

Task Force on Climate-related Financial Disclosures

In order to encourage companies to increase their disclosure of climate related information, the Task Force on Climate-related Financial Disclosures (TCFD) published recommendations and provided a framework for doing so – focused on governance, opportunities and strategies to manage climate-related risks and transition to a low-carbon future.

Our priority over the last 12 months has been to develop our new Environment Action Plan and 2040 vision. This, together with specialist workstreams and targets, has been discussed and agreed by the Board, and we have now begun to implement country-level operational-based environment plans. As part of this process, Rentokil Initial is committed to implementing and reporting in line with the recommendations of the TCFD. This year, we have taken the first step to integrating these requirements into our Annual Report and Responsible Business Report.

Rentokil Initial already responds to the Carbon Disclosure Project and is a member of the Dow Jones Sustainability (European Leaders) Index. The Company is rated ‘Low ESG Risk’ by Sustainalytics, is Prime rated by ISS ESG (with a decile rank of 1 indicating a high relative ESG performance) and rated ‘AA’ by MSCI for ESG. In 2020, Vigeo Eiris ranked Rentokil Initial 1st out of 99 for ESG in the Business Services category.

Net zero

Target to reach net zero greenhouse gas emissions from our operations by the end of 2040

20%

Target energy efficiency improvement by 2025

Governance

The Rentokil Initial Board has responsibility for oversight of the long-term climate change strategy of the Group, including considering climate-related issues, investments, opportunities and risks.

In 2020, the Board reviewed the Group’s new Environment Action Plan, priority of workstreams, and ambitions through to 2040. It formalised our vision to be at net zero greenhouse gas emissions from our operations by the end of 2040, together with a 20% energy efficiency improvement by 2025 (measured by kilograms of carbon emissions per £m Ongoing Revenues at CER). This was one of the key topics for discussion at the Board’s December meeting.

Regional operating plans, presented to the Board each year, include environmental priorities and plans. We believe that our goal to be at net zero emissions (including emissions from sulfuryl fluoride) from our operations by the end of 2040 is bold and stretching, given we operate in 83 countries, including many emerging markets. But we believe this will unlock a new level of focus and innovation as we seek to differentiate the Company as a leader in environmental sustainability.

In order to meet the 1.5°C global warming target in the Paris Agreement, global carbon emissions need to reach net zero around mid-century. The Company’s new net zero target is ahead of the 1.5°C pathway, as illustrated by McKinsey in their 2020 report ‘Climate Math: What a 1.5°C pathway would take’ and ahead of most government net zero targets including the UK, the USA and European Union.

Our Chief Executive has overall responsibility for Environment, Social and Governance (ESG) and our operationally focused response to the risks of climate change. Responsibility for the delivery of our climate change plans is integrated into roles and responsibilities of senior managers across a number of key functions, including: Marketing & innovation, supply chain, legal & compliance, regional managing directors and communications. An Environment Action Plan Coordinating Group has met throughout 2020.

During the year, it was agreed that the Group’s Executive Leadership Team (ELT) and Senior Leadership Forum (SLF) meetings will have Environment as the third item on every agenda (following Safety and People). The vehicle emissions intensity for the 20 largest operations have been presented to the ELT and SLF monthly. This tracks the vehicle fuel efficiency performance for each country against the prior year, per thousand litres of fuel used, per million of revenue in local currency.

Engagement with our key stakeholders, particularly colleagues, customers, suppliers, shareholders and analysts, about our environmental plan, progress and targets increased significantly during 2020 and we continue to welcome opportunities to engage. This is fully aligned to our business plan and operations, has clear deliverables, and is one of the ways in which we deliver with impact, our social purpose of Protecting People and Enhancing Lives.

Strategy

Our climate-related strategy focuses on the operational risks and opportunities that we have identified – and continue to identify, as new climate-related information becomes available from sources such as the UN and OECD – to ensure that we have a resilient operation and supply chain.

