



# **Rentokil Initial 2015 Pension Scheme**

**Scheme Registration Number: 12011433**

Report and Financial Statements  
For the Year Ended 31 December 2020



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## Professional Advisers and Principal Employer

<b>Trustee:</b>	Rentokil Initial Pension Trustee Limited
<b>Scheme Actuary:</b>	D Lindsay, Aon Hewitt Limited
<b>Scheme Administrator:</b>	Capita Employee Solutions (until Jan 2021) Pension Insurance Corporation PLC (from Jan 2021)
<b>Independent Auditors:</b>	PricewaterhouseCoopers LLP
<b>Banker:</b>	National Westminster Bank plc
<b>Investment Managers:</b>	Aberdeen Standard Investments Insight Investments Funds Management Limited Clerical Medical Managed Funds
<b>AVC Providers:</b>	Equitable Life Assurance Society (until 01.01.2020) Utmost Life and Pensions (from 01.01.2020) Prudential Plc ReAssure Ltd Phoenix Asset Management Aberdeen Standard
<b>Annuity Providers:</b>	Pension Insurance Corporation Aviva Insurance Zurich Insurance Legal & General
<b>Legal Adviser:</b>	Linklaters LLP
<b>Investment adviser:</b>	Willis Towers Watson
<b>Investment custodian:</b>	Bank of New York Europe Limited
<b>Principal Employer:</b>	Rentokil Initial plc
<b>Contact for further information:</b>	Rentokil Initial plc Compass House Manor Royal Crawley RH10 9PY Email: <a href="mailto:pensions@rentokil-initial.com">pensions@rentokil-initial.com</a>

## Trustee's Report

The Trustee of the Rentokil Initial 2015 Pension Scheme is pleased to present its report and financial statements for the year ended 31 December 2020.

### Scheme Management

#### The Scheme

Following a review of pension arrangements available to Rentokil Initial plc employees, it was agreed that steps would be taken to simplify and consolidate matters. As such, the Rentokil Initial 2015 Pension Scheme ("the Scheme") was formed to mirror the defined benefit arrangements previously provided by the Rentokil Initial Pension Scheme.

The purpose of the Scheme is to provide retirement benefits for Scheme members and, in the event of a member's death, to provide benefits to their spouse and dependants as prescribed in the Scheme rules.

The Scheme was established with effect from 8 June 2015 under irrevocable trust. Its provisions are set out in the Definitive Trust Deed and Rules signed on this date.

The Scheme is a registered pension scheme under the Finance Act 2004. This means that members, their employer and the Scheme benefit from favourable tax treatment.

#### The Sponsoring Employer

The sponsoring employer is Rentokil Initial plc ("the Company"). The Company is vested with certain powers and duties such as the appointment of the Trustee.

The Company stands as guarantor to the Scheme for all present and future obligations and liabilities.

#### The Trustee

In accordance with the requirements of the Pensions Act 2004 one third of the directors are elected by the members. There are eight Trustee directors, five of whom are nominated by the Company and three elected by the active and pensioner members of the Rentokil Initial 2015 Pension Scheme. The power of removing and appointing the Trustee directors not nominated by members of the Scheme is exercised by deed and vested in the Principal Employer, Rentokil Initial plc.

The member nominated directors term of office came up for review in September 2020 and as the Scheme is now close to winding up a decision was made to extend the existing member nominated directors term of office.

Rentokil Initial Pension Trustee Limited acts as Trustee for the Scheme. The directors of the Trustee; who held office during the year and since the year end, are given below:

G Brown (Member nominated)

R Carlisle (Member nominated)

W Goldsmith (Member nominated)

P Griffiths

P Haughey

S Ojla

C T Pearce

B Stokell

## Trustee's Report

During the year ended 31 December 2020, the Trustee met 6 times to review the strategy of the Scheme and to consider matters relating to regulatory issues, administration, membership and the financial statements and to receive reports on the investment management and investment performance and to discuss the buy-out of the Scheme's benefits with Pension Insurance Corporation.

### **Scheme advisers**

The names of the professional advisers to the Trustee and other individuals and organisations who have acted for or were retained by the Trustee during the year are listed on page 2.

### **Calculation of Transfer values**

Cash equivalents paid during the year with respect to transfers have been calculated and verified in the manner prescribed by the Pension Schemes Act 1993 and do not include discretionary benefits.

### **Financial Development**

The financial statements included in this annual report are the accounts required by the Pensions Act 1995. They have been prepared and audited in compliance with regulations made under section 41(1) and (6) of that Act.

They showed that the value of the Scheme's net assets totalled £1,716,128k as at 31 December 2020 (2019: £1,645,692k).

### **Contributions**

During the year ended 31 December 2020 no contributions were due or paid to the Scheme by the Principal Employer.

As the Scheme was shown to be in surplus by the actuarial valuation dated 31 December 2018, no additional contributions are required to be paid to the Scheme.

## Trustee's Report

### Pension Increases

Pensions in payment are increased annually on either the 1st, 6th or 30th April for the Rentokil Section and Initial Sections. The dates of increase are shown in the table below.

Different elements of pension have differing increase rates applying to them depending upon the period in which the pension was earned. In some instances a minimum 3% annual increase applies.

Pensions in excess of the Guaranteed Minimum Pension (GMP) increase in line with the increase in the Retail Prices Index. The RPI increase is measured in December each year and the increase in the RPI for December 2019 was 2.2%.

Consequently the increases to apply to pensions in payment in excess of the GMP were:

Rate of Increase			Section	Date of Increase
Pre 1/04/02 Service	1/04/02 to 31/03/05 Service	Post 1/04/05 Service		
3.0%	Individual*	Individual*	Initial Section	30/04/2020
2.2%	2.2%	2.2%	Initial (No. 2) Section	30/04/2020
3.0%	Individual*	Individual*	Initial General Section	30/04/2020
3.0%	Individual*	Individual*	Initial Senior Staff Section	30/04/2020

Rate of Increase				Section	Date of Increase
Pre 1/04/97 Service	01/04/97 to 31/03/02 Service	01/04/02 to 31/03/05 Service	Post 01/04/05 Service		
2.2%	2.2%	2.2%	2.2%	Rentokil Section	30/04/2020

Rate of Increase		Section	Date of Increase
Pre 31/03/05 Service	Post 01/04/05 Service		
3.0%**	3.0%**	Initial Senior Executive Section Category A/1	30/04/2020
5.0%***	2.5%***	Initial Senior Executive Section Category A/2	30/04/2020
8.5%**	n/a	Initial Senior Executive Section Category B/3	30/04/2020

#### Notes

\* Subject to individual cumulative calculation, with the minimum annual increase being 2.2% p.a

\*\* Subject to individual cumulative calculations if less – see benefit spec for details

\*\*\* Subject to individual check against Inland Revenue Maximum limits

- Pre 1988 GMPs do not increase. Post 1988 GMPs are increased by reference to the increase in the CPI at September 2019 subject to a maximum of 3% p.a. and a minimum of 0% p.a. The CPI was 1.7% for the year to September 2019 and therefore the increase applying to the Post 1988 GMPs will be 1.7% p.a. with the first increase after retirement being a full increase.
- None of the increases were discretionary.

