

COMET PENSION SCHEME

Report and Financial Statements for the year ended 31 March 2023

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 :	Vidett Ltd (Formerly known as Punter Southall Governance Services (PSGS)) Forbury Works 37-43 Blagrave 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 Adviser :	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 1 London Wall Place London EC2Y 5AU
Custodians :	CACEIS Bank Broadwalk House 5 Appold Street London EC2A 2DA
Consultant & Administrator :	XPS Administration Limited Phoenix House 1 Station Hill Reading RG1 1NB
Investment Adviser :	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

Covenant advisers

Ernst & Young LLP
1 More London Place
London SE1 2AF

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

COMET PENSION SCHEME

TRUSTEE'S REPORT FOR THE YEAR ENDED 31 MARCH 2023

The Trustee presents to the members its annual report and financial statements for the year ended 31 March 2023.

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:	2023	2022
Deferred pensioners	2,580	2,697
Pensioners	2,174	2,098

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). The increases applied were as follows:

	2023	2022
	%	%
GMP accrued after 5 April 1988	3.0	3.0
Pension above GMP accrued before 6 April 2005	5.0	5.0
Pension accrued after 5 April 2005	2.5	2.5

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 2023 (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 2023.

Financial Development of the Scheme

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

	£'000s
Net assets at 31 March 2022	570,625
Net withdrawals from dealings with members	(14,917)
Net returns on investments	<u>(156,989)</u>
Net assets at 31 March 2023	<u>398,719</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 continues to monitor the latest financial market conditions and their effect on the Scheme's assets, technical provisions, and the employer covenant. This includes monitoring the impact of the Ukraine conflict, elevated inflation and significant recent increases in gilt yields. At the date of signing these financial statements the Trustee believes that the Scheme is able to comfortably cover its outgoings until at least 12 months from signing. The most recent Scheme funding position carried out as at 31 March 2022 indicated that the funding level of the Scheme was 109% at that date. Risks associated with movements in investment market prices and how they are mitigated are detailed in Note 17 to the financial statements.

The Trustee and the Principal Employer continue to work closely together and have had regular discussions on the Scheme, particularly in relation to funding, investments and employer covenant.

An independent review of the strength of the employer covenant was carried out by EY in 2022. This review concluded that the employer covenant was rated as "strong".

The Trustee continues to regularly monitor the employer covenant utilising information provided by 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.

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.

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TRUSTEE'S REPORT FOR THE YEAR ENDED 31 MARCH 2023 (continued)

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

MoneyHelper

MoneyHelper provides pension guidance, money guidance and debt advice. 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:

Telecom House
125-135 Preston Road
Brighton BN1 6AF

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
Post Handling Site A
Wolverhampton WV98 1AF

Tel: 0800 731 0193

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

TRUSTEE'S REPORT FOR THE YEAR ENDED 31 MARCH 2023 (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 2023

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 under a full fiduciary management arrangement established in 2021. The Trustee has taken steps to ensure the investment manager and adviser has the appropriate knowledge and experience.

Implementation statement

The Implementation Statement is included on pages 35 to 46 and is also available on www.comet-pensions.co.uk.

Statement of Investment Principles

In accordance with the Pensions Act 1995, the Trustee has prepared a Statement of Investment Principles, which sets out its policy on investment issues, including risks, diversification of investments and details of the key elements of the investment arrangements of the Scheme.

The Statement of Investment Principles ("SIP") sets out how the Scheme takes into account financially material considerations, including Environmental, Social and Governance ("ESG") factors, in its investment decision making process.

Copies of the statement are available on the pension website, www.comet-pensions.co.uk.

Custodial Arrangements

The Investment Manager arranges for a custodial service in respect of the investments of the Scheme, with the exception of certain cash deposits. The Custodians are named on page 2 of the report. All investments are registered in the name of the Scheme or the Trustee. The Investment Managers have outlined the system of internal controls in place within the organisations to secure safe custody of the Scheme's assets, and the Trustee is satisfied with these agreements.

Investment Manager Arrangements

The Trustee's long-term objective for the Scheme is to target an investment return objective of approximately 2.0% per annum (net of fees) in excess of the returns on the Liability Benchmark Portfolio ("LBP").

In addition to framing the investment objective, the Trustee is responsible for setting the split of assets between return-seeking assets (the Growth Assets), cashflow matching 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/35% Liability Hedging Assets/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.

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.

Cashflow Matching Credit Assets (CMCA)

The CMCA is invested in high quality investment grade credit to efficiently match a proportion of the Scheme's liability cashflows over the next 5 to 10 years.

COMET PENSION SCHEME

INVESTMENT REPORT FOR THE YEAR ENDED 31 MARCH 2023 (continued)

Growth Assets (GA)

The GA holds 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 and prior year end:

Asset Class	Min (%)	Max (%)	31 March 2023 (%)	31 March 2022 (%)
Equities	25	65	41.8	44.6
Property	-	10	8.0	5.9
Return Seeking Credit	-	30	20.5	12.8
Commodities	-	15	-	2.5
Alternatives	-	30	17.2	14.4
Cash & Sovereign Bonds	-	40	12.5	19.8
Total			100.0	100.0
Other restrictions				
Equities & Commodities	25	65	41.8	47.1
Sub-Investment Grade Debt	-	20	8.5	3.9
Equities & Sub-Investment Grade Debt	25	70	50.3	49.5

Please note clean prices have been used where applicable. All restrictions are 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	1 Year %	Since Inception %
Growth Assets	(3.7)	(1.6)
Objective	5.4	4.5
Relative	(9.1)	(6.1)
Total Portfolio	(28.0)	(17.3)
Objective	(20.7)	(12.4)
Relative	(7.3)	(4.9)

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. 3-Year and 5-Year performance is not available due to the strategy inception date being 30/06/2021 under the current full fiduciary management arrangement with the investment manager.

Employer Related Investments

There were no employer related investments during the year.

INVESTMENT REPORT FOR THE YEAR ENDED 31 MARCH 2023 (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.

COMET PENSION SCHEME

INVESTMENT REPORT FOR THE YEAR ENDED 31 MARCH 2023 (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.

Equity market review

Global equities were under pressure at the start of the 12-month period. Following Russia's invasion of Ukraine in February 2022, investors moved to price in interest rate rises and an increased risk of recession. Inflation continued to move higher in many major economies during the second quarter. Among equities, the MSCI Value index outperformed its growth counterpart but both saw sharp falls.

