

Nortel Networks UK Pension Plan

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Private & Confidential

8 August 2017

Dear Member,

Your benefits in the Nortel Networks UK Pension Plan ('the Plan')

We are writing to update you with some important information regarding your pension benefits within the Plan and include a separate letter detailing the results of a Section 143 valuation (see below for explanation of S143 valuation)

The end of the legal dispute

As we have previously informed you, after eight long years of negotiations and legal activity, an agreement was finally reached in January 2017 on how the lockbox will be distributed between the various parties worldwide.

The proceeds due to the Plan have now started to arrive, with the majority due later this year and further & final instalments hopefully by the end of 2018. However, there is still some uncertainty around the amount and timing of these final instalments mainly as a result of administrators finalising claims and the need to settle certain tax obligations in a number of European countries.

Next steps

The proceeds due shortly are expected to be sufficient to allow the Trustees to secure benefits outside the Pension Protection Fund (PPF) with an insurance company. We have been preparing for this for some time, and we believe that we are well positioned to start securing benefits during 2018, after the process of leaving the PPF assessment period is complete.

Further benefits for eligible members will be secured when the later instalments of the proceeds are received. We expect this to apply to the majority of members, but will confirm if it applies to you when we start securing benefits in 2018.

Leaving PPF Assessment (Section 143 valuation)

Before we can begin the process of exiting the PPF assessment period and securing benefits externally, a legislative formality known as a Section 143 valuation needs to be completed. The Section 143 valuation is carried out by the PPF's actuary to assess whether a pension scheme is expected to have sufficient funds to secure benefits outside the PPF which are of at least equivalent value to members' PPF compensation in January 2009. Schemes cannot secure benefits outside the PPF without completing this process

We have been in discussion with the PPF to start this process. Within this pack, we have included a letter informing you of the outcome of the valuation. It is important to note that this valuation reflects the status of the Plan in January 2009 and not its current status. That letter (the 'Valuation Summary withdrawal letter') is in a prescribed format as required by PPF regulations. No action is necessary regarding the letter unless you believe that the results of the actuarial valuation are incorrect. Further details of who to contact are at the end of the letter.

Your options

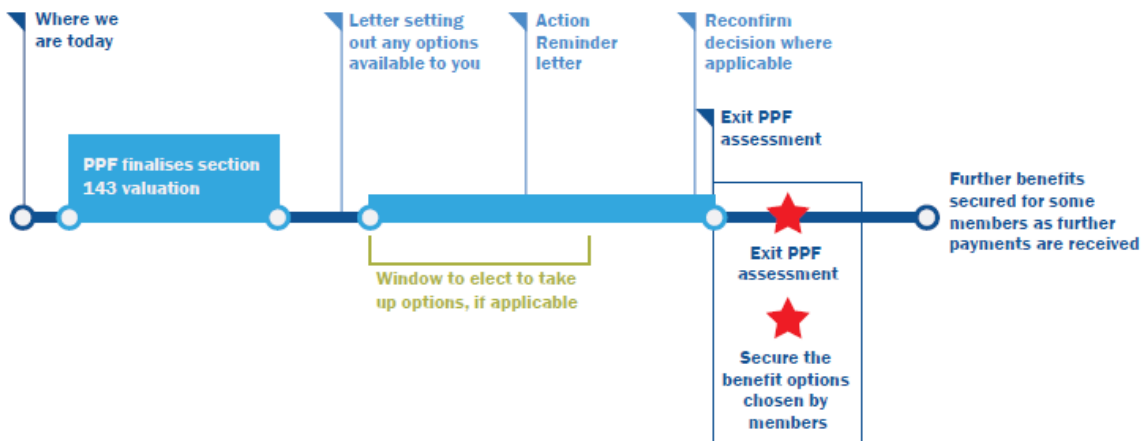
Once the Section 143 valuation process has been completed, we are intending to provide members with some options on how to receive Plan benefits. This is intended to allow members to make a choice which may better suit their own personal circumstances.

Different options will be available depending on the value of your benefits, your age and whether you are a deferred member or are already receiving your pension. For some members already receiving a pension there may be no options available. After members with options have made their choices, the Trustee will arrange for the pensions payable (after allowing for the choices members have made) to be secured with an insurance company.

