

# COMET PENSION SCHEME

## Report and Financial Statements for the year ended 31 March 2024

Scheme Registration No: 10269876



Phoenix House, 1 Station Hill, Reading RG1 1NB

XPS Administration is a trading name of XPS Administration Limited  
Registered No. 9428346. Registered Office: Phoenix House, 1 Station Hill, Reading RG1 1NB  
Part of XPS Pensions Group

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# COMET PENSION SCHEME

<b>TRUSTEE AND ADVISERS</b>	
<b>Trustee:</b>	Comet Trustee Company Limited
<b>Company Secretary:</b>	Wayne Phelan
<b>Trustee Directors:</b>	Ian Edwards – Chairman * James Arnold Jon Herzberg Frederic Jaillard Nicholas Marsh * Victoria Milford  * <i>Member Nominated</i>
<b>Secretary to the Trustee:</b>	Vidett Ltd Forbury Works 37-43 Blagrove Street Reading RG1 1PZ
<b>Scheme Actuary:</b>	Steve Leake XPS Pensions Limited Tempus Court Onslow Street Guildford GU1 4SS
<b>Independent Auditor:</b>	BDO LLP 31 Chertsey Street Guildford Surrey GU1 4HD
<b>Legal Advisers:</b>	Eversheds Sutherland Limited Two New Bailey 6 Stanley Street Salford M3 5GX
<b>Bankers:</b>	Bank of Scotland plc The Mound Edinburgh EH1 1YZ
<b>Investment Manager and Investment Consultants:</b>	Schroders IS Limited 1 London Wall Place London EC2Y 5AU
<b>Custodians:</b>	CACEIS Bank Broadwalk House 5 Appold Street London EC2A 2DA
<b>Consultants &amp; Administrators:</b>	XPS Administration Limited Phoenix House 1 Station Hill Reading RG1 1NB

# COMET PENSION SCHEME

## TRUSTEE AND ADVISERS (continued)

<b>Investment Governance Advisers:</b>	IC Select Limited 14-18 Hill Street Edinburgh EH2 3JZ	
<b>Principal Employer:</b>	Darty Limited 4th Floor Phoenix House 1 Station Hill Reading RG1 1NB	
<b>Covenant Advisers:</b>	Ernst & Young LLP 1 More London Place London SE1 2AF	
<b>AVC Providers:</b>	The Standard Life Assurance Company 30 Lothian Road Edinburgh EH1 2DH	(Until 28 February 2024)
	The Prudential Assurance Company Limited 10 Fenchurch Avenue London EC3M 5AG	(Until 5 March 2024)
	Santander Corporate Banking Sutherland House Russell Way Crawley RH10 1UH	(Until 4 March 2024)



# COMET PENSION SCHEME

## TRUSTEE'S REPORT FOR THE YEAR ENDED 31 MARCH 2024

The Trustee presents to the members its annual report and financial statements for the year ended 31 March 2024.

### ***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.

### **Pensions Schemes Act 1993 - SECTION 37**

The Virgin Media Ltd v NTL Pension Trustees decision, handed down by the High Court on 16 June 2023, considered the implications of section 37 of the Pension Schemes Act 1993. Section 37 of the Pension Schemes Act 1993 only allowed the rules of contracted-out schemes in respect to benefits, to be altered where certain requirements were met. The court decision was upheld on appeal on 25 July 2024. There is potential for legislative intervention following industry lobbying efforts that may retrospectively validate certain rule amendments. The Trustee has no reason to believe that there is a material impact on the financial statements. Having consulted with its advisors, the Trustee has determined that there is no immediate need for action, but the Trustee will monitor developments. The conclusion has not changed following the appeal outcome.

# COMET PENSION SCHEME

## TRUSTEE'S REPORT FOR THE YEAR ENDED 31 MARCH 2024 (continued)

### Membership

The following summarises the changes during the year to the number of members of the Scheme:

	Deferred Members	Pensioners	Total
<b>Number of members at 31 March 2023</b>	<b>2,580</b>	<b>2,174</b>	<b>4,754</b>
Adjustment in respect of late notifications	-21	-16	-37
Retirements	-81	81	-
Transfers out	-3	-	-3
Trivial commutations	-7	-2	-9
New Pension Credit Member	1	-	1
Deceased	-5	-35	-40
New spouse/dependants	-	11	11
Spouse/dependants pensions ceased	-	-1	-1
<b>Number of members at 31 March 2024</b>	<b><u>2,464</u></b>	<b><u>2,212</u></b>	<b><u>4,676</u></b>

*Note: Included in the above pensioners are 229 (2023: 236) dependent pensioners.*

### 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:

	2024	2023
	%	%
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.

### 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 2024.

However, the Trustee has been responsible for monitoring the performance of the AVC arrangements it offers and making sure that they are cost effective and offer value for money for our members. During the year, the Scheme had members in three AVC arrangements through the Prudential, Santander, and Standard Life.

The Trustee undertook a review to see if it can simplify this and improve the AVC offering. Following an extensive investigation into the options available, with help from its advisers, the Trustee has chosen the Standard Life Master Trust (the Master Trust). The Master Trust is authorised and supervised by the Pensions Regulator.

A Master Trust is managed by its own Trustee board and works by looking after member pension savings on behalf of a number of employers. This means that members can benefit from a wider range of investment options and retirement choices than those that were available from the AVC arrangements within the Scheme.

All members' AVCs have therefore been transferred into the Master Trust; they have been invested in the Standard Life Sustainable Multi-Asset Lump Sum Strategic Lifestyle Profile (the Default strategy). This gradually moves savings into cash investments in the approach to a members' target retirement age, which not only matches how it is expected most members will want to use their AVCs at retirement, but also helps to protect the value of their savings. The transfer was completed by the end of March 2024.

# COMET PENSION SCHEME

## TRUSTEE'S REPORT FOR THE YEAR ENDED 31 MARCH 2024 (continued)

### ***Financial Development of the Scheme***

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

	£'000s
Net assets at 31 March 2023	398,719
Net withdrawals from dealings with members	(19,648)
Net returns on investments	812
Net assets at 31 March 2024	<u>379,883</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.

