AVX LIMITED PENSION SCHEME

ANNUAL REPORT

FOR THE YEAR ENDED 5 APRIL 2021

Scheme Registration Number: 10023435

Contents

Trustees, Principal Employer and Advisers

Trustees

Employer-nominated Trustees

C D Baskin (appointed 30 June 2021)
N Birkett - Deputy Chair
M E Hufnagel (resigned 30 June 2021)
R J Lawrence
M H McCann - Chair
Dalriada Trustees Limited

Member-nominated Trustees

S H Cunday
P Fenwick
W McIlmoyle

Principal Employer

AVX Limited

Scheme Actuary

Simon Hall, F.I.A.
Mercer Limited

Independent Auditor

Cooper Parry Group Limited (appointed 8 February 2021)
PricewaterhouseCoopers LLP (resigned 27 January 2021)

Administrator

Mercer Limited

Investment Manager

Mercer Global Investments

Investment Custodian

State Street Custodial Services (Ireland) Limited

Additional Voluntary Contribution (AVC) Providers

Prudential Assurance
Phoenix Life and Pensions Limited
Aviva

Bank

HSBC Bank plc

Legal Adviser

Burges Salmon

Contact for further information and complaints about the Scheme

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Introduction

The Trustees of AVX Limited Pension Scheme (the Scheme) are pleased to present their report together with the audited financial statements for the year ended 5 April 2021. The Scheme is a defined benefit scheme.

The Scheme was closed to new entrants with effect from 1 April 1997. With effect from 30 September 2013 the defined benefit section of AVX Retirement Plan merged into AVX Limited Pension Scheme.

Constitution

The Scheme was established on 16 November 1987 and is governed by a definitive trust deed dated 20 September 1991, with subsequent amendments.

The Scheme is an occupational pension scheme established in the United Kingdom under trust and according to the law of England.

The registered address of the Scheme is AVX Limited, Prospect House, 6 Archipalego, Lyon Way, Frimley, Surrey, GU16 7ER.

Management of the Scheme

Trustees

In accordance with the Occupational Pension Schemes (Member-nominated Trustees and Directors) Regulations 2006, members have the option to nominate and vote for Member-nominated Trustees.

The three Member-nominated Trustees (2020: three), as shown on page 1, are nominated by the members under the rules notified to the members of the Scheme to serve for a period of five years. They may be removed before the end of their five year term only by agreement of all the remaining Trustees, although their appointment ceases if they cease to be members of one of the pension plans of the Principal Employer, AVX Limited.

In accordance with the trust deed, the Principal Employer, AVX Limited, has the power to appoint and remove the other Trustees of the Scheme.

The Trustees have met three times during the year (2020: twice).

Statement of Trustees' Responsibilities

The Statement of Trustees' Responsibilities is set out on page 22 and forms part of this Trustees' Report.

Governance and risk management

The Trustees have in place a business plan which sets out their objectives in areas such as administration, investment and communication. This, together with a list of the main priorities and timetable for completion, helps the Trustees run the Scheme efficiently and serves as a useful reference document.

The Trustees have also focused on risk management. A risk register has been put in place which sets out the key risks to which the Scheme is subject along with the controls in place to mitigate these. This register is regularly reviewed and updated by the Trustees.

Trustee knowledge and understanding

The Pensions Act 2004 requires trustees to have sufficient knowledge and understanding of pensions and trust law and be conversant with scheme documentation. The Pensions Regulator has published a Code of Practice on Trustee Knowledge and Understanding to assist trustees on this matter which became effective from 6 April 2006, with subsequent updates, most recently with effect from April 2015. The Trustees have agreed a training plan to enable them to meet these requirements.

Principal Employer

The Scheme is provided for all eligible employees of the Principal Employer whose registered address is AVX Limited, Prospect House, 6 Archipalego, Lyon Way, Frimley, Surrey, GU16 7ER.

AVX Limited is a manufacturer and supplier of electronic components.

Financial development

The financial statements on pages 26 to 37 have been prepared and audited in accordance with the Regulations made under Section 41 (1) and (6) of the Pensions Act 1995. They show that the value of the fund increased from £133,887,814 at 5 April 2020 to £145,104,282 at 5 April 2021.

The increase shown above comprised net withdrawals from dealings with members of £4,508,400 together with net returns on investments of £15,724,868.

Impact of Covid-19 (Coronavirus)

The Covid-19 pandemic brings into focus various risks faced by all pension schemes. The Trustees have been in regular discussion with their advisers over the period to monitor whether any specific actions were necessary or advisable. They have also been able to monitor the performance of the Scheme's assets and liabilities over the period. The Trustees acknowledge that the current situation is constantly evolving, and will continue to receive regular comprehensive updates from their advisors, administrators and investment consultants.

The Trustees are satisfied that their advisers have implemented adequate business continuity plans to minimize the risk of disruption to the on-going provision of all relevant services to the Scheme. The Scheme's administrator (Mercer) have provided assurances of their ability to continue to administer the Scheme throughout the pandemic by implementing business resilience processes. The Trustees considered the liquidity of the investment portfolio and concluded that payment of pension and member transactions (e.g. retirements, transfers) could continue as normal given the liquidity present.

Given the wider impact of the pandemic, the Trustees have worked with their advisers to consider the strength of the covenant provided by the Scheme's Principal Employer. At this time, the Trustees remain comfortable that the covenant is sufficient to continue to support the Scheme and have not implemented any changes to funding or investment strategy as a result of this review.

The Trustees do not consider that any of the matters noted above give rise to material uncertainties that may cast significant doubt on the Scheme's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

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 Trustees and the Principal 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 5 April 2018. An updated valuation was performed on 5 April 2019 and 5 April 2020. These showed:

	Actuarial Valuation 5 April 2018	**Actuarial Valuation 5 April 2019**	**Actuarial Valuation 5 April 2020**
The value of Technical Provision was	£126.0 million	£129.8 million	£140.1 million
The value of assets was	£128.3 million	£134.7 million	£133.7 million
Percentage of Technical Provisions	102%	104%	95.4%

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 Accrued Benefit Method.

Significant actuarial assumptions

Principal actuarial assumptions for valuation as at 5 April 2018	
Discount interest rate:	1.85% p.a.
Future Retail Price inflation:	3.30% p.a.
Future Consumer Price inflation:	2.55% p.a.
Pension increases in payment:	
RPI capped at 3.00% p.a.	2.40% p.a.
RPI capped at 5.00% p.a	3.10% p.a.
RPI capped at 2.50% p.a.	2.10% p.a.
CPI capped at 3.00% p.a.	2.05% p.a.
CPI capped at 2.50% p.a.	1.85% p.a.
Mortality:	S2PA YoB tables with CMI 2017_1.75% improvements

Report on actuarial liabilities (continued)

The derivation of these key assumptions and an explanation of the other assumptions to be used in the calculation of the technical provisions are set out below.

Derivation of actuarial assumptions for valuation as at 5 April 2018	
Discount interest rate:	An estimate of the yield available on a notional portfolio of UK Government conventional gilt stocks whose cash flows approximately match the Scheme's estimated benefit cashflows plus an additional 0.15% p.a. to reflect the allowance the Trustees have agreed for additional investment returns based on the investment strategy as set out in the Statement of Investment Principles dated 13 June 2016.
Future Retail Price inflation:	The assumption for the rate of increase in the Retail Price Index (RPI) will be taken to be the investment market's expectation for inflation as indicated by the difference between an estimate of the yields available on notional portfolios of conventional and Index-linked UK Government bonds whose cashflows approximately match the Scheme's estimated benefit cashflows.
Future Consumer Price inflation:	The assumption for the rate of increase in the Consumer Price Index (CPI) will be derived from the RPI inflation assumption with an appropriate adjustment to recognise the difference between expectations of future RPI increases and future CPI increases. The Trustees have agreed on an adjustment of a deduction of 0.75% p.a.
Pension increases in payment:	Increases to pensions are assumed to be in line with the RPI/CPI inflation assumptions described above subject to caps/collars applying to the benefits as set out in the Scheme's governing documentation.
Mortality:	The mortality assumptions are based on up-to-date information published by the Continuous Mortality Investigation (CMI) and National Statistics, making allowance for future improvements in longevity and the experience of the Scheme. The mortality tables are S2PA Year of Birth tables with improvements based on the CMI 2017 model with a long term improvement rate of 1.75% p.a.

GMP Equalisation

The High Court judgement on 26 October 2018 in respect of the equalisation of GMPs for the Lloyds Banking Group could have accounting implications for defined benefit pension schemes with unequal GMPs for members who were contracted out between 17 May 1990 and 5 April 1997. The ruling clarifies and confirms a legal obligation on scheme trustees to equalise GMPs through other scheme benefits. Equalisation includes backdating of benefit adjustments and related interest to 17 May 1990, subject to scheme rules which may have time limits on backdating. In November 2020, the High Court determined that historical transfers out are within the scope of GMP equalisation. Consequently, schemes are required to revisit individual transfer payments made since 17 May 1990 to check if any additional value is due as a result of GMP equalisation. Under FRS 102 and the Pension SORP the obligation in respect of backdating benefits and related interest should be recognised as a liability in pension scheme financial statements where material and it can be measured reliably (SORP:3.6.3). Details of the impact of this for the Scheme are detailed in note 23 on page 37 of the financial statements.

Membership

The membership movements of the Scheme for the year are given below:

	Pensioners	Members With Preserved Benefits	Total
At 6 April 2020	531	453	984
Retirements	16	(16)	-
Deaths	(24)	(1)	(25)
Transfers out	-	(5)	(5)
Spouses and dependants	12	-	12
At 5 April 2021	535	431	966

These membership figures do not include movements notified to the Administrator after the completion of the annual renewal.

Pensioners include 85 beneficiaries (2020: 79) receiving a pension.

