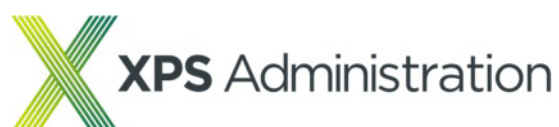


COMET PENSION SCHEME

Report and Financial Statements for the year ended 31 March 2021

Scheme Registration No: 10269876



COMET PENSION SCHEME

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COMET PENSION SCHEME

TRUSTEE AND ADVISERS

Trustee :	Comet Trustee Company Limited
Company secretary :	Wayne Phelan
Trustee Directors :	Ian Edwards – Chairman * James Arnold Jon Herzberg Frederic Jaillard Nicholas Marsh * Victoria Milford * <i>Member Nominated</i>
Secretary to the Trustee :	Punter Southall Governance Services (PSGS) Forbury Works 37-43 Blagrove Street Reading Berkshire RG1 1PZ
Actuary :	Steve Leake XPS Pensions Limited Tempus Court Onslow Street Guildford Surrey GU1 4SS
Auditor :	BDO LLP 31 Chertsey Street Guildford Surrey GU1 4HD
Legal Advisers :	Eversheds Sutherland Limited Eversheds House 70 Great Bridgewater Street Manchester M1 5ES
Bankers :	Bank of Scotland PLC The Mound Edinburgh EH1 1YZ
Investment Managers :	Legal & General Investment Management Limited River & Mercantile Asset Management LLP PIMCO Europe Ltd Insight Investment Management Limited Columbia Threadneedle Investments

COMET PENSION SCHEME

TRUSTEE AND ADVISERS (continued)

Custodians :

Citibank
HSBC Global Investor Services
CACEIS
Brown Brothers Harriman Trustee Services (Ireland) Ltd
State Street
Bank of New York Mellon SA / NV
Northern Trust

Consultants & Administrators :

XPS Administration Limited
Phoenix House
1 Station Hill
Reading RG1 1NB

Investment Advisers :

River & Mercantile Solutions
1 Aldermanbury Square
London EC2V 7GF

IC Select Ltd
14-18 Hill Street
Edinburgh EH2 3JZ

Principal Employer :

Darty Limited
4th Floor
Reading Bridge House
George Street
Reading
Berkshire RG1 8LS

AVC Providers :

The Prudential Assurance Company Limited
Santander Corporate Banking
The Standard Life Assurance Company

COMET PENSION SCHEME

TRUSTEE REPORT FOR THE YEAR ENDED 31 MARCH 2021

The Trustee presents to the members its annual report and financial statements for the year ended 31 March 2021.

Scheme Information

The Comet Pension Scheme is governed by the Consolidated Trust Deed and Rules, dated 15 January 2015, including subsequent amendments.

The Scheme provides defined benefit pensions. The Scheme has been closed to new members since 1 April 2004 and to future service accrual since 30 September 2007.

Trustee Directors, with the exception of Member-Nominated Trustee Directors, are appointed and removed from office by the Principal Employer in accordance with the Trust Deed. They have the responsibility for ensuring that the Scheme is properly run in accordance with its governing documents, and in the best interests of the members. During the year the Trustee met regularly to review the management of the Scheme and to monitor the performance of the investment managers, administrators and advisers.

Groupe Fnac SA declared its offer for Darty plc ("Darty") unconditional in all respects on 20 July 2016, and as a result the shares in Darty were de-listed from the London Stock Exchange. Darty (now Darty Limited) remains Comet Pension Scheme's Principal Employer. The ultimate parent company of both Darty and the Scheme trustee company, Comet Trustee Company Limited, is now Groupe Fnac SA.

Membership

The number of members as at the year-end was:	2021	2020
Deferred pensioners	2,816	2,888
Pensioners	2,008	1,966

Pension increases

All pensions in payment were increased in accordance with the Rules of the Scheme. Statutory increases are applied to GMP earned after 5 April 1988. The remainder of a member's pension in payment increases in line with the cost of living, up to a maximum of 5% (if accrued before 6 April 2005) or 2.5% (if accrued on or after this date). On 1 April 2020 and 2021 the increases applied were as follows:

	2021	2020
	%	%
GMP accrued after 5 April 1988	0.5	1.7
Pension above GMP accrued before 6 April 2005	1.2	2.2
Pension accrued after 5 April 2005	1.2	2.2

Deferred pensions in excess of the GMP are increased annually in line with the cost of living, up to a maximum of 5%.

There were no discretionary increases made during the year.

Transfer Values

Cash equivalents payable (transfer values to other approved pension arrangements) are calculated and verified as prescribed by Section 97 of the Pension Schemes Act 1993. No discretionary benefits are included.

COMET PENSION SCHEME

TRUSTEE'S REPORT FOR THE YEAR ENDED 31 MARCH 2021 (continued)

Benefit/Scheme Changes

There were no substantive changes to the Scheme or the benefits provided in the year to 31 March 2021.

Financial Development of the Scheme

Changes in the Scheme's net assets during the year were as follows:

	£'000s
Net assets at 31 March 2020	528,775
Net withdrawals from dealings with members	(12,885)
Net returns on investments	42,370
Net assets at 31 March 2021	<u>558,260</u>

The financial statements for the year have been prepared and audited in accordance with Sections 41(1) and (6) of the Pensions Act 1995.

Taxation Status

The Scheme is a registered pension scheme within the meaning of Section 153 of the Finance Act 2004.

Socially responsible investments

The Trustee has delegated responsibility for the selection, retention and realisation of investments to the investment managers (within certain guidelines and restrictions). The Trustee's policy is that the extent to which, social, environmental or ethical considerations are taken into account in the selection, retention and realisation of investments is left to the discretion of the active investment managers.

Rights attaching to investments

The Trustee's policy is to delegate responsibility for the exercising of rights (including voting rights) attaching to investments to the investment managers.

COVID-19

In early 2020, a new coronavirus, COVID-19, impacted a significant number of countries globally. COVID-19 has caused disruption to economic activity which has been reflected in recent fluctuations in global stock markets and, in turn, in the valuation of Scheme assets. The Trustee has designed and implemented the Scheme's investment strategy taking a long-term view and has built in resilience to withstand short term fluctuations. There has been no material impact to the value of the Scheme's investments as a result of COVID-19 in excess of the risk parameters and tolerances set by the Trustee. The Trustee is working with its advisers and the Employer to ensure the continued smooth running of the Scheme and its investments. The Trustee has concluded that the Scheme remains a going concern.

The Trustee Board carried out an extensive assessment to ensure that they could still effectively carry out its duties to govern the Scheme. This included a review of third-party business continuity plans to ensure all providers were able to maintain their services to a satisfactory level during the pandemic.

Enquiries

All enquiries about the Scheme and individual benefit entitlements should be addressed to the Scheme Trustee c/o XPS Administration Limited, Phoenix House, 1 Station Hill, Reading, RG1 1NB.

Email: cometadmin@xpsgroup.com

COMET PENSION SCHEME

TRUSTEE'S REPORT FOR THE YEAR ENDED 31 MARCH 2021 (continued)

MoneyHelper

MoneyHelper provides pension guidance, money guidance and debt advice. These services were previously provided by three separate government entities; The Pensions Advisory Service (TPAS), Pension Wise and the Money Advice Service. MoneyHelper can be contacted at:

MoneyHelper
Holborn Centre
120 Holborn
London EC1N 2TD

Tel: 0800 011 3797

Email: contact@maps.org.uk

Website: www.moneyhelper.org.uk

Pensions Ombudsman

If a member has a complaint against the Scheme that has not been resolved to his or her satisfaction through the Scheme's Dispute Procedure, the Government appointed Pensions Ombudsman can investigate complaints of injustice caused by bad administration, either by the Trustee or Scheme administrators, or disputes of fact or law. The Pensions Ombudsman can be contacted at:

10 South Colonnade
Canary Wharf
London E14 4PU

Tel: 0800 917 4487

Email: enquiries@pensions-ombudsman.org.uk

Website: www.pensions-ombudsman.org.uk

The Pensions Regulator (tPR)

The Pensions Regulator can intervene if they consider that a scheme's trustee, advisers, or the employer are not carrying out their duties correctly. The address for the Pensions Regulator is:

Napier House
Trafalgar Place
Brighton BN1 4DW

Tel: 0345 600 0707

Email: customersupport@tpr.gov.uk

Website: www.thepensionsregulator.gov.uk

COMET PENSION SCHEME

TRUSTEE'S REPORT FOR THE YEAR ENDED 31 MARCH 2021 (continued)

The Pension Scheme Registry

The Scheme is registered with the Pension Scheme Registry which is part of the Pensions Regulator's office. The registration number is 10269876. The data held by the Registry is used by the Pension Tracing Service to assist former members of schemes to trace their scheme benefits. The Pension Tracing Service can be contacted at:

Pension Tracing Service
The Pension Service 9
Mail Handling Site A
Wolverhampton WV98 1LU

Tel: 0800 731 0193

Website: www.gov.uk/find-lost-pension

Data Protection

For the purpose of administering the Scheme and paying benefits under it, the Trustee and Employer each have a legal obligation and a legitimate interest in processing data relating to members and beneficiaries who may benefit as a result of their membership of the Scheme. This may include passing such data to the Scheme's employer, prospective employers, administrators, auditors, investment managers, lawyers and medical advisers and any other such third parties as may be necessary for the operation of the Scheme. The Trustee and Employer are for these purposes Data Controllers under the Act.

