DRIVING REAL CULTURAL CHANGE

Being a responsible business has always been a priority for us. We are passionate about improving the lives of our people, contributing in a positive way to the environment, engaging in the communities in which we live and work and ensuring strong governance for our business.

Embedding 'Lead with ESG' as one of the actionable components of our Sunbelt 3.0 strategy has increased further our focus and brought about the incorporation of sustainability thinking into the culture of the organisation. It has also given fresh impetus to our initiatives and programmes. We were delighted to issue our first standalone Sustainability report during the course of this year. This Responsible business report works alongside the Group's more detailed disclosures within the Sustainability report to provide information for stakeholders on our activities on ESG. We expect this year's Sustainability report to be published in Autumn 2023.

How we prioritise ESG

At Ashtead, we have always prioritised the safety of our people, customers and members of the communities we serve. We provide our customers with a reliable alternative to ownership, support the communities we serve across our store network, limit the environmental impact of our operations and ensure a strong governance framework. Our ESG priorities are to operate in the most sustainable and responsible way in all areas of our business.

Lead with ESG is about engagement, action and results; embracing responsible sustainability and success for our people, our customers, our communities and our investors, while unlocking structural benefits ESG will bring through increased rental penetration. We have analysed the issues and impacts that are most important and material to our business and stakeholders in our defined areas of focus as set out in our sustainability wheel.

Material topics

As part of our risk management process, we assess regularly the most material matters to the Group, including those related to sustainability, and assess their potential impact on our business and the generation of long-term value. We have segmented our commitments into four key areas: our people; the environment; our communities; and governance. In this Responsible business report we focus on our people, the environment, and our communities:

- Our people: health and safety is fundamental to our culture and is at the forefront of everything we do, underpinned by the next phase of our Engage for Life programme, Engage for Life: Amplified. Retaining and attracting good people is key to delivering superior performance and customer service and progressing our culture. A skilled and committed workforce is fundamental to the Group's long-term success and key to this is treating everyone fairly and with respect.
- The environment: rental is a prime example of the circular economy with significant benefits to the environment from rental versus ownership at all stages of the business life cycle, from supply chain and operations, to customer use and end of life of equipment. We prioritised our environmental commitment as part of Sunbelt 3.0 to drive performance and enhance transparency regarding our activities and achievements.
- Our communities: with our ever increasing scale, we are present in many local communities with the opportunity to be a force for good through community support, job creation and recruitment, charity support, volunteering and responding to emergencies.
- Governance: we are committed to the highest standards of governance with further details provided in this Responsible business report and the Corporate governance report.

The Group's activities help advance the United Nations Sustainable Development Goals (SDGs). We have identified the eight goals to which we believe we can make the most contribution through our focus on recruitment and training, focus on diversity, equity and inclusion, the development of our products and management of our operations. Further details are provided in the Group's Sustainability report.

How we monitor our work

A robust approach to corporate governance is the foundation for delivering our strategy and ensuring our growth is both responsible and sustainable. The tone from the top, risk management and transparency are all elements that are essential to our business performance and its sustainability. We understand that identifying metrics in measuring our performance is important and have a number that we monitor, including health and safety incident rates, employee engagement, staff turnover and carbon intensity. We report on these in this report.

The Group's Board of directors is responsible for monitoring the progress we make against our strategic ESG objectives and the targets we have set. The Board is assisted in this function by the Group Risk Committee which is chaired by our chief financial officer. Included on the Group Risk Committee is the Group's managing director of ESG.

For further information on the Group Risk Committee, its members and priorities in current and forthcoming years, please see pages 40 to 45.

OUR PEOPLE

3 GOOD HEALTH AND WELL-BEING
4 QUALITY EDUCATION
5 GENDER EQUALITY
8 DECENT WORK AND ECONOMIC GROWTH

Health & safety

The Group's success is built on a culture which places health and safety at its core. We are committed to improving continually our safety performance, both in how we operate and the equipment and services we provide for customers. We believe that being recognised for excellence in health and safety provides us with significant competitive advantage.

We target safety improvement through health and safety programmes and encouraging employees to keep their own safety and that of their colleagues in mind at all times. Our safety training for employees, managers and leaders reinforces the importance of a safety-first mindset and we pay particular attention to 'near misses' as a way of continuing to understand and focus on safety risks. All incidents and 'near misses' are investigated and responded to swiftly.

Our health and safety mindset goes beyond core safety programmes. For example, our 'Power Up' initiative ensures our employees are 'ready to go' every morning, encouraging our team members to have a broader view of their wellbeing.

Safety initiatives

We encourage staff to take responsibility for their own safety and have core safety processes across all our stores. These include:

- our team members are trained regularly on the safe use of relevant equipment for their role;
- the near miss programme, which provides insights into our exposures across our business;
- the pre-task planning programme (Take 10 Programme), which requires everyone to take at least 10 seconds to think through the job they are about to do using a pre-task planning checklist. Examples of tasks where this is applied are loading/unloading, wash bay work, checking equipment in, and technicians repairing or conducting routine maintenance on the equipment;
- the Safety Committee engagement programme, which ensures stores hold safety meetings and engage in topics such as near miss reporting, being more observant in looking for exposures, corrective action closure, etc. Weekly safety communications and briefings are also issued to all team members, further encouraging continual dialogue in relation to safety matters at all levels of the organisation, via email and through our employee engagement app; and
- Regional Safety Managers present in our business, who engage on a daily basis with team members. Their role includes truck inspections, facility assessments, training and listening to feedback from our people.

Our senior leadership teams have weekly safety meetings to provide focus towards developing solutions that can be replicated across the Group. We hold annual safety weeks designed to increase awareness of the importance of safety across the business.

Driver and vehicle safety

Our fleet of vehicles drives more than 300 million miles every year delivering our fleet and servicing the needs of our customers. Covering this distance means safety on the road for our drivers and other road users is paramount. While we have one of the safest fleets in the equipment rental industry, we continue to focus on safety through our commercial vehicle training programme and defensive driving courses so we can target ways in which we can further reduce our incident rate.

Our driver safety programmes use onboard telematics to help us prevent unsafe behaviours or activities on the road. Through this programme, we are introducing cameras into our delivery and service vehicles, with c. 1,400 cameras installed to date. The use of this technology enables real-time feedback on behaviours which could lead to vehicle incidents (e.g. lane departures, critical distance or in-cab behaviours). It also enables recognition of positive actions and a job well done. While the use of onboard technologies is designed to improve driving behaviour, it also provides incremental benefits through reduced fuel use, enhanced engine and vehicle maintenance and fewer accidents. In addition, drivers participate in online risk assessments that identify safe and unsafe behaviours through interactive driving modules. By identifying the risk profiles of our drivers, we are able to develop specific adaptive learning programmes for them.

Engage for Life: Amplified
Our Engage for Life health and safety programme is built on three pillars: culture, community and commitment. We are focused on building a culture that eliminates serious injuries or fatalities ('SIFs'), aligns our best practices, and ensures we all have the right skills to complete work safely. An important component of Engage for Life is that we demonstrate the dedication to the well-being of our team members, their families and communities, while supporting and encouraging team members' safety development. We were recognised by the Board of Certified Safety Professionals ('BCSP') as a Diamond Class Certification Sponsor, for supporting our team members in achieving safety certification, with over 185 team members having completed the programme. This year saw the launch of Engage for Life in the UK and, in North America, Engage for Life: Amplified, taking the programme to the next level in terms of embedding it deeper within our culture.

Working on safety with our customers and suppliers

Being a responsible business means sharing and promoting our safety culture with our customers and suppliers whenever possible. We have the highest safety expectations for all our equipment suppliers. For our customers, we have dedicated mobile elevated work platform, forklift and earth moving operator trainers and we offer customised training programmes to fill their needs. We work with customers' safety teams to develop customised training courses, sometimes for a specific jobsite and participate in training days for major customers, demonstrating safe use of equipment and running training seminars. This is in addition to the routine safety briefings that accompany equipment rental. We see this as an area of added value and a way to enhance safety with those we work with and across our sector more widely. We now offer dedicated full-time safety trainers for our customers in 145 markets across North America and have 31 accredited training centres in the UK.

Our customer training covers a broad range of topics including:

Operator training

- Mobile elevating work platforms, boom lifts and scissor lifts
- Forklifts, warehouse and telehandler rough terrain
- Earth moving equipment, loaders, excavators, backhoes
- Traffic control management

Train the trainer

- Mobile elevating work platforms
- Forklifts
- Earth moving equipment
- Fall protection

Scaffolding

- User hazard awareness
- Competent person
- Suspended platforms hazard user awareness
- Suspended platforms competent person
- Customised courses available
- Working at height safely

01 Recordable accidents

		2023		2022	
		TRIR	**RIDDOR**	TRIR	RIDDOR
US	Recordable accidents	**253**	**73**	190	74
	Incident rate	**0.97**	**0.15**	0.90	0.17
Canada	Recordable accidents	**18**	**5**	25	5
	Incident rate	**0.89**	**0.12**	1.49	0.15
UK	Recordable accidents	**n/a**	**23**	n/a	18
	Incident rate	**n/a**	**0.25**	n/a	0.22

How we monitor performance

We monitor and analyse health and safety incidents and 'near misses', investigating and analysing root causes to help identify recurrent issues and risks, and implement preventative controls. The importance of health and safety is reflected in the fact that the number of reportable accidents is one of our group-wide KPIs (see page 39).

We continue to develop and improve our incident management system which enables us to manage incidents while allowing us to investigate, analyse root causes and track corrective/preventative actions. The tracking and reporting of 'near misses' is an area we are looking to improve as the lessons learnt are as instructive or often more so than from actual incidents.

