

Dear Member,

December 2022

Letter from the Chairman of the Trustee Board

Since I last wrote to you about this time a year ago much has happened here in the UK and the world that has had an impact on the Scheme's investments and financial position. I will endeavour to cover this below but let me reassure you that despite these largely negative effects the Scheme continues to retain a surplus of assets over its liabilities, as calculated by the Scheme's actuary on the basis of technical provisions. I will explain this further in the Sections on Investment Management and Scheme Funding Position below.

Before I do, I would like to take this opportunity to thank those members who nominated me in the recent Member Nominated Director election. The remaining Trustee Directors on the Board considered the nominations received at our recent meeting and confirmed my re-election as a Pensioner Member Nominated Director and asked me to continue as their chairman.

Investment Management

As I reported to you last time after the initial market shock of the pandemic in 2020 our assets recovered well and continued to do so through to 31 December 2021.

Since then, the world has seen the rise of inflation as a result of the war in Ukraine and the after effects of government support for people and economies during the pandemic, particularly here in the UK, the USA and Europe. Here in the UK this was compounded by the bond market's recent reaction to Liz Truss and Kwasi Kwarteng's mini-budget.

Our switch to Fiduciary Management with Schroders from April 2021 has helped us to cope well with the very volatile investment markets throughout 2022, and especially so through the recent turbulent effects of the mini-budget on all pension schemes, as widely reported in the news and press. The Trustee Directors remained in regular contact with Schroders during the period in which bond yields rose rapidly and their capital values fell, putting strain on our liability driven investment strategy ('LDI'). However, I am pleased to report that we were able to manage our way through this difficult period and maintain our effective hedge rate of 100% of liabilities for both interest rate and inflation. We were able to do so because we have a segregated rather than pooled approach to LDI, because we switched to Fiduciary Management giving Schroders overall visibility and discretion to manage all the elements of our investment portfolio, and the Trustee's cautious approach to both overall liquidity of our assets and the level of leverage in our hedging coverage.

Comet Pension Scheme

Nevertheless, the year to date to 31 October has seen all major asset classes fall significantly in value Global Equities down 17%, US Equities down 19%, UK Index Linked Gilts down 32% and UK Fixed Interest Gilts down 37%. As a result, the Scheme's assets have fallen from a high point at 31 December 2021 of £610million to £385million at 31 October 2022.

As noted in my introduction this fall in Scheme assets is largely mirrored by a fall in the value of our liabilities as I will explain further in the next section on Scheme Funding Position.

One significant effect of the fall in overall asset values and the current higher yields on UK government bonds will be seen in the calculation of individual member transfer values. These will be much lower now than a year ago, as they allow for current market conditions. This does not mean that your scheme pension will be lower or that your pension is at risk. The protection for these is reflected in the Scheme's positive funding position.

Scheme Funding Position

When I wrote last time, I told you that the Scheme's funding level had risen to over 100% as of 31 March 2020 and I can report that it has remained above 100% throughout the period since then.

The Trustee's 2021 Summary Funding Statement showed that the value of the Scheme's assets at 31 March 2021 totalled £553.8m and represented 105% of the Scheme's past service liabilities as measured on the technical provisions basis. The strong asset performance to 31 December 2021 saw the funding level improve further to c. 110% on the same basis.

The Scheme Actuary is currently conducting his formal triennial valuation at 31 March 2022 and the Trustee is planning to agree the results of this valuation with our sponsor, Fnac Darty, before the end of this year. At 31 March 2022 the Scheme's assets were valued at £566.3m and I expect there to be a surplus of assets over past service liabilities at that date of around £40m – a funding level of c. 108%.

