

NORTEL NETWORKS UK PENSION PLAN
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE 18 MONTH PERIOD ENDED 30 SEPTEMBER 2021
SCHEME REGISTRATION NUMBER: 10092331

NORTEL NETWORKS UK PENSION PLAN

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PERIOD FROM 1 APRIL 2020 TO 30 SEPTEMBER 2021

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NORTEL NETWORKS UK PENSION PLAN**TRUSTEE AND ADVISERS****PERIOD FROM 1 APRIL 2020 TO 30 SEPTEMBER 2021**

Principal Company	Nortel Networks UK Limited (in Administration)
Trustee and Board Directors	Nortel Networks UK Pension Trust Limited Independent C. Gilchrist (Chairman) BESTrustees Limited (represented by Bob Hymas) Employer nominated P. Masterson Member nominated N. Bowles B. Izzard T. Rossiter
Secretary to the Trustee Board	Willis Towers Watson
Buy-Out Committee (BOC)	C. Gilchrist (Chairman) B. Izzard BESTrustees Limited (represented by Bob Hymas)
Investment Committee	C. Gilchrist (Chairman) BESTrustees Limited (represented by Bob Hymas) T. Rossiter
Administration Discretions and Benefits Committee (ADB)	BESTrustees Limited (Chairman) (represented by Bob Hymas) N. Bowles B. Izzard T. Rossiter
Administrators (and enquiries)	Nortel Networks UK Pension Plan c/o Willis Towers Watson PO Box 545 Redhill Surrey RH1 1YX
Actuary	N. Mobbs of Willis Towers Watson
Independent Auditors	Grant Thornton UK LLP
Legal Advisers	Pinsent Masons LLP Hogan Lovells International LLP Travers Smith LLP
Secretary to the ADB	Willis Towers Watson
Investment Consultant	Mercer Investment Consulting
Investment Managers	BlackRock Advisors (UK) Limited (until August 2021) Insight Investment Management Limited

NORTEL NETWORKS UK PENSION PLAN

TRUSTEE AND ADVISERS *(continued)*

PERIOD FROM 1 APRIL 2020 TO 30 SEPTEMBER 2021

Global Custodian	State Street Bank & Trust Company (until February 2021) Northern Trust International Fiduciary Services (Ireland) Ltd (from February 2021)
AVC Providers	Utmost Life and Pensions (until February 2021) Phoenix (London Life)
Buy-Out Advisers	ISIO Services Limited
Bankers	HSBC plc
Financial Advisers	PricewaterhouseCoopers LLP (until November 2020)
Registered office of the Trustee	Nortel Networks UK Pension Trust Limited 1 Park Row Leeds LS1 5AB

NORTEL NETWORKS UK PENSION PLAN

TRUSTEE'S REPORT

PERIOD FROM 1 APRIL 2020 TO 30 SEPTEMBER 2021

Introduction

Nortel Networks UK Pension Trust Limited acts as Trustee of the Nortel Networks UK Pension Plan ("the Plan").

The Trustee of the Plan presents its report together with the actuarial statements and financial statements for the 18-month period ended 30 September 2021 ("financial period"). The Trustee has chosen to extend the financial period to 18 months as the plan approaches wind up stage.

Following the establishment of the buy-out contract with Legal & General Assurance Society Limited ("Legal & General") in October 2018, the Plan has continued to receive further recoveries as a result of its claims arising from the global Nortel Networks insolvency processes. During the financial period, the Plan received £78.5m in final settlement or sale of its outstanding claims against the administrators of Nortel Networks UK Limited. All recoveries have now been received, meaning that the overall total received by the Plan since Nortel went into global administration in January 2009 is £1.27 billion.

The Plan had hoped to distribute further benefits to eligible members in 2020, but following a High Court judgment, *Hughes v Pension Protection Fund* ("PPF") in June 2020, the Plan had to defer this distribution until appeals were heard and its resulting obligations became clear. As further information became available, the Plan determined that it could make an interim distribution of benefits which happened during the period. As with the October 2018 distribution, this meant a further buy-out contract with Legal & General for most members, but some members chose to transfer benefits to other providers and others were able to take lump sum payments instead of future pensions.

There is now sufficient legal clarity for the Trustee to move to secure all remaining benefits for eligible members and formally wind up the Plan. The way forward to address a number of the Plan's obligations is clear but others still require significant analysis and consideration. In addition, there are certain legacy obligations relating to GMP equalisation which need to be addressed before wind up. It is anticipated that a number of these obligations will be addressed in the first half of 2022, but the remainder may take at least one year beyond the date of signing of these accounts.

The Trustee will continue to keep members up to date on progress of the foregoing both by personalised communications and announcements on its website.

As explained in note 2, the Trustee has prepared the financial statements on a cessation basis.

The financial statements have been drawn up in accordance with the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996 and the Statement of Recommended Practice, Financial Reports of Pension Schemes (Revised June 2018) issued by the Pensions Research Accountants Group.

NORTEL NETWORKS UK PENSION PLAN

TRUSTEE'S REPORT *(continued)*

PERIOD FROM 1 APRIL 2020 TO 30 SEPTEMBER 2021

The Plan provided defined pension benefits to members (or their dependants) who were current or former employees of the Principal Company or other associated companies. The Plan is governed by a Trust Deed and Rules, the parties to which are the Trustee and the Principal Company. The Plan was closed to new entrants on 30 June 2000. All contributions and all future service accrual for active members ceased with effect from 14 January 2009 when Nortel Networks UK Limited went into administration. From that date until October 2018, all benefits were calculated and paid in accordance with PPF practices and procedures.

The Plan was a contracted-out scheme for the purposes of the Social Security Pensions Act 1975, and a contracting-out certificate was in force to cover the employment of members of the Plan. This meant that members did not contribute to the State Second Pension Scheme and therefore paid reduced National Insurance Contributions. The contracting-out certificate was cancelled with effect from 13 January 2009.

The Plan is a "registered" pension scheme, the effect of which is to give tax relief on members' and employer's contributions received and on the investment income and gains earned by the Plan. The Trustee knows of no reason why this registration may be prejudiced or withdrawn.

The Trustee has remained conscious of the potential effect of the COVID-19 pandemic and has worked with all its advisors to understand and mitigate the effects. During the financial period, particular attention has been focused on the impact on the value of underlying invested assets, the value of liabilities and the robustness of administration and payroll processes. The Trustee is comfortable that, from an investment perspective, the low-risk and fully hedged investment strategy in place does not carry significant investment risk and therefore no adjustment to the valuations within these accounts is required. The Trustee is also comfortable that its key administration and operations arrangements are continuing to function appropriately.

The Trustee will continue to monitor the impact of the COVID-19 outbreak and will take any actions it deems appropriate to ensure that the Plan continues to operate in an efficient manner.

Management of the Plan

The Plan is set up under a Trust which ensures that the assets are kept separate from the finances of the Principal Company, and other participating companies. The Trustee is responsible for ensuring that the Plan is operated correctly, for the benefit of all the members, in accordance with the Trust Deed and Rules of the Plan and with applicable legislation. The Trustee remains responsible for the administration and investment policy of the Plan. From 14 January 2009 until 8 October 2018 (the period of "PPF Assessment") the Plan operated according to PPF rules.