The above pensioners include 6 (2020: 34) annuitants receiving a pension payment. Pension benefits in relation to members service in the 'Q Plan' (part of the Nortel Networks UK Pension Plan) from their employment with Nortel Networks UK, were previously paid via AVX Limited Pension Scheme. As the Trustee of the Nortel Networks UK Pension Plan has secured better than the Pension Protection Fund level of benefits, the Nortel Networks UK Pension Plan is exiting the Pension Protection Assessment and in line with the requirements, the Nortel Networks UK Pension Plan will be winding up and going into buy out, therefore the AVX Limited Pension Scheme will no longer be providing this paying agent service for those 28 annuitants, as no further payments will be made to these 28 annuitants.

Pension increases

The following pension increases are disclosed as at 6 April 2020, as these reflect the pensions in payment during the year:

As at 6 April 2020, all pensions in payment to Tantalum members of the Scheme were increased as follows:

2.2% on pre 97 excess over Guaranteed Minimum Pension;
1.7% on post 1988 Guaranteed Minimum Pension;
2.4% on the post 1997 pension; and
2.4% on the post 6 April 2006 pension.

As at 6 April 2020, all pensions in payment to Varelco members of the Scheme were increased as follows:

2.2% on pre 97 excess over Guaranteed Minimum Pension;
1.7% on post 1988 Guaranteed Minimum Pension;
2.2% on the post 1997 pension; and
2.2% on the post 6 April 2006 pension.

As at 6 April 2020, all pensions in payment to ex-Retirement Plan members were increased as follows:

0.0% on benefits earned before 6 April 1997;
2.4% on the post 1997 pension; and
1.7% on the post 6 April 2006 pension.

No discretionary pension increase was awarded during the year.

Calculation of transfer values

Transfer values paid during the year were calculated and verified in the manner required by the Regulations made under Section 97 of the Pension Schemes Act 1993 and do not include discretionary benefits. None of the transfer values paid was less than the amount provided by the Regulations.

Investment management

General

The Trustees have delegated day-to-day management of the AVX Limited Pension Scheme's ("the Scheme") assets (excluding AVCs) to Mercer Limited ("Mercer"). The Scheme's assets are invested in multi-client collective investment schemes ("Mercer Funds"), domiciled in Ireland and managed by a management company (Mercer Global Investments Management Limited ("MGIM"). MGIM has appointed Mercer Global Investments Europe Limited ("MGIE") as investment manager of the Mercer Funds. MGIE is responsible for the selection, appointment, removal and monitoring of the underlying investment managers. The underlying investment managers have full discretion to buy and sell investments on behalf of the Scheme subject to constraints Mercer have agreed with the managers.

Mercer has been managing the Scheme's assets since 10 February 2016. On 18 May 2016, the Trustees implemented a de-risking strategy whereby the level of investment risk inherent in the Scheme's investment arrangements reduces as the Scheme's funding level improves. The Trustees agreed the way in which the investment risk should be reduced and have delegated the implementation of the de-risking strategy to Mercer. Mercer constructs portfolios of investments that are expected to maximise the return given the targeted level of risk. Following a review of the Scheme's investment strategy in March 2018, the Trustees implemented a diversified portfolio of equities in the Scheme's Growth Portfolio which included investments in Passive Global Equity (Hedged), Passive Global Equity - Fundamental Indexation (Hedged), Global Low Volatility Equity (Hedged), Global Small Cap Equity and Passive Emerging Markets Equity. This revised Growth Portfolio was implemented in July 2018. In December 2019, the Trustees transferred the allocation to Global Small Cap Equity into a currency hedged share class.

Investment principles

The Trustees have produced a Statement of Investment Principles (the "SIP") to comply with the requirements of the Pensions Act 1995 and associated legislation including the Occupational Pension Schemes (Investment) Regulations 2005 (as amended). The SIP is available on request.

The Trustees understand that taking some investment risk, with the support of the Sponsor, is necessary to improve the Scheme's current and ongoing solvency funding positions. The Trustees recognise that equity investment will bring increased volatility to the funding level, but in the expectation of improvements in the Scheme's funding level through equity outperformance of the liabilities over the long term.

The Trustees' objective is to invest the Scheme's assets in the best interest of the members and beneficiaries, and in the case of a potential conflict of interest in the sole interest of the members and beneficiaries. Within this framework the Trustees have agreed a number of objectives to help guide them in their strategic management of the assets and control of the various risks to which the Scheme is exposed. The Trustees' primary objectives are as follows:

- To restore/retain the funding position of the Scheme on an ongoing basis to at least 100%.
- To ensure that it can meet its obligation to the beneficiaries of the Scheme.
- To pay due regard to the Company's interest in the size and incidence of contribution payments.
- To achieve a return on the total Scheme assets which is compatible with the level of risk considered appropriate.

The Trustees have set up a secondary objective of achieving full funding on a gilts +0.15% p.a. basis over a period of 10 years.

ESG, Stewardship, and Climate Change

The Trustees believe that environmental, social, and corporate governance (ESG) factors may have a material impact on investment risk and return outcomes, and that good stewardship can create and preserve value for companies and markets as a whole. The Trustees also recognise that long-term sustainability issues, particularly climate change, present risks and opportunities that increasingly may require explicit consideration.

As noted above, the Trustees have appointed Mercer to act as discretionary investment manager in respect of the Scheme's assets and such assets are invested in a range of Mercer Funds managed by MGIE. Asset managers appointed to manage the Mercer Funds are expected to evaluate ESG factors, including climate change considerations, and exercise voting rights and stewardship obligations attached to the 'investments', in accordance with their own corporate governance policies and current best practice, including the UK Corporate Governance Code and UK Stewardship Code.

ESG, Stewardship, and Climate Change (continued)

The Trustees consider how ESG, climate change and stewardship is integrated within Mercer's and MGIE's investment processes and those of the underlying asset managers in the monitoring process. Mercer and MGIE are expected to provide reporting to the Trustees on a regular basis, at least annually, on ESG integration progress, stewardship monitoring results, and climate-related metrics such as carbon foot printing for equities and/or climate scenario analysis for diversified portfolios.

Member views

Member views are currently not taken into account in the selection, retention and realisation of investments. However, the Trustees believe that the delegation of portfolio construction to Mercer will lead to ESG considerations that are in the best interests of the Scheme as a whole.

Implementation statement

AVX Limited Pension Scheme – Annual Engagement Policy Implementation Statement

1. Introduction

This Engagement Policy Implementation Statement ('the Statement') sets out how, and the extent to which, the Engagement Policy in the Statement of Investment Principles ('SIP') produced by the Trustees has been followed during the year to 5 April 2021. This statement has been produced in accordance with The Pension Protection Fund (Pensionable Service) and Occupational Pension Schemes (Investment and Disclosure) (Amendment and Modification) Regulations 2018 and the subsequent amendment in The Occupational Pension Schemes (Investment and Disclosure) (Amendment) Regulations 2019, which transposes the EU Shareholder Rights Directive (SRD II) into UK law.

Summarised below are the actions taken by the Trustees to meet the policies in the Scheme's engagement policy set out in the SIP and describes the voting behaviour on behalf of the Trustees.

By adopting Mercer's Dynamic De-Risking Solution, Mercer Limited (Mercer) in the UK has been appointed as discretionary investment manager by the Trustees. Pursuant to that appointment, Scheme monies are invested in Mercer Funds, which are collective investment vehicles, managed by Mercer Global Investments Europe Limited (MGIE).

2. Policy on ESG, Stewardship and Climate Change

The Scheme's SIP includes the Trustees' policy on Environmental, Social and Governance ('ESG') factors, stewardship and climate change. This policy sets out the Trustees' beliefs on ESG and climate change and the processes followed by the Trustees in relation to voting rights and stewardship.

In order to establish the Trustees' beliefs and produce the policy in the SIP, the Trustees undertook training provided by their investment consultant, Mercer, on responsible investment which covered ESG factors, stewardship, climate change and the approach undertaken by Mercer and MGIE in June 2019.

As noted in the SIP, the Trustees believe that ESG factors may have a material impact on investment risk and return outcomes, and that good stewardship can create and preserve value for companies and markets as a whole. The Trustees also recognise that long-term sustainability issues, particularly climate change, present risks and opportunities that increasingly may require explicit consideration.

As noted above, the Trustees have appointed Mercer to act as discretionary investment manager in respect of the Scheme's assets and such assets are invested in a range of Mercer Funds managed by MGIE. Asset managers appointed to manage the Mercer Funds are expected to evaluate ESG factors, including climate change considerations, and exercise voting rights and stewardship obligations attached to the 'investments', in accordance with their own corporate governance policies and current best practice, including the UK Corporate Governance Code and UK Stewardship Code.

The Trustees consider how ESG, climate change and stewardship is integrated within Mercer's and MGIE's investment processes and those of the underlying asset managers in the monitoring process. Mercer and MGIE are expected to provide reporting to the Trustees on a regular basis, at least annually, on ESG integration progress, stewardship monitoring results, and climate-related metrics such as carbon foot printing for equities and/or climate scenario analysis for diversified portfolios.

3. Policy Implementation

The following work was undertaken during the year relating to the Trustees' policy on ESG factors, stewardship and climate change, and sets out how the Trustees' engagement and voting policies were followed and implemented during the year.

Policy Updates

- The Trustees consider how ESG, climate change and stewardship is integrated within Mercer's, and MGIE's, investment processes and those of the underlying asset managers in the monitoring process. Mercer, and MGIE, have provided reporting to the Trustees on a regular basis.
- The Mercer is reviewed regularly. In August 2020 the Stewardship section was updated to reflect an enhanced approach to monitoring both voting and engagement as well as the Exclusions section to include the implementation of certain exclusions across passive funds from 1 October 2020. In March 2021 there was a further update in relation to sustainability–related disclosures in the financial services sector ("SFDR") implementation.
- In line with the requirements of the EU Shareholder Rights Directive II, Mercer have implemented a standalone to specifically address the requirements of the directive.