Since March 2022, asset values and the value of the Scheme's past service liabilities have both fallen significantly, due in part to the recent rise in government bond yields, following the recent turmoil in the UK government bond markets following the mini-budget in September. A rise in bond yields reduces the value of our assets, the bonds we hold, but also reduces the present value of past service liabilities because the future pension cashflows are discounted at a higher rate. However, because of our hedging policy of 100%, these largely offset protecting our surplus. The small estimated reduction in funding level seen since 31 December 2021, is mainly a result of the significant falls in our growth assets, such as equities, noted above. The Scheme's growth assets are very well diversified and our risk management policies help us to mitigate to some degree the effects of sudden one-off events such as the pandemic and the war in Ukraine. Our portfolio has performed within the risk parameters that the Trustee has set with advice from Schroders.

Comet Pension Scheme

The Trustee has recently reviewed the estimated funding level at 31 October 2022 with the Scheme's Investment Adviser and the Scheme's Actuary. Our approach to investment strategy and risk management, noted above, has enabled the Scheme to weather the recent storm fairly well; and we estimate that the Scheme's funding level has only fallen slightly further but remains above 100%, i.e. in surplus.

Transfer Values, Scams and other matters

As previously reported to you the Trustee has signed up to the Pension Regulator's Pledge to combat pension scams; and it works closely with our Scheme Administrator to carry out the additional checks this entails before settling members' requests to transfer funds out of the Scheme. These checks are an important protection for you, our members, and do take time to complete. Therefore, in some cases members may experience a delay in the transfer value being settled, which is unavoidable given the expectations placed on scheme trustees by the Pensions Regulator.

The current economic circumstances we all face might encourage scammers to approach you with a view to accessing your pension funds as a means of generating additional finance to cope with the recent increase in your cost of living. Please remain vigilant and remember the UK government has banned cold calling in relation to pensions. If anyone calls you or otherwise contacts you out of the blue in relation to your pension, you should be aware that there is a high risk it could be a scam. We urge you to exercise extreme caution and visit www.fca.org.uk/scamsmart which has guidance relating to how to avoid scams.

Accompanying this letter is the 2022 Trustee's Report. A full copy of the Trustee's Annual Report and Accounts can be found, along with other Scheme information including a copy of this letter and the Trustee's latest Statement of Investment Principles, on the Scheme website at <https://www.comet-pensions.co.uk>

If you require any scheme information, then please check the website before contacting our Scheme administration team. If your personal circumstances change, for example if you change your address, then please remember to notify our administration team so that we can continue to keep you informed about the Scheme and continue to administer your pension efficiently and effectively.

Kind regards,

Ian Edwards
Chairman of the Trustee

COMET PENSION SCHEME 2022 TRUSTEE'S REPORT

This annual report is issued by the Trustee Directors of the Comet Pension Scheme to all deferred and pensioner members of the Scheme.

The formal Trustee Report and Accounts for the year to 31 March 2022 is now available to view on the Comet Pension Scheme website, www.comet-pensions.co.uk.

The Trustee's Annual report and Accounts contains an Implementation Statement which sets out:

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

A copy of this Implementation Statement was posted onto the Comet Pension Scheme website by 1 October 2022, as required by legislation.

YOUR SCHEME

The Scheme is a final salary pension arrangement that was closed to future accrual from 30 September 2007.

Darty Limited (formerly Darty plc and prior to that Kesa Electricals plc) is the Scheme's Principal Employer. Darty Limited was acquired by Groupe Fnac SA in July 2016.

Significant future developments relating to the Scheme will be communicated to members through these regular annual Trustee reports and through updates made available on the home page of the Scheme's website at www.comet-pensions.co.uk.

SCHEME ASSETS

At 31 March 2022, the Scheme net assets were worth over £570 million (including members' AVC funds). This money is kept quite separate from Darty Limited, and is looked after for you, the members, by the Trustee Company, Comet Trustee Company Limited. The Directors of the Trustee Company are responsible to members and other beneficiaries (for example, widows or widowers of members) for the proper running of the Scheme.

Their duties include the collection of contributions from Darty Limited and the prudent investment of the Scheme's monies, the payment of benefits in accordance with the Scheme's Trust Deed and Rules and the maintenance of records of membership and financial transactions.

