

COMET PENSION SCHEME

Report and Financial Statements for the year ended 31 March 2022

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 RG1 1PZ
Scheme Actuary :	Steve Leake XPS Pensions Limited Tempus Court Onslow Street Guildford GU1 4SS
Independent Auditor :	BDO LLP 31 Chertsey Street Guildford GU1 4HD
Legal Advisers :	Eversheds Sutherland Limited Two New Bailey 6 Stanley Street Salford M3 5GX
Banker :	Bank of Scotland PLC The Mound Edinburgh EH1 1YZ
Investment Managers :	Schroders IS Limited (formerly River & Mercantile Investments Limited) 1 London Wall Place London EC2Y 5AU Legal & General Investment Management Limited (until 15 April 2021) One Coleman Street London EC2R 5AA PIMCO Europe Limited (until 15 April 2021) 11 Baker Street London W1U 3AH Insight Investment Management Limited (until 15 April 2021) 160 Queen Victoria Street London EC4V 4LA

COMET PENSION SCHEME

TRUSTEE AND ADVISERS (continued)

Investment Managers (continued) : Columbia Threadneedle Investments (until 15 April 2021)
78 Cannon Street
London EC4N 6AG

Custodians :

Citibank (until 15 April 2021)
CitiGroup Centre
Canada Square
Canary Wharf
London E14 5LB

HSBC Global Investor Services (until 15 April 2021)
8 Canada Square
Canary Wharf
London E14 5HQ

CACEIS Bank
Broadwalk House
5 Appold Street
London EC2A 2DA

Brown Brothers Harriman Trustee Services (Ireland) Ltd (until 15 April 2021)
30 Herbert Street
Dublin 2
D02 W329
Republic of Ireland

State Street (until 15 April 2021)
20 Churchill Place
Canary Wharf
London E14 5HJ

The Bank of New York Mellon SA / NV (until 15 April 2021)
160 Queen Victoria Street
London EC4V 4LA

Northern Trust (until 15 April 2021)
50 Bank Street
Canary Wharf
London E14 5NT

Consultants & Administrators :

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

Investment Advisers :

River & Mercantile Investments Limited (until 15 April 2021)
1 Aldermanbury Square
London EC2V 7GF

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

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TRUSTEE AND ADVISERS (continued)

Principal Employer :

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

AVC Providers :

The Prudential Assurance Company Limited
10 Fenchurch Avenue
London EC3M 5AG

Santander Corporate Banking
Sutherland House
Russell Way
Crawley RH10 1UH

The Standard Life Assurance Company
30 Lothian Road
Edinburgh EH1 2DH

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TRUSTEE'S REPORT FOR THE YEAR ENDED 31 MARCH 2022

The Trustee presents to the members its annual report and financial statements for the year ended 31 March 2022.

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.

GMP Equalisation

On 26 October 2018, the High Court handed down a judgement involving the Lloyds Banking Group's defined benefit pension schemes. The judgement concluded the schemes 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 schemes will need to revisit individual transfer payments made since May 1990.

Under the rulings, pension schemes 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 does 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.

Membership

The number of members as at the year-end was:	2022	2021
Deferred pensioners	2,697	2,816
Pensioners	2,098	2,008

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 2021 and 2022 the increases applied were as follows:

	2022	2021
	%	%
GMP accrued after 5 April 1988	3.0	0.5
Pension above GMP accrued before 6 April 2005	5.0	1.2
Pension accrued after 5 April 2005	2.5	1.2

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.

COMET PENSION SCHEME

TRUSTEE'S REPORT FOR THE YEAR ENDED 31 MARCH 2022 (continued)

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.

Benefit/Scheme Changes

There were no substantive changes to the Scheme or the benefits provided in the year to 31 March 2022.

Financial Development of the Scheme

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

	£'000s
Net assets at 31 March 2021	558,260
Net withdrawals from dealings with members	(15,476)
Net returns on investments	27,841
Net assets at 31 March 2022	<u>570,625</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.

Going concern

The Trustee of the Scheme has made an assessment on going concern and given the funding position and the support from the Principal Employer, the Trustee concludes that the Scheme retains sufficient liquidity that the going concern basis remains appropriate for the foreseeable future and at the very least for the next twelve months.

In February 2022 Russia launched a full-scale invasion of Ukraine resulting in Western Nation reactions including announcements of sanctions against Russia and Russian interests worldwide and FCO advice against travel to the region. Although the situation is still developing as at the date of this report, the Trustee Directors are satisfied that the administration and management of the Scheme have not been significantly affected. The Trustee Directors are satisfied that the Principal Employer is continuing its operations with minimal disruption.

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.

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

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TRUSTEE'S REPORT FOR THE YEAR ENDED 31 MARCH 2022 (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: pensions.enquiries@moneyhelper.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

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

TRUSTEE'S REPORT FOR THE YEAR ENDED 31 MARCH 2022 (continued)

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.

COMET PENSION SCHEME

INVESTMENT REPORT FOR THE YEAR ENDED 31 MARCH 2022

The Trustee has continued to manage the investments in accordance with the agreed investment strategy as set out in the Statement of Investment Principles. The Scheme's investment manager takes responsibility for the day-to-day decisions relating to the portfolio. The Trustee has taken steps to ensure the investment manager and adviser has the appropriate knowledge and experience.

During the Scheme year, Schroders IS Limited ('Schroders Solutions') changed from an advisory role, where multiple investment managers were engaged, to full fiduciary management. All investments held with other investment managers were re-registered to be under Schroders Solutions' discretion under the full fiduciary management arrangement.

Implementation statement

The Implementation Statement is included on pages 36 to 48 and is also available on www.comet-pensions.co.uk.

Investment Strategy

The Trustee's long-term objective for the Scheme is to target an investment return objective of approximately 2.5% per annum (net of fees) in excess of the returns on the Liability Benchmark.

In addition to framing the investment objective, the Trustee is responsible for setting the split of assets between return-seeking assets (known as the Growth Assets) and liability-matching assets (known as the Liability Hedging Assets).

Based on consideration of the Scheme's liabilities and the desired investment objective, the Trustee has adopted a 45% Growth Assets/20% Liability Hedging Assets/15% Active Structured Equity/20% Cashflow Matching Credit Assets split. The investment manager has discretion to implement the Trustee's investment strategy to meet the objective, as described below.

Statement of Investment Principles

In accordance with the Pensions Act 1995, the Trustee has prepared a Statement of Investment Principles (SIP), 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 Arrangements

The Trustee has entered into an Investment Management Agreement with Schroders Solutions as the investment manager of the portfolio of the Scheme's assets and investments.

The Trustee has chosen to implement their investment strategy through Schroders Solutions' Fiduciary Management service, an implemented solution which allows trustees to retain ownership of those decisions which have the greatest importance to the Scheme's investment strategy – framing objectives, allocations to on-risk/off-risk assets, risk tolerance – whilst delegating other decisions to Schroders Solutions.

In addition, the Trustee has appointed CACEIS as custodian of the Scheme's assets.

Liability Hedging Assets (LHA)

The LHA is invested in a portfolio of directly held gilts, which is expected to move closely in line with the rise and fall in liability values, thus providing a degree of protection to the Scheme's funding position. The objective for the LHA is to reduce the interest rate and inflation risk inherent in the liabilities.

The LHA also contains OTC derivatives, which extend the liability matching provided by the gilts to changes in interest rate and inflation expectations.

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INVESTMENT REPORT FOR THE YEAR ENDED 31 MARCH 2022 (continued)

Growth Assets (GA)

The GA hold 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 GA is to achieve a return of at least 4.125% per annum in excess of the return of cash, after the deduction of fees, over rolling three-year periods.

During the year, the GA has been invested in a diversified portfolio of equities; global government, high yield, and emerging market bonds; and alternative assets such as hedge funds and leveraged loans.

