AVX Limited Pension Scheme

Statement of Investment Principles – September 2023

1. Background

This Statement of Investment Principles (the "Statement") has been prepared by the Trustees of the AVX Limited Pension Scheme (the "Scheme"). It sets out the principles governing the Trustees' decisions about the investment of the Scheme's assets. The Trustees refer to this Statement when making investment decisions, to ensure that they are consistent with the principles set out in it.

The Statement is designed to comply with the requirements of the Pensions Act 1995 (the "Act") and associated legislation including the Occupational Pension Schemes (Investment) Regulations 2005 (as amended). The Statement is intended to affirm the investment principles that govern decisions about the Scheme's investments. The Trustees' investment responsibilities are governed by the Scheme's Trust Deed and Rules, of which this Statement takes full regard.

The Scheme's investment arrangements, based on the principles set out in this Statement, are detailed in the Investment Policy Implementation Document ("IPID") which is available to Scheme members on request.

In preparing this Statement, the Trustees have consulted a suitably qualified person by obtaining written advice from Mercer Limited ("Mercer"). In addition, consultation has been undertaken with AVX Ltd (the "Sponsor") to ascertain whether there are any material issues of which the Trustees should be aware in agreeing the Scheme's investment arrangements and, in particular on the Trustees' objectives. In matters where the investment policy may affect the Scheme's funding policy, input has also been obtained from the Scheme Actuary. The Trustees will obtain similar advice whenever they review this Statement.

The Trustees' investment powers are set out within the Scheme's governing documentation and relevant legislation. If necessary, the Trustees will take appropriate legal advice regarding the interpretation of these. The Trustees note that, according to the law, the Trustees have ultimate power and responsibility for the Scheme's investment arrangements.

The Trustees seek to maintain a good working relationship with AVX Ltd (the "Company"), and will discuss any proposed changes to the Statement with them. However, the Trustees' fiduciary obligations to Scheme members will take precedence over the Company's wishes, should these ever conflict.

The Trustees believe that the investment policies and their implementation are in keeping with best practice.

The Trustees do not expect to revise this Statement frequently because it covers broad principles. The Trustees will review this Statement in response to any material changes to any aspects of the Scheme, its liabilities, finances and the attitude to risk of the Trustees and the Company that it judges to have a material bearing on the Statement. This review will occur no less frequently than triennially. Any such review will again be based on written expert advice and will be in consultation with the Company.

2. Scheme Governance

The Trustees are responsible for the investment of the Scheme's assets but are permitted to delegate execution of these responsibilities. When determining which decisions to delegate, the Trustees have taken into account whether they have the appropriate training and are able to secure the necessary expert advice in order to take an informed decision. The Trustees' ability to execute the decision effectively is also taken into account.

The Trustees have appointed Mercer to act as discretionary investment manager, by way of Mercer's Dynamic De-risking Solution, to implement the Trustees' strategy whereby the level of investment risk reduces as the Scheme's funding level improves. In this capacity, and subject to agreed restrictions, the Scheme's assets are invested in multi-client collective investment schemes ("Mercer Funds") 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. In practice, MGIE delegates the discretionary investment management for the Mercer Funds to third party investment managers based in countries such as Ireland, UK and USA and those sub-investment managers will manage either a sub-fund or certain segments of a sub-fund. Mercer has expertise in identifying, selecting and combining highly rated fund managers who are best placed and resourced to manage the Scheme's assets on a day to day basis.

In considering appropriate investments for the Scheme, the Trustees have obtained and considered the written advice of Mercer, whom the Trustees believe to be suitably qualified to provide such advice. The advice received and arrangements implemented are, in the Trustees' opinion, consistent with the requirements of Section 36 of the Pensions Act 1995 (as amended).

The Trustees regularly review the continuing suitability of the Scheme's investments, including Mercer's ability to select, appoint, remove and monitor the appointed managers. Mercer is regulated by the Financial Conduct Authority.

Details of the Scheme's strategic framework, within which the underlying investment managers operate, are specified in the IPID. A listing of the Scheme's current funds (including a description of their mandates, benchmarks, and the basis of their remuneration) is also set out in the IPID.

The Scheme Actuary performs a valuation of the Scheme at least every three years, in accordance with regulatory requirements. The main purpose of the actuarial valuation is to assess the extent to which the Scheme's assets cover the accrued liabilities and agree an appropriate funding strategy for the Scheme.

