust Company, Corporation Trust Center, 1209 Orange Street, Wilmington, DE, 19801, United States
Aggreko de Venezuela C.A.	Venezuela	Av. Venezuela Edif. Lamaletto, piso 5, oficina Unica, El Rosal, Caracas

** Registered in Cyprus

+ Intermediate holding companies

++ Finance company

+++ The financial year end of Aggreko Energy Rental India Private Limited is 31 March due to local taxation requirements

++++ Dormant company

The following three companies are not wholly owned subsidiaries:

Company	Country of incorporation	Registered address
Aggreko Algeria SPA*	Algeria	Extension La Zone Des Activities, N 01, Adrar, Algeria
Shanghai Yude Aggreko Energy Equipments Rental Co., Ltd ^{##}	China	301 Rongle East Road, Songjiang District, Shanghai, China
Origami Energy Limited [#]	UK	Ashcombe Court, Woolsack Way, Godalming, Surrey, GU7 1LQ, United Kingdom

* Aggreko ownership is 49%

Aggreko ownership is 14.47%

Aggreko ownership is 21.5%

28 Notes to the Group Accounts – appendices

28.A1 Accounting policies

Derivative financial instruments

The activities of the Group expose it directly to the financial risks of changes in forward foreign currency exchange rates and interest rates. The Group uses forward foreign exchange contracts and interest rate swap contracts to hedge these exposures. The Group does not use derivative financial instruments for speculative purposes.

Derivatives are initially recorded and subsequently measured at fair value, which is calculated using standard industry valuation techniques in conjunction with observable market data. The fair value of interest rate swaps is calculated as the present value of estimated future cash flows using market interest rates and the fair value of forward foreign exchange contracts is determined using forward foreign exchange market rates at the reporting date. The treatment of changes in fair value of derivatives depends on the derivative classification. The Group designates derivatives as hedges of highly probable forecasted transactions or commitments ('cash flow hedge').

In order to qualify for hedge accounting, the Group is required to document in advance the relationship between the item being hedged and the hedging instrument. The Group is also required to document and demonstrate an assessment of the relationship between the hedged item and the hedging instrument, which shows that the hedge will be highly effective on an ongoing basis. This effectiveness testing is re-performed at each period end to ensure that the hedge remains highly effective.

Cash flow hedges

Changes in the fair value of derivative financial instruments that are designated, and effective, as hedges of future cash flows are recognised directly in equity and any ineffective portion is recognised immediately in the income statement. If the cash flow hedge is of a firm commitment or forecasted transaction that subsequently results in the recognition of an asset or a liability then, at the time the asset or liability is recognised, the associated gains or losses on the derivative that had previously been recognised in equity are included in the initial measurement of the asset or liability. For hedges of transactions that do not result in the recognition of an asset or a liability, amounts deferred in equity are recognised in the income statement in the same period in which the hedged item affects net profit and loss.

Changes in the fair value of derivative financial instruments that do not qualify for hedge accounting are recognised in the income statement as they arise.

Hedge accounting is discontinued when the hedging instrument no longer qualifies for hedge accounting. At that time any cumulative gain or loss on the hedging instrument recognised in equity is retained in equity until the forecasted transaction occurs. If a hedged transaction is no longer expected to occur, the net cumulative gain or loss recognised in equity is transferred to the income statement.

Overseas net investment hedges

Certain foreign currency borrowings are designated as hedges of the Group's overseas net investments, which are denominated in the functional currency of the reporting operation.

Exchange differences arising from the retranslation of the net investment in foreign entities and of borrowings are taken to equity on consolidation to the extent the hedges are deemed effective. All other exchange gains and losses are dealt with through the income statement.

Share-based payments

IFRS 2 'Share-based Payment' has been applied to all grants of equity instruments. The Group issues equity-settled share-based payments to certain employees under the terms of the Group's various employee-share and option schemes. Equity-settled share-based payments are measured at fair value at the date of the grant. The fair value determined at the grant date of equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on an estimate of the shares that will ultimately vest. Fair value is measured using the Black-Scholes option-pricing model.

Own shares held under trust for the Group's employee share schemes are classed as Treasury shares and deducted in arriving at Shareholders' equity. No gain or loss is recognised on disposal of Treasury shares. Purchases of own shares are disclosed as changes in Shareholders' equity.

Dividend distribution

Dividend distribution to the Company's Shareholders is recognised as a liability in the Group's financial statements in the period in which the dividends are approved by the Company's Shareholders. Interim dividends are recognised when paid.

28 Notes to the Group Accounts – appendices continued

28.A2 Borrowings

(i) Interest rate risk profile of financial liabilities

The interest rate profile of the Group's financial liabilities at 31 December 2020, after taking account of the interest rate swaps used to manage the interest profile, was:

				Fixed rate debt	
	Floating rate £ million	Fixed rate £ million	Total £ million	Weighted average interest rate %	Weighted average period for which rate is fixed Years
31 December 2020					
Currency:					
US Dollar	11	329	340	3.6	6.2
Euro	9	–	9	–	–
Brazilian Reals	15	–	15	–	–
Great British Pounds	23	–	23	–	–
Indian Rupees	6	–	6	–	–
Other currencies	4	–	4	–	–
As at 31 December 2020	68	329	397		

				Fixed rate debt	
	Floating rate £ million	Fixed rate £ million	Total £ million	Weighted average interest rate %	Weighted average period for which rate is fixed Years
31 December 2019					
Currency:					
US Dollar	–	478	478	3.8	5.5
Euro	9	–	9	–	–
Mexican Pesos	21	–	21	–	–
Brazilian Reals	22	–	22	–	–
Great British Pounds	15	–	15	–	–
Indian Rupees	8	–	8	–	–
Other currencies	17	–	17	–	–
As at 31 December 2019	92	478	570		

The floating rate financial liabilities principally comprise debt which carries interest based on different benchmark rates depending on the currency of the balance and is normally fixed in advance for periods between one and three months.

