



**AVX LIMITED PENSION SCHEME  
ANNUAL REPORT  
FOR THE YEAR ENDED 5 APRIL 2023**

Scheme Registration Number: 10023435

# **AVX Limited Pension Scheme**

## **Annual Report for the year ended 5 April 2023**

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## **AVX Limited Pension Scheme**

**Annual Report for the year ended 5 April 2023**

**Trustees, Principal Employer and Advisers**

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### **Trustees**

#### **Employer-nominated Trustees**

M H McCann - Chair  
N Birkett - Deputy Chair  
Dalriada Trustees Limited  
R J Lawrence

#### **Member-nominated Trustees**

S H Cunday  
P Fenwick  
W McIlmoyle

### **Principal Employer**

Kyocera AVX Components Limited

### **Scheme Actuary**

Simon Hall, F.I.A.  
Mercer Limited

### **Independent Auditor**

Cooper Parry Group Limited

### **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**

Helen McCann  
Kyocera AVX Components Limited  
Hillman's Way  
Coleraine  
Co Derry  
BT52 2DA  
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## **AVX Limited Pension Scheme**

### **Annual Report for the year ended 5 April 2023**

#### **Trustees' Report**

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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 2023. 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 Kyocera AVX Components 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 (2022: 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, Kyocera AVX Components Limited.

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

The Trustees have met twice during the year (2022: two times).

###### **Statement of Trustees' Responsibilities**

The Statement of Trustees' Responsibilities is set out on page 20 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.

## AVX Limited Pension Scheme

### Annual Report for the year ended 5 April 2023

#### Trustees' Report

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#### Principal Employer

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

Following a merger, from 1 October 2021, AVX Limited changed its name in the UK to Kyocera AVX Components Limited, there will be no change to the Scheme name. Kyocera AVX Components Limited is a manufacturer and supplier of electronic components.

#### Financial development

The financial statements on pages 24 to 35 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 decreased from £142,511,311 at 5 April 2022 to £102,893,043 at 5 April 2023.

The decrease shown above comprised net withdrawals from dealings with members of £4,032,534 together with net returns on investments of (£35,585,734).

#### 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 2021. An updated valuation was performed on 5 April 2022. These showed:

	Actuarial Valuation 5 April 2021	Actuarial Update 5 April 2022
The value of Technical Provision was	£128.4 million	£122.4 million
The value of assets was	£145.0 million	£141.5 million
Percentage of Technical Provisions	112.9%	115.6%

The method and significant actuarial assumptions used to determine the technical provisions are as follows (all assumptions adopted are set out in the Appendix to the Statement of Funding Principles).

#### Method

The actuarial method to be used in the calculation of the technical provisions is the Accrued Benefit Method.

#### Significant actuarial assumptions

##### Principal actuarial assumptions for valuation as at 5 April 2021

Discount interest rate:	1.35% p.a.
Future Retail Price inflation:	3.55% p.a.
Future Consumer Price inflation:	RPI less 1% pre 2030/ in line with RPI thereafter.
Pension increases in payment:	Derived from the RPI/CPI inflation assumptions above with adjustment for the caps and collars in place.
Mortality:	S3PA YoB tables ("standard" table for males and "middle" table for females) with CMI 2020 projection model with 1.75% p.a. long term improvements (Sk of 7.5).

## AVX Limited Pension Scheme

### Annual Report for the year ended 5 April 2023

#### Trustees' Report

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#### 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 2021	
Discount interest rate:	The discount rate used is a term structure derived from the yields on UK Government conventional gilt stocks appropriate to the date of each future cashflow (extrapolated for cash flows beyond the longest available yields) plus an additional 0.15% p.a. to reflect the allowance the Trustees have agreed for additional investment returns based on the investment strategy.
Future Retail Price inflation:	The assumption for the rate of increase in the Retail Price Index (RPI) will be a term structure derived from the difference between the yield on conventional and index-linked UK Government bonds at the date of each future cash flow (extrapolated for cashflows beyond the longest available bonds).
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 adjustment will be reviewed at each valuation; at the 5 April 2021 valuation the adjustment was a deduction of 1% p.a. until 2030 and in line with the RPI assumption thereafter.
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 will be 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 S3PA Year of Birth tables ("standard" tables for males and "middle" tables for females) with improvements based on the CMI 2020 projections model with a long term improvement rate of 1.75% p.a. and a smoothing parameter (sk) of 7.5. No weight is placed on 2020 data and the initial addition to mortality improvements parameter is 0.

#### GMP Equalisation

The High Court judgment 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 35 of the financial statements.

## AVX Limited Pension Scheme

### Annual Report for the year ended 5 April 2023

#### Trustees' Report

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#### Membership

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

	Pensioners	Members With Preserved Benefits	Total
At 6 April 2022	546	406	952
Adjustments	2	(2)	-
Retirements	16	(16)	-
Deaths	(19)	(2)	(21)
Spouses and dependants	10	-	10
Transfers out	-	(3)	(3)
At 5 April 2023	<u>555</u>	<u>383</u>	<u>938</u>

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

Pensioners include 96 beneficiaries (2022: 88) receiving a pension.

The above pensioners include 6 (2022: 6) annuitants receiving a pension payment.

#### Pension increases

The following pension increases are disclosed as at 6 April 2022, as these reflect the pensions in payment during the year:

As at 6 April 2022, all pensions in payment to Tantalum members of the Scheme were increased as follows:

- 3.0% on pre 97 excess over Guaranteed Minimum Pension;
- 3.0% on post 1988 Guaranteed Minimum Pension;
- 4.9% on the post 1997 pension; and
- 2.5% on the post 6 April 2006 pension.

As at 6 April 2022, all pensions in payment to Varelco members of the Scheme were increased as follows:

- 5.0% on pre 97 excess over Guaranteed Minimum Pension;
- 3.0% on post 1988 Guaranteed Minimum Pension;
- 5.0% on the post 1997 pension; and
- 2.5% on the post 6 April 2006 pension.

As at 6 April 2022, all pensions in payment to ex-Retirement Plan members were increased as follows:

- 0.0% on benefits earned before 6 April 1997;
- 4.9% on the post 1997 pension; and
- 2.5% 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.

## **AVX Limited Pension Scheme**

### **Annual Report for the year ended 5 April 2023**

#### **Trustees' Report**

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#### **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 at the website: [https://avxlimitedpensionscheme.com/pdfs/SIP\\_Sept\\_2020.pdf](https://avxlimitedpensionscheme.com/pdfs/SIP_Sept_2020.pdf)

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.

## **AVX Limited Pension Scheme**

### **Annual Report for the year ended 5 April 2023**

#### **Trustees' Report**

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#### **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.