3. Investment Arrangements

3.1 Investment Objectives

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.

3.2 Investment Risk

There are various risks to which any pension scheme is exposed. The Trustees' policy on risk management is as follows:

- The primary risk upon which the Trustees focus is that arising through a mismatch between the Scheme's assets and its liabilities and the Sponsor's ability to support this mismatch risk.
- The Trustees recognise that whilst increasing risk increases potential returns over a long period, it also increases the risk of a shortfall in returns relative to that required to cover the Scheme's accruing liabilities as well as producing more volatility in the Scheme's funding position.

- To control the risk outlined above, the Trustees, having taken advice, set the split between the Scheme's Growth and Matching Portfolio such that the expected return on the overall portfolio is expected to be sufficient to meet the objectives outlined in section 3.1. As the funding level improves, investments will be switched from the Growth Portfolio into the Matching Portfolio with the aim of reducing investment risk.

- The Trustees recognise that even if the Scheme's assets are invested in matching assets there may still be a mismatch between the interest-rate and inflation sensitivity of the Scheme's assets and the Scheme's liabilities due to the mismatch in duration between matching assets and actuarial liabilities.The Trustees recognise the risks that may arise from the lack of diversification of investments. To control this risk the Trustees have delegated the asset allocation decisions within the Growth and Matching Portfolios to Mercer (subject to certain restrictions). Mercer aims to ensure the asset allocation policy in place results in an adequately diversified portfolio. Mercer provides the Trustees with regular monitoring reports regarding the level of diversification within the Trustees' portfolio and to monitor consistency between the expected and experienced levels of risk and return.

- There is a risk that the day-to-day management of the assets will not achieve the rate of investment return expected by the Trustees. The Trustees recognise that the use of active investment managers involves such a risk. However, for specific asset classes, the Trustees believe that this risk is outweighed by the potential gains from successful active management. Likewise, passive management will be used for a number of reasons, namely to diversify and reduce risk and when investing in certain asset classes where, due to relatively efficient markets, the scope for achieving added value is more limited.

- To help diversify manager specific risk, within the context of each of the Growth and Matching Portfolios, the Trustees expect that the Scheme's assets are managed by appropriate underlying asset managers.

- By investing in the Mercer Funds, the Trustees do not make investments in securities that are not traded on regulated markets. However, should the Scheme's assets be invested in such securities, in recognition of the associated risks (in particular liquidity and counterparty exposure), such investments would normally only be made with the purpose of reducing the Scheme's mismatch risk relative to its liabilities or to facilitate efficient portfolio management. In any event, the Trustees would ensure that the assets of the Scheme are predominantly invested on regulated markets.

- The Scheme is subject to currency risk because some of the investment vehicles in which the Scheme invests are denominated or priced in a foreign currency. Within the context of the Mercer Funds used in the Growth and Matching Portfolios, to limit currency risk, a target non-sterling currency exposure is set and the level of non-sterling exposure is managed using currency hedging derivatives such as forwards and swaps.

- The Trustees recognise that environmental, social and corporate governance concerns, including climate change, have a financially material impact on return. Section 9 sets out how these risks are managed.

Should there be a material change in the Scheme's circumstances, the Trustees will advise Mercer, who will review whether and to what extent the investment arrangements should be altered; in particular whether the current de-risking strategy remains appropriate.

In addition, the investment strategy will be reviewed approximately annually.

3.3 Strategic Management

The Trustees, with advice from the Scheme's Investment Consultant and Scheme Actuary and in conjunction with the Company, review the Scheme's investment strategy on an approximate annual basis. The review considers the Trustees' investment objectives, their ability and willingness to take risk (the "risk budget") and how this risk budget should be allocated and implemented (including de-risking strategies).

The Trustees decided to seek a long term solution to 'de-risk' the Scheme's assets relative to its liabilities over time using a dynamic trigger based de-risking framework. The Trustees decided to engage Mercer to implement their de-risking strategy by way of its Dynamic De-risking Solution. The approach undertaken relates to the asset allocation to the Scheme's funding level (on an actuarial basis using a single discount rate of 0.15% p.a. in excess of the appropriate gilt yields i.e. "gilts + 0.15% basis"). The de-risking rule mandates the following practices:

- To hold sufficient growth assets to target full funding (110%) on a "gilts +0.15%" basis;
- To reduce the volatility in the funding level by reducing un-hedged liability exposures;
- To monitor the progress in the funding level and to capture improvements in the funding level promptly, if they arise.