The weighted average interest rate on fixed debt is derived from the fixed leg of each interest rate swap and coupons applying to fixed rate private placement notes.

The effect of the Group's interest rate swaps is to classify £nil (2019: £nil) of borrowings in the above table as fixed rate. The notional principal amount of the outstanding interest rate swap contracts at 31 December 2020 was £nil (2019: £nil).

(ii) Interest rate risk profile of financial assets

	Cash at bank and in hand £ million
Currency:	
US Dollar	22
Euro	7
Angolian Kwanza	16
Nigerian Naira	16
Other currencies	46
As at 31 December 2020	107

28 Notes to the Group Accounts – appendices continued**28.A2 Borrowings continued**

	Cash at bank and in hand £ million
Currency:	
US Dollar	19
Euro	10
Brazilian Reals	8
Other currencies	50
As at 31 December 2019	87

All of the above cash and short-term deposits are floating rate and earn interest based on relevant LIBID (London Interbank Bid Rate) equivalents or market rates for the currency concerned.

28.A3 Financial instruments

As stated in our accounting policies Note 28.A1 on page 144 the activities of the Group expose it directly to the financial risks of changes in foreign currency exchange rates and interest rates. The Group uses forward foreign exchange contracts and interest rate swap contracts to hedge these exposures. The movement in the hedging reserve is shown in the Statement of Changes in Equity.

Net investment hedges

The sterling value of the Group's net investments in overseas subsidiaries is exposed to changes in foreign currency exchange rates. The Group uses foreign currency denominated debt to hedge part of that exposure. The carrying value of debt in a net investment hedge was £329 million (2019: £478 million). A foreign exchange gain of £18 million (2019: £16 million) relating to the net investment hedges has been netted off within currency translation differences as presented in the group statement of comprehensive income. We assess whether each of these hedges is effective by comparing (on a prospective and retrospective basis) the changes in the sterling equivalent values of the net investment in the overseas subsidiary and the relevant foreign currency denominated debt.

Foreign currency cashflow hedges

The Group manages its currency flows to minimise foreign exchange risk arising on transactions denominated in foreign currencies and uses foreign currency forward contracts, where appropriate, to hedge net currency flows. A net foreign currency loss of £1 million (2019: gain of £1 million), relating to those foreign currency forward contracts, has been recognised in the hedging reserve. We assess whether each of these hedges is effective by comparing (on a prospective and retrospective basis) the changes in the functional currency equivalent values of the foreign currency denominated transaction and the relevant foreign currency forward contract.

(i) Fair values of financial assets and financial liabilities

The following table provides a comparison by category of the carrying amounts and the fair values of the Group's financial assets and financial liabilities at 31 December 2020. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Market values have been used to determine fair values.

	2020		2019	
	Book value £ million	Fair value £ million	Book value £ million	Fair value £ million
Primary financial instruments held or issued to finance the Group's operations:				
Current borrowings and overdrafts	(68)	(68)	(59)	(59)
Non-current borrowings	(329)	(329)	(511)	(511)
Lease liabilities	(90)	(90)	(101)	(101)
Cash at bank and in hand	107	107	87	87
Trade receivables	274	274	444	444
PDVSA private placement notes	–	–	1	1
Trade payables	(92)	(92)	(109)	(109)
Derivative financial assets	2	2	1	1
Derivative financial liabilities	(1)	(1)	(1)	(1)

All financial instruments are measured at amortised cost other than the PDVSA private placement notes and derivatives which are measured at fair value with changes recorded in the income statement.

(ii) Summary of methods and assumptions**Interest rate swaps and foreign currency derivatives**

Fair value is based on market price of these instruments at the balance sheet date. In accordance with IFRS 13, interest rate swaps are considered to be Level 2 with fair value being calculated as the present value of estimated future cash flows using market interest rates. Forward foreign currency contracts and currency options are considered to be Level 1 as the valuation is based on quoted market prices at the end of the reporting period. Private placement notes are Level 2.

Current borrowings and overdrafts/short-term deposits

The fair value of short-term deposits and current borrowings and overdrafts approximates to the carrying amount because of the short maturity of these instruments.

Non-current borrowings

In the case of non-current borrowings, the fair value approximates to the carrying value reported in the balance sheet.

28 Notes to the Group Accounts – appendices continued

28.A3 Financial instruments continued

(iii) Derivative financial instruments

Hedge of net investment in foreign entity

The Group has designated as a hedge of the net investment in its overseas subsidiaries foreign currency denominated borrowings as detailed in the table below.

	2020 £ million	2019 £ million
US Dollar	329	478

A foreign exchange gain of £18 million (2019: £16 million) on translation of the borrowings into Sterling has been recognised in exchange reserves.