## Trustee's Report

### Scheme Membership

#### Membership and Beneficiaries

	Deferred Members	Pensioners	Total
<b>At the start of the year</b>	6,277	7,454	13,731
<b>New joiners</b>	<b>40</b>	-	<b>40</b>
<b>Retirement from deferred</b>	<b>(144)</b>	<b>143</b>	<b>(1)</b>
<b>Transfers out</b>	<b>(35)</b>	-	<b>(35)</b>
<b>Trivial Commutation from deferment</b>	<b>(55)</b>	-	<b>(55)</b>
<b>Deaths</b>	<b>(36)</b>	<b>(363)</b>	<b>(399)</b>
<b>No further liability*</b>	-	<b>(1)</b>	<b>(1)</b>
<b>New dependants</b>	-	<b>144</b>	<b>144</b>
<b>Dependant – Trivial Commutation</b>	-	<b>(63)</b>	<b>(63)</b>
<b>Record closed as member untraceable</b>	<b>(52)</b>	-	<b>(52)</b>
<b>Record reinstated</b>	<b>1</b>	-	<b>1</b>
<b>At the end of the year</b>	<b>5,996</b>	<b>7,314</b>	<b>13,310</b>

\*Relates to dependant members which we no longer have liability to pay

Included in pensioners are 1,341 (2019: 1,373) individuals receiving a pension upon the death of their spouse and 26 (2019: 26) pensioners who have part of their benefits secured via the purchase of annuities.

All 13,310 members are covered by the PIC annuity policy (2019: 13,731).

#### Scheme Administration

The Trustee is aware of the qualified AAF internal controls report received by Capita during 2021 on its administration processes. Capita confirmed that there were no issues that impacted the Scheme. The Trustee understands that Capita have put in place measures to address all the exceptions raised.

The Trustee independently monitors payments made from the account against funding payments made by PIC and queries any discrepancies that do not appear to have been funded. PIC also reconcile the monthly payroll against the pension payments they expect to be made based on the insured population.

The Trustee is provided with a monthly mortality report by PIC and the Trustee now checks that any confirmed deaths have resulted in the cessation of pension payments.

In December 2020 all members were contacted and advised that PIC would be responsible for the administration of the Scheme with effect from 13 January 2021.

During the year a benefit audit was carried out comparing Scheme GMP benefits against the Scheme benefit data held by Her Majesty's Revenue and Customs (HMRC). This is known as GMP reconciliation. This required some adjustments to some Scheme benefits where differences had been identified. For some members benefits increased but decreased for others.

## Trustee's Report

Prior to this a benefits audit was carried out to ensure that benefits for all members reflected the provisions in the Scheme rules. In some instances, the rules of the Scheme had been administered in a way which did not fully comply with the legal requirements to equalise normal retirement ages for men and women following the ruling in the Barber case by the European Court of Justice in 1990. This required pension schemes to pay equal benefits to men and women from 17 May 1990. As a result some members saw an increase in their pension.

In June 2020 the Trustee wrote to affected members about the proposed changes to Scheme benefits which would be made to address the technical inconsistency known as GMP equalisation. The proposed method was GMP conversion which converted GMP benefits into non GMP benefits. It was subsequently agreed to effect the proposed changes and a deed of amendment detailing the changes to benefits was executed.

The Trustee then wrote to each member whose benefits were affected detailing the adjustments needed to pensions. Where necessary a one-off cash payment was made in respect of any underpayment due from the date the member retired. The adjustments to pensions, totalling £4.2m were generally made on 30 November or 4 December depending on which section of the Scheme the member was in.

On the 20th November 2020, the High Court extended the ruling on GMP equalisation to include former scheme members who had transferred their GMP benefits to other pension plans after 1990. This means that those former Scheme members who had cash equivalent transfer values and who would have been impacted by Barber and GMP equalisation will now be entitled to have their payments recalculated and will receive a top-up payment which will include interest on the backdated amounts. The Trustee is now reviewing payments for affected members and any payments due will need to be made to members before the Scheme can be finally wound up.

### Partial refund of surplus

In September 2020 the Trustee wrote to members to advise that the Scheme Actuary had confirmed that there would be a surplus in the Scheme once all benefits have been secured in full by individual annuity policies, and that the Trustee proposed to return part of the surplus to the Company, in accordance with Rule 21.6 of the Scheme Rules under section 76 of the Pensions Act 1995 before the Scheme started to wind up.

The Trustee had already paid the bulk of an insurance premium to PIC in return for "buying-in" benefits.

In December 2020, the Scheme Actuary certified that he expected that there would be a surplus in the Scheme once all benefits had been secured in full through individual annuity policy and taking into account any remaining insurance premium that may be payable by PIC and the costs of winding up the Scheme.

The surplus estimate as at 30 November was £20.2m. As the Trustee was satisfied that various legal requirements before a refund of surplus can be paid had been met, the Trustee agreed to pay a partial refund of surplus to the Company of £13m (£8.45 m after the deduction of the authorised surplus tax charge) in December 2020.

### Post year end events

The Trustee is in the process of "buying-out" benefits in the Scheme by securing individual annuity policies with PIC. It is anticipated an individual annuity policy will be issued to every member in the second half of 2021.

As the process of buying out benefits was on track the Company decided it was appropriate to wind up the Scheme. On 4 March 2021 the Company served written notice to the Trustee that it wished to terminate the Scheme. As the process of winding up needs to begin before the Trustee can buy out members' benefits, the Trustee resolved to wind up the Scheme on the 4 March 2021.



## Trustee's Report

The Trustee will continue to provide benefits in accordance with the Scheme Rules until all the benefits have been secured through individual policies with PIC. PIC will then become responsible for providing members' benefits.

Members have been advised that the Scheme is winding up. The Trustee anticipates being able to produce final accounts and complete the winding up by the end of 2022.

### Summary of Contributions

During the year, the contributions payable to the Scheme under the Schedule of Contributions were as follows:

	£'000
Total contributions required by the Schedule of Contributions	-
Amount per Fund Account	-



Date: 30.07.2021

Trustee Director

For and on behalf of Rentokil Initial Pension Trustee Limited



Date: 30.07.2021

Trustee Director

For and on behalf of Rentokil Initial Pension Trustee Limited

## Trustee's Report

### Report on Actuarial Liabilities

As required by Financial Reporting Standard 102, "The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland" (FRS 102), the financial statements do not include liabilities in respect of promised retirement benefits.

Under Section 222 of the Pensions Act 2004, every scheme is subject to the Statutory Funding Objective, which is to have sufficient and appropriate assets to cover its technical provisions. The technical provisions represent the present value of the benefits members are entitled to; assessed using the assumptions agreed between the Trustee and the Employer and set out in a Statement of Funding Principles, which is available to Scheme members on request.

The last actuarial valuation of the Scheme was carried out as at 31 December 2018. These showed:

	31 December 2015	31 December 2018
The value of the liabilities was:	£1,413.7 m	£1,569.5 m
The value of the assets at that date was:	£1,424.5 m	£1,613.5 m
Surplus of assets relative to liabilities:	£10.8 m	£44.0 m
Funding level (ratio of assets to liabilities):	100.8%	102.8%

The method and significant actuarial assumptions used to determine the technical provisions are as follows:

#### Method

The actuarial method to be used in the calculation of the technical provisions is the Projected Unit Method.

**Discount interest rate:** term dependent forward rates set by reference to the fixed-interest gilt forward yield curve (as derived from Bank of England data) at the valuation date plus a premium of 0.5% p.a. until 31 December 2025, reducing linearly to 0.0% p.a. by 31 December 2033.

The same discount rate is used for both pre-retirement and post-retirement liabilities.

**Future Retail Price inflation:** term dependent rates implied from the fixed-interest and index-linked gilt curves (as derived from Bank of England data) at the valuation date.

**Future Consumer Price inflation:** term dependent rates derived from the assumption for future retail price inflation less an adjustment equal to 1.1% per annum.