Net withdrawals from dealings with members includes the transfer of members AVC's to the Standard Life Master Trust in March 2024 amounting to £3,969,000.

### ***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. At the date of signing these financial statements the Trustee believes that the Scheme is able to comfortably cover its outgoings until at least twelve months from signing.

The Scheme funding position carried out as at 31 March 2022 indicated that the funding level of the Scheme was 109% at that date. This has since improved to 115% as at 31 March 2024. 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.

The latest independent review of the strength of the employer covenant was carried out by EY and presented to the Trustee in June 2024. EY's report concluded that the Covenant supporting the Scheme remains in the 'Tending To Strong' band, with a slight strengthening within the band due to improvements in the Scheme funding and in the financial flexibility of Groupe Fnac SA.

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.

# COMET PENSION SCHEME

## TRUSTEE'S REPORT FOR THE YEAR ENDED 31 MARCH 2024 (continued)

### **Enquiries**

All enquiries about the Scheme and individual benefit entitlements should be addressed to the Scheme Trustee

c/o XPS Administration Limited  
PO Box 562  
Middlesbrough TS1 9JA  
Email: [CometAdmin@xpsgroup.com](mailto:CometAdmin@xpsgroup.com)

### **MoneyHelper**

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

MoneyHelper  
Bedford Borough Hall  
138 Cauldwell Street  
Bedford MK42 9AP  
Tel: 0800 011 3797  
Email: [pensions.enquiries@moneyhelper.org.uk](mailto:pensions.enquiries@moneyhelper.org.uk)  
Website: [www.moneyhelper.org.uk](http://www.moneyhelper.org.uk)

### **Pensions Ombudsman**

If you have a complaint concerning your Scheme pension arrangements, you should first make a formal complaint to the Scheme Trustee. Complaints should be addressed to the Scheme Trustee at the address above under Enquiries.

If you are unhappy with the response, you can refer your complaint to The Pensions Ombudsman free of charge. The Pensions Ombudsman deals with complaints and disputes which concern the administration and/or management of occupational and personal pension schemes.

Contact with The Pensions Ombudsman about a complaint needs to be made within three years of when the event(s) you are complaining about happened – or, if later, within three years of when you first knew about it (or ought to have known about it). There is discretion for those time limits to be extended.

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](mailto:enquiries@pensions-ombudsman.org.uk)  
Website: [www.pensions-ombudsman.org.uk](http://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](mailto:customersupport@tpr.gov.uk)  
Website: [www.thepensionsregulator.gov.uk](http://www.thepensionsregulator.gov.uk)

## TRUSTEE'S REPORT FOR THE YEAR ENDED 31 MARCH 2024 (continued)

### ***The Pension Scheme Registry***

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

Pension Tracing Service  
The Pension Service  
Post Handling Site A  
Wolverhampton WV98 1AF  
Tel: 0800 731 0193  
Website: [www.gov.uk/find-lost-pension](https://www.gov.uk/find-lost-pension)

### ***Data Protection***

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

# COMET PENSION SCHEME

## INVESTMENT REPORT FOR THE YEAR ENDED 31 MARCH 2024

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 page 36 and is also available on [www.comet-pensions.co.uk](http://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](http://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 has entered into an Investment Management Agreement with Schroders Solutions Investments Limited ('Schroders Solutions') as the investment manager of the portfolio of the Scheme's assets and investments.

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

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

### Liability Hedging Assets (LHA)

The LHA is invested in a portfolio of directly held gilts, which is expected to move closely in line with the rise and fall in liability values, thus providing a degree of protection to the Scheme's funding position.

The 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.

# COMET PENSION SCHEME

## INVESTMENT REPORT FOR THE YEAR ENDED 31 MARCH 2024 (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 2024 (%)	31 March 2023 (%)
Equities	25	65	47.3	41.8
Property	-	10	5.6	8.0
Return Seeking Credit	-	35	17.6	20.5
Commodities	-	15	1.1	-
Alternatives	-	30	17.0	17.2
Cash & Sovereign Bonds	-	40	11.4	12.5
<b>Total</b>			<b><u>100.0</u></b>	<b><u>100.0</u></b>

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 %
<b>Growth Assets</b>	11.1	2.8
Objective	9.2	6.8
<b>Relative</b>	1.9	(4.0)
<b>Total Portfolio</b>	0.3	(11.2)
Objective	(3.2)	(9.1)
<b>Relative</b>	3.5	(2.1)

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 2024 (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 therein and in accordance with subsection (2) of Section 36 of the Pensions Act 1995.

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

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

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

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

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

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

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

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

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



## INVESTMENT REPORT FOR THE YEAR ENDED 31 MARCH 2024 (continued)

### Financially material investment considerations

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

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

### Non-financial matters

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

### Market background

During the first part of the 12-month period investor focus was primarily on rising inflation and the policy response from major central banks. There were fears that rising interest rates could lead to recession. However, global economic growth generally remained resilient, particularly in the US.

Towards the end of 2023, inflation readings in major developed market economies began to soften. This led to hopes that interest rates may have plateaued and could soon fall in 2024. Markets began to price in a series of interest cuts. However, as 2024 progressed, inflation proved to be stickier than expected and markets were forced to push back both the timing and extent of rate cuts, especially in the US.

Meanwhile, Chinese data showed that the economic recovery post the re-opening after the pandemic was weaker than many had hoped. China's property sector was a particular area of concern amid worries some large developers may face default.

Global shares posted strong gains over the 12-month period, shrugging off concerns about higher-for-longer interest rates and risks to growth. The MSCI World index returned 25.1% (in US dollar terms).

An important theme in the period was enthusiasm for stocks with exposure to Artificial Intelligence (AI). Japanese shares performed particularly well in local currency terms following a call from Tokyo Stock Exchange for companies to focus on improving their corporate governance and achieving higher valuations.

Emerging market equities lagged their developed peers. The MSCI EM index returned 8.2% (in US dollars).