The Trustee has undertaken work to ensure that the Scheme is compliant with the General Data Protection Regulations that came into force in May 2018. A Privacy Notice was issued to members in May and the Trustee approved a new Data Policy on 25 May 2018.

COMET PENSION SCHEME

INVESTMENT REPORT FOR THE YEAR ENDED 31 MARCH 2021

The Trustee has continued to manage the investments in accordance with the agreed investment strategy as set out in the Statement of Investment Principles. Each of the Scheme's investment managers (as detailed below) takes responsibility for the day-to-day decisions relating to each portfolio. The Trustee has taken steps to ensure the investment managers and advisers have the appropriate knowledge and experience.

Objectives

In assessing the success of the investment performance, the key measurement used is the performance of the assets relative to a proxy for the movement in liabilities - the Liability Related Objective (LRO).

Over this reporting year, the **qualitative** objectives for the Scheme were:

- i. To ensure that sufficient assets are available to pay out members' current and future benefits as and when they arise.
- ii. To maximise the funding level on an ongoing basis. In particular, given the Scheme recently reached a 100% level on the Technical Provisions basis, the Trustee has now set a target of reaching 115% funding level to ensure greater security of paying member benefits.

In addition, the Trustee aims to minimise the risk of additional cash contribution requirements from the Principal Employer in meeting the balance of the costs in underwriting the Scheme benefits.

In terms of **monitoring** the investment arrangements, the above objectives were translated into the following **quantitative** measures, which are used as the main management tool:

- To achieve returns on the Scheme assets equal to the Liability Related Objective over rolling 3-year periods. The Liability Related Objective is defined as Liability Benchmark Portfolio ("LBP") + 2.1% as at 31 March 2021.
- To aim to not breach a downside tolerance of the estimated change in liabilities less 4.4% p.a. on the Scheme assets in any 12-month period.

The LBP is the estimated change in the Scheme's liabilities, outside of the outperformance margin, which is added separately, and is calculated by discounting the Scheme's cash flows using interest rate swap and gilt curves.

Independent oversight of the fiduciary manager

The Trustee has appointed IC Select to provide a fiduciary manager continuous oversight service.

As required by the CMA Order, the Trustee undertook a formal review of the fiduciary management element of the Scheme's assets and in December 2020, following a successful tender by River & Mercantile, agreed to move to a full fiduciary management arrangement, which was completed by 30 June 2021.

Investment Performance

During the year to 31 March 2021, the Scheme's investment strategy returned 8.0% outperforming the Liability Benchmark Objective by 7.5%. Over the 3-year period the annualised return was 5.2% versus a target of 4.6%. The Scheme has outperformed its benchmark over the year as a consequence of the strong rebound in growth assets following the significant market falls due to COVID-19 in Q1 2020.

COMET PENSION SCHEME

INVESTMENT REPORT FOR THE YEAR ENDED 31 MARCH 2021 (continued)

Investment Performance (continued)

The following table illustrates the performance of the Scheme's investments over the 12 months and 3 years (or since inception if shorter) to 31 March 2021.

Asset Class	Manager	12 months to 31 March 2021		3 years (per annum) to 31 March 2021	
		Fund	Benchmark	Fund	Benchmark
Off-Risk Assets¹					
UK Gilts	River and Mercantile	-0.6	n/a	3.9	n/a
On-Risk Assets					
Active Structured Equity ("ASE")	River and Mercantile ²	7.5	2.9	7.5	2.9
Dynamic Asset Allocation	Threadneedle	20.0	4.7	4.9	5.4
Insurance Linked Securities	Leadenhall	5.0	3.1	3.3	3.7
Broad bonds	PIMCO	13.4	13.7	4.6	3.9
Opportunistic Mandate	River and Mercantile ³	10.5	5.2	0.2	5.6
Cashflow Matching Assets					
Buy and maintain credit	Insight ⁴	8.5	8.1	3.3	4.5
Total Fund Return (including swaps)	All	8.0	0.5	5.2	4.6

¹Off-Risk Assets return includes a small contribution from the LGIM Cash fund. Note the performance numbers exclude the performance of the swaps. Instead, the swap performance is included in the Total Fund Return.

² Inception date in April 2020

³ Inception date of 1 July 2019

⁴ Inception date of 3 May 2018

Market Review

Over the year to 31 March 2021 return-seeking asset classes performed extremely positively as they bounced back strongly from the falls experienced at the start of the pandemic in March 2020. Unprecedented levels of fiscal and monetary stimulus injected by central banks and governments around the world, news of effective vaccines and the pace of the vaccination rollout programs had a positive effect on equity markets resulting in four consecutive quarters of strong equity performance. Gilt yields rose over the year and credit spreads tightened.

INVESTMENT REPORT FOR THE YEAR ENDED 31 MARCH 2021 (continued)

Market Review (continued)

In Q2 2020, the prospect of economies re-opening and the enormous amount of fiscal and monetary stimulus announced served to support growth asset prices and was seen to outweigh the impact of lockdown restrictions on economic growth, corporate revenues and earnings. The Federal Reserve expanded their quantitative easing programme, announcing they would be buying corporate bonds from the market for the first time. The European Central Bank promised further stimulative measures, with the announcement of another €750 billion EU Recovery Package. The Bank of England voted twice to keep base rates at 0.1% and announced an additional £100 billion of government bond buying. The Bank's announcements pushed gilt and swap yields lower over the second quarter. Global equity markets rebounded sharply over the quarter despite escalation in US-China tensions. However, the strong rebounds were dominated by certain sectors such as Technology and Healthcare, with others faring considerably less well and remaining well below the levels set at the beginning of the year.

Global equities gained over Q3, with emerging markets outperforming developed market equity, despite an escalation in US China tensions. UK equities continued to perform poorly, as exposure to banks, real estate, the suppressed oil price, and a lack of exposure to online businesses weighed on performance. European equities lagged as the region saw a resurgence in virus cases and the prospect of renewed shutdowns. The Eurozone slid into deflation in Q3 for the first time in four years, despite unprecedented levels of stimulus. Gilt and other government bond yields rose over Q3. The US Federal Reserve made a significant announcement, that it would tolerate higher inflation, dispensing with its 2% target in favour of a 2% average level. In response, investor expectations strengthened that highly accommodative monetary policy will remain in place for a long time to come, which partially dampened the rise in yields.

The final quarter of 2020 was another strong quarter for equities resulting in double digit performance in all major regions in local currency (with high single digits in GBP terms). October experienced a decline in markets due to the uncertainty presented by the US presidential election and resurgence of Covid-19 cases leading to renewed widespread restrictions. The relatively decisive outcome of the US election in November combined with the positive developments of a COVID-19 vaccine resulted in a sharp rally in equities over November. Plans for widespread roll-out of a COVID-19 vaccine, increased likelihood of a new US stimulus bill, and the UK and European Union's trade and cooperation agreement, fuelled strong performance in most equity markets. Market leadership began to change, with cyclical sectors such as financials and energy rallying in comparison to defensive sectors, the relative winners of the pandemic.

The start of the first quarter of 2021 was initially sluggish, characterised by rising government bond yields, with both UK and US 10-year yields rising to well above levels not seen since the start of the pandemic in 2020. This had a negative effect overall on equity markets, particularly on less cyclical sectors that were relatively expensively priced. Nevertheless, equities continued to rise toward the end of the quarter after successful vaccination programs in developing countries and significantly increasing stimulus agreed in the US. The quarter saw dramatic falls in government bond prices globally as investors sold holdings amid growing concern of inflationary pressure caused by the large stimulus packages from governments. The market stabilised toward the end of the quarter as restrictions began to lift and the economic outlook became increasingly positive, offsetting some of the inflationary fears.