**Future Pension increases:** term dependant rates derived from the assumption for future inflation allowing for assumed inflation volatility and the caps and floors on pension increases according to the provisions in the Scheme's rules.

**Mortality:** for the period in retirement, standard SAPS S2 'All Lives' tables, adjusted to allow for individual years of birth, with the following scaling factors:

Category	Sex	
	M	F
Deferreds	108%	108%
Pensioners	98%	107%
Dependant pensioners	96%	96%

Includes an allowance for long term improvements in longevity of 1.75% p.a. with short term improvements based on the CMI\_2014 projections.

The Actuary's Certification of the Schedule of Contributions can be found on page 17.

## Trustee's Report

### Investment Matters

#### Overview

The Trustee, with the assistance of its appointed investment adviser, determines the overall investment strategy for the Scheme and sets out the broad policy to be adopted by each of the appointed fund managers. In accordance with section 35 of the Pension Act 1995, the Trustee has agreed a Statement of Investment Principles ("SIP") dated September 2020.

#### Investment managers

The names of those who have managed the Scheme's investments during the year are listed on page 2. The Trustee has delegated the day-to-day management of investment to its appointed fund managers. A written agreement between the Trustee and each manager sets out the terms on which the manager will act.

The managers' duties include the consideration of social, environmental or ethical issues in the selection, retention and realisation of investments as well as voting and corporate governance in relation to the Scheme's assets. The Trustee has reviewed each of the investment managers' policies on these issues. The Trustee believes that the policies adopted by the managers are consistent with their own views.

#### Investment principles

In accordance with Section 35 of the Pensions Act 1995, the Trustee has prepared a Statement of Investment Principles ('SIP') which includes the Trustee's policy relating to ethical investment and the exercise of the rights attaching to investments. Any member may request a copy. This SIP may change from time to time according to advice received from the investment manager or consultants.

#### Departures from investment principles

During the year 2020 there was a slight departure on the investment allocation as at year end from the SIP which equated to 1% 2020 (2019: 0%). The allocation is based on the weighting as at 31 December 2018 and the allocation is reviewed after every actuarial valuation.

A copy of the SIP may be obtained from the contact for enquiries on page 2.

#### Custodial arrangement

As at 31 December 2018 the Scheme employed Bank of New York Europe Limited ("BNY") as custodian for the underlying assets held by the Scheme's appointed investment managers. As custodian BNY are responsible for the safe keeping, monitoring and reconciliation of documentation relating to the ownership of listed investments. Investments are held in the name of the custodian's nominee, in line with common practice for pension scheme investments. For any pooled investment vehicles, such vehicles will have their own custodian appointed.

National Westminster Bank plc has been appointed by the Trustee as custodian of the cash held in connection with the administration of the Scheme.

#### Employer-related investments

Details of employer-related investments are given in note 24 on page 37 of the financial statements.

## Trustee's Report

### Asset allocations and performance

The current asset allocation was agreed in December 2018 following the decision by the Trustee to undertake a buy-in of all Scheme liabilities with Pensions Insurance Corporation (PIC). The asset allocation excluding the buy-in policy is shown below:

	<b>Allocation</b> %	<b>12 Month</b> <b>Performance</b> %	<b>3 Year</b> <b>Performance</b> %	<b>5 Year</b> <b>Performance</b> %
<b>Cash</b>				
Insight Investment – Cash	80.0	0.8	0.6	6.2
<b>Bonds</b>				
Aberdeen Standard Investments – Corporate Bonds	20.0	3.8	2.2	3.5
<b>Scheme total</b>	<b>100.0</b>	<b>2.3</b>	<b>1.4</b>	<b>4.9</b>

Source: Insight Investment, Aberdeen Standard Investments

Note: Excludes cash held in Trustee bank account. Performance shown gross of investment managers' fees.

### COVID-19

The outbreak of the novel Coronavirus (COVID-19), declared by the World Health Organisation as a global health emergency on the 30 January 2020, has caused disruption to businesses and economic activity which has been reflected in recent fluctuations in global stock markets. The Trustee has been monitoring developments relating to COVID-19 and is coordinating its operational response based on existing business continuity plans and on guidance from global health organisations, UK government and general pandemic response best practice.

The Trustee has secured a buy-in policy with the Pension Insurance Corporation which secures members' liabilities and therefore it does not anticipate any significant impact on the Scheme as a result of COVID-19.

### Further investment disclosures

Further details on the Investment Strategy, objectives and Investment risks are disclosed in note 21 on pages 34 to 36.

## Trustee's Report

### Implementation Statement for the year ending 31 December 2020

#### 1. Introduction

This document is the Annual Implementation Statement ("the Implementation Statement") prepared by the Trustee of the Rentokil Initial 2015 Pension Scheme (the "Scheme") covering the year to 31 December 2020 (the "Scheme Year"). The purpose of this statement is to:

- Set out the extent to which, in the opinion of the Trustees, the Scheme's Statement of Investment Principles ("SIP") required under section 35 of the Pensions Act 1995, as amended, has been adhered to during the year.
- Detail any reviews of the SIP the Trustees have undertaken, and any changes made to the SIP over the year as a result of such reviews.
- Describe the voting behaviour by, or on behalf of, the Trustees over the year.

A copy of this implementation statement will be made available alongside the Scheme's SIP at the following link: [www.rentokil-initial.com/site-services/pensions-information](http://www.rentokil-initial.com/site-services/pensions-information).

#### 2. Review of, and changes to the SIP

The SIP was reviewed during the Scheme Year, a revised version was published as at September 2020. The changes were made principally to comply with the requirements of the Occupational Pension Schemes (Investment and Disclosure) (Amendment) Regulations 2019, and included:

- Confirmation that the Trustee is in the process of converting its existing buy-in to individual annuity policies and that the process of winding-up the Scheme is expected to commence in mid 2021.
- Introduction of a new section on environmental, social, governance and stewardship considerations detailing the Trustee's policies in this area.

The September 2020 SIP is the version referenced in the following sections of this document, where we set out how the principles have been implemented. Where new Trustee policies have been added to the SIP that was in place at the start of the Scheme year, we have referenced how these have been implemented from the time of adoption to the end of the Scheme Year.

#### 3. Adherence to the SIP

The Trustee's policies on environmental, social and corporate governance ("ESG"), stewardship and alignment considerations are set out in the Sections 21-30 of the SIP. In summary:

- The Trustee takes into account all financially material considerations over the remaining time horizon of the Scheme, which may include ESG factors (such as climate change).
- The Trustee's current investment policy does not specifically take into account non-financial matters such as the views of Scheme members and beneficiaries in relation to ethical considerations, social and environmental impact, or present and future quality of life of the members and beneficiaries of the Scheme.
- If any equity investments become a part of the portfolio, the Trustee expects, and where possible requires, investment managers to use any rights associated with such investments to drive better long-term financial and non-financial outcomes (including on ESG and stewardship matters).

## Trustee's Report

- The Trustee believes it is appropriate for its investment managers to engage in stewardship activity with key stakeholders. Such stakeholders may include corporate management of debt or equity issuers, other holders of the debt or equity, others with an interest in the issuer or debt or equity, or regulators and governance bodies (as appropriate to the Trustee's investments). As part of this, the Trustee expects investment managers to discuss with these stakeholders matters concerning the relevant issuer of debt or equity, including corporate governance, management of potential conflicts of interest, capital structure, performance, strategy, risks and ESG factors.
- Given the current position of the Scheme and the high quality of assets held, there is not expected to be any material turnover in the portfolio before the Scheme winds up. As a result, the Trustee has no target turnover or turnover ranges against which turnover is monitored.