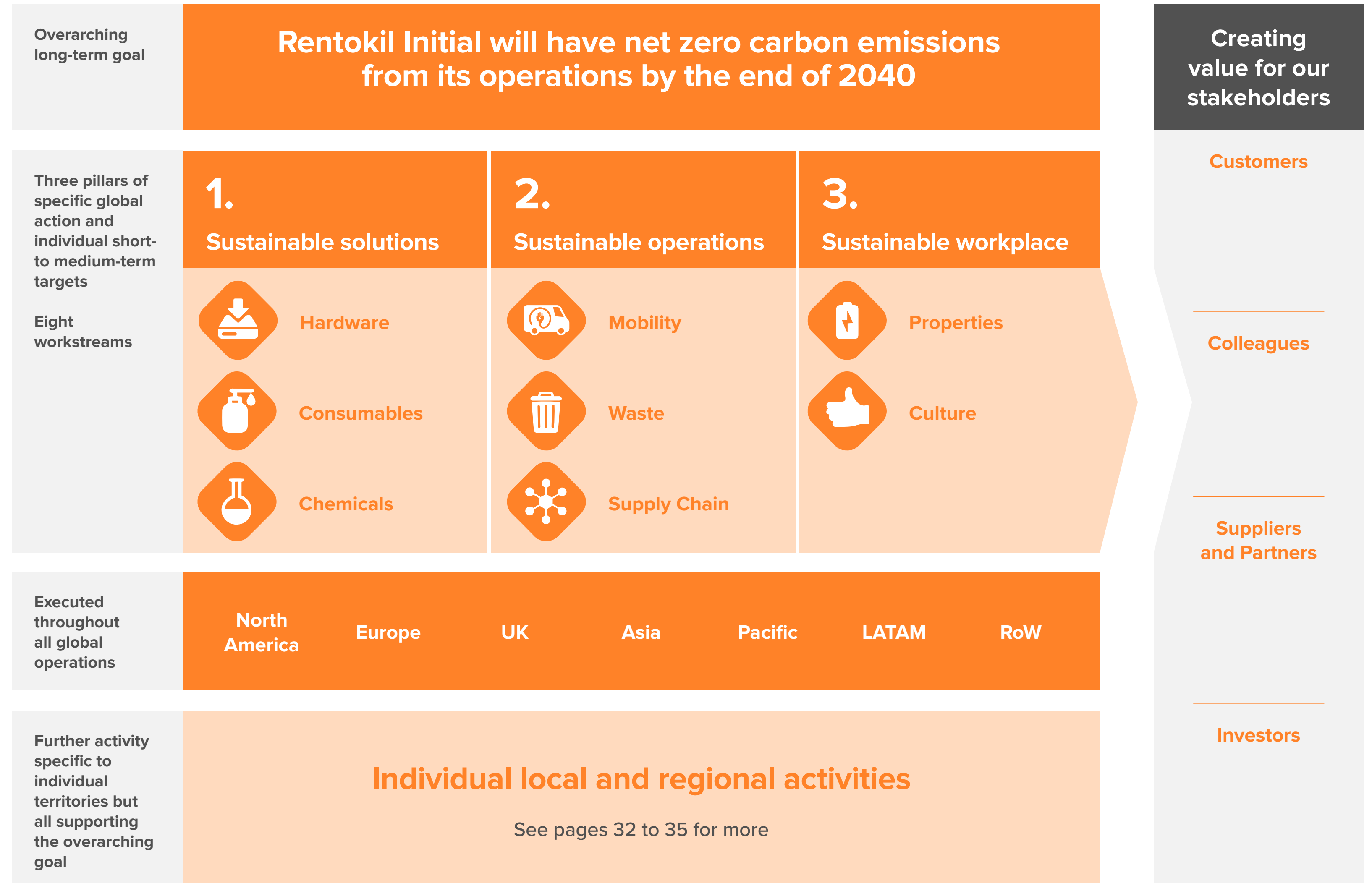
Our strategy is embedded within our operating model as a multi-local, route-based business, delivering services mainly in urban areas. It comprises three broad focus areas and eight specific workstreams.

The main elements of our strategy are:

1. **Mobility** – reducing our carbon emissions from vehicles and colleague mobility
2. **Properties** – moving to sustainable energy tariffs and property efficiency
3. **Chemicals** – moving to non-tox services, including sustainable solutions for fumigation
4. **Consumables** – ensuring paper products are only sourced from sustainable suppliers

5. **Hardware** – ensuring hardware products are designed for sustainability
6. **Waste** – measuring and reducing our waste to zero landfill and incineration
7. **Supply Chain** – working with suppliers to minimise their own climate-related impacts
8. **Culture** – taking our people on the journey and delivering day to day behaviour changes

Each element has priorities, activities and goals through to 2040, and is delivered through country action plans. Climate change is integrated into strategic decisions from M&A to property portfolio, as well as investment in innovation and product development.



Climate-related risk management

Climate-related risks are identified and analysed by our operational and functional teams. For example, our supply chain and procurement teams identify risks relating to the resilience of supply and access to materials, while our country and regulatory teams identify risks related to new laws and regulations, such as city-based low emission zones and associated access charging for commercial vehicles.

Risks and opportunities are discussed at the relevant management bodies – Category Boards for Pest Control and Hygiene, as well as the Group Risk Committee, Executive Leadership Team and the Board of Directors.