For most of 2023, yields rose across major government bond markets as investors discounted a succession of interest rate hikes from the central banks to tackle above target inflation. From November, easing inflationary pressures convinced investors that interest rates had peaked and triggered a sharp rally in bond markets into the year end. But this began to reverse in 2024 as sticky inflation made rate cuts a more distant prospect. Over the 12-month period, the 10-year US Treasury yield rose from 3.48% to 4.21%. Over the 12-month period, the 10-year UK Treasury yield rose from 3.49% to 3.94%.

Japan was an outlier in terms of the interest rate picture. In early 2024, the Bank of Japan increased interest rates from -0.1% to 0.1%. This signalled an end to negative rates and was the first Japanese rate hike in 17 years.

# 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

9 April 2024

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

### Trustees' responsibilities in respect of the financial statements

The financial statements, which are prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including the Financial Reporting Standard applicable in the UK and Republic of Ireland ('FRS 102'), are the responsibility of the Trustees. Pension scheme regulations require, and the Trustees are responsible for ensuring, that those financial statements:

- 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 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 making a statement whether the financial statements have been prepared in accordance with the relevant financial reporting framework applicable to occupational pension schemes

In discharging these responsibilities, the Trustees are responsible for selecting suitable accounting policies, to be applied consistently, making any estimates and judgements on a prudent and reasonable basis, and for ensuring that the financial statements are prepared on a going concern basis unless it is inappropriate to presume that the Scheme will continue as a going concern.

The Trustees are also responsible for making available certain other information about the Scheme in the form of an annual report.

The Trustees also have a general responsibility for ensuring that 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.

The Trustees are also responsible for the maintenance and integrity of the [www.comet-pensions.co.uk](http://www.comet-pensions.co.uk) website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

### Trustees' responsibilities in respect of contributions

The Trustees are responsible under pensions legislation for preparing, and from time to time reviewing and if necessary revising, a schedule of contributions showing the rates of contributions payable to the Scheme by or on behalf of the employer and the dates on or before which such contributions are to be paid.

The Trustees are also responsible for keeping records in respect of contributions received in respect of any active member of the Scheme and for adopting risk-based processes to monitor whether contributions that fall due to be paid are paid into the Scheme in accordance with the schedule of contributions. Where breaches of the schedule occur, the Trustees are required by the Pensions Acts 1995 and 2004 to consider making reports to the Pensions Regulator and to members.

## 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:

23 October 2024

.....  
Ian Edwards

**Trustee Director**

.....

**Date**

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

### Opinion on the financial statements

In our opinion the financial statements:

- show a true and fair view of the financial transactions of the Scheme during the year ended 31 March 2024 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 2024 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 THE COMET PENSION SCHEME (continued)

### Responsibilities of the 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 show 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.
- Performing analytical procedures to identify unusual or unexpected relationships that may indicate risks of material misstatement due to fraud.

# COMET PENSION SCHEME

## INDEPENDENT AUDITOR'S REPORT TO THE TRUSTEE OF THE 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)*

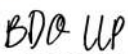
Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by,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

23 October 2024

Date: .....

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 2024

	Note	2024 £'000s	2023 £'000s
<b>CONTRIBUTIONS AND BENEFITS</b>			
Employer contributions	4	-	296
<b>Total contributions</b>		-	296
Other income	5	-	1
		-	297
Benefits paid or payable	6	(13,912)	(12,653)
Payments to and on account of leavers	7	(4,585)	(2,255)
Administrative expenses	8	(1,151)	(306)
		(19,648)	(15,214)
<b>NET WITHDRAWALS FROM DEALINGS WITH MEMBERS</b>		(19,648)	(14,917)
<b>RETURNS ON INVESTMENTS</b>			
Investment income	9	16,191	18,875
Change in market value of investments	11	(15,065)	(174,875)
Investment management expenses	10	(314)	(989)
<b>NET RETURNS ON INVESTMENTS</b>		812	(156,989)
<b>NET DECREASE IN THE FUND FOR THE YEAR</b>		(18,836)	(171,906)
<b>OPENING NET ASSETS</b>		398,719	570,625
<b>CLOSING NET ASSETS</b>		379,883	398,719

The notes on pages 21 to 33 form part of these financial statements.



# COMET PENSION SCHEME

## STATEMENT OF NET ASSETS (AVAILABLE FOR BENEFITS)

At 31 March 2024

	Note	2024 £'000s	2023 £'000s
<b>INVESTMENT ASSETS</b>			
Bonds	11	151,436	176,749
Pooled investment vehicles	12	193,498	228,796
Derivatives	13	25,952	21,712
AVC investments	14	-	4,019
Cash deposits	11	33,821	9,155
Other investment balances	15	2,347	420
		<u>407,054</u>	<u>440,851</u>
<b>INVESTMENT LIABILITIES</b>			
Derivatives	13	<u>(28,133)</u>	<u>(44,608)</u>
<b>TOTAL NET INVESTMENTS</b>		378,921	396,243
<b>CURRENT ASSETS</b>	19	1,570	2,937
<b>CURRENT LIABILITIES</b>	20	<u>(608)</u>	<u>(461)</u>
<b>CLOSING NET ASSETS</b>		<u><u>379,883</u></u>	<u><u>398,719</u></u>

The notes on pages 21 to 33 form part of these financial statements.

The financial statements summarise the transactions of the Scheme and deal with the net assets at the disposal of the Trustee. They do not take account of obligations to pay pensions and benefits which fall due after the end of the Scheme year. The actuarial position of the Scheme, which takes into account such obligations, is dealt with in the Report on Actuarial Liabilities on page 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  
.....  
**Trustee Director**

23 October 2024  
.....  
**Date**

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2024

### 1. BASIS OF PREPARATION

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

The financial statements have been prepared on the going concern basis. As noted in the Trustee's Report on page 6, the Trustee of the Scheme has made an assessment on going concern and given the funding position and the support from the Principal Employer, the Trustee concludes that the Scheme retains sufficient liquidity that the going concern basis remains appropriate for the foreseeable future and at the very least for the next twelve months. The latest employer covenant completed in 2022 assessed the covenant as "strong", and the position continues to be monitored by the Trustee. A review of the employer covenant completed in June 2024 produced a consistent assessment.