(iv) The exposure of the Group to interest rate changes when borrowings reprice is as follows:

As at 31 December 2020

	<1 year £ million	1-5 years £ million	>5 years £ million	Total £ million
Total borrowings	68	109	220	397
Effect of interest rate swaps and other fixed rate debt	–	(109)	(220)	(329)
	68	–	–	68

As at 31 December 2019

	<1 year £ million	1-5 years £ million	>5 years £ million	Total £ million
Total borrowings	59	294	217	570
Effect of interest rate swaps and other fixed rate debt	–	(261)	(217)	(478)
	59	33	–	92

As at 31 December 2020 and 31 December 2019, all of the Group's floating debt was exposed to repricing within three months of the balance sheet date. The Group's interest rate swap portfolio is reviewed on a regular basis to ensure it is consistent with the Group policy as described on page 101.

The effective interest rates at the balance sheet date were as follows:

	2020	2019
Bank overdrafts	2.8%	5.4%
Bank borrowings	4.2%	7.6%
Private placement	3.6%	3.8%

Maturity of financial liabilities

The table below analyses the Group's financial liabilities and net-settled derivative financial liabilities into the relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

As at 31 December 2020

	<1 year £ million	1-2 years £ million	2-5 years £ million	>5 years £ million
Borrowings	68	–	123	281
Derivative financial instruments	1	–	–	–
Trade and other payables	92	–	–	–
	161	–	123	281

As at 31 December 2019

	<1 year £ million	1-2 years £ million	2-5 years £ million	>5 years £ million
Borrowings	59	145	178	284
Derivative financial instruments	1	–	–	–
Trade and other payables	109	–	–	–
	169	145	178	284

No trade payable balances have a contractual maturity greater than 90 days.

28 Notes to the Group Accounts – appendices continued**28.A3 Financial instruments continued****Derivative financial instruments settled on a gross basis**

The table below analyses the Group's derivative financial instruments which will be settled on a gross basis into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

As at 31 December 2020

	<1 year £ million
Forward foreign exchange contracts – cash flow hedges	
Outflow	(235)
Inflow	236
	1

As at 31 December 2019

	<1 year £ million
Forward foreign exchange contracts – cash flow hedges	
Outflow	(250)
Inflow	250
	–

All of the Group's forward foreign currency exchange contracts are due to be settled within one year of the balance sheet date.

28.A4 Pensions**Overseas**

Pension arrangements for overseas employees vary and schemes reflect best practice and regulation in each particular country. The charge against profit is the amount of contributions payable to the defined contribution pension schemes in respect of the accounting period. The pension cost attributable to overseas employees for 2020 was £14 million (2019: £11 million).

United Kingdom

The Group operates pension schemes for UK employees. The Aggreko plc Pension Scheme ('the Scheme') is a funded, contributory, defined benefit scheme. Assets are held separately from those of the Group under the control of the Directors of Aggreko Pension Scheme Trustee Limited. The Scheme is subject to valuations at intervals of not more than three years by an independent actuary.

The Trustee of the Scheme has control over the operation, funding and investment strategy of the Scheme but works closely with the Company to agree funding and investment strategy.

A valuation of the Scheme was carried out as at 31 December 2017 using the Attained Age method to determine the level of contributions to be made by the Group. The actuary adopted a valuation basis linked to market conditions at the valuation date. Assets were taken at market value. The major actuarial assumptions used were:

Return on investments pre-retirement	3.2%
Return on investments post-retirement	1.9%
Growth in average pay levels	3.4%
Increase in pensions	3.1%

At the valuation date, the market value of the Scheme's assets (excluding AVCs) was £109 million which was sufficient to cover 93% of the benefits that had accrued to members, after making allowances for future increases in earnings.

As part of the valuation at 31 December 2017, the Company and the Trustee agreed upon a Schedule of Contributions and a Recovery Plan. Company contributions for benefits building up in the future increased from 41.0% to 50.4% on 1 April 2019. To address the Scheme deficit the Company has already made additional contributions of £1.25 million in 2018, and £3.75 million in 2019 (£1.25 million catch up for 2018, £2.5 million for 2019) and £2.5 million in 2020 and plans to make further additional contributions of £2.5 million each year until 2023. Employee contributions are 6% of pensionable earnings.

The Group has the right to a refund of any pension surplus at the end of the Scheme and as such has not recognised an additional liability in accordance with IFRIC 14.

The Scheme closed to all new employees joining the Group after 1 April 2002. New employees are given the option to join a defined contribution scheme. Contributions of £2 million were paid to this defined contribution scheme during the year (2019: £2 million). There are no outstanding or prepaid balances at 31 December 2020.

The liability figure allows for the decision by the Company to close the Scheme to future accrual with effect from 31 December 2020 following a consultation with impacted employees. The following benefit enhancements were agreed as compensation:

- On death whilst employed, dependant's pension will now be based on prospective service to normal retirement date and salary at closure.
- On ill-health early retirement whilst employed, pension will be based on an unreduced accrued pension.
- The CARE revaluation due at 1 January 2021 will be granted on closure.
- Three months' extra service will be granted at closure to those employees who choose this compensation option.

The net impact of the closure with accompanying benefit enhancements is a gain of £0.2 million which has been recognised in the 2020 income statement.