After a rally in July, global equities turned lower and registered negative returns for the third quarter. Any hopes of interest rate cuts were dashed as central banks reaffirmed their commitment to fighting inflation. The Federal Reserve, European Central Bank and Bank of England all raised interest rates in the quarter. Emerging markets underperformed their developed counterparts.

Stock markets rounded off a tumultuous year with gains in the final quarter of 2022. Asian shares were boosted by China's relaxation of its zero-Covid policy, while European equities also advanced strongly. Government bond yields edged up towards the end of the fourth quarter (meaning prices fell). This reflected some market disappointment at major central banks reiterating plans to tighten monetary policy, even as inflation showed signs of peaking. Commodities gained in the quarter, led by industrial metals.

The positive performance of global equities continued in the first quarter of 2023, buoyed by receding recession worries in developed markets. Gains came despite the collapse of Silicon Valley Bank, which caused significant volatility in bank shares. Growth stocks outperformed value in the quarter.

Fixed income review

Global government bond yields dropped towards the end of the period. The March collapse of Silicon Valley Bank prompted a sharp rally in government bond markets and dwarfed concerns over the re-accelerating of inflation.

Within days of the market reaction to the banking crisis, government bond markets went from pricing in rate hikes to discounting sizeable rate cuts in some markets. Meanwhile, the US government intervened and invoked a "systemic risk exception" guaranteeing depositors access to their money to calm panicked customers.

Amid the changing market dynamics, central banks continued with their interest rate hikes, though some adjusted their stance. In the last 12 months, the Federal Reserve (Fed) announced nine rate hikes, with the latest being a relatively slower hike of 25bps in response to the banking sector's turmoil. The Bank of England (BoE) also approved nine rate hikes and followed the Fed's lead by taking the final increase to 25bps. The European Central Bank (ECB) maintained its stance, also enacting six rate hikes but raising their final rate by 50bps.

INVESTMENT REPORT FOR THE YEAR ENDED 31 MARCH 2023 (continued)

Fixed income review (continued)

Against this backdrop markets have been volatile, with US and European investment grade posting positive returns, but high yield was negative with poor performance from the banking sector dominating. Eurozone and US inflation continued their downward trajectory, pulling back from record highs seen last year but remaining elevated.

The US 10-year yields rose from 2.34% to 3.47%, with the two-year going from 2.34% to 4.03%. Germany's 10-year yield increased from 0.55% to 2.29%. The UK 10-year yield increased from 1.61% to 3.49% and two-year increased from 1.35% to 3.44%.

The US dollar's rally continued to lose steam, losing ground against most other G-10 currencies by the end of the 12 month period.

In the months of September and October 2022, the UK political landscape was marked by turbulence when Boris Johnson resigned as prime minister and was succeeded by Liz Truss. Her tenure was short-lived and marked by the controversial introduction of a "mini-budget", which was received negatively by the markets. This event triggered a substantial increase in the yields of the UK government bond market, leading to the 'gilts crisis'. The crisis had profound implications for UK pension schemes, particularly those employing liability-driven investment strategies with considerable allocations to gilts. The market volatility led to a decrease in the asset and liability values of pension schemes, thereby affecting funding levels. The appointment of Rishi Sunak as the new Prime Minister later in the year brought some stability, helping to mitigate the volatility in the UK government bond market.

During the UK Gilts crisis, the Trustee adhered to prudent governance and risk management, which protected the Scheme's liability hedging strategy. This strategy was designed to safeguard the Scheme's funding level from fluctuations in interest rates and inflation. Throughout this challenging period, the Scheme maintained sufficient collateral to uphold the liability-driven investment, without necessitating additional collateral or material reductions in the Liability hedging ratios. Over the course of the year, the Scheme's funding level was preserved at approximately 109%. This stability was achieved as the escalation in UK Government yields was largely counterbalanced by a decrease in the value of the liability-driven investments, coupled with the negative growth returns encountered in 2022 due to market volatility.

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 2022. On this date the position of the Scheme was as follows:

	2022 £m
The value of the technical provisions was	£518.1
The value of the assets (excluding AVCs) was	£566.5
The value of the total assets was	£570.6

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: rates set by reference to a gilt yield curve plus an addition of 1.2% per annum.

Future Retail Price inflation: rates derived from an RPI gilt curve.

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% per annum at each term.

Mortality: for the period in retirement, standard tables S3PMA with a scaling factor of 115% for male members; and S3PFA with a scaling factor of 112% for female members. Future projections are in line with the CMI_2021 model applied from 2013 with a core smoothing parameter of 7.0, a long term rate of improvement of 1.5% per annum, an initial addition of 0.2% and default 2020 and 2021 weighting parameters of 0%.

Cash commutation: at retirement, members commute 85% of the maximum permitted tax free cash lump sum on terms available at 31 March 2022. 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, 20% of members are assumed to take a transfer value.

ACTUARY'S CERTIFICATION OF SCHEDULE OF CONTRIBUTIONS

Actuary's certification of schedule of contributions

Comet Pension Scheme (the "Scheme")

Adequacy of rates of contributions

1. I certify that, in my opinion, the rates of contributions shown in this schedule of contributions are such that the statutory funding objective could have been expected on 31 March 2022 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 18 January 2023.

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

Signature

Date

24 January 2023

Steve Leake

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

27 September 2023
.....

Date

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

Opinion on the financial statements

In our opinion the financial statements:

- give a true and fair view of the financial transactions of the Scheme during the year ended 31 March 2023 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 2023 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.

COMET PENSION SCHEME

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

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

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

DocuSigned by:

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BDO LLP

Statutory auditor

Guildford

United Kingdom

Date: 27 September 2023

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 2023

	Note	2023 £'000s	2022 £'000s
CONTRIBUTIONS AND BENEFITS			
Employer contributions	4	296	206
Total contributions		<u>296</u>	<u>206</u>
Other income	5	1	2
		<u>297</u>	<u>208</u>
Benefits paid or payable	6	(12,653)	(12,481)
Payments to and on account of leavers	7	(2,255)	(2,990)
Administrative expenses	8	(306)	(213)
		<u>(15,214)</u>	<u>(15,684)</u>
NET WITHDRAWALS FROM DEALINGS WITH MEMBERS		<u>(14,917)</u>	<u>(15,476)</u>
RETURNS ON INVESTMENTS			
Investment income	9	18,875	18,694
Change in market value of investments	11	(174,875)	10,376
Investment management expenses	10	(989)	(1,229)
NET RETURNS ON INVESTMENTS		<u>(156,989)</u>	<u>27,841</u>
NET (DECREASE) / INCREASE IN THE FUND FOR THE YEAR		(171,906)	12,365
OPENING NET ASSETS		<u>570,625</u>	<u>558,260</u>
CLOSING NET ASSETS		<u>398,719</u>	<u>570,625</u>

The notes on pages 21 to 32 form part of these financial statements.