Implementation statement (continued)

Climate Change Reporting and Carbon Footprinting

- Carbon Footprint analysis of all equity funds is completed on a six monthly basis. From 31 December 2019 the approach was enhanced to include the top 5 carbon emitters and the top 5 contributors to the Weighted Average Carbon Intensity (WACI) to give the Mercer and MGIE investment teams additional information to drive engagement with managers.
- Since Q3 2020 carbon foot-printing metrics for Mercer active equity funds have been included in the quarterly reporting reviewed by the Trustees, and a comparison of these against the metrics of their representative benchmarks. Over 2020 there has been a 15% reduction in the WACI across the Mercer discretionary equity funds and, as at 31 December 2020, 100% of the active equity funds used by the Scheme have a carbon intensity lower than the benchmark. In the Q4 report, this analysis was extended to include Mercer passive equity funds. The carbon intensity of passive funds will be monitored over time.
- As at 31 December 2020, the Trustees noted that the Scheme's active equity holdings had a 12% lower WACI versus the benchmark.

ESG Rating Review

- ESG ratings assigned by Mercer (and its affiliates') global manager research team are included in the investment performance reports produced by Mercer on a quarterly basis and reviewed by the Trustees. ESG ratings are reviewed by MGIE during quarterly monitoring processes, with a more comprehensive review performed annually - which seeks evidence of positive momentum on ESG integration. Since Q3 2020 the quarterly performance report has included the Mercer funds overall ESG rating compared to the appropriate universe of strategies in Mercer's global investment manager database.
- As at 31 December 2020 the Trustees noted that 95% of Mercer Funds now have an ESG rating equal to or above their asset class universe, a 10% improvement on 2019. The average ESG rating across the Scheme portfolio was significantly lower than a composite of the asset class universe as at 31 December 2020.

Update to Exclusions

- As an overarching principle, Mercer, as the Trustees' discretionary investment manager, prefer an engagement rather than a divestment approach. However, Mercer recognises that there are a number of cases in which investors deem it unacceptable to profit from certain areas and therefore exclusions will be appropriate.
- Controversial and civilian weapons, and tobacco are excluded from active equity and fixed income funds. From 1 October 2020, the controversial weapons screen was extended to passive equity funds.
- In addition, Mercer and MGIE monitors for high-severity breaches of the UN Global Compact (UNGC) Principles that relate to human rights, environmental and corruption issues.

Diversity

- From 31 December 2020 Gender diversity statistics have also been included in the quarterly reporting for the Mercer equity funds and this is being built into a broader investment policy.

4. <u>Voting Activity</u>

The Trustees' investments take the form of shares or units in the Mercer Funds. Any voting rights that do apply with respect to the underlying investments attached to the Mercer Funds are, ultimately, delegated to the third party investment managers appointed by MGIE. All voting rights are exercised by the Scheme's investment managers in accordance with their own corporate governance policies, and taking account of current best practice including the UK Corporate Governance Code and the UK Stewardship Code. As such the Trustees do not use the direct services of a proxy voter.

The MGIE Engagement Policy outlines this framework, including the voting policies of MGIE. This includes a policy that all shares are to be voted by sub-investment managers in a manner deemed most likely to protect and enhance the long-term value for investors.

Implementation statement (continued)

The following statistics are monitored.

- **Voting**: Statistics are drawn from the Glass Lewis voting system (via Mercer's custodian). Typically, votes exercised against management and/or against the proxy voting adviser can indicate a thoughtful and active approach. This is particularly visible where votes have been exercised to escalate engagement objectives. The expectation is for all shares to be voted or a valid reason for those not voted.
- **Significant Votes**: Mercer Investment Solutions has based its definition of significant votes on its Global Engagement Priorities, based on its Beliefs, Materiality and Impact (BMI) Framework. This is summarised in the Engagement Section of the MGIE Sustainable Investment Policy. In order to capture this in the monitoring and reporting of managers voting activities, significant votes focus on proposals covering these priority areas, with specific focus placed on shareholder proposals relating to these priority areas and taking into account the size of holding across funds.

The 2020 Voting and Engagement Report summarises these statistics. A separate annual Implementation Statement is also produced setting out how the MGIE Engagement Policy has been implemented over the year. Over 2020, 15% of votes have been against management where managers believe the proposals will not protect and enhance long-term value, consistent with the MGIE policy referred to above. The majority of these proposals related to Environmental, Social and Governance resolutions.

Set out below is a summary of voting activity for the year to 31 March 2021 relating to the relevant Mercer Funds.

Fund	Total Proposals	Voted 'For'	Voted 'Against'	Abstained from voting	Unvoted	Other	For Management	Against Management	Use of Proxy Advisor
Mercer Low Volatility Equity	8,402	92%	5%	0%	1%	1%	93%	7%	Yes
Mercer Global Small Cap Equity	8,990	91%	6%	1%	1%	1%	92%	8%	Yes*
Mercer Fundamental Indexation CCF	2,533	77%	13%	0%	8%	2%	83%	17%	Yes
Mercer Passive Global Equity CCF	21,551	83%	9%	0%	5%	2%	87%	13%	Yes
Mercer Passive Emerging Market Equity	49,136	84%	12%	1%	1%	0%	87%	13%	Yes

*Proxy advisor not used by least one underlying manager of the fund.

Also set out below is a sample of significant votes over the one year period to 31 March 2021. We have also set out the Engagement Priority which the significant votes relates to.

Fund	Shareholder Proposal ("SHP")	Enagagement Priority	Issuer	Vote Decision
Mercer Low Volatility Equity	Shareholder Proposal Regarding Median Gender and Racial Pay Equity Report	Governance and Strategy	Bank of New York Mellon Corp	Against
	Shareholder Proposal Regarding Linking Executive Pay to Sustainability and Diversity	Governance and Strategy	Alphabet Inc.	For
	Shareholder Proposal Regarding Aligning Investments with The Paris Agreement	Environmental Sustainability	Mizuho Financial Group Inc	For
	Shareholder Proposal Regarding Amending the Byelaws Concerning the Presentation of Climate Transition Reporting	Environmental Sustainability	Aena S.M.E. S.A.	For
	Shareholder Proposal Regarding Deforestation and Climate Impact Report	Environmental Sustainability	Yum Brands Inc.	For
	Shareholder Proposal Regarding Report on Sugar and Public Health	Social Sustainability	McDonald's Corp & Pepsico Inc.	Against
	Shareholder Proposal Regarding Health Risks of Tobacco Sales During Covid-19	Social Sustainability	Walgreens Boots Alliance Inc.	Against

Implementation Statement (continued)

Fund	Shareholder Proposal ("SHP")	Enagagement Priority	Issuer	Vote Decision
Mercer Global Small Cap Equity	Shareholder Proposal Regarding Deforestation and GHC Emissions Report	Environmental Sustainability	Bloomin Brands Inc	For
	Shareholder Proposal Regarding Promotion of Renewable Energy and LNG with Carbon Emissions	Environmental Sustainability	Hokkaido Electric Power Co. Inc.	Against
	Shareholder Proposal Regarding Environmental Friendly Technology	Environmental Sustainability	Hokkaido Electric Power Co. Inc.	Against
	Shareholder Proposal Regarding Management Diversity Report	Governance and Strategy	IPG Photonics Corp	For
	Shareholder Proposal Regarding Report on Risk of Discrimination in Vehicle Lending	Social Sustainability	Santander Consumer USA Holdings	For
Mercer Passive Fundamental Indexation Global Equity UCITS CCF	Shareholder Proposal Regarding Median Gender and Racial Pay Equity Report	Governance and Strategy	Intel Corp.	Against
	Shareholder Proposal Regarding Climate Change Proxy Voting Practices	Governance and Strategy	T. Rowe Price Assoc Inc.	For
	Shareholder Proposal Regarding Climate Risk Report	Environmental Sustainability	iA Financial Corp	For
	Shareholder Proposal Regarding Environmental Impact Report	Environmental Sustainability	iA Financial Corp	For
	Shareholder Proposal Regarding Restriction on Investment in the Japan Atomic Power Company	Environmental Sustainability	Chubu Electric Power Co Inc	Against
	Shareholder Proposal Regarding Health Risks of Tobacco Sales During Covid-19	Social Sustainability	Walgreens Boots Alliance Inc	Against
Mercer Passive Global Equity CCF	Shareholder Proposal Regarding Linking Compensation to ESG Criteria	Governance and Strategy	Alimenatation-Couche Tard, Inc. & Saputo Inc	For
	Shareholder Proposal Regarding Aligning Investments with The Paris Agreement	Environmental Sustainability	Mizuho Financial Group Inc.	For
	Shareholder Proposal Regarding on Plans to Reduce Total Contribution to Climate Change	Environmental Sustainability	3 companies*	For
	Shareholder Proposal Regarding Reporting and Managing Greenhouse Gas Emissions	Environmental Sustainability	Transdigm Group Incorporated	For
	Shareholder Proposal Regarding Diversity and Inclusion Report	Governance and Strategy	Fortinet Inc & Procter & Gamble Co.	For
	Shareholder Proposal Regarding on Response to Opioid Epidemic	Social Sustainability	Johnson & Johnson	For
	Shareholder Proposal Regarding Investment in the Japan Atomic Power Company	Environmental Sustainability	Chubu Electric Power Co Inc.	Against
	Shareholder Proposal Regarding Health Risks of Tobacco Sales During Covid-19	Social Sustainability	Walgreens Boots Alliance Inc.	For
	*3 Companies J.B. Hunt Transport Services Inc., Union Pacific Corp. & United Parcel Service Inc.			
Mercer Passive Emerging Markets Equity	Management Proposal Regarding Election of Directors	Governance and Strategy	Bank VTB North-West Jsc	Against
	Management Proposal Regarding H-Share Offering and Listing in Hong Kong and Conversion Into A Company Limited	Governance and Strategy	Hangzhou Tigermed Consulting Co Ltd	For
	Management Proposal Regarding Amendments to Procedural Rules for Shareholder	Governance and Strategy	Hangzhou Tigermed Consulting Co Ltd	Abstain

5. Examples of Engagement

Mercer conducts an annual survey with managers on their engagement approach and outcomes, together with their views on priority themes or topics as part of their investment process. The 2020 Voting and Engagement Report provides a summary of this survey.