NORTEL NETWORKS UK PENSION PLAN

TRUSTEE'S REPORT *(continued)*

PERIOD FROM 1 APRIL 2020 TO 30 SEPTEMBER 2021

Investment Committee

Membership of the Investment Committee is shown on page 1.

This Committee was established under Trustee authority to monitor and report on the performance of the Investment Managers and make recommendations to the Trustee. It is a sub-committee of the Trustee Board, with decision making responsibilities. The Trustee is responsible for determining the Plan's investment policy.

Administration Discretions and Benefits Committee ("ADB")

Membership of the ADB is shown on page 1.

This Committee was established under Trustee authority and has prime responsibility for ensuring that the administration of the Plan is carried out in accordance with the Trust Deed and Rules. The ADB also has responsibility for monitoring the service agreement with the Plan's external administrators and for exercising various discretions; for example, the payment of benefits to beneficiaries arising from member deaths which occurred prior to the 2018 buyout with Legal & General.

Buy-Out Committee ("BOC")

Membership of the BOC is shown on page 1.

In recognition of the Trustee's objective to secure benefits for members outside of the Pension Protection Fund ("PPF"), the Trustee established the BOC to manage recoveries from Nortel's global insolvency and delegate certain actions and responsibilities to the BOC in accordance with the Trustee's Articles of Association, Trust Deed and Rules.

Individual transfer payments

From 14 January 2009 until 8 October 2018, no payment of transfer values from the Plan was permitted under PPF rules except in limited cases e.g. under a Court Order in a divorce case.

From 8 October 2018 members are entitled to request cash equivalent transfer value quotations, where there is a statutory entitlement to one. Cash equivalent transfer values are currently reduced to reflect the level of funds available in the Plan.

Directors of the Trustee Board

The Trustee of the Plan is a corporate Trustee, Nortel Networks UK Pension Trust Limited. This Trust Company is governed by its Memorandum and Articles of Association and it has a fiduciary responsibility for the operation and management of the Plan. The Directors of the Trust Company are set out on page 1. The current Board is constituted as follows:

- 1 Independent Chairman
- 1 Independent Director
- 1 Company Nominated Director
- 3 Member Nominated Directors

Each Director is eligible to vote and the Memorandum & Articles of Association permits a decision to be carried by simple majority. The Chairman has a casting vote.

There were no changes to any of the Trustee Directors in the period, or to the date of approving this report.

NORTEL NETWORKS UK PENSION PLAN

TRUSTEE'S REPORT *(continued)*

PERIOD FROM 1 APRIL 2020 TO 30 SEPTEMBER 2021

Member Nominated Directors (“MNDs”)

Following Nortel Networks UK Limited entering into Administration on 14 January 2009, the statutory process for selecting MNDs no longer applies. The MNDs as at 14 January 2009 have continued to serve as Directors.

Wind up Progress

As noted in the introduction, members had liabilities discharged based on the assets of the Plan when it left PPF Assessment. This enabled the Trustee to legally fully discharge its obligations to approximately 7,400 members.

For other members, depending on their particular circumstances and options available to them, benefits were either secured with Legal & General or transferred to alternative arrangements. These benefits were the PPF compensation level of benefits plus 34% of the difference between that PPF compensation level and full Plan benefits. Following this, these members (eligible members) retained a balance within the Plan which is the difference between their full plan benefits and the amounts already secured or transferred. At 30 September 2021 there were over 13,500 eligible members (31 March 2020: 21,000).

In June 2021 further benefits were secured for members. These amounted to 9% of the difference between PPF compensation and full Plan benefits.

Residual assets in the Plan will enable the Trustee to provide additional benefits to eligible members, although this will not reach full plan benefits. These final distributions are not expected to take place until the first quarter of 2023 at the earliest.

The wind up of the Trust will not begin until all available benefits have been allocated to eligible members and paid by way of either additional premiums to Legal & General or payments in accordance with members' decisions on any options that may be available to them.

Financial developments and financial statements

The assets of the Plan decreased by £92,049K as per page 21 over the financial period giving a Plan asset value of £65,022K as per page 21 at 30 September 2021.

Financial development of the Plan - Recoveries

The Recoveries process is now complete. At the start of the financial period the Plan had received a total of £1,188m as a result of the global settlement which became effective in May 2017. During the financial period, the Plan received £78.5m in final settlement or sale of its outstanding claims against the administrators of Nortel Networks UK Limited, bringing the total received to £1,266.5m.

Buyout Process

The Plan's BOC continues to work closely with its advisers to ensure that further benefits are provided to members from additional recoveries.

The responsibility for paying most existing pensions passed to Legal & General with effect from 1 November 2018.

NORTEL NETWORKS UK PENSION PLAN

TRUSTEE'S REPORT *(continued)*

PERIOD FROM 1 APRIL 2020 TO 30 SEPTEMBER 2021

Statement of Trustee's responsibilities

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

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

In discharging the above responsibilities, the trustee is responsible for selecting suitable accounting policies, to be applied consistently, making any estimates and judgments on a prudent and reasonable basis, and for the preparation of the financial statements on a going concern basis unless it is inappropriate to presume that the plan will not be wound up.

The trustee is also responsible for making available certain other information about the plan in the form of an annual report.

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

The trustee is responsible under pensions legislation for preparing, maintaining and from time to time revising a schedule of contributions showing the rates of contributions payable towards the plan by or on behalf of the employer and the active members of the plan and the dates on or before which such contributions are to be paid. The trustee is also responsible for keeping records in respect of contributions received in respect of any active member of the plan and for adopting risk-based processes to monitor whether contributions are made to the plan by the employer in accordance with the schedule of contributions. Where breaches of the schedule occur, the trustee is required by the Pensions Acts 1995 and 2004 to consider making reports to The Pensions Regulator and the members.

After the Company's filing for Administration on 14 January 2009, all contributions ceased. As a result, no contributions were receivable for the 18 month period ended 30 September 2021 or the comparative period.

The trustee is responsible for the maintenance and integrity of the financial information of the plan included on the plan's website. Legislation in the United Kingdom governing the preparation and dissemination of the financial statements may differ from legislation in other jurisdictions.

NORTEL NETWORKS UK PENSION PLAN**TRUSTEE'S REPORT** *(continued)***PERIOD FROM 1 APRIL 2020 TO 30 SEPTEMBER 2021****Membership**

The changes in membership during the financial period are as follows:

	Deferred members	Pensioners	Dependants	Total
At 1 April 2020	8,745	9,737	2,722	21,204
Adjustments to prior period	39	–	54	93
Deaths	(69)	(712)	(368)	(1,149)
Retirements and WULS* payments	(2,307)	(3,129)	(653)	(6,089)
Transfers out	(316)	–	–	(316)
Adjustments for new insured beneficiaries	–	–	84	84
Retirement	(1)	1	–	–
At 30 September 2021	<u><u>6,091</u></u>	<u><u>5,897</u></u>	<u><u>1,839</u></u>	<u><u>13,827</u></u>

*Wind up lump sums.