As the Scheme will soon be wound up, the time horizon for the remaining investment assets of the Scheme is expected to be very short and the value of these assets is very modest. As a result, sustainability considerations are not considered to present a significant financial risk to the Scheme. The Trustee continues to expect that the Scheme's investment managers will consider financially material factors, which may include ESG factors, in their management of the Scheme's assets and will engage periodically with them to confirm that this is the case.

During the Scheme Year the Trustee was provided with the the ex-post Markets in financial instruments directive costs and charges reporting provided by the Scheme's Investment Consultant, setting out the investment related costs incurred by the Scheme during 2019. These costs were deemed to be reasonable.

### **4. Voting policy and information**

As set out in the SIP, the Trustee's policy is to delegate the day to day sustainable investment considerations (including environment, social and governance factors) and stewardship activities (including voting and engagement) to the Scheme's investment managers.

The Scheme's investment assets cover both bonds and cash, however during the Scheme Year no investments were held in listed equities with associated voting rights and therefore no voting data has been provided in this section of the Statement.

### **5. Conclusion**

The Trustee believes that the policies outlined in the SIP have been adhered to during the Scheme Year to the extent practical given the circumstances of the Scheme.

## Trustee's Report

### Compliance Matters

The purpose of this Statement is to provide information, which is required to be disclosed in accordance with Schedule 3 of The Occupational Pension Schemes (Disclosure of Information) Regulations 1996 or voluntarily by the Trustee. The information deals with matters of administrative routine.

#### **The Money and Pensions Service ("MaPS")**

The Money and Pensions Service (MaPS) brings together three respected financial guidance bodies: The Pensions Advisory Service (TPAS), the Money Advice Service and Pension Wise providing information to the public on matters relating to workplace and personal pensions.

MaPS may be contacted at Money and Pensions Service, 120 Holborn, London, EC1N 2TD

Telephone: 0115 965 9570

Email: [contact@maps.org.uk](mailto:contact@maps.org.uk)

Website: [www.singlefinancialguidancebody.org.uk](http://www.singlefinancialguidancebody.org.uk)

#### **Pensions Ombudsman**

The Pensions Ombudsman will assist members and beneficiaries of the Scheme in connection with difficulties which they have failed to resolve with the Trustee or Administrator of the Scheme and may investigate and determine any complaint or dispute of fact or law in relation to an occupational pension scheme.

The Pensions Ombudsman may be contacted at 1st Floor, 10 South Colonnade, Canary Wharf, London E14 4PU

Telephone: 0800 917 4487

Early resolution email: [helpline@pensions-ombudsman.org.uk](mailto:helpline@pensions-ombudsman.org.uk)

Email: [enquiries@pensions-ombudsman.org.uk](mailto:enquiries@pensions-ombudsman.org.uk)

#### **Pensions Regulator**

The Pensions Regulator is able to intervene in the running of schemes where the Trustee, Employers or Professional Advisers have failed in their duties.

The Pensions Regulator may be contacted at Napier House, Trafalgar Terrace, Brighton, BN1 4DW.

Telephone: 0345 600 7060

#### **Pension Tracing**

A pension tracing service is carried out by the Department for Work and Pensions.

The Pension Tracing Service may be contacted at The Pension Service 9, Mail Handling Unit A, Wolverhampton, WV98 1LU.

Telephone: 0800 731 0193

Website: [www.gov.uk/find-pension-contact-details](http://www.gov.uk/find-pension-contact-details)

## Trustee's Report

### Statement of Trustee's Responsibilities

#### **The Trustee's responsibilities in respect of the financial statements**

The financial statements, which are prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including the Financial Reporting Standard applicable in the UK and Republic of Ireland ("FRS 102"), are the responsibility of the Trustee. Pension scheme regulations require, and the Trustee is responsible for ensuring, that those financial statements:

- show a true and fair view of the financial transactions of the Scheme during the Scheme year and of the amount and disposition at the end of the Scheme year of its assets and liabilities, other than liabilities to pay pensions and benefits after the end of the Scheme year; and
- contain the information specified in Regulation 3A of the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, including making a statement whether the financial statements have been prepared in accordance with the relevant financial reporting framework applicable to occupational pension schemes.

In discharging these responsibilities, the Trustee is responsible for selecting suitable accounting policies, to be applied consistently, making any estimates and judgements on a prudent and reasonable basis, and for ensuring that the financial statements are prepared on a going concern basis unless it is inappropriate to presume that the Scheme will continue as a going concern.

The Trustee is also responsible for making available certain other information about the Scheme in the form of an annual report.

The Trustee has a general responsibility for ensuring that accounting records are kept and for taking such steps as are reasonably open to it to safeguard the assets of the Scheme and to prevent and detect fraud and other irregularities, including the maintenance of an appropriate system of internal control.

#### **The Trustee's responsibilities in respect of contributions**

The Trustee is responsible under pensions legislation for preparing, and from time to time reviewing and if necessary revising, a schedule of contributions showing the rates of contributions payable to the Scheme by or on behalf of employers and the active members of the Scheme and the dates on or before which such contributions are to be paid.

The Trustee is also responsible for keeping records in respect of contributions received in respect of any active member of the Scheme and for adopting risk-based processes to monitor whether contributions that fall due to be paid are paid into the Scheme in accordance with the schedule of contributions.

Where breaches of the schedule occur, the Trustee is required by the Pensions Acts 1995 and 2004 to consider making reports to the Pensions Regulator and to members.



## Trustee's Report

### Contact for Further Information

Requests for additional information about the Scheme generally, or queries relating to members' own benefits, should be made to the contact listed on page 2.

### Approval

The Trustee's Report was approved by the Trustee and signed on its behalf by:



**Date:** 30.07.2021

.....  
**Trustee Director**

**For and on behalf of Rentokil Initial Pension Trustee Limited**



**Date:** 30.07.2021

.....  
**Trustee Director**

**For and on behalf of Rentokil Initial Pension Trustee Limited**

## Actuary's Certification of the Schedule of Contributions

### Certification of schedule of contributions

*Rentokil Initial 2015 Pension Scheme*


#### Adequacy of rates of contributions

1. I certify that, in my opinion, the rates of contributions shown in this schedule of contributions are such that the statutory funding objective could have been expected on 31 December 2018 to continue to be met for the period for which the schedule is to be in force.

#### Adherence to statement of funding principles

2. I hereby certify that, in my opinion, this schedule of contributions is consistent with the Statement of Funding Principles dated 27 November 2019.

The certification of the adequacy of the rates of contributions for the purpose of securing that the statutory funding objective can be expected to be met is not a certification of their adequacy for the purpose of securing the scheme's liabilities by the purchase of annuities, if the scheme were to be wound up.

Signature 

28 November 2019

David Lindsay

Fellow of the Institute and Faculty of Actuaries

Aon Hewitt Limited

# Independent auditors' report to the Trustee of the Rentokil Initial 2015 Pension Scheme

## Report on the audit of the financial statements

### Opinion

In our opinion, Rentokil Initial 2015 Pension Scheme's financial statements:

- show a true and fair view of the financial transactions of the Scheme during the year ended 31 December 2020, and of the amount and disposition at that date of its assets and liabilities, other than liabilities to pay pensions and benefits after the end of the year;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- contain the information specified in Regulation 3A of the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996.