This year, the US had 2,036 reported incidents relative to an average workforce of 17,902 (2022: 1,326 incidents relative to an average workforce of 14,934), Canada has 372 reported incidents relative to an average workforce of 1,879 (2022: 223 incidents relative to an average workforce of 1,575) and in the UK there were 190 reported incidents relative to an average workforce of 4,262 (2022: 193 incidents relative to an average workforce of 3,947). For the purpose of our internal tracking, the term incident does not necessarily mean our employee was hurt or injured. Instead, it represents an incident that we want to track and report for monitoring and learning purposes.

Reportable incidents are measured differently in North America and the UK due to different regulatory frameworks. In the US and Canada, reportable accidents are reported in accordance with OSHA (Occupational Safety and Health Administration), referenced as a Total Recordable Incident Rate ('TRIR') whereas in the UK, reportable accidents are reported in accordance with RIDDOR (Reporting of Injuries, Diseases and Dangerous Occurrences Regulations). Under the different definitions, more incidents are generally identified in North America as being reportable than in the UK.

To compare performance between our main operating countries we measure incidents using RIDDOR, as shown in Table 01. All safety and health reporting is made through our online reporting system.

We remain committed to reducing these rates as much as possible and continue to see progress across the businesses.

In addition to monitoring reportable incidents, we have developed a set of performance predictors. These are a set of six leading indicators that monitor each month's activities supporting our safety culture and performance. The leading indicators are mostly centred on engagement and include topics such as safety meeting attendance, safety committee participation and defensive driving programmes. These are recorded in our online safety reporting system.

Human capital

Developing our people

The commitment and skills of our workforce contribute directly to our success. Whatever level an employee is at in the business, we aim to train them to improve their skills and give them opportunities for career development through clearly defined, but flexible career pathways. To keep the best talent in the business, we need to match our people's career ambitions by providing a clear route for progress and development. We offer a wide range of technical, sales, management and leadership training to all employees.

For our largest group of employees, skilled trades, we have two main approaches to develop talent: career pathing and career progression. Career pathing is about providing employees with a clear promotion pathway within the business. For example, for a driver or technician to become a store manager, we have a career pathway with associated training courses that provide the skills needed for the next step on that particular career pathway. With this option, a team member can see the skills they need to develop and demonstrate to progress in their career towards a management role.

For those that want to progress within their specific job area, we offer career progression. Within our skilled trades employee group, this provides a clear progress path that will enhance an employee's skills, ability and experience within their trade or job role. For example, technicians can achieve four skill levels, with each level requiring progressively more in-depth and expert skill and knowledge. To pass from one level to the next, the team member has to pass an evaluation that shows their skills match the next step on the ladder.

For frontline leaders in our store network and other leaders in central operations, we offer a range of leadership or senior leadership training. These courses ensure our leaders are equipped with the skills to deliver on our business strategy. These include inclusive leadership, coaching, performance and financial management, training skills and customer experience.

Our career development and training initiatives include:

- technician apprenticeship and training programmes;
- paid apprenticeships for trade school students approaching graduation;
- the Jumpstart Sales programme;
- the Jumpstart Manager In Training programme;
- intern programmes both in stores and at the support office;
- a leadership curriculum for all store managers;
- an Executive Leadership Development programme; and
- coaching skills training for store managers to enable better coaching and mentoring of staff.

The Group's career development and training programmes are managed through an online Learning Management System ('Sunbelt University') that delivers, tracks and manages all our training. Furthermore, we have mapped skills against a qualification framework so team members and leaders can identify learning and development needs, whether for annual compliance purposes or to support career progression.

Employee engagement

Getting ongoing feedback on how our staff are feeling and then making any changes necessary, is crucial to maintaining a happy and fulfilled workforce. We pride ourselves on having a strong culture, with a strong sense of purpose amongst our team members who take their responsibilities to assist customers and communities seriously. There is also a strong sense of pride in a job well done, such as when we are helping people get back to normal after a natural disaster, such as a flood, fire or tornado event. We conduct regular employee surveys in North America and the UK, which have received excellent levels of response. We have been delighted with the results so far, which show a high degree of employee engagement and satisfaction but highlight areas where we can improve.

In North America, our Express Yourself Survey received an 84% participation rate with an 88% engagement score. In the UK, participation in the latest survey was 86% with an 80% engagement rating. Responses to the surveys are overwhelmingly positive. We analyse the results and identify areas for improvement, developing action plans down to a local level.

Example Career Pathways: Driver to store manager

Driver	Dispatcher	Store manager
Understanding all aspects of the business, including being part of high-performance teams, safety, and customer service. To prepare for becoming a dispatcher, employees complete a development programme on basic leadership skills.	12-month period of education, experience and exposure, with leadership and team development training. To prepare for becoming a store manager, employees complete a development programme on team leadership.	The Sunbelt leaders programme provides leadership skills and training to help staff focus on operational and financial performance goals.

Workforce turnover

We aim to hire the best people, train them well and look after them. This ensures our employees provide the best customer service. We invest in our employees and aim to retain them in the Group so we can build on the skills base we have in the business. We recruit extensively from the communities we serve. You will find detail about our recruitment in the section on Communities on page 72.

Our sector generally suffers from high turnover rates, especially in some of our skilled trades, such as drivers and mechanics. Our voluntary staff turnover is 17% in the US (total staff turnover is 21%), 20% in Canada (total staff turnover is 29%) and 20% in the UK (total staff turnover is 23%). Our analysis shows that around two-thirds of turnover happens within the first two years of an employee starting to work for us. As a result, we continue to focus on improving our recruitment process, which means finding the right employees for the right openings. We have also reviewed and redesigned our employee onboarding to ensure new recruits get the support and guidance they need from the very beginning of their career with us.

Pay and benefits

Pay and benefits is one of the most significant factors in attracting and retaining the best people. Our employees' pay and benefits are made up of competitive fixed pay and a range of benefits and incentive programmes to motivate employees and support our business' success. Sunbelt UK is an accredited Living Wage Employer while in North America we have adopted a Leading Wage approach to ensure all employees are paid an hourly rate more than the state and federal recommended rates and at a level which is competitive to the market.

In addition, we provide a comprehensive package of benefits ensuring they represent affordable and smart choices for employees. Each benefit offering has been designed to work with another, providing a financial safety net that serves those employees in need, as well as providing us all with a proper sense of security. In the US we offer robust and comprehensive medical coverage and have limited increases in member contribution rates despite the increasing costs of healthcare. By continuing to promote wellness, we intend to maintain a fair and balanced health plan that is considered one of the best in our industry. Our retirement plans are well received with a 95% enrolment rate in our US 401(k) plan, 91% enrolment rate in Canada and 91% of UK employees participating in the pension plan.

Furthermore, we have an employee assistance helpline which offers free confidential support and advice to those in need. We also have other benefits to promote good health amongst our employees. In the UK we have a flexible holiday arrangement enabling employees to purchase additional holiday entitlement or sell unused or unwanted holiday back to the Company, giving the employee more flexibility and choice in how they use their contractual benefits.

EMPLOYEE SPOTLIGHT

Prudence Wangu, Team Lead, Lighting, Grip and Lens

Prudence Wangu graduated in Nairobi with a degree in acting and then left Kenya to travel to Canada. After a difficult start, including living in a shelter for six months, she eventually found her way to William F. White where she began to thrive. "My trajectory is both encouraging and motivating – hard work and perseverance are rewarded in this organisation, no matter where you are from. Despite being alone in a country not my own, I have found my family [at Sunbelt]." Prudence applies that same family approach to helping carve a path for the next generation of women leaders, recommending encouragement, empathy and compassion when it comes to leading a team.

Social opportunities

Diversity

Our recruitment comes predominantly from the areas immediately around our locations, therefore providing opportunities for local people and providing a positive impact on local communities. Providing equal opportunities for all is a priority for the Group. We do not discriminate on the basis of a protected status, such as sex, colour, race, religion, native origin or age. In the US we are required by law to monitor ethnicity in our workforce and we maintain a diverse workforce with c. 30% of the US workforce identifying themselves as being non-white. We also gather diversity data as part of the recruitment process in the UK and seek to monitor our diversity, although the information held is less complete than data in North America where information has been gathered over a longer period. We are committed to providing opportunities for people across our organisation regardless of gender, ethnicity or other characteristic.

Our goal is to respect our collective experiences and unique perspectives from across the Group. Despite working in a traditionally white male-dominated sector, we are striving to make our workforce more diverse and want our people to reflect the communities which we work in and recruit from. With this in mind, we continue to strengthen our approach to diversity, with the rollout of a diversity, equity and inclusion playbook for all team members in North America, outlining our approach to diversity, what it means and our plans in this area. Training was also developed and rolled out to all employees. Our employee resource groups seek to advance an inclusive culture that empowers individuals and provides equitable opportunity for team members and the communities we serve. We have a similar initiative in the UK called 'Let's Talk Belonging' which facilitates 20 equality, diversity and inclusion ambassadors across the UK who promote diversity within the business.

Workforce by gender

We are focused on the gender composition of our workforce but understand our workforce reflects the nature of our business, the industry in which we operate and the markets we serve, with just 12% of the Group's workforce being female. A significant proportion of our workforce are mechanics, technicians and drivers, virtually all of whom have been male historically. Therefore, while across our workforce we seek to promote an increasing presence of women in the business, and we have seen success in some areas of our business such as within professional functions, sales and customer service, we recognise that some roles will continue to attract fewer women.

Nevertheless, while our industry has traditionally had many more men than women, we do have women at all levels of the Group, from the Board to store level. While four members of our Board (44%) are female and we have women on our senior management teams and as store managers and sales executives, we realise we have work to do to increase the number of women throughout the business.