## AVX Limited Pension Scheme

### Annual Report for the year ended 5 April 2023

#### Trustees' Report

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#### Implementation statement

##### 1. INTRODUCTION

This Engagement Policy Implementation Statement (the Statement) sets out the Trustees' assessment of how, and the extent to which, they have followed their engagement policy and their policy with regard to the exercise of rights (including voting rights) attaching to the Scheme's investments during the one-year period to 31 March 2023 (the "Scheme Year"). The Trustees' policies are set out in their Statement of Investment Principles (SIP) dated September 2020.

This Statement has been produced in accordance with the *Occupational Pension Schemes (Investment and Disclosure) (Amendment and Modification) Regulations 2018* and the *Occupational Pension Schemes (Investment and Disclosure) (Amendment) Regulations 2019* along with guidance published by the Pensions Regulator.

The Trustees invest the assets of the Scheme in a fiduciary arrangement with Mercer Limited (Mercer). Under this arrangement Mercer are appointed as a discretionary investment manager and day-to-day management of the Scheme's assets is by investment in a range of specialist pooled funds (the Mercer Funds). Management of the assets of each Mercer Fund is undertaken by a Mercer affiliate, Mercer Global Investments Europe Limited (MGIE).

MGIE are responsible for the appointment and monitoring of suitably diversified portfolio of specialist third party investment managers for each Mercer Fund's assets.

The publicly available [Sustainability Policy](#) sets out how Mercer addresses sustainability risks and opportunities and considers Environmental, Social and Corporate Governance (ESG) factors in decision making across the investment process. The provides more detail on Mercer's beliefs and implementation on stewardship specifically. Under these arrangements, the Trustees accept that they do not have the ability to directly determine the engagement or voting policies or arrangements of the managers of the Mercer Funds. However, the Trustees have reviewed these policies and note an awareness of engagement topics that are important to the Scheme and integrating the Trustees views on specific themes, where possible, is an important part of Mercer's Fiduciary duty. Mercer's Client Engagement Survey aims to facilitate this by assessing the level of alignment between Mercer's engagement priority areas and those of the Trustees, while highlighting additional areas of focus which are important to the Trustees. The Trustees review regular reports from Mercer with regard to the engagement and voting undertaken on their behalf in order to consider whether the policies are being properly implemented.

Section 2 of this Statement sets out the Trustees' engagement policy and assesses the extent to which it has been followed over the Scheme Year.

Section 3 sets out the Trustees' policy with regard to the exercising of rights (including voting rights) attaching to the Scheme's investments and considers how, and the extent to which, this policy has been followed during the Scheme Year. This Section also provides detail on voting activity undertaken by the Scheme's third party investment managers during the Scheme Year.

**Taking the analysis included in Sections 2 to 3 together, it is the Trustees' belief that their policies with regard to engagement and the exercise of rights attaching to investments has been successfully followed during the Scheme Year.**

##### 2. TRUSTEES' POLICY ON ENVIRONMENTAL, SOCIAL, AND GOVERNANCE (ESG) ISSUES, INCLUDING CLIMATE CHANGE

###### Policy Summary

Mercer and the Trustees believe stewardship plays an important role in managing sustainability risks and other ESG factors, and helps the realisation of long-term value by providing investors with an opportunity to enhance the value of companies and markets consistent with long-term investor timeframes. Consequently, an approach that integrates effective stewardship is in the best interests of the Scheme. The Trustees also recognise that long-term sustainability issues, particularly climate change, present risks and opportunities, including non-financial performance that require the Trustees' explicit consideration.

It is the Trustees' policy that the third party investment managers appointed by Mercer, via Mercer Global Investments Europe (MGIE), report in line with established best practice such as the UK Stewardship Code 2021, to which Mercer is a signatory, including public disclosure of compliance via an external website, when managing the Scheme's assets. Further, in appointing the third party asset managers, the Trustees expect MGIE to select managers where it believes the managers will engage directly with issuers in order to improve their financial and non-financial performances over the medium to long term. To monitor the third party investment managers' compliance with this expectation, the Trustees consider regular reports from Mercer that include an assessment of each third party manager's engagement activity.

## AVX Limited Pension Scheme

### Annual Report for the year ended 5 April 2023

#### Trustees' Report

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#### Implementation Statement (continued)

##### Policy Summary (continued)

Should the Trustees consider that Mercer, MGIE or the third party asset managers, have failed to align their own engagement policies with those of the Trustees, the Trustees will notify Mercer and consider disinvesting some or all of the assets held in the Mercer Funds and/or seek to renegotiate commercial terms with Mercer.

##### How the Policy has been implemented over the Scheme Year

The following work was undertaken during the year relating to the Trustees' policy on ESG factors, stewardship and climate change.

##### 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, provide reporting to the Trustees on a regular basis.

The Mercer Sustainability Policy is reviewed regularly. In March 2021 there was an update in relation to the Sustainable Finance Disclosure Regulation (SFDR) implementation. In August 2022 the policy update reflected enhancements to the approach to climate change modelling and transition modelling, additional detail on how the policy is implemented, monitored and governed and, as part of the commitment to promote diversity, finalising MGIE's signatory status to the UK chapter of the 30% Club.

In line with the requirements of the EU Shareholder Rights Directive II; Mercer have implemented a standalone Stewardship Policy to specifically address the requirements of the directive. This Policy was also updated in August 2022 to reflect enhancements made to Mercer's stewardship approach including an introduction of Engagement Dashboards and Trackers, an enhanced UN Global Compact engagement and escalation process and a Client engagement survey.

UN Principles of Responsible Investing scores for 2021 (based on 2020 activity) were issued over Q3 2022. Mercer were awarded top marks for over-the-arching Investment and Stewardship Policy section, underpinned by strong individual asset class results.

##### Climate Change Reporting and Carbon Foot-printing

Mercer and the Trustees believe climate change poses a systemic risk and recognise that limiting global average temperature increases this century to "well below two degrees Celsius", as per the 2015 Paris Agreement, is aligned with the best economic outcome for long-term diversified investors. Mercer supports this end goal and is committed to achieving net-zero absolute carbon emissions by 2050 for UK, European and Asian clients with discretionary portfolios, and for the majority of its multi-client, multi-asset funds domiciled in Ireland. To achieve this, Mercer plans to reduce portfolio relative carbon emissions by at least 45% from 2019 baseline levels by 2030. This decision was supported by insights gained from Mercer's Investing in a Time of Climate Change (2015 and 2019) reports, Mercer's Analytics for Climate Transition (ACT) tool and advice framework, and through undertaking climate scenario analysis and stress testing modelling.

Mercer's approach to managing climate change risks is consistent with the framework recommended by the Financial Stability Board's Task Force on Climate related Financial Disclosures (TCFD), including the Mercer Investment Solutions Europe - Investment Approach to Climate Change 2022 Status Report. As at 31 December 2022 Mercer are on track to reach our long-term net zero portfolio carbon emissions target. There has been a notable 16% reduction over the 3 years since 2019 baseline levels, resulting in the 45% baseline-relative reduction by 2030 being within range.