We have audited the financial statements, included in the Report and Financial Statements, which comprise: the Statement of Net Assets available for benefits as at 31 December 2020; the Fund Account for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Independence

We remained independent of the Scheme in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

### Emphasis of matter - financial statements prepared on a basis other than going concern

In forming our opinion on the financial statements, which is not modified, we draw attention to note 1 to the financial statements which describes the Trustee's reasons why the financial statements have been prepared on a basis other than going concern.

### Reporting on other information

The other information comprises all the information in the Report and Financial Statements other than the financial statements, our auditors' report thereon and our auditors' statement about contributions. The Trustee is responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

## Independent auditors' report to the Trustee of the Rentokil Initial 2015 Pension Scheme

### Responsibilities for the financial statements and the audit

#### Responsibilities of the Trustee for the financial statements

As explained more fully in the statement of Trustee's responsibilities, the Trustee is responsible for ensuring that the financial statements are prepared in accordance with the applicable framework and for being satisfied that they show a true and fair view. The Trustee is also responsible for such internal control as it determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In the preparation of the financial statements, the Trustee is responsible for assessing the Scheme's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Trustee either intends to wind up the Scheme, or has no realistic alternative but to do so.

#### Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the Scheme and its environment, we identified that the principal risks of non-compliance with laws and regulations related to the administration of the Scheme in accordance with the Pensions Acts 1995 and 2004 and regulations made under them, and codes of practice issued by the Pensions Regulator; and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered the direct impact of these laws and regulations on the financial statements. We evaluated incentives and opportunities for fraudulent manipulation of the financial statements, including the risk of override of controls, by the Trustee and those responsible for, or involved in, the preparation of the underlying accounting records and financial statements, and determined that the principal risks were related to posting inappropriate journals to conceal misappropriation of assets and inappropriate adjustments of asset valuations. Audit procedures performed included:

- Testing of journals where we identified particular risk criteria.
- Obtaining independent confirmations of material investment valuations and cash balances at the year end.
- Reviewing estimates and judgements made in the preparation of the financial statements.
- Reviewing meeting minutes, any correspondence with the Pensions Regulator, contracts and agreements, and holding discussions with the Trustee to identify significant or unusual transactions and known or suspected instances of fraud or non-compliance with laws and regulations.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditors' report.

## Independent auditors' report to the Trustee of the Rentokil Initial 2015 Pension Scheme

### Use of this report

This report, including the opinion, has been prepared for and only for the Trustee as a body in accordance with section 41 of the Pensions Act 1995 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

A handwritten signature in black ink that reads "PricewaterhouseCoopers LLP". The signature is written in a cursive, flowing style.

PricewaterhouseCoopers LLP

Chartered Accountants and Statutory Auditors

Cardiff

30.07.2021

# Independent auditors' statement about contributions to the Trustee of the Rentokil Initial 2015 Pension Scheme

## Opinion

In our opinion, the contributions required by the schedule of contributions for the Scheme year ended 31 December 2020 as reported in Rentokil Initial 2015 Pension Scheme's summary of contributions have, in all material respects, been paid in accordance with the schedule of contributions certified by the Scheme actuary on 28 November 2019.

We have examined Rentokil Initial 2015 Pension Scheme's summary of contributions for the Scheme year ended 31 December 2020 which is set out on page 8.

## Basis for opinion

Our examination involves obtaining evidence sufficient to give reasonable assurance that contributions reported in the summary of contributions have, in all material respects, been paid in accordance with the relevant requirements. This includes an examination, on a test basis, of evidence relevant to the amounts of contributions payable to the Scheme under the schedule of contributions, and the timing of those payments.

## Responsibilities for the statement about contributions

### Responsibilities of the Trustee in respect of contributions

As explained more fully in the statement of Trustee's responsibilities, the Scheme's Trustee is responsible for preparing, and from time to time reviewing and if necessary revising, a schedule of contributions and for monitoring whether contributions are made to the Scheme by employers in accordance with relevant requirements.

### Auditors' responsibilities in respect of the statement about contributions

It is our responsibility to provide a statement about contributions and to report our opinion to you.

### Use of this report

This report, including the opinion, has been prepared for and only for the Trustee as a body in accordance with section 41 of the Pensions Act 1995 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.



PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
Cardiff  
30.07.2021

# Fund Account

for the year ended 31 December 2020

		Year Ended 31 December 2020 £'000	Year Ended 31 December 2019 £'000
	Note		
Transfers in	4	130	254
Other income	5	843	394
		<b>973</b>	<b>648</b>
Benefits paid or payable	6	(58,208)	(50,271)
Payments to and on account of leavers	7	(7,178)	(14,858)
Employer refund of surplus	8	(13,000)	-
Administrative expenses	9	(4,506)	(3,006)
		<b>(82,892)</b>	<b>(68,135)</b>
<b>Net withdrawals from dealings with members</b>		<b>(81,919)</b>	<b>(67,487)</b>
<b>Net returns on investments</b>			
Investment income	10	974	1,172
Change in market value of investments	11	151,524	136,881
Investment management expenses	12	(143)	(427)
		<b>152,355</b>	<b>137,626</b>
<b>Net increase in the fund during the year</b>		<b>70,436</b>	<b>70,139</b>
<b>Opening net assets</b>		<b>1,645,692</b>	<b>1,575,553</b>
<b>Closing net assets</b>		<b>1,716,128</b>	<b>1,645,692</b>

The accompanying notes on pages 24 to 37 are an integral part of these financial statements.

# Statement of Net Assets available for benefits as at 31 December 2020

		As at 31 December 2020 £'000	As at 31 December 2019 £'000
	Note		
<b>Investment assets:</b>	11		
Bonds	16	7,731	8,286
Pooled investment vehicles	14	32,716	51,290
Derivatives	15	71	84
Insurance policies	17	1,665,500	1,578,500
AVC investments	18	659	894
Cash	11	4,384	3,504
Other investment balances	19	86	124
		<b>1,711,147</b>	<b>1,642,682</b>
<b>Total net investment assets</b>		<b>1,711,147</b>	<b>1,642,682</b>
Current assets	22	11,643	5,492
Current liabilities	23	(6,662)	(2,482)
<b>Net assets available for benefits</b>		<b>1,716,128</b>	<b>1,645,692</b>

The financial statements summarise the transactions of the Scheme and deal with the net assets at the disposal of the Trustee. They do not take account of obligations to pay pensions and benefits which fall due after the end of the Scheme year. The actuarial position of the Scheme, which takes into account such obligations, is dealt with in the Report on Actuarial Liabilities on page 9 of the annual report and these financial statements should be read in conjunction with this report.

The accompanying notes on pages 24 to 37 are an integral part of these financial statements.

**The financial statements on pages 22 to 37 were approved by the Trustee on 30 July 2021 and signed on its behalf by**



Trustee Director



Trustee Director

**For and on behalf of Rentokil Initial Pension Trustee Limited**



# Notes to the Financial Statements

## 1. Basis of preparation

The individual financial statements of Rentokil Initial 2015 Pension Scheme have been prepared in accordance with the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, Financial Reporting Standard (FRS) 102 - The Financial Reporting Standard applicable in the UK and Republic of Ireland issued by the Financial Reporting Council ("FRS 102") and the guidance set out in the Statement of Recommended Practice "Financial Reports of Pension Schemes" (revised June 2018) ("the SORP").

The Trustee commenced winding-up the Scheme on 4 March 2021.

Accordingly, the going concern basis of accounting is no longer appropriate and the Trustee has adopted a basis of accounting other than going concern. No adjustments were necessary as a result of the change in basis of accounting.