We continue to prioritise recruiting the best people for every role and are working to make it easier for more women to join and remain with the organisation. We believe that in doing so, we will move towards achieving a greater level of female representation across the Group at all levels starting from the grassroots of our organisation.

Ashtead pays men and women the same salary for the same role with the actual remuneration being based on skills, experience and performance.

However, as a result of our mix of employees and the roles they undertake, the average pay of men and women differs across the business. Summarised in Table 03 is the amount by which average pay for men exceeds that for women.

02 Workforce by gender

Number of employees	Male	Female	Female %
Board directors	5	4	44%
Senior management	28	9	24%
All staff	22,226	3,129	12%
By region			
US	16,906	2,081	11%
Canada	1,781	313	15%
UK	3,539	735	17%

03 Pay gap

	Pay gap
US	4%
UK	1%
Canada	4%

Employee wellbeing

It is crucial that our workforce is a healthy one, both physically and mentally, and we work hard to look after our people and help them look after themselves. When our staff are on top form, they provide the best service to our customers. We are also there to help when they find themselves in difficulties.

In the UK our 'Let's Talk' wellbeing programme started with 'Let's Talk Mental Health' volunteers completing a two-day professional Mental Health First Aider course (MHFA England) and we plan to train more staff in this important area. In North America, mental health support is available through our employee engagement app and via the employee assistance programme.

In North America, the Sunbelt Rentals Employee Relief Fund was created to support employees who are facing financial hardships after a natural disaster or other life-changing events. The Fund was established initially to help the victims of Hurricane Charley in 2004 and is now a part of our long-term strategy to assist team members through catastrophic financial hardship. Any employee of Sunbelt Rentals is eligible to receive relief from this fund for the benefit of themselves or their immediate family members living in their household.

ENVIRONMENT

12 RESPONSIBLE CONSUMPTION AND PRODUCTION
13 CLIMATE ACTION

Protecting the environment is not just the right thing to do; we believe rental has a significant part to play. The environmental benefits of renting equipment rather than ownership are clear. The Group purchases equipment from suppliers with strong reputations for product quality and reliability with whom the Group is working to reduce the environmental impact of equipment usage. Many customers using one piece of modern application-specific, world-class manufactured, well-maintained and safe equipment as part of a sharing economy is better for the planet. It results in the manufacture of fewer assets, use of fewer natural resources, more efficient use of assets, and finally, fewer assets reaching end of life and therefore requiring disposal. Maintaining our equipment to the highest standards and investing in the newest and most eco-efficient technology reduces emissions further during its use and extends equipment life. For example, the increased use of telematics enables more timely intervention where required, thereby increasing efficiency and reducing emissions.

We prioritised our environmental commitment as part of Sunbelt 3.0 to drive performance and enhance transparency regarding our activities and achievements. Our primary environmental goal is to reduce our Scope 1 and 2 carbon intensity per $m of revenue by 35% by 2030 and to achieve an interim target of 15% by 2024. In doing so, we are focusing our efforts on company-owned vehicles, which account for around 80% of our greenhouse gas emissions from operations. While remaining committed to reducing emissions in our own operations, we are also continuing to work as a partner in innovation with our equipment suppliers to develop and bring to market more efficient, lower carbon-emitting options. We are also increasingly delivering integrated and environmentally responsible rental solutions for our customers. Ultimately, these activities will reduce the indirect (Scope 3) environmental impact of our operations.

Climate change

Climate change has the potential to impact our business, both positively and negatively. For example, while we benefit from the diversified nature of our operations, adverse weather events or natural disasters could negatively affect economies and disrupt our business day-to-day. However, they could also increase the demand for our services as we respond to the needs of our communities managing and recovering from such events. Our climate change focus is centred on our impact on the environment and how we can reduce it through both our direct and indirect activities. We monitor our performance in a number of ways, including assessment of:

- fuel usage;
- electric and gas usage; and
- fleet telematics.

As a growing business with ambitious expansion plans, our absolute greenhouse gas ('GHG') emissions will necessarily increase in the near-term as the size of our rental fleet and geographical footprint grows. While we believe that rental provides a long-term net environmental benefit from the shared use of modern, well-maintained assets, we continue to evaluate the most efficient and effective approaches to limit the increase in our GHG emissions as we continue to grow. While our absolute carbon emissions will increase in the near term, we are committed to reducing our carbon intensity. We also believe that our absolute carbon emissions will decrease in the longer term as technological solutions develop and we position ourselves to be at the forefront of bringing this technology to market.

Greenhouse gas emissions

The Group's direct energy consumption arises predominantly from the diesel and petrol used in our vehicle fleet, the gas consumption in our facilities and our purchased electricity.

Our Scope 1 (fuel combustion and operation of facilities) and Scope 2 (purchased electricity) GHG emissions are reported in Table 04 on page 69, together with details of the energy consumption used to calculate those emissions.

In order to calculate the GHG emissions and total energy consumption in mWh, we have used a 'market-based method' in accordance with the GHG Protocol Corporate Accounting and Reporting Standard (revised edition), together with emission factors from the UK Government's GHG Conversion Factors for Company Reporting 2022, the latest available emission factors from the US Environmental Protection Agency and the Environment and Climate Change Canada. In addition:

- in the US and Canada, due to the size of our operation and range of fuel and electricity providers, we collect data from the significant vendors and then use this to estimate emissions attributable to the balance. In addition, we are required to estimate electricity usage between the most recent meter reading and the year end date. As such, for the year ended 30 April 2023, approximately 9% of the North American emissions balance was estimated; and
- in the UK, we collect data from all Scope 1 and 2 suppliers and hence, there is no estimation involved.

04 Greenhouse gas emissions

		2023		2022	
		UK	**Total**	UK	Total
Scope 1	tCO_2e/year*	**31,288**	**340,782**	30,099	302,843
Scope 2	tCO_2e/year*	**776**	**30,380**	357	26,977
Total	tCO_2e/year*	**32,064**	**371,161**	30,456	329,820
Energy consumption used to calculate emissions	mWh	**148,497**	**1,511,320**	131,148	1,317,129

* tCO_2e/year defined as tonnes of CO_2 equivalent per year

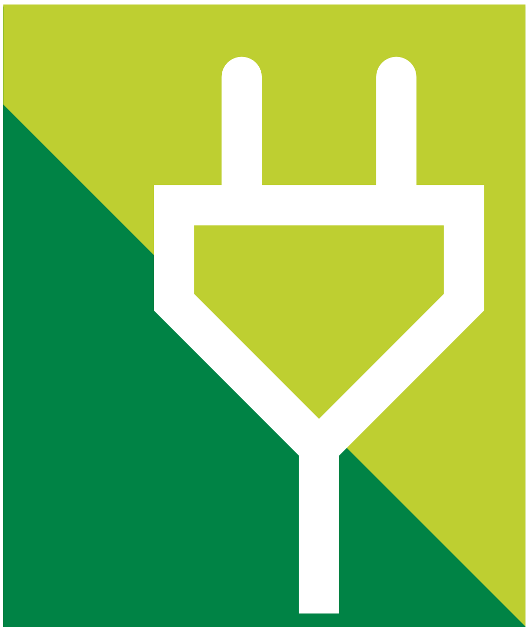
In the current year, our total Scope 2 emissions resulting from our US operations have been impacted by the sourcing of electricity in certain locations from renewable sources which are REC (renewable energy certificate) backed (12% of our US consumption). We will continue to explore the options available to us to extend the sourcing of purchased electricity from renewable sources where market regulation allows. In the UK, we source all electricity from renewable sources which are REGO (renewal energy guarantees of origin) backed except for a small number of locations where energy is sourced by a third party.

As commented above, while we are focused on reducing our carbon emissions, they are likely to increase as we grow over the medium-term until technological advancements and increased manufacturing capacity reduce reliance on the diesel engine or diesel substitute fuels become more widely available. Thus, at this stage, our key performance metric is carbon intensity as we look to mitigate our environmental impact. Our level of GHG emissions vary with our activity levels which are in part reflected in our revenue levels. Accordingly, we have concluded that the most appropriate intensity ratio for Ashtead is revenue intensity.

Our intensity metric is therefore carbon emissions per million dollars of revenue (tCO_2e/\$m).

	2023	2022
Carbon intensity ratio – emissions per \$m of revenue (tCO_2e/\$m)	**38.4**	42.2

On a constant currency basis (using this year's exchange rates) our intensity ratio has reduced 11% from 42.9 to 38.4.



GENERATING OUR OWN POWER

Our first solar power installation went live at our Warner Robins store in Georgia. We installed 108 photovoltaic solar panels, which will produce almost 100% of the store's electricity needs. Energy simulations for the installation estimate annual electricity production of 63.5 mWh, delivering savings of 45 tonnes of CO_2 emissions. Where we can source alternative energy and save on emissions in a cost-effective manner, this is what we will do.

Expanding our emissions reporting

Historically we have not reported Scope 3 emissions due to the difficulty in gathering accurate and reliable information. Nevertheless, we are working to quantify our Scope 3 emissions so we can monitor them and report on them in the future and have completed a review of the Group's Scope 3 carbon footprint to identify which of the Scope 3 categories are relevant to the Group and of those, which we believe will be most material. As a result, we have concluded that the majority of our Scope 3 emissions arise through our customers' use of our equipment on their sites and projects (category 13), emissions from the use of sold rental equipment subsequent to our ownership (category 11), all of which are required to be accounted for in the year of disposal, and the embedded carbon in our supply chain (category 2). Consequently, they are based on broad assumptions across a huge number of assets which are inherently difficult to validate, including annual hours of use, average fuel consumption, average engine load factor and, for category 11, the total lifetime hours of use of assets subsequent to our ownership. Accordingly, our Scope 3 emissions will always be subject to a significant application of judgement and hence a high degree of estimation uncertainty. We expect to complete this work in 2023/24.