As an example, Mercer promotes practices that encourage diversity at a manager and security level. Mercer's annual survey summarised examples where managers have voted/will vote against directors where diversity expectations have not been met. These included:

- A vote against the re-election of a long-standing independent director, with a desire to see a more independent and diverse board. Ultimately, the board was restructured after the shareholder meeting and two new female board directors were appointed.
- A commitment not to support the election of the Chair of the Nomination Committee where the gender balance on the Board is not considered to be in line with expectations for the market.

Code of Best Practice

The principles set out in the Code of Best Practice are high level principles which aid trustees in their investment and governance decision making. While they are voluntary, pension scheme trustees are expected to consider their applicability to their own scheme and report on a 'comply or explain' basis how they have used them.

The principles emphasise the essentials of investment governance, notably the importance of effective decision making, clear investment objectives and a focus on the nature of each scheme's liabilities. The principles also require that trustees include a statement of the scheme's policy on responsible ownership in the Statement of Investment Principles and report periodically to members on the discharge of these responsibilities.

The Trustees consider that their investment policies and their implementation are in keeping with these principles.

Investment Report

Trustees' Policies With Respect To Arrangements With, and Evaluation Of The Performance and Remuneration of, Asset Managers and Portfolio Turnover Costs

When engaging Mercer as discretionary investment manager to implement the Trustees' investment strategy outlined in section 3, the Trustees are concerned that, as appropriate and to the extent applicable, Mercer is incentivised to align its strategy and decisions with the profile and duration of the liabilities of the Scheme, in particular, long-term liabilities.

As Mercer manages the Scheme's assets by way of investment in Mercer Funds, which are multi-client collective investment schemes, The Trustees accept that they do not have the ability to determine the risk profile and return targets of specific Mercer Funds but the Trustees expect Mercer to manage the assets in a manner that is consistent with the Trustees' overall investment strategy as outlined in section 3.The Trustees have taken steps to satisfy themselves that Mercer has the appropriate knowledge and experience to do so and keeps Mercer's performance under ongoing review.

Should Mercer fail to align its investment strategies and decisions with the Trustees' policies, it is open to the Trustees to disinvest some or all of the assets invested managed by Mercer, to seek to renegotiate commercial terms or to terminate Mercer's appointment.

As part of its review and appointment process, Mercer and MGIE assesses whether selected underlying assets managers have policies and procedures that are designed to manage conflicts in relation to stewardship. Asset managers are required to report on any conflicts of interest and demonstrate that they have adhered to their conflicts policy and reported any breaches.

To evaluate performance, the Trustees receive, and consider, investment performance reports produced on a quarterly basis, which presents performance information and commentary in respect of the Scheme's funding level and the Mercer Funds in which the Trustees are invested. Such reports have information covering fund performance for the previous three months, one-year, three years and since inception. The Trustees review the absolute performance and relative performance against a portfolio's and underlying investment manager's benchmark (over the relevant time period) on a net of fees basis. The Trustees' focus is on the medium to long-term financial and non-financial performance of Mercer and the Mercer Funds.

Investment Report (continued)

Neither Mercer nor MGIE make investment decisions based on their assessment about the performance of an issuer of debt or equity. Instead, assessments of the medium to long-term financial and non-financial performance of an issuer are made by the underlying third party asset managers appointed by MGIE to manage assets within the Mercer Funds. Those managers are in a position to engage directly with such issuers in order to improve their performance in the medium to long term. The Trustees are, however, able to consider Mercer's and MGIE's assessment of how each underlying third party asset manager embeds ESG into their investment process and how the manager's responsible investment philosophy aligns with the Trustees' own responsible investment policy. This includes the asset managers' policies on voting and engagement.

The investment risk disclosures provide further details of the steps taken, and information available, to review the decisions made by managers, including voting history and the engagement activities of managers to identify decisions that appear out of line with a Mercer Fund's investment objectives or the objectives/policies of the Scheme.

Engagement activities will generally occur when Mercer, MGIE or the underlying asset managers have identified underperformance by a company, where the company has failed to meet accepted corporate practice, or where the company's conduct places in doubt its reputation and value. The issues addressed will generally focus on material ESG factors or business strategy issues — for example, mergers and acquisitions, capital structure and capital allocation, remuneration, climate change risk management and workforce management, including workforce diversity.

The asset managers are incentivised as they will be aware that their continued appointment by MGIE will be based on their success in meeting MGIE's expectations. If MGIE is dissatisfied then it will, where appropriate, seek to replace the manager.

The Trustees are long-term investors and are not looking to change their investment arrangements on an unduly frequent basis. However, the Trustees do keep those arrangements under review, including the continued engagement of Mercer using, among other things, the reporting described above.

The Trustees monitor, and evaluate, the fees paid for asset management services on an ongoing basis taking into account the progress made in achieving the investment strategy objectives as outlined in section 3. Mercer's, and MGIE's, fees are based on a percentage of the value of the Scheme's assets under management which covers the design and annual review of the de-risking strategy, and investment management of the assets. In addition, the underlying third party asset managers of the Mercer Funds also charge fees based on a percentage of the value of the assets under management. In some instances, some of the underlying managers may also be entitled to charge fees based on their performance.

MGIE reviews the fees payable to third party asset managers managing assets invested in the Mercer Funds on a regular basis with any negotiated fee savings passed directly to the Scheme. Mercer's, MGIE's, and the third party asset managers', fees are outlined in a quarterly investment strategy report prepared for the Trustees, excluding performance-related fees and other expenses involved in the Mercer Funds not directly related with the management fee.

Details of all costs and expenses are included in the Mercer Funds' Supplements, the Report & Accounts and within the Scheme's annualized, MiFID II compliant Personalised Cost & Charges statement. The Scheme's Personalised Cost & Charges statement also include details of the transaction costs associated with investment in the Mercer Funds. The Trustees do not have an explicit targeted portfolio turnover range, given the de-risking mandate, but rebalancing ranges have been designed to avoid unnecessary transaction costs being incurred by unduly frequent rebalancing. Performance is reviewed net of portfolio turnover costs, with the review of portfolio turnover of the underlying investment managers undertaken by MGIE.

Investment Markets

At the start of Q2 2020, many developed countries were still in national lockdowns that led to an unprecedented collapse in quarterly GDP growth in Q2 2020. China, on the other hand, albeit being the first country to be hit by the pandemic, saw a strong rebound in GDP growth as it began to reopen its economy following its lockdown earlier in the year. This mitigated the overall negative impact on global GDP growth to some extent. Late in the quarter, the sharp rebound previously seen in China became more global as western countries slowly started to reopen their economies. With economies largely open again, global GDP rebounded at record pace over Q3 2020.

Q4 2020 saw Covid-19 infections rising again sharply across western countries, leading to a gradual return of restrictions. The impact on quarterly GDP growth was less pronounced this time because GDP was at a lower level already than before the Covid-19 shock, whilst consumers and businesses were better prepared to function somewhat amid these restrictions. At the same time, the start of vaccines being rolled out late in the quarter led to optimism that fuller and more sustainable reopenings could be achieved in 2021.

Investments Markets (continued)

The first quarter of 2021 began with lockdowns in numerous countries including the UK as much of the world faced another wave of Covid-19. Nevertheless, gradual vaccine rollout in developed countries drove economic recovery optimism. Political risk declined as Joe Biden was sworn in as US President, despite the incident on Capitol Hill on 6 January, and the UK completed its transition out of the EU without major incidents. Economic data continued to point towards a global recovery but with wide regional dispersions. The US election yielding what markets perceived to be a centrist government and an orderly resolution of Brexit added to positive sentiment.

Over one year to 31 March 2021, risk assets had exceptionally high returns as shown in the performance section. This has a lot to do with the base effect as we are currently comparing valuations just after four consecutive quarters of a bull run to valuations in the immediate aftermath of the worst market downturn since the Global Financial Crisis.

During Q2 2020, equity markets reversed much but not all of the losses suffered during the Covid-19 shock in March 2020, in spite of record downgrades of earnings forecast for 2020. Over the third quarter of 2020 the equity rebound continued for most markets, led primarily by large cap companies achieving secular growth, as western economies tentatively reopened whilst accommodative fiscal and monetary policy remained in place. Over the fourth quarter, the vaccine announcements revealing better than expected efficacy and faster than expected deployment, alongside a reduction in political uncertainty boosted market sentiment. Markets positioned for a full economic reopening in 2021 with small caps and value stocks leading markets higher. The first quarter of 2021 was marked by higher volatility. Streams of retail investor activity in January led to short squeezes, followed by a sharp rise in bond yields in the back end of the quarter placing pressure on equity markets. In spite of this, equities ended the quarter with strong returns supported by ongoing stimulus as investors looked towards the anticipated economic recovery and rebound in corporate earnings.

The Covid-19 crisis led to swift and unprecedented fiscal and monetary policy responses to support economies and markets across the globe, starting at the end of Q1 2020. This led to a government bond rally over the year as nominal yields fell to the lowest level in history for many countries, including the UK. The UK 10-year gilt yield, reached an all-time low just above 0% in August before partially retracing to just above 0.2% by the end of 2020. In Q1 2021, UK gilt yields rose sharply in line with global yields as investors priced in the strong recovery and increasing inflation risk. The UK 10-year gilt yield ended the quarter at 0.85%, having recovered all of the lost ground in 2020.

A consultation on the future of RPI, launched in March 2020, led to the decision to converge RPI to CPIH from 2030 without any spread adjustment being applied to compensate index-linked gilt holders (and other recipients of RPI-linked payments). In spite of the consultation outcome being deemed unfavourable for holders of index-linked gilts, the decision had been widely anticipated and the reduction in long-dated breakeven inflation rates implied in index-linked gilts was modest over the year. Moreover, inflation expectations rose sharply in 2021 which benefited index-linked gilts only to some degree due to the high duration component of the asset class.