## 2. Identification of the financial statements

The Scheme is established as a trust under English Law. The address for enquires to the Scheme is Renokil Initial plc, Compass House, Manor Royal, Crawley, RH10 9PY.

The Scheme is a registered pension scheme under the Finance Act 2004 and is therefore exempt from income tax and capital gains tax. The Scheme was established with effect from 8 June 2015 under irrevocable trust. Its provisions are set out in the Definitive Trust Deed and Rules signed on this date. The Scheme is a defined benefit Scheme, which is closed to new members and future accrual.

## 3. Accounting Policies

These policies have been consistently applied to all the years presented, unless otherwise stated.

### Benefits

Benefits are accounted for on the later of the period in which the member notifies the Trustee of his decision on the type or amount of benefit to be taken, and the date of retiring or leaving. If there is no member choice, on the date of retiring, leaving or notification of death.

Pensions in payment are accounted for in the period to which they relate.

Where the Trustee is required to settle tax liabilities on behalf of a member (such as when lifetime or annual allowances are exceeded) with a consequent reduction in that members benefits receivable from the Scheme, this is shown separately within benefits.

### Transfers from and to other plans

Individual transfers in or out of the Scheme are accounted for when member liability is accepted or, discharged which is normally when the transfer amount is paid or received.

Group transfers are accounted for in accordance with the terms of the transfer agreement.

### Administration expenses

Expenses are accounted for on an accruals basis.

## Notes to the Financial Statements

### 3. Accounting Policies (continued)

#### Investment income

Income from cash and short term deposits is accounted for on an accruals basis.

Income from bonds is accounted for on an accruals basis and includes interest bought and sold on investment purchases and sales.

Income from pooled investment vehicles is accounted for when declared by the fund manager.

Receipts from annuity policies are accounted for as investment income on an accruals basis.

The change in market value of investments during the period comprises all increases and decreases in the market value of investments held at any time during the period, including profits and losses realised on sales of investments during the period. In the case of pooled investment vehicles which are accumulation funds, where income is reinvested within the fund without issue of further units, change in market value also includes such income.

#### Investments

Investments are included at fair value as described below:

Quoted securities in active markets are valued at the current bid prices at the reporting date.

Accrued interest is excluded from the market value of bonds and is included in invested income receivable.

Equities, bonds and Unitised pooled investment vehicles have been valued at the latest available BID price or single price provided by the pooled investment manager. Shares in other pooled arrangements have been valued at the latest available net asset value (NAV), determined in accordance with fair value principles, provided by the pooled investment manager. Where the value of a pooled investment vehicle is primarily driven by the fair value of its underlying assets, the net asset value advised by the fund manager is normally considered a suitable approximation to fair value unless there are restrictions or other factors which prevent realisation at that value, in which case adjustment is made.

Exchange traded futures are valued as the sum of the daily mark-to-market, which is a calculated difference between the settlement prices at the reporting date and the inception date.

Over the counter (OTC) derivatives are valued using the following valuation techniques:

1. Swaps – net present value of future cash flows arising from the swap determined using discounted cash flow models and market data at the reporting date.
2. Forward foreign exchange (Forward FX) – the gain or loss that would arise from closing out the contract at the reporting date by entering into an equal and opposite contract at that date.

The value of AVCs represents the current value of the policies held or cash deposits. The basis of valuation for AVC funds is the closing price operating at the accounting date as advised by the AVC provider. If this can not be obtained, AVCs will be determined by including cash movement throughout the year.

Annuity policies are valued by the Scheme Actuary at the amount of the related obligation, determined using the most recent Scheme Funding valuation assumptions updated for market conditions at the reporting date.

## Notes to the Financial Statements

### 3. Accounting Policies (continued)

#### Critical accounting estimates and judgements

The Trustee makes estimate and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. For the Scheme, the Trustees believe the only estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year are related to the valuation of the Scheme investments of the fair-value hierarchy. Explanation of the key assumptions underpinning the valuation of investments are included within the investments section of the accounting policies on the previous page and in notes 14 and 17.

#### Presentation currency

The Scheme's functional and presentation currency is pounds sterling. Monetary items denominated in foreign currency are translated into sterling using the closing exchange rates at the Scheme year end. Foreign currency transactions are recorded in sterling at the spot exchange rate at the date of the transaction.

#### Taxation

The Scheme is registered Pension Scheme under Chapter 2 of Part 4 of the Finance Act 2004 and is therefore exempt from income tax and capital gains tax.

### 4. Transfers in

	Year ended 31 December 2020 £'000	Year ended 31 December 2019 £'000
Individual transfers in from other Schemes	22	109
AVCs transferred in from other scheme	108	145
	<u>130</u>	<u>254</u>

### 5. Other income

	Year ended 31 December 2020 £'000	Year ended 31 December 2019 £'000
Claims on term assurance policies	<u>843</u>	<u>394</u>

## Notes to the Financial Statements

### 6. Benefits paid or payable

	Year ended 31 December 2020 £'000	Year ended 31 December 2019 £'000
Pensions*	52,981	44,219
Lump sum retirement benefits	3,520	3,293
Commutations of pensions	775	2,048
Lump sum death benefits	733	621
Purchase of annuities	-	37
Taxation where annual allowance exceeded	199	53
	<b>58,208</b>	<b>50,271</b>

\*Includes £4,363,870 of GMP liabilities paid in December 2020 payroll

### 7. Payments to and on account of leavers

	Year ended 31 December 2020 £'000	Year ended 31 December 2019 £'000
Individual transfers to other schemes	7,173	14,819
Transfers out (AVCs)	5	146
Refund of contributions*	-	(107)
	<b>7,178</b>	<b>14,858</b>

\* Refund of CEPs by HMRC

### 8. Employer refund of surplus

	Year ended 31 December 2020 £'000	Year ended 31 December 2019 £'000
Employer refund of surplus*	13,000	-

\*Gross amount of surplus paid back to employer, subject to 35% tax due to HMRC which is recorded in the financial statement as a current liability at year end 2020.

## Notes to the Financial Statements

### 9. Administrative expenses

	Year ended 31 December 2020 £'000	Year ended 31 December 2019 £'000
Audit fees	53	80
Legal & professional	526	141
Investment consultancy fees	-	130
Actuarial fees	1,780	756
Admin expenses	1,995	1,874
Other fees	152	25
	<b>4,506</b>	<b>3,006</b>

### 10. Investment income

	Year ended 31 December 2020 £'000	Year ended 31 December 2019 £'000
Income from pooled investment vehicles	151	384
Income from bonds	288	303
Annuity income	454	436
Interest on cash deposits	3	9
Profit on foreign exchange	78	40
	<b>974</b>	<b>1,172</b>

## Notes to the Financial Statements

## 11. Reconciliation of net investments

	Value at 1 January 2020	Purchases at cost & derivative payments at cost	Sales proceeds & derivative receipts at cost	Change in value	Value at 31 December 2020
	£'000	£'000	£'000	£'000	£'000
Bonds	8,286	-	(504)	(51)	7,731
Pooled investment vehicles	51,290	181	(18,627)	(128)	32,716
Derivatives	84	-	-	(13)	71
Insurance policies	1,578,500	-	(64,670)	151,670	1,665,500
AVC investments	894	-	(281)	46	659
	1,639,054	181	(84,082)	151,524	1,706,677
Other investment balances	124				86
Cash deposits	3,504				4,384
	1,642,682				1,711,147

**Transaction Costs**

Indirect costs are incurred through the bid-offer spread on investments within pooled investment vehicles and charges made within those vehicles and are not separately identifiable.