##### ESG Rating Review

Where available, ESG ratings assigned by Mercer 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 and compares the Mercer funds overall ESG rating with the appropriate universe of strategies in Mercer's Global Investment Manager Database (GIMD). Engagements are prioritised with managers where their strategy's ESG rating is behind that of their peer universe.

As at 31 December 2022, in the Annual Sustainability Report provided by Mercer, the Trustees noted over 20% of Mercer's funds have seen an improved ESG rating over the year and the vast majority have a rating ahead of the wider universe.. Due to the nature of certain strategies, they do not have an ESG rating (i.e. are N rated) and are therefore excluded from this review. Please see Mercer's Guide to ESG Ratings for more information <https://www.mercer.com/our-thinking/mercer-esg-ratings.html>

## AVX Limited Pension Scheme

### Annual Report for the year ended 5 April 2023

#### Trustees' Report

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#### Implementation Statement (continued)

##### Policy Summary (continued)

###### Approach to Exclusions

As an overarching principle, Mercer and MGIE prefer an approach of positive engagement rather than negative divestment. However Mercer and MGIE 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 weapons are excluded from active equity and fixed income funds, and passive equity funds. In addition tobacco companies (based on revenue) are excluded from active equity and fixed income funds. The Mercer sustainability-themed funds have additional exclusions, for example covering gambling, alcohol, adult entertainment and fossil fuels.

Mercer expanded exclusions to further promote environmental and social characteristics across the majority of the multi-client building block funds over the second half of 2022, in line with EU SFDR Article 8 classification, as well as aligning Mercer's existing active and passive exclusions across their fund range.

In addition, Mercer and MGIE monitors for high-severity breaches of the UN Global Compact (UNGC) Principles that relate to human rights, labour, 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 Mercer Investment Solutions International policy on Diversity, Equity and Inclusion, sitting alongside Mercer's established Diversity Charter.

Mercer consider broader forms of diversity in decision-making, but currently report on gender diversity. As at 31 December 2022, 36% of the Key Decision Makers (KDM's) within Mercer IS team are non-male, and Mercer's long term target is 50%.

Within the Fixed Income universe the average fund has 8% non-male KDM's and within the EMEA Active Equity universe the average is 12%. Figures relating to Mercer Fixed Income and Active Equity Funds are currently slightly ahead at 9% and 13%.

In Q3 2022 MGIE was confirmed as a signatory of the UK Chapter of the 30% Club.

### 3. TRUSTEES' POLICY ON EXERCISE OF RIGHTS (INCLUDING VOTING RIGHTS) ATTACHING TO SCHEME INVESTMENTS

#### Policy

The Trustees' policy is to delegate responsibility for the exercising of rights (including voting rights) attaching to the Scheme's investments to the third party investment managers appointed by Mercer on the Trustees' behalf.

This is because 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. In delegating these rights, MGIE accepts that managers are typically best placed to exercise voting rights and prioritise particular engagement topics by security, given they are expected to have detailed knowledge of both the governance and the operations of the companies and issuers they invest in. However, Mercer has a pivotal role in monitoring their stewardship activities and promoting more effective stewardship practices, including ensuring attention is given to more strategic themes and topics. As such, proxy voting responsibility is given to listed equity investment managers with an expectation that all shares are to be voted in a timely manner and a manner deemed most likely to protect and enhance long-term value. Mercer and MGIE carefully evaluates each sub-investment manager's capability in ESG engagement and proxy voting, as part of the selection process to ensure it is representing Mercer's commitment to good governance, integration of sustainability considerations. Managers are expected to take account of current best practice such as the UK Stewardship Code 2021, to which Mercer is a signatory. As such the Trustees do not use the direct services of a proxy voter.

## AVX Limited Pension Scheme

### Annual Report for the year ended 5 April 2023

#### Trustees' Report

#### Implementation Statement (continued)

#### 3. TRUSTEES' POLICY ON EXERCISE OF RIGHTS (INCLUDING VOTING RIGHTS) ATTACHING TO SCHEME INVESTMENTS

##### Policy (continued)

Voting: As part of the monitoring of managers' approaches to voting, MGIE assesses how managers are voting against management and seeks to obtain the rationale behind voting activities, particularly in cases where split votes may occur (where managers vote in different ways for the same proposal). MGIE portfolio managers will use these results to inform their engagements with managers on their voting activities.

Set out below is a summary of voting activity for the year to 31 March 2023 for a range of Mercer Funds that the Scheme's assets are invested in. This may include information in relation to funds that the Scheme's assets were no longer invested in at the year end. The statistics set out in the table below are drawn from the Glass Lewis voting system (via Mercer's custodian). Typically, votes exercised against management 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.

Fund	Total Proposals		Vote Decision					For/Against Mgmt	
	Eligible Proposals	Proposals Voted On	For	Against	Abstain	No Action	Other	For	Against
Mercer Fundamental Indexation Global Equity CCF	2,326	2,258	82%	14%	0%	3%	0%	79%	21%
Mercer Global Small Cap Equity Fund	6,342	6,201	91%	6%	1%	2%	0%	92%	8%
Mercer Low Volatility Equity Fund	8,239	8,083	91%	7%	0%	1%	0%	92%	8%
Mercer Passive Emerging Markets Equity Fund	26,187	25,405	80%	17%	3%	0%	0%	82%	18%
Mercer Passive Global Equity CCF	19,126	18,347	81%	14%	0%	4%	0%	80%	20%

- "Eligible Proposals" reflect all proposals of which managers were eligible to vote on over the period
- "Proposals Voted On" reflect the proposals managers have voted on over the period (including votes For and Against, and any frequency votes encompassed in the "Other" category)
- "No Action" reflects instances where managers have not actioned a vote. MGIE may follow up with managers to understand the reasoning behind these decisions, and to assess the systems managers have in place to ensure voting rights are being used meaningfully
- "Other" refers to proposals in which the decision is frequency related (e.g. 1 year or 3 year votes regarding the frequency of future say-on-pay).

**Significant Votes:** The Trustees have based the definition of significant votes on Mercer's . Reported below are the *most* significant proposals over the period. Significant proposals are determined using the following criteria:

1. The proposal topic relates to an Engagement Priority (climate change, human/labour rights, and diversity). This is classified in the "Proposal Description" column below, referenced as Environmental, Social, and Governance respectively.
2. The *most* significant proposals reported below relate to the three companies with the largest weight in each fund (relative to other companies in the full list of significant proposals).