After a sharp increase in credit spreads during the worst of the Covid-19 market shock in March 2020, credit spreads tightened subsequently as market optimism returned, bolstered by government support. Credit spreads ended the year at slightly lower levels than in late 2019 and remained broadly unchanged over Q1 2021. This led to strong returns for UK credit, as demand for spread assets remained strong over the year and outperformance of credit relative to government bonds on a duration-adjusted basis.

Equity Markets

At a global level, developed markets, as measured by the FTSE World index, returned 39.9%. Meanwhile, a return of 40.8% was recorded by the FTSE All World Emerging Markets index.

At a regional level, European markets returned 34.9%, as indicated by the FTSE World Europe ex UK index. At a country level, UK stocks, as measured by the FTSE All Share index, returned 26.7%. The FTSE USA index returned 42.7% while the FTSE Japan index returned 26.3%. The considerable underperformance of UK equities relative to global markets is attributed to the index's large exposure to oil, gas and basic materials which only started to benefit from a full recovery being priced in at the end of 2020.

The huge year-on-year returns can to a large degree be attributed to the base effect as the measurement period begins when equity markets had just touched bottom following the 2020 Covid-19 crash.

Equity market total return figures are in Sterling terms over the year to 31 March 2021.

Bonds

UK Government Bonds as measured by the FTSE Gilts All Stocks Index, returned -5.5%, while long dated issues as measured by the corresponding Over 15 Year Index had a return of -10.4% over the year as the longer end of the nominal yield curve rose by more than the shorter end. The yield for the FTSE Gilts All Stocks index rose over the year from 0.7% to 1.2% while the Over 15 Year index yield rose from 0.8% to 1.3%.

Investment Markets (continued)

The FTSE All Stocks Index-Linked Gilts index returned 2.3% with the corresponding over 15-year index exhibiting a return of 3.6%. Rising inflation expectations offset rising nominal yields to an extent, leading index-linked gilts to outperform their nominal counterparts over the year.

Corporate debt as measured by the Bank of America Merrill Lynch Sterling Non-Gilts index returned 7.0%.

Bond market total return figures are in Sterling terms over the year to 31 March 2021.

Commodities

The price of Brent Crude Oil rose 181.1% from $22.60 to $63.52 per barrel over the one-year period. Over the same period, the price of Gold increased 5.7% from $1612.10 per troy ounce to $1704.74.

The S&P GSCI Commodity Spot Index returned 64.4% over the year to 31 March 2021 in Sterling terms.

Currencies

Over the 12-month period to 31 March 2021, Sterling appreciated by 11.3% against the US Dollar from $1.24 to $1.32. Sterling appreciated by 13.9% against the Yen from ¥133.86 to ¥152.46. Sterling appreciated against the Euro by 3.9% from €1.13 to €1.17 over the same period.

Investment Review

Investment Performance to 31 March 2021

Growth Portfolio	Inception Dates	Since Inception		3 Years		1 Year	
		Portfolio (% p.a.)	Target (% p.a.)	Portfolio (% p.a.)	Target (% p.a.)	Portfolio (% p.a.)	Target (% p.a.)
Total Growth[(a)]	**08/05/2016**	11.7	12.4	10.5	11.7	45.8	49.8

Matching Portfolio	Inception Dates	Since Inception		3 Years		1 Year	
		Portfolio (% p.a.)	B'mark (% p.a)	Portfolio (% p.a.)	B'mark (% p.a)	Portfolio (% p.a.)	B'mark (% p.a)
Tailored Credit I[(b)]	08/03/2019	6.3	-	-	-	10.9	-
UK Long Gilts	22/09/2020	(11.9)	(11.9)	-	-	-	-
Inflation-Linked Bonds	08/03/2019	4.0	4.0	-	-	2.6	2.6
Nominal LDI Bonds	18/05/2016	6.0	6.0	2.6	2.7	(16.4)	(16.5)
Inflation-Linked LDI Bonds	18/05/2016	10.9	10.8	4.2	4.2	8.4	8.3
Medium Flexible Fixed	14/01/2021	(26.4)	(26.3)	-	-	-	-
Short Flexible Real	14/01/2021	(7.4)	(7.2)	-	-	-	-
Medium Flexible Real	14/01/2021	(13.0)	(13.0)	-	-	-	-
Short Flexible Inflation	14/01/2021	10.3	-	-	-	-	-

Total Portfolio	Inception Dates	Since Inception		3 Years		1 Year	
		Portfolio (% p.a.)	B'mark (% p.a)	Portfolio (% p.a.)	B'mark (% p.a)	Portfolio (% p.a.)	B'mark (% p.a)
Total (Net of Fees) [(b)]	**18/05/2016**	**8.0**	**5.8**	**5.5**	**3.6**	**12.4**	**(3.5)**
Comparator							
Composite Fund Benchmark	**18/05/2016**	**8.7**		**6.3**		**13.6**	

Performance provided by State Street Fund Services (Ireland) Limited, Mercer estimates and Thomson Reuters Datastream.
Performance is in £ terms using unswung returns for the underlying Mercer portfolios; gross of Mercer and net of underlying manager fees; gross of hedging fees (where applicable); net of all other expenses including custody and administration costs.
Where the since inception track record is less than one year, performance shown is cumulative and not annualize.
Total returns use official (swung) prices. Where applicable, it includes performance of terminated mandates.
[(a)]Target is measured against Diversified Equity Benchmark. Prior to 6 July 2018 the return benchmark was MSCI AC World (NDR) (Hedged) Index. Returns have been chain-linked.
[(b)]The portfolio is not managed relative to a benchmark index and instead aims to generate income sufficient to meeting investors' long dated liabilities by minimising the number of defaults and downgrades of underlying securities.
[(c)]Total returns are net of Mercer and of underlying manager fees; net of hedging fees (where applicable); net of all other expenses including custody and administration costs. Benchmark shown is the change in value of liabilities. Composite fund benchmark is a composite of relevant comparators for the underlying funds.

Asset Allocation as at 5 April 2021

The Scheme's assets are divided between a “Growth Portfolio”, comprising assets such as global developed and emerging market equities and a “Matching Portfolio” which includes UK bonds (gilts and corporate bonds) and Liability Driven Investment (“LDI”) funds which invest in bond-like investments in order to provide interest rate and inflation exposure and reduce funding risk.

The split of assets between the Growth and Matching Portfolios is managed according to a de-risking strategy whereby the Scheme's assets should move progressively towards a target of an entirely bond-based investment strategy (the Matching Portfolio) as the funding level increases. The Trustees will monitor progress against this target. The Scheme hit a de-risking trigger in November 2020 and February 2021, reducing the benchmark Growth Portfolio allocation from 26.6% to 20.9%, and from 19.1% to 15.0%, respectively. Therefore the target Growth : Matching split is 20.9% : 79.1% as at 5 April 2021.

Asset Allocation as at 5 April 2021 (continued)

	Actual Asset Allocation				
Portfolio	**Start of Year**	**End of Year**	**Start of Year**	**End of Year**	**Target as at 5 April 2021**
	(£m)	**(£m)**	**(%)**	**(%)**	**(%)**
Total Growth	32.1	31.1	24.1	21.5	20.9
Total Matching	101.2	113.6	75.9	78.5	79.1
Total	**133.3**	**144.7**	**100.0**	**100.0**	**100.0**

Source: Mercer. Based on official (swung) prices.

Growth Portfolio

	Actual Asset Allocation			
Portfolio	**Start of Year**	**End of Year**	**Start of Year**	**End of Year**
	(£m)	**(£m)**	**(%)**	**(%)**
Passive Global Equity (Hedged)	7.9	7.9	24.6	25.4
Passive Global Equity - Fundamental Indexation (Hedged)	8.2	7.8	25.5	25.1
Global Low Volatility Equity (Hedged)	6.6	6.4	20.6	20.6
Global Small Cap Equity (Hedged)	2.8	3.2	8.7	10.3
Passive Emerging Markets Equity	6.6	5.8	20.6	18.6
Total Growth	**32.1**	**31.1**	**100.0**	**100.0**

Source: Mercer. Based on official (swung) prices.

Matching Portfolio

	Actual Asset Allocation			
Portfolio	**Start of Year**	**End of Year**	**Start of Year**	**End of Year**
	(£m)	**(£m)**	**(%)**	**(%)**
UK Long Gilts	6.2	17.4	6.1	15.3
Inflation-Linked Bonds	21.5	20.8	21.3	18.3
Nominal LDI Bonds	18.6	7.9	18.4	6.9
Inflation-Linked LDI Bonds	15.3	4.0	15.1	3.5
Tailored Credit I	39.5	42.0	39.1	37.0
Medium Flexible Real	-	3.2	-	2.8
Short Flexible Inflation	-	7.7	-	6.8
Short Flexible Real	-	7.2	-	6.3
Medium Flexible Fixed	-	3.5	-	3.1
Total Matching	**101.1**	**113.7**	**100.0**	**100.0**

Source: Mercer. Based on official (swung) prices.

Custodial arrangements

State Street Custodial Services (Ireland) Limited is the custodian of the Mercer Funds.

Where the Mercer funds invest in pooled funds, the portfolio of securities and cash which underlie the pooled fund units issued by the underlying managers are held by independent corporate custodians and are regularly audited by external auditors.

The custodians are responsible for the safe keeping, monitoring and reconciliation of documentation relating to the ownership of listed investments. Investments are held in the name of the custodians' nominee companies, in line with common practice for pension scheme investments.

HSBC Bank plc was appointed by the Trustees as custodian of the cash held in connection with the administration of the Scheme.

Basis of investment manager's fees

The fee payable by the Scheme to Mercer Global Investments will, in aggregate, amount to 0.15% p.a. The Scheme will also pay variable sub-investment manager fees. These fees will be deducted from the account.

State Street Global Advisors charges fees quarterly based on an annual fixed charge of £1,000 plus variable rates bands of 0.100% to 0.275% on investment fund balances.

