



**AVX LIMITED PENSION SCHEME
ANNUAL REPORT
FOR THE YEAR ENDED 5 APRIL 2020**
Scheme Registration Number: 10023435

AVX Limited Pension Scheme

Annual Report for the year ended 5 April 2020

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AVX Limited Pension Scheme

Annual Report for the year ended 5 April 2020

Trustees, Principal Employer and Advisers

Trustees

Employer-nominated Trustees

R J Lawrence - Chairman

M E Hufnagel

M H McCann

N Birkett

Dalriada Trustees (appointed 21 October 2019)

Member-nominated Trustees

S H Cunday

P Fenwick

Wilbert McIlmoyle

Principal Employer

AVX Limited

Scheme Actuary

Simon Hall, F.I.A.

Mercer Limited

Independent Auditors

PricewaterhouseCoopers LLP

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

AVX Limited Pension Scheme

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Trustees, Principal Employer and Advisers

Contact for further information and complaints about the Scheme

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AVX Limited Pension Scheme

Annual Report for the year ended 5 April 2020

Trustees' Report

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 2020. The Scheme is a defined benefit scheme.

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

Constitution

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

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

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

Management of the Scheme

Trustees

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

The three Member-nominated Trustees (2019: three), as shown on page 1, are nominated by the members under the rules notified to the members of the Scheme to serve for a period of five years. They may be removed before the end of their five year term only by agreement of all the remaining Trustees, although their appointment ceases if they cease to be members of one of the pension plans of the Principal Employer, AVX Limited.

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

The Trustees have met twice during the year (2019: twice).

Statement of Trustees' Responsibilities

The Statement of Trustees' Responsibilities is set out on page 18 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 and which was revised and reissued in November 2009. The Trustees have agreed a training plan to enable them to meet these requirements.

Principal Employer

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

AVX Limited is a manufacturer and supplier of electronic components.

Financial development

The financial statements on pages 21 to 32 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 £134,847,692 at 5 April 2019 to £133,887,814 at 5 April 2020.

The decrease shown above comprised net withdrawals from dealings with members of £3,896,747 together with net returns on investments of £2,936,869.

Note 4 on page 24 provides an analysis of contributions between Employer and Employee, including the deficit contributions made by the Employer.

Impact of Covid-19 (Coronavirus)

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

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

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

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

Report on actuarial liabilities

Under Section 222 of the Pensions Act 2004, every scheme is subject to the Statutory Funding Objective, which is to have sufficient and appropriate assets to cover its technical provisions. The technical provisions represent the present value of the benefits members are entitled to based on pensionable service to the valuation date. This is assessed using the assumptions agreed between the Trustees and the Principal Employer and set out in the Statement of Funding Principles, which is available to Scheme members on request.

The most recent full actuarial valuation of the Scheme was carried out as at 5 April 2018. An updated valuation was performed on 5 April 2019 and 5 April 2020. These showed:

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

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

Method

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

Significant actuarial assumptions

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

Report on actuarial liabilities - continued

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

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

GMP Equalisation

The High Court judgement on 26 October 2018 in respect of the equalisation of GMPs for the Lloyds Banking Group could have accounting implications for defined benefit pension schemes with unequal GMPs for members who were contracted out between 17 May 1990 and 5 April 1997. The ruling clarifies and confirms a legal obligation on scheme trustees to equalise GMPs through other scheme benefits. Equalisation includes backdating of benefit adjustments and related interest to 17 May 1990, subject to scheme rules which may have time limits on backdating. The ruling did not deal with transfers out or de-minis considerations, which are expected to be dealt with by a second hearing in 2019. 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 32 of the financial statements.

AVX Limited Pension Scheme

Annual Report for the year ended 5 April 2020

Trustees' Report

Membership

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

| | Pensioners | Members With Preserved Benefits | Total |
|----------------------------|------------|---------------------------------|------------|
| At 6 April 2019 | 528 | 475 | 1,003 |
| Adjustments | 2 | - | 2 |
| Divorce credits | - | 1 | 1 |
| Retirements | 16 | (16) | - |
| Deaths | (18) | (1) | (19) |
| Transfers out | - | (6) | (6) |
| Spouses and dependants | 5 | - | 5 |
| Pensions commuted for cash | (1) | - | (1) |
| Pensions ceasing | (1) | - | (1) |
| At 5 April 2020 | <u>531</u> | <u>453</u> | <u>984</u> |

These membership figures do not include movements notified to the Administrator after the completion of the annual renewal. The adjustments above relate to movements notified to the Administrator after the end of the prior year.

Pensioners include 79 beneficiaries (2019: 75) receiving a pension. The above pensioners include 34 (2019: 36) annuitants receiving a pension payment.

Pension increases

The following pension increases are disclosed as at 6 April 2019, as these reflect the pensions in payment during the year:

As at 6 April 2019, all pensions in payment to Tantalum members of the Scheme were increased as follows:

- 2.7% on pre 97 excess over Guaranteed Minimum Pension;
- 2.4% on post 1988 Guaranteed Minimum Pension;
- 3.3% on the post 1997 pension; and
- 2.5% on the post 6 April 2006 pension.

As at 6 April 2019, all pensions in payment to Varelco members of the Scheme were increased as follows:

- 3.2% on pre 97 excess over Guaranteed Minimum Pension;
- 2.4% on post 1988 Guaranteed Minimum Pension;
- 3.2% on the post 1997 pension; and
- 2.5% on the post 6 April 2006 pension.

As at 6 April 2019, all pensions in payment to ex-Retirement Plan members were increased as follows:

- 0.0% on benefits earned before 6 April 1997;
- 3.3% on the post 1997 pension; and
- 2.4% 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.

Brexit

The terms on which the United Kingdom will withdraw from the European Union at the end of the transition period, which will end on 31 December 2020, are not clear therefore to evaluate all of the potential implications which this may have on the Scheme, its operations and other organisations on which it depends, and the wider economy.