There were no active members at any time during the period.

As at 30 September 2021 there are 5,897 pensioners, 1,839 dependant pensioners and 6,091 deferred members in the Plan. The nature of the benefits still due for the Plan is explained on page 6 under “Wind up progress”.

Pension increases

Since member pensions were secured out with Legal & General in October 2018 the Plan has not been making pension payments (apart from in respect of a very small number of members/dependants whose benefits have not yet been formally secured with Legal & General).

Going forward, inflation increases will be paid by Legal & General to those members who did not elect to have a fixed pension. Defined Contribution elements (e.g. AVCs) will continue to have inflation linked increases as before.

There were no increases applied to the pensions that were paid by the Plan in the current period.

NORTEL NETWORKS UK PENSION PLAN**TRUSTEE'S REPORT** *(continued)***PERIOD FROM 1 APRIL 2020 TO 30 SEPTEMBER 2021**

Report on Actuarial liabilities

As required by Financial Reporting Standard 102, 'The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland' (FRS 102), the Annual report and financial statements do not include liabilities in respect of promised retirement benefits.

Under section 222 of the Pensions Act 2004, every ongoing scheme is subject to the Statutory Funding Objective, which is to have sufficient and appropriate assets to cover its technical provisions, which represent the present value of benefits to which members are entitled based on pensionable service to the valuation date. This is assessed and then set out in a Statement of Funding Principles, which is made available to scheme members on request. However, the Plan entered into wind up on 14 January 2009, before its first actuarial valuation under section 222 of the Pensions Act 2004 was completed.

During wind up there is no requirement to prepare such actuarial valuations. Instead the Plan Actuary, following the emergence of the Plan from PPF Assessment in October 2018, reports on the Plan's estimated liability annually. The main purpose of this report is to estimate what proportion of the Plan's remaining liabilities can be secured by the available assets. The Plan Actuary's latest such report considers the position at 31 March 2020.

The liabilities were valued using a method and assumptions that the Plan Actuary considered provided an estimate of the cost of securing these liabilities with an insurance company. These assumptions were derived from the insurance company pricing achieved by the Plan Trustee in buying out the first tranche of liabilities in October 2018 with Legal & General, adjusted to reflect changes in conditions to 31 March 2020. The main assumptions used in valuing the liabilities were set out in the Plan Actuary's report to the Trustee dated 18 March 2021. The next actuarial report will be to 30 September 2021 and is currently in progress.

The table below sets out the estimated solvency position of the Plan at 31 March 2020.

	31 March 2020 £ million
Solvency liabilities (including estimated future costs of winding up, but excluding Plan liabilities of c£2.9 billion discharged in 2018)	1,097
Market value of assets	157
(Deficit)/Surplus	(940)
Solvency level (assets ÷ liabilities)	14%

The asset value is the value reported in the audited Annual Report and Financial Statements at 31 March 2020, excluding any insolvency recoveries the Plan received after 31 March 2020. Over the financial period, the Plan received £78.5 million in recoveries. No further recoveries are expected.

NORTEL NETWORKS UK PENSION PLAN

TRUSTEE'S REPORT *(continued)*

PERIOD FROM 1 APRIL 2020 TO 30 SEPTEMBER 2021

Investment management

Management

The Trustee has ultimate responsibility for investing the entire assets of the Plan. Expert advice is sought whenever appropriate.

The investments which make up the investment portfolio are managed by the Investment Managers listed on page 1. Over the period since the last report, the Plan fully disinvested its residual holdings with BlackRock and terminated the relationship. The Plan also terminated its custodian arrangement with State Street Bank and Trust Company.

Fees

The fees paid to the Investment Managers are based on a percentage of the value of the portfolio under management. Fees to the Global Custodian were based on a percentage of the value of the assets it held and on the transactions by the Investment Managers. Total fees paid to Investment Managers and the Global Custodian for the 18 month financial period ended 30 September 2021 were £152,354 (Year ended 31 March 2020: £156,970).

Investment policy

The Trustee is responsible for determining the Plan's investment strategy.

In accordance with section 35 of the Pensions Act 1995, the Trustee has agreed a Statement of Investment Principles ("SIP") following consultation with professional advisers and a copy is available on request.

In October 2018, the Plan completed a bulk annuity transaction and the majority of the Plan's assets and liabilities were either transferred to Legal & General Assurance Society ("LGAS"), to alternative pension providers (as transfer values) or members (as commutation lump sums and back payments). In March 2021, the Plan transferred a proportion of the residual assets, £105m, to Legal & General Assurance Society ("LGAS") in order to enhance the insured benefits.

As at 30 September 2021, the Trustee's strategy was to hold broadly:

- 36.5% in pooled Liability Driven Investment ("LDI") funds
- 63.5% in cash and liquidity funds

The actual allocations will vary from the above due to market price movements.

The SIP as at 30 June 2021 has been completed and can be found at the following link.
https://nortelpensions.com/wp-content/uploads/OtS_Nortel_SIP_June_2021_website.pdf

NORTEL NETWORKS UK PENSION PLAN**TRUSTEE'S REPORT** *(continued)***PERIOD FROM 1 APRIL 2020 TO 30 SEPTEMBER 2021****Review of investment holdings**

Details of the Plan's investments of £55,206,000 are given in note 11 to the financial statements. An analysis of the asset allocation of the Plan's investments as at 30 September 2021 is provided below:

	30 Sep '21	<i>31 Mar '20</i>
	%	%
Pooled investment vehicles		
- Tailored Funds	99.98	<i>99.04</i>
Cash	-	<i>0.06</i>
AVC investments	0.02	<i>0.90</i>
Total	100.00	<i>100.00</i>

At 30 September 2021 the pooled investment vehicle - Tailored Funds represents the Plan's ownership of liquidity fund and liability solutions funds designed to provide a total return which reflects that of a deferred annuity consistent with the Plan's liability hedging mandate.

Investment Report**Introduction**

Since the 31 March 2020 accounts, the Plan received further recovery payments totalling £78.5m. In March 2021, the Plan transferred a proportion of the residual assets, c.£105m, to Legal & General Assurance Society ("LGAS") in order to enhance the insured benefits.

Over the financial period, the Plan terminated its residual holdings with BlackRock and State Street and AVC holdings with Utmost Life and Pensions. Insight Investment Management currently manages all of the Plan's assets (excluding the cash balance in the Trustee Bank Account and the AVC held with London Life). A summary of the manager allocations as at the start and end of the period is provided in Section 3.

1. Investment Principles

The Trustee of the Nortel Networks UK Pension Plan ("the Plan") has drawn up a Statement of Investment Principles ("SIP") to comply with the requirements of the Pensions Act 1995 ("the Act"), as revised from time to time, and subsequent legislation. The Trustee has consulted a suitably qualified person by obtaining written advice from Mercer Limited ("the Investment Consultant").