## AVX Limited Pension Scheme

### Annual Report for the year ended 5 April 2023

#### Trustees' Report

#### Implementation Statement (continued)

##### Policy (continued)

##### Most significant votes

Fund	Proposal Description	Company	Holding Weight in Mercer Fund (%) (2)	Meeting Date	Manager Vote Decision	Vote Outcome (% Shareholder Support)
Mercer Fundamental Indexation Global Equity CCF	Governance: Shareholder Proposal Regarding Median Gender and Racial Pay Equity Report	Apple Inc	7%	10-Mar-23	For	33%
	Social: Shareholder Proposal Regarding Report on Hiring Practices	Microsoft Corporation	2%	13-Dec-22	For	11%
	Environmental: Approval of Climate Action Plan	Rio Tinto plc	1%	8-Apr-22	Against	82%
	Environmental: Advisory vote on Climate Transition Plan	Centrica plc	<1%	7-Jun-22	For	79%
Mercer Global Small Cap Equity Fund	Environmental: Shareholder Proposal Regarding Lobbying Activity Alignment with the Paris Agreement	Tesla Inc	<1%	4-Aug-22	Against	34%
	Social: Shareholder Proposal Regarding Policy on Freedom of Association				Against	32%
Mercer Low Volatility Equity Fund	Social: Shareholder Proposal Regarding Human Rights Impact Assessment Report				For	23%
	Environmental: Shareholder Proposal Regarding Lobbying Activity Alignment with the Paris Agreement	Alphabet Inc	2%	1-Jun-22	For	19%
	Environmental: Shareholder Proposal Regarding Report on Physical Risks of Climate Change				For	18%
	Environmental: Advisory Vote on Approach to Climate Change	Canadian Pacific Kansas City Limited	1%	27-Apr-22	For	87%
	Social: Shareholder Proposal Regarding Report on Hiring Practices	Microsoft Corporation	3%	13-Dec-22	Against	11%
Mercer Passive Global Equity CCF	Social: Shareholder Proposal Regarding Human Rights Impact Assessment Report	Alphabet Inc	3%	1-Jun-22	For	23%
	Environmental: Shareholder Proposal Regarding Lobbying Activity Alignment with the Paris Agreement				For	19%
	Environmental: Shareholder Proposal Regarding Report on Physical Risks of Climate Change				For	18%
	Governance: Shareholder Proposal Regarding Median Gender and Racial Pay Equity Report	Apple Inc	5%	10-Mar-23	For	33%
	Social: Shareholder Proposal Regarding Report on Hiring Practices	Microsoft Corporation	4%	13-Dec-22	For	11%
	Social: Shareholder Proposal Regarding Report on Hiring Practices	Microsoft Corporation	1%	13-Dec-22	Against	11%
	Environmental: Shareholder Proposal Regarding Report on GHG Targets and Alignment with Paris Agreement	American Water Works Co. Inc.	1%	11-May-22	Mixed	88%
	Social: Shareholder Proposal Regarding Report on Hiring Practices	Microsoft Corporation	3%	13-Dec-22	Mixed	11%

(1) "Mixed" refers to occasions where underlying managers have voted differently for the same proposal. Vote decisions of this nature are monitored and fed into the wider engagement process with managers. In this case, two managers voted "For" and two managers voted "Against" the proposal.

(2) Approximate size of the holding in the Fund as at the date of the vote. Size at the end of the relevant quarter.

## **AVX Limited Pension Scheme**

### **Annual Report for the year ended 5 April 2023**

#### **Trustees' Report**

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##### **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 of the SIP, 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 of the SIP. 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.

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.

Section 9 of the SIP provides 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.

## **AVX Limited Pension Scheme**

### **Annual Report for the year ended 5 April 2023**

#### **Trustees' Report**

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##### **Investment Report (continued)**

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

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 it pays for asset management services on an ongoing basis taking into account the progress made in achieving its investment strategy objectives as outlined in section 3 of the SIP. 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.

##### **Market Background**

Over the second quarter of 2022, there was a continuation of the broad macro trends seen since the beginning of 2022. Surging commodity prices, to some degree was the result of the ongoing conflict in Ukraine and associated sanctions against Russia, alongside the enormous monetary and fiscal stimulus of the last two years led to new multi-decade inflation records. Central banks in major regions doubled down on monetary tightening as a consequence, resulting in elevated market volatility and a sell-off in pretty much all asset classes except commodities. Growth expectations were dialled down over the quarter, with a growing number of investors seeing a recession as an increasingly plausible scenario. On the brighter side, there was evidence of supply chains gradually beginning to improve.

Volatility spiked in UK markets at the end of Q3 2022 as an unfunded fiscal budget led to a sell-off in government bond markets. In the UK, fiscal and monetary policy initiatives also impacted markets materially, and the response to the former UK Chancellor's mini-budget on 23 September 2022 was severe with sterling plummeting and gilt yields soaring. The index-linked gilt market became somewhat dysfunctional between then and the morning of 28 September 2022 as there were effectively no buyers of index-linked gilts in the market. This resulted in the Bank of England ("BoE") intervening in markets with a temporary gilt purchasing program. Following further gilt market volatility, a change in regime brought an element of calm (and slightly lower gilt yields) due to the perception of a more fiscally responsible approach.

In Q4, central banks in developed countries continued to tighten monetary policy but at a slower pace. Inflation remained on a downward trend from high levels. In China, an end to all Covid-related restrictions boosted sentiment as investors priced in an economic rebound. The narrative of peaking inflation and resilient economic growth drove positive equity returns during October and November, but hawkish messaging from central banks in December led to a premature end of the "Santa rally" even though the quarter as a whole ended with positive equity returns for the first time in a year.

The first quarter of 2023 started with optimism over declining inflation and a hope of an end to monetary tightening. The demise of Silicon Valley Bank (SVB), the second largest US bank failure in history, and UBS's shotgun takeover of Credit Suisse in March were the major events of the quarter that briefly rattled markets until calm returned towards quarter end. Developed market central banks continued raising rates through the quarter as overall growth momentum remained robust. Headline inflation continued to slow in major developed economies, except for the UK, but core inflation remained more elevated than expected.

Overall, the year to March 2023 saw tightening of financial conditions by major central banks, with the notable exception of China and to some extent Japan, who changed their yield curve control in Q4 2022 by widening the permitted range of the 10-year yield. Inflation remained elevated and peaked in Q4 2022.

## **AVX Limited Pension Scheme**

### **Annual Report for the year ended 5 April 2023**

#### **Trustees' Report**

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#### **Investment Report (continued)**

##### **Market Background (continued)**

Overall, over the year, this period was shaped by a strong global economic recovery supported by economies reopening, higher increased household savings and loose monetary policy. This was offset to some extent following the market volatility in 2023 amid rising inflation levels, tightening monetary policy, the conflict in Ukraine and renewed lockdowns in China, just at the point where there was anticipation that supply chains would improve and Covid-19 would cease to cause major economic disruptions.