The de-risking triggers which form the basis of the Scheme's dynamic investment strategy are set out in a separate document – the Investment Implementation Policy Document.

Once the funding level has moved through a band, the asset allocation will not be automatically "re-risked" should the funding level deteriorate. The investment strategy will be reviewed on an annual basis to ensure that the triggers set remain appropriate and amended if required.

Responsibility for monitoring the Scheme's asset allocation and undertaking any rebalancing activity is delegated to Mercer. Mercer reports quarterly to the Trustees on its rebalancing activities.

4. Additional Voluntary Contribution Assets ("AVCs")

Members have an option to make Additional Voluntary Contributions. With the assistance of their advisors, the AVC arrangements will be reviewed periodically to ensure that the investment profile of the funds available remains consistent with the objectives of the Trustees and the needs of the members. More information on the AVC providers is detailed in the IPID.

5. Other Assets

The Trustees have in the past secured pensions through the purchase of annuities and currently hold annuity policies with a number of different insurance companies. There will also be a working cash balance held on deposit in the Scheme's designated bank account.

6. Realisation of Investments

The Trustees on behalf of the Scheme hold shares in the Mercer Funds. In its capacity as investment manager to the Mercer Funds, MGIE, and the underlying third party asset managers appointed by MGIE, within parameters stipulated in the relevant appointment documentation, have discretion in the timing of the realisation of investments and in considerations relating to the liquidity of those investments. The Trustees will notify Mercer of any amounts that need to be realised from their portfolios for the payment of benefits or expenses, and the timing of such realisations.

7. Cash flow and cash flow management

Cash flows, whether positive or negative, are taken into account by Mercer when it rebalances the Scheme's assets in line with the Scheme's strategic allocation. Mercer is responsible for raising cash flows to meet the Scheme's requirements.

8. Rebalancing

Rebalancing ranges have been set within the Growth and Matching Portfolios.

9. 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 Stewardship Code.

The United Nations' Sustainable Development Goals (SDGs) inform Mercer's long term investment beliefs and direct Mercer's and the Trustees thinking when it comes to converting systemic risks into transformational investment opportunities as outlined in Mercer's Sustainability Policy.

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.

The Trustees have also considered the Sponsors responsible investment policy, and note the alignment with Mercer's commitment to a target of net-zero absolute carbon emissions by 2050 for UK, European and Asian clients with discretionary portfolios and the majority of its multi-client, multi asset funds domiciled in Ireland.

Mercer undertake climate scenario modelling and stress testing on the Mercer multi sector funds used by the Plan, in line with the Task Force on Climate Related Financial Disclosures (TCFD) recommendations. The results of the latest climate scenario modelling are within the TCFD compliant Climate Change Management Report. The findings of the modelling are integrated into the asset allocation and portfolio construction decisions, with portfolios increasingly aligned with a 2˚C scenario, where consistent with investment objectives and for consistency with the Paris Agreement on Climate Change.

The Trustees recognise the conflict of interest which may arise in the context of responsible investment. Mercer and MGIE make investment decisions with the aim of improving long-term risk adjusted returns and assesses whether selected sub-investment managers have policies and procedures that manage conflicts in relation to stewardship. Sub-investment managers are required to report on any conflicts of interest and demonstrate that they have adhered to their conflicts of interest policies and reported any breaches.

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.

10. Trustees' policies with respect to arrangements with, and evaluation of the performance and remuneration of, asset managers and portfolio turnover costs

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

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

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

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

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

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 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.

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. 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.

11. Compliance and Review of this Statement

The Trustees will review this Statement in response to any material changes to any aspects of the Scheme, its liabilities, finances and the attitude to risk of the Trustees and the Company which they judge to have a bearing on the stated Investment Policy.

The Trustees monitor compliance with this Statement annually and will obtain written confirmation from Mercer that they have given effect to the investment principles in this Statement so far as reasonably practicable and that in exercising any discretion Mercer has done so in accordance with Section 4 of The Occupational Pension Schemes (Investment) Regulations 2005.

For and on behalf of the AVX Ltd Pension Scheme

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Trustee **Date**

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Name

September 2023