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), who in turn delegates responsibility for the investment of the Scheme's assets to a range of underlying investment managers. Mercer 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. December 2019, the Trustees transferred the allocation in Global Small Cap Equity into a currency hedged share class.

Investment principles

The Trustees have produced a Statement of Investment Principles in accordance with Section 35 of the Pensions Act 1995 and the Occupational Pension Schemes (Investment) Regulations 2005. The SIP is available on request.

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 the funding position of the Scheme on an ongoing basis to at least 110%.
- 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 monies which is compatible with the level of risk considered appropriate.

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

Responsible investment and corporate governance

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.

The Trustees have delegated day to day management of the assets to Mercer who in turn delegates responsibility for the investment of the assets to a range of underlying investment managers. These investment managers are expected to evaluate ESG factors, including climate change considerations, and exercise voting rights and stewardship obligations attached to the 'investments', in accordance with their own corporate governance policies and current best practice, including the UK Corporate Governance Code and UK Stewardship Code.

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

Member views

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

Implementation statement

AVX Limited Pension Scheme – Annual Engagement Policy Implementation Statement

Introduction

This statement sets out how, and the extent to which, the Engagement Policy in the Statement of Investment Principles ('SIP') produced by the Trustees has been followed during the year to 5 April 2020. This statement has been produced in accordance with **The Pension Protection Fund (Pensionable Service) and Occupational Pension Schemes (Investment and Disclosure) (Amendment and Modification) Regulations 2018** and the subsequent amendment in **The Occupational Pension Schemes (Investment and Disclosure) (Amendment) Regulations 2019**.

Investment Objectives of the Scheme

The Trustees believe it is important to consider the policies in place in the context of the investment objectives they have set. The objectives of the Scheme included in the SIP are as follows:

- To restore the funding position of the Scheme on an ongoing basis to at least 110%.
- 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 monies which is compatible with the level of risk considered appropriate.

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

Policy on ESG, Stewardship and Climate Change

The Scheme's SIP includes the Trustees' policy on Environmental, Social and Governance ('ESG') factors, stewardship and Climate Change. This policy sets out the Trustees' beliefs on ESG and climate change and the processes followed by the Trustees in relation to voting rights and stewardship. This was last reviewed in September 2020.

In order to establish these beliefs and produce this policy, the Trustees undertook investment training provided by their investment consultant, Mercer Limited (Mercer), on responsible investment which covered ESG factors, stewardship, climate change and the approach undertaken by Mercer Global Investments Europe Limited (MGIE) in its capacity as investment manager to the Ireland-domiciled collective investment schemes in which Scheme's assets are invested. This training was provided in June 2019. Following this training session, the Trustees established their policy and updated their SIP accordingly. The Trustees keep their policies under regular review in line with reviews of the SIP.

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

- The Trustees have appointed Mercer to act as investment manager in respect of the Scheme's assets and such assets are invested in a range of Mercer Funds managed by MGIE.
- Investment managers appointed by MGIE 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, regardless of where they are domiciled. In addition, they are expected to monitor investee companies and to report on stewardship activities and outcomes on an annual basis, as set out in a publicly available Sustainable Investment 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 is 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.
- The Trustees consider how ESG, including climate change, is integrated within Mercer's and MGIE's investment processes by reviewing the ESG ratings assigned by Mercer (and its affiliates') global manager research team, which are included in the investment performance report produced by Mercer on a quarterly basis. 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. Expectations are set as ESG3 or above, where practicable and relevant to the strategy (with ESG1 being the highest rating and ESG4 being the lowest). Comparisons are also made with the appropriate universe of strategies in Mercer's global investment manager database.
- Climate-related metrics such as carbon foot- printing for equities and/or climate scenario analysis for diversified portfolios are also reviewed at least annually by Mercer and MGIE.

Stewardship monitoring

Mercer produces an annual report, the Mercer Limited Stewardship Monitoring Report, that summarises and comments on the stewardship activities and disclosure of the investment managers appointed within the largest MGIE equity funds, for the period 1 July 2018 to 30 June 2019 unless stated otherwise.

The Stewardship Monitoring Report provides voting statistics, together with brief commentary, based on manager disclosed information and covers votes cast in four parts: a) votes against management; b) votes against proxy adviser policy (where applicable); c) abstentions; and d) no votes. The report also provides summary reporting on engagement activities undertaken by managers to capture the level of disclosure and examples given by the managers for insights into where the manager has exchanged views with companies on a range of strategic and governance issues, together with environmental and social topics.

For the 2020 reporting cycle, vote reporting will include a general description of voting behaviour, an explanation of the most significant votes taken, information on the use, if any, of the services of proxy advisors, and information on how votes have been cast in the general meetings of companies in which the investment managers appointed to the Mercer Funds hold shares across equity portfolios. Engagement reporting will include examples where investment managers have engaged with companies, relating to the number of companies engaged, engagement examples by topic, engagement examples that are collaborative and any voting activity / engagement activities impacting investment decisions, where available. These engagement reviews will extend across equities as well as other asset classes (e.g. fixed income and real estate) in light of the 2020 UK Stewardship Code which calls for engagement across additional asset classes as well as equities.

2019 Summary

The overall results for this reporting period are summarised below.

Vote execution:

- Vote execution continues to be good overall (i.e. >90% of available votes). Where votes have not been cast the vast majority of managers provide a rationale (typically this relates to market-specific barriers or restrictions).

Vote disclosure:

- The level of disclosure continues to vary considerably across managers. While in some cases managers have improved in not only disclosing voting rationale at a resolution level, but including summary reporting across categories (e.g. board-related, compensation-related, environmental etc.) there are managers who have not disclosed rationale across all resolutions. It is likely that managers do have this information but have not proactively disclosed it and we will follow-up with these managers to confirm.