##### **Equity Markets**

At a global level, developed markets as measured by the FTSE World index, returned -0.7%. Meanwhile, a return of -3.9% was recorded by the FTSE All World Emerging Markets index.

At a regional level, European markets returned 8.7% 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 2.9%. The FTSE USA index returned -2.4% while the FTSE Japan index returned 2.0%. The considerable outperformance of UK equities is attributed to the index's large exposure to oil, gas and basic materials.

Equity market total return figures are in Sterling terms over the year 31 March 2023.

##### **Bonds**

UK Government Bonds as measured by the FTSE Gilts All Stocks Index, returned -16.3%, while long dated issues as measured by the corresponding Over 15 Year Index had a return of -29.7% over the year. Yields at the longer end of the nominal yield curve rose less than the shorter end but this was offset by the duration impact on the longer-dated gilt returns. The yield for the FTSE Gilts All Stocks index rose over the year from 1.7% to 3.7% while the Over 15 Year index yield rose from 1.7% to 3.8%.

The FTSE All Stocks Index-Linked Gilts index returned -26.7% with the corresponding over 15-year index exhibiting a return of -39.1%. The combination of falling inflation expectations and increasing nominal yields led to a sharp rise in real yields and underperformance of index-linked gilts relative to nominal gilts.

Corporate debt as measured by the ICE Bank of America Merrill Lynch Sterling Non-Gilts index returned -10.3%.

Bond market total return figures are in Sterling terms over the year to 31 March 2023.

##### **Property**

Over the year 31 March 2023, the MSCI UK All Property Index returned -14.7% in Sterling terms. All of the three main sectors of the UK Property market, office, industrials and retail posted negative returns (-18.5%, -28.5% and -14.0% respectively).

##### **Commodities**

The price of Brent Crude Oil fell -25.8% from \$107.46 to \$79.76 per barrel over the one-year period. Over the same period, the price of Gold increased 1.8% from \$1941.15 per troy ounce to \$1976.50.

The S&P GSCI Commodity Spot Index returned -15.6% over the one-year period to 31 March 2023 in Sterling terms.

##### **Currencies**

Over the year to 31 March 2023, Sterling depreciated by 6.1% against the US Dollar from \$1.32 to \$1.24. Sterling appreciated by 3.0% against the Yen from ¥159.81 to ¥164.56. Sterling depreciated against the Euro by 3.8% from €1.18 to €1.14 over the same period.

## AVX Limited Pension Scheme

### Annual Report for the year ended 5 April 2023

#### Trustees' Report

#### Investment Performance to 31 March 2023

Growth Portfolio	Inception Dates	Since Inception		3 Years		1 Year	
		Portfolio (% p.a.)	Target (% p.a.)	Portfolio (% p.a.)	Target (% p.a.)	Portfolio (%)	Target (%)
<b>Total Growth<sup>(a)</sup></b>	<b>08/05/2016</b>	8.3	8.7	13.8	14.6	(4.8)	(5.9)

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 (%)	B'mark (%)
Tailored Credit I <sup>(b)</sup>	08/03/2019	(3.1)	-	(4.9)	-	(16.4)	-
UK Long Gilts	22/09/2020	(19.7)	(19.7)	-	-	(29.7)	(29.7)
Inflation-Linked Bonds	08/03/2019	(5.7)	(5.6)	(9.3)	(9.2)	(30.6)	(30.4)
Nominal LDI Bonds	18/05/2016	(4.6)	(4.6)	(23.1)	(23.0)	(39.9)	(39.8)
UK Cash	31/01/2023	0.5	0.6	-	-	-	-

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 (%)	B'mark (%)
<b>Total (Net of Fees)<sup>(c)</sup></b>	<b>18/05/2016</b>	<b>1.4</b>	<b>0.1</b>	<b>(5.3)</b>	<b>(9.5)</b>	<b>(25.7)</b>	<b>(23.7)</b>
Comparator							
<b>Composite Fund Benchmark</b>	<b>18/05/2016</b>	<b>0.8</b>		<b>(7.2)</b>		<b>(31.2)</b>	

Performance provided by State Street Fund Services (Ireland) Limited, Mercer estimates and Refinitiv.

Performance is in £ terms using unsprung 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 (sprung) prices. Where applicable, it includes performance of terminated mandates.

(a) Target is measured against 1 Month Sterling LIBID + 4% p.a.

(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.

As noted in the markets background section, returns on gilt-based funds were particularly negative over the one-year period. Performance of the assets relative to the liabilities ("B'mark" shown in the table above) was largely impacted by the gilt market crisis. Between the UK's mini budget on 23 September 2022 and prior to the Bank of England's intervention at 11am on 28 September 2022, the increase in yields was so extreme that the collateral calls made on the leveraged gilt funds was overtaken by market movements causing BlackRock to reduce the exposure in the funds in order to manage the leverage automatically, in line with the collateral management framework. This reduced exposure (and temporarily lower interest rate and inflation hedge ratio) was replaced at the next available point, as at close of business on 3 October 2022, but at a lower yield as the Bank of England's intervention had taken effect to bring a short period of calm to the market.

## AVX Limited Pension Scheme

### Annual Report for the year ended 5 April 2023

#### Trustees' Report

##### Asset Allocation as at 5 April 2023

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), global (hedged) corporate bonds and cash, as well as Liability Driven Investment ("LDI") funds which invest in bond-like investments in order to provide interest rate and inflation exposure and reduce funding risk.

Portfolio	Actual Asset Allocation				Target as at 5 April 2023
	Start of Year	End of Year	Start of Year	End of Year	
	(£m)	(£m)	(%)	(%)	
Total Growth	26.4	15.1	18.6	14.8	18.0
Total Matching	115.1	86.9	81.4	85.2	82.0
<b>Total</b>	<b>141.5</b>	<b>102.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>

Source: Mercer. Based on official (svung) prices

##### Growth Portfolio

Portfolio	Actual Asset Allocation			
	Start of Year	End of Year	Start of Year	End of Year
	(£m)	(£m)	(%)	(%)
Passive Global Equity (Hedged)	7.0	3.8	26.4	25.3
Passive Global Equity - Fundamental Indexation (Hedged)	6.5	3.8	24.8	25.2
Global Low Volatility Equity (Hedged)	5.6	3.1	21.2	20.6
Global Small Cap Equity (Hedged)	2.4	1.5	9.1	9.7
Passive Emerging Markets Equity	4.9	2.9	18.5	19.2
<b>Total Growth</b>	<b>26.4</b>	<b>15.1</b>	<b>100.0</b>	<b>100.0</b>