Waste and water

Reducing waste going to landfill, increasing recycling and reducing water use are all part of Lead with ESG. We are strengthening our processes in these areas and establishing metrics and targets.

Waste

Our business model necessarily promotes less waste overall going to landfill because we are renting the same piece of equipment to many customers and maintaining it to such an extent that it has a long product life. If each of our customers were buying all the equipment they need, perhaps using it only a few times and then disposing of it, there would be considerably more equipment going to waste than with a rental model. We are working proactively with our supply chain to increase the amount of recycling of our equipment that can be done to avoid even obsolete equipment going to landfill.

To assess more accurately the volume of waste we generate and recycle, we are working with our waste contractors across each of our locations and are pursuing programmes to reduce the volume of waste we produce in all our territories. We are working with suppliers to reduce the packaging included with products we procure and are partnering with them to develop takeback programmes for equipment packaging and protective materials. We offer recycling at our rental sites, partnering with suppliers to enhance the recyclability of products.

Reducing water use

Our approach to water stewardship is to focus our efforts where water is scarce. We have used the World Resources Institute's Aqueduct tool, which helps organisations identify their water risks, to map where we are operating in areas of water stress or high-water stress.

Across the Group, 23% of our stores are in areas of water stress or high-water stress, principally in California and the southwest and central states of the US. This provides a blueprint for where we are targeting water-saving initiatives by introducing technology to help reduce water use in these areas.

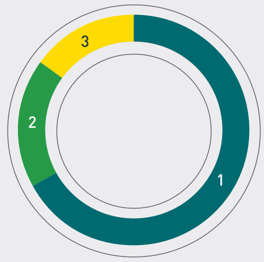
Water saving initiatives available to us include the use of closed loop wash systems where we reuse water many times over, as well as water recovery systems where we capture water run-off for use within wash-bays.

Environmental opportunities

Unlike many other companies, we believe an increased focus on the environment will also bring significant competitive advantage. There are two main factors contributing to this opportunity.

Firstly, as regulations change requiring greater use of lower carbon technologies, companies will voluntarily choose to use more environmentally friendly equipment. However, emerging technology is more complicated, requiring a different skill set to maintain, and more expensive, at least initially, than existing technology. Consequently, it will be more efficient for companies to rent equipment from us rather than buying it, providing an additional impetus to the shift from ownership to rental.

05 Group fleet composition



1	Fossil fuel	67%
2	Electric	18%
3	Other, inc. non-powered	15%

Secondly, the more extreme weather events associated with climate change, such as hurricanes, wildfires, and extreme precipitation and flooding, lead to the kind of damage that requires a rapid response and clean-up operations in which we are highly experienced. Our disaster response capability is one of the specialty areas in which we are known to excel and increased frequency of extreme weather events is likely to increase demand for our products and services.

Fleet composition

Every year we invest millions of dollars in new equipment and fleet which produces less carbon, less particulate matter and needs less maintenance and servicing. We work closely with our suppliers to develop the next generation of equipment. Consideration of maintenance and servicing requirements as well as what happens at the end of a product's useful life are a key part of this process, as we believe that true sustainability needs to consider a holistic, whole life cycle approach. We replace our rental assets every seven to eight years and as we retire older equipment, the new equipment we buy delivers efficiency improvements. But we do not simply rely on these incremental improvements.

The chart above shows the composition of our fleet today. While it will take time before a significantly greater proportion of our fleet moves away from diesel power, approximately 20% of our rental fleet is already powered by alternatives to traditional diesel power, including battery, electric and hybrid options. The large majority of our diesel-powered fleet also meets the most stringent North American and European emissions standards and we have one of the most modern fleets of rental equipment in the industry. We have focused on investing in next generation, low- and zero-emission technology including battery, electric, solar and hybrid options, and are committed to working closely with all our suppliers to help them develop the most environmentally sustainable equipment.

In addition, we have developed partnerships with suppliers to introduce alternative energy and fuel solutions for our customers. For example, HVO (hydrotreated vegetable oil) fuel can replace diesel with no changes required to the engine or operational infrastructure and is approved for road and non-road use. It has been shown to create a significant reduction in net carbon emissions (CO_2e) over the entire life cycle.

Leading and partnering in innovation

We are not content with simply being a buyer of next generation equipment; we want to influence and support our larger suppliers to accelerate the shift to a low-carbon economy. We have hundreds of thousands of rental customers and are also a major buyer of equipment from the large manufacturers. We are well placed to understand customer demand for environmentally sustainable equipment, are knowledgeable about the everyday demands on equipment and continuously support manufacturers in meeting these requirements with their product development. We work closely with manufacturers to help them design, develop, trial, and bring to market innovative, environmentally sustainable equipment, including electric versions of the most widely used pieces of rental equipment. At the same time, our desire to invest in new and low-carbon technology demonstrates to them there is demand for these products. Finally, by bringing new products to a wide audience of customers in the rental market, we help develop acceptance of new equipment and drive further demand.

As part of our efforts in this area, we have made targeted investments, working with innovative start-up manufacturers in the areas of portable battery power, and battery design and packaging.

Electrifying our company vehicles

Over 80% of our Scope 1 and 2 carbon emissions come from our vehicle fleet. We drive over 300 million miles each year delivering and collecting our rental equipment with a fleet of over 14,500 company vehicles. Tackling emissions from our vehicle fleet is therefore a key area of focus for us and we are doing this in two ways:

- using the vehicles that we have in the most efficient way possible. We do this through onboard telematics to monitor driving efficiency and track fuel use, while also focusing on route and load optimisation, optimal maintenance schedules for vehicles and deploying fuel efficient tyres and tyre pressure monitors; and
- shifting our vehicle fleet away from traditional fossil fuels to alternative fuel types. For example, we are working with our manufacturers to test a range of EVs for the business across our sales, service and delivery fleet. This is an area that will deliver significant carbon savings but will take longer to establish and require capital investment, both in relation to the purchase of the vehicle but also in developing the charging infrastructure, which is reflected in our financial planning.

In North America, we have started trialling Ford e-Transit vans and have also ordered 10 fully electric Class 8 trucks. The trucks from Peterbilt and Freightliner will allow us to start assessing the benefits and challenges of running fully electric heavy trucks in terms of mileage, efficiency, cost and maintenance. All our Class 8 trucks will operate in stores in California where distances between our stores and customers are shorter and more suited to EVs.

By far our biggest vehicle commitment is an order of up to 700 Ford F-150 Lightning electric light duty trucks. This will account for a significant portion of our fleet of around 2,500 Ford F-150s and we have deployed c. 400 vehicles into our service and rental fleet in 2022/23.

OUR COMMUNITIES

8 DECENT WORK AND ECONOMIC GROWTH
10 REDUCED INEQUALITIES
11 SUSTAINABLE CITIES AND COMMUNITIES

With almost 1,400 stores, we are present in a lot of local communities. We strive to have a positive impact and do this through job creation, charity support, volunteering and responding to emergencies. We continue to open new stores, bringing opportunities through recruitment, economic activity and a new avenue for local support into these communities. Our emergency response team continues to grow and we are able to support our communities, often as a first responder, in times of crisis. We maintain long-term charity partnerships, investing in key initiatives and supporting through our employee volunteering days. As we open more stores in new locations, our opportunity to deliver positive impact in our local communities grows. Alongside community support and investment, we consider it our responsibility to recruit locally as much as possible, providing economic opportunity and skills development for local people, including a focus on veterans and people not in education, employment or training.

Community engagement

Working with local and national charities is important to us, but the value we can bring to communities is broader than just supporting charitable causes. The social value generated by our operations, through providing recruitment and training to the communities in which we operate, our employees volunteering in local communities and providing disaster relief in times of crisis, are all ways that we support and engage with the communities we serve. A big part of our community impact comes from recruiting from the local community and training those team members, especially young people and veterans.

Enhancing employee volunteering

We seek to support our communities and transfer valuable skills through employee volunteering in local projects. We have always had a volunteering allowance for staff, but we have enhanced our volunteering policy, aligning and improving different pre-existing policies across the Group. To further our volunteering activities, we are investigating ways to enhance the employee uptake of volunteering opportunities and how we can co-ordinate volunteering activities to have the greatest impact on our communities.

Emergency response in times of need

In the event of natural disasters or other emergency situations, we are often called in as a first responder. We provide equipment and power to restore services and support clean-up operations, with the aim of getting communities up and running again as fast as possible.

In North America, we have an emergency response team ('ERT') which activates in response to weather-related disasters, such as hurricanes and tornadoes, fires, floods and snowstorms, or other everyday emergency situations where communities need rapid support. Every emergency situation is different and members of the ERT are experts in their field and are able to respond with the right quantity and type of resources for the situation at hand. Involvement in the ERT by our employees is voluntary and all are ready to deploy at a moment's notice in the event of an emergency.

The team is exceptionally fast at establishing operational teams on the ground and dispatching equipment such as generators, lighting, forklifts and excavators, drying, heating and cooling equipment, scaffolding and pumping solutions. The ERT coordinates our response from its command centre at our support office in Fort Mill, South Carolina. On the ground, team members often build a strong bond with the communities they are supporting, spending weeks, or even months, aiding in recovery efforts.

ENGAGING YOUNG PEOPLE WITH THE FILM INDUSTRY

Having real social impact is important to us. We worked with Pinewood Studios in the UK on their Futures Festival to inspire and educate young people about careers in the film and television industry. Our film and television business has a base within Pinewood, so volunteer teams from there led the way, providing specialist equipment, as well as support being given from other stores nearby.