COMET PENSION SCHEME

STATEMENT OF NET ASSETS (AVAILABLE FOR BENEFITS)

At 31 March 2023

	Note	2023 £'000s	2022 £'000s
INVESTMENT ASSETS			
Bonds	11	176,749	213,764
Pooled investment vehicles	12	228,796	317,899
Derivatives	13	21,712	61,269
AVC investments	14	4,019	4,165
Cash deposits	11	9,155	20,826
Other investment balances	15	420	322
		<u>440,851</u>	<u>618,245</u>
INVESTMENT LIABILITIES			
Derivatives	13	<u>(44,608)</u>	<u>(48,079)</u>
TOTAL NET INVESTMENTS		396,243	570,166
CURRENT ASSETS			
	19	2,937	1,147
CURRENT LIABILITIES			
	20	(461)	(688)
CLOSING NET ASSETS		<u><u>398,719</u></u>	<u><u>570,625</u></u>

The notes on pages 21 to 32 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 13 of the Annual Report and these financial statements should be read in conjunction with this report.

Signed on behalf of the Trustee:

Ian Edwards

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Trustee Director

27 September 2023

.....

Date

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2023

1. BASIS OF PREPARATION

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

The financial statements have been prepared on the going concern basis. As noted in the Trustee's Report on page 5, the Trustee 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. The latest employer covenant completed in 2022 assessed the covenant as "strong", and the position continues to be monitored by the Trustee.

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 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 Scheme and 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 2023

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 2023

4. CONTRIBUTIONS	2023 £'000s	2022 £'000s
Employer contributions		
Expense contributions	<u>296</u>	<u>206</u>

In accordance with the Schedule of Contributions certified by the Scheme actuary on 1 July 2021 contributions are payable as follows:

In respect of the period between 1 July 2021 to 1 July 2026

- The Pension Protection Fund Levy and other levies will be paid from the Scheme and reimbursed by Darty Limited
- As long as the Scheme would remain in surplus on the scheme funding basis, at the Trustee's discretion, non-investment project expenses specified by the Trustee can be paid from the assets of the Scheme, up to a maximum of £150,000.
- All other non-investment expenses will either be paid by Darty Limited as they arise, or paid from the assets of the Scheme and reimbursed by Darty Limited.

In accordance with the Schedule of Contributions certified by the Scheme actuary on 24 January 2023 contributions are payable as follows:

In respect of the period between 1 January 2023 to 31 March 2023 and 1 July 2026 to 1 January 2028:

- Investment expenses are met from the assets of the Scheme.
- The Pension Protection Fund Levy and other levies will be paid from the Scheme and reimbursed by Darty Limited. All other non-investment expenses will either be paid by Darty Limited as they arise, or paid from the assets of the Scheme and reimbursed by Darty Limited.
- As long as the Scheme would remain in surplus on the scheme funding basis, at the Trustee's discretion, non-investment project expenses specified by the Trustee can be paid from the assets of the Scheme, up to a maximum of £150,000 in each Scheme Year.

In respect of the period between 1 April 2023 to 30 June 2026:

- As agreed with the Principal Employer, all expenses (as mentioned above) that arise will be paid from the assets of the Scheme.

5. OTHER INCOME	2023 £'000s	2022 £'000s
Transfer calculation fees	<u>1</u>	<u>2</u>

6. BENEFITS PAID OR PAYABLE	2023 £'000s	2022 £'000s
Pensions	10,219	9,550
Commutation of pensions and lump sum retirement benefits	2,333	2,931
Refunds of contributions on death	101	-
	<u>12,653</u>	<u>12,481</u>

7. PAYMENTS TO AND ON ACCOUNT OF LEAVERS	2023 £'000s	2022 £'000s
Individual transfers out to other schemes	<u>2,255</u>	<u>2,990</u>

COMET PENSION SCHEME

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2023

8. ADMINISTRATIVE EXPENSES	2023 £'000s	2022 £'000s
Actuarial and consultancy fees	81	5
Investment advice	24	-
PPF levy	196	206
Miscellaneous expenses	5	2
	<u>306</u>	<u>213</u>

9. INVESTMENT INCOME	2023 £'000s	2022 £'000s
Gain/(loss) on overseas transactions	(216)	-
Income from bonds	1,503	1,405
Income from pooled investment vehicles	17,400	17,288
Interest on cash deposits	188	1
	<u>18,875</u>	<u>18,694</u>

10. INVESTMENT MANAGEMENT EXPENSES	2023 £'000s	2022 £'000s
Investment fees - management & custody	<u>989</u>	<u>1,229</u>

11. RECONCILIATION OF INVESTMENTS	Value at 31.03.2022 £'000s	Purchases at cost and derivative payments £'000s	Sales proceeds and derivative receipts £'000s	Change in market value £'000s	Value at 31.03.2023 £'000s
Bonds	213,764	321,398	(296,742)	(61,671)	176,749
Pooled investment vehicles	317,899	160,377	(220,544)	(28,936)	228,796
Derivatives	13,190	76,038	(30,988)	(81,136)	(22,896)
AVC investments	4,165	-	(166)	20	4,019
	<u>549,018</u>	<u>557,813</u>	<u>(548,440)</u>	(171,723)	<u>386,668</u>
Cash deposits	20,826			(3,152)	9,155
Other investment balances	322			-	420
	<u>570,166</u>			<u>(174,875)</u>	<u>396,243</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.