28 Notes to the Group Accounts – appendices continued

28.A4 Pensions continued

An update of the Scheme was carried out by a qualified independent actuary using the latest available information for the purposes of this statement. The major assumptions used in this update by the actuary were:

	31 Dec 2020	31 Dec 2019
Rate of increase in salaries	3.4%	3.3%
Rate of increase in pensions in payment	3.0%	2.9%
Rate of increase in deferred pensions	3.1%	3.0%
Discount rate	1.5%	2.1%
Inflation assumption	3.1%	3.0%
Longevity at age 65 for current pensioners (years)		
Men	22.3	22.3
Women	24.4	24.9
Longevity at age 65 for future pensioners (years)		
Men	23.8	23.8
Women	26.5	26.9

The assets in the Scheme were:

	Value at 31 Dec 2020 £ million	Value at 31 Dec 2019 £ million
Equities		
– Overseas equities	–	15
– Diversified growth	13	20
Bonds		
– Corporate bonds	53	33
– Liability driven investments	63	44
Cash	–	2
Total	129	114

The amounts included in the balance sheet arising from the Group's obligations in respect of the Scheme are as follows:

	2020 £ million	2019 £ million
Fair value of assets	129	114
Present value of funded obligations	(125)	(110)
Asset recognised in the balance sheet	4	4

28 Notes to the Group Accounts – appendices continued**28.A4 Pensions continued**

Movement in defined benefit surplus during the year:

	Defined benefit obligation		Fair value of Scheme assets		Net defined benefit surplus	
	2020 £ million	2019 £ million	2020 £ million	2019 £ million	2020 £ million	2019 £ million
Balance at 1 January	(110)	(96)	114	97	4	1
Included in the income statement						
Service cost	(2)	(2)	–	–	(2)	(2)
Interest cost	(2)	(3)	–	–	(2)	(3)
Interest income	–	–	2	3	2	3
	(4)	(5)	2	3	(2)	(2)
Included in the statement of comprehensive income						
Remeasurements						
– Effect of changes in demographic assumptions	2	–	–	–	2	–
– Effect of changes in financial assumptions	(19)	(15)	–	–	(19)	(15)
– Return on plan assets (excluding interest income)	–	–	15	14	15	14
	(17)	(15)	15	14	(2)	(1)
Other						
Employer contributions	–	–	4	6	4	6
Benefits paid	6	6	(6)	(6)	–	–
	6	6	(2)	–	4	6
Balance at 31 December	(125)	(110)	129	114	4	4

The Projected Unit method has been used for the valuation of the liabilities. Under this method each participant's benefits under the Scheme are attributed to years of service, taking into consideration future salary increases and the Scheme's benefit allocation formula. Thus, the estimated total pension to which each participant is expected to become entitled at retirement is broken down into units, each associated with a year of past or future credited service. The benefit obligation is the total present value (assessed using appropriate assumptions) of the individual's attributed benefits for valuation purposes at the measurement date. The discount rate was derived from the AA corporate bond yield curve and based on Scheme specific cash flow data from the last actuarial valuation to arrive at an appropriate single-equivalent rate.

The fair value of the assets is based on the underlying 'bid value' statements issued by the various investment managers. The manager statements reflect the relevant pricing basis of the units held in the underlying pooled funds. An alternative method of valuation is the estimated cost of buying out benefits at 31 December 2020 with a suitable insurer. This amount represents the amount that would be required to settle the Scheme liabilities at 31 December 2020 rather than the Company continuing to fund the ongoing liabilities of the Scheme. The Company estimates the amount required to settle the Scheme's liabilities at 31 December 2020 is around £152 million which gives a Scheme shortfall on a buyout basis of approximately £23 million.

The defined benefit cost for the fiscal year ending on 31 December 2020 includes a past service cost of £0.2 million due to a plan amendment. This has arisen following a High Court case on 20 November 2020 which ruled that transfers out of the Scheme, between 17 May 1990 and 26 October 2018, need to be revisited and equalised for GMP (if applicable).

28 Notes to the Group Accounts – appendices continued

28.A4 Pensions continued

Cumulative actuarial gains and losses recognised in equity

	2020 £ million	2019 £ million
At 1 January	33	32
Actuarial losses recognised in the year	2	1
At 31 December	35	33

The actual return on Scheme assets was a gain of £15 million (2019: £14 million).

Risks to which the Scheme exposes the Group

There is a risk of asset volatility leading to a deficit in the Scheme. Working with the Company, the Trustee has agreed investment derisking triggers which, when certain criteria are met, will decrease corporate bond holding and increase the holding of index linked bonds. Over time, this will result in an investment portfolio which better matches the liabilities of the Scheme thereby reducing the risk of asset volatility. However there remains a significant level of investment mismatch in the Scheme. This is deliberate and is aimed at maximising the Scheme's long term investment return while retaining control of the funding risks.

Through the Scheme, the Group is exposed to a number of other risks:

- Changes in bond yields – a decrease in corporate bond yields will increase Scheme liabilities.
- Inflation risk – pension obligations are linked to inflation and higher inflation will lead to higher liabilities.
- Life expectancy – an increase in life expectancy will result in an increase in the Scheme liabilities.