We provided a range of equipment including two Sony Venice camera set-ups for the students to interact with. Nearly 4,000 young people attended the event and we were able to help inspire and engage them about potential careers in television and production.

Recruitment

With our Sunbelt 3.0 strategy, we are in growth mode. We have targeted 298 greenfield store openings in North America and added 165 locations in 2022/23, 77 of which were greenfield locations. Recruiting the best new talent is critical for supporting these growth plans and this will benefit the communities we serve.

Our focus is on accurate recruitment which means finding the right people for the right openings and accurately communicating to candidates what the job entails alongside the benefits of working for Sunbelt. We are working to develop further our role profiles so as to provide candidates with better insight to the nature of roles within Sunbelt and to the nature of a career at Sunbelt during the recruitment process.

We have also reviewed our onboarding processes to enhance the employee experience in the first 18 to 24 months of working with Sunbelt. We experience the highest levels of employee turnover during this time frame, and beyond two years employee turnover drops drastically.

UK apprenticeship programme

Through the UK's apprenticeship programme, we took on 49 trainees this year and we plan to recruit more in the coming year. Our apprentice programmes take between one and three years to complete and usually include outside training and a formal NVQ qualification, in addition to on-the-job training. We have six apprentice streams – plant maintenance, customer service, driver, electro technical, mechanical engineering and civil engineering.

Military recruitment

We are committed to supporting veterans and aspire to be an employer of choice for military veterans. Around 9% of our workforce in the US are military veterans and this is a number we are aiming to grow. Our goal is for veterans to be able to find a fulfilling workplace at Sunbelt where they can enrich our culture and contribute to achieving our goals. The skills gained during active service match well with the skills we are looking for in positions across our business, from our skilled trades to leadership roles.

We have developed a robust programme for recruiting and retaining veteran employees, which is based on four foundational pillars: resources; recruitment; recognition; and retention. We actively recruit members of the armed forces through job fairs, strategic partnerships, and programmes such as the U.S. Chamber of Commerce's Hiring Our Heroes programme and our newest partner, the U.S. Department of Defense, where we became an official Skillbridge provider.

In recognition of our work with veterans in the US, we were awarded a gold military friendly employer award and a gold award from the U.S. Department of Labor under their HIRE vets programme.

Our commitment to employing military service leavers and veterans is the same in the UK as in the US and our businesses work together on veteran recruitment strategy, pooling our collective experience and resources. We were awarded the gold Armed Forces Covenant in recognition of our support for the defence and armed forces community, and for demonstrating flexibility towards training and mobilisation commitments for Reservists and Cadet Force Adult Volunteers.

We are working with the UK Ministry of Defence Careers Transition Partnership to recruit those leaving the UK armed forces into the Sunbelt family. We also work with the employment teams of two veterans' charities – Walking With The Wounded and Project RECCE – who work to support armed forces veterans in many ways, including finding sustainable employment. In addition, we launched our official network of veteran ambassadors across North America and the UK to support existing veteran staff and help attract more team members.

SKILLBRIDGE

The Skillbridge programme enables US service members to gain civilian work experience during their last 180 days of military service. Funded by the U.S. Department of Defense, the programme gives us a cost-effective way to bring veterans into the organisation. The partnership includes valuable real-world job experiences where we train, teach and mentor service members on Sunbelt-specific roles. The programme also helps Service members make an easier transition from military service into a new career. We have two retired military team members leading this effort and giving us an advantage, as they can easily relate, and help to translate military experience into Sunbelt roles.

EMPLOYEE SPOTLIGHT

Jamie Green, apprentice

Jamie Green joined as a Powered Access apprentice after serving in the British Army for seven years. He attended a careers open day and discovered how Sunbelt Rentals supports and opens up opportunities for veterans, making us an obvious choice of employer.

He said: "it is a good system of around six to seven weeks working in the depot followed by two week blocks studying at college in Warwickshire, where Sunbelt covers the cost of accommodation, etc. I enjoyed the combination of practical experience and classroom learning, which meant I was able to get stuck into work straight away."

EMPLOYEE SPOTLIGHT

Veteran Spotlight – Ben Jenkins, Regional SHEQ Manager

Ben Jenkins joined Sunbelt after 23 years serving in the Royal Marines. He is a regional SHEQ ('Safety, Health, Environment and Quality') Manager looking after the Midlands and East of England, responsible for supporting safety, health, environment and quality for all our employees, contractors and customers. Ben believes his military experience has given him directly transferable skills when it comes to organisation, structure and confidence in working independently, as well as communicating clearly and keeping regularly in touch with the wider team. "I really enjoy the variety of the role; the combination of structure and fluidity means I have to be adaptable which keeps me on my toes. I have found it particularly rewarding that I've been able to have a positive impact in different areas and that depot managers now know me and feel comfortable ringing me direct to advise and support them on any issues they may face."

Charities

Gary Sinise Foundation

We are in the eighth year of our partnership with the Gary Sinise Foundation, which works to honour America's defenders, military veterans, first responders, their families and those in need. The Foundation does this by creating unique programmes designed to entertain, educate, inspire, strengthen and build communities. Through our partnership, we aim to raise funds for and awareness of the Foundation's work.

Specifically, we support the Foundation's R.I.S.E. (Restoring Independence, Supporting Empowerment) programme, which builds 100% mortgage-free, specially adapted smart homes for severely wounded heroes and their families. We also support the Foundation's First Responders Outreach programme, which provides critical funding for America's firefighters, police departments and emergency medical teams, and Snowball Express, a programme serving the children and surviving spouses of fallen military heroes. Our partnership includes the Foundation's Avalon Network, a cognitive health and mental wellness network that provides transformative care to veterans and first responders experiencing post-traumatic stress, traumatic brain injuries and substance abuse issues.

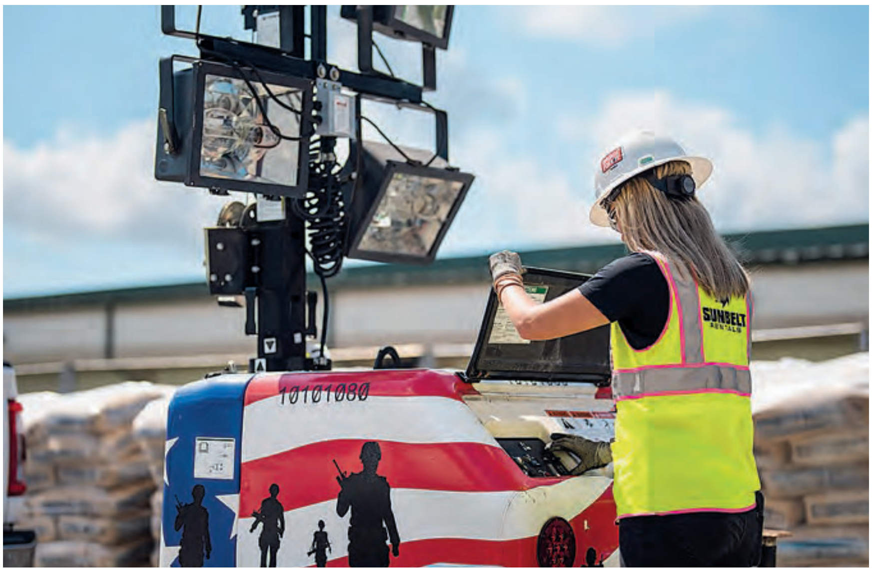
We supply the necessary equipment for each of the R.I.S.E. programme's projects to the contractors working on the home builds, at no charge. We also donate a portion of rental proceeds from co-branded Gary Sinise Foundation equipment and organise various localised fundraising efforts. Our goal is to bring heightened awareness to the Foundation's work through continued fundraising and outreach initiatives in an effort to help positively impact the lives of veterans, defenders and first responders. This year we contributed $1m to the Foundation through monetary and in-kind donations. In addition, we donated a customised 2021 Bronco First Edition which raised $350,000 through auction for the Foundation.

Charity partners

We continue to work closely with our other designated charitable partners. In the US, we work with the American Red Cross and its affiliates such as the Second Harvest Food Bank for which we have a food drive every November in the US. In addition to financial donations made to the American Red Cross, we also often send equipment and support to disaster-affected areas within the US.

In the UK, we work regularly with a number of charities, including CRASH, the construction industry's charity that helps homelessness and hospice organisations with their construction projects. This is our 13th year as patrons of this charity.

We are also very proud of our ongoing work in the UK with Weapons Down, Gloves Up, a charity which works to provide work opportunities for young people not in education, employment or training (NEETs), often taking them off the streets and opening up opportunities through the power of sport.



GOVERNANCE

4 QUALITY EDUCATION 8 DECENT WORK AND ECONOMIC GROWTH 10 REDUCED INEQUALITIES

Corporate behaviour

Business ethics

Our commitment to the highest ethical standards means that the Group Risk Committee works to ensure these are communicated and upheld throughout the business. We believe in the rights of individuals and take our responsibilities to all our employees seriously and those who may be affected by our activities. During the year we updated the Group's modern slavery and human trafficking policy, business ethics and conduct policy and ethical sourcing policy, all of which are available on the Group's website. These policies form part of our way of doing business and are embedded in our operations. They are also communicated directly to employees through dedicated communication and training programmes. While we do not manage human rights matters separately, we continue to assess potential risks and do not believe they raise particular issues for the business.