Overall investment policy falls into two parts; the strategic management of the assets, which is fundamentally the responsibility of the Trustee, and the day to day management of the assets, which is delegated to a professional Investment Manager.

The Plan's SIP sets out the general principles underlying the investment policy. Details of how this policy has been implemented are set out in a separate Investment Policy Implemented Document ("IPID").

2. Socially Responsible Investment and Corporate Governance

The Trustee believes 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 Trustee also recognises that long-term sustainability issues, particularly climate change, present risks and opportunities that increasingly may require explicit consideration.

The Trustee has considered the issues in relation to corporate governance and on the exercise of voting rights.

NORTEL NETWORKS UK PENSION PLAN

TRUSTEE'S REPORT *(continued)*

PERIOD FROM 1 APRIL 2020 TO 30 SEPTEMBER 2021

The Trustee recognises that good corporate governance creates the framework within which a company can be managed in the long term interests of shareholders, in particular voting at Annual and Extraordinary General Meetings on the election of directors, the issuance of equity and the appointment of auditors are fundamental in protecting shareholder interests.

The Trustee has given appointed Investment Managers full discretion in evaluating ESG factors, including climate change considerations, exercising 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 Trustee considers the Investment Consultant's assessment of how the Investment Managers embed ESG into their investment process and how the Investment Manager's responsible investment philosophy aligns with the Trustee's responsible investment beliefs.

The Trustee engages with the Investment Manager on these issues through periodic correspondence and will monitor Investment Manager engagement. This covers a range of matters including the issuers' performance, strategy, capital structure, management of actual or potential conflicts of interest, risks, social and environmental impact and corporate governance. The Investment Managers are not expected to exercise any voting rights on behalf of the Trustee given the investment strategy is comprised solely of gilt-based LDI and liquidity funds.

3. Investment Performance

Asset Class	Last Year		Last 3 Years		31 October 2017
	Fund (%)	Benchmark (%)	Fund (% p.a.)	Benchmark (%p.a.)	Inception (%p.a.)
Insight Liquidity	0.3	0.1	0.8	0.4	0.8

Source: Investment Managers

Performance of LDI mandate not shown as current mandate invested less than a year.

Asset Allocation

Manager (Asset Class)	Actual Asset Allocation			
	Start of Period (£m)	End of Period (£m)	Start of Period (%)	End of Period (%)
Insight (LDI)	139.9	39.9	88.5	57.9
Insight (Liquidity)	14.7	15.3	9.4	22.2
Cash (Trustee Bank Account)	3.4	13.7	2.1	19.9
Total	158.0	68.9	100.0	100.0

Source: Insight and Willis Towers Watson

Excludes residual balances held at State Street and BlackRock which were terminated over the period.

4. AVC Investments

Prior to the insolvency of the sponsoring employer, the Trustee made available to Plan members a choice of external Additional Voluntary Contribution ("AVC") investment arrangements.

In August 2020, the AVCs with Utmost Life and Pensions were transferred to member specific arrangements with the Aviva Master Trust, meaning that the Plan has now discharged all of its former AVC member liabilities with Utmost Life and Pensions.

NORTEL NETWORKS UK PENSION PLAN

TRUSTEE'S REPORT *(continued)*

PERIOD FROM 1 APRIL 2020 TO 30 SEPTEMBER 2021

The Plan still holds AVCs with London Life for one member which was disinvested in November 2021.

5. Custodial Arrangements

Manager	Custodian
Insight (LDI and Sterling Liquidity plus)	Northern Trust International Fiduciary Services (Ireland) Ltd

Source: Investment Managers.

The Plan's Investment Manager, Insight, is authorised by the Financial Conduct Authority, the UK's regulator for the finance industry.

With respect to the Plan's assets invested in pooled funds, the safekeeping of the underlying assets is undertaken by custodians selected and monitored by the fiduciaries of the pooled funds.

The Trustee is responsible for ensuring the Plan's assets continue to be securely held. The Trustee reviews the custodian arrangements from time to time and the Plan's auditor is authorised to make whatever investigations it deems are necessary as part of the statutory audit of the Plan's financial statements.

Rights attaching to investments

The Trustee's policy is to delegate responsibility for the exercising of rights (including voting rights) attaching to investments to the Investment Managers.

Employer-related investments

The Pensions Act 1995 defines the conditions under which pension plans may invest in employer-related investments, and the extent of such investments. The Trustee does not invest in the shares of Nortel Networks Corporation, any of its subsidiaries, in property occupied by, leased to, or otherwise owned or occupied by them. The lending of money to any Participating Company, their subsidiaries or holding companies is prohibited by the Trust Deed and Rules.

Matters relating to the Trustees

The Trustee has received a copy of the Guide for Pension Scheme Trustees issued by The Pensions Regulator.

Plan advisers

There are written agreements in place between the Trustee and each of the Plan advisers listed on pages 1 and 2 of the Annual Report.

Statutory Registration References

The Pensions Regulator - The Plan is registered under Reference 10092331.

General Data Protection Regulation 2018 - The Trustee is registered under Reference 70417191 (www.ico.gov.uk).

HMRC Pension Scheme Tax Reference (PSTR) - The Plan's reference is 00302665RV.

NORTEL NETWORKS UK PENSION PLAN

TRUSTEE'S REPORT *(continued)*

PERIOD FROM 1 APRIL 2020 TO 30 SEPTEMBER 2021

Communications

All members receive any relevant communications by post or, where initiated by them, via email. Members are also able to access the Plan's website (www.nortelpensions.com).

In February 2021, the Trustee wrote to all eligible members to provide advance notification of a further distribution of funds. This included details of any applicable options and actions that had to be taken by each member, including the possible need for further independent financial advice.

In June 2021, the Trustee wrote to all such members with details of how benefits had been secured which, for most members, was the provision of an additional annuity from Legal & General. Other members were either notified of amounts transferred to other providers or the payment of lump sums to discharge the Plan's liabilities to members who were able and chose to take this option.

Since the way forward to a third and final distribution is now clear, the Trustee will be posting further information on its website and communicating personally with all eligible members over the next financial period.

Website

The Plan's website has been in operation since January 2003. It now keeps members up to date with developments during the buyout process. Future developments leading to the wind up of the Plan will also be captured. The website is no longer used for pension forecasts or notifying administrative changes.

Summary Funding Statement

Since September 2006, and in accordance with regulations issued by the Pensions Regulator, a Summary Funding Statement, contained within the Chairman's annual letter, was issued to all members.

Internal disputes resolution procedure

Disputes resolution procedures can be found on the Plan's website (www.nortelpensions.com). Note that the Plan adopted a single stage IDR procedure with effect from 1 May 2020.