The measurement of the defined benefit obligation is particularly sensitive to changes in key assumptions as described below:

- The discount rate has been selected following actuarial advice and taking into account the duration of the liabilities. A decrease in the discount rate of 0.5% per annum would result in a £17 million increase in the present value of the defined benefit obligation. The weighted average duration of the defined benefit obligation liabilities is around 25 years.
- The inflation assumption adopted is consistent with the discount rate used. It is used to set the assumptions for pension increases, salary increases and deferred revaluations. An increase in the inflation rate of 0.5% per annum would result in a £13 million increase in the present value of the defined benefit obligation.
- The longevity assumptions adopted are based on those recommended by the Scheme actuary advising the Trustee of the Scheme and reflect the most recent mortality information available at the time of the Trustee actuarial valuation. The increase in the present value of the defined benefit obligation due to members living one year longer would be £5 million.

There is a risk that changes in the above assumptions could increase the deficit in the Scheme. Other assumptions used to value the defined benefit obligation are also uncertain, although their effect is less material.

	2020 £ million	2019 £ million
Defined benefit obligation by participant status		
Actives	49	39
Deferreds	37	36
Pensioners	39	35
	125	110

The duration of the liabilities is approximately 25 years.

Expected cash flows in future years

Expected employer contributions for the year ending 31 December 2021 are £3 million. Expected total benefit payments: approximately £2 million per year for the next 10 years.

Company Balance Sheet (Company Number: sc177553)

As at 31 December 2020

	Notes	2020 £ million	2019 £ million
Fixed assets			
Property, plant and equipment	33	36	38
Investments	34	862	804
Retirement benefit surplus	28 A.4	4	4
		902	846
Current assets			
Other receivables	35	657	660
Cash and cash equivalents		5	10
Derivative financial instruments		1	–
Deferred tax asset		–	1
Current tax asset		22	13
		685	684
Creditors: amounts falling due within one year			
Borrowings	36	(32)	(22)
Lease liability	37	(1)	(1)
Other payables	38	(767)	(514)
Derivative financial instruments		–	(1)
Net current (liabilities)/assets		(115)	146
Total assets less current liabilities		787	992
Creditors: amounts falling due after one year			
Borrowings	36	(329)	(511)
Lease liability	37	(2)	(3)
Net assets		456	478
Shareholders' equity			
Share capital	24	42	42
Share premium		20	20
Treasury shares		(6)	(13)
Capital redemption reserve		13	13
Retained earnings		387	416
Total Shareholders' equity		456	478

The financial statements on pages 152 to 158 were approved by the Board of Directors on 1 March 2021 and signed on its behalf by:



K Hanna
Chairman



H Drewett
Chief Financial Officer

Company Statement of Comprehensive Income

For the year ended 31 December 2020

	2020 £ million	2019 £ million
(Loss)/profit for the year	(5)	109
Other comprehensive (loss)/income		
<i>Items that will not be reclassified to profit or loss</i>		
– Remeasurement of retirement benefits	(2)	(1)
– Taxation on remeasurement of retirement benefits	–	–
Other comprehensive loss for the year (net of tax)	(2)	(1)
Total comprehensive (loss)/income for the year	(7)	108

Company Statement of Changes in Equity

For the year ended 31 December 2020

As at 31 December 2020

	Attributable to equity holders of the Company					
	Ordinary Share capital £ million	Share premium account £ million	Treasury shares £ million	Capital redemption reserve £ million	Retained earnings £ million	Total equity £ million
Balance at 1 January 2020	42	20	(13)	13	416	478
Loss for the year	–	–	–	–	(5)	(5)
Other comprehensive loss						
Remeasurement of retirement benefits (net of tax)	–	–	–	–	(2)	(2)
Total comprehensive loss for the year ended 31 December 2020	–	–	–	–	(7)	(7)
Transactions with owners:						
Employee share awards	–	–	–	–	(2)	(2)
Issue of Ordinary Shares to employees under share option schemes	–	–	7	–	(7)	–
Dividends paid during 2020	–	–	–	–	(13)	(13)
	–	–	7	–	(22)	(15)
Balance at 31 December 2020	42	20	(6)	13	387	456

As at 31 December 2019

	Attributable to equity holders of the Company					
	Ordinary Share capital £ million	Share premium account £ million	Treasury shares £ million	Capital redemption reserve £ million	Retained earnings £ million	Total equity £ million
Balance at 1 January 2019	42	20	(17)	13	374	432
Profit for the year	–	–	–	–	109	109
Other comprehensive income						
Remeasurement of retirement benefits (net of tax)	–	–	–	–	(1)	(1)
Total comprehensive income for the year ended 31 December 2019	–	–	–	–	108	108
Transactions with owners:						
Purchase of Treasury shares	–	–	(4)	–	–	(4)
Employee share awards	–	–	–	–	11	11
Issue of Ordinary Shares to employees under share option schemes	–	–	8	–	(8)	–
Dividends paid during 2019	–	–	–	–	(69)	(69)
	–	–	4	–	(66)	(62)
Balance at 31 December 2019	42	20	(13)	13	416	478

29 Company accounting policies

29.1 Basis of preparation

In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of international accounting standards in conformity with the requirements of the Companies Act 2006 ("Adopted IFRSs"), but makes amendments where necessary in order to comply with Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken. The financial statements have been prepared under the historical cost convention, as modified by the revaluation of certain financial assets and liabilities (including derivative instruments) at fair values in accordance with the Companies Act 2006.