The following table shows the asset class restrictions of the GA as well as the asset allocation as a proportion of the GA at the current year end:

Asset Class	Min (%)	Max (%)	31 March 2022 (%)
Equities	25	65	44.6
Property	-	10	5.9
Return Seeking Credit	-	30	12.8
Commodities	-	15	2.5
Alternatives	-	30	14.4
Cash & Sovereign Bonds	-	40	19.8
Total			100.0
Other restrictions			
Equities & Commodities	25	65	47.1
Sub-Investment Grade Debt	-	20	3.9
Equities & Sub-Investment Grade Debt	25	70	48.5

Please note clean values have been used where applicable. All restrictions expressed as a proportion of the Growth Assets. Currency hedging is not included in the figures above.

Investment Performance

Performance of the Scheme's assets against the objectives is shown below:

Portfolio Section	Since Inception %
Growth Assets	1.0%
Objective	2.5%
Relative	(1.5)
Total Portfolio	(0.4)
Objective	0.1%
Relative	(0.5)

Past performance is not a guide to future returns. The value of investments and the income from them can fall as well as rise and you may not get back the full amount originally invested.

Performance is shown net of fees to the extent that fees are paid from assets. 12 months, 3 and 5-year returns are not available as the Scheme's inception date into Schroders Solutions' Fiduciary Management Service is 30/06/2021.

Long term annualised performance for total invested assets, when ignoring the transfer of Scheme assets to the Schroders Solutions' Fiduciary Management Service, was as 4.9% (benchmark 3.5%) for 3 years and 4.1% (benchmark 3.2%) for 5 years. Growth assets performance for 3 and 5 years was 6.2% (benchmark 3.8%) and 4.0% (benchmark 3.7%) respectively.

Employer Related Investments

There were no employer related investments during the year.

INVESTMENT REPORT FOR THE YEAR ENDED 31 MARCH 2022 (continued)

Corporate Governance and Stewardship

The Trustee and investment manager have agreed, and will maintain, formal agreements setting out the scope of the investment manager's activities, charging basis and other relevant matters. The investment manager has been provided with a copy of the SIP and is required to exercise its powers with a view to giving effect to the principles contained herein and in accordance with subsection (2) of Section 36 of the Pensions Act 1995.

The Trustee has appointed the investment manager to implement the Scheme's investment strategy. The investment manager manages assets directly on behalf of the Trustee as well as having delegated authority to appoint, monitor and change the underlying managers.

The investment manager is appointed to carry out its role on an ongoing basis. The Trustee periodically reviews the overall value-for-money of using Schroders Solutions, and information in relation to costs associated with investing is included in the quarterly monitoring report. The Trustee is satisfied that these arrangements incentivise the investment manager:

- to align its investment strategy and decisions with the Trustee's investment policies, such as their return target and the restrictions detailed in the Investment Management Agreement, and
- to assess and make decisions based on the medium-to long-term financial and non-financial performance of issuers of debt or equity, and to engage with such issuers to improve this medium to long-term performance. The success of such engagement will contribute to the Scheme's performance, which is measured relative to the Trustee's long-term performance objectives.

The Scheme's investments are generally made via pooled investment funds, in which the Scheme's investments are pooled with those of other investors. As such, direct control of the process of engaging with the companies that issue these securities, whether for corporate governance purposes (such as capital structure) or other financially material considerations, is delegated to the underlying managers.

The Trustee has delegated responsibility for monitoring and voting on decisions relating to their underlying manager holdings to the investment manager. The investment manager has in place a voting policy which sets out how it will aim to vote at a general meeting of a pooled fund. For any special resolutions or extraordinary general meetings, the proposed votes of the investment manager are subject to additional sign-off by the appropriate representative from the investment manager.

The investment manager undertakes regular reviews of all underlying managers. These reviews incorporate benchmarking of performance and fees, with some managers on performance-related fees as well as performance reviews (including understanding key drivers of performance), investment due diligence meetings and operational due diligence reviews. The investment manager reviews the governance structures of underlying managers, as well as assessing whether their fees, expenses (and any other charges) are in line with industry peers at inception and from time to time whilst invested.

Where it can be determined, the investment manager assesses whether underlying manager remuneration arrangements are aligned with the Trustee's objectives. The method and time horizon for evaluating and remunerating underlying managers is determined by criteria set by the investment manager, as detailed above.

The Trustee acknowledges the inherent potential for conflicts of interest which exist as part of ongoing investment management business activities. As an FCA regulated firm, the investment manager is required to prevent or manage conflicts of interest. Where underlying managers are also regulated, they are likely to be subject to such requirements to manage conflicts of interest as are applicable in their jurisdiction of incorporation or operations. The investment manager directly monitors these as part of their regulatory filings (where available), the investment manager also monitors this as part of ongoing review. The Investment Manager's Conflict of Interest policy is available publicly here: <https://www.schroders.com/en/identification-and-management-of-conflicts-of-interest/>.

The investment manager oversees the turnover costs incurred by underlying managers as part of its ongoing monitoring process and evaluates such costs to determine if they are in line with peer groups and the investment manager's expectations. Where there are material deviations the investment manager engages with underlying managers to understand the rationale for such deviations and take appropriate action

INVESTMENT REPORT FOR THE YEAR ENDED 31 MARCH 2022 (continued)

Financially material investment considerations

The Trustee policy is to delegate consideration of financially material factors, including environmental, social and governance factors ("ESG") to the investment manager who considers these when constructing the portfolio, including looking at underlying managers. All references to ESG relate to financial factors only. As part of their ongoing monitoring, the Trustee reviews some key metrics on a regular basis that are provided by the investment manager covering ESG which enable them to engage with the investment manager and understand the impact of ESG on the portfolio.

ESG factors and stewardship are considered, in the context of long-term performance, by the investment manager as part of the manager selection criteria. This review occurs before they are approved for investment in the portfolio. Once an underlying manager is appointed, the investment manager monitors the ESG implementation and ongoing compliance with other factors, such as stewardship, as a part of overall engagement.

Non-financial matters

The Trustee does not at present take into account non-financial matters (such as members' ethical considerations, social and environmental impact matters or future quality of life considerations for members and beneficiaries) when making investment decisions as there is no likely common view on any ethical matters which members are likely to hold. At this time the Trustee has no plans to seek the views of the membership on such non-financial and/or ethical considerations.

Market Background

Global equities rose over the year despite the challenges towards the end of the period due to the war in Ukraine. Concerns over rising inflation led to central banks increasing interest rates and government bond yields rose over the year. Commodity prices soared.

At the start of the second quarter of 2021 global equities performed strongly, supported by the accelerating roll-out of Covid-19 vaccines. Growth stocks outperformed more lowly valued parts of the market. Government bond yields stabilised somewhat over the Q2 2021, after Q1 saw rates rise dramatically. The rise in yields seen in Q1 began to reverse but yields were higher than those seen six months ago. Corporate bonds outperformed government bonds. The quarter was particularly strong for US share prices, with data showing GDP growth of 6.4%. European shares were also stronger in Q1 as Covid-19 infection numbers fell and many countries were able to loosen restrictions on economic and social activity. UK equities also performed well, while Japanese shares underperformed other developed markets.

The third quarter saw a marginal decline in global equity markets in local currency terms, in contrast to the strong equity rally seen over the prior five quarters since the selloff in Q1 2020. Equity performance in regions diverged, with developed markets largely flat and emerging market shares underperforming amid a sell-off in China. This was triggered by concerns over the ability of Chinese property company Evergrande to service its debts. The Evergrande situation sparked global investor concerns over potential spill over risks. Global sovereign bond yields including gilt yields increased over the quarter while inflation expectations rose. Commodity prices continued to rise over the quarter due to supply chain bottlenecks and rises in energy prices.

Over the final quarter global share prices were stronger as investors focused on economic resilience and corporate earnings. In bond markets, government bonds outperformed corporate bonds. Markets began to price in a faster pace of interest rate rises in the US. Commodities also saw a positive return as industrial metals gained. US equities were robust despite a weaker November, during which fears over rising cases of the Omicron variant of Covid-19 and the speed of the Federal Reserve's (Fed) asset tapering had weighed. UK and European shares also gained, while emerging market and Asia Pacific ex Japan shares underperformed amid fears that the emergence of the Omicron variant would derail the global economic recovery.