Source: Mercer. Based on official (svung) prices

##### Matching Portfolio

Portfolio	Actual Asset Allocation			
	Start of Year	End of Year	Start of Year	End of Year
	(£m)	(£m)	(%)	(%)
UK Long Gilts	22.3	18.3	19.4	21.0
Inflation-Linked Bonds	23.1	35.2	20.0	40.5
Nominal LDI Bonds	6.0	0.3	5.2	0.4
Inflation-Linked LDI Bonds	2.6	-	2.3	-
Tailored Credit I	37.8	30.6	32.8	35.2
Medium Flexible Real	3.2	-	2.8	-
Short Flexible Inflation	6.7	-	5.8	-
Short Flexible Real	6.8	-	5.9	-
Medium Flexible Fixed	1.9	-	1.7	-
UK Cash <sup>(a)</sup>	4.7	2.5	4.1	2.9
<b>Total Matching</b>	<b>115.1</b>	<b>86.9</b>	<b>100.0</b>	<b>100.0</b>

Source: Mercer. Based on official (svung) prices

(a) The Sub-Fund is authorised under the Money Market Fund Regulation as a VNAV Money Market Fund and is classified as a Standard Money Market Fund.

## **AVX Limited Pension Scheme**

### **Annual Report for the year ended 5 April 2023**

#### **Trustees' Report**

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##### **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 investment 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.

##### **The Pensions Regulator**

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

The Pensions Regulator  
Telecom House  
125 - 135 Preston Road  
Brighton  
BN1 6AF

Telephone: 0345 600 0707  
Email: [customersupport@tpr.gov.uk](mailto:customersupport@tpr.gov.uk)  
Website: [www.thepensionregulator.gov.uk](http://www.thepensionregulator.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  
Post Handling Site A  
WV98 1AF  
Telephone: 0800 731 0193

##### **The Money and Pensions Service**

The Money and Pensions Service can give you information about matters relating to workplace and personal pensions.

Money and Pension Services  
Hoborn Centre  
120 Holborn  
London  
EC1N 2TD  
Telephone: 01159 659570  
Email: [contact@maps.org.uk](mailto:contact@maps.org.uk)  
Website: <https://maps.org.uk>

**AVX Limited Pension Scheme**

**Annual Report for the year ended 5 April 2023**

**Trustees' Report**

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**Pensions Ombudsman**

Any concerns connected with the Scheme should be referred to Helen McCann, Kyocera AVX Components 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](mailto:enquiries@pensions-ombudsman.org.uk)  
Website: [www.pensions-ombudsman.org.uk](http://www.pensions-ombudsman.org.uk)

**The Pension Protection Fund**



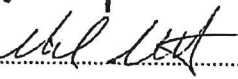
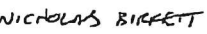
The Pension Protection Fund (PPF) was established to pay compensation to members of eligible defined benefit pension schemes, when there is a qualifying insolvency event in relation to the employer and where there are insufficient assets in the pension scheme to cover PPF levels of compensation. The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

**Approval**

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

 ..... Trustee   
 ..... Trustee 

Date: 20th September 2023

## **AVX Limited Pension Scheme**

### **Annual Report for the year ended 5 April 2023**

#### **Statement of Trustees' Responsibilities**

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The financial statements, which are prepared in accordance with UK Generally Accepted Accounting Practice, including the Financial Reporting Standard applicable in the UK (FRS 102) are the responsibility of the 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 the above responsibilities, the Trustees are responsible for selecting suitable accounting policies, to be applied consistently, making any estimates and judgments on a prudent and reasonable basis, and for the preparation of the financial statements on a going concern basis unless it is inappropriate to presume that the Scheme will not be wound up.

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 adequate accounting records are kept and for taking such steps as are reasonably open to them to safeguard the assets of the Scheme and to prevent and detect fraud and other irregularities, including the maintenance of an appropriate system of internal control.

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 the members.

## **AVX Limited Pension Scheme**

### **Annual Report for the year ended 5 April 2023**

#### **Independent Auditor's Report to the Trustees**

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## **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 2023 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 2023, and of the amount and disposition at that date of its assets and liabilities, other than liabilities to pay pensions and benefits after the end of the year;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- contain the information specified in Regulation 3A of the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, made under the Pensions Act 1995.

### **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.

## **AVX Limited Pension Scheme**

### **Annual Report for the year ended 5 April 2023**

#### **Independent Auditor's Report to the Trustees**

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#### **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 20, 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.

## **AVX Limited Pension Scheme**

### **Annual Report for the year ended 5 April 2023**

#### **Independent Auditor's Report to the Trustees**

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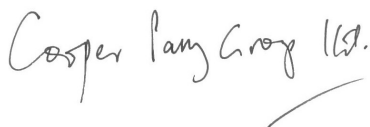
#### **Auditor's responsibilities for the audit of the financial statements (continued)**

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](http://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 and the Scheme's Trustees, as a body, for our audit work, for this report, or for the opinions we have formed.



COOPER PARRY GROUP LIMITED  
Statutory Auditor  
Sky View  
Argosy Road  
East Midlands Airport  
Castle Donington  
Derby  
DE74 2SA

Date: 21st September 2023  
Date: .....

## AVX Limited Pension Scheme

### Annual Report for the year ended 5 April 2023

#### Financial Statements

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#### Fund Account

	2023 Total £	2022 Total £
Employer contributions	4 230,000	230,000
Other income	5 14,207	7
	<u>244,207</u>	<u>230,007</u>
Benefits paid or payable	6 (3,826,376)	(3,744,925)
Payments to and on account of leavers	7 (234,203)	(288,931)
Administrative expenses	8 (216,162)	(274,495)
	<u>(4,276,741)</u>	<u>(4,308,351)</u>
<b>Net withdrawals from dealings with members</b>	<b><u>(4,032,534)</u></b>	<b><u>(4,078,344)</u></b>
<b>Returns on investments</b>		
Investment income	9 4,527,894	2,886,929
Change in market value of investments	10 (40,298,271)	(1,665,756)
Investment management expenses	11 184,643	264,200
<b>Net returns on investments</b>	<b><u>(35,585,734)</u></b>	<b><u>1,485,373</u></b>
<b>Net decrease in the fund during the year</b>	<b><u>(39,618,268)</u></b>	<b><u>(2,592,971)</u></b>
<b>Net assets at 6 April</b>	<b><u>142,511,311</u></b>	<b><u>145,104,282</u></b>
<b>Net assets at 5 April</b>	<b><u>102,893,043</u></b>	<b><u>142,511,311</u></b>

The notes on pages 26 to 35 form part of these financial statements.