### 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, PO Box 562, Middlesbrough, TS1 9JA.

### 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.

#### (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.

# COMET PENSION SCHEME

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### ACCOUNTING POLICIES (continued)

For the year ended 31 March 2024

**(f) Investments (continued)**

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 (£'000s).

**(i) Critical Accounting**

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

## 4. CONTRIBUTIONS

	2024 £'000s	2023 £'000s
Employer contributions		
Expenses	-	296

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.

# COMET PENSION SCHEME

## NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2024

### 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.

Under the Schedule of Contributions certified by the Scheme actuary on 9 April 2024, any VAT refunded by HMRC in respect of expenses paid by the Trustee from the assets of the Scheme will be held by the Employer for a period of up to 4 years from the date of the refund, pending payment to the Scheme.

<b>5. OTHER INCOME</b>	2024 £'000s	2023 £'000s
Transfer calculation fees	-	1
	<u>-</u>	<u>1</u>
<b>6. BENEFITS PAID OR PAYABLE</b>	2024 £'000s	2023 £'000s
Pensions	10,949	10,219
Commutation of pensions and lump sum retirement benefits	2,952	2,333
Lump sum death benefits	11	-
Refunds of contributions on death	-	101
	<u>13,912</u>	<u>12,653</u>
<b>7. PAYMENTS TO AND ON ACCOUNT OF LEAVERS</b>	2024 £'000s	2023 £'000s
Individual transfers out to other schemes	616	2,255
Group AVC transfer out to Master Trust	3,969	-
	<u>4,585</u>	<u>2,255</u>
<b>8. ADMINISTRATIVE EXPENSES</b>	2024 £'000s	2023 £'000s
Administration	346	-
Actuarial and consultancy fees	415	81
Legal fees	196	-
Trustee fees & expenses	70	-
Investment advice	19	24
Audit fees	39	-
PPF levy	62	196
Miscellaneous expenses	4	5
	<u>1,151</u>	<u>306</u>

As explained on page 5, In March 2024, all members' AVCs transferred into a Standard Life Master Trust.

In accordance with the Schedule of Contributions certified by the Scheme actuary on 24 January 2023, 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.

# COMET PENSION SCHEME

## NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2024

<b>9. INVESTMENT INCOME</b>	2024 £'000s	2023 £'000s
Income from bonds	1,553	1,503
Income from pooled investment vehicles	17,815	17,400
Interest on cash deposits	540	188
Gains/(losses) on foreign exchange	-	(216)
Swap income paid	(3,717)	-
	<u>16,191</u>	<u>18,875</u>

<b>10. INVESTMENT MANAGEMENT EXPENSES</b>	2024 £'000s	2023 £'000s
Investment fees - management & custody	<u>314</u>	<u>989</u>

<b>11. RECONCILIATION OF INVESTMENTS</b>	Value at 31.03.2023 £'000s	Purchases at cost and derivative payments £'000s	Sales proceeds and derivative receipts £'000s	Change in market value £'000s	Value at 31.03.2024 £'000s
Bonds	176,749	149,300	(161,314)	(13,299)	151,436
Pooled investment vehicles	228,796	50,812	(86,470)	360	193,498
Derivatives	(22,896)	28,252	(5,221)	(2,316)	(2,181)
AVC investments	<u>4,019</u>	<u>-</u>	<u>(4,163)</u>	<u>144</u>	<u>-</u>
	386,668	<u>228,364</u>	<u>(257,168)</u>	(15,111)	342,753
Cash deposits	9,155			46	33,821
Other investment balances	<u>420</u>			<u>-</u>	<u>2,347</u>
	<u>396,243</u>			<u>(15,065)</u>	<u>378,921</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.

## NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2024

### 12. POOLED INVESTMENT VEHICLES

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

	2024 £'000s	2023 £'000s
Bond funds	96,027	111,825
Hedge funds	13,810	18,709
Diversified funds	6,718	10,304
Property funds	8,523	13,382
Equity funds	68,126	57,995
Cash funds	294	16,581
	<u>193,498</u>	<u>228,796</u>

At the year-end, the Scheme had an undrawn commitment of £20,550 (2023: £448,801), relating to Equitix Fund VI.

### 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:

	2024 Asset £'000s	2024 Liability £'000s	2023 Asset £'000s	2023 Liability £'000s
Swaps	15,602	20,979	15,447	40,135
Options	10,210	7,050	6,149	3,958
Forward foreign exchange contracts	140	104	116	515
	<u>25,952</u>	<u>28,133</u>	<u>21,712</u>	<u>44,608</u>
	<u>(2,181)</u>		<u>(22,896)</u>	

# COMET PENSION SCHEME

## NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2024

### 13. DERIVATIVES (continued)

#### Swaps

Nature	Expiration	Notional principal £'000s	Asset £'000s	Liability £'000s
Interest rate swaps (OTC)	1 to 16 years	107,308	11,327	18,145
Inflation swaps (OTC)	1 to 9 years	32,569	1,985	1,988
Total return swaps (OTC)	Up to 1 year	53,830	2,290	846
Total 2024			15,602	20,979
Total 2023			15,447	40,135

At the year-end the Scheme held £2,996k (2023: £nil) of collateral belonging to the counterparty. This collateral is not reported within the Scheme's net assets.

At the year-end the Scheme posted £5,974k (2023: £25,024k) of UK Government gilts as collateral belonging to the Scheme.

#### Options

Type	Expiration	Underlying Investment	No of outstanding contracts	Asset £'000s	Liability £'000s
Call	12 months	NKY Index	8	2,393	1,684
Put	12 months	NKY Index	4	-	38
Call	12 months	SPX Index	14	6,488	4,504
Put	12 Months	SPX Index	5	-	75
Call	12 months	SX5E Index	4	1,329	728
Put	12 months	SX5E Index	2	-	21
Total 2024				10,210	7,050
Total 2023				6,149	3,958

#### Forward Foreign Exchange

Contract	Settlement Date	Currency bought	Currency sold	Asset £'000s	Liability £'000s
Forward OTC	Under 1 month	£5,480,468	€5,454,422	26	-
Forward OTC	Under 1 month	£1,695,277	¥1,650,583	45	-
Forward OTC	Under 1 month	£27,321,763	\$27,417,364	6	101
Forward OTC	Under 1 month	\$10,385,096	£10,445,734	63	3
Total 2024				140	104
Total 2023				116	515

# COMET PENSION SCHEME

## NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2024

### 14. AVC INVESTMENTS

As explained on page 5, all AVCs have been transferred to the Standard Life Master Trust.

