

Supplier management

Overview

The supply of products to our global businesses is managed through the Operations Excellence Team, which includes Supply Chain, Logistics and Group Procurement. The annual spend for all significant suppliers is tracked by category, purchasing business unit and country of manufacture. Suppliers are classified as Critical, Major and Local for the purposes of audit, compliance and management control.

- **Critical Suppliers (31 suppliers in 2020, 12% of direct spend)** supply unique products to multiple company markets or requiring a long lead time to substitution if required
- **Major Suppliers (129 suppliers, 60% of spend)** have a significant proportion of spend in a single country (over £0.5 million) or region and / or suppliers of generic products that can be substituted at short notice
- **Minor Local Suppliers (c.3,000 suppliers, 21% of spend)** – represent the majority of suppliers in number, but a lower proportion of the category spend

The major spend in Rentokil Pest Control is on rodenticides, insect control equipment and other products used to control the multiple varieties of pests encountered around the world. These are mainly sourced through global chemical supply companies who have stringent quality and ethical approaches. Rodenticides are manufactured in the Rentokil Initial Supplies (RIS) factory in Kirkby, UK, and hardware such as bait boxes are manufactured at Dudley Industries, a wholly-owned subsidiary in the UK.

Spend in Initial Hygiene includes washroom equipment such as soap dispensers, feminine hygiene units and consumables such as soap and paper. Most of the Hygiene equipment is designed in-house and manufactured by external suppliers in Europe and Asia under the Initial brand, while metal dispensers are manufactured at Dudley Industries. Liquid consumables for these dispensers are mainly manufactured at the RIS factory, while sourcing of paper products is from certificated suppliers which are optimised by global location.

We purchase a wide variety of hardware and equipment such as rodent traps, insect light traps and bird protection devices which are typically designed internally and either manufactured in-house or sourced externally from specialist suppliers.

The Protect & Enhance category includes: (a) Ambius (worldwide) in which plants and pots are sourced locally; (b) Workwear (France) which is supplied through the in-house sourcing company as well as external suppliers; and (c) Property Care (UK) which utilises branded equipment and chemicals purchased locally in relatively small quantities.

Suppliers are classified as Critical, Major and Local for the purposes of audit, compliance and management control.

Sustainable suppliers

The Company's supply strategy is focused on sustainability, and in ensuring that our suppliers share our values and commitments to high Environment, Sustainability and Governance (ESG) standards. Our Supplier Code is available in 17 languages on our website. See link below.

[Our Supplier Code](#)

All critical and major local suppliers have received and confirmed their understanding of the Code since its first publication three years ago.

In all sourcing decisions, compliance with Rentokil Initial ESG standards for a responsible and sustainable business approach is used as a go / no-go gate rather than as a weighting factor for decision-making. From 2021, all new suppliers must demonstrate their commitment to Environmental improvements through compliance to global standards such as ISO 14001 or globally accepted environmental accreditations such as Ecovadis or Sedex.

The Company's supply chain transportation footprint from product suppliers through warehouses to branches, and to end-user technicians and customers is continually reviewed to ensure that the most efficient supply route from supplier to end-customer is employed.

Our strategy is to develop long-standing collaborative relationships with suppliers as strategic partners. We encourage and reward longer-term global and local partnerships, consolidating the sourcing of products wherever possible to maximise the procurement, supply chain and synergies and minimise the environmental footprint. Having a closer relationship with fewer suppliers minimises the potential for non-compliance and provides volume opportunities for preferred suppliers.

Global logistics management plays a key role in building and maintaining a sustainable supply chain.

The Company's supply chain transportation footprint from product suppliers through warehouses to branches, and to end-user technicians and customers is continually reviewed to ensure that the most efficient supply route from supplier to end-customer is employed. Shipping volumes are consolidated at the optimum location to provide the optimum service level at the lowest cost and environmental impact. Shipments are made directly from the supplier to the country warehouse or branch where volumes allow.

From 2021, the environmental impact of sourcing options is included in the criteria for the evaluation of alternatives for global supply of products.



Supplier audits

Once the supply relationship has been established, suppliers are audited on a prescribed frequency based on their performance trend and level of risk. The audit cycle is set between one and four years based on the level of perceived risk, including previous audit results, product criticality, supplier reliability, management capability and country of manufacture.

If an area of non-compliance is discovered at a new or existing supplier, they are given the opportunity to address and resolve the issue, with our support where required. It is important that suppliers are made aware of the specific issue and the actions considered necessary to remedy the situation. Where the non-compliance relates to corporate social responsibility, penalising the supplier directly by removing business, or not awarding a contract, is most likely to disadvantage their employees who we are trying to help.

BB Audit procedures include site inspections, interviews with management and employees, and subsequent corrective action plans for suppliers. BB

Audits of critical and major suppliers are conducted by a Product Quality Manager against the Rentokil Initial Supplier Management Standard (reissued in 2019), which specifies the required standards of product quality, regulatory compliance, factory management and delivery performance as well as adherence to environmental, social and governance standards. The audits start with two sections which focus on Responsible Business: (a) within the factory concerned, and (b) through the supply chain into the factory.