We cannot outline what your options are at this time but we will write to you with further details once the Section 143 valuation process has been completed. You do not need to make any decisions now, but if, in the meantime, you are a deferred member and you decide to retire and draw your pension in the next few months, then please be aware that this could materially change the options that will subsequently be made available to you.

What happens next?

We have set out the major steps of the expected process over the coming months below:



Please note that the exact timing of this process will become clearer as things develop, in particular because the process of securing benefits or making payments cannot begin until any queries are dealt with in relation to the Section 143 valuation. As a result, no dates are included on the process above. When timescales become clearer, we will provide you with further details. We expect to write to you in the next few months with details of the next steps.

Any questions?

We know that you are likely to have some questions about this process and your pension. We have set out guidance below on who to contact depending on the nature of your query:

Plan Administrator

If you have any questions about this process or your benefits, please contact the Plan Administrator. Please note that the Plan Administrator cannot at present answer questions about the possible options that might be available when we start securing benefits outside the PPF in 2018.

By phone: 01707 607 601

By email: nortel.networks@willistowerswatson.com

Pension Protection Fund

If you are dissatisfied with the PPF Board's decision to approve the Section 143 valuation, you may request the PPF to review its decision.

Details of how to do this are included in the 'Requesting a review' section of the Section 143 valuation summary withdrawal letter included in this pack.

You should not contact the PPF to query your individual entitlement under the Plan.

If you do have any questions, please make sure to get in touch with the correct party as this will help to avoid delays in the process of exiting the PPF assessment period and securing your benefits.

We will continue to collate key themes into a Q&A leaflet, which we will publish on our website and include with our next update.

Yours sincerely



David Davies

Chairman, Trustee Board, Nortel Networks UK Pension Plan

PSR: 10092331

Valuation Summary withdrawal letter

Nortel Networks UK Pension Plan ('the Plan')

We are writing to you in our capacity as the Trustee of the Plan. This section sets out the next steps regarding the transfer of the Plan from the Pension Protection Fund ('the PPF').

Introduction

The Plan is currently in an Assessment Period. During the Assessment Period, the PPF is required to establish whether the Plan has sufficient assets to secure benefits for members' of at least equivalent value to PPF levels of compensation. If the Plan does not have sufficient assets to secure benefits at this level, and subject to certain other conditions being met, the Board of the Pension Protection Fund ('the Board') will assume responsibility for the Plan and you will receive PPF Compensation in respect of your benefits.

On 22 July 2015, the Board informed the Trustee that an actuarial valuation would be undertaken in respect of the Plan, and the Trustee agreed with this decision.

Using your personal information

As part of the process of establishing whether the Plan has sufficient assets to provide benefits of at least equivalent value to members' PPF compensation outside of the PPF, the information held by the Plan administrator regarding your pension benefits was provided to an actuarial firm, Spence & Partners. The purpose of this was to enable Spence & Partners to carry out the actuarial valuation referred to above, on behalf of the PPF.

If you would like more details about how your personal information is used by the PPF, and how it ensures the security of your personal information and your rights to access your personal information held by the PPF, please refer to the PPF's detailed privacy policy. Details of how to access this are provided below under the heading 'PPF Contact Details'.

Section 143 Valuation for the Plan

A section 143 valuation has been carried out in respect of the Plan and was submitted to the Board for its consideration on 27 July 2017. The Board has determined on 7 August 2017 to approve that valuation.

Set out on the next page is a summary of the overall assets and liabilities of the Plan as at 13 January 2009, being the day before the Plan entered its Assessment Period.

The overall PPF level liabilities for the Plan as at the day before

Assessment Date

£2,021,009,000

(This is the cost of paying compensation at least equal to Pension Protection Fund levels, plus some other prescribed costs.)

The overall assets for the Plan as at the day before Assessment Date

£2,228,465,000

(This is the assets held in the Plan at the Assessment Date plus a prudent allowance for the proceeds expected to be received by the Plan from the global insolvency proceedings, which is sufficient to make the Plan overfunded on a PPF basis and start this process.)

The Plan is overfunded on a PPF basis.