NORTEL NETWORKS UK PENSION PLAN

TRUSTEE'S REPORT *(continued)*

PERIOD FROM 1 APRIL 2020 TO 30 SEPTEMBER 2021

Contact for further information

Any queries or complaints about the Plan, including requests from individuals for information about their benefits or for a copy of Plan documentation, should be sent to:

Nortel Networks UK Pension Plan, c/o Willis Towers Watson, PO Box 545, Redhill, Surrey RH1 1YX

website: www.nortelpensions.com
contact email: nortel-trustee@willistowerswatson.com
contact phone: 01707 607601

Signed for and on behalf of the Trustee of the Nortel Networks UK Pension Plan by:

Clive Gildchrist

Director's signature

Date 14/4/2022

Pat Masterson

Director's signature

Date 14/4/2022

NORTEL NETWORKS UK PENSION PLAN
TRUSTEE'S SUMMARY OF CONTRIBUTIONS
PERIOD FROM 1 APRIL 2020 TO 30 SEPTEMBER 2021

Contributions payable under the schedule in respect of the financial period

After the Company's filing for Administration on 14 January 2009, all contributions ceased. As a result, no contributions were receivable for the 18 month period ended 30 September 2021.

Reporting requirements

Regulations and other relevant guidance require the Scheme Auditor to provide a Statement about Contributions. The fact that, as explained above, no contributions were receivable is not recognised in these requirements and so it is still necessary for both the Trustee and the Scheme Auditor to give statements in this annual report.

Trustee's responsibility in connection with contributions

The Trustee is responsible for keeping records in respect of contributions received in respect of any active member of the Plan and for monitoring whether contributions are made to the Plan by the employer in accordance with relevant requirements. Where breaches occur, the Trustee is required by the Pensions Acts 1995 and 2004 to consider making reports to The Pensions Regulator and the members.

Approved on behalf of the Trustee of the Nortel Networks Pension Plan

Clive Gilchrist

Director's signature

Date 14/4/2022

Pat Masterson

Director's signature

Date 14/4/2022

NORTEL NETWORKS UK PENSION PLAN

INDEPENDANT AUDITOR'S STATEMENT ABOUT CONTRIBUTIONS TO THE TRUSTEE OF THE NORTEL NETWORKS UK PENSION PLAN

PERIOD FROM 1 APRIL 2020 TO 30 SEPTEMBER 2021

We have examined the summary of contributions to the Nortel Networks UK Pension Plan (the 'Plan') in respect of the 18 month period ended 30 September 2021 which is set out on the previous page. In our opinion, contributions for the financial period as reported in the summary of contributions have been paid in accordance with the Plan rules and recommendations of the actuary.

Scope of work on statement about contributions

Our examination involves obtaining evidence sufficient to give reasonable assurance that contributions reported in the summary of contributions have been paid in accordance with the Plan rules and recommendations of the actuary. This includes an examination, on a test basis, of evidence relevant to the amounts of contributions payable to the Plan and the timing of those payments under the Plan rules and recommendations of the actuary.

Respective responsibilities of trustee and the auditor

As explained more fully in the statement of trustee's responsibilities set out on page 7, the trustee is 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 Plan by the employer in accordance with the schedule of contributions, or the Plan rules and recommendations of the actuary. It is our responsibility to provide a statement about contributions paid under the Plan rules and recommendations of the actuary and to report our opinion to you.

Use of our statement

This statement is made solely to the trustee, as a body, in accordance with the Pensions Act 1995 and Regulations made thereunder. Our work has been undertaken so that we might state to the trustee those matters we are required to state to the trustee in an auditor's statement about contributions and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the trustee as a body, for our work, for this statement, or for the opinions we have formed.



Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
London

Date: 14/4/2022

NORTEL NETWORKS UK PENSION PLAN

INDEPENDENT AUDITOR'S REPORT TO THE TRUSTEE OF NORTEL NETWORKS UK PENSION PLAN

PERIOD FROM 1 APRIL 2020 TO 30 SEPTEMBER 2021

Opinion

We have audited the financial statements of the Nortel Network UK Pension Plan (the 'Plan') for the 18 month period ended 30 September 2021, which comprise the fund account, the statement of net assets available for benefits and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- show a true and fair view of the financial transactions of the Plan during the 18 month period ended 30 September 2021, 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 period;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- contain the information specified in Regulations 3 and 3A of the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, made under the Pensions Act 1995.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report. We are independent of the Plan in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of matter – basis of preparation of the financial statements

We draw attention to note 2 to the financial statements which describes the basis of preparation of the financial statements. As described in the note, wind up of the Fund was triggered upon leaving the PPF Assessment period, but the legal wind up process will not commence until final eligible member benefits are secured. On this basis the Trustee believes that it is no longer appropriate to prepare the financial statements on the going concern basis, and they have been prepared on the cessation basis. Our opinion is not modified in respect of this matter.

Other information

The Trustee is responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion 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 such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in 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 in this regard.

NORTEL NETWORKS UK PENSION PLAN

INDEPENDENT AUDITOR'S REPORT TO THE TRUSTEE OF NORTEL NETWORKS UK PENSION PLAN

PERIOD FROM 1 APRIL 2020 TO 30 SEPTEMBER 2021

Responsibilities of Trustee for the financial statements

As explained more fully in the Trustee's responsibilities statement, the Trustee is responsible for the preparation of financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Trustee determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Trustee is responsible for assessing the Plan'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 Trustee either intends to wind up the Plan, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. Owing to the inherent limitations of an audit, there is an unavoidable risk that material misstatements in the financial statements may not be detected, even though the audit is properly planned and performed in accordance with the ISAs (UK).

The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

We obtained an understanding of the legal and regulatory frameworks that are applicable to the Plan and determined that the most significant are the Pensions Acts 1995 and 2004 and those that relate to the reporting frameworks (Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, Financial Reporting Standard 102 (FRS 102) and the Statement of Recommended Practice "Financial Reports of Pension Schemes" 2018 ("the SORP")).

In addition, we concluded that there are certain significant laws and regulations that may have an effect on the determination of the amounts and disclosures in the financial statements and those laws and regulations such as, the Pensions Regulator's Codes of Practice and relevant compliance regulations (including the Annual Pensions Bill and tax legislation) under which the Plan operates.

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our sector experience and through discussion with management, the Trustee, and from inspection of Trustee board minutes and legal and regulatory correspondence. We discussed the policies and procedures regarding compliance with laws and regulations with the Trustee.

NORTEL NETWORKS UK PENSION PLAN

INDEPENDENT AUDITOR'S REPORT TO THE TRUSTEE OF NORTEL NETWORKS UK PENSION PLAN

PERIOD FROM 1 APRIL 2020 TO 30 SEPTEMBER 2021

We assessed the susceptibility of the Plan's financial statements to material misstatement due to irregularities including how fraud might occur. We evaluated management's incentives and opportunities for manipulation of the financial statements and determined that the principal risks were in relation to the risk of management override of controls through posting inappropriate journal entries to manipulate results for the period.

Our audit procedures involved:

- journal entry testing, with a focus on large manual journals to unusual account codes, including:
 - manual journals with unusual account combinations such as those between the Fund Account and the Statement of Net Assets; and
 - journals posted to suspense accounts.
- Obtaining independent confirmations of material investment valuations and cash balances at the period end.
- Testing the annuity premium paid in the year to documentary evidence, including the annuity contract between the Trustee and insurer.
- Benefit testing to evidence of actuarial calculations to support a sample of member entitlements for commutations and retirement lump sums, lump sum death benefits and transfers out.