The preparation of financial statements in conformity with FRS 101 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies.

The following exemptions from the requirements of IFRS have been applied in the preparation of these financial statements, in accordance with FRS 101:

→ Paragraphs 45(b) and 46 to 52 of IFRS 2, 'Share-based payment' (details of the number and weighted-average exercise prices of share options, and how the fair value of goods or services received was determined).

→ IFRS 7, 'Financial Instruments: Disclosures'.

→ Paragraphs 91 to 99 of IFRS 13, 'Fair value measurement' (disclosure of valuation techniques and inputs used for fair value measurement of assets and liabilities).

→ Paragraph 38 of IAS 1, 'Presentation of financial statements' comparative information requirements in respect of:

- Paragraph 79(a)(iv) of IAS 1;
- Paragraph 73(e) of IAS 16 'Property, plant and equipment';
- Paragraph 188(e) of IAS 38 'Intangible assets' (reconciliations between the carrying amount at the beginning and end of the period).

→ The following paragraphs of IAS 1, 'Presentation of financial statements':

- 10(d) (statement of cash flows);
- 10(f)(a) (statement of financial position as at the beginning of the preceding period);
- 16 (statement of compliance with all IFRS);
- 38A (requirement for minimum of two primary statements, including cash flow statements);
- 38B-D (additional comparative information);
- 40A-D (requirements for a third statement of financial position);

- 111 (cash flow statement information); and
- 134-136 (capital management disclosures).

→ IAS 7, 'Statement of cash flows'.

→ Paragraph 30 and 31 of IAS 8, 'Accounting policies, changes in accounting estimates and errors' (requirements for the disclosure of information when an entity has not applied a new IFRS that has been issued but is not yet effective).

→ Paragraph 17 of IAS 24, 'Related party disclosures' (key management compensation).

→ The requirements in IAS 24, 'Related party disclosures' to disclose related party transactions entered into between two or more members of a group.

→ Paragraph 52, the second sentence of paragraph 89 and paragraphs 90, 91 and 93 of IFRS 16.

29.1.1 Going concern

Given the going concern disclosures in the Group Accounts on page 112, the Directors consider it appropriate to adopt the going concern basis of accounting in preparing these financial statements.

29.1.2 Changes in accounting policy and disclosures

New and amended standards adopted by the Company

There are no new standards and amendments that have a material impact on the Company.

Investments

Investments in subsidiary undertakings are stated in the balance sheet of the Company at cost, or nominal value of the shares issued as consideration where applicable, less provision for any impairment in value. Share-based payments recharged to subsidiary undertakings are treated as capital contributions and are added to investments.

Share-based payments

The accounting policy is identical to that applied by the consolidated Group as set out on page 144 with the exception that shares issued by the Company to employees of its subsidiaries for which no consideration is received are treated as an increase in the Company's investment in those subsidiaries.

Dividend distribution

Dividend distribution to the Company's Shareholders is recognised as a liability in the Company's financial statements in the period in which the dividends are approved by the Company's Shareholders.

The following accounting policies are identical to that applied by the Group

Property, plant and equipment – refer to page 114

Impairment of property, plant and equipment – refer to page 114

Foreign currencies – refer to page 115

Derivative financial instruments – refer to page 144

Borrowings – refer to page 116

Taxation – refer to page 115

Employee benefits – refer to page 115

30 Critical accounting estimates and assumptions

Taxation

This is explained in Note 1 to the Group Accounts on pages 117 to 118.

Investments

The accounting policy for investments is detailed above.

An annual review of investments is performed for indicators of impairment. Identifying whether there are indicators of impairment involves a high level of judgement and a good understanding of the drivers of value behind the investments. At each reporting period an assessment is performed to determine whether there are any such indicators, which involves considering the performance of our business and any significant changes to the markets in which we operate. If there is an impairment indicator, then an impairment review is carried out. This review involves a high level of estimation.

The company has one investment which is 100% of the share capital of Aggreko Holdings Limited. Aggreko Holdings Limited owns the majority of the subsidiaries within the Group. At 31 December 2020 the net assets of Aggreko Holdings Limited were greater than the value of the company's investment in Aggreko Holdings Limited by £84 million. As such, it was concluded that there was no indication of impairment in relation to this investment.

For the majority of the investments held by Aggreko Holdings Limited the underlying net assets of the investments were also, at that level, higher than the value of the investments. There were a small number of investments where the underlying net assets were less than the value of the investments. For these investments a value in use calculation was carried out based on a discount rate of 9.1% and using a long term growth rate of 2%. Based on this value in use calculation no impairment was considered necessary.

31 Dividends

Refer to Note 11 of the Group Accounts.

32 Auditor's remuneration

	2020 £000	2019 £000
Fees payable to the Company's auditor for the audit of the Company's annual accounts	447	363
Fees payable to the Company's auditor and its associates for other services: – other assurance related services	55	34

33 Property, plant and equipment

	Freehold properties £ million	Vehicles, plant & equipment £ million	Total £ million
Cost			
At 1 January 2020	5	57	62
Additions	–	6	6
Disposals	–	(1)	(1)
At 31 December 2020	5	62	67
Accumulated depreciation			
At 1 January 2020	1	23	24
Charge for the year	1	7	8
Disposals	–	(1)	(1)
At 31 December 2020	2	29	31
Net book values			
At 31 December 2020	3	33	36
At 31 December 2019	4	34	38

(i) The net book value of assets capitalised in respect of leased right-of-use-assets at 31 December 2020 is £3 million (2019: £4 million).