The significant rise in bond yields over Q1 2021 led to a rise in gilts yields over the year. Credit spreads tightened over the year as the perceived riskiness of corporates reduced following unprecedented global stimulus.

Sterling appreciated against the US Dollar, Euro and Yen over the course of the 12-month period.

COMET PENSION SCHEME

INVESTMENT REPORT FOR THE YEAR ENDED 31 MARCH 2021 (continued)

Investment Strategy

As at 31 March 2021, the target allocation for the Scheme consists of 20% invested in “off-risk” assets (which includes a liability hedge), 20% invested in “cashflow matching” assets (assets that provide income to help meet the Scheme’s benefit payments) and 60% invested in growth assets (return generating assets i.e. those that are “on-risk”).

The liability hedge is made up of a series of interest rate and inflation derivative based contracts together with a portfolio of government bonds (used as collateral for the contracts), with a view to closely match changes in value in the Scheme’s liabilities.

The cashflow matching assets are invested in pooled funds which hold corporate bonds on a ‘buy and maintain’ basis and whose coupon and principal payments are tailored to meet the Scheme’s cashflow profile. The interest rate exposure of the buy and maintain credit allocation is allowed for in the liability hedge.

The remaining 60% of the Scheme’s assets are invested in a diversified portfolio of assets aimed at generating return whilst maintaining an acceptable level of risk in accordance with the Scheme objectives. Within this allocation the Trustee has an allocation to Active Structured Equity, which is a portfolio of rolling equity option structures which in aggregate, aim to generate a return in excess of SONIA (i.e. cash) + 3.25% p.a. Selection of parameters for structures is delegated to River and Mercantile who implement structures in line with market views. Both Active Structured Equity and the derivatives in the liability hedge are supported by a shared collateral pool of cash and UK Government Bonds.

The Trustee monitors the performance of the liability hedge on a regular basis and the Scheme’s manager independently checks the counterparty valuations daily.

As at 31 March 2021, the investment allocation strategy being followed by the Trustee was as tabled below.

Asset Class	%	Manager	Benchmark
On-risk assets	60.0		
Active Structured Equity	15.0	River and Mercantile	SONIA Total Return + 3.25% p.a.
Dynamic Asset Allocation	12.0	Threadneedle	UK CPI EU Harmonised NSA +4.0% p.a.
Broad Bonds	14.0	PIMCO	PIMCO Diversified Income Benchmark
Insurance Linked Securities	4.0	Leadenhall	US 3 Month T-Bills +3.0%
Opportunistic Mandate	15.0	River and Mercantile	3-month LIBOR + 5.0% p.a. until 30 September 2020, SONIA Total Return +5.125% thereafter
Cashflow Matching Assets	20.0		
Buy & Maintain Credit	20.0	Insight	Weighted Average of Manager Benchmarks
Off-risk assets	20.0		
Liability Hedge	20.0	River and Mercantile	n/a
Total	100.0		

The Trustee recognises that with the movement of markets generally, and differing asset classes specifically, allowance must be given to permit the allocation to each part of the agreed strategy to operate around this core allocation. Investments are permitted to vary within a range of +/-5% of the core allocation. Should they fall outside their range at the end of the quarter then the Trustee will review the position and decide how to act.

The main changes made to the investment strategy over the course of the year by the Trustee were:

- Terminate EDOS9 (a 3-year fixed term equity structure) and allocate the proceeds to Threadneedle
- Fund the allocation to Active Structured Equity using the proceeds from EDOS8

COMET PENSION SCHEME

INVESTMENT REPORT FOR THE YEAR ENDED 31 MARCH 2021 (continued)

Custody Arrangements

Most of the assets are held in pooled funds by the Investment Managers and so the Trustee has effectively delegated the custody of the investments of the Scheme to the Managers and their custodians. For the Liability Hedge, Equity Structured Solutions and the discretionary Opportunistic mandate the Trustee has appointed CACEIS Bank (formerly KAS Bank).

Statement of Investment Principles

In accordance with the Pensions Act 1995, the Trustee has prepared a Statement of Investment Principles, which describes the key elements of the investment arrangements of the Scheme. Copies of the statement are available on the pension website, www.comet-pensions.co.uk.

Investment Manager Fees

The investment management fees incurred by the Scheme are summarised below. Please note that the figures quoted here are estimates since extracting the precise fee from daily unit prices would be a time-consuming exercise:

	Fees	% of Net Assets
Year Ending 31 March 2017	£2,013,000	0.4%
Year Ending 31 March 2018	£2,322,000	0.4%
Year Ending 31 March 2019	£1,991,000	0.4%
Year Ending 31 March 2020	£1,821,000	0.3%
Year Ending 31 March 2021	£2,183,000	0.4%

Fees are exclusive of any VAT that may be payable.

Employer Related Investments

There were no employer related investments during the year.

Financially material considerations

The investment managers have been asked to take ESG (environmental, social and corporate governance) factors and climate change risks into consideration within their decision-making as the Trustee believe these factors could have a material financial impact in the long-term.

Non-financial matters

To ensure that the funds represent appropriate value for money. This may include consideration of factors such as performance, volatility of returns, cost effectiveness and non-financial matters.

Exercise of rights (including voting rights)

The Trustee expects Investment Managers to make decisions in the long-term interests of the Fund. The Trustee expects engagement with management of the underlying issuers of debt or equity and the exercising of voting rights, on the basis that such engagement can be expected to help Investment Managers to mitigate risk and improve long term returns.

Stewardship

The Investment Managers utilised by the Fund have also produced individual statements on their compliance with the UK Stewardship Code, as published by the Financial Reporting Council. This code aims to enhance the quality of engagement between investors and companies to help improve long-term risk-adjusted returns to shareholders and includes details on matters such as voting rights.

INVESTMENT REPORT FOR THE YEAR ENDED 31 MARCH 2021 (continued)

How targeted portfolio turnover or turnover range is to be defined and monitored

The Trustee requires the Investment Managers to report on actual portfolio turnover at least annually, including details of the costs associated with turnover, how turnover compares with the range that the Investment Manager expects and the reasons for any divergence.

How the Trustee manages actual and potential conflicts of interest in relation to their engagement

If the Trustee becomes aware of an Investment Manager engaging with the underlying issuers of debt or equity in ways that they deem inadequate or that the results of such engagement are mis-aligned with the Trustee expectation, then the Trustee may consider terminating the relationship with that Investment Manager.

Details of Trustee arrangements with their asset managers

The Investment Managers are authorised and regulated to provide investment management services to the Fund. Within the UK, the authorisation and regulation of the Investment Managers falls under the Financial Conduct Authority (FCA). Specific products in which the Fund invests may also be regulated by the Prudential Regulatory Authority (PRA). For non-UK Investment Managers, authorisation and regulation is undertaken by the home state regulator.

The duration of the arrangement

Appointments of Investment Managers are expected to be long-term, but the Trustee will review the appointment of the Investment Managers in accordance with their responsibilities. Such reviews will include analysis of each Investment Manager's performance and processes and an assessment of the diversification of the assets held by the Investment Manager.

How the Fund incentivises the asset manager to align investment strategies and decisions

Investment Managers are incentivised to perform in line with expectations for their specific mandate as their continued involvement as Investment Managers as part of the Fund's investment strategy – and hence the fees they receive are dependent upon them doing so. They are therefore subject to performance monitoring and reviews based on a number of factors linked to the Trustee expectations.

The criteria by which the Trustee will select (or deselect) the Investment Managers include:

- Parent - Ownership of the business;
- People - Leadership/team managing the strategy and client service;
- Product - Key features of the investment and the role it performs in a portfolio;
- Process - Philosophy and approach to selecting underlying investments including operational risk management and systems;
- Positioning - Current and historical asset allocation of the fund;
- Performance - Past performance and track record;
- Pricing - The underlying cost structure of the strategy;
- ESG - Consistency and extent to which ESG analysis is incorporated into the process of selecting underlying investments; and
- An Investment Manager may be replaced, for example (but not exclusively), for one or more of the following:
 - The Investment Manager fails to meet the performance objectives set out in Appendix II of the SIP; and
 - The Trustee believes that the Investment Manager is not capable of achieving the performance objectives in the future; and
 - The Investment Manager fails to comply with this Statement.

