

1. Introduction

Sustainability is a critical topic for most business sectors today and is firmly on the agenda for the majority of boards. Yet the proliferation of legislation and voluntary standards, together with the complexity of subjects such as climate change, can make it a challenging area to engage with. Companies and managers are faced with an increasing challenge to both keep abreast of their obligations, as well as identify opportunities for growth and value creation as the transition economy emerges.

This challenge is particularly acute in the equipment rental industry. The industry is in the process of energy transition and decarbonisation while grappling with the challenges of immature energy systems and uncertainties around future technology, economics and regulation. In addition, the equipment rental industry sits downstream from extensive global supply chains which bring their own issues in supplier management, whether in human rights, sustainable resource extraction or other areas of responsible business conduct.

For forward-thinking companies, however, the opportunities of sustainability can be even greater than the challenges. When clients and regulators are demanding greater transparency and action, it is the early adopters and fast followers who are best able to respond, reduce compliance risk and position themselves to secure new business with major customers. At the same time, these companies build sustainability credentials that satisfy investors that are increasingly driven by sustainability, as well as helping them to engage with and retain a more productive workforce.

Furthermore, the equipment rental model itself is inherently a more sustainable business model than the “owner-operator” model, offering substantial efficiency savings by better utilising valuable equipment assets. This is a fact that can be leveraged by forward-thinking rental companies to further build and communicate their sustainable credentials. Indeed, the EU’s Circular Economy Action Plan¹ specifically aims to encourage and incentivise the product-as-a-service business model.

There are also clear opportunities for rental companies to further develop their business models, and to support customers who require new services in order to improve sustainability. For example, rental companies may be able to advise customers on integrating electric equipment into their work programme to allow recharging, or to provide charging facilities or access to biofuels as additional services.

In the light of these trends and opportunities in the equipment rental industry, this report was commissioned by the European Rental Association (ERA) to assist parties in the equipment rental sector to engage further with the sustainability agenda, no matter what their scale. It draws together a range of accessible best practice to help equipment manufacturers, rental companies, and others active in the European equipment rental sector reach greater levels of maturity and unlock the value of sustainability on a practical level – for themselves, for their clients, and for the wider world.

¹ https://environment.ec.europa.eu/strategy/circular-economy-action-plan_en

2. Big Picture Overview

This report provides a practical guide for European rental companies on the sustainability issues that are relevant to them. The following Executive Summary provides a summary of the key points from the report. Readers seeking a more detailed treatment of the topics should refer to the relevant chapters within the report, which also provide references and signposting to useful external resources.

There are three key ‘macro-trends’ that are driving the sustainability issues faced by the European rental market:

1. **Net Zero:** The topic of Net Zero refers to the aim of eliminating most greenhouse gas emissions from human activities, with those that remain balanced by processes which lock up carbon such as carbon sequestration and carbon capture and storage (CCS). Generally, it is accepted that Net Zero plans should aim to follow a carbon reduction trajectory that limits global warming to a maximum of 1.5°C by 2050 versus pre-industrial temperatures. The Net Zero agenda is driving governments and businesses to reduce their greenhouse gas emissions through initiatives such as setting science-based reduction targets, encouraging clean electricity generation, and promoting the electrification of transport and use of biofuels in sectors that are difficult to electrify.
2. **Circular Economy and Zero Waste:** While the topics of Circular Economy and Zero Waste have received less attention than Net Zero, they are important sustainability topics in their own right. The Circular Economy and Zero Waste agendas are closely connected with each other, as they both refer to economic and production systems that keep materials in valuable use, rather than disposing of them. Circularity considers the re-use of materials and products, aiming to keep these items in continuous higher value usage rather than ‘down-cycling’ them to lower value stages. Zero Waste refers to systems that do not generate waste, perhaps by re-using packaging or by products having sustainable end-of-life plans whereby manufacturers accept them back for recycling. Circular Economy and Zero Waste are emerging trends that feature in upcoming regulation like the EU CSRD (see Regulation section) and manifest themselves in the rental industry through topics like equipment reconditioning and remanufacturing.
3. **Social and Workforce Sustainability:** Social sustainability is a particularly important topic for European rental companies, as workforce and staffing issues are a recurring challenge for the industry. Many companies find that attracting and retaining good workers is difficult (specific issues are discussed in Chapter 3). Trends such as Equality, Diversity and Inclusion (EDI) are demanding continued focus from companies on how they manage their internal workforce while increasingly stringent Due Diligence legislation is also extending the remit of their human rights obligations in the wider value chain.