Engagement:

- The results on engagement activities has been relatively consistent and Mercer noted an improvement in the quality of engagement disclosure from a number of managers.
- Some managers continue to provide market leading engagement reporting – typically those with an established approach to engagement and internal resources dedicated to stewardship.
- Mercer found that there is still room for improvement on engagement from quant managers who could focus on calling for greater disclosure of ESG metrics and this will again be communicated. Mercer also noted an improvement from a number of quant managers in this regard since the previous review.
- Mercer will follow up with all managers where improvements are expected in future.

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

Investment Markets

Following a strong 2019, investment markets started 2020 with the worst quarter since the end of 2008, as the global economy went through an unprecedented synchronised shutdown in light of the COVID-19 crisis.

Over 2019, the global economy continued its expansion, led by the US which saw a tightening labour market, rising wages and consumer confidence, fuelled by the business-friendly stance of the Trump administration even though trade tensions took some toll on business confidence. Japan, the UK and continental Europe saw more measured growth even though economic data from continental Europe over the year has been hinting at a continued slowdown. In the UK, the outcome of the 2019 election was well received by markets, though uncertainty over how Brexit proceedings will unfold still remains. Headwinds for emerging markets began to soften in early 2019, with improvement on the trade front. In Q1 2020, however, the global economy entered what is expected to be the most severe downturn since the Great Depression while oil prices collapsed simultaneously as a price war between Russia and Saudi Arabia escalated while global demand collapsed simultaneously. Unprecedented monetary easing and fiscal programmes not seen since World War II cushioned the blow somewhat.

The second quarter of 2019 was volatile but global equity markets ended the quarter on a positive note in both US Dollar and sterling terms. The third quarter saw a sell-off during August 2019 amid global slowdown fears as well as continued trade tensions. The correction was not as severe as in late 2018 and global equity markets recovered in the end, finishing the third quarter pretty much flat in US Dollar terms but positive in sterling terms. Equity markets then rallied in the fourth quarter as progress on the trade front, as well as the prospect of prolonged easy monetary conditions on a global level, lifted sentiment. Unhedged UK investors saw most of these gains offset by the strong sterling appreciation, which accompanied the outcome of the December General Election, which was generally well received by markets. The COVID-19 pandemic which originated in China in December 2019 and started to spread globally from the second half of the first quarter of 2020 prompted governments to shut down entire countries including the US, UK and most of Europe. The abrupt halt in business activities and collapse in corporate earnings prompted investors to flee equity markets and shift into safe haven assets with the result being the worst equity sell-off since 2008 even though sterling weakening against US Dollar offset losses somewhat for unhedged UK investors.

Bond markets performed well in 2019 in both US Dollar and sterling terms amidst more dovish central bank rhetoric and a cutting cycle initiated by the Fed that continued up to the end of the third quarter of 2019. Unprecedented monetary easing measures across the globe with the Bank of England cutting the benchmark rate to 0.1% on 19 March 2020 and reinitiating quantitative easing led to a Government bond rally in the first quarter of 2020 as yields fell to the lowest level in history across the globe. Amidst the general market volatility the uncertainty about the future of RPI has been weighing on the Index-linked gilt market. It is difficult to isolate the impact of the uncertainty around RPI from general market uncertainty, such as the potential deflationary impact of COVID19 or the potentially inflationary impact of monetary easing. Inflation-linked government bonds globally have fallen in value relative to nominal assets. A consultation on the future of RPI was launched in March and whilst some market participants took heart in that it recognised that converting RPI to CPIH would have an impact on Index linked gilt holders, the general consensus appears to remain that RPI will converge to CPIH from 2025 or 2030 without any spread adjustment being applied to compensate index linked gilt holders (and other recipients of RPI linked payments). The findings of the consultation and a decision from the government are expected later this year.

UK Property saw moderate returns relative to other risk assets over 2019 but the market was severely impacted by the Covid-19 crisis in March 2020, with heightened market volatility leading to material uncertainty clauses being added to valuations at the date this report is written. In-line with other risk assets, property values experienced significant falls over the first quarter, with buildings let to non-food retail, hotels and leisure tenants worst affected, while those with long-term secure income proving more resilient thus far.

AVX Limited Pension Scheme

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Trustees' Report

Investment Markets (continued)

Equity markets

At a global level, developed markets as measured by the FTSE World Index, returned -6.0%. Meanwhile, a return of -13.0% was recorded by the FTSE All World Emerging Markets Index.

At a regional level, European markets returned -8.0% 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 -18.5%. The FTSE USA Index returned -2.3% while the FTSE Japan Index returned -2.1%. The considerable underperformance 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 to 31 March 2020.

Bonds

UK Government Bonds as measured by the FTSE Gilts All Stocks Index, returned 9.9%, while long dated issues as measured by the corresponding Over 15 Year Index had a return of 17.6% over the year as the longer end of the nominal yield curve fell by more than the shorter end. The yield for the FTSE Gilts All Stocks index fell over the year from 1.36% to 0.66% while the Over 15 Year Index yield fell from 1.48% to 0.75%.

The FTSE All Stocks Index-Linked Gilts Index returned 2.2% with the corresponding over 15-year Index exhibiting a return of 2.0%. Falling inflation expectations offset falling nominal yields to an extent, cushioning the fall of real yields somewhat which explains the underperformance of Index-linked gilts relative to nominal gilts.

Corporate debt as measured by the Bank of America Merrill Lynch Sterling Non-Gilts Index returned 1.7%.

Bond market total return figures are in sterling terms over the year to 31 March 2020.

Currencies

Over the period to 31 March 2020, sterling depreciated by 2.6% against the US Dollar from \$1.30 to \$1.24. Sterling depreciated by 7.2% against the Yen from ¥144.23 to ¥133.86. Sterling depreciated against the Euro by 4.8% from €1.16 to €1.13 over the same period.