INVESTMENT REPORT FOR THE YEAR ENDED 31 MARCH 2022 (continued)

Market Background (continued)

Over the first quarter of 2022, Russia's invasion of Ukraine in late February caused a global shock. The grave human implications fed through into markets, with equities declining and bond yields rising (meaning prices fell). Commodity prices soared given Russia is a key producer of several important commodities including oil, gas, and wheat. This contributed to a further surge in inflation as well as supply chain disruption. Elsewhere, Chinese equities were negatively affected by renewed Covid-19 outbreaks, leading to new lockdowns in some major cities.

US stocks fell in the first quarter of 2022. Russia's invasion of Ukraine drew widespread condemnation and elicited a range of strict sanctions from the US and its allies. The invasion amplified existing concerns over inflation pressures, particularly through food and energy although economic data otherwise remained stable. The Fed raised interest rates by 0.25%, with further hikes expected through the rest of 2022. European shares fell sharply in the first quarter. The region has close economic ties with Ukraine and Russia, particularly when it comes to reliance on Russian oil and gas. UK equities were resilient as investors began to price in the additional inflationary shock of Russia's invasion of Ukraine. The Bank of England increased its base rate by 0.5% over the quarter to 0.75%.

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

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

Steve Leake

Date

2 July 2021

Name

Steve Leake

Qualification

Fellow of the Institute
and Faculty of Actuaries

Address

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

Employer

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 liabilities, other than the 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 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 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 OF THE TRUSTEE'S REPORT

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 on:

Ian Edwards

.....
Trustee Director

26 October 2022

.....
Date

COMET PENSION SCHEME

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 2022 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 2022 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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

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.

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 determine is 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 intend 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:

- Obtaining an understanding of the Scheme's legal and regulatory frameworks, focusing on those which we determine to be the most significant, and how the Scheme complies with these.
- 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.

Based on our understanding of the Scheme, we consider the most significant laws and regulations that have a direct impact on the financial statements are the Pensions Acts 1995 and 2004 and those that relate to the reporting framework (Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, Financial Reporting Standard 102 and the Statement of Recommended Practice 'Financial Reports of Pensions Schemes' 2018 ('The SORP')); and we considered the extent to which non-compliance might have a material effect 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 involved in the preparation of the financial statements and underlying accounting records. We determined that the principal risk was related to the posting of inappropriate journals, which may act to conceal fraudulent activity.

Audit procedures performed to respond to the identified risks included, but were not limited to, the following:

- 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.
- Enquiring of management and those charged with governance with regard to actual and potential litigation and claims.
- Reviewing the disclosures in the financial statements and testing to supporting documentation to assess compliance with relevant laws and regulations, as detailed above.
- Reviewing minutes of meetings of those charged with governance.
- Reviewing any significant correspondence with the Pensions Regulator.

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

Auditor's responsibilities for the audit of the financial statements (continued)

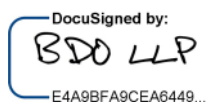
Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, 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.

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.



BDO LLP

Statutory auditor

Guildford

United Kingdom

Date: 26 October 2022

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 2022

	Note	2022 £'000s	2021 £'000s
CONTRIBUTIONS AND BENEFITS			
Employer contributions	4	206	490
Total contributions		<u>206</u>	<u>490</u>
Other income	5	2	-
		<u>208</u>	<u>490</u>
Benefits paid or payable	6	(12,481)	(10,888)
Payments to and on account of leavers	7	(2,990)	(1,992)
Administrative expenses	8	(213)	(495)
		<u>(15,684)</u>	<u>(13,375)</u>
NET WITHDRAWALS FROM DEALINGS WITH MEMBERS		<u>(15,476)</u>	<u>(12,885)</u>
RETURNS ON INVESTMENTS			
Investment income	9	18,694	12,046
Change in market value of investments	11	10,376	31,077
Investment management expenses	10	(1,229)	(753)
NET RETURNS ON INVESTMENTS		<u>27,841</u>	<u>42,370</u>
NET INCREASE IN THE FUND FOR THE YEAR		12,365	29,485
OPENING NET ASSETS		<u>558,260</u>	<u>528,775</u>
CLOSING NET ASSETS		<u><u>570,625</u></u>	<u><u>558,260</u></u>

The notes on pages 22 to 33 form part of these financial statements.

COMET PENSION SCHEME

STATEMENT OF NET ASSETS (AVAILABLE FOR BENEFITS)

At 31 March 2022

	Note	2022 £'000s	2021 £'000s
INVESTMENT ASSETS	11		
Bonds	11	213,764	176,011
Pooled investment vehicles	12	317,899	362,447
Derivatives	13	61,269	66,262
AVC investments	14	4,165	4,001
Cash deposits	11	20,826	1,397
Other investment balances	15	322	942
		<u>618,245</u>	<u>611,060</u>
INVESTMENT LIABILITIES			
Derivatives	13	<u>(48,079)</u>	<u>(58,960)</u>
TOTAL NET INVESTMENTS		570,166	552,100
CURRENT ASSETS	19	1,147	6,439
CURRENT LIABILITIES	20	(688)	(279)
CLOSING NET ASSETS		<u><u>570,625</u></u>	<u><u>558,260</u></u>

The notes on pages 22 to 33 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 14 of the Annual Report and these financial statements should be read in conjunction with this report.

Signed on behalf of the Trustee:

Ian Edwards

.....

Trustee Director

26 October 2022

.....

Date

COMET PENSION SCHEME

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2022

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 6, the Trustee of the Scheme has made an assessment on going concern and given the funding position and the support from the Principal Employer, the Trustee concludes that the Scheme retains sufficient liquidity that the going concern basis remains appropriate for the foreseeable future and at the very least for the next twelve months.

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. There are currently no deficit contributions due.

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 their 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 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.

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2022

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. Gain or losses on overseas transactions are recognised as investment income.

(h) Currency

The Scheme's functional and presentation currency is Pound Sterling (GBP) and all amounts are round to the nearest thousand (£'000).

(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.

COMET PENSION SCHEME

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2022

4. CONTRIBUTIONS	2022 £'000s	2021 £'000s
Employer contributions		
Other	<u>206</u>	<u>490</u>
Other contributions relate to the PPF levy and other professional fees paid by the Scheme and reimbursed by the employer. This arrangement is to continue until 1 July 2026 under the Schedule of Contributions.		
5. OTHER INCOME	2022 £'000s	2021 £'000s
Transfer calculation fees	<u>2</u>	<u>-</u>
6. BENEFITS PAID OR PAYABLE	2022 £'000s	2021 £'000s
Pensions	9,550	9,142
Commutation of pensions and lump sum retirement benefits	<u>2,931</u>	<u>1,746</u>
	<u>12,481</u>	<u>10,888</u>
7. PAYMENTS TO AND ON ACCOUNT OF LEAVERS	2022 £'000s	2021 £'000s
Individual transfers out to other schemes	<u>2,990</u>	<u>1,992</u>
8. ADMINISTRATIVE EXPENSES	2022 £'000s	2021 £'000s
Actuarial fees	5	1
Trustee fees & expenses	-	1
PPF levy	206	490
Miscellaneous expenses	<u>2</u>	<u>3</u>
	<u>213</u>	<u>495</u>
9. INVESTMENT INCOME	2022 £'000s	2021 £'000s
Income from bonds	1,405	1,086
Income from pooled investment vehicles	17,288	10,960
Interest on cash deposits	<u>1</u>	<u>-</u>
	<u>18,694</u>	<u>12,046</u>

COMET PENSION SCHEME

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2022

10. INVESTMENT MANAGEMENT EXPENSES	2022 £'000s	2021 £'000s
Investment fees - management & custody	<u>1,229</u>	<u>753</u>

11. RECONCILIATION OF INVESTMENTS

	Value at 31.03.2021 £'000s	Purchases at cost and derivative payments £'000s	Sales proceeds and derivative receipts £'000s	Change in market value £'000s	Value at 31.03.2022 £'000s
Bonds	176,011	379,221	(344,973)	3,505	213,764
Pooled investment vehicles	362,447	665,777	(703,843)	(6,482)	317,899
Derivatives	7,302	312,794	(320,080)	13,174	13,190
AVC investments	4,001	-	(342)	506	4,165
	<u>549,761</u>	<u>1,357,792</u>	<u>(1,369,238)</u>	10,703	549,018
Cash deposits	1,397			(327)	20,826
Other investment balances	942				322
	<u>552,100</u>			<u>10,376</u>	<u>570,166</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.