Scheme Auditor

With effect from 27 January 2021, PricewaterhouseCoopers LLP resigned as Auditor to the Scheme and Cooper Parry Group Limited were subsequently appointed. The following statement has been received from PricewaterhouseCoopers LLP:

There are no circumstances connected with our resignation which we consider significantly affect the interests of the members or prospective members of or beneficiaries under, the AVX Limited Pension Scheme.

The Money and Pensions Service

The Money and Pensions Service (formerly called the Single Financial Guidance Body) can give you information about matters relating to workplace and personal pensions. Its website is currently: https://moneyandpensionsservice.org.uk.

The Pensions Regulator

The statutory body that regulates occupational pension schemes is the Pensions Regulator and it can be contacted at:

The Pensions Regulator
Napier House
Trafalgar Place
Brighton
BN1 4DW
Telephone: 0345 600 0707
Email: customersupport@tpr.gov.uk
Website: www.thepensionsregulator.gov.uk

Pensions tracing

A pension tracing service is carried out by the Department for Work and Pensions. This service can be contacted as follows:

Pension Tracing Service
The Pension Service 9
Mail Handling Site A
Wolverhampton
WV98 1LU
Telephone: 0800 731 0193

Pensions Ombudsman

Any concerns connected with the Scheme should be referred to Helen McCann, AVX Limited, Hillman's Way, Coleraine, Co Derry, BT52 2DA, who will try to resolve the problem as quickly as possible. Members and beneficiaries of pension schemes who have problems concerning their scheme which are not satisfied by the information or explanation given by the administrators or the Trustees can consult with the Pensions Ombudsman for them to investigate and determine any complaint or dispute of fact or law involving occupational pension schemes. The address is:

The Office of the Pensions Ombudsman
10 South Colonnade
Canary Wharf
London
E14 4PU
Telephone: 0800 917 4487
Email: enquiries@pensions-ombudsman.org.uk
Website: www.pensions-ombudsman.org.uk

The Pension Protection Fund

The Pension Protection Fund (PPF) was established to pay compensation to members of eligible defined benefit pension schemes, when there is a qualifying insolvency event in relation to the employer and where there are insufficient assets in the pension scheme to cover PPF levels of compensation. The pension protection levy is one of the ways that the PPF funds the compensation payable to members of schemes that transfer to the PPF.

Further information

Further information about the Scheme is given in the explanatory booklet, dated April 1999, which is issued to all members.

The Trustees' Report was approved by the Trustees and signed on their behalf by:

Helen McCann .... Trustee

Nick Birkett .... Trustee

Date: 20th September 2021

Statement of Trustees' Responsibilities

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 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 employers and the active members of the scheme 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.

Independent Auditor's Report to the Trustees of AVX Limited Pension Scheme

Opinion

We have audited the financial statements of the AVX Limited Pension Scheme for the year ended 5 April 2021 which comprise the fund account, the statement of net assets and notes to the financial statements, including 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).

In our opinion the financial statements:

- show a true and fair view of the financial transactions of the Scheme during the year ended 5 April 2021, 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.

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

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Trustees' 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 Trustees with respect to going concern are described in the relevant sections of this report.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon and our auditor's statement about contributions. The Trustees are responsible for the other information contained within the annual report.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

Other information (continued)

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.

Responsibilities of Trustees

As explained more fully in the Statement of Trustees' Responsibilities set out on page 22, the Scheme's Trustees are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Trustees 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 Trustees are 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 Trustees either intend to liquidate the Scheme or to cease operations, 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.

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 specific procedures for this engagement and the extent to which these are capable of detecting irregularities, including fraud is detailed below:

Our assessment focussed on key laws and regulations the Scheme has to comply with and areas of the financial statements we assessed as being more susceptible to misstatement. These key laws and regulations included but were not limited to compliance with the Pensions Act 1995 and United Kingdom Generally Accepted Accounting Practice.

We are not responsible for preventing irregularities. Our approach to detecting irregularities included, but was not limited to, the following:

- obtaining an understanding of the legal and regulatory framework applicable to the Scheme and how the Scheme is complying with that framework, including agreement of financial statement disclosures to underlying documentation and other evidence;
- obtaining an understanding of the Scheme's control environment and how the Scheme has applied relevant control procedures, through discussions and sample testing of controls;
- obtaining an understanding of the Scheme's risk assessment process, including the risk of fraud;
- reviewing Trustee meeting minutes throughout the year; and
- performing audit testing to address the risk of management override of controls, including testing the appropriateness of journal entries and other adjustments made.

Whilst considering how our audit work addressed the detection of irregularities, we also considered the likelihood of detection based on our approach. Irregularities arising from fraud are inherently more difficult to detect than those arising from error.

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

Because of the inherent limitations of an audit, there is a risk that we will not detect all irregularities, including those leading to a material misstatement in the financial statements or non-compliance with regulation. This risk increases the more that compliance with a law or regulation is removed from the events and transactions reflected in the financial statements, as we will be less likely to become aware of instances of non-compliance. The risk is also greater regarding irregularities occurring due to fraud rather than error, as fraud involves intentional concealment, forgery, collusion, omission or misrepresentation.

A further description of our responsibilities is available on the Financial Reporting Council’s website at: 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 Trustees, as a body, 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 Trustees 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 the Scheme’s Trustees, as a body, for our audit work, for this report, or for the opinions we have formed.

Cooper Parry Group Ltd.

COOPER PARRY GROUP LIMITED
Chartered Accountants and Statutory Auditors
Sky View
Argosy Road
East Midlands Airport
Castle Donington
Derby
DE74 2SA

Date: 20th September 2021

Fund Account

	Note	2021 Total £	2020 Total £
Employer contributions	4	**230,000**	605,000
Other income	5	**2,840**	154
		232,840	605,154
Benefits paid or payable	6	**(3,655,253)**	(3,624,627)
Payments to and on account of leavers	7	**(860,787)**	(682,117)
Administrative expenses	8	**(225,200)**	(195,157)
		(4,741,240)	(4,501,901)
Net withdrawals from dealings with members		**(4,508,400)**	(3,896,747)
Returns on investments			
Investment income	9	**1,495,409**	1,882,956
Change in market value of investments	10	**13,988,626**	850,504
Investment management expenses	11	**240,833**	203,409
Net returns on investments		**15,724,868**	2,936,869
Net increase/ (decrease) in the fund during the year		**11,216,468**	(959,878)
Net assets at 6 April		**133,887,814**	134,847,692
Net assets at 5 April		**145,104,282**	133,887,814

The notes on pages 28 to 37 form part of these financial statements.

Statement of Net Assets available for benefits

	Note	2021 Total £	2020 Total £
Investment assets			
Pooled investment vehicles	13	**144,715,950**	133,272,155
AVC investments	14	**70,329**	71,841
Cash	15	**-**	209,517
Total investments	10	**144,786,279**	133,553,513
Current assets	20	**482,662**	448,337
Current liabilities	21	**(164,659)**	(114,036)
Net assets at 5 April		**145,104,282**	133,887,814

The financial statements summarise the transactions of the Scheme and deal with the net assets at the disposal of the Trustees. 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 pages 5 to 6 of the annual report and these financial statements should be read in conjunction with this report.

The notes on pages 28 to 37 form part of these financial statements.

The financial statements on pages 26 to 37 were approved by the Trustees and signed on their behalf by:

Helen McCann .... Trustee

Nick Birkett .... Trustee

Date: 20th September 2021

1. Identification of the financial statements

The Scheme is established as a trust under English law.

The Scheme was established to provide retirement benefits to certain groups of employees of AVX Limited. The address of the Scheme's principal office is Prospect House, 6 Archipalego, Lyon Way, Frimley, Surrey, GU16 7ER.

The Scheme is a defined benefit scheme.

Enquiries should be addressed to the Trustees at the address shown on page 2.

2. Basis of preparation

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

3. Accounting policies

The principal accounting policies are set out below. Unless otherwise stated, they have been applied consistently year on year.

3.1 Accruals concept

The financial statements have been prepared on an accruals basis.

3.2 Currency

The Scheme's functional currency and presentational currency is Pounds Sterling (GBP).

3.3 Contributions

Employer deficit funding contributions are accounted for in the period to which they relate, in accordance with the Schedule of Contributions, or on receipt if earlier, with the agreement of the employer and Trustees.

Employer additional contributions are accounted for in accordance with the agreement under which they are payable or, in the absence of an agreement, on a receipts basis.

3.4 Transfers

Individual transfers in or out of the Scheme are accounted for when member liability is accepted or discharged which is normally when the transfer amount is paid or received.

3.5 Other income

Income is accounted for in the period in which it falls due on an accruals basis.

3.6 Payments to members

Pensions in payment are accounted for in the period to which they relate.

Other benefits, and any associated tax liabilities, are accounted for in the period in which they fall due for payment. Where there is a choice, benefits are accounted for on the later of the date of leaving, retirement or death and the date on which any option or notification is communicated to the Trustees. If there is no choice, they are accounted for on the date of retirement or leaving.

3.7 Administrative and other expenses

Administrative expenses are accounted for in the period in which they fall due on an accruals basis.

Investment management expenses are accounted for in the period in which they fall due on an accruals basis.

3.8 Investment income

Income from pooled investment vehicles is accounted for when declared by the investment manager.

Receipts from annuity policies are accounted for as investment income on an accruals basis.

3.9 Change in market value of investments

The changes in investment market values are accounted for in the year in which they arise and include profits and losses on investments sold as well as unrealised gains and losses in the value of investments held at the year end.

3.10 Valuation of investments

Investments are included at fair value as follows:

The market value of pooled investment vehicles is based on the bid price operating at the year end, as advised by the investment manager.

The AVC investments include policies of assurance. The market value of these policies has been taken as the surrender values of the policies at the year end, as advised by the AVC providers.

4. Contributions

	2021 Total £	2020 Total £
Employer contributions:		
Additional	**230,000**	230,000
Deficit funding	**-**	375,000
	230,000	605,000

Deficit funding contributions were received in accordance with the Schedule of Contributions certified by the Actuary on 1 March 2019. The Employer agreed to pay discretionary contributions of £375k per month until 30 April 2019 towards meeting the agreed secondary funding target.