In addition, we completed audit procedures to conclude on the compliance of disclosures in the annual report and accounts with applicable financial reporting requirements.

These audit procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error and detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as fraud may involve collusion, deliberate concealment, forgery or intentional misrepresentations. Also, the further removed non-compliance with laws and regulations is from events and transactions reflected in the financial statements, the less likely we would become aware of it.

All team members are qualified accountants or working towards that qualification and are considered to have sufficient knowledge and experience of schemes of a similar size and complexity, appropriate to their role within the team. The engagement team are required to complete mandatory pensions sector training on an annual basis, thus ensuring they have sufficient knowledge and understanding of the sector, the underlying applicable legislation and related guidance.

Use of our report

This report is made solely to the Trustee, as a body, in accordance with the Pensions Act 1995 and Regulations made thereunder. Our audit work has been undertaken so that we might state to the Trustee those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Trustee as a body, for our audit work, for this report, or for the opinions we have formed.



Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
London

Date: 14/4/2022

NORTEL NETWORKS UK PENSION PLAN**FUND ACCOUNT****PERIOD FROM 1 APRIL 2020 TO 30 SEPTEMBER 2021**

		18 Months to 30 Sep 2021	<i>12 Months to 31 Mar 2020</i>
	Note	£'000	<i>£'000</i>
Other income	4	78,669	<i>78,004</i>
		<u>78,669</u>	<u><i>78,004</i></u>
Benefits paid or payable	5	(47,711)	<i>(484)</i>
Payments to and on account of leavers	6	(11,958)	<i>(765)</i>
Purchase of annuity contracts	7	(105,109)	<i>–</i>
Administrative expenses	8	(11,087)	<i>(6,845)</i>
Other payments	9	(226)	<i>–</i>
		<u>(176,091)</u>	<u><i>(8,094)</i></u>
Net (withdrawals)/additions from dealings with members		(97,422)	<i>69,910</i>
Returns on investments			
Investment income	10	1,558	<i>7,946</i>
Change in market value of investments	11	4,226	<i>(8,347)</i>
Investment management expenses	12	(411)	<i>(245)</i>
Net return on investments		<u>5,373</u>	<u><i>(646)</i></u>
Net (decrease)/increase in the fund during the period		(92,049)	<i>69,264</i>
Net assets of the Scheme			
At 1 April		<u>157,071</u>	<u><i>87,807</i></u>
At 30 September 2021 and 31 March 2020		<u><u>65,022</u></u>	<u><u><i>157,071</i></u></u>

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

NORTEL NETWORKS UK PENSION PLAN
STATEMENT OF NET ASSETS (AVAILABLE FOR BENEFITS)
AS AT 30 SEPTEMBER 2021

		30 Sep 2021	<i>31 Mar 2020</i>
	Note	£'000	£'000
Investment assets	11		
Pooled investment vehicles	14	55,197	<i>154,613</i>
AVC investments	15	9	<i>1,407</i>
Cash	16	–	<i>99</i>
		<u>55,206</u>	<u><i>156,119</i></u>
Current assets	21	14,076	<i>4,308</i>
Current liabilities	22	(4,260)	<i>(3,356)</i>
Net assets of the Scheme at 30 September 2021 and 31 March 2020		<u>65,022</u>	<u><i>157,071</i></u>

The financial statements summarise the transactions of the Plan and deal with the net assets at the disposal of the Trustee. They do not take account of obligations to pay pensions and benefits which fall due after the end of the financial period.

Signed for and on behalf of the Trustee of the Nortel Networks UK Pension Plan by:

Clive Gilchrist

Director's signature

Date 14/4/2022

Pat Masterson

Director's signature

Date 14/4/2022

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

NORTEL NETWORKS UK PENSION PLAN

NOTES TO THE FINANCIAL STATEMENTS

PERIOD FROM 1 APRIL 2020 TO 30 SEPTEMBER 2021

1. General information

The Plan is governed by a definitive Trust Deed and Rules and subsequent deeds of amendment.

The Plan was established to provide defined pension benefits to members (or their dependants) who were former employees of the Principal Company or its associated companies.

The Trustee has prepared the financial statements on a cessation basis a result of the continuing recovery process.

The Trustees will only be able to finalise wind up once all eligible member benefits are secured.

2. Basis of preparation

The Plan left Pension Protection Fund ("PPF") assessment on 8 October 2018, formally entering the winding up process from 8 October 2018, with the effective date of commencement backdated to 14 January 2009. The formal legal wind up of the Trust has not yet commenced and will not until all eligible member benefits are secured, but as wind up has been triggered these accounts are prepared on a cessation basis.

Statement of compliance

The financial statements of the Nortel Networks UK Pension Plan 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 (FRS) 102 - The Financial Reporting Standard applicable in the UK and Republic of Ireland issued by the Financial Reporting Council ("FRS 102") and the guidance set out in the Statement of Recommended Practice "Financial Reports of Pension Schemes" (revised June 2018) ("the SORP").

3. Accounting policies

The principal accounting policies, applied in the preparation of these financial statements are set out below.

Other income

Settlement income from the global insolvency process of the former employer is recognised as received by the Trustee. All other income is accounted for on an accrual basis.

Foreign currency conversion

Assets and liabilities in foreign currencies are expressed in sterling at the rates of exchange ruling at the period end. Foreign currency transactions during the period are recorded at the exchange rate on the date of the transactions. All gains and losses on foreign currency investment and cash balances and transactions are included as part of change in market value of investments.

Functional currency

The Plan's functional currency and presentational currency is pounds sterling (GBP).

Transfers to and from other schemes

Individual transfers in or out are accounted for when paid or received which is normally when member liability is accepted or discharged. There were no transfers in during the period.

NORTEL NETWORKS UK PENSION PLAN**NOTES TO THE FINANCIAL STATEMENTS** *(continued)***PERIOD FROM 1 APRIL 2020 TO 30 SEPTEMBER 2021**

3. Accounting policies *(continued)***Purchase of annuity contracts**

The purchase of bulk annuity contracts transferring the liability to pay benefits to an insurer and the establishment of annuity policies in the names of individual members are recognised on the date the contract was executed by the relevant parties.

Transfers to other schemes

Individual transfers out are accounted for when paid or received which is normally when member liability is accepted/discharged.

Benefits

Pensions in payment, including pensions funded by annuity contracts and amounts paid under income draw-down agreements, are accounted for in the period to which they relate.

Benefits, and any associated taxation due to lifetime or annual allowances where the member has elected for the Scheme to settle the liability on their behalf, are accounted for in the period in which the member notifies the Trustee of their decision on the type or amount of benefit to be taken, or if there is no member choice, on the date of retiring or leaving.

Expenses

Administrative expenses and investment management expenses are accounted for by reference to the period to which they relate.