INVESTMENT REPORT FOR THE YEAR ENDED 31 MARCH 2021 (continued)

ESG (Environmental, Social and Governance) Policies

The Trustee requires the Fund's Investment Managers to take ESG and climate change risks into consideration within their decision-making, in relation to the selection, retention or realisation of investments, recognising that how they do this will be dependent on factors including the characteristics of the asset classes in which they invest.

How they monitor the investee company on capital structure

The Trustee encourages Investment Managers to engage with investee companies and vote whenever it is practical to do so on financially material matters such as strategy, capital structure, conflicts of interest policies, risks, social and environmental impact and corporate governance as part of their decision-making processes. The Trustee requires the Investment Managers to report on significant votes made on behalf of the Trustee.

COMET PENSION SCHEME

REPORT ON ACTUARIAL LIABILITIES

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, based on pensionable service to the valuation date. This is assessed using the assumptions agreed between the Trustee and the Employer and set out in the Statement of Funding Principles, which is available to Scheme members on request.

The most recent full actuarial valuation of the Scheme was carried out as at 31 March 2019 and the position was as follows:

	2019 £m
The value of the technical provisions was	£520.5
The value of the assets (excluding AVCs) was	£526.5
The value of the Net assets was	£530.8

The method and significant actuarial assumptions used to determine the technical provisions are as follows (all assumptions adopted are set out in the Appendix to the Statement of Funding Principles).

Method

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

Significant actuarial assumptions

Discount interest rate: term dependent rates set by reference to the market yields available on gilts and swaps curves at the valuation date plus an addition of 1.4% p.a. at each duration. The proportion of gilts and swaps exposures reflected in the interest rate curve are term dependent and based on the interest rate exposures of the Scheme's liability hedging portfolio as at 31 March 2019 (updated at each 31 March for subsequent annual updates).

Future Retail Price inflation: term dependent rates derived from the market yields available on gilts and swaps inflation curves at the valuation date. The proportion of gilts and swaps inflation exposures reflected in the inflation curve are term dependent and based on the inflation exposures of the Scheme's liability hedging portfolio as at 31 March 2019 (updated at each 31 March for subsequent annual updates).

Pension increases: derived from the term dependent rates for future retail price inflation and consumer price inflation allowing for the caps and floors on pension increases according to the provisions in the Scheme's rules using the Black-Scholes stochastic model with inflation volatility of 1.5% p.a. at each term.

Mortality: for the period in retirement, standard tables S3PMA with a scaling factor of 109% for male members; and S3PFA with a scaling factor of 106% for female members. Future projections are in line with the CMI_2018 model applied from 2013 with a core smoothing parameter of 7.0, a long-term rate of improvement of 1.5% p.a. and an initial addition of 0.5%.

Cash commutation: at retirement, members commute 85% of the maximum permitted tax-free cash lump sum on terms available at 31 March 2019. For subsequent annual updates, it is assumed that at retirement, members commute 85% of the maximum permitted tax-free cash lump sum on terms available at the date of the update.

Transfer values: at retirement, 30% of members take a transfer value.

ACTUARY'S CERTIFICATE OF SCHEDULE OF CONTRIBUTIONS

Comet Pension Scheme Actuary's certification of schedule of contributions

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 March 2019 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 31 January 2020.

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	Date
Steve Leake	2 July 2021

Name	Qualification
Steve Leake	Fellow of the Institute and Faculty of Actuaries

Address	Employer
XPS Pensions Limited Tempus Court Onslow Street Guildford Surrey GU1 4SS	XPS Pensions

COMET PENSION SCHEME

STATEMENT OF TRUSTEE'S RESPONSIBILITIES

The financial statements, which are prepared in accordance with UK Generally Accepted Accounting Practice, including the Financial Reporting Standard applicable in the UK (FRS 102) are the responsibility of the Trustee. Pension scheme regulations require the Trustee to make available to Scheme members, beneficiaries and certain other parties, audited financial statements for each Scheme year which:

- 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 the liabilities, other than liabilities to pay pensions and benefits after the end of the Scheme year; and
- contain the information specified in Regulations 3A of The Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, including a statement whether the financial statements have been prepared in accordance with the Statement of Recommended Practice 'Financial Reports of 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 the preparation of the financial statements 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 is responsible under pensions legislation for ensuring that there is prepared, maintained and from time to time revised a Schedule of Contributions showing the rates of contributions payable towards the Scheme by or on behalf of the employer 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 monitoring whether contributions are made to the Scheme by the employer 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 the members.

The Trustee is also has a general responsibility for ensuring that adequate accounting records are kept and for taking such steps as are reasonably open to them 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.

Approval

The Trustee's Report, which includes the Investment Report, the Report on Actuarial Liabilities and the Statement of Trustee's Responsibilities, was approved by the Trustee.

For and on behalf of the Trustee

Ian Edwards

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Trustee

7 October 2021

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Date

INDEPENDENT AUDITOR'S REPORT TO THE TRUSTEE OF COMET PENSION SCHEME

Opinion on the financial statements

In our opinion the financial statements

- give a true and fair view of the financial transactions of the Scheme during the year ended 31 March 2021, 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 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, made under the Pensions Act 1995.

We have audited the financial statements of Comet Pension Scheme ('the Scheme') for the year ended 31 March 2021 which comprise the Fund Account, Statement of Net Assets (available for benefits) and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice) and the Statement of Recommended Practice – *Financial Reports of Pension Schemes* (revised 2018).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Scheme in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Trustee's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Scheme's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Trustee with respect to going concern are described in the relevant sections of this report.

Other information

The Trustee is responsible for the other information. The other information comprises the information included in the annual report and financial statements, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. 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 course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. 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 in this regard.

INDEPENDENT AUDITOR'S REPORT TO THE TRUSTEE OF COMET PENSION SCHEME (continued)

Responsibilities of Trustee

As explained more fully in the Statement of Trustee's Responsibilities the Trustee is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Trustee determines are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing 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 have no realistic alternative but to do so.

Auditor's 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 auditor's 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.

Extent to which the audit was capable of detecting irregularities, including fraud

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:

- enquiring of the Trustee, and where appropriate, the administrators or consultants as to whether:
- the Scheme is in compliance with laws and regulations that have a material effect on the financial statements;
- they have knowledge of any actual, suspected or alleged fraud;
- any reports have been made to the Pensions Regulator.
- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that 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, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

A further description of our responsibilities is available on the Financial Reporting Council's website at:

<https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

INDEPENDENT AUDITOR'S REPORT TO THE TRUSTEE OF COMET PENSION SCHEME (continued)

Use of our Report

This report is made solely to the Scheme's Trustee in accordance with Regulation 3 of the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, made under the Pensions Act 1995. Our audit work has been undertaken so that we might state to the Scheme's Trustee those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than Scheme's Trustee for our audit work, for this report, or for the opinions we have formed.

DocuSigned by:
BDO LLP
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BDO LLP

Statutory Auditor
Guildford
United Kingdom

Date 12 October 2021

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

COMET PENSION SCHEME

FUND ACCOUNT

For the year ended 31 March 2021

	Note	2021 £'000s	2020 £'000s
CONTRIBUTIONS AND BENEFITS			
Employer contributions	4	<u>490</u>	<u>3,345</u>
Total contributions		<u>490</u>	<u>3,345</u>
Benefits paid or payable	5	10,888	11,994
Payments to and on account of leavers	6	1,992	3,568
Administrative expenses	7	<u>495</u>	<u>356</u>
		<u>13,375</u>	<u>15,918</u>
NET WITHDRAWALS FROM DEALINGS WITH MEMBERS		<u>(12,885)</u>	<u>(12,573)</u>
RETURNS ON INVESTMENTS			
Investment income	8	12,046	9,808
Change in market value of investments	10	31,077	1,466
Investment management expenses	9	<u>(753)</u>	<u>(712)</u>
NET RETURNS ON INVESTMENTS		<u>42,370</u>	<u>10,562</u>
NET INCREASE/(DECREASE) IN THE FUND FOR THE YEAR		29,485	(2,011)
OPENING NET ASSETS		<u>528,775</u>	<u>530,786</u>
CLOSING NET ASSETS		<u><u>558,260</u></u>	<u><u>528,775</u></u>

The notes on pages 23 to 34 form part of these financial statements.