Senior employees across the Group receive regular business ethics training to ensure they are aware of their obligations and responsibilities with regard to competing fairly, the UK Bribery Act and, in the US, the Foreign Corrupt Practices Act. This takes place every two years in North America with 2022/23 being a year of training, while in the UK, it is undertaken annually. Completion of training is monitored and reported to the Group's Risk Committee. Anti-corruption and bribery policies are maintained and reviewed on a regular basis with relevant guidance incorporated into our employee handbooks and available on our intranet pages. Human rights and modern slavery are important aspects of our business ethics and you can read more about these in our main Governance section on page 84.

Human rights

At Ashtead we believe in the rights of individuals and take our responsibilities seriously to all our employees and those who may be affected by our activities. We have group-wide policies in place, all of which protect our employees as they go about their work which relate to our business and our suppliers. These policies form part of our way of doing business and are embedded in our operations. We do not manage human rights matters separately as they form part of our approach to overall business ethics.

Specifically, our ethical sourcing policy addresses matters such as child and forced labour, freedom of association, working conditions, pay and hours, discrimination and harsh or inhumane treatment.

Modern slavery

Modern slavery is an abuse of human rights and we have a separate modern slavery policy that commits the Group to ensuring there is no modern slavery in our business or our supply chain. The policy applies to all Ashtead employees and our subcontractors, and we expect similar commitments from our suppliers. Any suspicion that our policy is being breached or at risk of being breached can be reported through our anonymous whistle-blowing lines in North America and the UK.

In relation to our supply chain, while the Group sources goods and services from a wide range of suppliers, the Group predominately works with a number of major equipment suppliers, of which the majority are based in North America and Europe. The Group's main suppliers relate to its rental equipment who have strong reputations for product quality and reliability. Outside of the Group's expenditure on equipment, its key expenditure relates to its workforce and goods and services procured locally to its stores.

In the UK, we have entered into a partnership with the Slave-Free Alliance to help us keep up-to-date with the constantly evolving risks associated with modern slavery and to help the Group strengthen further actions taken in relation to modern slavery risks.

Whistle-blowing

Our confidential, third-party operated whistle-blowing service is available to all employees and third parties to raise any concerns that they may have about unethical or illegal behaviour, or potential breaches of our ethical policies.

All whistle-blowing matters are investigated and outcomes are reported to the Board together with any action taken. Our approach is one of non-retaliation and we confirm that no employee will suffer any detriment from raising genuine concerns about ethical conduct.

Cyber security

As the world continues to move online, accelerated due to the pandemic and increasingly connected technologies, at least in the short to medium term, awareness, monitoring and adaptability to cyber security issues is ever more crucial for us. We are prioritising the monitoring of any potential cyber security vulnerabilities and working to ensure business continuity under all potential scenarios. This year we held our fifth annual cyber security month. While securing hardware is an important facet of information security, protecting the data on our assets is critical to our success. We have encrypted email for all team members and our Information Security SharePoint site is also available for all team members. For more on cyber security risk, see page 43.

BEING A RESPONSIBLE BUSINESS

Our strategic plan, Sunbelt 3.0, has enabled us to embed responsibility within our strategy, with 'Lead with ESG' being one of the five actionable components of that strategic plan.

As we have discussed earlier, we believe that rental is essential to environmental progress as it enables a more efficient use of assets across organisations. Within this report, we have set out some of our specific actions across each area of ESG. These examples are only a few of many ongoing activities across the Group and we will continue to challenge ourselves through investing in new ways of doing things, innovative use of technology and through working with our suppliers, customers and employees to develop new solutions.

These initiatives provide us with the confidence to lead with ESG through:

- ensuring a commitment to health and safety;
- enhancing our employee engagement and diversity, equity and inclusion;
- ensuring pay and benefits reflect our market-leading position;
- reducing our carbon intensity by 35% by 2030; and
- ensuring continued strong governance and stakeholder engagement.

This is the right thing to do for our stakeholders and will ensure the long-term sustainable success of the Group.

TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES

The Task Force on Climate-related Financial Disclosures ('TCFD') provides a disclosure framework for companies to explain how they are responding to the risks and opportunities arising from climate change. UK Listing Rules require premium listed companies to make disclosures consistent with the recommendations of the Task Force on Climate-related Financial Disclosures and, where they have not complied, provide an explanation including details of the steps being taken to ensure future compliance. Responding to the risks and opportunities arising from climate change is an integral part of our business and is embedded throughout the Group and discussed throughout this Annual Report. The statement below explains how the Group has complied with the requirements of LR 9.8.6R by including climate-related financial disclosures consistent with the TCFD recommendations and recommended disclosures, including the guidance provided in the TCFD Annex. It addresses all the disclosure requirements of the TCFD and links to additional information located elsewhere within the Annual Report, except in the following areas:

- **strategy:** we have not sought to provide quantitative scenario analysis but instead provided narrative discussion of risks and opportunities, and how these may be relevant to different scenarios. As such, the Group has not complied fully with recommended disclosure (b) or (c) of the strategy section. We believe the Group has a resilient business model which supports its long-term sustainable performance. We have considered a range of climate-related scenarios which may impact the Group in the future and believe these are integral to the operation of the business and the financial impacts, while not separately identifiable, are reflected in our regular budgeting and business planning; and

- **metrics and targets:** the Group has not complied fully with the recommended disclosures relating to metrics and targets.

  The Group has not disclosed Scope 3 emissions as required by recommended disclosure (b). Scope 3 emissions are a material component of the Group's carbon footprint, with the most significant components arising from category 11 (use of sold products) and category 13 (downstream leased assets). As commented on page 70, the Group is working on the quantification of our Scope 3 emissions and expects to complete this work in 2023/24. However, the measure of Scope 3 emissions involves a significant application of judgement and hence will be subject to a high degree of estimation uncertainty.

  Furthermore, while we believe that other metrics are less material for the Group, we continue to work to establish other relevant metrics and targets to measure climate-related risks and opportunities.

These disclosures also address the requirements set out under the Companies (Strategic Report) (Climate-related Financial Disclosure) Regulations 2022.

Governance

The Group's Board of directors is responsible for setting the Group's strategy, taking into account all relevant risks and opportunities, including those related to climate matters. The Group's rigorous risk management framework is designed to identify and assess the likelihood and consequences of risks and to manage the actions necessary to mitigate their impact, including those related to climate-related matters, and is detailed on pages 40 and 41.

The Group launched its latest strategic growth plan, Sunbelt 3.0, in April 2021 which included 'Lead with ESG' as a core actionable component, which incorporates climate-related considerations, including our commitment to reduce our Scope 1 and 2 carbon intensity. Further details as to how climate-related considerations are incorporated into the strategy are on page 34 and in our Responsible business report on page 68. The Board receives updates at each board meeting as to the Group's progress against our strategic goals, with a formal strategic review undertaken on an annual basis. In addition, ESG metrics have been embedded in the Group's remuneration arrangements through the Strategic Plan Award, launched in conjunction with Sunbelt 3.0, and overseen by the Remuneration Committee, as detailed on page 103.

The Board of directors is assisted in monitoring the success of our ESG initiatives through the work of the Group Risk Committee, which monitors the progress we make against our strategic ESG objectives and the targets we have set. The Group Risk Committee is chaired by our chief financial officer and reports formally to the Audit Committee on an annual basis.

One of the principal risks and opportunities faced by the business relates to environmental matters, including those contributing to climate change. On a day-to-day basis, the Group's response to climate-related risks and opportunities is led by Brendan Horgan, the Group's chief executive, who has over 25 years' experience in the rental industry through which he has developed an in-depth knowledge and understanding of current and emerging technologies as they apply to our business, including their environmental impact. Activities include overseeing the Group's work with suppliers and customers on developing and bringing more environmentally friendly equipment options to market as discussed in more detail on page 44, directing the business in relation to reducing emissions through direct operations and approving associated capital expenditure plans.

Our actions across each of these areas are embedded within our operational activities across the business, supported by the Group's managing director of ESG and dedicated specialists in North America and the UK. An ESG operating committee, chaired by the Group's managing director of ESG and including representation from across the businesses, has been established to monitor progress of our ESG-related initiatives and performance against the targets we have set for ourselves. The results of the ESG operating committee's work are reported to the Group Risk Committee.

These primary roles and responsibilities for the assessment and management of climate-related risks can be summarised as follows:

	Frequency of review	Roles and responsibilities	Areas of focus in 2022/23
The Board	Regularly, as required	– Oversight of risks and opportunities and how these are reflected in the Group's strategy – Assessment of the Group's risks related to climate and actions taken to mitigate – Approval of the Group's budget, including fleet and other capital expenditure plans necessary to progress ESG priorities	– Review of the Group's key performance indicators and progress against the ESG targets established by the Group – Review and approval of TCFD and other sustainability-related disclosures – Approval of the Group's budget – Review of Group strategy and progress against actionable components of Sunbelt 3.0
Remuneration Committee	As required	– Assessment of remuneration policies and targets to ensure that they appropriately incorporate ESG elements	– Review of performance against existing ESG-related targets
Nomination Committee	As required	– Ensuring the board composition reflects the skills and experience required, including those related to climate-related matters	– Continued consideration of board composition
Audit Committee	Formal annual review of Group risk register with periodic detailed reviews of specific risks	– Oversight of the Group's corporate financial reporting, including its ESG-related disclosures – Oversees risk management processing, including oversight of the work of the Group Risk Committee – Oversight of the Group's assurance framework, including in relation to ESG metrics and reporting	– Review of TCFD and other sustainability-related disclosures – Consideration of the impact of climate-related matters in the Group's financial reporting
Risk Committee	Bi-annual review, and formally reports to the Audit Committee on an annual basis	– Responsible for oversight of the Group's approach to risk management, including review of the identification and management of significant risks, including those related to climate matters	– Consideration of the impact of climate-related matters on the Group's risk landscape
ESG operating committee	Bi-monthly	– Oversight of annual areas of focus in executing the Group's ESG priorities as summarised below – Management of data gathering and reporting processes for ESG data	– Progress against each of the Group's key ESG priority areas – Monitoring of performance against ESG targets – Assessment of future priorities

Management teams involved day-to-day in managing climate-related matters include:

- **fleet management:** engagement with our key fleet suppliers in the development and bringing to market of new technologies. In addition to our work with key equipment suppliers, examples include our partnerships with Viridi Parente and Moxion;
- **customer engagement:** working with customers to deliver low- or zero-carbon solutions;
- **vehicle procurement:** developing vehicle procurement plans which reflect transition to low- or zero-carbon solutions, including the use of alternative fuels and battery or other power sources. This includes the introduction of the Ford F-150 Lightning pickup trucks into our service fleet in 2022/23;
- **environmental specialists:** supporting broader management teams in the development of strategies to deliver the Group's ESG priorities, and considering transition plans to support a low-carbon economy;
- **property and utilities:** assessment of property standards and implementation of energy improvement programmes (e.g. LED retrofit programme) and management of energy procurement; and
- **finance:** supporting the measurement and reporting of climate-related matters, including assessment of risks and opportunities and consideration of the impact on accounting matters.