COMET PENSION SCHEME

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2023

12. POOLED INVESTMENT VEHICLES

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

	2023 £'000s	2022 £'000s
Bond funds	111,825	130,770
Hedge funds	18,709	25,545
Diversified funds	10,304	9,350
Property funds	13,382	15,287
Equity funds	57,995	104,431
Commodity funds	-	6,560
Cash funds	16,581	25,956
	<u>228,796</u>	<u>317,899</u>

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:

	2023 Asset £'000s	2023 Liability £'000s	2022 Asset £'000s	2022 Liability £'000s
Swaps	15,447	40,135	48,093	38,196
Options	6,149	3,958	12,863	8,805
Forward foreign exchange contracts	116	515	313	1,078
	<u>21,712</u>	<u>44,608</u>	<u>61,269</u>	<u>48,079</u>
	<u>(22,896)</u>		<u>13,190</u>	

COMET PENSION SCHEME

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2023

13. DERIVATIVES (continued)

Swaps

Nature	Expiration	Notional principal £'000s	Asset £'000s	Liability £'000s
Interest rate swaps (OTC)	1 to 17 years	134,158	12,406	24,455
Inflation swaps (OTC)	1 to 12 years	26,925	3,041	657
Return swaps (OTC)	Up to 1 year	43,389	-	15,023
Total 2023			<u>15,447</u>	<u>40,135</u>
Total 2022			<u>48,093</u>	<u>38,196</u>

At the year end the Scheme held £nil (2022: £17,813,668) of collateral belonging to the counterparty. This collateral is not reported within the Scheme's net assets.

At the year end the Scheme posted £25,024,075 (2022: £nil) of UK Government gilts as collateral belonging to the Scheme and an undrawn commitment of £448,801. This collateral is reported within the Scheme's net assets.

Options

Type	Expiration	Underlying Investment	No of outstanding contracts	Asset £'000s	Liability £'000s
Call	12 months	NKY Index	2	325	149
Put	12 months	NKY Index	1	-	33
Call	12 months	SPX Index	4	1,939	1,121
Put	12 Months	SPX Index	2	-	135
Call	Over 1 year	SPX Index	4	1,474	822
Put	Over 1 year	SPX Index	2	-	173
Call	12 months	SX5E Index	6	1,433	840
Call	Over 1 year	SX5E Index	2	648	281
Put	12 months	SX5E Index	3	-	79
Put	Over 1 year	SX5E Index	1	-	106
Call	Over 1 year	MXEF Index	2	330	140
Put	Over 1 year	MXEF Index	1	-	79
Total 2023				<u>6,149</u>	<u>3,958</u>
Total 2022				<u>12,863</u>	<u>8,805</u>

Forward Foreign Exchange

Contract	Settlement Date	Currency bought	Currency sold	Asset £'000s	Liability £'000s
Forward OTC	Under 1 month	£11,715,117	€13,226,800	83	8
Forward OTC	Under 1 month	€5,812,800	£5,156,741	3	44
Forward OTC	Under 1 month	\$23,672,500	£19,549,315	-	378
Forward OTC	Under 1 month	£948,823	¥154,740,000	5	-
Forward OTC	Under 1 month	£32,287,385	\$39,942,400	25	85
Total 2023				<u>116</u>	<u>515</u>
Total 2022				<u>313</u>	<u>1,078</u>

COMET PENSION SCHEME

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2023

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:

	2023 £'000s	2022 £'000s
The Standard Life Assurance Company	390	412
Santander Corporate Banking	15	15
The Prudential Assurance Company Limited	3,614	3,738
	<u>4,019</u>	<u>4,165</u>

15. OTHER INVESTMENT BALANCES

	2023 £'000s	2022 £'000s
Dividends and interest receivable	<u>420</u>	<u>322</u>

16. FAIR VALUE DETERMINATION

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

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

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

	At 31 March 2023			
	Level 1 £000's	Level 2 £000's	Level 3 £000's	Total £000's
Bonds	176,749	-	-	176,749
Pooled investment vehicles	14,187	185,301	29,308	228,796
Derivatives	-	(22,896)	-	(22,896)
AVC investments	-	-	4,019	4,019
Cash	9,155	-	-	9,155
Other investment balances	420	-	-	420
	<u>200,511</u>	<u>162,405</u>	<u>33,327</u>	<u>396,243</u>

The hierarchy classification of a number of pooled investment vehicles have moved from level 2 to level 3 based on additional information received during the Scheme year.

COMET PENSION SCHEME

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2023

16. FAIR VALUE DETERMINATION (continued)

	At 31 March 2022			
	Level 1	Level 2	Level 3	Total
	£000's	£000's	£000's	£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	322	-	-	322
	<u>248,122</u>	<u>317,879</u>	<u>4,165</u>	<u>570,166</u>

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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2023

17. INVESTMENT RISK DISCLOSURES (continued)

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 £176.7m (2022: £213.8) in directly held bonds, -£22.9m (2022: £13.2) in OTC derivatives and £9.2m (2022: £20.8) in directly held cash balances. The Scheme also holds £128.4m (2022: £156.7) bonds and cash through underlying pooled fund investments.

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.

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).

COMET PENSION SCHEME

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2023

17. INVESTMENT RISK DISCLOSURES (continued)

Credit risk (continued)

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.

Legal structure of pooled investment vehicles	31 March 2023 £'000	31 March 2022 £'000
Exchange Traded Fund (ETF)	14,188	13,210
Investment Company with Variable Capital (ICVC)	13,130	21,183
Limited Liability Company	6,054	7,719
Exchange Traded Commodities (ETC)	-	6,560
Mutual Fund	47,176	102,459
Open Ended Investment Company (OEIC)	115,044	135,853
Société d'Investissement à Capital Variable (SICAV)	9,654	2,375
Unit Trust	13,644	22,160
Cayman Islands Exempted Company	2,395	3,999
Limited Partnership	5,459	608
Closed Ended Fund of a Hedge Fund	2,052	1,773
Total	228,796	317,899

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, 8.7% of the Scheme's holdings were exposed to overseas currencies as at year-end (2022: 9.3%).

Interest rate risk

The Scheme's assets are subject to interest rate risk because some of the Scheme's investments are held in bonds, 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	2023	2022
Direct		
Bonds	176,749	213,764
Swaps	(24,688)	(9,897)
Indirect		
Bond PIV	111,825	130,770
Cash PIV	16,581	25,956

Please note clean values have been used where applicable.