YOUR TRUSTEE DIRECTORS

The Trustee Directors continue to meet regularly to discuss the governance, audit and investment of the Scheme's assets, and to monitor the funding of the Scheme. In addition, EY have been appointed to conduct regular assessments of the Principal Employer's covenant to provide the Trustee with reassurance that the Principal Employer can meet the ongoing funding of the Scheme.

At the year end the Directors of Comet Trustee Company Limited were:

Ian Edwards *	Member Nominated Director & Chairman
Frederic Jaillard	Company Appointed Director
Jon Herzberg	Company Appointed Director
James Arnold	Company Appointed Director
Victoria Milford	Company Appointed Director
Nick Marsh	Member Nominated Director

*Ian was re-elected as Member Nominated Director in October 2022.

ACTUARIAL VALUATION

Every three years the Trustee asks the Scheme Actuary to undertake a formal actuarial valuation of the Scheme in order to compare the amount of the Scheme's assets with the estimated amount needed to pay the benefits earned in the Scheme. Work is underway for the next formal valuation due as at 31 March 2022.

MEMBERSHIP

At 31 March 2022, there were:

- 2,697 deferred pensioners who have an entitlement to a pension when they reach Normal Retirement Date. The normal retirement age for men and women in the Scheme is 60 years of age.
- 2,098 pensioners receiving their pension from the Scheme.

NOMINATION FORM

On death before retirement, subject to the Rules, a return of contributions (plus interest) becomes payable when there are no dependants' or children's pensions payable. The lump sum is paid at the discretion of the Trustee to one or more of a member's dependants, relations, "nominee" or Estate.

It is important to ensure that the Trustee understands your wishes over the payment of death benefits by keeping your Nomination Form up to date. If you need a new form or want to know more about this, please refer to the Comet Pensions website at www.comet-pensions.co.uk or contact the Scheme's administrators, XPS.

DISPUTE RESOLUTION

If you have a complaint about the running of the Scheme or your benefits under it, initially this should be raised informally through XPS Administration. If you do not receive a satisfactory response, then you should write formally to the Complaints Procedure Officer who is Secretary to the Trustee, Ann Geer of Punter Southall Governance Services. Ann will supply you with a copy of the Internal Dispute Resolution Procedure.

AVCs

Some Scheme members elected to pay Additional Voluntary Contributions (AVCs) in addition to their normal contributions to the Scheme. No further AVC payments are allowed but these members should regularly review their investments, particularly in the five years leading up to retirement.

The Trustee regularly reviews the range of AVC Funds available and are satisfied they remain appropriate. A separate communication to those members with AVC investments is issued each year.

The latest review is underway and members with AVCs can expect to hear something about the outcome next year.

INVESTMENT

The Trustee is required to submit a Compliance Statement to the Competition & Markets Authority ("CMA") to confirm they comply with certain Parts of the Investment Consultancy and Fiduciary Management Market Investigation Order 2019 culminating from their investigation into the Investment Consultants and Fiduciary Management markets.

The annual Compliance Statement covers the following Parts:

- Part 3 – Mandatory tendering for fiduciary management and
- Part 7 – Investment consultancy services – objective setting.

Following a tender process, the Trustee switched to Fiduciary Management with Schroders with effect from April 2021. The investment consultant objectives are set and reviewed annually.

STATEMENT OF INVESTMENT PRINCIPLES

In accordance with the Pensions Act 1995, the Trustee has prepared a Statement of Investment Principles (SIP), which describes the key elements of the investment arrangements of the Scheme.

Copies of the statement are available on the pension website, www.comet-pensions.co.uk. There have been no departures from the SIP in the year.

THE FUND - VALUE JUST OVER £570 MILLION

During the last year, the Scheme's total net assets have increased by approximately £12 million.

At 31 March 2021	£558,260,000
Income (1)	£208,000
Investment (2)	£27,841,000
Expenditure (3)	(£15,684,000)
At 31 March 2022	£570,625,000

The total net assets at 31 March 2022 shown above include c.£4.1 million representing members' AVCs.

