

**Memorandum of Understanding dated 25 July 2016 relating to:**

**Premier Farnell UK Pension Scheme**

(the "*Scheme*")

**1. Background**

- 1.1 This Memorandum of Understanding sets out the understanding of Avnet, Inc. ("**Avnet**") and Premier Farnell Pension Trustees Limited, as trustee of the Scheme (the "**Trustee**"), (together the "**Parties**") as to the funding and operation of the Scheme, in the event that Avnet (or a member of the Avnet group) is successful in acquiring the entire issued share capital of Premier Farnell plc ("**Premier Farnell**") (the "**Transaction**"). Avnet currently envisages that the Transaction would be announced in July 2016 and that it would close in the final quarter of 2016, although the precise timing is subject to a number of variables.
- 1.2 With the exception of paragraphs 9 (confidentiality) and 10 (status), each of which is intended to be legally binding, this Memorandum of Understanding is not intended to, nor shall it, create or reflect any binding contract or other form of legal relations between Avnet (or any member of the Avnet group) and the Trustee. However, the Parties acknowledge that each regards this Memorandum of Understanding as a statement of their current intent.
- 1.3 Nothing in this Memorandum of Understanding:
  - (a) is intended to conflict with the Trustee's rights, duties and obligations under the Scheme's rules, legislation or otherwise and in the event of any such conflict such rights duties and obligations will prevail; and
  - (b) will in any way prejudice or restrict Avnet's ability to structure, manage or operate the businesses of Premier Farnell and its subsidiaries (the "**Premier Farnell Group**").

**2. Avnet's approach to pensions**

- 2.1 Avnet confirms that it recognises the importance of the Scheme as a stakeholder in Premier Farnell. Avnet has always regarded the provision of proper pension arrangements for its employees and former employees to be important. Avnet maintains pension schemes and retirement programs in many countries and believes that long term financial security is important to ensure engaged employees.

**3. Structure and financing of the Offer**

- 3.1 Avnet intends that the acquisition of Premier Farnell would be carried out by itself or a wholly owned subsidiary of itself. Avnet currently maintains investment grade ratings

(Moody's Baa3, S&P BBB-). Given Avnet's liquidity and funding capacity, Avnet intends to finance the acquisition using existing cash and third party debt.

- 3.2 Avnet confirms that its intention is that any third party debt taken on would be at the level of Avnet (or a subsidiary of Avnet above Premier Farnell) and that Premier Farnell and members of the Premier Farnell Group would not take on any additional debt as a result of the acquisition. Avnet further confirms its intention that it will not pledge, charge, encumber or offer as security any of the assets of the Premier Farnell Group in support of any such debt.
- 3.3 Avnet confirms that, subject to the outcome of any discussions held in accordance with paragraph 8.2, it has no intention during the next 3 years to increase the proportion of Premier Farnell's earnings distributed annually as dividends by Premier Farnell.
- 3.4 Avnet confirms that its intention would be that Premier Farnell and the Premier Farnell Group would continue to be responsible for funding the Scheme, in the same way as at present.

#### **4. Valuation**

- 4.1 The next regular actuarial valuation of the Scheme is due in April 2017. Subject to there being no material change in:
  - (a) the Scheme's financial circumstances; or
  - (b) the Trustee's assessment of the strength of the covenant afforded to the Scheme by its sponsors within the Premier Farnell Group, the Trustee confirms that it has no intention of seeking an additional actuarial valuation of the Scheme in advance of that regular triennial valuation.

#### **5. Contributions**

- 5.1 Avnet confirms that it is aware that regular employer contributions are due to be paid to the Scheme under the current Schedule of Contributions dated 27 June 2016, over the period to June 2021. Avnet also confirms that it is aware of the accelerated payment due on 15 August 2016 in respect of the Final Salary Section of the Scheme under the Schedule of Contributions.
- 5.2 The Trustee confirms that subject to there being no material change in:
  - (a) the Scheme's financial circumstances; or
  - (b) the Trustee's assessment of the strength of the covenant afforded to the Scheme by its sponsors within the Premier Farnell Group, the Trustee has no intention of seeking additional contributions from the Scheme in advance of finalisation of the April 2017 actuarial valuation.

**6. Winding -up**

- 6.1 The Trustee confirms that it is not aware of any breach by the Principal Employer or any Employer (each as defined in the Trust Deed and Rules of the Scheme) which would entitle the Trustee to wind up the Scheme (in whole or in part) under Rule 14 of the Constitutional Rules of the Scheme.