Changes in market value of cash deposits relates to gains and losses on foreign currencies held by the Scheme.

Included within purchases and sales are switches to the value of £888.6 million of which £611.8 million was in respect of the transition from the advisory to full fiduciary management portfolio which was completed on 30 June 2021.

12. POOLED INVESTMENT VEHICLES

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

	2022 £'000s	2021 £'000s
Bond funds	130,770	132,231
Hedge funds	25,545	25,332
Diversified funds	9,350	165,802
Property funds	15,287	9,631
Equity funds	104,431	29,293
Commodity funds	6,560	-
Cash funds	25,956	158
	<u>317,899</u>	<u>362,447</u>

COMET PENSION SCHEME

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2022

13. 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.

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 OTC interest rate swaps during the year that extend the duration of the fixed income portfolio to better match the long-term liabilities of the Scheme.

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 main markets in which the Scheme invests.

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:

	2022 Asset £'000s	2022 Liability £'000s	2021 Asset £'000s	2021 Liability £'000s
Swaps	48,093	38,196	66,139	58,943
Options	12,863	8,805	-	-
Forward foreign exchange contracts	313	1,078	123	17
	<u>61,269</u>	<u>48,079</u>	<u>66,262</u>	<u>58,960</u>
	<u>13,190</u>		<u>7,302</u>	

Swaps

Nature	Expiration	Notional principal £'000s	Asset £'000s	Liability £'000s
Interest rate swaps (OTC)	1 to 22 years	452,935	44,477	25,982
Inflation swaps (OTC)	1 to 22 years	83,281	2,851	6,914
Return swaps (OTC)	1 to 2 years	112,966	765	5,300
Total 2022			<u>48,093</u>	<u>38,196</u>
Total 2021			<u>66,139</u>	<u>58,943</u>

At the year end the Scheme held £17,813,668 (2021: £16,640,000) of collateral belonging to the counterparty. This collateral is not reported within the Scheme’s net assets.

COMET PENSION SCHEME

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2022

13. DERIVATIVES (continued)

Options

Type	Expiration	Underlying Investment	No of outstanding contracts	Asset £'000s	Liability £'000s
Call	6 months	NKY Index	2	300	41
Put	6 months	NKY Index	1	-	114
Call	6 months	SPX Index	2	2,709	1,336
Put	6 months	SPX Index	1	-	74
Call	12 months	SPX Index	14	5,804	2,672
Put	12 months	SPX Index	7	-	1,227
Call	12 months	SX5E Index	6	1,591	537
Put	12 months	SX5E Index	3	-	724
Call	12 months	UKX Index	2	942	336
Put	12 months	UKX Index	1	-	198
Call	Over 1 year	SPX Index	2	1,340	244
Put	Over 1 year	SPX Index	1	-	902
Call	Over 1 year	SX5E Index	2	177	19
Put	Over 1 year	SX5E Index	1	-	381
Total 2022				<u>12,863</u>	<u>8,805</u>
Total 2021				<u>-</u>	<u>-</u>

Forward Foreign Exchange

Contract	Settlement Date	Currency bought	Currency sold	Asset £'000s	Liability £'000s
Forward OTC	Under 1 month	£4,630,145	€5,523,336	-	29
Forward OTC	Under 1 month	€2,144,736	£1,799,812	10	1
Forward OTC	Under 1 month	¥213,047,285	£1,381,363	1	48
Forward OTC	Under 1 month	\$16,091,900	£12,034,924	213	1
Forward OTC	Under 1 month	£3,542,214	¥551,637,285	88	-
Forward OTC	Under 1 month	£40,894,769	\$55,043,900	1	999
Total 2022				<u>313</u>	<u>1,078</u>
Total 2021				<u>123</u>	<u>17</u>

14. 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:

	2022 £'000s	2021 £'000s
The Standard Life Assurance Company	412	406
Santander Corporate Banking	15	15
The Prudential Assurance Company Limited	3,738	3,580
	<u>4,165</u>	<u>4,001</u>

COMET PENSION SCHEME

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2022

15. OTHER INVESTMENT BALANCES

	2022 £'000s	2021 £'000s
Dividends and interest receivable	<u>322</u>	<u>942</u>

16. FAIR VALUE DETERMINATION

The fair value of financial instruments has been determined 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 2022			
	Level 1 £000's	Level 2 £000's	Level 3 £000's	Total £000's
Bonds	213,764	-	-	213,764
Pooled investment vehicles	13,210	304,689	-	317,899
Derivatives	-	13,190	-	13,190
AVC investments	-	-	4,165	4,165
Cash deposits	20,826	-	-	20,826
Other investment balances	<u>322</u>	<u>-</u>	<u>-</u>	<u>322</u>
	<u>248,122</u>	<u>317,879</u>	<u>4,165</u>	<u>570,166</u>
	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 deposits	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>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2022

17. 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 agreement in place with the Scheme's investment manager 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.

Investment strategy

The Trustee's long-term objective for the Scheme is to target an investment return objective of approximately 2.5% per annum (net of fees) in excess of the returns on the Liability Benchmark.

In addition to framing the investment objective, the Trustee is responsible for setting the split of assets between return-seeking assets (known as the Growth Assets) and liability-matching assets (known as the Liability Hedging Assets).

Based on consideration of the Scheme's liabilities and the desired investment objective, the Trustee has adopted a 45% Growth Assets/20% Liability Hedging Assets/15% Active Structured Equity/20% Cashflow Matching Credit Assets split. The investment manager has discretion to implement the Trustee's investment strategy to meet the objective.

Credit risk

The Scheme is subject to credit risk because the Scheme directly invests in bonds, OTC derivatives and has cash balances. The Scheme also invests in pooled investment vehicles and is therefore indirectly exposed to credit risk in relation to the instruments it holds in the pooled investment vehicles. The Trustee's policy for managing credit risk is detailed in the Statement of Investment Principles.

The Scheme holds £213.8m (2021: £176.0m) in directly held bonds, £13.2m (2021: £7.3m) in OTC derivatives and £20.8m (2021: £1.4m) in directly held cash balances. The Scheme also holds £156.7m (2021: £132.4m) in bonds and cash through underlying pooled fund investments.

COMET PENSION SCHEME

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2022

17. INVESTMENT RISK DISCLOSURES (continued)

Credit risk (continued)

Credit risk arising on derivatives held directly depends on whether the derivative is exchange traded or over the counter (OTC). The Scheme holds OTC derivative contracts which are not guaranteed by any regulated exchange and therefore the Scheme is subject to risk of failure of the counterparty. Credit risk for OTC derivative contracts is mitigated by placing restrictions on Schroders Solutions which ensure that new contracts are only entered into with counterparties that are investment grade. The credit risk in respect of OTC swaps is further reduced by collateral arrangements.

Credit risk arising on bonds held directly is mitigated by Schroders Solutions choosing to only invest in government bonds, where the credit risk is minimal, or corporate bonds which are rated at least investment grade.

Directly held cash balances are at financial institutions which are at least investment grade credit rated. This is the position at the year-end.

In all above instances, "investment grade" is defined as being rated at least BBB- by Standard & Poor's or Baa3 by Moody's.

Indirect credit risk arises in relation to underlying investments held in bond and cash pooled investment vehicles. This risk is mitigated by the Trustee mandating Schroders Solutions that the underlying investment in sub-investment grade debt may not exceed 30% of the GA.

Both direct and indirect credit risk is mitigated by holding a diversified portfolio to minimise the impact of default by any one issuer. The Trustee monitors the investment strategy adopted by Schroders Solutions to ensure that the arrangement remains diversified.