COMET PENSION SCHEME

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2023

17. INVESTMENT RISK DISCLOSURES (continued)

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	2023	2022
Direct		
S&P/Call Equity Options	2,191	810
Active Structured Equity (ASE)	-	3,163
Indirect		
Equity PIVs	57,995	104,432
Property PIVs	13,382	15,287
Commodities PIVs	-	6,560
Alternatives PIVs	29,014	34,895

Please note clean values have been used where applicable.

18. CONCENTRATION OF INVESTMENTS

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

	2023		2022	
	£'000s	%	£'000s	%
Insight Investment Maturing Buy & Maintain Bond Fund 2026-2030 Class B GBP Inc	40,394	10.1	45,176	7.9
BNY Mellon (Schroders Solutions) Global Equity Fund	39,251	9.8	95,069	16.7
Insight Investment Maturing Buy & Maintain Bond Fund 2021-2025 Class B GBP Inc	37,165	9.3	52,525	9.2

19. CURRENT ASSETS

	2023	2022
	£'000s	£'000s
Bank balance	2,649	1,044
Due from employer	288	103
	<u>2,937</u>	<u>1,147</u>

Balance due from employer is in respect of expenses which the Principal Employer is expected to reimburse the Scheme for.

20. CURRENT LIABILITIES

	2023	2022
	£'000s	£'000s
Unpaid benefits	149	386
Accrued expenses	205	204
Tax payable	107	98
	<u>461</u>	<u>688</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2023

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 F Jaillard. A total of £39,000 p.a. (2022: £39,000) is paid for their services.

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.

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 2023 to which this report is attached on page 34.

In our opinion, contributions for the year ended 31 March 2023 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 2 July 2021 and on 24 January 2023.

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 15, 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.

DocuSigned by:
BDO LLP
E4A9BFA9CEA6449...

BDO LLP

Statutory Auditor
Guildford
United Kingdom

27 September 2023
Date _____

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 expense contributions	<u>296</u>
Reconciliation to the financial statements: Contributions paid under Schedules of Contributions	<u><u>296</u></u>

This summary was approved by the Trustee on:

Ian Edwards

Trustee Director

27 September 2023

.....
Date

This page does not form part of the statutory financial statements

Comet Pension Scheme (‘Scheme’)

**31 March 2023 Implementation
Statement**

July 2023

IMPLEMENTATION STATEMENT (continued)

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").

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 2022 to 31 March 2023 (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 new set of guidance ("the Guidance") from the Department for Work and Pensions ("DWP") has been issued with a series of statutory & non-statutory guidance. They aim to encourage the Trustee of the Scheme to properly exercise their stewardship policy including both voting and engagement which is documented in the Scheme's SIP. This Implementation Statement has been prepared to provide the details on how the Trustee of the Scheme, with the help of the Scheme's Fiduciary Manager, has complied with the new statutory guidance set by DWP.

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

IMPLEMENTATION STATEMENT (continued)

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

The Trustee uses the Fiduciary Management service of **Schroders IS Limited** as their Investment Manager and Adviser (it is referred to as the "**Fiduciary Manager**" in the Implementation Statement). 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.

- Signatory to the UK Stewardship code
- A+ rating for UN Principles for Responsible Investment
- A- rating for Carbon Disclosure Project
- Advanced ESG recognition from Morningstar
- Engagement Blueprint awarded ESG Engagement Initiative of the Year at Environmental Finance's Sustainable Investment Awards 2022
- Best Investor Engagement recognition from IR Society Best Practice Award for 2021

The Fiduciary Manager can appoint other investment managers to manage part of the Scheme's assets (these are referred to as "**Underlying Investment Managers**"). The Scheme invests in some assets with voting rights attached (e.g. equities) and with engagement possible in relation to most asset classes. Whilst the Trustee has delegated responsibility to the Fiduciary Manager and Underlying Managers for voting and engaging on its behalf, the Trustee regularly reviews the approach and stewardship policies of the Fiduciary Manager to ensure they are aligned with the Trustee's beliefs and objectives.

A copy of the Scheme's SIP has been provided to the Fiduciary Manager, and the Fiduciary Manager is expected to follow the Trustee's investment policies when providing Fiduciary Management services. However, given that the investments with the Underlying Investment Managers are generally made via pooled funds (where the Scheme's investments are pooled with those of other investors), the Fiduciary Manager does not have direct control over voting or engaging with the companies that issue the underlying securities. This process lies with the Underlying Investment Manager, who may have different engagement priorities than the Trustee. Therefore, the Trustee requires the Fiduciary Manager to integrate stewardship activities such as voting and engagement, and Environmental, Social and Governance (ESG) factors including climate change, into the selection or monitoring of Underlying Investment Managers. The Trustee believes it is appropriate to delegate the decision of appointing and monitoring Underlying Investment Managers to the Fiduciary Manager, who will be able to influence the Underlying Investment Manager's voting and engagement policies. In this way, the Trustee is able to largely exercise their stewardship policy as set out in the Scheme's SIP.

During the Scheme Year, the Trustee has received training on the latest DWP Guidance. To support the Trustee in meeting the new requirements, the Trustee also received training on Schroders' Engagement Blueprint, which sets out the six engagement themes the Scheme's Fiduciary Manager believes to be most financially material. These are the themes the Fiduciary Manager will align the majority of its own engagement of underlying managers with. To agree on which of these themes the Trustee prioritises in its own stewardship activities, in addition to discussions at the training session the Trustee completed a survey regarding the engagement themes it will use for engagement and monitoring of the Fiduciary Manager's activities. As a result of the discussion and survey, the Trustee of the Scheme has determined their stewardship priorities to be aligned with the Fiduciary Manager's priorities over 2023, being Climate Change, Natural Capital & Biodiversity, and Human Rights.

The Trustee believes these themes are issues that should be material to the long-term value of the investments. These issues also reflect expectations and trends across a range of stakeholders, and by strengthening relationships with these stakeholders, business models become more sustainable, which

IMPLEMENTATION STATEMENT (continued)

ultimately should enhance the value added to the Scheme's investment and hence benefit the Scheme's members and beneficiaries. Therefore the Trustee believes that companies that address those issues, when they are material and relevant, will drive improved financial performance for the Scheme.