Transaction costs are included in the cost of purchases and sale proceeds. Direct transaction costs include costs charged to the Scheme such as fees, commissions and stamp duty. During the year there were no direct transaction costs charged to the Scheme.

**Concentration of Investments**

The investments (other than UK Government Securities) at the year-end which are more than 5% of the total value of net assets of the Scheme comprise:

	2020 £'000	%	2019 £'000	%
Annuity policies	1,665,500	97	1,575,300	96

## Notes to the Financial Statements

**12. Investment management expenses**

	Year ended 31 December 2020 £'000	Year ended 31 December 2019 £'000
Administration, management and custody	<u>143</u>	<u>427</u>

**13. Taxation**

The Scheme is a registered Pension Scheme under Chapter 2 of Part 4 of the Finance Act 2004 and is therefore exempt from income tax and capital gains tax.

**14. Pooled investment vehicles**

	As at 31 December 2020 £'000	As at 31 December 2019 £'000
Balanced managed fund	4,152	4,417
Cash equivalents	<u>28,564</u>	<u>46,873</u>
	<u>32,716</u>	<u>51,290</u>

**15. Derivatives****Objectives and policies**

The Trustee has authorised the use of derivatives by their investment managers as part of their investment strategy for the Scheme as follows:

**Swaps** – the Trustee's aim is to match as far as possible the Liability Driven Investment (LDI) portfolio of the Scheme's long term liabilities, in particular in relation to their sensitivities to interest rate movements. The Trustee has entered into OTC interest rate swaps during the year that extend the duration of the bonds portfolio to better match the long term liabilities of the Scheme.

**Forward FX** – in order to maintain appropriate diversification of investments within the portfolio and take advantage of overseas investment returns, a proportion of the underlying investment portfolio is invested overseas. To balance the risk of investing in foreign currencies whilst having an obligation to settle benefits in GBP, a currency hedging programme, using forward FX contracts, has been put in place to reduce the currency exposure of these overseas investments to the targeted level.

At the year end the Scheme had the following derivatives:

	As at 31 December 2020 Assets £'000	As at 31 December 2020 Liabilities £'000	As at 31 December 2020 Total £'000
<b>Over-the-counter contracts</b>			
Forward FX contracts	<u>71</u>	<u>-</u>	<u>71</u>
Total 2019	<u>84</u>	<u>-</u>	<u>84</u>

# Notes to the Financial Statements

## 15. Derivatives (continued)

A summary of the Scheme's outstanding derivative contracts at the year end aggregated by key characteristics is set out below:

### (i) Forward Foreign Exchange (FX)

The Scheme had open FX contracts at the year end relating to its currency hedging strategy as follows:

Contract	Settlement date	Currency bought	Currency sold	Fair value	
				Aggregate asset £'000	Aggregate liability £'000
Forward FX	2-3 Months	£726,558	£722,342	4	-
Forward FX	2-3 Months	£2,616,545	£2,548,273	69	-
Forward FX	2-3 Months	£349,551	£347,594	(2)	-
<b>Total 2020</b>				<b>71</b>	<b>-</b>

## 16. Bonds

	As at 31 December 2020 £'000	As at 31 December 2019 £'000
Fixed interest securities	7,731	8,286
	<b>7,731</b>	<b>8,286</b>

## 17. Insurance policies

The Scheme held insurance policies at the year end valued by the Scheme Actuary as follows:

	As at 31 December 2020 £'000	As at 31 December 2019 £'000
Pension Insurance Corporation policy	1,662,300	1,575,300
Policies held with other insurance providers*	3,200	3,200
	<b>1,665,500</b>	<b>1,578,500</b>

\*The Trustee also hold insurance policies with certain insurance companies which provide annuity income (note 9) to cover pensions for certain members.

Annuity policies are valued by the Scheme Actuary at the amount of the related obligation, determined using the most recent Scheme Funding valuation assumptions updated for market conditions at the reporting date.



## Notes to the Financial Statements

## 17. Insurance policies (continued)

The actuarial calculations as at 31 December 2018 were carried out using the assumptions set out below. This value is then rolled forward to 31 December 2020 allowing for:

- Known 2019 and 2020 pension increases and known benefit payments over the two years to 31 December 2020 provided by PIC.
- Changes in financial market conditions over the year to 31 December 2020.

Assumption	Description
Post retirement discount rate	The Aon government bond yield forward curve (based on Bank of England curve) minus 0.2% p.a.
Future RPI inflation	The Aon Gilt "market implied" RPI inflation forward curve with no inflation risk premium, (based on Bank of England curve).
Future CPI inflation	RPI inflation less 0.9%.
Inflation linked pension increases	Consistent with inflation assumptions and allowing for Aon's best estimate of future inflation uncertainty.

This methodology implicitly assumes that demographic experience has been in line with the demographic assumptions described in the Statement of Funding Principles dated 27 November 2019.

If the discount rate were to reduce by 0.25% p.a. then the annuity valuation would increase by approximately £66.5m (2019: £61.9m).

If the inflation assumption was increased by 0.25% p.a. then the annuity valuation would increase by approximately £30.8m (2019: £29.0m).

## 18. AVC investments

	As at 31 December 2020 £'000	As at 31 December 2019 £'000
Standard Life – with profits, index linked	376	656
Equitable Life – with profits, unit linked	221	177
ReAssure	40	40
Prudential – with profits	10	9
Phoenix	12	12
	<b>659</b>	<b>894</b>

## 19. Other investment balances

	As at 31 December 2020 £'000	As at 31 December 2019 £'000
Accrued income	86	124

## Notes to the Financial Statements

## 20. Fair value determination

The fair value of financial instruments has been disclosed the following fair value hierarchy:

<b>Level 1</b>	The unadjusted quoted price in an active market for identical assets or liabilities that the entity can access at the assessment dates.
<b>Level 2</b>	Inputs other than quoted prices included within Level 1 which are observable (i.e. developed) for the asset or liability, either directly or indirectly.
<b>Level 3</b>	Inputs are unobservable (i.e. for which market data is unavailable) for the asset or liability.

A fair value measurement is categorised in its entirety on the basis of the lowest level input which is significant to the fair value measurement in its entirety.

The Scheme's investment assets and liabilities fall within the above hierarchy levels as follows:

<b>As at 31 December 2020</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Pooled investment vehicles	-	32,716	-	32,716
Derivatives	-	71	-	71
Bonds	-	7,731	-	7,731
AVC investments	-	52	607	659
Insurance policies	-	-	1,665,500	1,665,500
Other investment balances	86	-	-	86
Cash	4,384	-	-	4,384
	<u>4,470</u>	<u>40,570</u>	<u>1,666,107</u>	<u>1,711,147</u>

<b>As at 31 December 2019</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Pooled investment vehicles	-	51,290	-	51,290
Derivatives	-	84	-	84
Bonds	-	8,286	-	8,286
AVC investments	-	52	842	894
Insurance policies	-	-	1,578,500	1,578,500
Other investment balances	124	-	-	124
Cash	3,504	-	-	3,504
	<u>3,628</u>	<u>59,712</u>	<u>1,579,342</u>	<u>1,642,682</u>

## Notes to the Financial Statements

### 21. Investment risk disclosures

FRS 102 requires the disclosure of information in relation to certain investment risks to which the Scheme is exposed to at the end of the reporting year. These risks are set out by FRS 102 as follows:

**Credit risk:** this is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

**Market risk:** this is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk.

- **Currency risk:** this is the risk that the fair value or future cash flows of a financial asset will fluctuate because of changes in foreign exchange rates.
- **Interest rate risk:** this is the risk that the fair value or future cash flows of a financial asset will fluctuate because of changes in market interest rates.
- **Other price risk:** this is the risk that the fair value or future cash flows of a financial asset will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

During the year, the Scheme had exposure to the above risks because of the investments it held to implement the previous investment strategy. However, following the buy-in of all Scheme liabilities in December 2018, interest rate risk and other price risk had been largely eliminated as at the year end date.