Audit procedures include site inspections, interviews with management and employees, and subsequent corrective action plans for suppliers. Suppliers audited receive a Corrective Action Plan within two days of the audit and must return an initial response within two weeks. Updates on actions are requested at appropriate times, and photographs are requested to demonstrate actions taken or revisits are carried out.

Major and minor local suppliers are reviewed using an audit questionnaire and a site audit is carried out where potential issues are highlighted, or the level of risk is perceived to be higher than normal. These local suppliers are audited by the Product Quality Manager in accordance with the Rentokil Initial Supplier Standard.

Modern slavery

The Global Slavery Index 2018, issued by the Walk Free Foundation, is used to highlight which country operations within the Company carry a higher level of risk of modern slavery or enforced labour. The operations within these countries need to have particularly high levels of scrutiny of subcontracted operations that are not under their direct management.

Products manufactured in India, Malaysia and Indonesia are perceived to have a higher element of risk, from a modern slavery perspective, and are therefore assigned a more frequent audit cycle. It is, however, never forgotten that there are risks of enforced labour and poor treatment of workers in every country. The level of risk in each country of manufacture is assessed against the percentage spend with suppliers in that country.

* Assessed using the Global Slavery Index 2018, based on estimated victims per 1,000 population.

RI Region	Regional Revenue %	Country of Manufacture	% Supplier Spend	Estimated Prevalence*	Risk Classification
NA	44%	USA	47.5%	1.3	Low
		Canada	0.4%	0.5	Low
Europe	23%	France	7.4%	2.0	Low
		Italy	3.3%	2.4	Low
		Netherlands	1.6%	1.8	Low
		Portugal	0.9%	2.5	Low
		Other	1.9%		Low – Med
UKIB	10%	UK	7.4%	2.1	Low
		Ireland	0.6%	1.7	Low
Asia	9%	China	5.2%	2.8	Medium
		Malaysia	2.7%	6.9	High
		India	2.6%	6.1	High
		Indonesia	1.5%	4.7	High
		Singapore	0.8%	3.4	Medium
		Other	2.1%		Med – High
Pacific	6%	Australia	3.5%	0.6	Low
		New Zealand	0.5%	0.6	Low
ROW	6%	Tunisia	1.7%	2.2	Low
		South Africa	1.2%	2.8	Medium
		Other	1.2%		Medium
LatAm	2%	Mexico	1.1%	2.7	Low
		Chile	0.8%	0.8	Low
		Dominican Republic	0.8%	4.0	Medium
		Other	0.6%		Low
Global	N / A	SC Warehousing	1.8%		Low
		Unclassified	0.9%		Low

Audits during COVID-19

Due to the pandemic in 2020, only three of the 22 physical audits planned for existing suppliers were completed. These audits will recommence as soon as travel restrictions allow. In the interim, in-country third-party auditors are being used to conduct the audits for new suppliers using the RI Supplier Standard where possible.

In response to the COVID-19 crisis, the Company launched the Disinfection services noted elsewhere in this Report, and delivered a significant increase in hand sanitisers, liquid hand soaps and the associated dispenser units to meet the needs of customers. Large quantities of PPE (coveralls, facemasks, filters and gloves) were also purchased to keep our colleagues safe as they provided services to customers in high-risk areas. The suppliers of these PPE products were identified, vetted and contracted in a short space of time, and in some cases, third-party intermediaries were used. While the credentials and protocols of these intermediaries were thoroughly checked, the comprehensive supplier audits could not be carried out. The temporary supply from these companies has now ceased.

Large quantities of PPE (coveralls, facemasks, filters and gloves) were purchased to keep our colleagues safe as they provided services to customers.

Areas of non-compliance and corrective actions in 2020

Following the two areas of non-compliance in Malaysia and China that were uncovered in 2019 during audits and subsequently resolved, as reported last year, in 2020 there were some minor concerns of excessive overtime above the government's recommended working hours per week. This happens predominantly for the lower wage workers, who use overtime pay to supplement their wages, and could have been exacerbated during the pandemic.

The following actions were taken to reduce the risk:

1. Worker interviews to check that overtime is voluntary, not forced
2. Supplier management to confirm that high levels of overtime is due to temporary workload fluctuations and not the norm
3. Minimum of one rest day per working week reinforced; and
4. Monitoring in subsequent audits when they recommence

These findings and the actions taken to resolve them are shared with other suppliers in the region during audits, in order to improve their own audit protocol by including checks into similar issues.

🔗 We recognise the extremely complex nature of modern slavery and we will continue to monitor our operational practices. 🔗

We recognise the extremely complex nature of modern slavery and we will continue to monitor our operational practices. Key actions in 2021 will include:

1. Further investigation into suppliers of services in the high-risk indirect procurement categories such as cleaning, haulage and security to ensure compliance
2. Provision of free training to suppliers using an online training module that is specifically tailored to suppliers to Rentokil Initial
3. Ongoing review and discussion with procurement managers from all major countries during the quarterly global procurement team calls during 2021; and
4. Further roll-out of the online training module across the Company

For full details see our Modern Slavery Statement 2020:

[Modern Slavery Statement](#)