**AVX Limited Pension Scheme**

**Annual Report for the year ended 5 April 2023**

**Financial Statements**

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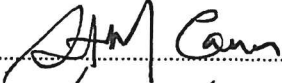
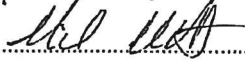
**Statement of Net Assets available for benefits**

	Note	2023 Total £	2022 Total £
<b>Investment assets</b>			
Pooled investment vehicles	13	101,960,527	141,532,576
AVC investments	14	64,999	68,898
Other investment balances	15	646,726	480,936
<b>Total investments</b>	10	<u>102,672,252</u>	<u>142,082,410</u>
<b>Current assets</b>	20	465,084	571,089
<b>Current liabilities</b>	21	(244,293)	(142,188)
<b>Net assets at 5 April</b>		<u>102,893,043</u>	<u>142,511,311</u>

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 3 to 4 of the annual report and these financial statements should be read in conjunction with this report.

The notes on pages 26 to 35 form part of these financial statements.

The financial statements on pages 24 to 35 were approved by the Trustees and signed on their behalf by:

 ..... Trustee **HELEN McCANN**  
 ..... Trustee **NICHOLAS BIRRELL**

Date: 20th September 2023

## **AVX Limited Pension Scheme**

### **Annual Report for the year ended 5 April 2023**

#### **Notes to the Financial Statements**

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##### **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 Kyocera AVX Components 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 1.

##### **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).

The financial statements have been prepared on the going concern basis which the Trustees believe to be appropriate based on their expectations for a 12 month period from the date of approval of these financial statements which indicate that sufficient funds should be available to enable the Scheme to continue in operational existence for the foreseeable future by meeting its liabilities as they fall due. Since the year end the employer has continued to make the required contributions as set out in the Schedule of Contributions.

##### **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 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.

## AVX Limited Pension Scheme

### Annual Report for the year ended 5 April 2023

#### Notes to the Financial Statements

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#### 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

	2023 Total £	2022 Total £
<b>Employer contributions:</b>		
Additional	<u>230,000</u>	<u>230,000</u>

The Employer will pay an allowance of £230k p.a. 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

	2023 Total £	2022 Total £
Interest on cash deposits held by the Trustees	<u>14,207</u>	<u>7</u>

### 6. Benefits paid or payable

	2023 Total £	2022 Total £
Pensions	3,403,911	3,301,087
Commutation of pensions and lump sum retirement benefits	398,174	420,708
Lump sum death benefits	24,291	23,130
	<u>3,826,376</u>	<u>3,744,925</u>

## AVX Limited Pension Scheme

### Annual Report for the year ended 5 April 2023

#### Notes to the Financial Statements

#### 7. Payments to and on account of leavers

	2023 Total £	2022 Total £
Individual transfers out to other schemes	<u>234,203</u>	<u>288,931</u>

#### 8. Administrative expenses

	2023 Total £	2022 Total £
Administration fees	100,674	92,094
Pension consultancy and actuarial	93,211	166,943
Trustee fees	11,200	11,200
Scheme levies	10,377	8,432
Bank charges paid	660	575
Miscellaneous expenses	40	40
Other expense	-	(4,789)
	<u>216,162</u>	<u>274,495</u>

The audit fees from 2017 are payable by the Employer and are not recharged to the Scheme. The audit fees of £8,350 for 2023 (2022: £6,500) are met by the Employer. Pension consultancy and actuarial fees have reduced during the year as compared to prior year due to a reduction in monthly invoices.

#### 9. Investment income

	2023 Total £	2022 Total £
Income from pooled investment vehicles	4,504,340	2,864,077
Annuity income	23,554	22,852
	<u>4,527,894</u>	<u>2,886,929</u>

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.

#### 10. Reconciliation of investments

	Market value at 6 April 2022 £	Cost of investments purchased £	Proceeds of sales of investments £	Change in market value £	Market value at 5 April 2023 £
Pooled investment vehicles	141,532,576	54,776,403	(54,051,759)	(40,296,693)	101,960,527
AVC investments	68,898	-	(2,321)	(1,578)	64,999
	<u>141,601,474</u>	<u>54,776,403</u>	<u>(54,054,080)</u>	<u>(40,298,271)</u>	<u>102,025,526</u>
Other investment balances	480,936			-	646,726
	<u>142,082,410</u>			<u>(40,298,271)</u>	<u>102,672,252</u>

##### 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.

## AVX Limited Pension Scheme

### Annual Report for the year ended 5 April 2023

#### Notes to the Financial Statements

#### 11. Investment management expenses

	2023 Total £	2022 Total £
Fee rebates	<u>(184,643)</u>	<u>(264,200)</u>

The total of the negative fee rebates £184,643 (2022: £264,200) 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

	2023 Total £	2022 Total £
Equities	15,101,817	26,324,136
Bonds	84,366,932	110,483,744
Cash	2,491,778	4,724,696
	<u>101,960,527</u>	<u>141,532,576</u>

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:

	2023 Total £	2022 Total £
Prudential Assurance	35,762	37,409
Phoenix Life and Pensions Limited	7,840	10,849
Aviva	21,397	20,640
	<u>64,999</u>	<u>68,898</u>

#### 15. Other investment balances

	Assets £	Liabilities £	2023 £	Assets £	Liabilities £	2022 £
Investment income receivable	<u>646,726</u>	<u>-</u>	<u>646,726</u>	<u>480,936</u>	<u>-</u>	<u>480,936</u>

## AVX Limited Pension Scheme

### Annual Report for the year ended 5 April 2023

#### Notes to the Financial Statements

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#### 16. Fair value hierarchy

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 which the reporting entity can access at the assessment dates.
- Level 2 Inputs other than quoted prices included within Level 1 which are observable for the asset or liability, either directly or indirectly. Observable inputs are inputs which 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 which 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.

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.

The Scheme's investment assets fall within the above hierarchy as follows:

	2023 Level 1 £	2023 Level 2 £	2023 Level 3 £	2023 Total £
Pooled investment vehicles	-	101,960,527	-	101,960,527
AVC investments	-	-	64,999	64,999
Other investment balances	646,726	-	-	646,726
	<u>646,726</u>	<u>101,960,527</u>	<u>64,999</u>	<u>102,672,252</u>

Analysis for the prior year end is as follows:

	2022 Level 1 £	2022 Level 2 £	2022 Level 3 £	2022 Total £
Pooled investment vehicles	-	141,532,576	-	141,532,576
AVC investments	-	-	68,898	68,898
Other investment balances	480,936	-	-	480,936
	<u>480,936</u>	<u>141,532,576</u>	<u>68,898</u>	<u>142,082,410</u>

## AVX Limited Pension Scheme

### Annual Report for the year ended 5 April 2023

#### Notes to the Financial Statements

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#### 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:

- 82.0% 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.
- 18.0% 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.