**7. Corporate events**

- 7.1 Subject to the Trustee agreeing to such confidentiality obligations as Avnet may reasonably require:
- (a) Avnet agrees that it will notify the Trustee of any proposed disposal of, or proposed changes to the businesses of, any member of the Premier Farnell Group, or proposed changes to any of the matters covered in paragraph 3 (Structure and financing of the offer); and
  - (b) To the extent not notified in accordance with paragraph 7.1(a) above or paragraph 8.1 below, Avnet will procure that Premier Farnell will notify the Trustee of any material event impacting on Premier Farnell or its business which Premier Farnell considers to likely to affect the assessment by the Trustee of the covenant afforded to the Scheme.

**8. Ongoing monitoring of covenant**

- 8.1 Avnet will procure that Premier Farnell continues to provide the Trustee with such information as the Trustee reasonably requires to enable it to monitor the ongoing covenant afforded to the Scheme by its sponsors within the Premier Farnell Group. To achieve this objective Avnet will procure that Premier Farnell works in good faith with the Trustee (such good faith to be reciprocated by the Trustee) to agree an information sharing protocol with the aim of ensuring the continued flow of information from Premier Farnell to the Trustee which is sufficient to allow the Trustee to monitor the covenant as effectively as it has hitherto. The parties agree to act in good faith with a view to agreeing an information sharing protocol within a three month period of the transaction completing. Such protocol would specify the type and frequency of information that would be provided to the trustees on a routine basis and when certain corporate events were proposed to take place in relation to the Premier Farnell group. To facilitate communication between the parties, the parties also propose that Avnet would nominate within such three month period one individual from Avnet and one individual from Premier Farnell to be the primary points of contact with the pension trustees, with the intention that the Premier Farnell individual be the primary and regular contact and the Avnet contact available to engage with the trustees as and if the need arises.
- 8.2 Notwithstanding paragraph 3.4, Avnet confirms its willingness to engage in discussions at the request of the Trustee on matters regarding Scheme funding and investment.

**9. Confidentiality**

9.1 This Memorandum of Understanding is confidential and may not be disclosed by any Party to any persons other than (i) that Party's advisers, directors and employees (to the extent reasonably necessary) (ii) in the case of Avnet, other Avnet group companies and their advisers, directors and employees (to the extent reasonably necessary), (iii) Premier Farnell and its advisers, directors and (to the extent reasonably necessary) employees or (iv) The Pensions Regulator, except:

- (a) with the other Party's consent; or
- (b) where such disclosure is required by any applicable law or by any rule, regulation, direction, order or ruling of any competent judicial, regulatory, self-regulatory, governmental, administrative or supervisory organisation or body (including, without limitation, the Takeover Panel or any securities exchange); or
- (c) where the relevant information is in the public domain (unless the information is in the public domain as a result of a breach of this paragraph).

9.2 The Parties will discuss in good faith the extent to which information about this Memorandum of Understanding is to be disclosed (and, in the case of (a), the timing of such disclosure):

- (a) to the Scheme's members;
- (b) in the Trustee's opinion (if any) to the Premier Farnell board for the purposes of Rule 25.9 of the Takeover Code.

9.3 The Trustee intends, where reasonably practical, to notify Avnet in good faith in advance about the timing and content of any disclosure to the Pensions Regulator of or about this Memorandum of Understanding to allow Avnet an opportunity to comment on the proposed disclosure. The Trustee confirms that it will update Avnet (to the extent appropriate) about any discussions that the Trustee has with The Pensions Regulator in relation to the Memorandum of Understanding.

9.4 Subject to paragraph 9.1, Avnet agrees that it will not make any statements regarding the Trustee's opinion or view of the Transaction without the Trustee's prior written consent.

**10. Status**

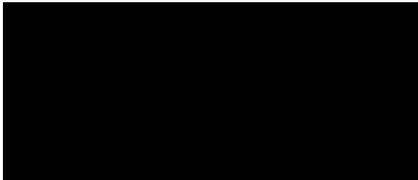
10.1 This Memorandum of Understanding and any non-contractual obligations arising out of or in connection with it shall be governed by, and shall be interpreted in accordance with, English law.

10.2 Nothing in this Memorandum of Understanding is or shall be read as constituting a post-offer undertaking by Avnet for the purposes of the Takeover Code.

Signed on behalf of Avnet



Signed on behalf of Premier Farnell Pension Trustees Limited



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