Legal structure of pooled investment vehicles	31 March 2022 £'000	31 March 2021 £'000
ETF	13,210	-
ICVC	21,183	22,355
Limited Liability Company	7,719	29,293
ETC	6,560	-
Mutual Fund	102,459	73,359
OEIC	135,853	228,134
SICAV	2,375	1,992
Unit Trust	22,160	6,172
Cayman Islands Exempted Company	3,999	-
Limited Partnership	608	985
Closed Ended Fund of a Hedge Fund	1,773	-
Unit Linked Life Insurance	-	157
Total	317,899	362,447

Direct credit risk arises in respect of pooled investment vehicles. The Scheme's GA is invested 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 direct credit risk associated with these managers is also mitigated by:

- the regulatory environments in which those managers operate;
- diversification amongst a large number of pooled arrangements; and
- due diligence checks by Schroders Solutions on the appointment of new pooled managers, and monitoring on an ongoing basis for any changes to the operating environment of each manager.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2022

17. INVESTMENT RISK DISCLOSURES (continued)

Currency risk

The Scheme is subject to currency risk because some of the Scheme's investments are held in overseas markets, via pooled investment vehicles. The Trustee's policy for managing this risk is detailed in the Statement of Investment Principles.

Currency risk is mitigated by delegating management of currency exposures at total portfolio level to Schroders Solutions. Schroders Solutions implement currency hedging through the use of hedged shared classes of pooled funds (where available) and the use of FX forward contracts.

Net of currency hedging, 9.3% (2021: 7.6%) of the Scheme's holdings were exposed to overseas currencies as at year-end.

Interest rate risk

The Scheme's assets are subject to interest rate risk because some of the Scheme's investments are held in bonds and interest/inflation rate swaps for the purpose of liability hedging. Under this strategy if interest rates fall the value of these investments will rise to help match the increase in actuarial liabilities arising from a fall in the discount rate. Similarly, if interest rates rise these investments will fall in value as will actuarial liabilities because of an increase in the discount rate. At the year-end, the assets subject to interest rate risk comprised of:

£'000	2022	2021
Direct		
Bonds	213,764	176,011
Swaps	(9,897)	4,081
Indirect		
Bond PIV	130,770	132,231
Cash PIV	25,956	158

Please note clean values have been used where applicable.

Other price risk

Other price risk arises principally in relation to the Scheme's return seeking portfolio which may include various asset classes (i.e. alternatives, bonds, equities, cash and investment properties) held in pooled vehicles. The Scheme manages this exposure to overall price movements by constructing a diverse portfolio of investments across various markets.

At the year end, the Scheme's exposure to investments subject to other price risk was:

£'000	2022	2021
Direct		
S&P Options	810	-
Active Structured Equity (ASE)	3,163	3,115
Indirect		
Equity PIVs	104,431	29,293
Property PIVs	15,287	9,631
Commodities PIVs	6,560	-
Alternatives PIVs	34,895	33,491
Multi Asset PIVs	-	165,802
Bond PIVs	130,770	132,231
Cash PIVs	25,956	158

Please note clean values have been used where applicable.

COMET PENSION SCHEME

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2022

18. CONCENTRATION OF INVESTMENTS

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

	2022		2021	
	£'000s	%	£'000s	%
BNY Mellon (River and Mercantile) Global Equity Fund	95,069	16.7	-	-
Insight Investment Maturing Buy & Maintain Bond Fund 2021-2025 Class B GBP Inc	52,525	9.2	68,555	12.3
Insight Investment Maturing Buy & Maintain Bond Fund 2026-2030 Class B GBP Inc	45,176	7.9	48,750	8.7
PIMCO Diversified Income Fund	-	-	69,900	12.5
Threadneedle Dynamic Real Return Fund	-	-	68,180	12.2
R&M Dynamic Asset Allocation Fund Class Z	-	-	27,722	5.0

19. CURRENT ASSETS

	2022	2021
	£'000s	£'000s
Bank balance	1,044	6,361
Due from employer	103	78
	<u>1,147</u>	<u>6,439</u>

Balance due from employer is in respect of expenses which should have been settled directly by the Principal Employer.

20. CURRENT LIABILITIES

	2022	2021
	£'000s	£'000s
Unpaid benefits	386	13
Accrued expenses	204	167
Tax payable	98	99
	<u>688</u>	<u>279</u>

21. 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, excluding Frederic Jaillard. A total of £39,000 p.a. (2021: £39,000) is paid for their services.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2022

22. GMP EQUALISATION

On 26 October 2018, the High Court handed down a judgement involving the Lloyds Banking Group's defined benefit pension schemes. The judgement concluded the schemes 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 schemes will need to revisit individual transfer payments made since May 1990.

Under the rulings, schemes 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 does 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.

A sub-committee of the Trustee is working with the advisers on this project.

23. SUBSEQUENT EVENTS

The Scheme is managed under a fiduciary management approach, with the LDI mandate and wider portfolio managed by Schroders. Generally also, the overall portfolio is very liquid with only a small allocation to illiquid investments. This approach was very beneficial during the period of significant market volatility, as Schroders could manage the liquidity of the portfolio and meet collateral calls.

The fiduciary manager was given more flexibility by the Trustees in terms of the mandate and restrictions, such that decisions could be taken in a timely manner and ensure the Scheme managed the period well, with LDI maintained.

The high level of LDI hedge levels was retained through the volatility and the Scheme was not forced to take their hedge level down because of missing collateral calls.

The target LDI level was reduced from 100% of assets to 95% as a strategic decision (but not forcibility reduced), to help manage down the risk of a tail event, where interest rates spike further.

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 2022 to which this report is attached on page 35.

In our opinion, contributions for the year ended 31 March 2022 as reported in the Summary of contributions and payable under the Schedules of Contributions have in all material respects been paid at least in accordance with the Schedules of Contributions certified by the Scheme Actuary on 31 January 2020 and on 2 July 2021.

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 Schedules 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 Schedules of Contributions.

Responsibilities of the Trustee

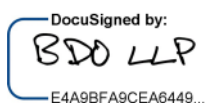
As explained more fully in the Statement of Trustee's Responsibilities set out on page 16, the Scheme's Trustee is responsible for ensuring that there is prepared, maintained and from time to time revised a Schedule of Contributions showing the rates and due dates of certain contributions payable towards 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 Schedules 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.



BDO LLP

Statutory Auditor
Guildford
United Kingdom

Date 26 October 2022

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 Principal Employer under the Schedules of Contributions were as follows:

	£'000s
Employer special contributions	<u>206</u>
Reconciliation to the financial statements: Contributions paid under Schedules of Contributions	<u><u>206</u></u>

This summary was approved by the Trustee on:

Ian Edwards
.....
Trustee Director

26 October 2022
.....
Date

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 2022, and the main changes were made to reflect the decision of the Trustee to appoint Schroders as their Fiduciary Manager.

This SIP came into force from December 2021.

A copy of the current SIP signed and dated 1 December 2021 can be found here:

<https://www.comet-pensions.co.uk/library/File/2021-Statement-of-Investment-Principles.pdf>

This Implementation Statement covers the Scheme year from 1 April 2021 to 31 March 2022 (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.

A copy of this Implementation Statement is available on the following website: https://www.comet-pensions.co.uk/useful_documents_and_forms/

IMPLEMENTATION STATEMENT (continued)

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

The Scheme invests in assets with voting rights attached, and other assets with no voting rights. The Trustee's policies on exercising voting rights and engagement are set out in the SIP. The Trustee made no changes to the voting and engagement policies contained in the SIP during the year, other than to delegate the responsibility for monitoring and voting on decisions relating to their Underlying Investment Manager holdings to the newly appointed Fiduciary Manager, as set out below. They will keep these policies under review.

The Trustee **appointed Schroders IS Limited** as their Fiduciary Manager (who will be referred to as the "**Fiduciary Manager**" in the Implementation Statement) during the Scheme year. The Fiduciary Management¹ service of Schroders IS Limited, formerly known as **River and Mercantile Investments Limited**, encompasses acting as both their Investment Manager and Adviser. The Fiduciary Manager can appoint other investment managers in respect of underlying investments (these are referred to as "**Underlying Investment Managers**"). Schroders Group, a global asset manager, has a long history of engagement and active ownership, dating back to 1998 when it appointed its first governance resource, and has recorded and monitored ESG engagements since then. It is a signatory to the UK Stewardship code. Its external recognition includes an A+ rating for UN Principles for Responsible Investment, A- rating for Carbon Disclosure Project, Advanced ESG recognition from Morningstar and Best Investor Engagement recognition from IR Society Best Practice Award for 2021.