The Trustee considers its investment risks when setting the Scheme's strategic investment objectives. These investment objectives and the overall level of risk are implemented through investments in pooled investment vehicles with investment managers, and are monitored by the Trustee. The investment objective of the Scheme is further detailed in the Statement of Investment Principles.

#### Investment strategy

The Trustee is responsible for determining the Scheme's investment strategy.

The principal objective for the Trustee is to ensure that:

- The assets of the Scheme are invested prudently to ensure that the benefits promised to members can be provided.

In seeking to achieve these objectives, the Trustee is mindful of the need to:

- take account of current market conditions when positioning the portfolio at any time;
- limit the risk of the assets failing to meet the liabilities over the long term, noting that asset growth is expected to be made up of investment returns plus any future contributions.

The asset allocation is considered by the Trustee on a regular basis and reviewed in detail following each actuarial valuation. The current allocation was agreed in December 2018 following the decision by the Trustee to undertake a buy-in of all Scheme liabilities with Pensions Insurance Corporation (PIC).

## Notes to the Financial Statements

## 21. Investment risk disclosures (continued)

A summary of the Scheme's risk exposures is as follows:

Fund	Risk Categorisation			
	Credit Risk	Currency	Interest Rate	Other Price Risk
Aberdeen Standard Investments – Corporate Bonds	✓	<input type="checkbox"/>	✓	<input type="checkbox"/>
Insight Sterling Liquidity Fund	✓	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Clerical Medical Balanced Fund	✓	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Pension Insurance Corporation policy	✓	<input type="checkbox"/>	✓	<input type="checkbox"/>

✓ Risk exists

☐ Minimal risk

**Credit risk**

Direct credit risk arises through the Scheme's holdings in the buy-in policy, pooled investment vehicles, segregated investments and the Trustee bank account. All direct investments are with institutions that are rated investment grade. AVC's and derivatives are not included as they are immaterial.

The Scheme is subject to one main type of credit risk:

1. Direct credit risk arises through the Scheme's holdings in the buy-in policy, pooled investment vehicles and segregated investments.

**Direct credit risk**

Direct credit risk arising from pooled investment vehicles is mitigated by the underlying assets of the pooled arrangements being ring-fenced from the pooled manager, the regulatory environments in which the pooled managers operate and diversification of investments amongst a number of pooled arrangements. The Trustees carry out due diligence checks on the appointment of new pooled investment managers and on an ongoing basis monitor any changes to the operating environment of the pooled manager.

The buy-in policy with Pension Insurance Corporation valued at £1.7bn at the year end date (2019: £1.5bn) represents a source of credit risk for the Scheme. This is mitigated through including suitable protections for the Trustee in the contract with the insurer, the due diligence undertaken on the insurer prior to entering into the contract and the robustness of the UK insurance regime.

The segregated Standard Life UK corporate bond mandate, the total value of which was £11.9m as at 31 December 2020 (2019: £11.9m), represents a source of credit risk.

Credit risk is managed by the diversification of the portfolio across a range of high quality securities. Direct credit risk also arises from the Scheme's holding in the pooled Sterling Liquidity Fund managed by Insight valued at £28.6m (2019: £46.9m).

## Notes to the Financial Statements

## 21. Investment risk disclosures (continued)

## Legal Nature

	As at 31 December 2020 £'000	As at 31 December 2019 £'000
Unit linked insurance contract	4,152	4,417
Open ended investment company	28,564	46,873
	<u>32,716</u>	<u>51,290</u>

## Interest rate risk

The Scheme holds some assets that are subject to interest rate risk:

In the case of UK corporate bonds, these investments are subject to interest rate risk because they are expected to deliver a long term rate of return in excess of the Scheme's liabilities. Following the buy-in of all Scheme liabilities, interest rate risk had been largely eliminated although there is still some risk via the discount rate assumption.

The assets subject to interest rate risk are:

- UK corporate bonds (Standard Life) £11.9 m (2019: £11.9 m)
- Annuity policies £1,665m (2019: £1,578m)

## 22. Current assets

	As at 31 December 2020 £'000	As at 31 December 2019 £'000
Cash deposits	8,921	2,861
Prepaid expenses	205	-
Prepaid pension	2,486	2,600
Payroll reimbursements due	31	31
	<u>11,643</u>	<u>5,492</u>

## 23. Current liabilities

	As at 31 December 2020 £'000	As at 31 December 2019 £'000
Benefits payable	227	905
Tax payable	1,336	775
Accrued expenses	549	780
Suspense	-	22
Tax due on Employer refund	4,550	-
	<u>6,662</u>	<u>2,482</u>

## Notes to the Financial Statements

### 24. Employer Related Investments

There were no employer related investments as at 31 December 2020 (2019: none).

### 25. Related party disclosures

Related party transactions and balances comprise:

#### Key management personnel

Related parties are referred to in the Trustee's Report as follows:

Page 2 - Trustee                      Rentokil Initial Pension Trustees Limited

Page 2 - Principal Employer      Rentokil Initial plc

The following Trustee Directors were in receipt of a pension from the Scheme during the year:

C Pearce              G Brown              R Carlisle              W Goldsmith

Pension payments to Trustee Directors are in accordance with Scheme deed and rules.

The Trustee directors' remuneration is borne by the Employer, fees for 2020 totalled £40,533 (2019: £42,500)

### 26. Contingent liabilities and contractual commitments

In October 2018, the High Court determined that benefits provided to members who had contracted out of their pension scheme must be recalculated to reflect the equalisation of state pension ages between May 1990 and April 1997 for both men and women. Under the ruling, schemes are required to backdate benefit adjustments in relation to GMP equalisation and provide interest on the backdated amounts. Based on the initial calculations carried out for the scheme, the Trustee recognised a liability in respect of this matter in the previous year financial statements. The High Court has since determined that trustees owed a duty to a transferring member to make a transfer payment which reflected the member's right to equalised benefits. Where the initial transfer payment was inadequate on this basis the Trustee is now under an obligation to make a top-up payment to the receiving Scheme on behalf of the transferred member.

An updated assessment is ongoing to determine the final value of the liability and this will be accounted for in the year the amounts are determined.

In the opinion of the Trustee, other than the above and the liability to pay future pensions, the Scheme has no contingent liabilities or contractual commitments as at 31 December 2020.

### 27. Subsequent Events

The Trustee is in the process of "buying-out" benefits in the Scheme by securing individual annuity policies with PIC. It is anticipated an individual annuity policy will be issued to every member in the second half of 2021. As the process of buying out benefits was on track the Company decided it was appropriate to wind up the Scheme. On 4 March 2021 the Company served written notice to the Trustee that it wished to terminate the Scheme. As the process of winding up needs to begin before the Trustee can buy out members' benefits, the Trustee resolved to wind up the Scheme on the 4 March 2021.

The Trustee will continue to provide benefits in accordance with the Scheme Rules until all the benefits have been secured through individual policies with PIC. PIC will then become responsible for providing members' benefits.

Members have been advised that the Scheme is winding up. The Trustee anticipates being able to produce final accounts and complete the winding up by the end of 2022.