	2024 £'000s	2023 £'000s
The Standard Life Assurance Company	-	390
Santander Corporate Banking	-	15
The Prudential Assurance Company Limited	-	3,614
	<u>-</u>	<u>4,019</u>

### 15. OTHER INVESTMENT BALANCES

	2024 £'000s	2023 £'000s
Dividends and interest receivable	378	420
Cash in transit	<u>1,969</u>	<u>-</u>
	<u>2,347</u>	<u>420</u>



# COMET PENSION SCHEME

## NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2024

### 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 2024				
	Level 1 £000's	Level 2 £000's	Level 3 £000's	Total £000's
Bonds	151,436	-	-	151,436
Pooled investment vehicles	30,557	145,849	17,092	193,498
Derivatives	-	(2,181)	-	(2,181)
AVC investments	-	-	-	-
Cash	33,821	-	-	33,821
Other investment balances	2,347	-	-	2,347
	<u>218,161</u>	<u>143,668</u>	<u>17,092</u>	<u>378,921</u>

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>

### 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.

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2024

### 17. INVESTMENT RISK DISCLOSURES (continued)

The Trustee determines its investment strategy after taking advice from its professional investment consultant. 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, and were transferred out of the Scheme before the year end.

#### Investment strategy

The Trustee's long-term objective for the Scheme is to target an investment return objective of approximately 1.75% 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 (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 40% Growth Assets/40% 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.

#### 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 £151.4m (2023: £176.7m) in directly held bonds, -£2.2m (2023: -£22.9m) in OTC derivatives and £35.8m (2022: £9.2m) in directly held cash balances. The Scheme also holds £95.5m (2023: £128.4m) 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.

# COMET PENSION SCHEME

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2024

### 17. INVESTMENT RISK DISCLOSURES (continued)

#### Credit risk (continued)

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 20% 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).

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 2024 £'000s	31 March 2023 £'000s
Exchange Traded Fund (ETF)	29,656	14,188
Investment Company with Variable Capital (ICVC)	9,904	13,130
Limited Liability Company	4,716	6,054
Exchange Traded Commodities (ETC)	900	-
Mutual Fund	43,355	47,176
Open Ended Investment Company (OEIC)	86,931	115,044
Société d'Investissement à Capital Variable (SICAV)	7,573	9,654
Unit Trust	4,547	13,644
Cayman Islands Exempted Company	-	2,395
Limited Partnership	5,916	5,459
Closed Ended Fund of a Hedge Fund	-	2,052
<b>Total</b>	<b>193,498</b>	<b>228,796</b>

#### 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, 3.6% of the Scheme's holdings were exposed to overseas currencies as at year-end (2023: 8.7%).

# COMET PENSION SCHEME

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2024

### 17. INVESTMENT RISK DISCLOSURES (continued)

#### 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:

£'000s	2024	2023
<b>Direct</b>		
Bonds	151,436	176,749
Swaps	(5,377)	(24,687)
<b>Indirect</b>		
Bond PIV	95,221	111,825
Cash PIV	294	16,581

Please note clean values have been used where applicable.

#### Other price risk

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

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

£'000s	2024	2023
<b>Direct</b>		
S&P/Call Equity Options	3,160	2,191
<b>Indirect</b>		
Equity PIVs	68,126	57,995
Property PIVs	8,523	13,382
Alternatives PIVs	20,536	29,014

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:

	2024		2023	
	£'000s	%	£'000s	%
Insight Investment Maturing Buy & Maintain Bond Fund 2026-2030 Class B GBP Inc	41,767	11.0	40,394	10.1
BNY Mellon (Schroders Solutions) Global Equity Fund	39,087	10.3	39,251	9.8
Insight Investment Maturing Buy & Maintain Bond Fund 2021-2025 Class B GBP Inc	23,759	6.3	37,165	9.3

# COMET PENSION SCHEME

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2024

<b>19. CURRENT ASSETS</b>	2024 £'000s	2023 £'000s
Bank balance	1,570	2,649
Due from employer	-	288
	<u>1,570</u>	<u>2,937</u>

The balance due from the employer is in respect of an over accrual of expenses in the prior year which the Principal Employer reimbursed the Scheme for.

<b>20. CURRENT LIABILITIES</b>	2024 £'000s	2023 £'000s
Unpaid benefits	184	149
Accrued expenses	283	205
Tax payable	141	107
	<u>608</u>	<u>461</u>

## **21. RELATED PARTIES**

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

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

The Chairman receives a fee from the Principal Employer and since October 2014 the Company has also paid fees to the other Trustee Directors, excluding F Jaillard. A total of £39,000 p.a. (2023: £39,000) is paid for their services.

Trustee Fees and expenses were paid in the amount of £70k by the Scheme, in 2023 Trustee fees and expenses were paid in the amount of £70k by the Company. At the year-end a creditor balance of £11k (2023: £Nil) is due to be paid.

## **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

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2024

### **23. PENSION SCHEMES ACT 1993 - SECTION 37**

The Virgin Media Ltd v NTL Pension Trustees decision, handed down by the High Court on 16 June 2023, considered the implications of section 37 of the Pension Schemes Act 1993. Section 37 of the Pension Schemes Act 1993 only allowed the rules of contracted-out schemes in respect to benefits, to be altered where certain requirements were met. The court decision was upheld on appeal on 25 July 2024. There is potential for legislative intervention following industry lobbying efforts that may retrospectively validate certain rule amendments. The Trustee has no reason to believe that there is a material impact on the financial statements. Having consulted with its advisors, the Trustee has determined that there is no immediate need for action, but the Trustee will monitor developments. The conclusion has not changed following the appeal outcome.