COMET PENSION SCHEME

STATEMENT OF NET ASSETS (AVAILABLE FOR BENEFITS)

At 31 March 2021

	Note	2021 £'000s	2020 £'000s
INVESTMENT ASSETS			
Bonds	10	176,011	201,916
Pooled investment vehicles	11	362,447	277,447
Derivatives	12	66,262	80,103
AVC investments	13	4,001	4,193
Cash deposits	10	1,397	23,386
Cash in Transit		-	75
Other investment balances	14	942	414
		<u>611,060</u>	<u>587,534</u>
INVESTMENT LIABILITIES			
Derivatives	12	<u>(58,960)</u>	<u>(61,237)</u>
TOTAL NET INVESTMENTS		552,100	526,297
CURRENT ASSETS	18	6,439	2,952
CURRENT LIABILITIES	19	<u>(279)</u>	<u>(474)</u>
CLOSING NET ASSETS		<u><u>558,260</u></u>	<u><u>528,775</u></u>

The notes on pages 23 to 34 form part of these financial statements.

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 15 of the Annual Report and these financial statements should be read in conjunction with this report.

7 October 2021

These financial statements were approved by the Trustee on(date)

Signed on behalf of the Trustee

Ian Edwards

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NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2021

1. BASIS OF PREPARATION

The financial statements have been prepared in accordance with the Occupational Pensions Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, Financial Reporting Standard 102 – The Financial Reporting Standard applicable in the UK and Republic of Ireland issued by the Financial Reporting Council and the guidance set out in the Statement of Recommended Practice (2018) Financial Reports of Pension Schemes.

The financial statements have been prepared on the going concern basis. As noted in the Trustee's Report on page 5, the Trustee has assessed the impact of the COVID-19 pandemic in terms of the predicted effect on the Fund's assets, technical provisions and the employer covenant. At the date of signing these financial statements the Trustee believes that; due to its investments structure the Scheme is able to comfortably cover its related outgoings until at least 31 October 2022. The Trustee has appointed EY to continually assess the Principal Employer covenant. The latest EY report concluded that the covenant remains "Tending to Strong". The Fnac group has continued to trade profitably over the pandemic and is generating positive cash flows which provides additional assurances over the viability of the Principal Employer to continue funding. As a result, and together with the relatively strong position of the Sponsoring Employer, the Trustee considers the preparation of the financial statements on a going concern basis to be appropriate.

2. IDENTIFICATION OF THE FINANCIAL STATEMENTS

The Scheme is established as a trust under English law. The address for enquiries to the Scheme is: XPS Administration Limited, Phoenix House, 1 Station Hill, Reading RG1 1NB

3. ACCOUNTING POLICIES

(a) *Accounting Convention*

The financial statements are prepared on an accruals basis.

(b) *Contributions*

Employer deficit funding contributions are recognised on the due dates in accordance with the Schedule of Contributions or in the absence of a formal agreement on a receipts basis.

Employer other contributions are accounted for in accordance with the agreement under which they are paid.

(c) *Payments to Members*

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

Benefits are accounted for in the period in which the member notifies the Trustee of his decision on the type or amount of benefit to be taken or, if there is no member choice, on the date of retirement or leaving.

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

(d) *Expenses*

The administration expenses are met by the Principal Employer. Investment fees and expenses are accounted for on an accruals basis.

(e) *Investment Income*

Income from bonds and other interest receivable is taken into account on an accruals basis.

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

Income arising on the underlying investments of accumulation funds is reflected within the change in market value.

COMET PENSION SCHEME

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2021

3. ACCOUNTING POLICIES (continued)

(f) Investments

Investments are included at fair value as follows:

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

Accrued interest is excluded from the market value of fixed income securities and is included in investment income receivable.

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.

Swaps are valued based on the present value of future cash flows arising from the swap, determined using discounted cash flow models and market data at the reporting date.

Options are valued at fair value using pricing models and relevant market data at the year-end date.

Forward foreign exchange contracts are valued by determining 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.

(g) Foreign Currency Translation

Foreign currency transactions are recorded in sterling at the spot exchange rate at the date of the transaction. Monetary items denominated in foreign currencies are translated into sterling using the closing exchange rates at the year end.

(h) Currency

The Scheme's functional and presentation currency is Pound Sterling (GBP).

(i) Critical Accounting

The preparation of the financial statements requires the Trustee to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for revenues and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates. The Trustee confirms that no judgements have had a significant effect on amounts recognised in the financial statements.

4. CONTRIBUTIONS

	2021	2020
	£'000s	£'000s
Employer contributions		
Deficit funding	-	3,000
Other	490	345
	<u>490</u>	<u>3,345</u>

Deficit funding contributions were payable at a rate of £4,000,000 p.a. from 1 July 2017 until 31 December 2021. The valuation at 31 March 2019 revealed a surplus and deficit contributions stopped from January 2020.

Other contributions relate to PPF levy and other professional fees paid by the Scheme and reimbursed by the employer. This arrangement is to continue through until 31 January 2025 under the Schedule of Contributions.

COMET PENSION SCHEME

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2021

5. BENEFITS PAID OR PAYABLE	2021 £'000s	2020 £'000s
Pensions	9,142	8,603
Commutation of pensions and lump sum retirement benefits	1,746	3,375
Lump sum death benefits	-	15
Refunds of contributions on death	-	1
	<u>10,888</u>	<u>11,994</u>
6. PAYMENTS TO AND ON ACCOUNT OF LEAVERS	2021 £'000s	2020 £'000s
Individual transfers out to other schemes	<u>1,992</u>	<u>3,568</u>
7. ADMINISTRATIVE EXPENSES	2021 £'000s	2020 £'000s
Actuarial fees	1	7
Trustee fees & expenses	1	-
Other professional fees	-	1
PPF levy	490	345
Miscellaneous expenses	3	3
	<u>495</u>	<u>356</u>
8. INVESTMENT INCOME	2021 £'000s	2020 £'000s
Income from bonds	1,086	1,652
Income from pooled investment vehicles	10,960	8,130
Interest on cash deposits	-	26
	<u>12,046</u>	<u>9,808</u>
9. INVESTMENT MANAGEMENT EXPENSES	2021 £'000s	2020 £'000s
Investment fees - management & custody	<u>753</u>	<u>712</u>

COMET PENSION SCHEME

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2021

10. RECONCILIATION OF INVESTMENTS

	Value at 31.03.2020	Purchases at cost and derivative payments	Sales proceeds and derivative receipts	Change in market value	Value at 31.03.2021
	£'000s	£'000s	£'000s	£'000s	£'000s
Bonds	201,916	245,764	(271,581)	(88)	176,011
Pooled investment vehicles	277,447	111,363	(51,683)	25,320	362,447
Derivatives	18,866	7,498	(23,753)	4,691	7,302
AVC investments	4,193	-	(269)	77	4,001
	502,422	<u>364,625</u>	<u>(347,286)</u>	29,927	549,761
Cash deposits	23,386			1,077	1,397
Cash in transit	75				-
Other investment balances	414			-	942
	<u>526,297</u>			<u>31,077</u>	<u>552,100</u>

Transaction costs are included in the cost of purchases and deducted from sale proceeds.

Direct transaction costs include costs charged to the Scheme such as fees, commissions and stamp duty. There were no direct transaction costs incurred during the year.

In addition, indirect costs are incurred through the bid-offer spread on investments within pooled investment vehicles and charges made within those vehicles.

11. POOLED INVESTMENT VEHICLES

The Scheme's investments in pooled investment vehicles at the year-end comprised:

	2021 £'000s	2020 £'000s
Bonds funds	132,231	102,747
Hedge funds	25,332	22,464
Diversified funds	165,802	124,472
Property funds	9,631	9,734
Equity funds	29,293	-
Cash funds	<u>158</u>	<u>18,030</u>
	<u>362,447</u>	<u>277,447</u>

12. DERIVATIVES

Objectives and policies

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

Options – the Trustee wants to benefit from the potentially greater returns available from investing in equities but wishes to minimise the risk of loss of value through adverse equity price movements. During the year the Scheme held a number of equity option contracts that protect it from falls in value in the FTSE 100.

COMET PENSION SCHEME

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2021

12. DERIVATIVES (continued)

Swaps – the Trustee’s aim is to match as far as possible the fixed income portfolio and the Scheme’s long-term liabilities, in particular in relation to their sensitivities to interest rate movements. Due to the lack of available long-dated bonds the Trustee has entered into over the counter (OTC) interest rate and inflation swaps during the year that extend the duration of the fixed income portfolio to better match the long-term liabilities of the Scheme.