On behalf of the Trustee, the Fiduciary Manager carried out regular investment and operational due diligence on the Underlying Investment Managers to monitor voting and engagement policies concerning the Scheme's investments. Additionally, with the help of the Fiduciary Manager, the Trustee monitors the performance of the Underlying Investment Managers against the agreed performance objectives at Trustee meetings held during the Scheme Year. Over the Scheme Year, the Fiduciary Manager also provided the Trustee with quarterly monitoring of the ESG characteristics of the portfolio, including TCFD ("Taskforce for climate-related financial disclosures") carbon metrics. The Trustee is satisfied with the Fiduciary Manager's activity in this area and the measurable ESG characteristics of the investment portfolio reported to it by the Fiduciary Manager.

In addition, the Trustee also received other training on topics such as Climate Risk and ESG updates as part of the Fiduciary Management service. As part of ongoing monitoring of how the Fiduciary Manager has exercised the Trustee's stewardship policy over the Scheme Year, the Trustee reviewed the Fiduciary Manager's Annual ESG report in early 2023 and ensured it was satisfied with the actions taken on its behalf concerning ESG integration within the investments and stewardship activities.

Given the activities carried out during the Scheme Year and by preparing this Implementation Statement, the Trustee believes that it has acted in accordance with the DWP Guidance over the Scheme Year.

IMPLEMENTATION STATEMENT (continued)

2. Voting and Engagement Summary

On behalf of the Trustee, the Fiduciary Manager exercises voting rights in relation to the pooled funds managed by the Underlying Investment Managers, in line with its voting policy.

Most voting rights and engagement regarding the Scheme's investments relate to underlying securities within these pooled funds. At a general meeting of a company, the Underlying Investment Managers exercise voting rights and engage with the company issuing the security in line with their policies, which the Fiduciary Manager may have influenced. Nonetheless, the pooled funds themselves often confer certain rights around voting or policies, which the Fiduciary Manager exercises on behalf of the Trustee, and we cover these here.

Over the year to 31 March 2023, the Fiduciary Manager engaged with Underlying Investment Managers regarding clients' pooled fund investments on 95 resolutions across 23 meetings. The Fiduciary Manager voted against management on 4 resolutions which was 4.2% of total resolutions, and abstained on 4 resolutions (4.2% of the total resolutions). The engagement topics covered a range of areas, including executive board composition, investment management processes, fund documentation, auditor tenure and fund costs.

Within the Scheme's portfolio, the **BNYM Global Equity Fund** makes up the majority of the Scheme's investments in equity assets, with equity being the only asset class to hold voting rights. The Trustee reviewed the BNYM semi-annual proxy voting reports (links included in Appendix) and noted that BNYM prioritised stewardship with each of their underlying holdings on areas broadly in line with Schroders Solutions' engagement themes, and therefore of the Trustee.

In relation to the liability hedging, the Trustee noted that the choice of counterparty (both in terms of the counterparties chosen to be part of the available roster and the choice of which counterparty of these to use when entering into derivative transactions) is driven by several factors including credit ratings which take into account ESG factors, and ESG scores for counterparties are regularly monitored.

The Trustee has considered the voting statistics and behaviour set out in this Implementation Statement, 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 and engagement in line with its stewardship policy.

Specifically, the Trustee noted that:

- The Fiduciary Manager has carried out a high level of engagement activities with the Underlying Investment Managers, and some good progress has been achieved such that many of the Underlying Investment Managers' ESG credentials have improved over the Scheme Year.
- Each 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 activity over the Scheme Year.
- Challenge to management was demonstrated through votes by the Underlying Investment Managers against management.
- In this Implementation Statement, the Trustee considered relevant examples in relation to its own stewardship priorities. Examples are provided in the appendix.
- As the Trustee has refined its stewardship priorities this year, it considers the most significant votes to be those that both relate to these priorities and are defined as significant by the Underlying Managers (of the most material holdings) based on their specific knowledge of the circumstances around each vote. The Trustee has communicated this with the Fiduciary Manager, and as per DWP guidance, all votes which meet this criteria have been reported below.

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

COMET PENSION SCHEME

IMPLEMENTATION STATEMENT (continued)

Most Significant Votes

Over the scheme year, there was one vote defined as 'Significant' by the Underlying Investment Managers that was aligned with the Trustee's stewardship priority themes, based on the data provided to Trustee. The Trustee will engage with the Fiduciary Manager to request that they engage with the Underlying Managers to provide more examples of votes in line with the Trustee's stewardship priorities.

At the annual Microsoft Corporation meeting on 13 Dec 2022, Morgan Stanley voted for a shareholder proposal regarding a report on government use of Microsoft technology. This vote was considered "most significant" by the Underlying Manager as it was against management and by the Trustee - given the exposure to reputational and human rights-related risks - as it relates to the Human Rights stewardship priority. The vote failed, and Morgan Stanley intend to continue engaging with Microsoft on the topic.

Summary Voting Statistics

The Fiduciary Manager uses c. 27 Underlying Managers; however, the equity holdings are the only asset class with voting rights. Below are the voting statistics for the most material equity funds held on behalf of the Trustee that had voting rights during the period.

	BNYM Global Equity Fund	Vanguard FTSE Developed Markets ETF	Vanguard FTSE Emerging Markets ETF	Morgan Stanley Global Brands	Ninety One Global Strategy Fund	Morant Wright Fuji Yield Japanese Fund	Fundsmith Equity Fund
Total meetings eligible to vote	926	2,354	4,534	32	26	60	26
Total resolutions eligible to vote	11,723	30,205	38,708	490	331	808	429
% of resolutions did you vote on for which you were eligible?	93%	98%	97%	100%	100%	100%	100%
% did vote with management?	93%	96%	90%	89%	94%	89%	91%
% vote against management?	7%	3%	9%	11%	4%	11%	9%
% abstained	0%	0%	2%	0%	2%	0%	1%
% of resolutions, on which you did vote, did you vote contrary to the recommendation of your proxy adviser? (if applicable)	0%	0%	0%	8%	<i>Data not provided</i>	N/A	N/A

Note:

- BNYM, NinetyOne and Morgan Stanley use 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 have included votes withheld in votes abstained (in order to be in line with the PLSA template which other managers have used), although there are differences between votes withheld and votes abstained.

IMPLEMENTATION STATEMENT (continued)

- 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.

The Trustee is satisfied that the voting and engagement activities undertaken by both Fiduciary Manager and the Underlying Investment Managers align with the stewardship priorities the Trustee has determined during the Scheme Year. The Trustee is looking to update the SIP next year to include further details behind the enhanced stewardship priorities it developed under the new DWP Guidance.