# 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 2024 to which this report is attached on page 35.

In our opinion, contributions for the year ended 31 March 2024 as reported in the Summary of contributions and payable under the Schedule of Contributions has in all material respects been paid at least in accordance with the Schedule of Contributions certified by the Scheme Actuary 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 Schedule of Contributions. This includes an examination, on a test basis, of evidence relevant to the amounts of contributions payable to the Scheme and the timing of those payments under the Schedule of Contributions.

### Responsibilities of the Trustee


As explained more fully in the Statement of Trustee's Responsibilities set out on page 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. The Trustee is also responsible for keeping records in respect of contributions received and for monitoring whether contributions are made to the Scheme by the employer in accordance with the Schedule of Contributions.

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

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

### Use of our Report

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

DocuSigned by:  
  
6D984F7FE0924BD...

**BDO LLP**

Statutory Auditor  
Guildford  
United Kingdom

Date 23 October 2024

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

# COMET PENSION SCHEME

## SUMMARY OF CONTRIBUTIONS PAID IN THE YEAR

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

	£'000s
Employer expense contributions	-
Reconciliation to the financial statements:	
Contributions paid under the Schedule of Contributions	-

This summary was approved by the Trustee on:

23 October 2024

Ian Edwards  
.....  
**Trustee Director**

.....  
**Date**



## IMPLEMENTATION STATEMENT

### 1. Introduction

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

The SIP was amended once during the year ending 31 March 2024, and the changes made were primarily to reflect the Trustee choosing to align their engagement priorities with those of the Scheme's Fiduciary Manager.

A copy of the current SIP signed and dated December 2023 can be found here [COMET PENSION SCHEME \(comet-pensions.co.uk\)](https://comet-pensions.co.uk)

This Implementation Statement covers the period from 1 April 2023 to 31 March 2024 (the "Scheme Year"). It sets out:

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

The latest guidance ("the **Guidance**") from the Department for Work and Pensions ("**DWP**") aims 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. With the help of the Scheme's Fiduciary Manager, to whom the Trustee delegated the implementation of its Stewardship policy, this Implementation Statement has been prepared to provide the details on how the Trustee has complied with the DWP's statutory guidance.

The Trustee uses the Fiduciary Management service of **Schroders IS Limited** as their Investment Manager (referred to as the "**Fiduciary Manager**" in the Implementation Statement). The Fiduciary Manager can appoint other investment managers (referred to as "**Underlying Investment Managers**") to manage part of the Scheme's assets, and investments with these managers are generally made via pooled funds, where the Scheme's investments are pooled with those of other investors.

A copy of this Implementation Statement is available on the following website: [Useful Documents and Forms | Comet Pension Scheme \(comet-pensions.co.uk\)](https://comet-pensions.co.uk)

## 2. How the Trustee's policies on stewardship have been followed over the Scheme Year

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The Trustee's Fiduciary Manager is a signatory to the *UK Stewardship Code* which sets high standards for those investing money on behalf of UK pensioners and savers. The Trustee expects the Fiduciary Manager's stewardship activities will result in better management of ESG and climate related risks and opportunities, which is expected to improve the long-term financial outcomes of the Scheme. Therefore, the Trustee's approach to stewardship is to delegate the stewardship activities to the Fiduciary Manager and as such the Trustee has aligned its stewardship priorities with the Fiduciary Manager's: **Climate Change, Natural Capital & Biodiversity and Human Rights**.

The UK Stewardship Code describes stewardship as *"the responsible allocation, management and oversight of capital to create long-term value ... leading to sustainable benefits for the economy, the environment and society."* Thus, the Fiduciary Manager's stewardship activities on behalf of the Trustee encompass a variety of tools, including portfolio ESG integration, manager research and selection, portfolio ESG metric monitoring and voting and engagement.

The Trustee takes responsibility for regularly reviewing the approach and stewardship policies of the Fiduciary Manager to ensure they are aligned with the Trustee's priorities and objectives. A copy of the Scheme's SIP has been provided to the Fiduciary Manager, who is expected to follow the Trustee's investment (including stewardship) policies when providing Fiduciary Management services.

As part of ongoing monitoring of how the Fiduciary Manager (FM) has exercised the Trustee's stewardship policy, the Trustee reviewed quarterly FM ESG updates during the Scheme Year, as well as the FM Annual ESG Report after the Scheme Year-end, before preparing this Implementation Statement. The quarterly ESG updates allow the Trustee to monitor the ESG characteristics of the Scheme's portfolio and thereby assess the Fiduciary Manager's allocation, management and oversight of the Scheme's capital. The annual ESG report details various areas concerning the Fiduciary Manager's ESG integration within the investments and stewardship activities over the previous calendar year.

The Trustee is satisfied that the expectations outlined in the SIP have been met, with the Fiduciary Manager taking the Trustee's stewardship policy and priorities into account as part of its stewardship activities and manager selection. Examples of how this has been evidenced over 2023, include:

- ❖ Exclusions of Global Norms Violators as part of the security selection process. This ensures a closer alignment of the Scheme's investments with the Trustee's stewardship priorities, as violators are generally viewed as causing significant harm to People or Planet.
- ❖ Incorporation of SustainEx™ scoring into the core equity allocation process, in both the initial screening process and as a constraint at a total portfolio level. SustainEx™ is Schroders' proprietary tool to translate social and environmental impacts into financial costs.
- ❖ Conducting manager research to identify value-adding, climate-aware equity funds to potentially allocate some of the Scheme's capital to, subject to further due diligence.
- ❖ Approval of a cash fund that offers improved environmental characteristics to the Scheme's existing cash fund, with equivalent cost and return track record. After carrying out appropriate due-diligence in early 2024, the Scheme's existing cash assets have now been invested in this fund.

- ❖ Annual assessment of Underlying Investment Managers' ESG ratings against a comprehensive internal ESG assessment framework. Lower-rated managers are categorised as either Red-Engagement or Red-Exclusion, requiring further engagement to improve their rating, or exclusion on the grounds of poor ESG credentials.
- ❖ Regular investment and operational due diligence on the Underlying Investment Managers to monitor voting and engagement policies concerning the Scheme's investments.
- ❖ Addition of voting and engagement examples to the quarterly ESG reporting provided to the Trustee, facilitating a more regular review throughout the year of the Underlying Investment Managers' stewardship activities.
- ❖ ESG integration throughout the portfolio, with Underlying Investment Manager and counterparty engagement carried out in Growth, Buy & Maintain and LDI portfolios. Some examples of the engagements which occurred over 2023 are detailed in a separate Engagement Report, available upon request.
- ❖ Introduction of new 'impact' metrics into quarterly reporting, such as Implied Temperature Rise (measuring the contribution of the Scheme's investments to global warming) and SustainEx™ scoring, to facilitate better Trustee oversight of the impacts of the Scheme's capital on the environment and society.