34 Investments

	£ million
Cost of investments in subsidiary undertakings:	
At 1 January 2020	804
Additions	57
Net impact of share-based payments	1
At 31 December 2020	862

Details of the Company's subsidiary undertakings are set out in Note 27 to the Group Accounts. The Directors believe that the carrying value of the investments is supported by their underlying net assets. There have been no ownership changes during the year.

Of the additional investments, £50 million was in Aggreko Holdings Limited to allow it to invest in Aggreko Euro Holdings BV, which then invested in Aggreko Deutschland GmbH; £7 million was invested in Aggreko Holdings Limited to allow it to invest in Aggreko Energy Services Indonesia PT.

35 Other receivables

	2020 £ million	2019 £ million
Amounts due from subsidiary undertakings	650	654
Other receivables	7	6
	657	660

36 Borrowings

	2020 £ million	2019 £ million
Non-current		
Bank borrowings	–	33
Private placement notes	329	478
	329	511
Current		
Bank overdrafts	32	22
Total borrowings before lease liability	361	533
Lease liability	3	4
Total borrowings	364	537

The bank overdrafts and borrowings are all unsecured.

(i) Maturity of financial liabilities

The maturity profile of the borrowings was as follows:

	2020 £ million	2019 £ million
Within 1 year, or on demand	32	22
Between 1 and 2 years	–	138
Between 2 and 3 years	–	10
Between 3 and 4 years	109	–
Between 4 and 5 years	–	146
Greater than 5 years	220	217
	361	533

(ii) Borrowing facilities

The Company has the following undrawn committed floating rate borrowing facilities available at 31 December 2020 in respect of which all conditions precedent had been met at that date:

	2020 £ million	2019 £ million
Expiring within 1 year	87	69
Expiring between 1 and 2 years	50	81
Expiring between 2 and 3 years	305	201
Expiring between 3 and 4 years	110	50
Expiring between 4 and 5 years	–	115
	552	516

37 Leases

(a) Amounts recognised in the balance sheet

Property, plant and equipment' comprise owned and leased assets.

	2020 £ million	2019 £ million
Property, plant and equipment owned	33	34
Right-of-use assets	3	4
	36	38

The Company leases office space.

Information about leases for which the Company is a lessee is presented below:

Right-of-use assets

	Freehold properties 2020 £ million	Freehold properties 2019 £ million
Net book value at 1 January	4	5
Depreciation charge for year	(1)	(1)
Net book value at 31 December	3	4

Lease liabilities

	2020 £ million	2019 £ million
Maturity analysis – contractual undiscounted cash flows		
Less than one year	1	1
One to five years	2	3
Total undiscounted lease liabilities at 31 December	3	4
Impact of discounting	–	–
Lease liabilities included in the balance sheet	3	4
Current	1	1
Non-current	2	3

(b) Amounts recognised in the income statement

	2020 £ million	2019 £ million
Depreciation charge of right-of-use assets		
Freehold property	1	1
	1	1

The short-term lease commitments are not dissimilar to the short term lease expense in the year.

(c) Amounts recognised in the statement of cash flows

	2020 £ million	2019 £ million
Total cash outflow for leases	1	1

38 Other payables

	2020 £ million	2019 £ million
Amounts owed to subsidiary undertakings	758	493
Accruals and other income	9	21
	767	514

39 Profit and loss account

As permitted by Section 408 of the Companies Act 2006, the Company has not presented its own income statement and related notes. The loss for the financial year of the Company was £5 million (2019: profit of £109 million).

Definition and Calculation of Non GAAP Measures

Operating profit pre-exceptional items

		2020 £ million
Operating loss	Income statement	(39)
Add back exceptional items	Income statement	175
Operating profit pre-exceptional items	Income statement	136

Adjusted return on average capital employed (ROCE)

Definition:

Calculated by dividing operating profit pre-exceptional items for a period by the average net operating assets at 1 January, 30 June and 31 December.

Calculation:

	Accounts reference	2020 £ million	2019 £ million
Operating profit pre-exceptional items	Per above/Income statement	136	241
Average net operating assets			
1 January		1,997	2,263
30 June	(Note (a)) below	1,811	2,190
31 December	Note 4 of 2020 and 2019 Accounts	1,577	1,997
Average (i.e. total of 1 Jan, 30 June and 31 Dec divided by 3)		1,795	2,150
ROCE (operating profit pre-exceptional items divided by net average operating assets)		7.5%	11.2%

Note (a):

Per June 2020 Interim Accounts

Note 4 (E)

Assets

Liabilities

Net operating assets

Adjusted earnings before interest, taxes, depreciation and amortisation (EBITDA)

Calculation:

	Accounts reference	2020 £ million	2019 £ million
Operating profit pre-exceptional items (Earnings Before Interest and Taxation)	Per above	136	241
Depreciation	Note 5	278	315
Amortisation	Note 5	6	8
EBITDA pre-exceptional items		420	564

Adjusted interest cover: EBITDA divided by net finance costs

Calculation:

	Accounts reference	2020	2019
EBITDA (£ million) pre-exceptional items	Per above	420	564
Net finance cost (£ million)	Income statement	34	42
Interest cover (times)		12	13

Adjusted net debt to EBITDA

Calculation:

	Accounts reference	2020	2019
Net debt (£ million)	Cash flow statement	380	584
EBITDA (£ million) pre-exceptional items	Per above	420	564
Net debt/EBITDA (times)		0.9	1.0

Adjusted dividend cover

Definition:

Basic earnings per share (EPS) divided by full year declared dividend.