IMPLEMENTATION STATEMENT (continued)

Appendix 1 – Engagement Examples

1. Engagement by the Fiduciary Manager (Schroders IS) in relation to underlying pooled funds held on behalf of the Trustee

In addition to the voting and engagement outlined in section 3 above, over the Scheme Year, the Fiduciary Manager also:

- engaged with the core credit manager, Neuberger Berman, regarding some particularly high emitting companies within the fund that was leading to higher than benchmark carbon footprint metrics;
- engaged with significant Underlying Investment Managers (in particular, BNYM) on the quality of its voting and engagement as the Fiduciary Manager was not satisfied with the quality of data previously provided.
- engaged with the five managers who were rated 'red-engagement' on Schroders' ESG scoring matrix.

The engagement activities and outcomes are outlined in the table below:

	Engagement	Progress over Scheme Year
Manager A – Equity	<ul style="list-style-type: none"> Engaged with the manager in Q4 following their decision to exit net zero asset manager initiative – engagement ongoing 	<ul style="list-style-type: none"> Overall rating and corporate pillar upgraded to green. Stewardship pillar upgraded to amber Introduction of staff ESG training programmes Evidenced a process to measure the success of their voting activities
Manager B – Alternatives	<ul style="list-style-type: none"> Calls and meetings through 2021/2022 to discuss what initial steps can be taken and where the manager sits relative to peers Provided guidance on institutional investors requirements of managers and the direction of travel Specific discussions on UN PRI and what other standards may be applicable to the manager 	<ul style="list-style-type: none"> Overall rating remains red engagement but in line with expectations Engagement with the manager has been positive and they are keen to understand where they rank relative to peers and what can be improved Formed an ESG committee which includes senior management
Manager C – Alternatives	<ul style="list-style-type: none"> Numerous meetings with senior management and ESG focused personnel to understand what changes the manager can implement Direct engagement on a number of current ESG issues including investment in Russian assets and exposures to cannabis Manager also specifically reached out to request discussion on expectations from institutional investors and best practices amongst peers 	<ul style="list-style-type: none"> Overall rating remains red engagement but corporate pillar upgraded to amber Improvements seen in both policies and procedures with a more formalised ESG committee with senior management/partner involvement New portfolio implementation mechanism designed with input from Schroders limiting exposures to specific assets.
Manager D – Alternatives	<ul style="list-style-type: none"> A number of engagements with various people in separate ESG functions across the business to understand what progress has already been made in the last 12m and what expectations are for the future Focus on D&I and how the manager has improved its processes and increased the effectiveness of its committee structure 	<ul style="list-style-type: none"> Improved scoring across all pillars and overall rating upgraded to amber The manager has become a signatory to UN PRI – the first mandatory reporting is due in May 2023 A formal ESG Investment Policy and a formalised approach to ESG across all portfolios
Manager E – Alternatives	<ul style="list-style-type: none"> A number of meetings with senior leaders in the business to understand what can be done to improve ESG integration at least within corporate functions 	<ul style="list-style-type: none"> Overall rating remains red engagement but in line with expectations given where the manager is in their ESG process Manager has launched an ESG statement (non-investment) with focus on DEI including an advisory council with senior business leaders involved to drive change Exploring the idea of having specific ESG resource at investment level

2. Examples of voting and engagement carried out by the Underlying Managers

COMET PENSION SCHEME

IMPLEMENTATION STATEMENT (continued)

Engagement Theme	Manager	Examples
Climate change	T. Rowe Price	Health & Happiness
Natural Capital & Biodiversity	BNY Mellon	Archer-Daniels-Midland
Human Rights	Morgan Stanley	Nike, Inc.

Climate Change – Health & Happiness

T. Rowe Price, one of the credit managers, had three objectives for their engagement of Health and Happiness (H&H). One was to request more details on their decarbonization journey, specifically a strategy for the firm to reduce the footprint of dairy cows in their supply chain. The Manager also wanted a timeline for full emission reporting, and lastly an update on progress towards achieving B-Corp Certification.

The following topics were discussed:

1. Continuous progress in decarbonization – T. Rowe Price believes that H&H has made some good progress but still does not provide full disclosure on its group-wide scope 1-3 emissions and is still looking to set a net zero target.
2. B-Corp Certification – H&H is confident that they are on track to achieve Group-wide B-Corp Certification by the end of 2025 with clear plan and milestone set.
3. Annual investment to support farmers in France since 2013 – H&H has been doing this to ensure ongoing sustainable supply of dairy products and lower carbon impact.

As a result of the engagement, T. Rowe Price imparted their views on best practices and asked that within the next 2 years the company would disclose its group-wide scope 1-3 emissions data and set net zero targets; and continue to work towards achieving B-Corp Certification.

Natural Capital & Biodiversity – Archer-Daniels-Midland

In May 2022, BNY Mellon supported a shareholder proposal requesting a report explaining if and how the company is measuring its use of pesticides that cause harm to human health and the environment in its agricultural supply chains. Archer-Daniels-Midland does not currently provide targets on pesticide use when many of their peers do. In instances where supply chain concerns could pose a material risk to a company, Mellon prefer that companies be as transparent as possible in disclosing their processes and data around managing this risk. The proposal did not pass, and the manager will continue to encourage Archer-Daniels-Midland to disclose more information on how the company is managing supply chain risks around this topic.

Human Rights – Nike, Inc.

This engagement example outlines Morgan Stanley's follow up to a shareholder proposal concerning supply chain issues that was tabled at Nike's 2021 AGM.

Morgan Stanley voted in favour of the shareholder proposal, against management and ISS recommendations. ISS (the Proxy Exchange platform used for the execution of Stanley's votes) suggested voting against the shareholder proposal as they felt the company provided sufficient disclosure related to its human rights policies and sustainable sourcing practices, and that the company was not lagging its peers in terms of human rights disclosure. However the Manager chose to support the proposal as they believed it was important to apply pressure on a subject that posed a large supply chain risk and where information was scarce. Morgan Stanley then engaged further on the subject with the company, pressing them for information on their cotton sourcing policy, and any progress they had made on the traceability of the cotton they used.