Investments with the Underlying Investment Managers are generally made via pooled investment funds, where the Scheme's investments are pooled with those of other investors. With a pooled investment fund, the direct control of the process of engaging with the companies that issue the underlying securities lies with the Underlying Investment Manager.

A copy of the SIP has been provided to the Fiduciary Manager, and the Fiduciary Manager is expected to follow the Trustee's policies on corporate governance and other financially material considerations when providing Fiduciary Management services. In particular, the Trustee requires that the Fiduciary Manager considers stewardship activity including voting and engagement, and Environmental, Social and Governance (ESG) factors including climate change, when choosing new or monitoring existing Underlying Investment Managers.

The Trustee believes it is appropriate to delegate such decisions in order to achieve an integrated and joined up approach to ESG factors, voting and engagement. Similarly, the Trustee has not sought to set their own voting policy, a position they do not intend to change at this time.

The Trustee has aligned their stewardship priorities with their Fiduciary Manager's engagement themes over the Scheme Year. The Trustee believes the Fiduciary Manager's engagement themes/priorities are issues which are material to the long-term value of the investments. The Trustee believes that companies that address those issues, when they are material and relevant, will drive improved financial performance for the Scheme. These issues also reflect expectations and trends across a range of stakeholders including employees, customers, communities, suppliers and regulators. By strengthening relationships with this range of stakeholders, business models become more sustainable.

¹ The Fiduciary Manager was acquired by Schroders Group on 1 February 2022, so two sets of engagement priorities/themes were applicable to the Scheme during the Scheme Year. Details of both sets of engagement themes can be found in the next section. Going forward, the Fiduciary Manager's engagement priorities will be aligned with the priorities of the broader Schroders Group.

IMPLEMENTATION STATEMENT (continued)

The Trustee believes the current approach to stewardship is in members' and beneficiaries' best interest, as the voting and engagement carried out by both Fiduciary Manager and Underlying Investment Managers is expected to improve ESG related risk management and climate risk, and ultimately this is expected to improve the financial outcome for the Scheme's members.

Over the Scheme Year, the Fiduciary Manager provided the Trustee with monitoring of the ESG characteristics including TCFD ("Taskforce for climate-related financial disclosures") carbon metrics of the portfolio on a quarterly basis. The Trustee is satisfied with the Fiduciary Manager's activity in this area.

On behalf of the Trustee, monitoring of voting and engagement policy by Underlying Investment Managers in relation to the Scheme's investments was carried out by the Fiduciary Manager through regular investment and operational due diligence meetings with the Underlying Investment Managers. In addition, the Trustee with the help of the Fiduciary Manager, monitors the performance of the Underlying Investment Managers against the agreed performance objectives at Trustee meetings held during the Scheme Year.

In addition, the Trustee received training on topics such as ESG within Fiduciary Management. The Trustee reviewed the Fiduciary Manager's Annual ESG report and ensured it was satisfied with the actions taken on its behalf in relation to ESG integration within the investments and stewardship activity.

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.

The Trustee has identified areas in which it can enhance its stewardship activities in the following scheme year by:

- Identifying ESG beliefs and areas of priority to aid in stewardship and focus engagement.
- Reviewing the Fiduciary Manager's (Schroders Solutions) latest ESG-related policies.
- Continuing to review the Fiduciary Manager on its ESG integration and its own stewardship activities over the year.

IMPLEMENTATION STATEMENT (continued)

3. Voting and Engagement Summary

The process for exercising voting rights and engaging with the managers of assets held on behalf of the Scheme is as follows:

- 1) Engagement and the exercise of voting rights delegated to the Fiduciary Manager

The Fiduciary Manager exercises voting rights and engages with the Underlying Investment Managers on behalf of the Trustee in line with voting and engagement policies that sets out how the Fiduciary Manager will aim to vote at a general meeting of a pooled fund or how the Fiduciary Manager approaches engagement with Underlying Investment Managers and intended outcomes.

- 2) The Underlying Investment Managers exercise voting rights in the underlying securities and engages with the company issuing the security in line with the policies voted on by the Fiduciary Manager. One of the Underlying Investment Managers, Bank of New York Mellon ("BNYM"), uses a proxy voting company called Institutional Shareholder Services ("ISS") to exercise these rights on its behalf and monitors ISS's activities accordingly. Similarly, Vanguard Investment Stewardship also uses the Institutional Shareholder Services (ISS) Proxy Exchange platform for the execution of their votes.

The Trustee has considered the voting behaviour (provided in the Appendix) along with engagement activity that took place on their behalf during the Scheme Year within the growth asset portfolio, cashflow matching credit portfolio and the liability hedging portfolio and is pleased to report that the Fiduciary Manager and the Underlying Investment Managers have demonstrated high levels of voting activity, challenges to management and active engagement on a range of relevant topics.

Specifically, the Trustee noted that:

- Each relevant manager demonstrated very high levels of voting rights being acted on, where voting is relevant. Where the voting was irrelevant, the Underlying Investment Managers showed they carried out a good level of engagement activities over the Scheme Year.
- Challenge to management was demonstrated through votes by the Underlying Investment Managers against management.
- There are two set of engagement priorities/themes from the Fiduciary Manager which the Trustee considered in this Implementation Statement. Examples were provided in the appendix and they were selected to demonstrate how the Fiduciary Manager & Underlying Investment Managers, on behalf of the Trustee, voted and engaged with the investee companies. Those engagement priorities and themes are set out below:
 - For R&M Solutions engagement priorities up to January 2022 (which will be aligned with Schroder Solutions' going forward following the acquisition of the business):
 - E Climate change: carbon emissions and footprint of our funds
 - S Human capital: employee engagement and satisfaction
 - G Corporate governance: board composition, executive pay / compensation
 - For Schroder Solutions engagement themes (from February 2022 onwards):
 - Climate: Climate risk and oversight, Climate alignment including decarbonising and minimising emissions, climate adaptation and carbon capture and removal
 - Natural Capital and Biodiversity: Nature-related risk and management, circular economy, pollution and waste, sustainable food and water, deforestation
 - Human Rights: Overarching approach to human rights, works and communities, customers and consumers
 - Human Capital Management: Corporate culture and oversight, investment in the workforce, engagement and representation, health, safety and wellbeing
 - Diversity and Inclusion: Board diversity and inclusion, executive & workforce diversity and inclusion
 - Corporate Governance: Board and management, executive remuneration, relationship with shareholders

COMET PENSION SCHEME

- For the Scheme, the general themes of the voting and engagement activity carried out by the Underlying Investment Managers were in relation to environmental issues, climate strategy in particular, corporate governance including board composition. Executive pay, board diversity and improving social outcomes were the other main themes identified. These themes are in line with the Fiduciary Manager's engagement priorities/themes set out above. We have included a table which sets out the engagement priorities and relevant voting and engagement examples in the appendix.
- On behalf of the Trustee, the Scheme's Fiduciary Manager has also identified five Underlying Investment Managers who will be the engagement targets over the next scheme year. The main engagement themes include working with those Underlying Investment Managers to create formalised ESG related investment policies and improving the board independence and diversity.
- As a result of the Russia-Ukraine war, the Fiduciary Manager has implemented a no-Russia investments policy and by the end of March 2022 Schroders Solutions had begun removing any Russia exposures from the portfolio and engaging with underlying managers who continue to hold exposures. This will be a priority engagement theme for the next Scheme year. The Trustee is supportive of this approach and receives updates from the Fiduciary Manager on the success of its engagements in this area.