Calculation:

	Accounts reference	2020	2019
Basic EPS (pence) pre-exceptional items	Note 12	21.91	50.80
Full year declared dividend			
Interim dividend (pence)	Note 11	5.00	9.38
Final dividend (pence)	Note 11	10.00	–
		15.00	N/A
Dividend cover (times)		1.5	N/A

Free cash flow

Definition:

Net cash generated from operating activities less net cash used in investing activities less payment of lease liabilities.

	Accounts Reference	2020 £ million	2019 £ million
Net cash generated from operating activities	Cash flow statement	422	510
Net cash used in investing activities	Cash flow statement	(191)	(217)
Payment of lease liabilities	Cash flow statement	(33)	(31)
Free cash flow		198	262

Financial calendar

22 April 2021: Annual General Meeting

22 April 2021: Ex-dividend date – Final dividend

23 April 2021: Record date to be eligible for the final dividend

20 May 2021: Final dividend payment for the year to 31 December 2020

27 July 2021: Half year results announcement for the year to 31 December 2021

Early September 2021: Ex-dividend date – Interim dividend

Early September 2021: Record date to be eligible for the interim dividend

Early October 2021: Interim dividend payment for the year to 31 December 2021

Our website

Provides access to share price and dividend information as well as sections on managing your shareholding online, corporate governance and other investor relations information.

To access the website, please visit www.plc.aggreko.com

Managing your shares online

Shareholders can manage their holding online by registering to use our share portal at <https://shares.aggreko.com>. This service is provided by our Registrar, Link Group, giving quick and easy access to your shareholding, allowing you to manage all aspects of your shareholding online, with a useful FAQ section.

Electronic communications

We encourage Shareholders to consider receiving their communications electronically. Choosing to receive your communications electronically means you receive information quickly and securely and allows us to communicate in a more environmentally friendly and cost-effective way. You can register for this service online using our share portal.

Payment of dividends

We encourage Shareholders to have dividends paid directly into their bank accounts as this has a number of advantages, including ensuring efficient payment to receive cleared funds on the payment date.

If Shareholders would like to receive their dividends directly to their bank account, they should contact our Registrar, Link Group. UK Shareholders may also register using the share portal.

Overseas Shareholders may be able to have the dividend converted to local currency before payment to their bank account using the international payment service. Please contact our Registrar, Link Group, for details.

Dividend reinvestment plan (DRIP)

This allows eligible Shareholders to purchase additional shares in Aggreko with their dividend payment. Further information and a mandate can be obtained from our Registrar, Link Group, or by using the share portal.

Duplicate documents

Some Shareholders find that they receive duplicate documentation and split dividend payments due to having more than one account on the share register. If you think you fall into this group and would like to combine your accounts, please contact our Registrar, Link Group.

Change of address

To avoid missing important correspondence relating to your shareholding, it is important that you inform our Registrar, Link Group, of your new address as soon as possible.

Sharegift

If you have a very small shareholding that is uneconomical to sell, you may want to consider donating it to Sharegift (Registered Charity no. 10526886), a charity that specialises in the donation of small, unwanted shareholdings to good causes. You can find out more by visiting www.sharegift.org or by calling +44 (0) 207 930 3737.

Shareholder queries

Our share register is maintained by our Registrar, Link Group. Shareholders with queries relating to their shareholding should contact Link Group directly. For more general queries, Shareholders can look at our website at www.plc.aggreko.com.

Unsolicited mail and shareholder fraud

Shareholders are advised to be wary of unsolicited mail or telephone calls offering free advice, to buy shares at a discount or offering free company reports. To find more detailed information on how Shareholders can be protected from investment scams visit www.fca.org.uk/consumers/scams/investment-scams/share-fraud-and-boiler-room-scams.

Our Registrar

Link Group
Central Square
29 Wellington Street
Leeds LS1 4DL
United Kingdom

Share portal: <https://shares.aggreko.com>

Website: www.linkgroup.com

Email: enquiries@linkgroup.co.uk

Telephone: 0371 664 0300*

* Calls are charged at the standard geographic rate and will vary by provider. Calls outside the UK are charged at the applicable international rate. Lines are open 9.00am – 5.30pm, Monday to Friday excluding public holidays in England and Wales.

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Registered in Scotland
Number: SC177553

Addendum: 2020 Annual Report and Accounts

On page 93 of the 2020 Annual Report and Accounts the Company stated that it intended to hold the 2021 AGM at 21 Palmer Street, London, SW1H 0AD. Due to a change of circumstances since the printing of the 2020 Annual Report and Accounts, the Company confirms that its 2021 AGM will be held at Conrad London St. James, 22-28 Broadway, London SW1H 0BH, as set out in the Notice of 2021 AGM.