AVX Limited Pension Scheme

Annual Report for the year ended 5 April 2020

Trustees' Report

Investment Performance to 31 March 2020

| Growth Portfolio | Since Inception | | 3 Years | | 1 Year | |
|---|-----------------------|--------------------|-----------------------|--------------------|------------------|---------------|
| | Portfolio (% p.a.) | B'mark (% p.a.) | Portfolio (% p.a.) | B'mark (% p.a.) | Portfolio (%) | B'mark (%) |
| Passive Global Equity (Hedged) | 4.5 | 4.5 | 0.6 | 0.6 | -11.4 | -11.2 |
| Passive Global Equity - Fundamental Indexation (Hedged) | -6.2 | -6.1 | - | - | -9.7 | -9.6 |
| Global Low Volatility Equity (Hedged) ^(a) | -5.4 | -6.6 | - | - | -10.6 | -11.2 |
| Global Small Cap Equity (Hedged) ^(b) | -28.1 | -28.2 | - | - | - | - |
| Passive Emerging Markets Equity | -7.5 | -7.3 | - | - | -13.5 | -13.5 |

| Matching Portfolio | Since Inception | | 3 Years | | 1 Year | |
|----------------------------------|-----------------------|--------------------|-----------------------|--------------------|------------------|---------------|
| | Portfolio (% p.a.) | B'mark (% p.a.) | Portfolio (% p.a.) | B'mark (% p.a.) | Portfolio (%) | B'mark (%) |
| UK Long Gilts ^(b) | 10.4 | 10.3 | - | - | - | - |
| Inflation-Linked Bonds | 5.4 | 5.3 | - | - | 2.5 | 2.4 |
| Nominal LDI Bonds | 12.7 | 12.7 | 10.1 | 10.2 | 25.1 | 25.2 |
| Inflation-Linked LDI Bonds | 11.6 | 11.5 | 1.7 | 1.6 | -0.9 | -0.8 |
| Tailored Credit I ^(c) | 2.1 | - | - | - | -0.1 | - |

| Total Portfolio | Since Inception | | 3 Years | | 1 Year | |
|--------------------------------------|-----------------------|--------------------|-----------------------|--------------------|------------------|---------------|
| | Portfolio (% p.a.) | B'mark (% p.a.) | Portfolio (% p.a.) | B'mark (% p.a.) | Portfolio (%) | B'mark (%) |
| Total (Gross of Fees) ^(d) | 7.4 | 7.4 | 3.4 | 3.4 | 0.8 | 0.8 |
| Total (Net of Fees) ^(d) | 7.1 | 7.4 | 3.1 | 3.4 | 0.6 | 0.8 |

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

Performance is in GBP terms using unswung returns for the underlying Mercer portfolios; gross of Mercer and net of underlying manager fees; gross of hedging fees (where applicable); net of all other expenses including custody and administration costs.

Inception dates for performance measurement purposes taken as: 18 May 2016 for Passive Global Equity (Hedged), Nominal LDI Bonds, Inflation-Linked LDI Bonds and Total Scheme; 9 July 2018 for Passive Global Equity - Fund. Indexation (Hedged), Global Low Vol. Equity (Hedged) and Passive Emerging Markets Equity; 8 March 2019 for Inflation-Linked Bonds and Tailored Credit I; 12 December 2019 for Global Small Cap Equity (Hedged); 18 December 2019 for UK Long Gilts.

^(a) From April 2020, fund performance is compared against the official fund benchmark, MSCI World (hedged) since inception. Previously, the fund performance was compared against a composite index. For total benchmark calculation purposes, benchmark index is MSCI World (hedged) since 1st January 2020

^(b) Performance shown is cumulative, not annualised, as the period since inception is less than one year.

^(c) 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.

^(d) Total returns use official (swung) prices. Where applicable, it includes performance of terminated mandates.

AVX Limited Pension Scheme

Annual Report for the year ended 5 April 2020

Trustees' Report

Asset Allocation as at 5 April 2020

The Scheme's assets are invested in a range of Growth and Matching assets. The former category includes global developed and emerging market equities. The latter includes UK bonds (gilts) and global (hedged) corporate bonds in order to provide interest rate and inflation exposure and reduce funding risk.

The split of assets between the Growth and Matching portfolios is managed according to a de-risking strategy whereby assets are expected to be moved from the Growth portfolio to the Matching portfolio as the funding level increases. The Scheme hit a de-risking trigger in April 2019 and December 2019, reducing the benchmark Growth allocation from 33.9% to 30.6% and from 30.6% to 26.6%, respectively. Therefore the target Growth: Matching split is 26.6% : 73.4% as at 5 April 2020.

| Portfolio | Actual Asset Allocation | | | | Target as at 5 April 2020 |
|----------------|-------------------------|--------------|---------------|--------------|---------------------------|
| | Start of Year | End of Year | Start of Year | End of Year | |
| | (£m) | (£m) | (%) | (%) | |
| Total Growth | 45.3 | 32.1 | 33.8 | 24.1 | 26.6 |
| Total Matching | 88.5 | 101.1 | 66.2 | 75.9 | 73.4 |
| Total | 133.8 | 133.2 | 100.0 | 100.0 | 100.0 |

Source: Mercer. Based on official (swung) 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) | 11.3 | 7.9 | 24.9 | 24.6 |
| Passive Global Equity - Fundamental Indexation (Hedged) | 11.3 | 8.2 | 24.9 | 25.5 |
| Global Low Volatility Equity (Hedged) | 9.0 | 6.6 | 19.9 | 20.6 |
| Global Small Cap Equity | 4.6 | - | 10.2 | - |
| Global Small Cap Equity (Hedged) | - | 2.8 | - | 8.7 |
| Passive Emerging Markets Equity | 9.1 | 6.6 | 20.1 | 20.6 |
| Total Growth | 45.3 | 32.1 | 100.0 | 100.0 |