In progressing the Group's efforts further in this area, the Group has recently appointed an SVP of sustainability to bring greater focus and co-ordination to the Group's range of sustainability initiatives and lead our efforts in developing a clear strategy to support the Group's transition to a low-carbon economy. This role will also enhance the Group's existing reporting frameworks.

Strategy

Climate-related risks and opportunities

The Group's rigorous risk management framework is designed to identify and assess the likelihood and consequences of risks and to manage the actions necessary to mitigate their impact, including those related to climate-related matters, and is detailed on pages 40 and 41. We do not consider the risk arising from climate-change to represent a separate principal risk for the Group as it is intrinsically linked to the Group's other principal risks and the day-to-day management of the Group.

As part of the Group's risk management process, the Group has undertaken a material issues assessment through a series of workshops, which considered both internal and external reference points to identify the significant risks and opportunities for the Group from an ESG perspective, the results of which are detailed on pages 60 to 61 within our Responsible business report and which are considered as part of the Group's broader risk assessment. They are analysed into four key areas: our people; the environment; our communities; and governance. Climate-related matters fall within 'the environment' area but importantly the Group believes climate-related matters represent significant opportunities as well as posing certain risks for the Group. The Group believes that its market position and financial strength brings it significant competitive advantage in responding to these risks and maximising the opportunities. Specifically, the Group has identified opportunities arising from the development of new products, solutions and services which support the transition to a lower-carbon economy, the shift in customer preference from ownership to rental and the overall benefits to the environment as a whole which arise from sharing assets over their life cycle, described in more detail on page 34, Lead with ESG and on pages 70 and 71 within the Responsible business report.

The Group considers the range of climate-related risks and opportunities over the short, medium and long-term. In assessing these time horizons, the Group has defined the following time horizons:

- short-term – over the next three years. This timeframe coincides with our annual budgeting and planning time horizon. We would expect to see ongoing technological development and legislative changes associated with emissions may develop;
- medium-term – three to five years. Ongoing market and technology developments, and increasing customer focus on environmentally friendly solutions; and
- long-term – beyond five years. While we believe there is far greater uncertainty, but in addition to those risks and opportunities arising in the short to medium-term, there is greater scope for technological advancement in battery technology, alternative power sources, alternative fuels and commercial production enabling a more rapid move towards a lower carbon environment.

Each risk and opportunity considered, regardless of the applicable time horizon, is factored into the Group's strategic planning on an ongoing basis. As commented above, given the nature in which these risks and opportunities are intrinsically linked to the Group's day-to-day operations, they form part of our financial planning and budgeting processes, instead of being assessed as a standalone matter. For example, the costs associated with the purchase of battery powered rental fleet, or the property upgrades as part of the LED retrofit programme, form part of the Group's capital expenditure plans.

Overall, we believe that the climate-related risks relevant to the Group are those associated primarily with transition risks rather than physical (acute and chronic) risks, brought about by extreme weather events or changing weather patterns. Physical risks are mitigated by the diverse nature of the Group's operations. The Group operates from over 1,350 stores across the US (where we are present in all but one state), Canada (where we are present in eight provinces) and the UK. Our largest store has c. $130m of rental fleet at cost (c. 1% of the Group's fleet) while c. 98% of our locations have less than $50m of rental fleet at cost, the majority of which is out on rent at any particular time. As a result, no one store is material to the Group such that a natural disaster would have a significant impact on the Group's ability to operate.

While we believe the impact of physical risks on the Group are mitigated by its diverse operations, they could have a more significant impact on the Group's supply chain. If a supplier was disrupted due to an acute weather event, it may affect our ability to acquire new fleet. However, we have inherent flexibility within the Group's business model with a rental fleet of c. $16bn (original equipment cost) and could continue to operate, although it may affect our ability to grow as planned. In this scenario, we would delay equipment disposals in the short-term.

Policy and legal risk (short, medium and long-term)

Legal compliance covers matters such as wastewater, storm water, solid and hazardous wastes and materials, and air quality. Breaches potentially create litigation matters for the Group which may result in fines and penalties for non-compliance. The Group's Health, Safety and Environmental departments and our operational audit teams continually assess the Group's regulatory environmental compliance. These audits have a built-in corrective action process to ensure any identified non-compliance is addressed in a timely manner.

The Group monitors current and emerging regulation to ensure our policies and practices remain appropriate. Specific examples of current regulation which impacts the Group relate to ensuring our rental and vehicle fleet is compliant with engine emission standards such as the Californian Air Emissions Standards or the London Ultra-low Emission Zone requirements. We believe that regulation will increase over time and the potential for increased pricing of GHG emissions could lead to higher operating costs for the Group in the future. However, these costs are associated with the use of an asset, whether it is owned or rented, and so we expect these costs to be borne by the user of the asset and hence, in the case of rental, be reflected in rental rates.

Technology risk (medium to long-term)

A significant proportion of our fleet contains a diesel engine. While we will seek to replace these assets with assets using alternative fuel sources as they become available, this will take time. Indeed, there are a lack of alternative assets available today and limited manufacturing capacity and so we expect any transition to happen gradually. We will seek to manage this transition in the same manner as we managed the transition from Tier 0 to Tier 4/5 diesel engines from 1994 to 2018. On average, we own assets for seven to eight years and therefore expect the full transition of our fleet will only occur over the longer term.

We are working closely with suppliers and customers to develop new technology, including investment in partners to assist in the development of battery and other technology. We also believe the development of HVO or other environmentally friendly alternative fuels will provide an alternative to the reliance on diesel today.

We believe this shift to low- or zero-emission technologies will increase the cost of assets. As an example, for rental equipment, we have experienced costs which are three times greater for a battery version of diesel machine in early phase of production. However, over time, we expect the cost of greener technology to reduce as production volumes increase and reach commercial levels.

This will increase the cost of replacing our rental fleet. If we were to assume the cost of a lower carbon asset to be c. 25% greater than its diesel equivalent, then it would cost an additional c. $350m per annum to replace our fleet, if an alternative were available. Our current rental fleet has an original equipment cost of c. $16bn with a seven to eight year replacement cycle. Thus, on average, we replace $2bn per year (using eight years) of which c. 70% ($1.4bn) is reliant on fossil fuels. Assuming this costs 25% more to replace with a non-fossil fuel alternative, the incremental cost would be $350m. It should be noted that this is an illustrative figure only and will be embedded within our capital expenditure plans going forward and will not be a discrete one-off item of capital expenditure.

Furthermore, we would expect rental rates to increase to reflect the changing asset cost base, and therefore to have a limited net financial impact on the Group. Based on the incremental capital expenditure figure we have identified above of $350m, we would estimate incremental annual rental revenue of $210m (based on an assumption of 60% dollar utilisation), or $1.7bn over an asset's life (assuming an eight-year life).

Market risk (medium to long-term)
Emerging market developments are monitored, using both third-party risk analysis, as well as internal views of emerging trends. Specifically, these market factors include changing customer requirements as a result of the environmental standards to which they operate to support their own low-carbon objectives. Increasingly, we are providing lower carbon solutions using existing technologies as customers seek to reduce their carbon footprint. As an example, we are able to reduce emissions by using battery storage technology combined with diesel generators so that the generator operates at optimum efficiency for a shorter period of time and hence, uses less fuel.

As discussed below, we believe the shift to low or zero-carbon technologies will aid the shift from ownership to rental as customers opt to rent newer, more expensive technology rather than own it.

Reputation risk (short, medium and long-term)
Breaches of environmental regulation potentially create hazards to our employees, damage to our reputation and expose the Group to, among other things, the cost of investigation and remediating contamination and also fines and penalties for non-compliance.

Failure to meet the Group's climate-related commitments, or breach of environmental regulation, could result in loss of revenue or financial penalty. In relation to the Group's existing Scope 1 and 2 carbon intensity reduction targets which form part of the Group's Sunbelt 3.0 actionable components, we are performing ahead of plan and the associated costs are reflected within our financial performance and plans.

Management of the impact of these climate-related transition risks and opportunities forms part of the day-to-day operational activities of the Group and our financial planning reflects the financial impacts and investments anticipated with examples of their activities provided in the Responsible business report on pages 70 and 71.

Opportunities
While we believe physical risks brought about by extreme weather events or changing weather patterns are mitigated by the diverse nature of the Group's operations, our products are in high demand to respond to the consequences of events such as hurricanes, wildfires and flooding. Increased frequency of extreme weather events brought about by climate change will result in increased demand for our products and services.