Investment income

Interest is accrued on a daily basis.

Investment income is reported net of attributable tax credits but gross of withholding taxes which are accrued in line with the associated investment income. Irrecoverable withholding taxes are reported separately as a tax charge, where material.

The change in market value of investments during the financial period comprises all increases and decreases in the market value of investments held at any time during the financial period including profits and losses realised in sales of investments during the financial period.

Annuity income

Income arising from annuity policies held by the Trustee and received by the Plan is included within investment income, accrued to match the related benefit payable.

Investments

Investments are included at fair value.

Pooled Investment Vehicles are stated at bid price for funds with bid/offer spreads, or single price where there are no bid/offer spreads as provided by the Investment Manager.

The Trustee holds historic annuity policies that secure pensions payable to specified beneficiaries. These policies remain assets of the Trustee but, as the value is immaterial, the Trustee has decided that these policies continue to be valued at £nil.

NORTEL NETWORKS UK PENSION PLAN**NOTES TO THE FINANCIAL STATEMENTS** *(continued)***PERIOD FROM 1 APRIL 2020 TO 30 SEPTEMBER 2021****4. Other income**

	18 months ended 30 Sep 21 £'000	12 months ended 31 Mar 20 £'000
Insolvency settlement income	78,538	78,004
Other income	131	–
	<u>78,669</u>	<u>78,004</u>

Income of £78,538,000 (2020: £78,004,000) received during the financial period relates to proceeds received as a result of Nortel's global insolvency process or the sale of remaining claims not yet settled.

5. Benefits paid or payable

	18 months ended 30 Sep 21 £'000	12 months ended 31 Mar 20 £'000
Pensions	311	137
Commutations and retirement lump sums	43,015	323
Lump sum death benefits	4,296	24
Taxation where lifetime or annual allowance exceeded	89	–
	<u>47,711</u>	<u>484</u>

Taxation arising on benefits paid or payable is in respect of members whose benefits exceeded the lifetime or annual allowance and who elected to take lower benefits from the Plan in exchange for the Plan settling their tax liability.

Winding Up Lump Sums and Trivial Commutation Lump Sum payments are included in the figure above 'Commutations and Retirement Lump Sums'.

Lump sum death benefits include s150 payments relating to the 'better than' PPF level benefits that were eventually secured for membership and relate to back payments due in relation to assessment period cutbacks to pension.

6. Payments to and on account of leavers

	18 months ended 30 Sep 21 £'000	12 months ended 31 Mar 20 £'000
Refunds of contributions in respect of non-vested leavers	1	7
Payments for members joining the state scheme	–	(19)
Individual transfers to other schemes (AVC's only)	1,413	456
Individual transfers to other schemes	10,544	321
	<u>11,958</u>	<u>765</u>

The negative state scheme amounts in prior year were received from the HMRC. These payments relate to the GMP reconciliation carried out as a result of the Plan ceasing to contract out and were refunds of surplus monies that was identified by the HMRC against Nortel SCOs and refunded to the Plan.

NORTEL NETWORKS UK PENSION PLAN**NOTES TO THE FINANCIAL STATEMENTS** *(continued)***PERIOD FROM 1 APRIL 2020 TO 30 SEPTEMBER 2021****7. Purchase of annuity contracts**

	18 months ended 30 Sep 21 £'000	12 months ended 31 Mar 20 £'000
Purchase of bulk annuity contract with Legal & General	105,109	–

Further detail can be found in the Trustee's Report on page 6.

8. Administrative expenses

	18 months ended 30 Sep 21 £'000	12 months ended 31 Mar 20 £'000
Administration fees	5,523	2,075
Legal and recovery fees	4,170	3,136
Trustee's fees and expenses	243	172
Actuarial fees	998	829
Audit fee	39	68
Other fees	114	565
	<u>11,087</u>	<u>6,845</u>

The legal, recovery and settlement fees include advice from lawyers and financial advisers in the UK in the pursuit of maximum recoveries from Nortel's insolvency process.

The Trustee's fees and expenses include fees for Professional Trustee services and honorarium payments to Trustee Directors who are former employees of Nortel.

9. Other payments

	18 months ended 30 Sep 21 £'000	12 months ended 31 Mar 20 £'000
Premiums on Trustee liability insurance	226	–

10. Investment income

	18 months ended 30 Sep 21 £'000	12 months ended 31 Mar 20 £'000
Income from pooled investment vehicles	1,477	7,920
Annuity income	53	14
Bank interest	28	12
	<u>1,558</u>	<u>7,946</u>

NORTEL NETWORKS UK PENSION PLAN**NOTES TO THE FINANCIAL STATEMENTS** *(continued)***PERIOD FROM 1 APRIL 2020 TO 30 SEPTEMBER 2021****11. Investments**

	Value at 1 April 2020	Purchases at cost	Sales proceeds	Change in market value	Value at 30 September 2021
	£'000	£'000	£'000	£'000	£'000
Pooled investment vehicles	154,613	197,285	(300,903)	4,202	55,197
AVC investments	1,407	–	(1,422)	24	9
	<u>156,020</u>	<u>197,285</u>	<u>(302,325)</u>	<u>4,226</u>	<u>55,206</u>
Cash	99			-	-
	<u>156,119</u>			<u>4,226</u>	<u>55,206</u>

The change in market value of investments during the period comprises increases and decreases in the market value of investments held at any time during the financial period, including profits and losses realised on sales of investments during the financial period.

Included within the above purchases and sales figures are transaction costs of £Nil (2020: £Nil). Costs are also borne by the Plan in relation to transactions in pooled investment vehicles. However, such costs are taken into account in calculating the bid/offer spread of these investments and are not therefore separately identifiable.

In addition to the above the trustee also holds some old historic annuity contracts which are considered immaterial and therefore valued at £nil.

12. Investment management expenses

	18 months ended 30 Sep 21	12 months ended 31 Mar 20
	£'000	£'000
Administration and management	94	86
Consultancy fees	259	89
Custody fees	58	70
	<u>411</u>	<u>245</u>

13. Taxation

The Plan is a registered Pensions Scheme under Chapter 2 of Part 4 of the Finance Act 2004 and is therefore exempt from income tax and capital gains tax.

NORTEL NETWORKS UK PENSION PLAN**NOTES TO THE FINANCIAL STATEMENTS** *(continued)***PERIOD FROM 1 APRIL 2020 TO 30 SEPTEMBER 2021****14. Pooled investment vehicles**

The Plan's investments in pooled investment vehicles at the period-end comprised:

	30 Sep 21	31 Mar 20
	£'000	£'000
Insight Liquidity Plus	15,312	14,713
Insight (LDI)	39,885	139,900
	<u>55,197</u>	<u>154,613</u>

15. AVC investments

	30 Sep 21	31 Mar 20
	£'000	£'000
Utmost (formerly Equitable Life)	-	1,398
London Life	9	9
	<u>9</u>	<u>1,407</u>

In August 2020, all the AVCs except for London Life were transferred to member specific arrangements with the Aviva Master Trust.