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

Matching Portfolio

| Portfolio | Actual Asset Allocation | | | |
|----------------------------|-------------------------|--------------|---------------|--------------|
| | Start of Year | End of Year | Start of Year | End of Year |
| | (£m) | (£m) | (%) | (%) |
| UK Credit | 17.6 | - | 19.9 | - |
| UK Long Gilts | - | 6.2 | - | 6.1 |
| Inflation-Linked Bonds | 7.9 | 21.5 | 8.9 | 21.3 |
| Nominal LDI Bonds | 22.2 | 18.6 | 25.1 | 18.4 |
| Inflation-Linked LDI Bonds | 17.3 | 15.3 | 19.6 | 15.1 |
| Tailored Credit I | 23.4 | 39.5 | 26.5 | 39.1 |
| Total Matching | 88.4 | 101.1 | 100.0 | 100.0 |

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

AVX Limited Pension Scheme

Annual Report for the year ended 5 April 2020

Trustees' Report

Custodial arrangements

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

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

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

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

Basis of investment manager's fees

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

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

AVX Limited Pension Scheme

Annual Report for the year ended 5 April 2020

Trustees' Report

The Money and Pensions Service

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

The Pensions Regulator

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

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

Pensions tracing

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

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

Pensions Ombudsman

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

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

The Pension Protection Fund

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

AVX Limited Pension Scheme

Annual Report for the year ended 5 April 2020

Trustees' Report

Further information

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

Approved by the Trustees on 5th NOV 2020

Signed on behalf of the Trustees

R) Lawrence Trustee

lll llh Trustee

AVX Limited Pension Scheme

Annual Report for the year ended 5 April 2020

Statement of Trustees' Responsibilities

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

- show a true and fair view of the financial transactions of the scheme during the scheme year and of the amount and disposition at the end of the scheme year of its assets and liabilities, other than liabilities to pay pensions and benefits after the end of the scheme year; and
- contain the information specified in Regulation 3A of the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, including making a statement whether the financial statements have been prepared in accordance with the relevant financial reporting framework applicable to occupational pension schemes.

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

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

The Trustees also have a general responsibility for ensuring that accounting records are kept and for taking such steps as are reasonably open to them to safeguard the assets of the scheme and to prevent and detect fraud and other irregularities, including the maintenance of an appropriate system of internal control.

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

The Trustees are also responsible for keeping records in respect of contributions received in respect of any active member of the scheme and for adopting risk-based processes to monitor whether contributions that fall due to be paid are paid into the scheme in accordance with the schedule of contributions.

Where breaches of the schedule occur, the Trustees are required by the Pensions Acts 1995 and 2004 to consider making reports to the Pensions Regulator and to members.

Independent Auditors' Report to the Trustees of AVX Limited Pension Scheme

Report on the audit of the financial statements

Opinion

In our opinion, AVX Limited Pension Scheme's financial statements:

- show a true and fair view of the financial transactions of the Scheme during the year ended 5 April 2020, 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 (United Kingdom Accounting Standards comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); 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.

We have audited the financial statements, included in the Annual Report, which comprise: the statement of net assets available for benefits as at 5 April 2020; the fund account for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the Scheme in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which ISAs (UK) require us to report to you where:

- the Trustees' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Trustees have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Scheme's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Scheme's ability to continue as a going concern.

Reporting on other information

The other information comprises all the information in the Annual Report other than the financial statements, our auditors' report thereon and our auditors' statement about contributions. The Trustees are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or any form of assurance thereon.

In connection with our audit of the financial statements, 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 audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. 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 based on these responsibilities.

AVX Limited Pension Scheme

Annual Report for the year ended 5 April 2020

Independent Auditors' Report to the Trustees

Responsibilities for the financial statements and the audit

Responsibilities of the Trustees for the financial statements

As explained more fully in the Statement of Trustees' Responsibilities, the Trustees are responsible for ensuring that the financial statements are prepared in accordance with the applicable framework and for being satisfied that they show a true and fair view. The Trustees are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In the preparation of 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 wind up the Scheme, or have no realistic alternative but to do so.

Auditors' 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 auditors' 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.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

This report, including the opinion, has been prepared for and only for the Trustees as a body in accordance with section 41 of the Pensions Act 1995 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Belfast

Date:5 November 2020

AVX Limited Pension Scheme

Annual Report for the year ended 5 April 2020

Financial Statements

Fund Account

| | Note | 2020 £ | 2019 £ |
|---|------|--------------------|--------------------|
| Employer contributions | 4 | 605,000 | 4,730,000 |
| Other income | 5 | 154 | - |
| | | <u>605,154</u> | <u>4,730,000</u> |
| Benefits paid or payable | 6 | (3,624,627) | (3,522,770) |
| Payments to and on account of leavers | 7 | (682,117) | (1,198,052) |
| Administrative expenses | 8 | (195,157) | (270,645) |
| | | <u>(4,501,901)</u> | <u>(4,991,467)</u> |
| Net withdrawals from dealings with members | | <u>(3,896,747)</u> | <u>(261,467)</u> |
| Returns on investments | | | |
| Investment income | 9 | 1,882,956 | 243,771 |
| Change in market value of investments | 10 | 850,504 | 6,081,906 |
| Investment management expenses | 11 | 203,409 | 325,919 |
| | | <u>2,936,869</u> | <u>6,651,596</u> |
| Net returns on investments | | <u>2,936,869</u> | <u>6,651,596</u> |
| Net (decrease)/ increase in the fund during the year | | <u>(959,878)</u> | <u>6,390,129</u> |
| Net assets at 6 April | | <u>134,847,692</u> | <u>128,457,563</u> |
| Net assets at 5 April | | <u>133,887,814</u> | <u>134,847,692</u> |

The notes on pages 23 to 32 form part of these financial statements.