Nike stated their commitment to not sourcing from Xinjiang, and outlined the actions they had taken with their suppliers regarding sourcing. They shared that they were actively working on tools to verify suppliers' claims on sourcing, adding two senior positions within the firm. Morgan Stanley consider this evidence that the shareholder resolution on the social risks of cotton sourcing – despite not passing – has led to positive changes. The Manager strongly encouraged the company to look into working with a sustainable cotton NGO that offers traceability and a company providing a new technology helping verify the origin of raw materials.

IMPLEMENTATION STATEMENT (continued)

Since this engagement, Morgan Stanley have continued to follow up on the subject of supply chain management with the company.

Human Capital Management - J Sainsbury Plc

At the annual meeting on 7 July 2022, Vanguard funds did not support a shareholder proposal directing the company to become accredited by the Living Wage Foundation, an organisation that sets out a framework for pay linked to a regional cost-of-living assessment. The proposal received 17% support from shareholders.

Vanguard has engaged over several years with the Sainsbury's board and executive management. Vanguard's recent discussions included the board's oversight of HCM and its role in navigating the cost-of-living crisis with respect to stakeholders, including its workforce and customers. The proposal in question directed the company to be accredited as a Living Wage Employer by July 2023. The resolution further asked the company to conduct an analysis (also by July 2023) of third-party contractors that earn below the real Living Wage and to work with external partners to increase all subcontracted workers to the real Living Wage rate by 2026. In assessing this shareholder proposal, Vanguard sought to understand the company's current practices, including its disclosure of the board's oversight framework for these issues. Vanguard observed that Sainsbury's pay practices met or were above the real Living Wage. In addition, a majority of its outsourced employees were paid a living wage. Beyond direct pay, Sainsbury's reviewed and improved other employee benefits.

Vanguard reviewed the implications of signing up to an independent external pay benchmark when Sainsbury's has already made commitments involving wages that include factoring in the real Living Wage, the National Living Wage, and benchmarking pay competitively to peers annually. The company operates in a sector where margins are low and workforce pay is a key cost consideration. Vanguard determined that the proposal's requests (which were binding) were too prescriptive and that the setting of wages should fall under the company's operational decisions, which are best left to the board and executive management. Additionally, through ongoing dialogue with the company, Vanguard did not conclude that the proposal addressed a material gap or failure of oversight by the board.

Diversity & Inclusion - The PNC Financial Services Group, Inc.

In August 2022, BNY Mellon met with representatives of The PNC Financial Services Group, including the SVP for Stakeholder Engagement for ESG, the Deputy General Counsel of Corporate Governance, and Investor Relations.

PNC has hired its first Chief Corporate Responsibility Officer with a future goal of eliminating systemic racism. As a result of the 2021 Banco Bilbao Vizcaya Argentaria (BBVA) acquisition, the company's original financial commitment to this goal has turned into a much larger commitment. The PNC Financial Services Group is committed to affordable housing action, enhanced community development and support for minority-owned small businesses. During this engagement, the manager encouraged PNC to continue to maintain annual updates on the ongoing monetary commitment made to these areas.

Corporate Governance - Boeing

Neuberger Berman, one of the credit managers, have spent 4 years engaging with Boeing after MSCI assigned Boeing a Very Severe Controversy Flag which put the company in the manager's engagement priority list. Neuberger Berman communicated with the issuer on concerns related to product safety of its 737 Max aircraft following two disasters that resulted in the deaths of passengers and crew and engaged with the company on their internal risk controls, oversight procedures, and governance structure given the revelation of design flaws with the 737 Max and inadequate attempts by the company to address the issue.

The engagement process was led by a credit analyst within the team and included 13 discussions over a period of 4 years with the senior management including the CFO, Treasurer, and Investor Relations team. The issues raised included Boeing's risk controls, lack of oversight and inadequate governance structure. While the initial

IMPLEMENTATION STATEMENT (continued)

actions taken by Boeing were not always adequate, through manager's continued engagements, Boeing has addressed our concerns regarding its governance and risk controls.

Neuberger Berman consider this engagement a successful example as Boeing made the following changes:

- Boeing improved its safety oversight standards through the creation of the independently managed "Aerospace Safety Committee" with responsibility to oversee and ensure the safe design, development, manufacture, production, operation, maintenance and delivery of aerospace products and services.
- Implemented an enterprise-wide Safety Management System "SMS" and established a Quality Management System "QMS" to fully embed safety and quality across its total production process.
- Named a new chief aerospace safety officer with accountability to Boeing's Aerospace Safety Committee and created 4 operations councils overseeing all Boeing Aerospace manufacturing, quality, supply chain and program management teams.
- Executive compensation changed with an increased focus on operational performance tied to product safety, employee safety, quality along with climate.

Neuberger Berman will continue future engagements to address additional improvements that can and should strengthen Boeing Aerospace's product safety and risk oversight systems. While the manager has and will continue to raise concerns regarding greater risk oversight procedures, ultimately the changes implemented by Boeing along with design improvements allowed the 737 Max to be recertified globally.

IMPLEMENTATION STATEMENT (continued)

Appendix 2 – ESG, Voting and Engagement Policies

Links to the voting and engagement policies for both Investment Manager and Underlying Investment Managers of the Scheme's largest holdings can be found here:

Investment Manager & Underlying Investment Manager	Voting & Engagement Policy
Schroders Solutions	schroders-esg-policy.pdf 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/2022-semi-annual-proxy-voting-report.html https://www.mellon.com/insights/insights-articles/proxy-voting-report-spring-2023.html
Vanguard	https://corporate.vanguard.com/content/dam/corp/research/pdf/Global%20Investment%20Stewardship%20Principles_Final_112021.pdf
Morant Wright	https://www.morantwright.co.uk/sites/default/files/policies/voting_policy_2023.pdf
Morgan Stanley	https://www.morganstanley.com/im/publication/resources/proxyvotingpolicy_msim_en.pdf?1615985960657
Ninety One	https://ninetyone.com/-/media/documents/stewardship/91-stewardship-policy-and-proxy-voting-guidelines-en.pdf
Fundsmith	https://www.fundsmith.co.uk/media/swxplrtk/responsible-investment-policy.pdf
Leadenhall	https://www.leadenhallcp.com/esg
Neuberger Berman	https://www.nb.com/en/global/esg/engagement
CBRE	CBRE Global ESG policy: https://www.cbreim.com/-/media/project/cbre/bussectors/cbreim/home/about-us/sustainability/cbreim-global-esg-policy.pdf
Insight	https://www.insightinvestment.com/investing-responsibly/