Considering the voting statistics and behaviour set out in this Implementation Statement, along with the engagement activity (detailed in a separate Engagement Report, available upon request) that took place on the Trustee's behalf during the Scheme Year within the growth asset portfolio, cashflow matching credit portfolio and the liability hedging portfolio, the Trustee 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:

- Each manager demonstrated high levels of voting rights being acted on, where voting is relevant.
- Where the holdings did not have voting rights attached, the Underlying Investment Managers showed they carried out a good level of engagement activity with the underlying companies over the Scheme Year.
- Challenge to management was demonstrated through votes by the Underlying Investment Managers against management.
- The Fiduciary Manager has carried out a high level of engagement activities with the Underlying Investment Managers, focussing on laggards and material allocations.
- The Fiduciary Manager has also carried out a high level of engagement with different governing bodies for the Liability Hedging mandate to ensure that the Scheme's liability hedging programme not only remained robust during the Gilt Crisis of Autumn 2022 and beyond, but the Fiduciary Manager also provided inputs to those governing bodies to ensure they continue to deliver even better outcomes for their clients, including the Scheme.

**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.**



## 3. Voting During the Scheme Year

The Trustee has delegated responsibility for voting on its behalf to the Fiduciary Manager and Underlying Investment Managers. Most voting rights associated with the Scheme's investments pertain to the underlying securities within the pooled funds managed by the Underlying Investment Managers. In a general meeting of a company issuing these securities, the Underlying Investment Managers exercise their voting rights according to their own policies, which the Fiduciary Manager may have influenced.

The pooled funds themselves often confer certain rights around voting or policies. These rights are exercised by the Fiduciary Manager on behalf of the Trustee, in line with the Trustee's stewardship policy.

### Voting by the Fiduciary Manager

Over the year to 31 March 2024, regarding clients' pooled fund investments<sup>1</sup>, the Fiduciary Manager voted on 90 resolutions across 16 meetings. The Fiduciary Manager voted against management on 5 resolution (5.6% of total resolutions) and abstained on 32<sup>2</sup> resolutions (35.6% of the total resolutions). The voting topics covered a range of areas, including executive board composition, investment management processes, fund documentation, auditor tenure and fund costs.

### Voting by the Underlying Investment Managers

#### Most Significant Votes

The following criteria must be met for a vote to be considered "significant":

1. Must relate to the **BNY Mellon (Schroder Solutions) Global Equity Fund**;
2. Must be defined as significant by the Fiduciary Manager; and
3. Must relate to the Trustee's three stewardship priority themes.

The **BNY Mellon (Schroder Solution) Global Equity Fund** constitutes more than 10% of the Scheme's Growth Asset portfolio and thus constitutes the majority of the Scheme's investments in equity assets – with equity being the main asset class that holds voting rights. Additionally, within the Scheme's Growth Asset portfolio, this is the only fund for which the Fiduciary Manager has responsibility over security selection. For these reasons, the voting activity associated with the securities in this fund holds particularly significant for the Scheme. From 1 January 2024, the proxy voting for this fund moved to Schroders' central ESG team which will ensure the voting policy going forward is guided by Schroders' **Engagement Blueprint** and therefore aligns with the Trustee's stewardship priorities.

Of the votes that satisfy these criteria, the Trustee has selected one vote relating to each of the priority themes that it deems most material to the long-term value of the investments. These votes are hereby defined as "most significant votes", and as per DWP guidance, the Trustee has communicated this definition of "most significant votes" to the Fiduciary Manager. All of the most significant votes over this Scheme Year have been reported below.

**CLIMATE CHANGE** - At the annual PACCAR Inc meeting on 25 April 2023, BNY Mellon voted in favour of the shareholder proposal for the Board of Directors to annually issue a report describing how the company's lobbying activities align with the goal of the Paris Agreement. This vote was considered "most significant" as it focuses on climate-related topics and the manager believes PACCAR is not transparent in disclosing their activities in this area. This vote failed, and Mellon will continue to engage with PACCAR and encourage them to disclose more information on lobbying generally, and specifically related to climate.

<sup>1</sup> The voting statistics provided pertain to the Fiduciary Manager's Model Growth portfolio and may not fully reflect the pooled fund investments held by the scheme.

<sup>2</sup> The Fiduciary Manager abstained from voting on these resolutions due to the presence of share blocking. If the Manager were to vote on a position, they would then be blocked from selling positions in the security from the voting deadline date until one day post meeting and, in the absence of an instruction from Investors, it is Schroders' policy to retain liquidity of the investment.

**NATURAL CAPITAL & BIODIVERSITY** - On 20 June 2023, BNY Mellon voted against a shareholder proposal for General Motors Company to report on setting sustainable sourcing targets. Mellon's rationale for voting against this proposal was due to their belief that the company has numerous existing initiatives addressing the items contained in the proposal, as well as top class disclosure on other sustainable sourcing data. This vote is considered "most significant" by the Trustee, as it focuses on the natural capital and biodiversity stewardship priority and the manager considers it to be significant since the company are already providing sufficient information in this area. The vote failed, and Mellon intend to continue engagement with General Motors to ensure that all disclosures are kept up to date and are focused on material concerns to the company and their long-term value.

**HUMAN RIGHTS** - At the Nike Inc. shareholder meeting on 12 September 2023, BNY Mellon voted against a shareholder proposal for the company to report on the effectiveness of supply chain management on equity goals and human rights commitments. BNY Mellon voted against the proposal as they believe the company's detailed disclosures already address the ask of the shareholder proposal and support of the proposal would not enhance the long-term shareholder value of the company as it would waste time and resources on information already provided. This vote relating to the Human Rights stewardship priority failed. Mellon will continue to engage with Nike and encourage the company to maintain their disclosures in the current detailed manner they are.