- (1) **Income**..... includes Company contributions when receivable.
- (2) **Investment** is the change in the market value of the Scheme's assets over the year and investment income, less investment management expenses.
- (3) **Expenditure**.... Includes pension payments, transfers out of the Scheme and expenses.

PROFESSIONAL ADVISERS

The Trustee has a duty of care and must act prudently. To help the Directors, they employ various professional advisers. These are currently:

Scheme Actuary	Steve Leake of XPS Pensions Limited
Administrator	XPS Administration
Auditors	BDO LLP
Bankers	Bank of Scotland
Covenant Advisers	EY
Investment Managers *	R&M, Columbia Threadneedle, LGIM, PIMCO & Insight
Investment Consultants	Schroders IS Limited
Solicitors	Eversheds-Sutherland
Trustee Company Secretary	Wayne Phelan
Secretary to the Trustee	Ann Geer of Punter Southall Governance Services

*until April 2021, when the Trustee switched to Fiduciary Management with Schroders.

GENERAL DATA PROTECTION REGULATION (GDPR)

In order to administer the Scheme, data is used by the Trustee and the Scheme Actuary who both act as Data Controllers. Your personal data will be processed fairly and lawfully in accordance with the principles of the GDPR solely in connection with the Scheme. If you have any queries in relation to your personal data, please contact the Scheme's administrator.

All members will have received a Privacy Notice outlining your rights under the GDPR regime. Please refer to the the Comet Pensions website at www.comet-pensions.co.uk or contact Ann Geer for the latest Privacy Notice.

The current XPS Pensions Scheme Actuary and XPS Pensions when providing defined benefits actuarial consulting services are Data Controllers and so we share your personal information with XPS Pensions in order for them to provide their services.

The XPS Pensions Privacy Information is available at: <http://www.xpsgroup.com/legal-regulatory/privacy-policy/> and the relevant notice for you is labelled "Combined Scheme Actuary and actuarial consulting services". XPS Pensions may make changes from time to time so you should check the latest version of this Privacy Information occasionally.

TAKING YOUR PENSION BENEFITS OPTIONS

If you are considering taking your pension benefits, you should carefully review the options available to you before making any decisions. The Trustee Directors cannot give you any advice or guidance on which option you should take and recommend that you obtain independent financial advice before making a decision. As a reminder, the options available to you are set out below.

Take retirement benefits from the Scheme

You can apply to take retirement benefits from the Scheme from age 55 onwards. The Scheme's Normal Retirement Age for both men and women is 60 years of age. You will be given the option to take a Scheme pension which will be payable to you in monthly instalments. You can usually opt to exchange some of this Scheme pension for a tax-free cash lump sum, resulting in a lower Scheme pension payable monthly. The maximum tax-free cash lump sum most people can take represents 25% of the total value of your benefits in the Scheme.

Trivial commutation

Members over age 55 with pension savings in all pension schemes they are a member of (not just the Comet Pension Scheme) which are worth less than £30,000 in total (and who meet certain other conditions) can choose to exchange all benefits in the Scheme for a one-off lump sum known as a 'trivial lump sum'.

If the member's Comet Pension Scheme benefits alone are worth less than £10,000, the Scheme benefits can be exchanged for a one-off lump sum, known as a 'small lump sum', without reference to any other benefits in other pension schemes.

Both trivial lump sums and small lump sums are paid via the Scheme's pensioner payroll. For those not yet retired 25% of each payment is usually paid tax-free with the remainder being taxed as earned income under PAYE. From time to time, the Trustee may write to members eligible for a trivial or small lump sum to remind them of this option.

AVCs

Members with AVCs under the Scheme can use their AVCs to fund any tax-free cash lump sum they choose to take on retirement before exchanging Scheme pension for tax-free cash. If the tax-free cash lump sum payable from the Scheme does not use up the total value of the AVCs, the remainder of the AVCs must be used to buy an annuity from an insurance company. In some circumstances, the Trustee Directors allow members to use the remaining AVCs to buy additional Scheme pension as an alternative to buying an annuity.