Forward foreign exchange – 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 Sterling, a currency hedging programme, using forward foreign exchange 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 held the following derivatives:

	2021 Asset £'000s	2021 Liability £'000s	2020 Asset £'000s	2020 Liability £'000s
Options	-	-	714	1,338
Swaps	66,139	58,943	79,389	59,611
Forward foreign exchange contracts	<u>123</u>	<u>17</u>	<u>-</u>	<u>288</u>
	<u>66,260</u>	<u>58,960</u>	<u>80,103</u>	<u>61,237</u>
	<u>7,302</u>		<u>18,866</u>	

Swaps

Nature	Expiration	Notional principal £'000s	Asset £'000s	Liability £'000s
Interest rate swaps (OTC)	1 to 22 years	230,430	54,377	20,172
Inflation swaps (OTC)	1 to 22 years	171,993	1,054	24,174
Options	1 to 2 years	8,261,200	10,708	7,592
Return swaps (OTC)	1 to 2 years	78,781	<u>-</u>	<u>7,005</u>
			<u>66,139</u>	<u>58,943</u>

At the year end the Scheme held £16,640,000 (2020: £25,661,103) of collateral belonging to the counterparty. This collateral is not reported within the Scheme’s net assets.

Contract	Settlement Date	Currency bought	Currency sold	Asset £'000s	Liability £'000s
Forward OTC	27 April 2021	£993,541	€1,120,700	39	-
Forward OTC	27 April 2021	£159,464	¥22,660,000	11	-
Forward OTC	27 April 2021	£1,565,700	£1,131,916	3	-
Forward OTC	27 April 2021	£15,261,574	\$20,998,200	<u>70</u>	<u>17</u>
				<u>123</u>	<u>17</u>

COMET PENSION SCHEME

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2021

13. AVC INVESTMENTS

The Trustee holds assets invested separately from the main fund securing additional benefits on a money purchase basis for those members electing to pay Additional Voluntary Contributions (AVCs). Members participating in this arrangement receive an annual statement made up to the year-end confirming contributions paid and the value of their fund. The aggregate amounts of AVC investments are as follows:

	2021 £'000s	2020 £'000s
Standard Life (with profits)	406	363
Santander (unit linked)	15	15
Prudential Assurance (with profits)	<u>3,580</u>	<u>3,815</u>
	<u>4,001</u>	<u>4,193</u>

Prudential holdings have been value at the prior year plus or minus any cash movements during the year.

14. OTHER INVESTMENT BALANCES

	2021 £'000s	2020 £'000s
Dividends and interest receivable	<u>942</u>	<u>414</u>

15. FAIR VALUE DETERMINATION

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

Level 1: The unadjusted quoted price in an active market for identical assets or liabilities that the entity can access at the measurement date.

Level 2: Inputs other than quoted prices included within Level 1 that are observable (i.e. developed using market data) for the asset or liability, either directly or indirectly.

Level 3: Inputs are unobservable (i.e. for which market data is unavailable) for the asset or liability.

The Scheme's investment assets and liabilities have been fair valued using the above hierarchy categories as follows:

	At 31 March 2021			
	Level 1 £000's	Level 2 £000's	Level 3 £000's	Total £000's
Bonds	176,011	-	-	176,011
Pooled investment vehicles	29,293	333,154	-	362,447
Derivatives	-	7,302	-	7,302
AVC investments	-	-	4,001	4,001
Cash	1,397	-	-	1,397
Other investment balances	<u>942</u>	<u>-</u>	<u>-</u>	<u>942</u>
	<u>207,643</u>	<u>340,456</u>	<u>4,001</u>	<u>552,100</u>

COMET PENSION SCHEME

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2021

15. FAIR VALUE DETERMINATION (continued)

	At 31 March 2020			
	Level 1 £000's	Level 2 £000's	Level 3 £000's	Total £000's
Bonds	201,916	-	-	201,916
Pooled investment vehicles	-	277,447	-	277,447
Derivatives	-	18,866	-	18,866
AVC investments	-	-	4,193	4,193
Cash	23,461	-	-	23,461
Other investment balances	<u>414</u>	<u>-</u>	<u>-</u>	<u>414</u>
	<u>225,791</u>	<u>296,313</u>	<u>4,193</u>	<u>526,297</u>

16. INVESTMENT RISK DISCLOSURES

FRS 102 requires the disclosure of information in relation to certain investment risks. 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 comprises 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.

The Trustee determines its investment strategy after taking advice from its professional investment adviser. The Scheme has exposure to these risks because of the investments it makes in following the investment strategy set out below. The Trustee manages investment risks, including credit risk and market risk, within agreed risk limits which are set taking into account the Scheme's strategic investment objectives. These investment objectives and risk limits are implemented through the investment management agreements in place with the Scheme's investment managers and monitored by the Trustee by regular reviews of the investment portfolio.

Further information on the Trustee's approach to risk management, credit and market risk is set out below. This does not include the AVC investments as these are not considered significant in relation to the overall investments of the Scheme.

(i) Investment strategy

The Trustee's long-term investment objective for the Scheme is to achieve returns on the Scheme assets equal to the Liability Related Objective over rolling 3-year periods. The Liability Related Objective is defined as Liability Benchmark Portfolio ("LBP") + 2.1% (net of fees). In addition to framing the investment objective, the Trustee are responsible for setting the split of assets between return-seeking assets (known as the Growth Assets) and liability-matching assets (known as the Liability Hedge).

Based on consideration of the Scheme's liabilities and the desired investment objective, the Trustee has adopted a strategy of 60% Growth Assets, 20% Cashflow Matching Assets (that also provide some liability related exposure) and a 20% Liability Hedge.

COMET PENSION SCHEME

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2021

16. INVESTMENT RISK DISCLOSURES (continued)

(i) Investment strategy (continued)

Growth Assets: A diverse portfolio of assets that are expected, in the longer term, to exceed the growth in the value of the Scheme's liabilities. The objective for the Growth Assets is to achieve a return of at least 3.0% p.a. in excess of the return of a portfolio of gilts, after the deduction of fees, over rolling 3-year periods. During the year, the Growth Assets have been invested in a diversified portfolio of global equities, global government and corporate bonds, insurance linked securities, property, stressed credit and structured equity.

Cashflow Matching Assets: A portfolio of fixed income assets whose principal and income payments are used to meet the Scheme's outgoing payments. The objective for the Cashflow Matching Assets is to achieve a return of at least 1.5% p.a. in excess of the return of a portfolio of gilts, after the deduction of fees. During the year, the Cashflow Matching Assets have been invested in pooled funds which hold a diversified portfolio of global corporate bonds on a "buy and maintain" basis. The expected cashflow profile from the pooled funds has been shaped to help cover the Scheme's expected outgoings.

Liability Hedging Mandate: The Scheme has implemented a Liability Hedge, which consists of a portfolio of index-linked and fixed interest gilts held in the Matching Fund and a portfolio of swaps which together manage the interest rate and inflation risk inherent in the liabilities. As at 31 March 2020, the target for the Liability Hedge was to mitigate 100% of the Scheme's exposure to interest rate and inflation risk on its Technical Provisions liabilities.

Specific Risk Disclosures

The Trustee's policy regarding risk management is highlighted in the Statement of Investment Principles. The Scheme is subject to various types of risks including, but not limited to, credit risk and market risk, arising from the underlying investments in the underlying funds. Market risk is composed of foreign exchange ("FX"), interest rate and other price risk. Risks are classified as "Direct" if they relate to an investment held directly by the Scheme, or "Indirect" if they relate to an investment held by one of the pooled underlying funds.

(ii) Credit risk

The Scheme is subject to credit risk because the Scheme directly invests in UK Government bonds (1), OTC derivatives (2) and has cash balances (3). The Scheme's Growth Assets and Cashflow Matching Assets are invested directly across a large number of different pooled funds which have various legal structures in various domiciles (e.g. open-ended investment companies, unit trusts, limited partnerships etc.). The Scheme is therefore directly exposed to credit risk in relation to the manager of the pooled investment vehicles ("PIVs") (4). The Scheme is indirectly exposed to credit risk in relation to the financial instruments held by the pooled investment vehicles (5).

£'000	2021	2020
ICVC	22,355	2,304
Limited Liability Company	29,293	19,730
SICAV	1,992	-
Limited Partnership	985	430
Mutual Fund	73,359	67,107
OEIC	228,134	163,665
Unit Linked Life Insurance	157	2,360
Unit Trust	6,172	21,851
Total	362,447	277,447

COMET PENSION SCHEME

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2021

16. INVESTMENT RISK DISCLOSURES (continued)

(ii) Credit risk (continued)

Mitigation of the different elements of credit risk numbered in parentheses is discussed below.

2021 £'000	Investment Grade	Non-Investment Grade	Unrated	Total
Bonds	176,011	-	-	176,011
OTC Derivatives	7,302	-	-	7,302
Cash	1,397	-	-	1,397
PIVs	117,322	-	245,125	362,447
Total	302,032	-	245,125	547,157

Please note: the figures are subject to rounding. Clean values have been used where available.