A key result and proliferator of the three macro-trends is the European regulatory environment for sustainability and CSR matters, which is going through an unprecedented shift through a raft of new European Union (EU) legislation, most notably the upcoming Corporate Sustainability Reporting Directive (CSRD) and the proposed Corporate Sustainability Due Diligence Directive (CSDDD). While these directives are expected to be directly applicable to larger organisations such as those with 250+

employees, they will also indirectly impact smaller rental organisations who sit in the supply chain of larger companies.

The provisions of CSRD are focussed on sustainability data and reporting, covering a wide range of environmental, social and governance topics that companies in scope must disclose, including:

1. Climate Change
2. Pollution
3. Water & Marine Resources
4. Biodiversity & Ecosystems
5. Resource Use & Circular Economy
6. Own Workforce
7. Workers in the Value Chain
8. Affected Communities
9. Consumers and End Consumers
10. Business Conduct

CSDDD in contrast is focussed on the process of due diligence including potential and actual Environmental and Human Rights violations in company operations or wider value chains, and ensuring that companies are managing risk assessment, prevention, mitigation and remediation in accordance with recognised good practice.

CSRD is particularly important for European rental companies because of its imminent implementation as well as its significant breadth and depth of coverage. Larger companies will be required to report in 2025, and smaller companies (and, in some cases, non-European companies with European operations) will be in scope in the following few years. Companies may also find a number of novel aspects in the legislation challenging, such as the requirement to consider 'double materiality'. This means companies must address both their sustainability risk factors (such as exposure to ESG issues) and also their sustainability impacts on the external world (such as the effects of supply chain waste and pollution).

There are also other areas of EU legislation which are potentially relevant to rental companies, such as regulation of hazardous chemicals (REACH), forthcoming legislation around the sustainability of batteries, and legislation to encourage the uptake of low-carbon transport. These are discussed briefly in the relevant chapter, although rental companies are likely to be less affected by these laws than equipment manufacturers.

The upcoming EU legislation will build on or replace a number of national laws such as the French *Devoir de Vigilance* and the German *Supply Chain Due Diligence Act (LkSG)*. Other national legislation, such as the creation and enforcement of low-emission and ultra-low emission zones (ULEZ), is more locally relevant and can have significant impacts on rental companies operating in particular regions or cities.

As a result of these macro-trends and regulatory drivers, there are a number of practical sustainability topics that European rental companies should consider. These include:

- **Customer Requirements.** Customer concerns, priorities and demands are evolving in response to the changing sustainability agenda. Some of these will represent challenges to rental companies, while others may offer opportunities to provide new or additional equipment, or to differentiate through sustainable practices. Rental company customers can range from large

construction companies to individuals carrying out work on their homes, and their priorities can vary accordingly. Rental companies serving larger customers are advised to be aware of the increased need for operational and supply chain transparency, and prepare for customer requests for sustainability data and information as part of due diligence and CSR reporting requirements. Larger customers will also increasingly demand greater sustainability credentials, commitments and performance by their suppliers. This is likely to be embedded into their procurement processes, and rental companies may find it helpful to obtain various certification schemes to demonstrate their sustainability efforts, be able to demonstrate commitments (such as carbon reduction targets) and provide evidence of improved performance on CSR matters.

- **Asset Purchasing.** The decision to purchase new assets is a critical one for rental companies, as equipment must not only earn the projected income, it must also meet lifespan, reliability and utilisation assumptions in order to be profitable. Many rental companies are finding that the landscape of asset purchasing has become complicated by the introduction of new technologies such as battery-electric equipment, which has a different profile of costs and benefits within its total cost of ownership (TCO) compared to diesel or petrol equipment. There are a number of key considerations in decision-making for sustainable asset purchasing, such as manufacturer and supply chain transparency and trust, standardisation, and equipment lifecycles. There are a number of useful tools available to support these decisions, such as the ERA's TCO calculator. 'Remanufacturing' is also becoming an increasingly viable option for end-of-life equipment. The equipment is taken back by the manufacturer, if it meets certain specifications, and can then be restored to 'as new' condition. Rental companies could consider working with manufacturers who offer these kinds of options in order to improve the circularity of equipment, as well as potentially benefitting from the reduced carbon footprint of a remanufactured item.
- **Telematics.** The growth of telematics and wider remote monitoring and control systems is a significant opportunity for rental companies, both from a sustainability perspective as well as for broader asset management and customer success. Telematics systems can not only spatially locate an equipment asset (such as via GPS systems), but can also provide detailed information about the usage, performance or health of the equipment. This is especially important when customers begin to use new equipment which they are less familiar with, such as when electric equipment is substituted for diesel-powered equipment. In this situation, customers may need to be reminded to recharge equipment, or given feedback about how to use it more effectively. Notably, telematics can be used to improve vehicle and mobile equipment productivity, therefore saving carbon emissions.
- **Environmental Controls.** While most rental companies will be aware of their obligations in respect of pollution control, environmental stewardship is becoming an increasingly important topic. Rental companies may need to be aware of environmental controls, either because of the equipment they hire or because of their own depots and operations. Equipment may need to be hired out with pollution control measures in place (spill kits, drip trays, bunded or double-skinned tanks or environmentally-friendly hydraulic fluids), especially if customers are using the equipment in environmentally sensitive areas such as near watercourses. Air emissions are especially relevant in urban areas or where Ultra-Low Emission Zones (ULEZ) are in place. The concept of the 'hierarchy of waste' is a helpful tool which can aid rental companies within the depots. The concept encourages people to look for uses of materials and products that do not