From April 2015, the Government has allowed members with Defined Contribution benefits (including AVCs) more flexibility and choice in how and when these benefits can be accessed. This gives members the option to make decisions about their AVCs separately from their Scheme benefits. The full flexibilities introduced by the Government are not available directly from the Comet Pension Scheme but members can transfer their AVCs to an alternative registered pension scheme to access these additional flexibilities elsewhere.

Transfer your benefits

As an alternative to taking your benefits from the Scheme, you can choose to transfer your benefits to an alternative registered pension scheme or a qualifying overseas pension scheme (known as a QROPS).

As noted above, members with AVCs could choose to transfer their AVCs to an alternative registered pension scheme and leave their final salary benefits in the Scheme (rather than also take their AVCs as retirement benefits from the Scheme).

By giving notice to the Trustee at any time before your 59th birthday, you may be able to transfer the value of your Scheme benefits to another pension arrangement. If you want to consider a transfer prior to taking your benefits from the Scheme, please request a quotation from the administration team using the contact details show below. It is a good idea to take advice from an independent financial adviser who specialises in pension scheme transfers before making a decision as to whether to transfer your benefits out of the Scheme. If your transfer value is more than £30,000, you will be required to take financial advice in any event. Please read the section below on Pension Scams carefully before deciding to consider a transfer of your Scheme benefits.

PENSION SCAMS

If you are considering a transfer of your Scheme benefits to another pension arrangement, you should be aware of the risk of pension scams. The Pensions Regulator, MoneyHelper (formerly The Pensions Advisory Service) and HM Revenue & Customs (HMRC) have issued strong warnings about pension scams and the potential risks of taking up offers which claim to be able to release cash from your pension before you reach age 55 or in larger quantities than are currently allowed under the law without a sizeable tax charge becoming payable (sometimes referred to as “pension liberation” “early pension release” or “pension loans”), and/or to offer higher investment returns than normally expected.

The Pensions Regulator has launched a new campaign calling on trustees, providers and administrators to do everything they can to protect scheme members from scammers to take the pledge. We have taken the pledge. By taking the pledge, we want to show you we are determined to tackle scams and will continue to follow the principles issued by the Regulator.

You can find more information about the consequences of these offers from the Scheme’s administrator. A copy of the Pensions Regulator’s leaflet “Thinking of doing something with your pension pot?” is available, so that you can be aware of the warning signs of pension scams.

You can also find an online tool to help you to identify a pension scam on the Financial Conduct Authority website at <https://www.fca.org.uk/scamsmart> . This will give you some guidance on identifying a potentially bad pension investment, help you to recognise the signs of a pension scam and provide you with some next steps based on your answers.

If you decide to transfer your benefits from the Scheme, upon receipt of fully completed transfer forms, all requests are referred to the XPS Anti Scam Hub. They will then arrange a call to discuss your transfer and identify whether there are any warning signs of a pension scam. Should any warning sign(s) be identified, your case will be referred to the Trustee for review and may require some additional confirmation from you.

GMP EQUALISATION

Further to the 2018 judgement in respect of GMP equalisation, on 20 November 2020 the High Court ruled that schemes would need to revisit individual transfer payments made since May 1990.

Those members affected by these judgements will be contacted in due course.

INFORMATION

If you require any information about the Scheme or you would like a copy of the more detailed disclosure report, please refer to the Comet Pensions website at www.comet-pensions.co.uk or ask:

**XPS Administration
Limited**

Scheme Administrator
or

**Ann Geer
Secretary to the Trustee**

cometadmin@xpsgroup.com

☎ 0118 918 5098

Albion, Fishponds Rd, Wokingham, Berks RG41 2QE

ann.geer@psgovernance.com

Forbury Works, 37-43 Blagrove Street, Reading, Berks RG1 1PZ

Issued by the Trustee – December 2022