AVX Limited Pension Scheme

Annual Report for the year ended 5 April 2020

Financial Statements

Statement of Net Assets available for benefits



| | Note | 2020 £ | 2019 £ |
|------------------------------|------|--------------------|-------------|
| Investment assets | | | |
| Pooled investment vehicles | 13 | 133,272,155 | 133,744,125 |
| AVC investments | 14 | 71,841 | 84,421 |
| Cash | 15 | 209,517 | 219,614 |
| Total investments | 10 | 133,553,513 | 134,048,160 |
| Current assets | 20 | 448,337 | 1,032,841 |
| Current liabilities | 21 | (114,036) | (233,309) |
| Net assets at 5 April | | 133,887,814 | 134,847,692 |

The financial statements summarise the transactions of the Scheme and deal with the net assets at the disposal of the Trustees. They do not take account of obligations to pay pensions and benefits which fall due after the end of the Scheme year. The actuarial position of the Scheme, which takes into account such obligations, is dealt with in the report on actuarial liabilities on pages 5 to 6 of the annual report and these financial statements should be read in conjunction with this report.

The notes on pages 23 to 32 form part of these financial statements.

The financial statements on pages 21 to 32 were approved by the Trustees on 5th Nov 2020

Signed on behalf of the Trustees

 Trustee
 Trustee

1. Identification of the financial statements

The Scheme is established as a trust under English law.

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

The Scheme is a defined benefit scheme.

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).

In June 2018, a revised SORP was issued which is applicable to accounting periods commencing on or after 1 January 2019. The Trustees have adopted the revised SORP for the first time in these financial statements. The adoption of the revised SORP has had no material impact on the financial statements, although it has required certain additions to or amendments of disclosures in the financial statements.

3. Accounting policies

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

3.1 Accruals concept

The financial statements have been prepared on an accruals basis.

3.2 Currency

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

3.3 Contributions

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

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

3.4 Transfers

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

3.5 Other income

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

3.6 Payments to members

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

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

AVX Limited Pension Scheme

Annual Report for the year ended 5 April 2020

Notes to the Financial Statements

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

| | 2020 £ | 2019 £ |
|--------------------------------|----------------|------------------|
| Employer contributions: | | |
| Additional | 230,000 | 230,000 |
| Deficit funding | 375,000 | 4,500,000 |
| | <u>605,000</u> | <u>4,730,000</u> |

Deficit funding contributions were received in accordance with the Schedule of Contributions certified by the Actuary on 1 March 2019 and monthly deficit funding contributions are payable to the Scheme until 30 April 2019 towards meeting the agreed secondary funding target.

AVX Limited will pay an allowance of £230,000 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

| | 2020 £ | 2019 £ |
|--|------------|-----------|
| Interest on cash deposits held by the Trustees | <u>154</u> | <u>-</u> |

6. Benefits paid or payable

| | 2020 £ | 2019 £ |
|--|------------------|------------------|
| Pensions | 3,244,955 | 3,155,491 |
| Commutation of pensions and lump sum retirement benefits | 376,609 | 358,528 |
| Lump sum death benefits | 3,063 | 8,751 |
| | <u>3,624,627</u> | <u>3,522,770</u> |

AVX Limited Pension Scheme

Annual Report for the year ended 5 April 2020

Notes to the Financial Statements

7. Payments to and on account of leavers

| | 2020 £ | 2019 £ |
|---|----------------|------------------|
| Individual transfers out to other schemes | <u>682,117</u> | <u>1,198,052</u> |

8. Administrative expenses

| | 2020 £ | 2019 £ |
|-----------------------------------|----------------|----------------|
| Administration fees | 79,164 | 81,738 |
| Audit fees | - | (10,000) |
| Trustee fees | 10,200 | 15,200 |
| Miscellaneous expenses | 74 | 154 |
| Scheme levies | 7,995 | 13,631 |
| Bank charges paid | 456 | - |
| Pension consultancy and actuarial | 97,268 | 169,922 |
| | <u>195,157</u> | <u>270,645</u> |

The audit fees from 2017 are payable by AVX Limited and are not recharged to the Scheme. As noted above, there was an adjustment of £10,000 in the prior year to reverse the audit fee accruals, as this was paid direct by the Employer. The audit fees £3,900 for 2020 (2019: £3,360) are met by the Employer.

9. Investment income

| | 2020 £ | 2019 £ |
|--|------------------|----------------|
| Income from pooled investment vehicles | 1,857,189 | 219,614 |
| Annuity income | 25,767 | 24,157 |
| | <u>1,882,956</u> | <u>243,771</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. The inception date of these funds was 8 March 2019.

10. Reconciliation of investments

| | Market value at 6 April 2019 £ | Cost of investments purchased £ | Proceeds of sales of investments £ | Change in market value £ | Market value at 5 April 2020 £ |
|----------------------------|---|--|---|--------------------------------|---|
| Pooled investment vehicles | 133,744,125 | 112,974,670 | (114,293,261) | 846,621 | 133,272,155 |
| AVC investments | 84,421 | - | (16,463) | 3,883 | 71,841 |
| | <u>133,828,546</u> | <u>112,974,670</u> | <u>(114,309,724)</u> | 850,504 | <u>133,343,996</u> |
| Cash | 219,614 | | | - | 209,517 |
| | <u>134,048,160</u> | | | <u>850,504</u> | <u>133,553,513</u> |

The purchases and sales figures include £112,314,261 relating to switching investment funds.