## Summary Voting Statistics

The Fiduciary Manager uses c. 30 Underlying Managers; however, only the Scheme's equity and some alternative (hedge fund) holdings invest in assets with voting rights attached. Below are the voting statistics over the 12 months to 31 March 2024 for the most material, active funds held on behalf of the Trustee that had voting rights during the period.

Equity Funds	BNYM Global Equity Fund	Morant Wright Fuji Yield Japanese Fund	FSSA All China Fund (1 Nov 23 – 31 Mar 24)
Total meetings eligible to vote	943	61	25
Total resolutions eligible to vote	11,918	764	139
Of resolutions eligible to vote, % of resolutions voted on	94%	100%	100%
Of voted resolutions, % vote with management	93%	84%	96%
Of voted resolutions, % vote against management	7%	16%	4%
Of voted resolutions, % abstained	1%	0%	0%
Of voted resolutions, % vote contrary to the recommendation of proxy adviser (if applicable)	3%	N/A	9%

## Note:

- BNYM, NinetyOne and Morgan Stanley use Institutional Shareholder Services, "ISS", for proxy voting services. BNYM also utilises Glass Lewis for research. 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.



# COMET PENSION SCHEME

- 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.
- A new equity fund, **FSSA All China**, held at the Scheme Year-end, was introduced into the Growth portfolio in November 2023. Due to the Scheme's limited investment period in this fund during this Scheme Year, the Trustee has elected to not include the 12-month voting statistics for this fund, and only report on the activity over the months invested.

<b>Alternative Funds</b>	<b>Lumyna Marshall Wace - TOPS (Market Neutral) Fund</b>	<b>Lumyna Marshall Wace - TOPS Environmental Focus (Market Neutral) Fund</b>	<b>Lumyna Marshall Wace - Systematic Alpha Fund</b>	<b>North Rock Fund</b>
Total meetings eligible to vote	<i>Data not provided</i>	<i>Data not provided</i>	<i>Data not provided</i>	57
Total resolutions eligible to vote	5535	2733	5617	<i>Data not provided</i>
Of resolutions eligible to vote, % of resolutions voted on	100%	100%	100%	100%
Of voted resolutions, % vote with management	79%	63%	81%	100%
Of voted resolutions, % vote against management	11%	8%	11%	0%
Of voted resolutions, % abstained	10%	29%	8%	0%
Of voted resolutions, % vote contrary to the recommendation of proxy adviser (if applicable)	8%	5%	8%	0%

## Note:

- The voting statistics provided may slightly differ depending on the exact composition the Scheme holds.
- Lumyna Marshall Wace and North Rock use Glass Lewis for proxy voting services.
- Lumyna Marshall Wace 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.
- Figures have been rounded but 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.
- North Rock voted all resolutions with management or with the recommendations of the proxy advisory service.

Voting statistics have not been reported for one of the Underlying Investment Managers of the Scheme's alternative asset allocation, as they did not respond to the stewardship data request from the Fiduciary Manager. Following engagement with the Fiduciary Manager, this Underlying Investment manager has agreed to provide voting statistics for the Trustee to review going forward. Unfortunately, the voting data for the 12 months to 31 March 2024 was not received from this manager prior to the publication of this Implementation Statement. The Fiduciary Manager will continue to engage with this manager on behalf of the Trustee to request this data.

The Trustee is satisfied that the voting and engagement activities undertaken by both the Fiduciary Manager and the Underlying Investment Managers align with the stewardship priorities the Trustee has determined during the Scheme Year, hence the Trustee believe it has satisfactorily implemented the Stewardship Policy stated in the Scheme's SIP.

## Appendix 1 – ESG, Voting and Engagement Policies

Links to the voting and responsible investment policies for both the Fiduciary Manager and Underlying Investment Managers of the Scheme's actively managed holdings can be found here:

Investment Manager & Underlying Investment Manager	Voting & Engagement Policy
Schroders Solutions	<a href="#">schroders-esg-policy.pdf</a> <a href="https://www.schroders.com/en/sysglobalassets/about-us/schroders-engagement-blueprint-2022-1.pdf">https://www.schroders.com/en/sysglobalassets/about-us/schroders-engagement-blueprint-2022-1.pdf</a>
Bank of New York Mellon	<a href="https://www.mellon.com/content/dam/mellondotcom/pdf/disclosures/proxy-voting-guidelines-mellon.pdf">https://www.mellon.com/content/dam/mellondotcom/pdf/disclosures/proxy-voting-guidelines-mellon.pdf</a>
Morant Wright	<a href="https://www.morantwright.co.uk/sites/default/files/policies/voting_policy_2023.pdf">https://www.morantwright.co.uk/sites/default/files/policies/voting_policy_2023.pdf</a>
SCOR	<a href="https://www.scor-ip.com/sites/default/files/2023-05/SCOR_IP_Shareholder%20engagement%20policy_EN_052023.pdf">https://www.scor-ip.com/sites/default/files/2023-05/SCOR_IP_Shareholder%20engagement%20policy_EN_052023.pdf</a>
T Rowe Price	<a href="https://www.troweprice.com/content/dam/trowecorp/Pdfs/esg/proxy-voting-guidelines-TRPA.pdf">https://www.troweprice.com/content/dam/trowecorp/Pdfs/esg/proxy-voting-guidelines-TRPA.pdf</a>
Neuberger Berman	<a href="https://www.nb.com/en/global/esg/engagement">https://www.nb.com/en/global/esg/engagement</a>
CBRE	CBRE Global ESG policy: <a href="https://www.cbreim.com/-/media/project/cbre/bussectors/cbreim/home/about-us/sustainability/cbreim-global-esg-policy.pdf">https://www.cbreim.com/-/media/project/cbre/bussectors/cbreim/home/about-us/sustainability/cbreim-global-esg-policy.pdf</a>
Insight	<a href="https://www.insightinvestment.com/investing-responsibly/">https://www.insightinvestment.com/investing-responsibly/</a>