There are two broad areas of climate-related risk:

1. Extreme local weather conditions

Operational disruption due to extreme local weather conditions

Operating in 83 countries means we see the local impact of climate change and extreme weather conditions in the countries and cities in which we operate. In 2020, these included:

- **January:** The worst Australian bushfires in living memory. Several colleagues are volunteer firefighters and took part in firefighting operations
- **February:** Near-record flooding in parts of Mississippi and Tennessee
- **May:** Heavy rainfall caused by Typhoon Vongfong in the Philippines destroyed homes and displaced over 140,000 people
- **July:** In North Eastern India, 2.4 million people were affected by floods
- **September:** The worst wildfires in 18 years across California and Oregon, driving 90,000 people from their homes
- **October:** In Vietnam, extreme floods submerged over 178,000 homes and 7,000 hectares (17,297 acres) of crops

In addition to the climate-related risks to operations, risks such as heat stress could affect the ability of colleagues to work outdoors or, in extreme cases, could put human lives at risk. During 2020, in Australia, our colleagues were supplied with ‘cool vests’ and working outside was restricted as local temperatures became more extreme.

According to McKinsey, India (where we have a nationwide operation) and Pakistan (in which we do not currently operate) may be the first places in the world to experience lethal heatwaves. For the people living in these regions, the average annual likelihood of experiencing such a lethal heatwave is projected on current trends to rise to 14% by 2050.

While these are localised events, they demonstrate the potential risks, should climate change make weather events more extreme and more frequent, and underline the need for climate action.

Risk assessments are carried out throughout the Company. For instance, before providing service on a new site, including in extreme cases the impact of local weather conditions, and when considering a new location, for instance with the potential for flooding.

2. Legislation and changing regulatory and stakeholder expectations

Environmental Legislation and Changing Expectations of Customers and Society

When considering our new Environment Action Plan, we also identified associated risks.

The following examples relate to colleague mobility and the use of chemicals in pest control:

Mobility Risks

- City-based vehicle charging or access zones only for low emission vehicles
- Customer / society expectations
- Carbon taxes and regulatory policy interventions
- Access to a nationwide Electric Vehicle (EV) charging network
- Access to EV vehicles that meet our needs – daily mileage / weight. Pricing / commercial terms

Mitigation / action plan

- Detailed analysis tool in place – EV fleet availability by country, monitored for availability of suitable vehicles, price and charging network availability. RAG rated
- Pilots in 5+ major markets. Policy framework created
- Membership of EV100 – a global initiative bringing together companies committed to accelerating the transition to electric vehicles
- Roll-out plan to be completed by 2040

Use of chemicals in pest control Risks

- New legislation to restrict the type of chemicals used in pest control in outdoor environments (already present in some European countries)
- Customer / society expectations for fumigation services using chemicals that do not impact climate change
- High-carbon goods and services become socially unacceptable
- Behaviour on climate-related matters could become critical to corporate reputation

Mitigation / action plan

- 80% of our innovation pipeline is now sustainable
- First non-tox / low-tox products launched
- Investigating non-tox alternative for fumigation with goal to change from sulfuryl fluoride
- Plan developed to become 100% non-tox by 2040
- Introduction of digital tools – more targeted usage
- Use of RapidPro alternative rodenticide

Climate-related opportunities

Pests are more of a burden in warmer climates and therefore, the impact of climate change is a factor in the growth of commercial pest management.

Warmer temperatures mean longer breeding seasons and higher survival rates during the milder winters. More volatility in temperatures and precipitation also has the potential to change the pest mix and demand for pest control over the medium to long term.

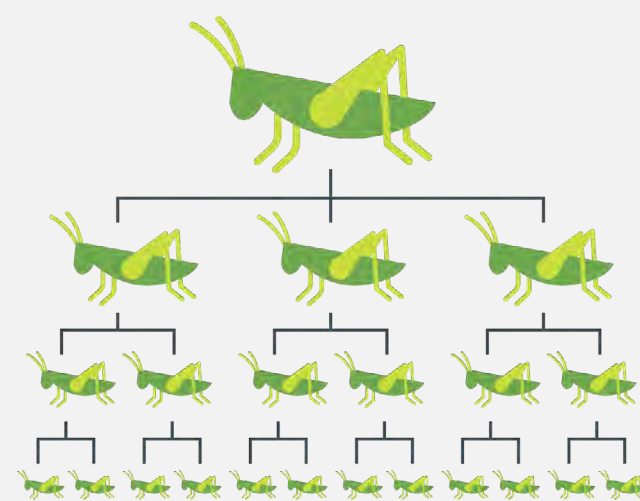
With market-leading positions around the globe, Rentokil Initial can play an important role in helping customers to mitigate the effects of global warming on their businesses and on public health.