10.1 Transaction costs

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

AVX Limited Pension Scheme

Annual Report for the year ended 5 April 2020

Notes to the Financial Statements

11. Investment management expenses

| | 2020 £ | 2019 £ |
|-------------|------------------|------------------|
| Fee rebates | <u>(203,409)</u> | <u>(325,919)</u> |

The total of the negative fee rebates £203,409 (2019: £325,919) 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

| | 2020 £ | 2019 £ |
|----------|--------------------|--------------------|
| Equities | 32,141,260 | 45,268,944 |
| Bonds | 101,130,895 | 88,475,181 |
| | <u>133,272,155</u> | <u>133,744,125</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:

| | 2020 £ | 2019 £ |
|-----------------------------------|---------------|---------------|
| Prudential Assurance | 42,400 | 44,287 |
| Phoenix Life and Pensions Limited | 10,203 | 7,803 |
| Aviva | 19,238 | 32,331 |
| | <u>71,841</u> | <u>84,421</u> |

15. Cash

| | Assets £ | Liabilities £ | 2020 £ | Assets £ | Liabilities £ | 2019 £ |
|----------------------------|----------------|------------------|----------------|----------------|------------------|----------------|
| Investment cash in transit | <u>209,517</u> | <u>-</u> | <u>209,517</u> | <u>219,614</u> | <u>-</u> | <u>219,614</u> |

16. Fair value determination

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

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

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

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

Analysis for the prior year end is as follows:

| | 2019 Level 1 £ | 2019 Level 2 £ | 2019 Level 3 £ | 2019 Total £ |
|----------------------------|----------------------|----------------------|----------------------|--------------------|
| Pooled investment vehicles | - | 133,744,125 | - | 133,744,125 |
| AVC investments | - | - | 84,421 | 84,421 |
| Cash | 219,614 | - | - | 219,614 |
| | <u>219,614</u> | <u>133,744,125</u> | <u>84,421</u> | <u>134,048,160</u> |

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

17. Investment risks

The Financial Reporting Council (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 "Financial Reports of Pension Schemes" (revised June 2018). These risks are set out by FRS 102 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 from Growth assets into Matching assets. 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 Statement of Investment Principles (SIP).

Further information on the Trustees' approach to risk management, credit and market risk is set out in the following pages.

17. Investment risks - continued

(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 level of Growth and Matching assets 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:

- 73.4% in investments that share characteristics with the long term liabilities of the Scheme, referred to as 'Matching' assets. The Matching assets are invested in assets including UK Government and corporate bonds which aim to reduce the impact of interest rate movements and inflation expectations on the long term liabilities.
- 26.6% in investments that seek to generate a return above the liabilities, referred to as 'Growth' assets. The Growth assets are currently invested in global developed and emerging market equities.
- 80% 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 asset 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.

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

Financial Risk Breakdown

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

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

(ii) Market risk

a. Currency risk

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

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

17. Investment risks - continued

b. Interest rate risk

The Scheme's Growth and Matching portfolio assets are subject to indirect interest rate risk. These are indicated in the table above. The Scheme's assets 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.

At the year end, the Matching asset portfolio represented 75.8% of the total investment portfolio (2019: 66.2%). The Trustees hold these assets as part of their matching strategy. Under this strategy, if interest rates fall, the value of the Matching portfolio 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 Matching portfolio will fall in value, as will the actuarial liabilities.

The value of these assets at the Scheme year end amounted to £101.1m which was 100.0% of the Matching portfolio and 75.8% of total assets.

The Scheme also has exposure to overseas interest rate risk through some of the Growth portfolio investments, namely the Low Volatility Equity Fund.

The value of these assets at the Scheme year end amounted to £6.6m which was 20.6% of the Growth portfolio and 5.0% of total assets (2019: £9.0m which was 19.9% of the Growth portfolio and 6.7% of total assets). The interest rate exposure that the Growth assets introduce is part of the investment strategy to add value rather than to match liabilities.

c. Other price risk

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

The benchmark set for investment in Growth assets was 26.6% of the total investment portfolio as at 5 April 2020. Triggers are in place to reduce the allocation as the funding level improves. Mercer manages this exposure to overall price movements by constructing a diverse portfolio of investments across various markets and geographies.

At the year end, 100.0% of the Scheme's Growth and 36.4% of the Scheme's Matching assets were exposed to other price risk. The total exposure at a Scheme level was 51.8% of the total investment portfolio (2019: 52.7%).

(iii) Credit risk

The Scheme's Growth and Matching portfolio assets are subject to indirect credit risk. These are indicated in the table above.

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 Funds which hold non-investment grade credit rated instruments with a view to adding value. Indirect credit risk is mitigated through diversification of the underlying securities to minimise the impact of default by any one issuer.

The value of these assets at the Scheme year end amounted to £39.5m which was 39.1% of the Matching portfolio and 29.6% of total assets.

AVX Limited Pension Scheme

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Notes to the Financial Statements

17. Investment risks - continued

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 legal type of arrangement is shown below.

| Arrangement type | 2020 | 2019 |
|---------------------------------|-------------|-------------|
| | (£) | (£) |
| Unit linked insurance contracts | 133,272,155 | 133,744,125 |

Direct credit risk arises from pooled investment vehicles with the unit linked insurance contracts. Direct credit risk is due to exposure through the underlying funds. The risk is mitigated by the underlying funds being regulated by the Financial Conduct Authority and the managers maintain separate funds for its policy holders. In the event of default by an underlying manager the Schem is protected by the Financial Services Compensation Scheme.

