

Comet Pension Scheme

May 2021

Dear Member,

Letter on behalf of the Scheme Trustee

I last wrote to you in November 2020 with an update on the Scheme's funding position and operations. On behalf of the Trustee, I am now pleased to update you further on the Scheme's recovery and the impact of COVID-19 on our funding position and our corporate sponsor.

The Scheme Funding Position

You may recall from my updates last year that the Scheme's funding position had been temporarily affected by market conditions, particularly in March 2020. However, I was able to report last November that the Scheme's funding had recovered back to just over 100% as market conditions improved and the potential impact of the pandemic became better known.

I am now able to report that as at 31 March 2021, on an unaudited basis, the Scheme's funding position has improved to be an estimated surplus (on the normal technical provisions basis) of approximately £31 million, giving a funding level of 106%. Once our financial position has been audited, the Trustee will send you its regular Annual Funding Statement to confirm the funding position, probably in late November.

Since I last reported to you, we now have the vaccines available to help reduce the worst effects of the virus and markets have continued to improve but remain quite volatile from period to period. There is still a very long way to go in many of the less well-developed nations regarding the global vaccination programme, which must be a success on a global basis for the continued effects of the virus to be minimised on us all; and so, the Trustee will continue to remain cautious about investment returns generally and its approach to investment strategy.

Our Sponsor

As previously reported to you, the Trustee and its covenant adviser, Ernst & Young LLP, have been actively communicating with our Sponsor, Fnac Darty, to understand what actions the group has taken to help mitigate the economic impact of the COVID-19 virus on its operations and financial position.

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As you know, I was able to report to you that Fnac Darty Group had traded successfully once its stores re-opened in May 2020 and that the group announced encouraging third quarter sales. Since then, the group has announced its full year results and despite some impact of further lockdowns in all of its markets, especially in France, the group has announced good sales for the all-important fourth quarter including Xmas, with +9.6% like-for-like sales over that quarter.

This meant that for the 12 months as a whole, total reported sales rose by 1.9% and overall net income from continuing operations for 2020 amounted to €96 million, down only €19 million on 2019. One primary reason for this success is the strength of Fnac Darty's omnichannel model with a growth of more than 55% in online sales, a gain of more than 5 million new active online customers and an increase of close to 30% in the volume of Click & Collect orders processed in the year.

In the circumstances of the pandemic, these are excellent results and the Trustee is encouraged by the strength of the Fnac Darty Group management and the resilience and ability of its staff to address the challenges of operating a retail business during such unprecedented times.

In addition, the group was able to repay the €500 million French state-guaranteed loan obtained from its banks in April 2020 and that due to the strength of its operations was not used. Furthermore, since the year end the group has been able to issue a new convertible bond and both increase and extend its existing revolving credit facility ("RCF"), giving it the option of extending this facility out to March 2028. This is a significantly improved financial position since my last communication with you.

The pandemic remains the key unknown variable with, for example, stores in France only reopening on 19 May 2021 following the latest lockdown and the vaccination programme in France running behind the UK. As always, the Trustee will continue to monitor regularly the strength of our sponsor's covenant with its covenant adviser, Ernst & Young LLP.

Our Scheme Administration and paying benefits

As previously advised, the Trustee has ensured all of its advisers and our administrators have successfully implemented their business continuity plans in response to the restrictions imposed as a result of the COVID-19 virus. And, we can report that it has been and continues to be very much business as usual, albeit some things may continue to take a little bit longer to undertake than usual due to the continued effects of remote working.

In accordance with guidance for pension scheme trustees generally, we will continue to prioritise our collective ability to ensure we are able to pay member benefits. Whether these are our current pensioner payroll, new retirements for members, or sadly the payment of death benefits.

Comet Pension Scheme

Once again, the Trustee continues to urge all members to please be aware of the heightened risk of pension scams in relation to accessing your pension benefits, whether through taking a transfer to another pension scheme arrangement or taking early retirement to access a tax-free lump sum.

If anyone approaches you and suggests that now is a good time to transfer due to the COVID-19 crisis, please be mindful that there are unscrupulous individuals trying to take advantage of people at this uncertain time. The government has banned cold calling in relation to pensions and so if anyone calls you out of the blue in relation to your pension, you should be aware that there is a high risk that it could be a scam.

For this reason, we urge you to exercise extreme caution and visit www.fca.org.uk/scamsmart which has guidance relating to how to avoid scams generally and also specifically in relation to COVID-19. Useful information, particularly if you are approaching retirement, or have had your pension affected by the current economic conditions can also be found at www.pensionsadvisoryservice.org.uk/about-pensions/when-things-change/coronavirus-how-will-this-affect-my-pension-or-investments". Our administrator has also updated their COVID-19 information sheet and a copy is attached for reference.

Brexit

Since I last wrote to you, and as you all know, Brexit has now been implemented. Apart from the very few pensioner members who live in Europe and have had to rearrange their UK bank account facility for the continued receipt of their pension payments, the UK's exit from the EU has had no impact on our Scheme's operations or activities; and the Trustee is not expecting this to change in the foreseeable future.

A copy of this letter and other Scheme information can be found on our website <https://www.comet-pensions.co.uk/> . If you require any scheme information, then please check our website before contacting the Scheme administration team.

Kind regards,

Ian Edwards
Chairman of Trustee