The valuation showed that the Plan has sufficient assets to secure benefits equivalent in value to, or exceeding, PPF levels of compensation plus certain other liabilities and costs. Therefore, unless the Trustee makes an application for re-entry which is successful, the Board will not assume responsibility for the Plan. The Trustee will be required to wind up the Plan outside the PPF, with a view to securing your benefits to the extent that the assets of the Plan permit.

Pension Protection Fund Compensation

For members who were in receipt of pension at assessment date, we are required to set out here what your pension was at that time. For members not in receipt of pension at assessment date, we are not required to show details of your pension as the PPF do not hold this information

The attached factsheet produced by the PPF summarises how compensation is calculated for members of pension plans which transfer to the PPF.

Where you were under Normal Pension Age (NPA) for any part of your pension, that part of your pension will have been reduced as from the Assessment Date in line with regulations governing the levels of PPF compensation payable. Please see the enclosed factsheet for further details.

Should the Trustee make an application for re-entry into the PPF which is successful, the Trustee will provide the Board with all the information it holds relating to your pensionable service and accrued rights in due course. Currently, the Board holds no such information.

If you have any queries relating to your benefits, please contact the Plan administrator using the contact details provided later in this letter.

Review

The PPF's approval of the Plan's section 143 valuation is a reviewable matter under the Pensions Act 2004. If you are unhappy or dissatisfied with the PPF's approval of the valuation you may ask the PPF to review its decision. You may seek a review concerning the approval of the valuation by sending a written application to the Board within twenty eight days of the date of this letter. An application for review must therefore be submitted within 28 days after the date of this letter. Please note that any review that you may wish to apply for must relate to the Board's decision to approve the section 143 valuation. It is not a review of individual entitlement under the Plan.

Requesting a review

Information and guidance about how to request a review is available on the PPF website or can be requested directly from the PPF. Details of how to access this are provided below under the heading 'PPF Contact Details'.

When you come to make your review request, it must be signed by you and dated and include, as a minimum, the following information:

- your name and address;
- information about the Board's decision to approve the valuation you want reviewed, including the date of that decision; and
- why you want a review of the Board's decision to approve the section 143 valuation.

After receiving your application, the PPF will seek any additional information it needs to deal with the review and aim to issue a review decision within 28 days. If it cannot do that, it will inform you of this in writing and let you know the expected date the decision will be made.

On reviewing a decision, the PPF may vary its decision of approval, or substitute a new decision. The variations to the original decision will take effect from such time as the Board considers appropriate, including a time prior to the review

decision, and may deal with matters in the review decision as if they had arisen as part of its original decision. The PPF may also pay any compensation as it considers appropriate. The review decision will set out the reasons for the decision.

The valuation will become binding at the end of the later of the 28 day review period or after any application for a review of the valuation approval has been resolved. At this point, we will be able to continue the process of exiting the PPF Assessment Period, after which the Trustees will secure members' benefits outside the PPF.

Plan Contact Details

Nortel Networks UK Pension Plan
c/o Willis Towers Watson Limited
PO Box 545
Redhill
Surrey RH1 1YX
Or call on 01707 607 601

PPF Contact Details

1. Detailed Privacy Policy

Website

<http://www.pensionprotectionfund.org.uk/Pages/DataProtectionAct.aspx>

Direct from PPF

The Board Secretary
Pension Protection Fund
Renaissance
12 Dingwall Road
Croydon
Surrey
CR0 2NA

or call the PPF Contact Centre on
0330 123 2222 or by
Textphone on 0845 600 2542 if you
have impaired hearing or speech.

2. Seeking a Review

Website


<http://www.pensionprotectionfund.org.uk/About-Us/complaintsandconcerns/Pages/ComplaintsandConcerns.aspx>

Direct from PPF

Reviews Team
Pension Protection Fund
Renaissance
12 Dingwall Road
Croydon
Surrey
CR0 2NA

or call the PPF Contact Centre on
0330 123 2222 or by
Textphone on 0845 600 2542 if you
have impaired hearing or speech.

Yours sincerely,



David Davies

Chairman, Trustee Board, Nortel Networks UK Pension Plan

Enc. 'What is the PPF and What Do We Do?' – A factsheet detailing how compensation is calculated