18. Concentration of investments

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

| | 2020 | | 2019 | |
|--|------------|------|------------|------|
| | £ | % | £ | % |
| Mercer Tailored Credit Fund 1M-1 GBP | 39,492,301 | 29.5 | 23,410,176 | 17.4 |
| Mercer UK Inflation Linked Bond Fund M-1 GBP | 21,494,260 | 16.1 | 7,929,931 | 5.9 |
| Mercer Sterling Nominal LDI Bond Fund M-5£ | 18,613,390 | 13.9 | 22,165,202 | 16.4 |
| Mercer Sterling Inflation LDI Bond Fund M-5 £ Distributing | 15,334,105 | 11.5 | 17,348,508 | 12.9 |
| Mercer Fundamental Indexation Global Equity CCF Class M-1GBP Hedge | 8,243,693 | 6.2 | 11,342,878 | 8.4 |
| Mercer Passive Global Equity CCF - Class M-GBP Hedge | 7,913,688 | 5.9 | 11,316,683 | 8.4 |
| Mercer UK Credit Fund M-7 GBP | N/A | N/A | 17,621,363 | 13.1 |
| Mercer Passive Emerging Markets Equity Fund Class M-2GBP | N/A | N/A | 9,093,640 | 6.7 |
| Mercer Low Volatility Equity Fund M-3GBP HEDGE | N/A | N/A | 8,951,834 | 6.6 |

19. Employer-related investments

There was no employer-related investment as at 5 April 2020 (2019: £Nil).

20. Current assets

| | 2020 | 2019 |
|-----------------------------------|----------------|------------------|
| | £ | £ |
| Reimbursement of insured pensions | 768 | 2,438 |
| Pensions paid in advance | - | 41,001 |
| Cash deposits held | 447,569 | 989,402 |
| | 448,337 | 1,032,841 |

The cash deposits held as at 5 April 2020 represent the balance applicable to the Scheme on the HSBC Bank plc account.

AVX Limited Pension Scheme

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Notes to the Financial Statements

21. Current liabilities

| | 2020 | 2019 |
|---|----------------|----------------|
| | £ | £ |
| Reimbursement of pensions received in advance | 530 | 1,250 |
| Lump sums on retirement payable | - | 58,044 |
| Death benefits payable | - | 1,538 |
| Taxation payable | 31,473 | 34,410 |
| Administrative expenses payable | 77,244 | 133,278 |
| Due to AVX Limited | 4,789 | 4,789 |
| | <u>114,036</u> | <u>233,309</u> |

22. Related party transactions

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

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

S H Cunday, P Fenwick and R J Lawrence are being paid for services as Trustees. This is because they are Employer-nominated and Member-nominated Trustees who are no longer employed by the Company. The fees are met by the Scheme: S H Cunday £2,600 (2019: £2,600); P Fenwick £2,600 (2019: £2,600); and R J Lawrence £5,000 (2019: £10,000).

(b) Other related parties

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

23. GMP Equalisation

As explained on page 6 of the Trustees report, on 26 October 2018, the High Court handed down a judgment involving the Lloyds Banking Group's defined benefit pension schemes. The judgment concluded the schemes should be amended to equalise pension benefits for men and women in relation to guaranteed minimum pension benefits. The issues determined by the judgment arise in relation to many other defined benefit pension schemes. The Trustees of the Scheme are aware that the issue will affect the Scheme and will be considering this at a future meeting and decisions will be made as to the next steps. Under the ruling schemes are required to backdate benefit adjustments in relation to GMP equalisation and provide interest on the backdated amounts. Based on an initial assessment of the likely backdated amounts and related interest the Trustees do not expect these to be material to the financial statements and therefore have not included a liability in respect of these matters in these financial statements. They will be accounted for in the year they are determined.

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

Statement about contributions

Opinion

In our opinion, the contributions payable under the Schedule of Contributions for the Scheme year ended 5 April 2020 as reported in AVX Limited Pension Scheme's Summary of Contributions have, in all material respects, been paid in accordance with the Schedule of Contributions certified by the Scheme Actuary on 1 March 2019.

We have examined AVX Limited Pension Scheme's Summary of Contributions for the Scheme year ended 5 April 2020 which is set out on the following page.

Basis for opinion

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 in accordance with the relevant requirements. This includes an examination, on a test basis, of evidence relevant to the amounts of contributions payable to the Scheme under the Schedule of Contributions and the timing of those payments.

Responsibilities for the statement about contributions

Responsibilities of the Trustees in respect of contributions

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 employers in accordance with relevant requirements.

Auditors' responsibilities in respect of the statement about contributions

It is our responsibility to provide a statement about contributions and to report our opinion to you.

Use of this report

This report, including the opinion, has been prepared for and only for the Trustees as a body in accordance with section 41 of the Pensions Act 1995 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Belfast

Date: *5 November 2020*

AVX Limited Pension Scheme

Annual Report for the year ended 5 April 2020

Summary of Contributions

During the year ended 5 April 2020, the contributions payable to the Scheme by the Employer were as follows:

2020
£

Contributions payable under the Schedule of Contributions:

Employer contributions:

Additional

230,000

Deficit funding

375,000

Contributions payable under the Schedule of Contributions (as reported on by the Scheme Auditors)
and reported in the financial statements

605,000

Approved by the Trustees on 5th Nov 2020

Signed on behalf of the Trustees

R. Lawrence Trustee
[Signature] Trustee

AVX Limited Pension Scheme

Annual Report for the year ended 5 April 2020

Actuarial Certificate

Certification of schedules of contributions

Adequacy of rates of contributions

1. I certify that, in my opinion, the rates of contributions shown in this Schedules of Contributions are such that the Statutory Funding Objective could have been expected on 5 April 2018 to continue to be met for the period for which the schedule is to be in force.

Adherence to Statement of Funding Principles

2. I hereby certify that, in my opinion, this schedules of contributions is consistent with the Statement of Funding Principles dated February 2019.

The certification of the adequacy of the rates of contributions for the purpose of securing that the Statutory Funding Objective can be expected to be met is not a certification of their adequacy for the purpose of securing the Scheme's liabilities by the purchase of annuities, if the Scheme were to be wound up.

Signature

Simon Hall

Scheme Actuary

Simon Hall

Qualification

Fellow of the Institute and Faculty of Actuaries

Date of signing

1 March 2019

Name of employer

Mercer Limited

Address

Bedford House
Bedford Street
Belfast BT2 7DX