2020 £'000	Investment Grade	Non-Investment Grade	Unrated	Total
Bonds	201,916	-	-	201,916
OTC Derivatives	18,866	-	-	18,866
Cash	23,453	-	-	23,453
PIVs	96,643	-	180,804	277,447
Total	340,878	-	180,804	521,682

Please note: the figures are subject to rounding. Clean values have been used where available.

Mitigation of credit risk

- 1) Credit risk arising on bonds held directly is mitigated by investing in government bonds where the credit risk is low. In particular, only UK Government bonds are held directly.
- 2) Credit risk arising on derivatives depends on whether the derivative is exchange traded or over the counter (OTC). OTC derivative contracts are not guaranteed by any regulated exchange and therefore the Scheme is subject to risk of failure of the counterparty. The credit risk for OTC swaps used as part of the Liability Hedge, equity options in the Scheme's Structured Equity holdings, and the forward foreign currency contracts which are used to hedge the currency risk on the Scheme's hedge fund investment is reduced by collateral arrangements and the appointment of multiple counterparty banks. All counterparties are at least investment grade.
- 3) Cash is held within financial institutions which are at least investment grade credit rated.
- 4) Credit risk in relation to PIVs held directly by the Scheme (direct credit risk) 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 Scheme also invests in investment grade credit, high yield and emerging market debt in their pooled funds managed by a number of third party investment managers. The Trustee manages the associated indirect credit risk by using (and regularly governing) experienced active investment managers that diversify the portfolio to minimise the impact of default by any one issuer.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2021

16. INVESTMENT RISK DISCLOSURES (continued)

(iii) Currency risk

The Scheme has direct foreign exchange risk where it invests in overseas securities via a pooled investment vehicle whose units are priced in non-sterling. However, the Scheme is also exposed indirectly to foreign exchange risk as the investments underlying some of the pooled funds are subject to foreign exchange risk. The Trustee has elected to hedge currency risk on the majority of its assets. This was the position at the year-end.

The Trustee's policy for managing this risk is further detailed in the Statement of Investment Principles. The Scheme's direct and indirect currency exposure at the current and previous year end is as follows:

Gross Exposure before Hedging	31 March 2021	31 March 2020
Direct		
Non-Sterling	8,785	1,692
Indirect		
Non-Sterling PIVs	335,505	254,823

Please note: the PIV investments may include underlying exposure to sterling dominated investments.

(iv) Interest rate risk

The Scheme is subject to interest rate risk because some of the Scheme's investments are held in bonds, interest/inflation rate swaps, either as segregated investments (direct risk) or through pooled vehicles (indirect risk), and cash. Under the Scheme's investment strategy if interest rates fall the value of Liability Hedging Assets will rise to help match the increase in liabilities arising from a fall in the discount rate. Similarly, if interest rates rise the Liability Hedging Assets will fall in value as will liabilities because of an increase in the discount rate. Within the Growth Assets and Cashflow Matching Assets the Scheme also holds Bond PIVs, which can also help to match the changes in liabilities through its movements.

At the year end, the assets subject to interest rate risk comprised of:

£'000	2021	2020
Direct		
Bonds	176,011	201,916
Swaps	4,081	19,778
Indirect		
Bond PIV	132,231	102,747
Cash PIV	158	18,030

Please note: the figures are subject to rounding. Clean values have been used where available.

(v) Other price risk

Other price risk arises principally in relation to the Scheme's return seeking portfolio which includes, equities and bonds held in pooled vehicles, equity futures, structured equity and some alternatives. The Scheme manages this exposure to overall price movements by constructing a diverse portfolio of investments across various markets.

COMET PENSION SCHEME

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2021

16. INVESTMENT RISK DISCLOSURES (continued)

(v) Other price risk (continued)

The following table shows a breakdown of the return-seeking asset portfolio for accounting years ended 31 March 2021 and 31 March 2020:

£'000	2021	2020
Direct		
Equity Options	3,115	(624)
Bonds (backing EO)	-	111,191
Indirect		
Bonds PIVs	132,231	102,747
Equity PIVs	29,293	-
Multi-Asset PIVs	165,802	60,918
Alternatives PIVs	25,332	28,569
Property PIVs	9,631	9,734

Please note the figures are subject to rounding.

17. CONCENTRATION OF INVESTMENTS

Except for Government securities, the following investments represented over 5% of the net assets of the Scheme:

	2021		2020	
	£'000s	%	£'000s	%
PIMCO Diversified Income Fund	69,900	12.5	63,554	12.0
Insight 21-25 Class B	68,555	12.3	49,843	9.4
Threadneedle Dynamic Real Return	68,180	12.2	38,719	7.3
Insight 26-30 Class B	48,750	8.7	45,853	8.7
R&M Dynamic Asset Allocation Fund Class Z	27,722	5.0	22,199	4.2

18. CURRENT ASSETS

	2021	2020
	£'000s	£'000s
Bank balance	6,361	2,921
Contributions receivable - employer	78	31
	<u>6,439</u>	<u>2,952</u>

19. CURRENT LIABILITIES

	2021	2020
	£'000s	£'000s
Unpaid benefits	13	218
Accrued expenses	167	166
Tax payable	99	90
	<u>279</u>	<u>474</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2021

20. RELATED PARTIES

Benefit payments to Trustee Directors, I R M Edwards and J Herzberg, are included within pension payments. The amount of these benefits is calculated on the same basis as pensions to other members of the Scheme in accordance with the Trust Deed and Rules.

N Marsh and V Milford, Trustee Directors, are deferred members of the Scheme. The amount of their benefits, for which they accrue, is calculated on the same basis as other members of the Scheme in accordance with the Trust Deed and Rules.

The Chairman receives a fee from the Principal Employer and since October 2014 the Company has also paid fees to the other Trustee Directors. A total of £39,000 p.a. (2020: £39,000) is paid for their services.

21. GMP EQUALISATION

On 26 October 2018, the High Court handed down a judgement involving the Lloyds Banking Group's defined benefit pension Funds. The judgement concluded the Funds should be amended to equalise pension benefits for men and women in relation to guaranteed minimum pension benefits. On 20 November 2020, the High Court also ruled that pension Funds will need to revisit individual transfer payments made since May 1990.

Under the rulings, Funds are required to backdate benefit and transfer out adjustments in relation to GMP equalisation and provide interest on the backdated amounts. Based on an initial assessment of the likely backdated amounts and related interest the trustee do not expect these to be material to the financial statements and therefore have not included a liability in respect of these matters in these financial statements. They will be accounted for in the year they are determined.

COMET PENSION SCHEME

INDEPENDENT AUDITOR'S STATEMENT ABOUT CONTRIBUTIONS

Statement about contributions

We have examined the summary of contributions to Comet Pension Scheme ('the Scheme') for the Scheme year ended 31 March 2021 to which this report is attached on page 36.

In our opinion, contributions for the year ended 31 March 2021 as reported in the summary of contributions and payable under the Schedule of Contributions have in all material respects been paid at least in accordance with the Schedule of Contributions certified by the Scheme Actuary on 31 January 2020.

Scope of work on statement about contributions

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 at least in accordance with the Schedule of Contributions. This includes an examination, on a test basis, of evidence relevant to the amounts of contributions payable to the Scheme and the timing of those payments under the Schedule of Contributions.

Responsibilities of the Trustee

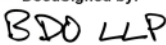
As explained more fully in the Statement of Trustee's Responsibilities set out on page 17, the Scheme's Trustee is responsible for ensuring that there is prepared, maintained and from time to time revised a Schedule of Contributions showing the rates and due dates of certain contributions payable towards the Scheme by or on behalf of the employer and the active members of the Scheme. The Trustee is also responsible for keeping records in respect of contributions received in respect of any active members of the Scheme and for monitoring whether contributions are made to the Scheme by the employer in accordance with the Schedule of Contributions.

Auditor's responsibilities for the preparation of a statement about contributions

It is our responsibility to provide a statement about contributions paid under the Schedule of Contributions and to report our opinion to you.

Use of our Report

This statement is made solely to the Scheme's Trustee in accordance with Regulation 4 of the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, made under the Pensions Act 1995. Our audit work has been undertaken so that we might state to the Scheme's Trustee those matters we are required to state to it in an auditor's statement and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Scheme's Trustee for our audit work, for this statement, or for the opinions we have formed.