The rental sector supports many of the principles of a circular economy. These include shared use, efficient and reduced use of resources, high levels of maintenance and repair, and ensuring further use or recycling of equipment at the end of its useful life. At the end of its service life with us, our equipment has many years of use remaining and, as such, we sell it in the secondary market. This results in:

- lower emissions generated in the manufacturing phase and fewer natural resources being utilised;
- more efficient use of assets as the optimal asset can be used for a customer's job with assets maintained to a higher standard; and
- consequently, fewer assets reaching end of life and requiring disposal.

The increasing level and pace of regulatory requirements make it more complicated and expensive for customers to maintain compliance. Emerging technology is more complicated, requires a different skill-set to maintain, and is more expensive, at least initially, than existing technology. As such, it will be more efficient for customers to rent rather than buy a new asset, providing an additional impetus to the shift from ownership to rental. Furthermore, customers recognise the environmental benefits of renting rather than owning assets. This will contribute to a larger rental market, from which we are well positioned to benefit.

Our strategy is to ensure we have a sustainable business over the long-term. This is an integral part of Sunbelt 3.0, particularly within the actionable components, 'Lead with ESG' and 'Advance Technology'.

Through our 'Lead with ESG' component, we are looking to drive environmental efficiencies in our transportation fleet and the facilities we operate. The costs of this transition are included in our financial plans. This will be assisted by our 'Advance Technology' component, which will deliver a leading technology platform, capturing the benefits of scale and enhancing customer service. Operational efficiency will deliver amongst other things:

- transport route optimisation, reducing miles travelled to deliver the same amount of fleet, resulting in lower costs and carbon emissions; and
- increased asset utilisation, through use of enhanced telematics to maximise asset uptime, reducing the number of assets required for a certain activity level.

Furthermore, recent legislative Acts in the US, such as the Inflation Reduction Act, are providing incentives for the development of a broad basket of energy production and manufacturing, ranging from solar field construction to battery manufacture. We believe that rental will play a significant role in supporting the initial construction and future maintenance of these facilities.

In considering the impact of the risks and opportunities considered above on the Group's financial statements for 2022/23, we do not believe that there are any specific adjustments required. Specifically, the Group has considered if there is any potential impact on rental asset lives and residual values. The Group assesses asset lives and residual values on an annual basis to determine that the Group's estimates remain appropriate. In doing so, the Group has considered the impact of transition to alternative technologies on its existing rental fleet, or the introduction of legislation in relation to emissions. However, as we note above under the 'technology' risk, we believe that any transition in technologies will be gradual and therefore asset lives and residual values remain appropriate.

We have made a commitment to reduce our carbon intensity by 15% by 2024 and 35% by 2030, compared to the base line level in 2017/18. Details as to how we plan to achieve these commitments are set out under 'metrics and targets' on page 81.

In addition, the Group is working to establish a detailed long-term transition plan, considering guidance including that issued by the UK government transition planning taskforce and the expectations as to how Group emissions will evolve over the long-term. We will therefore publish a transition plan in due course once the Group has completed its analysis.

The target for the Group is to reduce our carbon intensity 35% by 2030"

Resilience of the Group's strategy

The Group has a business model that is both resilient and adaptable to change. Furthermore, it benefits from a distributed operating structure such that it is not reliant on any particular location. The Group's strategy seeks to take advantage of these benefits of the business model, while recognising the risks inherent in the business and the environment in which we operate, whether that be economic factors, competitor actions, cyber threats or environmental considerations such as climate change. We discuss our thinking on climate-related matters on a regular basis assessing how changes may affect the business and how the business would respond. While we consider a wide range of scenarios we have outlined our thinking under two climate scenarios, an increase in average temperatures by 2°C or less and then if the average increase were 4°C.

In a 2°C or less scenario, we believe that the risks and opportunities faced by the Group will be related principally to transition risks (e.g. the application of policy or regulatory initiatives including increased pricing of GHG emissions, changes in technology and changes in customer preferences). In this scenario, as we, our suppliers and our customers look to reduce GHG emissions, we are likely to face increasing costs whether that be through increased cost of our rental fleet or the cost associated with the pricing of GHG emissions. While we believe these factors will crystallise over the medium to longer term as new technologies develop, we are working with our suppliers and other parties to advance these technologies. In the near- to medium-term, the availability of new technology will be constrained by production capacity and we would expect to transition our rental fleet to the latest technology gradually as we replace c. 15% of our rental fleet every year. We believe that increased costs and complexity will provide additional impetus to the shift from ownership to rental, increasing our addressable market. We expect rental and transportation rates to reflect the increased cost of rental and transportation equipment, enabling us to maintain similar levels of dollar utilisation and therefore returns. We expect to continue to dispose of old rental fleet in the used equipment market, replacing other organisations' older, less environmentally friendly equipment.

In a 4°C scenario, in addition to the transition risks discussed above we would expect to see an increase in physical risks (e.g. increased instances of extreme weather events, rising mean temperatures and rising sea levels). As discussed above, the diversified nature of the Group's operations means that no location is material to the Group, mitigating the immediate impact of physical risks on our operations and enabling us to plan for the longer term. In a 4°C scenario, there is an increased likelihood of more extreme weather events such as flooding, wildfires, hurricanes and other natural disasters, which cause damage and require clean-up and support which we are able to provide through our highly experienced Emergency Response Team.

In any scenario, the speed of the transition of assets will be constrained by the availability of new technologies and manufacturing capacity. Given our partnership with key suppliers and our regular replacement cycle, we expect to be able to transition our fleet more quickly than many other organisations. These discussions and considerations are factored into our routine financial planning activities – for example, through our capital allocation decisions.

Risk management

The process for identifying, assessing and managing climate-related risks is the same as for all the risks faced by the Group and is described on pages 40 to 45, including our description of the Group's overall risk management framework on page 41 and our assessment in relation to emerging risks on page 45.

As discussed above, our response to these risks and our actions are embedded within our operational activities, supported by dedicated specialists in North America and the UK. Our ESG operating committee monitors progress of our ESG-related initiatives and perform against the targets we have set ourselves.

The Board has overall responsibility for risk management, setting risk appetite and implementation of the risk management policy – this includes responsibility for climate-related risks and actions taken to manage those risks where relevant. This approach is designed to enable the Group to take advantage of attractive opportunities, yet to do so within the risk appetite of the Board, mindful of risks which have been identified and any emerging risks which may impact the Group. The Group's risk committee monitors the actions taken across the Group to manage the Group's risk and ensure that adequate assurance is obtained over them. In addition, the Group's risk committee ensures that risks have been appropriately assessed in relation to risk rating.

The Board recognises that climate-related risks present significant new and emerging risks to organisations and therefore are mindful of the need to continuously consider developments in this area, both in terms of new risks which have emerged as well as the change in their relative significance. Included within the Group's considerations is the impact of existing and emerging regulatory requirements on the Group, such as potential future limits on emissions, further details of which we have detailed within the strategy section above.

Metrics and targets

Our KPI associated with environmental risk is that of carbon intensity for our Scope 1 and 2 GHG emissions. The basis and rational for this KPI and our performance in the current year and progress over the prior years is on pages 39 and 68 to 69. The target for the Group is to reduce our carbon intensity 35% by 2030 from the level in 2018 (54.0 tCO_2e/$m on a constant currency basis), with a shorter-term target to reduce our carbon intensity 15% by 2024 from the level in 2018.

In order to achieve this target, we established a roadmap covering:

- near-term, including lower carbon vehicle transition, route optimisation, telematics and sourcing renewable energy;
- medium-term, including making step changes on vehicle procurement and renewal energy generation; and
- long-term, including migration to alternative energy sources for the Group.

Across various areas, we are working with our key suppliers to ensure progress in each of the areas identified.

Furthermore, our carbon intensity KPI, specifically delivering a carbon intensity reduction of 15% by 2024, forms part of the Group's remuneration arrangements as one of the performance measures for the Group's Strategic Plan Award, which is linked directly to the objectives underpinning the Group's Sunbelt 3.0 strategy.

In addition, we have also considered what other metrics and targets may be relevant to the Group. In doing so, we have considered internal areas of focus, the risks and opportunities analysis summarised above and external reporting frameworks, such as the Industrial Machinery & Goods SASB standard applicable to the Group, which we report against within the Group's Sustainability report. As such, as part of our ongoing focus on the environmental impact of the Group more broadly, we are in the process of developing other metrics and targets to monitor and measure our impact in other areas which are less material to the Group. These include:

- diversion rate of waste from landfill: while we have a number of programmes in place to manage waste across the business and have reliable data in the UK relating to waste diversion given the legislative environment, we are currently undertaking a waste mapping exercise in North America to understand our waste composition in more detail and working with our waste management suppliers to gain greater visibility in our diversion rate of waste from landfill. This will enable us to track our progress in the future; and
- water consumption: we are working with our third-party utility management supplier to build reliable data based on utility supplier data so that we can measure and report on water consumption across the business.

Details as to our work in these areas is discussed on page 70.

Greenhouse gas (GHG) emissions

Our Scope 1 and 2 GHG emissions are disclosed on pages 68 to 69 of this report and have been determined in line with the GHG Protocol methodology.

We are working to estimate the Group's Scope 3 emissions and understand how these will evolve going forward. The most significant components of our Scope 3 emissions relate to our customer's use of our assets during the rental period and the use of sold product (principally the use of used equipment after our ownership). This is discussed in more detail within the Responsible business report on page 70.

Measuring Scope 3 emissions involves a significant application of judgement, in particular in relation to the use of sold assets when we dispose of rental assets to the used equipment market and end of life treatment of these assets. Accordingly, our Scope 3 emissions will always be subject to a significant degree of estimation uncertainty.