result in degradation or the generation of waste, ideally by re-thinking the process or organisation to ensure that a waste does not arise in the first place.

- **Vehicles, Equipment and Site Power Options.** There are a number of different fuelling and power options for vehicles and equipment used and offered by European rental companies. Sustainable solutions such as biofuels, hydrogen and battery electric solutions offer various unique benefits and challenges.

Biofuels are an accessible solution to rental companies looking to reduce their emissions, as many commercially-available biofuels can be blended or 'dropped in' to diesel. However, in order to offer rigorous, sustainable emission reductions, biofuels need to be accompanied by detailed information about their feedstock and proof they have been grown in a way that does not degrade land, destroy habitats or compete with food production. EU legislation is becoming increasingly prescriptive in this regard, and now distinguishes between different generations of biofuels.

Hydrogen has become a high-profile alternative to fossil fuels and has attracted significant public investment, but is not yet at a technically or economically viable stage for large-scale adoption by rental companies. Hydrogen can be used as a zero-emission energy source, but suffers from a number of drawbacks due to the challenges in generating hydrogen in a sustainable way, storing and distributing it. Hydrogen may, however, offer a viable solution for zero emission equipment working on remote sites without charging infrastructure or in heavy applications where batteries cannot currently complete the required duty cycle.

Battery-electric equipment is increasingly mature and for some applications this technology is widely available. Small battery-electric excavators for example are offered by many manufacturers, while larger equipment still tends to be diesel-powered (although, there are increasingly viable options being offered by manufacturers such as Volvo). The use of battery-electric equipment presents additional considerations to rental company customers, who may have to consider aspects such as grid connections and work scheduling more carefully and earlier in the work programme than previously. Rental companies offering electric equipment should expect to advise customers of how to integrate the equipment most effectively into their programmes.

The use of batteries has also raised questions about the sustainability of batteries and battery use, despite the potential benefits offered by electrification. Rental companies should be aware of the sustainability of electricity used to charge batteries – in some countries, electricity may be nearly zero carbon, while other countries still have significant carbon intensity in their electricity grid due to generation methods such as coal-fired power stations (for example, Poland has a carbon intensity of over 630g of CO₂ per kWh of electricity, which is 14 times that of Sweden). Batteries are also raw-material intensive and use a number of rare minerals, some of which are typically sourced from unstable regions, so good procurement practice is recommended especially in the light of the proposed Corporate Sustainability Due Diligence Directive (CSDDD) and the EU Batteries Regulation.

Governance and Anti-Bribery and Corruption (ABC) considerations remain important for European rental companies. ABC is most relevant for rental companies doing business outside the EU, especially in countries where public institutions are less well-established, or where there are traditions of bribes being paid as part of business or regulation. National and forthcoming EU legislation could seriously

penalise companies found to have breached ABC rules, and rental companies are therefore advised their staff should maintain a good level of awareness of the rules.

Cybersecurity is also an important consideration considering trends such as remote working, supply chain integration and electronic banking, and also specific rental sector risks such as the growth of smart machines and telematics, with some professionals identifying the risk of internet-connected machinery being hacked, instructed to perform dangerous acts, or frozen with ransomware. Good practice in this space involves working with OEMs to ensure that equipment security specifications are rigorous, ensuring that each rental business is aware of its legal obligations (such as under the General Data Protection Regulation, GDPR²), considering implementing a security standard such as ISO 27001, and obtaining insurance that covers cybersecurity incidents. The ERA has provided comprehensive guidance on cybersecurity in our report [‘A guide to cybersecurity leading practice in the equipment rental industry’](#).