## AVX Limited Pension Scheme

### Annual Report for the year ended 5 April 2023

#### Notes to the Financial Statements

#### 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 CCF (Hedged)	Growth	X	X		X
Passive Global Equity - Fundamental Indexation (Hedged)	Growth	X	X		X
Global Low Volatility Equity	Growth	X	X		X
Global Small Cap Equity	Growth	X	X		X
Passive Emerging Markets Equity	Growth	X	X		X
Tailored Credit I	Matching		X	X	
UK Long Gilts	Matching		X		
Inflation-Linked Bonds	Matching		X		X
Nominal LDI Bonds	Matching		X		
UK Cash	Matching		X	X	

#### Growth Portfolio

	Type of risk	(£ m)	% Growth	% Total Assets
Start of Year	Indirect Currency Risk	26.3	100.0%	18.6%
	Indirect Interest Rate Risk	26.3	100.0%	18.6%
	Indirect Credit Risk	0.0	0.0%	0.0%
	Indirect Other Price Risk	26.3	100.0%	18.6%
End of Year	Indirect Currency Risk	15.1	100.0%	14.8%
	Indirect Interest Rate Risk	15.1	100.0%	14.8%
	Indirect Credit Risk	0.0	0.0%	0.0%
	Indirect Other Price Risk	15.1	100.0%	14.8%

#### Matching Portfolio

	Type of Risk	(£ m)	% Matching	% Total Assets
Start of Year	Indirect Currency Risk	0.0	0.0%	0.0%
	Indirect Interest Rate Risk	115.2	100.0%	81.4%
	Indirect Credit Risk	61.2	53.1%	43.2%
	Indirect Other Price Risk	42.4	36.8%	30.0%
End of Year	Indirect Currency Risk	0.0	0.0%	0.0%
	Indirect Interest Rate Risk	86.9	100.0%	85.2%
	Indirect Credit Risk	33.1	38.1%	32.4%
	Indirect Other Price Risk	35.2	40.5%	34.5%

## AVX Limited Pension Scheme

### Annual Report for the year ended 5 April 2023

#### Notes to the Financial Statements

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#### 17. Investment risks (continued)

##### (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. Mercer has considered these indirect risks in the context of the overall investment strategy.

The Trustees hold assets under Matching portfolio 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.

###### 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 15.0% of the total investment portfolio as at 5 April 2023. 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.

##### (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.

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	Start of Year (£m)	End of Year (£m)
Open ended investment companies	128.1	94.4
Common Contractual Funds	13.4	7.6
<b>Total</b>	<b>141.5</b>	<b>102.0</b>

## AVX Limited Pension Scheme

### Annual Report for the year ended 5 April 2023

#### Notes to the Financial Statements

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#### 18. Concentration of investments

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

	2023		2022	
	£	%	£	%
Mercer UK Inflation-Linked Bond Fund	35,205,098	34.2	23,061,776	16.2
Mercer Tailored Credit Fund	30,559,875	29.7	37,773,170	26.5
Mercer UK Long Gilt Fund	18,258,099	17.7	22,296,253	15.6

#### 19. Employer-related investments

There was no employer-related investment as at 5 April 2023 (2022: £Nil).

#### 20. Current assets

	2023 Total £	2022 Total £
Cash deposits held	<u>465,084</u>	<u>571,089</u>

The cash deposits held as at 5 April 2023 represent the balance held with the HSBC Bank plc.

#### 21. Current liabilities

	2023 Total £	2022 Total £
Reimbursement of pensions received in advance	570	546
Lump sums on retirement payable	90,873	-
Death benefits payable	811	2,950
Taxation payable	38,896	36,906
Administrative expenses payable	113,143	101,786
	<u>244,293</u>	<u>142,188</u>

#### 22. Related party transactions

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

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

R J Lawrence, P Fenwick and S H Cunday 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 (2022: £2,600); P Fenwick £2,600 (2022: £2,600); and R J Lawrence £6,000 (2022: £6,000).

Dalriada Trustees Limited are paid for services as a Trustee. The fees for the year ended 5 April 2023 are met by the Employer £21,551 (2022: £15,090).

During the year the Employer paid out directly £8,350 as audit fees for the year ended 5 April 2023 (2022: £6,500).

##### (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.

## **AVX Limited Pension Scheme**

### **Annual Report for the year ended 5 April 2023**

#### **Notes to the Financial Statements**

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### **23. GMP Equalisation**

As explained on page 4 of the Trustees' report, on 26 October 2018, the High Court judgment 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). 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.

## **AVX Limited Pension Scheme**

**Annual Report for the year ended 5 April 2023**

### **Independent Auditor's Statement about Contributions to the Trustees**

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

We have examined the Summary of Contributions to the AVX Limited Pension Scheme in respect of the Scheme year ended 5 April 2023 which is set out on page 37.

In our opinion contributions for the Scheme year ended 5 April 2023 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 February 2022.

### **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.

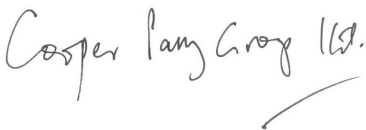
### **Respective responsibilities of Trustees and the Auditor**

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 Schemes Trustees, as a body, for our work on contributions, for this statement, or for the opinions we have formed.



COOPER PARRY GROUP LIMITED  
Statutory Auditor  
Sky View  
Argosy Road  
East Midlands Airport  
Castle Donington  
Derby  
DE74 2SA

Date: 21st September 2023

**AVX Limited Pension Scheme**

**Annual Report for the year ended 5 April 2023**

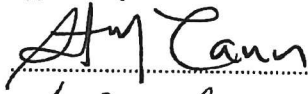
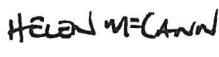
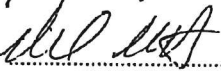
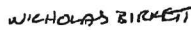
**Summary of Contributions**

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During the year ended 5 April 2023, the contributions payable to the Scheme by the Employer were as follows:

	2023 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	<u>230,000</u>

Approved by the Trustees and signed on their behalf by:

 ..... Trustee   
 ..... Trustee 

Date: 20th September 2022

## AVX Limited Pension Scheme

Annual Report for the year ended 5 April 2023

### Actuarial Certificate

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#### Certification of Schedule of Contributions

##### Adequacy of rates of contributions

1. I certify that, in my opinion, the rates of contributions shown in this Schedule of Contributions was met on 05 April 2021 and the rates of contributions shown in this Schedule of Contributions are such that the Statutory Funding Objective could have been expected on 5 April 2021 to continue to be met over the period covered by this Schedule of Contributions.

##### Adherence to Statement of Funding Principles

2. I hereby certify that, in my opinion, this Schedule of Contributions is consistent with the Statement of Funding Principles dated January 2022.

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 February 2022

Name of employer

Mercer Limited

Address

Clarendon House  
23 Clarendon Road  
Belfast  
BT1 3BG