DocuSigned by:

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BDO LLP

Statutory Auditor
Guildford
United Kingdom

Date 12 October 2021

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

COMET PENSION SCHEME

SUMMARY OF CONTRIBUTIONS PAID IN THE YEAR

During the year, the contributions paid to the Scheme by the employer under the Schedule of Contributions were as follows:

	£'000s
Employer special contributions	<u>490</u>
Reconciliation to the financial statements:	
Contributions paid under Schedule of Contributions	<u><u>490</u></u>

This summary was approved by the Trustee on 7 October 2021 (date)

Signed on behalf of the Trustee

Ian Edwards

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IMPLEMENTATION STATEMENT

Comet Pension Scheme ('Scheme')

Implementation Statement

1. Introduction

The Trustee is required to make publicly available online a statement ("the Implementation Statement") covering the Comet Pension Scheme (the 'Scheme') in relation to the Scheme's Statement of Investment Principles (the "SIP").

The SIP was amended once during the year ending 31 March 2021, and the changes made were predominantly for regulatory changes relating to ESG factors, corporate governance and voting. This updated SIP came into force from 15 September 2020.

A copy of the current SIP signed and dated 15 September 2020 can be found here <https://www.comet-pensions.co.uk/library/File/statement-of-investment-principles-september-2020.pdf>.

This first Implementation Statement covers the Scheme's scheme year from 1 April 2020 to 31 March 2021 (the "Scheme Year"). It sets out:

- How the Trustee's policies on exercising voting rights and engagement have been followed over the Scheme Year; and
- The voting by or on behalf of the Trustee during the Scheme Year, including the most significant votes cast and any use of a proxy voter during the Scheme Year.

The Trustee is responsible for the investment of the Scheme assets. Where it is required to make an investment decision, the Trustee always receives advice from the relevant advisers first and they believe that this ensures that they are appropriately familiar with the issues concerned. The Trustee also sets the investment strategy and general investment policy but has delegated the day-to-day investment of the Scheme's assets, within pre-defined constraints to professional Investment Managers. The Trustee, with advice from their advisers, appoints and monitors the Scheme's Investment Managers.

2. How the Trustee's policies on exercising voting rights and engagements have been followed over the Scheme Year

The Scheme's SIP sets out the Trustee's policies in relation to stewardship, corporate governance and Environmental, Social and Governance (ESG) factors.

The Scheme invests in assets with voting rights attached. However, these investments are generally made via pooled investment funds with the Investment Managers where the Scheme's investments are pooled with other investors. Direct control of the process of engaging with the companies that issue the underlying securities, whether for corporate governance purposes or other financially material considerations, is delegated to those underlying Investment Managers.

During the period, the Trustee appointed River and Mercantile Investments Limited ("R&M") as its Investment Manager using its Fiduciary Management service. The transition of assets to the Investment Manager will take place following the Scheme Year end, after which the appointment of the underlying investment managers will be delegated to R&M.

The Trustee believes it is appropriate to delegate voting and engagement decisions to their Investment Managers in order to achieve an integrated and joined up approach to ESG factors, voting and engagement together. In this way as the Investment Managers consider ESG factors as part of the investment decisions being taken on behalf of the Trustee, the Trustee is satisfied

that the Investment Managers can also take account of direct engagement or other factors relating to any voting or engagement and respond to these (as appropriate). The Trustee has therefore not sought to influence voting behaviours and does not intend to change its position at this time.

During the Scheme year the Trustee has carried out the following activity in relation to these policies:

- On behalf of the Trustee, monitoring of the Investment Managers' ESG and stewardship policy was carried out through regular investment and operational due diligence reviews and meetings by the Trustee's investment adviser with any important updates communicated to the Trustee over the Scheme year.
- The Trustee with the help of their investment adviser, monitored the performance of the Investment Managers against their agreed performance objectives at each of the quarterly Trustee meetings during the Scheme Year.
- The Trustee received ESG training and reviewed the ESG position of the managers at the December 2020 Trustee Training Day. The Trustee received training on the incorporation of ESG in the newly appointed fiduciary portfolio at the March 2021 Strategy Day.
- The Trustee has reviewed the voting and engagement activity carried out by its Investment Managers during the Scheme Year, and a summary is provided in the next section.
- Over the period, the Trustee held review meetings with the following investment managers: Threadneedle (Dynamic Real Return Fund) and River and Mercantile Investments Limited (Active Structured Equity and the Opportunistic Portfolio). Together, these managers represent approximately 45% of the Scheme's Total Assets as at the reporting date. The Trustee operates individual manager reviews on a rotational basis.
- At each quarterly Trustee meeting, the Trustee together with its investment adviser review the performances of the investment mandates against their respective benchmark.

Following activity during the Scheme Year and by preparing this Implementation Statement, the Trustee believes that it has acted in accordance with the Statement of Investment Principles over the Scheme Year.

3. Voting and Engagement Summary

To ensure all relevant voting and engagement activity is covered, this statement includes information on both

- the underlying investment managers investing in securities; and
- any voting rights retained by the Trustee

Where proxy voting agents have been used, this has been included in the voting information.

COMET PENSION SCHEME

Summary of voting activity with respect to equity securities

Equity voting statistics	Threadneedle Dynamic Real Return Fund	R&M Dynamic Asset Allocation Fund Class ¹
Total meetings eligible to vote	358	47
Total resolutions eligible to vote	4659	321
% of resolutions voted on for which you were eligible?	98.8%	86.3%
% voted with management?	91.3%	87.0%
% voted against management?	6.3%	12.0%
% abstained?	2.4%	4.7%
% of meetings, for which you did vote, where you voted at least once against management?	49.4%	50.0%
% of resolutions, on which you did vote, where you voted contrary to the recommendation of your proxy adviser? (if applicable)	n/a	0.0%

Source: All data in this section has been provided by the investment managers.

Trustee's conclusions on voting & engagement

The Trustee has considered the voting behaviour (provided above) along with engagement activity that took place on their behalf during the Scheme Year and is pleased to report that its managers have demonstrated high levels of voting activity, challenge to management and active engagement on a range of relevant topics throughout the Scheme Year. Specifically, the Trustee noted that:

- All of the relevant managers were able to provide evidence of high levels of engagement activity
- Each relevant manager demonstrated very high levels of voting rights being acted on and sufficient challenge to management.
- Challenge to management was demonstrated through votes against management.
- The general theme over the Scheme year was on environmental issues, climate change in particular. Executive pay and board diversity were the other main themes identified.
- Within the broad bond mandate, there was particular focus of engagement on supply chain transparency, including discussions with companies on their carbon emissions along their supply chain.
- The other notable broad bond manager engagement was in relation to environmental factors, in particular deforestation as well as engagement on improving social targets.

¹ included in the Opportunistic portfolio

- Threadneedle consider any vote against management to be a significant vote. An example of the 6.3% of votes where they voted against management is:
 - Threadneedle voted against a resolution to appoint a Director to the board on the grounds that they are an affiliate serving on a key committee and this is therefore not best practice when it comes to corporate governance.
 - Ultimately the resolution was passed, as insufficient investors had the same concerns.
- An example of a significant engagement for the R&M Dynamic Asset Allocation Fund was a vote against the reappointment of the Board of a Bond Fund, managed by a global asset manager, in April 2020.
 - In accordance with the R&M Voting Policy for Pooled Investment Vehicle Holdings, R&M have a minimum requirement of 2 independent directors. R&M have engaged with the manager on this point since 2018. At the 2020 AGM one independent director was appointed (previously none), however R&M did not consider them fully independent as they were affiliated to the Fund legal advisor, therefore R&M subsequently felt unable to support the resolution for a second year. The outcome of the vote has not yet been confirmed.
 - R&M have been engaging on this point through their operational due diligence monitoring process since 2018 and again engaged on it in May 2020 as part of a periodic update. R&M believe the Manager is looking to make further appointments so will continue to monitor this and will continue to engage and exercise their clients voting rights as required.
 - R&M consider this to be a significant vote because it involves a vote against management.
- In relation to the liability hedging and active structured equity mandates, the Trustee noted that the choice of counterparty (both in terms of the counterparties chosen to be part of the available roster and the choice of which counterparty of these to use when entering into derivative transactions) is driven by a number of factors including credit ratings which take into account ESG factors, and ESG scores for counterparties are regularly monitored.
- In relation to the cashflow matching mandates, the Trustee noted that the selected manager takes a proactive role in ensuring the long-term sustainability of the markets regularly. The manager actively engages with companies and other industry members and supports a number of ESG initiatives.

Ian Edwards

On behalf of the Comet Pension Scheme

September 2021