AVX Limited will pay an allowance of £230k per annum to cover the administrative and other expenses incurred by the Trustees in the running of the Scheme. The contributions shall be paid monthly.

5. Other income

	2021 Total £	2020 Total £
Interest on cash deposits held by the Trustees	**2,840**	154

6. Benefits paid or payable

	2021 Total £	2020 Total £
Pensions	**3,283,419**	3,244,955
Commutation of pensions and lump sum retirement benefits	**354,235**	376,609
Lump sum death benefits	**17,599**	3,063
	3,655,253	3,624,627

7. Payments to and on account of leavers

	2021 Total £	2020 Total £
Individual transfers out to other schemes	**860,787**	682,117

8. Administrative expenses

	2021 Total £	2020 Total £
Administration fees	**114,788**	79,164
Trustee fees	**13,200**	10,200
Miscellaneous expenses	**44**	74
Scheme levies	**7,809**	7,995
Bank charges paid	**1,247**	456
Pension consultancy and actuarial	**88,112**	97,268
	225,200	195,157

The audit fees from 2017 are payable by AVX Limited and are not recharged to the Scheme. The audit fees of £6,500 for 2021 (2020: £3,900) are met by the Employer.

9. Investment income

	2021 Total £	2020 Total £
Income from pooled investment vehicles	**1,473,657**	1,857,189
Annuity income	**21,752**	25,767
	1,495,409	1,882,956

Income from pooled investment vehicles includes distribution income from the Mercer UK Credit Fund, Mercer Tailored Credit Fund I and the Mercer Sterling Nominal LDI Bond Fund. The inception date of these funds was 8 March 2019.

10. Reconciliation of investments

	Market value at 6 April 2020 £	Cost of investments purchased £	Proceeds of sales of investments £	Change in market value £	**Market value at 5 April 2021 £**
Pooled investment vehicles	133,272,155	65,064,773	(67,606,940)	13,985,962	**144,715,950**
AVC investments	71,841	-	(4,176)	2,664	**70,329**
	133,343,996	65,064,773	(67,611,116)	13,988,626	**144,786,279**
Cash	209,517			-	**-**
	133,553,513			13,988,626	**144,786,279**

The purchases and sales figures include £64,823,940 relating to switching investment funds.

10.1 Transaction costs

Indirect transaction costs are incurred through the bid-offer spread on investments within the pooled investment vehicles. The amount of indirect costs is not separately provided to the Scheme.

11. Investment management expenses

	2021 Total £	2020 Total £
Fee rebates	**(240,833)**	(203,409)

The total of the negative fee rebates £240,833 (2020: £203,409) relates to the investments managed by Mercer Global Investments.

12. Taxation

The Scheme is a registered pension scheme under Chapter 2 of Part 4 of the Finance Act 2004.

13. Pooled investment vehicles

	2021 Total £	2020 Total £
Equities	**31,113,887**	32,141,260
Bonds	**113,602,063**	101,130,895
	144,715,950	133,272,155

The pooled investments are held in the name of the Scheme. Income generated by these units are not distributed, but reflected in the market value of the units, with the exception of the income distributions received for the Mercer UK Credit Fund, Mercer Tailored Credit Fund I and the Mercer Sterling Nominal LDI Bond Fund, as detailed in note 9.

The company managing the pooled investments is registered in the United Kingdom.

14. AVC investments

The Trustees hold assets which are separately invested from the main fund in the form of individual policies of assurance. These secure additional benefits, on a money purchase basis, for those members who have elected to pay additional voluntary contributions. Members participating in this arrangement receive an annual statement made up to 5 April each year, confirming the amounts held to their account and the movements during the year.

The total amount of AVC investments at the year end is shown below:

	2021 Total £	2020 Total £
Prudential Assurance	**39,609**	42,400
Phoenix Life and Pensions Limited	**10,789**	10,203
Aviva	**19,931**	19,238
	70,329	71,841

15. Cash

	Assets £	**Liabilities £**	**2021 £**	Assets £	Liabilities £	2020 £
Investment cash in transit	**-**	**-**	**-**	209,517	-	209,517

16. Fair value determination

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

Level 1	Unadjusted quoted prices in active markets for identical assets or liabilities that the reporting entity can access at the measurement date.
Level 2	Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset or liability developed based on market data obtained from sources independent of the reporting entity.
Level 3	Unobservable inputs for the asset or liability. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability developed based on the best information available.

The Scheme's investment assets have been included at fair value using the above hierarchy levels as follows:

	2021 Level 1 £	**2021 Level 2 £**	**2021 Level 3 £**	**2021 Total £**
Pooled investment vehicles	**-**	**144,715,950**	**-**	**144,715,950**
AVC investments	**-**	**-**	**70,329**	**70,329**
Cash	**-**	**-**	**-**	**-**
	-	**144,715,950**	**70,329**	**144,786,279**

Analysis for the prior year end is as follows:

	2020 Level 1 £	2020 Level 2 £	2020 Level 3 £	2020 Total £
Pooled investment vehicles	-	133,272,155	-	133,272,155
AVC investments	-	-	71,841	71,841
Cash	209,517	-	-	209,517
	209,517	133,272,155	71,841	133,553,513

A fair value measurement is categorised in its entirety on the basis of the lowest level input which is significant to the fair value measurement in its entirety.

17. Investment risks

FRS 102 requires the disclosure of information in relation to certain investment risks to which the Scheme is exposed at the end of the reporting period: this is set out in the revised Statement of Recommended Practice (SORP), published in June 2018.

The risks set out by FRS 102 for disclosure are as follows:

Market risk: this is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk, each of which is further detailed as follows:

- **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.

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.

The Scheme has exposure to the above risks through the assets held to implement its investment strategy. The investment strategy has been designed to balance the risk and return while allowing the Scheme to achieve its objectives.

The Trustees have taken the step to reduce investment risk within their portfolio by implementing a de-risking strategy whereby the level of investment risk inherent in the Scheme's investment arrangements will reduce further as the Scheme's funding level improves. The Trustees agreed the way in which the investment risk should be reduced and have delegated the implementation of the de-risking strategy to Mercer. The de-risking strategy comprises funding level triggers which are monitored daily by Mercer. When a pre agreed trigger level is breached, Mercer opportunistically switches the assets from the Growth Portfolio to the Matching Portfolio. Mercer constructs portfolios of investments that are expected to maximise the return given the targeted level of risk.

The investment objectives and risk limits of the Scheme are further detailed in the SIP. Further information on the Trustees' approach to risk management, credit and market risk is set out below.

(i) Investment Strategy

The investment objective of the Scheme is to maintain a portfolio of suitable assets of appropriate liquidity which will generate investment returns to meet, together with future contributions, the benefits of the Scheme payable under the Trust Deed and Rules as they fall due. The investment strategy is agreed by the Trustees, taking into account considerations such as the strength of the Employer covenant, the long-term liabilities of the Scheme and the Recovery Plan agreed with the Employer. The key decision is the split between the Growth and Matching Portfolios in the investment strategy. More details on the investment strategy are set out in the SIP.

The Scheme's current target investment strategy is as follows:

- 79.1% in investments that share characteristics with the long-term liabilities of the Scheme, referred to as the Matching Portfolio. The Matching Portfolio is invested in assets including government and corporate bonds as well as funds incorporating derivative instruments to hedge the impact of interest rate movements and inflation expectations on the long term liabilities.
- 20.9% in investments that seek to generate a return above the liabilities, referred to as the Growth Portfolio. The Growth Portfolio is currently invested in global developed market and emerging market equities.
- 80.0% currency hedge ratio within the Growth Portfolio. This is achieved through a currency hedging policy using currency hedging derivatives such as forwards and swaps within the various Growth Portfolio's Mercer Funds held. Please note that additional currency risk may arise when underlying managers take active currency positions or from allocations to fixed income assets denominated in non-sterling currencies.

17. Investment risks (continued)

The actual allocations will vary from the above due to market price movements, dynamic asset allocation decisions, trigger breaches and intervals between rebalancing the portfolio.

Financial Risk Breakdown

The following table summarises the extent to which the various asset classes of investments are affected by financial risks. Since the assets are all invested in pooled funds as opposed to being held on a direct basis, the risks are referred to as indirect:

Fund	Portfolio	Indirect Currency Risk	Indirect Interest Rate Risk	Indirect Credit Risk	Indirect Other Price Risk
Passive Global Equity (Hedged)	Growth				X
Passive Global Equity - Fundamental Indexation (Hedged)	Growth				X
Global Low Volatility Equity (Hedged)	Growth	X	X		X
Global Small Cap Equity (Hedged)	Growth	X			X
Passive Emerging Markets Equity	Growth	X			X
Tailored Credit I	Matching		X	X	
UK Long Gilts	Matching		X		
Inflation-Linked Bonds	Matching		X		X
Nominal LDI Bonds	Matching		X		
Inflation-Linked LDI Bonds	Matching		X		X
Medium Flexible Fixed	Matching		X	X	
Short Flexible Real	Matching		X	X	X
Medium Flexible Real	Matching		X	X	X
Short Flexible Inflation	Matching		X	X	X

(ii) Market risk

a. Currency risk

Indirect currency risk arises from the Scheme's investment in sterling priced pooled investment vehicles which hold underlying investments denominated in foreign currency, but also in instances for those pooled investment vehicles that are GBP-hedged as the currency hedging is applied versus the benchmark. As a result, actively-managed strategies may still have views expressed through currency positions; however, these are not expected to be material.

To limit currency risk, Mercer has set a strategic target currency hedge ratio of 80.0% within the Growth Portfolio. This is achieved through a currency hedging policy using currency hedging derivatives such as forwards and swaps. Please note that additional currency risk may arise when underlying managers take active currency positions.

b. Interest rate risk

The Scheme's Growth and Matching Portfolios are subject to indirect interest rate risk because some of the Scheme's investments are held in pooled funds which comprise bonds, Gilt repurchase agreements and cash. The Trustees have considered these indirect risks in the context of the overall investment strategy.