Social issues are an important component to any company’s sustainability strategy, and especially in the rental sector where the workforce is critical to delivering value to customers. The social, workforce and people theme covers a range of topics, including sickness, health and safety, diversity and discrimination (disabled, gender, minority, aged workers). Aspects such as health, safety and wellbeing policies and implementation, EDI (equality, diversity and inclusion) and staff training on sustainability are increasingly expected by clients in order to satisfy due diligence requirements.

Rental companies consistently find that attracting and retaining staff is one of their more difficult tasks. Companies report that the rental industry (and wider construction sector) is not always seen as an attractive place to work, and that companies must consider how they can show it is an innovative and sustainable industry with good long-term prospects for employees. A high level of staff turnover can affect the morale of remaining staff and damage team cohesion, as well as creating burdens in onboarding and training new staff and affecting the customer experience.

There are a number of key ways in which rental companies can aim to improve their staff recruitment and retention. Some rental companies for example have reported that they have seen a good response from both existing and new staff after investing in their physical office and workshop facilities. Modern and well-designed facilities make staff more productive, but also emphasise that a company cares about their staff and sees them as a valuable part of the company identity. Further guidance will be forthcoming from the ERA, which is running a project titled *‘Attracting and Retaining People in Rental’*, which we expect to be finalized in the first half of 2024.

There are also specific ways in which companies can target and support certain groups of employees, and meet EDI targets while also improving staff satisfaction and retention. Some rental companies have found that creating and implementing a “People Charter” focused on how a company will support their workforce and ensure that they feel safe, respected and positive about working for that company is a positive first step for improving EDI and employee experience.

Key actions for the rental sector to take to improve workplace health, safety and wellbeing, include:

² [General Data Protection Regulation \(GDPR\) – Official Legal Text \(gdpr-info.eu\)](#)

- Ensuring risk assessments are current and comprehensive, and that control or mitigation actions are being implemented
- Following the hierarchy of risk control – elimination; substitution; engineering controls; administrative controls; Personal Protective Equipment (PPE)
- Being aware of the ERA’s ongoing work on Occupational Health and Safety, for which a new ERA project is due to be delivered by the end of 2024.

Providing training opportunities for rental company staff is both important for staff performance and also for good employee retention. At a minimum, rental companies should:

- Understand the skills required for each employee role
- Provide suitable training to ensure that employees are competent in their roles
- Record training undertaken (especially in key topics such as environmental protection, health & safety and anti-bribery & corruption) and expect to provide examples of this to major customers, if requested.

With regards to sustainability, new challenges around sustainability mean that customers are likely to have questions about topics such as battery life, charging times, and even the availability of certified green electricity tariffs.

There are a wide range of sustainability standards and certifications that rental companies can choose to align to in order to demonstrate their sustainable credentials and meet customer requirements. Many of the better-known schemes and frameworks are applicable across multiple industries and are well-recognised by clients and the wider public, including:

- CDP (previously known as the Carbon Disclosure Project): a scheme and questionnaire-based tool which allows companies to report their carbon footprints (and some other specific sustainability information, such as carbon reduction plans and water consumption) onto a public platform, and optionally receive a CDP sustainability score from A to D-
- SBTi (Science Based Targets Initiative): a standard for companies to set validated science-based targets for emissions reduction targets and achieving Net Zero
- GRI (Global Reporting Initiative): one of the most widely used and best-known standards in the world for corporate sustainability reporting, providing a framework for disclosure across different sustainability topics along with suggested KPIs and their definitions
- International Standards Organisation (ISO): an organisation providing standards across a range of topics including sustainability—relevant standards such as ISO14001, a guideline for implementing site Environmental Management Systems

The rental sector and wider construction industry also has access to specific sustainability schemes which can help demonstrate rental companies’ commitments to sustainability, such as:

- The Fleet Operators Recognition Scheme: covering safety and quality of fleet management as well as sustainability

- CESAR Emissions Compliance Verification: a process to show the EU Stage emissions class of construction equipment
- SafeHire: a voluntary scheme for European rental companies set up by the Hire Association Europe to demonstrate the quality of their offering and engage in continuous improvement
- Supply Chain Sustainability School (SCSS) Plant Charter: a public declaration that construction companies can sign up to in order to demonstrate their commitment to addressing climate change.

Overall, sustainability is a wide-ranging and complex area, with a dynamic regulatory environment and constantly changing stakeholder expectations. This report has shown however that there are a number of key practical considerations that rental companies can focus their efforts on to not only respond to changing requirements, but also maximise their opportunity to drive additional performance and growth through sustainability.