Some details of the voting and engagement from the Scheme's Underlying Investment Managers are set out below:

- Within the Scheme's portfolio, **BNYM Global Equity Fund** makes up the majority of the Scheme's investments in return-seeking assets. The Trustee noted that BNYM prioritised engagement with each of their underlying holdings on the following areas: governance practices, executive compensation, sustainability including climate change, human capital management, and diversity and inclusion. An example would be their engagement with an American multinational shipping & receiving supply chain management company. BNYM voted for a shareholder proposal requesting that the company report on its plans to reduce its total contribution to climate change and align its operations consistent with the Paris Agreement Goals. BNYM consider some of the company's peers to have set ambitious targets and they believe by supporting this proposal, it will provide shareholders with more transparency into the company's policy and goal-setting process, especially at a time when this company is looking to expand its airline and vehicle fleets. The BNYM annual proxy voting report (2021, link included in Appendix) was reviewed by the Trustee. The proxy voting report includes details of the significant votes and engagement examples covering a broad range of underlying investment companies.
- For the largest mandate within the return-seeking credit assets, engagement on improving public disclosure and operational risk management was noted as a significant example. The manager engaged with a leading financial services company that has approximately \$1.9 trillion in assets who is subject to several consent orders and other regulatory actions, requiring the company to undertake certain changes to its business, operations, products, services and risk management practices. The manager's engagement objectives were to improve compliance and operational risk management and enhance public disclosures regarding risk control improvements. The engagement process focused on prioritising the governance with new leadership from outside the organisation, enhanced audits, procedures and controls to mitigate the chance of improper lending practices. The outcomes of the engagement were largely positive such that a new CEO was hired externally, its operating committee who was the most senior group responsible for running the company, has seen nine of its 18 members hired externally.
- For the Cashflow Matching Credit mandate, an example of Insight's engagement with a Norwegian Oil and Gas operator (DNO) was noted. Insight questioned gas flaring with DNO several years ago. DNO has now become the first company in Kurdistan to reinject gas into reservoirs and continues to invest in gas reinjection despite initial Kurdish Government objections due to cost. Insight's active engagement meant that DNO has set an ambitious target to cap its Scope 1 and Scope 2 carbon intensity at one half of the Oil and Gas Climate Initiative (OGCI)'s figure on a five-year moving average basis through 2030.

IMPLEMENTATION STATEMENT (continued)

- In relation to the liability hedging and structured equity mandate, 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 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. As part of the drive to improve the Scheme's overall ESG characteristics, green gilts were introduced into the liability hedging asset portfolio.

The Trustee is satisfied that the voting and engagement activity undertaken by the Fiduciary Manager and Underlying Investment Managers was in line with the Trustee's policies contained in the SIP and that no changes are required to these policies at this time. The Trustee will keep the position under review.

IMPLEMENTATION STATEMENT (continued)

Appendix 1 – Voting & Engagement statistics

1. Voting and engagement by the Fiduciary Manager (Schroders IS, formerly known as R&M Investments) in relation to underlying pooled funds held on behalf of the Trustee

Most of the rights and voting relating to the Scheme's investments relate to underlying securities investment in through pooled funds managed by underlying investment managers – this is covered in part 2 below. However, the pooled funds themselves often confer certain rights around voting or policies. These rights are exercised by the Fiduciary Manager on behalf of the Trustee and we cover these here.

Over the year to 31 March 2022, the Fiduciary Manager voted on 111 resolutions across 27 meetings. The Fiduciary Manager voted against management on 6 resolutions which was 5.7% of total resolutions and abstained on 6 resolutions (5.7% of the total resolutions).

The Schroders IS Investment Research team engaged with underlying investment managers regarding their clients' pooled fund investment on approximately 800 occasions during the 12 months period. The engagement topics covered a range of areas including executive board composition, investment management processes, fund documentation, auditor tenure and fund costs.

The following provides an ongoing engagement example where the Fiduciary Manager engaged Neuberger Berman ("NB", an underlying credit manager) on the tenure of E&Y as fund auditor. In January 2021, they noted that following the 2019 accounts EY had been in-place for 20 years as fund auditor. The Fiduciary Manager believe there is some additional protection to investors from rotation of auditors (assuming the quality of the appointed party is maintained). They informed NB that in the absence of any plan to change auditor it was subsequently their intention to vote against E&Y's appointment at the 2021 AGM. In February 2021 NB informed Schroders that it was their intention to put the NBIF audit out to tender later in 2021, with EY being allowed to participate.

The tender process was to be completed before the 2022 AGM and depending on the outcome of the tender process, one of the resolutions was to approve a new auditor. Schroders Solutions had a routine operational due-diligence meeting with NB in their new offices in Victoria. They again raised the issue of auditor tenure. As a direct result of their engagement with them in 2021 the board issued a tender for the audit of the fund. E&Y, KPMG & GT were short listed. A score card was used to assess each firm. E&Y was reselected on the basis of the highest score. A new audit team was assigned to the engagement. Whilst Schroders's engagement did not result in a change of auditor it did result in a full tender process and a change in audit team.

Over the Scheme Year, the Fiduciary Manager also

- engaged all Underlying Investment Managers on their plans relating to net zero and will engage on a regular basis with those who do not have any net zero target or plan to decarbonise;
- engaged with significant Underlying Investment Managers (in particular, BNYM) on the quality of their voting and engagement as the Fiduciary Manager is not satisfied with the quality of data currently provided.
- reviewed all Underlying Investment Managers against its updated proprietary ESG manager rating framework and will prioritise its engagement with five managers where ESG-related issues have been identified. The Fiduciary Manager plans to report back to the Trustee in the next Implementation Statement on progress. The top engagement themes are set out in the table below:

COMET PENSION SCHEME

IMPLEMENTATION STATEMENT (continued)

	Top engagement themes
Manager A – Equity	<ul style="list-style-type: none"> ▪ Board independence and diversity ▪ Incorporating ESG into employee training and appraisals/remuneration ▪ Voting policy and engagement processes
Manager B – Alternatives	<ul style="list-style-type: none"> ▪ Integrating ESG into corporate governance by signing up to voluntary standards and formalising policies ▪ Board independence and diversity ▪ Formalise voting and engagement policy
Manager C – Alternatives	<ul style="list-style-type: none"> ▪ Integrating ESG into corporate governance by signing up to voluntary standards and formalising policies ▪ Formalise voting and engagement policy ▪ Formalise ESG investment policy
Manager D – Alternatives	<ul style="list-style-type: none"> ▪ Formalise diversity policy ▪ Formalise voting and engagement policy ▪ Formalise ESG investment policy
Manager E – Alternatives	<ul style="list-style-type: none"> ▪ Creation of ESG working group to look into voluntary standards and formalising ESG policies within the business. ▪ Formalise diversity policy ▪ Formalise ESG investment policy

COMET PENSION SCHEME

IMPLEMENTATION STATEMENT (continued)

2. Voting by the Underlying Investment Managers on securities held on behalf of the Trustee

There have been c. 30 Underlying Managers used by the Fiduciary Manager over the Scheme year. Set out below is the voting statistics for the most material equity holdings that held voting rights during the Scheme year, namely BNY Mellon Global Equity and Vanguard FTSE All World ETF Fund. Within other asset classes there are no voting rights. However, engagement activity is very important and so examples of engagement activity for the managers that represent 2.5% or more of the portfolio have also been discussed with the Trustee as described in section 3 above.

Summary of voting activity – Equity mandates

	BNYM Global Equity Fund	Vanguard FTSE All World ETF Fund
Total meetings eligible to vote	882	5,268
Total resolutions eligible to vote	11,989	54,483
% of resolutions did you vote on for which you were eligible?	97%	99%
% did vote with management?	88%	94%
% vote against management?	8%	5%
% abstained	1%	2%
% of resolutions, on which you did vote, did you vote contrary to the recommendation of your proxy adviser? (if applicable)	2%	0%

Note:

- BNYM uses Institutional Shareholder Services, "ISS", for proxy voting services.
- Vanguard Investment Stewardship uses the Institutional Shareholder Services (ISS) Proxy Exchange platform for the execution of their votes.
- The voting statistics provided may slightly differ depending on the exact composition the Scheme holds.
- BNYM does not use PLSA template. We included votes withhold in votes abstained for BNYM to be in line with the PLSA template, although there are differences between votes withhold and votes abstained. BNYM also did not vote on 3% of the overall proposals.
- Figures may not total 100% due to a variety of reasons, such as lack of management recommendation, scenarios where an agenda has been split voted, multiple ballots for the same meeting were voted different ways, or a vote of "Abstain" is also considered a vote against management.