At the year end, the Matching Portfolio represented 78.5% of the total investment portfolio (2020: 75.8%). The Trustees hold these assets as part of their LDI investment strategy. Under this strategy, if interest rates fall, the value of LDI investments will rise to help offset the increase in actuarial liabilities which will also increase if interest rates fall (all else equal). Conversely, if interest rates rise, the LDI investments will fall in value, as will the actuarial liabilities. The value of these assets at the Scheme year end amounted to £113.6m which was 100.0% of the Matching Portfolio and 78.3% of total assets (2020: £101.1m which was 100.0% of the Matching Portfolio and 75.9% of total assets).

The Scheme also has exposure to overseas interest rate risk through some of the Growth portfolio investments, such as Low Volatility Equity Fund.The value of these assets at the Scheme year end amounted to £6.4m which was 20.5% of the Growth Portfolio and 4.4% of total assets (2020: £6.6m which was 20.6% of the Growth Portfolio and 5.0% of total assets). The interest rate exposure that the Growth Portfolio introduce is part of the investment strategy to add value rather than to match liabilities.

17. Investment risks (continued)

c. Other price risk

Other price risk arises principally in relation to the Scheme's Growth Portfolio which seek a return above gilts and the Matching Portfolio that aim to provide inflation hedging via investments in index-linked gilts (and associated derivative instruments).

The benchmark set for investment in Growth Portfolio was 20.9% of the total investment portfolio as at 5 April 2021. Triggers are in place to reduce the allocation as the funding level improves. Mercer manages this exposure to overall price movements by constructing a diverse portfolio of investments across various markets and geographies.

At the year end, £31.1m which was 100.0% of the Scheme's Growth and £42.9m which was 37.7% of the Scheme's Matching Portfolio was exposed to other price risk. The total exposure at a Scheme level was 51.1% of the investment portfolio (2020: 100.0% of the Scheme's Growth and 36.4% of the Scheme's Matching, representing 51.8% of the total investment portfolio).

(iii) Credit risk

The Scheme's Growth and Matching Portfolio are subject to indirect credit risk.

The pooled investment arrangements used by the Scheme comprise collective investment schemes incorporated as limited liability variable capital companies as well as an open-ended umbrella common contractual fund. These are authorised by the Central Bank of Ireland. The Scheme's holdings in pooled investment vehicles are not rated by credit rating agencies. The Trustees manage and monitor the credit risk arising from its pooled investment arrangements by considering the nature of the pooled fund vehicles, the legal structure and regulatory environment. Credit risk arising from pooled investment vehicles is mitigated by the underlying assets of the pooled arrangements being ring-fenced from the manager and custodian.

Mercer manages credit risk within the Scheme's Matching Portfolio by predominantly holding UK government bonds and investment grade corporate bonds (within the Tailored Credit Fund) which have a low expected risk of default. Credit risk is managed by limiting the expected allocation to sub investment grade credit to 30% of the total value of the corporate bond allocation within the Tailored Credit Fund. Where derivatives are used there is a daily collateralisation process. The Trustees invest in Mercer Funds which hold non-investment grade credit rated instruments with a view to adding value. Indirect credit risk is mitigated through diversification of the underlying securities to minimise the impact of default by any one issuer. The value of these assets at the Scheme year end amounted to £63.6m which was 56.0% of the Matching Portfolio and 43.9% of total assets (2020: £39.5m which was 39.1% of the Matching Portfolio and 29.6% of total assets).

Credit risk is also managed by employing experienced active managers in these particular asset classes and by limiting the overall exposure of credit within the Growth Portfolio.

A summary of the pooled investment vehicles by type of arrangement is set out below.

Arrangement type	2021	2020
	(£)	(£)
Unit linked Insurance contracts	144,715,950	133,272,155

18. Concentration of investments

The following investments each account for more than 5% of the Scheme's net assets at the year end:

	2021		2020	
	£	**%**	£	%
Mercer Tailored Credit Fund 1M-1 GBP	**42,045,438**	**29.0**	39,492,301	29.5
Mercer UK Inflation Linked Bond Fund M-1 GBP	**20,779,440**	**14.3**	21,494,260	16.1
Mercer UK Long Gilt Fund	**17,388,797**	**12.0**	N/A	N/A
Mercer Passive Global Equity CCF - Class M-GBP Hedge	**7,936,388**	**5.5**	7,913,688	5.9
Mercer Sterling Nominal LDI Bond Fund M-5£	**7,857,937**	**5.4**	18,613,390	13.9
Mercer Fundamental Indexation Global Equity CCF Class M-1GBP Hedge	**7,796,590**	**5.4**	8,243,693	6.2
Mercer Flexible LDI Inflation Enhanced Matching Fund	**7,731,866**	**5.3**	N/A	N/A
Mercer Flex LDI £ Real Enhcd Matching Fund 1 - CLASS M-2GBP	**7,199,126**	**5.0**	N/A	N/A
Mercer Sterling Inflation LDI Bond Fund M-5 £ Distributing	**N/A**	**N/A**	15,334,105	11.5

19. Employer-related investments

There was no employer-related investment as at 5 April 2021 (2020: £Nil).

20. Current assets

	2021 Total £	2020 Total £
Contributions due from the employer in respect of:		
- Employer	**19,167**	-
Reimbursement of insured pensions	**-**	768
Due from AVC Provider	**1,457**	-
Cash deposits held	**462,038**	447,569
	482,662	448,337

The cash deposits held as at 5 April 2021 represent the balance held with the HSBC Bank plc.

21. Current liabilities

	2021 Total £	2020 Total £
Reimbursement of pensions received in advance	**539**	530
Pensions payable	**234**	-
Lump sums on retirement payable	**48,173**	-
Death benefits payable	**9,046**	-
Taxation payable	**35,238**	31,473
Administrative expenses payable	**66,640**	77,244
Due to AVX Limited	**4,789**	4,789
	164,659	114,036

22. Related party transactions

(a) Key management personnel of the Scheme or its parent (in aggregate)

S H Cunday, P Fenwick, R J Lawrence and W McIlmoyle, Trustees of the Scheme, were pensioners of the Scheme during the current and prior year.

S H Cunday, P Fenwick and R J Lawrence are being paid for services as Trustees. This is because they are Employer-nominated and Member-nominated Trustees who are no longer employed by the Company. The fees are met by the Scheme: S H Cunday £2,600 (2020: £2,600); P Fenwick £2,600 (2020: £2,600); and R J Lawrence £8,000 (2020: £5,000).

Dalriada Trustees Limited are paid for services as a Trustee. The fees for the year ended 5 April 2021 are met by the Employer £18,354 (2020: £8,625).

During the year the Employer paid out directly £6,500 as audit fees for the year ended 5 April 2021 (2020: £3,900).

At the year end 5 April 2021, the Scheme is to reimburse £4,789 of insurance premiums payable to AVX Limited (2020: £4,789).

(b) Other related parties

The Trustees and the Guarantor, AVX Corporation, have agreed that the Scheme will have the benefit of a guarantee from the Guarantor in respect of the liabilities of AVX Limited to the Scheme.

23. GMP Equalisation

As explained on page 6 of the Trustees report, on 26 October 2018, the High Court handed down a judgment involving the Lloyds Banking Group's defined benefit pension schemes. The judgment concluded the schemes should be amended to equalise pension benefits for men and women in relation to guaranteed minimum pension benefits. The issues determined by the judgment arise in relation to many other defined benefit pension schemes. The Trustees of the Scheme are aware that the issue will affect the Scheme and will be considering this at a future meeting and decisions will be made as to the next steps. Under the ruling schemes are required to backdate benefit 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 Trustees do 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.

Independent Auditor's Statement about Contributions to the Trustees of AVX Limited Pension Scheme

Statement about contributions

We have examined the Summary of Contributions to the AVX Limited Pension Scheme in respect of the Scheme year ended 5 April 2021 which is set out on page 39.

In our opinion contributions for the Scheme year ended 5 April 2021 as reported in the Summary of Contributions and payable under the Schedule of Contributions have in all material respects been paid at least in accordance with the Schedule of Contributions certified by the Scheme Actuary on 1 March 2019.

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.

Respective responsibilities of Trustees and the Auditor

As explained more fully in the Statement of Trustees' Responsibilities, the Scheme's Trustees are responsible for preparing, and from time to time reviewing and if necessary revising, a Schedule of Contributions and for monitoring whether contributions are made to the Scheme by the employer in accordance with the Schedule of 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 Trustees, as a body, 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 work on contributions has been undertaken so that we might state to the Scheme's Trustees those matters we are required to state to them in such an auditor's statement about contributions 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 and the Scheme's Trustees, as a body, for our work on contributions, for this statement, or for the opinions we have formed.

Cooper Parry Group Ltd.

COOPER PARRY GROUP LIMITED
Chartered Accountants and Statutory Auditors
Sky View
Argosy Road
East Midlands Airport
Castle Donington
Derby
DE74 2SA

Date: 20th September 2021

Summary of Contributions

During the year ended 5 April 2021, the contributions payable to the Scheme by the Employer were as follows:

	2021 Total £
Contributions payable under the Schedule of Contributions:	
Employer contributions:	
Additional	**230,000**
Contributions payable under the Schedule of Contributions (as reported on by the Scheme Auditor) and reported in the financial statements	**230,000**

Approved by the Trustees and signed on their behalf by:

Helen McCann .... Trustee

Nick Birkett .... Trustee

Date: 20th September 2021

Certification of schedules of contributions

Adequacy of rates of contributions

1. I certify that, in my opinion, the rates of contributions shown in this Schedules of Contributions are such that the Statutory Funding Objective could have been expected on 5 April 2018 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 schedules of contributions is consistent with the Statement of Funding Principles dated February 2019.

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	*Simon Hall*
Scheme Actuary	Simon Hall
Qualification	Fellow of the Institute and Faculty of Actuaries
Date of signing	1 March 2019
Name of employer	Mercer Limited
Address	Bedford House Bedford Street Belfast BT2 7DX