The Company is already seeing the impact of warmer temperatures. For instance, increased survival rates of mosquitos and other insects in southern Europe, and rising concerns about vector-borne diseases. In the US, we are also seeing an increase in mosquito populations being reported due to increasing amounts of standing water following more severe hurricanes and storms.

One of the best examples of this impact, also in terms of pest migration as well as survival, is the Asian Tiger Mosquito. The native range of this mosquito has traditionally been throughout the tropics of Southeast Asia, the Pacific and Indian Ocean Islands, north through China and Japan, and west to Madagascar.

However, the Tiger Mosquito has been one of the fastest-spreading animal species over the past two decades. To date, it has spread to at least 28 countries outside its native range around the globe. This is the mosquito that brought Chikungunya disease to Italy in 2007. As with mosquitos, flies thrive in warmer climates. According to the World Health Organization (WHO) publication, 'Public Health Significance of Urban Pests', climate change may have a significant impact on fly populations. A statement by the WHO, using predicted values for warmer temperatures, forecasts a potential increase in fly populations of 244% by 2080, compared with current levels. If this were to occur, concomitant increases in fly-borne diseases would be expected.

How does climate change affect pests?



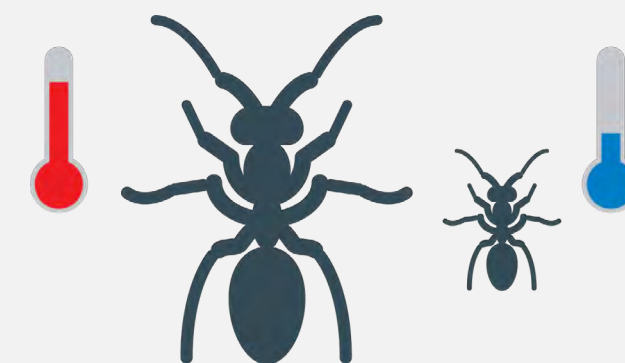
Insects experience additional generations



Higher survival rates during winter months



Poleward spread of pests towards cooler climates



Some insects grow bigger in warmer temperatures



Impact of attacks on crops and people is worsened

Metrics and targets



For over 15 years, Rentokil Initial has published its emissions data and continues to improve the quality and range of its environmental reporting.

The Company first set an emissions target in 2012 of a 10% reduction in our emissions intensity index by 2016, which was achieved in 2015. Then using 2015 data as the baseline it set a five-year emissions target to achieve a 20% reduction in this intensity index by the end of 2020. As at the end of 2020, this had reduced by 27.2%.

In 2020, the Board set a new target to reduce the emissions intensity index by a further 20% by the end of 2025 (using 2019 data as the baseline). As at the end of 2020 this index had reduced by 8.1%.

The index of CO₂ emissions is calculated as an index of kilograms per £m revenue on a constant exchange rate (CER) basis, providing an accurate like-for-like performance comparison of energy use intensity, removing the variables of currency and, divestments and acquisitions.

The Company has also begun its journey to net zero carbon emissions from its operations by the end of 2040.

Our greenhouse gas emissions are derived from the use of energy in our properties and vehicles and through the use of sulfuryl fluoride in fumigation projects. In 2020, we set a new goal to achieve zero CO₂ emissions from the use of chemicals in fumigation by 2035.

Absolute emissions from the use of sulfuryl fluoride were 605,442 tonnes in 2020 (2019: 548,449 tonnes; 2018: 363,339 tonnes; 2017: 481,390 tonnes). The increase in 2020 occurred due to growth in customer demand in Europe for fumigation to protect products being shipped around the world, and from acquisitions of businesses who use it in their fumigation services.

Our current Scope 3 reporting includes emissions in relation to our properties and vehicles – Transmission & Distribution (T&D) and Well to Tank (WTT). We are currently planning to enhance our data capture around Scope 3 emissions, in particular business travel and our supply chain.

Our five-year performance data tables cover absolute values of energy and fuel-derived emissions – tonnes of CO₂e covering Scope 1, 2 and 3 and our progress against the Index of CO₂ emissions, against which our 20% target is set.

Intensity index of CO₂ emissions

Based on kg per £m of revenue on a CER basis – baseline year 2015 = 100

2020	72.76
2019	79.16
2018	79.65
2017	91.61
2016	93.82
2015	100

See pages 36 and 37 for our Environmental reporting performance data