COMET PENSION SCHEME

IMPLEMENTATION STATEMENT (continued)

3. Examples of most significant votes carried out by the Underlying Investment Managers

Engagement priorities	Examples
Climate change	Origin Energy Limited, Electronic Arts Inc, Costco
Human capital	Microsoft, Goldman Sachs
Corporate governance	FedEx, EXXON

BNYM Global Equity Fund

Microsoft

In November 2021, BNYM supported a shareholder proposal that requested a report on effectiveness of workplace sexual harassment policies. Given Microsoft faces a litany of potential controversies in recent years, BNYM believe a transparent report allows shareholders to more adequately assess if the company is addressing these risks effectively. The proposal passed with majority support, forcing Microsoft to report on the effectiveness of workplace sexual harassment policies.

Goldman Sachs

In April 2021, BNYM voted for a shareholder proposal requesting Goldman Sachs report on the impact of the use of mandatory arbitration on employees and workplace culture. As Goldman Sachs requires employees to agree to arbitrate employment-related claims, BNYM believe additional information is useful for shareholders to determine if this process had any impact on human capital management issues such as employee retention and recruitment. The proposal did not pass; however, Goldman Sachs chose to act and produce a response in light of the high level of support which is a good outcome despite the result of the proposal.

Electronic Arts Inc

BNYM inquired as to whether or not Electronic Arts will be including Scope 3 emissions in their reporting and also will they be setting TCFD disclosure targets. Electronic Arts responded that they recently hired new talent to comply with the environmental disclosures and will be explaining the disclosures over the coming months.

EXXON MOBIL CORPORATION

In 2021, BNYM held multiple engagements with Exxon Mobil Corporation and the dissident in the proxy contest, Engine No.1. At the May 2021 meeting, BNYM submitted a cross-slate vote, voting for all dissident candidates and the replacement of one management nominee with an alternative whom BNYM believed had a more appropriate skillset required for Exxon's business strategy. BNYM believe that this support will enhance Exxon's preparedness for an energy transition in the future and the dissident nominees will bring necessary independent industry expertise to the board.

COMET PENSION SCHEME

IMPLEMENTATION STATEMENT (continued)

Vanguard FTSE All-World ETF Fund

ORIGIN ENERGY LIMITED

Origin is the second-largest utility provider in Australia. Over the last several years, activist groups have targeted Origin as one of the largest carbon emitters in Australia. Vanguard has engaged with Origin's board and company leaders over many years and the recent discussions have been focused on the company's climate risk mitigation and energy transition plans.

At the annual meeting on 20 October 2021, Vanguard considered, but did not support, several shareholder proposals requesting that company to publish a report on water quality and groundwater management at its sites, temporarily halt operations in areas with cultural heritage sites, publicly disclose all materials and agreements used in consent negotiations with Indigenous communities, suspend membership in industry groups whose goals don't align with the Paris Agreement and commit to align all material future capital expenditures with a 1.5 degrees global warming limit.

Vanguard evaluates the materiality and oversight of these various risks on a case-by-case basis. Should there be gaps in the company's current disclosures or disconnects with long-term strategy, Vanguard may vote in favour of shareholder proposals that seek enhanced reporting of the company's approach to risk oversight and strategy alignment. Based on the analysis carried out, Vanguard expressed their support for the revision of the climate targets and their expectation that Origin would update its disclosure, however they did not support the capital allocation proposal by shareholders as they believed that the proposal was aimed at directing the company's strategy away from gas operations, which was overly prescriptive. In addition, Vanguard found the company's governance and oversight processes on climate risks were sufficient, and related disclosures were appropriate and Origin should retain flexibility to manage its relations with industry associations. As a result, Vanguard decided to not support the proposal on the climate-related lobbying resolution at this time but encouraged the board to continue to prioritise its review and oversight of the risks highlighted by the proposal, particularly related to organisations that are not fully aligned to the Paris Agreement. Finally, for the water, cultural heritage and consent resolution, Vanguard concluded that Origin had taken appropriate and sufficient action to manage related risks and impacts and was providing adequate reporting to the public. The resolution was deemed overly prescriptive because they sought to dictate the company's operations.

The votes were considered because they were related to climate risk. Although Vanguard did not support the shareholder's proposals, Vanguard has called on companies and their boards to enhance disclosure on oversight and management of a company's material risks. Market norms, regulations, and investor expectations are moving toward greater disclosure on governance matters. The Trustee can expect Vanguard, through their engagements, proxy voting and public advocacy, to continue to seek relevant, decision-useful information on material risks including climate change.

FEDEX

FedEx is a US based package logistics company. At the annual meeting for FedEx on 27 September 2021, Vanguard supported a nonbinding management proposal seeking approval for the compensation of named executive officers and a shareholder proposal requesting that the board report on the company's lobbying-related oversight, policies and expenditures. However, Vanguard did not support a shareholders' proposal that requested reports on how the company's policies may reinforce racism within its corporate culture.

For the proposal to ratify named executive officers' compensation, Vanguard's review revealed strong pay for performance alignment on a relative basis and determined that the plan appropriately represented the shareholders' interests and incentivised executives to think about the company's long-term success. Therefore, Vanguard supported this year's executive compensation plan.

For the proposal to report on racism in FedEx's corporate culture, Vanguard are encouraged to see the company's strong commitment to continually improving its diversity-related disclosures through its annual ESG report. Company leaders were receptive to feedback that investors would benefit from additional disclosure on the board's assessment of the effectiveness of its diversity-related efforts. Vanguard did not support the proposal because Vanguard believe the company has provided extensive disclosure of its diversity, equality and inclusion efforts and the board remains committed to improving this reporting.

IMPLEMENTATION STATEMENT (continued)

COSTCO

Costco is an American Multinational corporation which operates a chain of membership-only warehouse clubs. At the annual meeting for Costco on the 20 January 2022, Vanguard supported a shareholder proposal requesting that the board adopt short-, medium-, and long-term science-based greenhouse gas emissions reduction targets, inclusive of its full value chain, to achieve net zero emissions by 2050 and to effectuate appropriate reductions prior to 2030. The proposal passed with 70% support.

Vanguard expects companies and their boards to exhibit three key elements of sound climate risk governance:

- Oversight: A climate-competent board that demonstrates awareness of climate risks and fosters healthy debate on climate topics, challenges management assumptions, and makes thoughtful and informed decisions regarding these risks.
- Mitigation: Robust risk oversight and mitigation measures, including setting targets aligned with the goals of the Paris Agreement and an expected net zero transition and integrating climate risk considerations into strategic business planning and capital allocation decisions.
- Disclosure: Effective and comprehensive disclosures, both qualitative and quantitative, to show progress over time, preferably written in accordance with the framework of the Task Force on Climate-related Financial Disclosures (TCFD).

Where climate change is a material risk to a company's business strategy, Vanguard expects the board to be climate-competent and reflect the necessary skills to independently oversee its company's risks and strategy related to the expected energy transition. Vanguard encourages companies to disclose material risks, including climate-related risks, and their mitigation strategies. As Vanguard have previously communicated, robust climate risk mitigation measures include setting targets aligned with the goals of the Paris Agreement or applicable subsequent agreements and disclosing how the company will deliver shareholder value considering climate risk.

COMET PENSION SCHEME

IMPLEMENTATION STATEMENT (continued)

Appendix 2 – ESG, Voting and Engagement Policies

Links to the voting and engagement policies for both Investment Manager and some of the most significant Underlying Investment Managers (based on allocation size) can be found here:

Investment Manager & Underlying Investment Manager	Voting & Engagement Policy
Schroders Solutions	https://www.schroders.com/en/sysglobalassets/about-us/schroders-engagement-blueprint-2022-1.pdf
Bank of New York Mellon	BNYM's voting and engagement policies are included in their annual Mellon proxy voting report which can be found in the link below: https://www.mellon.com/insights/insights-articles/2021-proxy-voting-report.html
Vanguard	Disclosure of rationale of voting can be found: https://global.vanguard.com/portal/site/portal/investment-stewardship/perspectives-commentary
Leadenhall	https://www.leadenhallcp.com/esg
Neuberger	https://www.nb.com/en/global/esg/engagement
CBRE	CBRE Global ESG policy: https://www.cbreim.com/-/media/project/cbre/bussectors/cbreim/cbreim-global-esg-policy.pdf
Insight	https://www.insightinvestment.com/investing-responsibly/