16. Cash and cash equivalents

	30 Sep 21	31 Mar 20
	£'000	£'000
Cash - UK	-	99
	<u>-</u>	<u>99</u>

17. Fair value determination

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

- Level 1: The unadjusted quoted price in an active market for identical assets or liabilities that the entity can access at the measurement date.
- Level 2: Inputs other than quoted prices that are observable (i.e. developed using market data) for the asset or liability, either directly or indirectly.
- Level 3: Inputs are unobservable (i.e. for which market data is unavailable) for the asset or liability.

NORTEL NETWORKS UK PENSION PLAN**NOTES TO THE FINANCIAL STATEMENTS** *(continued)***PERIOD FROM 1 APRIL 2020 TO 30 SEPTEMBER 2021****17. Fair value determination** *(continued)*

The Plan's investment assets and liabilities have been fair valued using the above hierarchy categories as follows:

	At 30 Sep 21			Total £'000
	Level 1 £'000	Level 2 £'000	Level 3 £'000	
Pooled investment vehicles	–	55,197	–	55,197
AVC investments	–	–	9	9
Cash	–	–	–	–
	<u>–</u>	<u>55,197</u>	<u>9</u>	<u>55,206</u>

	At 31 Mar 20			Total £'000
	Level 1 £'000	Level 2 £'000	Level 3 £'000	
Pooled investment vehicles	–	154,613	–	154,613
AVC investments	–	1,398	9	1,407
Cash	99	–	–	99
	<u>99</u>	<u>156,011</u>	<u>9</u>	<u>156,119</u>

18. Investment risk disclosures**Investment Risks**

FRS 102 requires the disclosure of information in relation to certain investment risks. These risks are set out by FRS 102 as follows:

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.

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 below.

- *Currency risk*: this is the risk that the fair value or future cash flows of a financial instrument 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 instrument 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 instrument will fluctuate because of changes in market prices (rather 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.

The Plan has exposure to some of the above risks because of the investments the Trustee makes to implement its investment strategy. The Trustee manages investment risks within agreed risk limits, which are set taking into account the Plan's strategic investment objectives. These investment objectives and risk limits are implemented through the investment management agreement in place with the Plan's Investment Manager and is monitored by the Trustee through regular monitoring of the investment portfolio. The investment objectives and risk limits of the Plan are further detailed in the Plan's Statement of Investment Principles ("the SIP").

NORTEL NETWORKS UK PENSION PLAN**NOTES TO THE FINANCIAL STATEMENTS** *(continued)***PERIOD FROM 1 APRIL 2020 TO 30 SEPTEMBER 2021**

18. Investment risk disclosures *(continued)*

This disclosure does not include AVC investments as the level of exposure to AVC assets is not considered significant in relation to the overall investments of the Plan.

Further information on the Trustee's approach to risk management and the Plan's exposure to credit and market risks is set out below.

Investment Strategy

In 2018 the Plan completed a bulk annuity transaction to enable the Plan to exit the PPF, as a precursor to the eventual winding up of the Plan.

Following the bulk annuity transaction, the main priority of the Trustee when considering investment policy is to ensure that the residual assets and future recoveries can be used to enhance the level of members benefits insured with Legal & General Assurance Society ("LGAS").

Since the 31 March 2020 accounts, the Plan received recovery payments and completed a second bulk annuity transaction. During the financial period, the Plan received recovery payments totalling £78.5m. In March 2021, the Plan transferred a proportion of the residual assets, c.£105m, to Legal & General Assurance Society ("LGAS") in order to enhance the insured benefits.

Over the financial period, the Plan terminated its residual holdings with BlackRock and State Street. Insight Investment Management currently manages all of the Plan's assets (excluding the cash balance in the Trustee Bank Account and the AVCs held with London Life).

The Trustee's objective is to follow a low-risk strategy, and to retain the type of assets that would move approximately in line with annuity prices. As at 30 September 2021, the Trustee's strategy was to hold broadly:

- 36.5% in pooled Liability Driven Investment ("LDI") funds, which use government bonds ("gilts") to hedge risks in relation to the cost of enhancing the insured benefits.
- 63.5% in cash and liquidity funds, which provide liquidity for de-leveraging events within the LDI portfolio and any cash requirements above the expense reserves.

The actual allocations will vary from the above due to market price movements.

Market Risk

The following table shows the market risks which affected each of the Plan's defined benefit investments as at 30 September 2021:

Fund / Portfolio	Market Risk		
	Interest Rate Risk	Other Price Risk	Currency Risk
Insight LDI Portfolio	X	n/a	n/a
Insight Liquidity Plus Fund	X	n/a	n/a

Interest rate risk arises from the gilts held within the LDI portfolio and short dated fixed income securities in the Liquidity Plus Fund. As at 30 September 2021, the combined value of the LDI portfolio and Liquidity Plus Fund was c.£55m (or c.80% of total Scheme assets).

NORTEL NETWORKS UK PENSION PLAN**NOTES TO THE FINANCIAL STATEMENTS** *(continued)***PERIOD FROM 1 APRIL 2020 TO 30 SEPTEMBER 2021****18. Investment risk disclosures** *(continued)*

The interest rate exposure from the LDI portfolio is intended to hedge risk in relation to the cost of enhancing insured benefits in the future due to changes in interest rates. The interest rate risk of the Liquidity Fund is managed by holding short dated fixed income securities.

Credit Risk

The Plan is subject to credit risk because it holds cash and invests in liquidity funds.

The Plan also invests in pooled investment vehicles which invest in government bonds, money market instruments and gilt repurchase agreements.

The pooled investment arrangements used by the Plan comprise of open-ended Irish collective asset management vehicles. The Plan is therefore directly exposed to credit risk arising from these pooled investment vehicles and is indirectly exposed to credit risks arising from the underlying investments held by these pooled vehicles.

Direct credit risk arising from pooled investment vehicles is mitigated by the underlying assets of the pooled arrangements being ring-fenced from the pooled manager, the regulatory environments in which the pooled manager operates and diversification of investments amongst a number of pooled arrangements. Cash held by the pooled manager's custodian is not ring-fenced but the credit risk arising on this is mitigated by the use of regular cash sweeps (typically daily) and investing cash in liquidity funds.

The information given above in relation to pooled fund assets reflects the position as at the current period end.

As at 30 September 2021, the Scheme had invested £55.2m in the Pooled Investment Funds which is 84.9% of the total Scheme assets.

19. Concentration of investments

The following investments amounted to more than 5% of the total net assets of the Scheme:

	2021		2020	
	£'000	%	£'000	%
Insight Fully Funded Gilts 2031-2040	17,470	26.87	–	–
Insight Sterling Liquidity Plus	15,312	23.54	14,713	9.3
Insight Fully Funded Index-linked Gilts 2031-2040	10,732	16.51	82,197	52.0
Insight Fully Funded Index-linked Gilts 2041-2050	7,311	11.24	27,243	17.2
Insight Fully Funded Gilts 2041-2050	4,372	6.72	–	–
Insight Partially Funded Index-linked Gilts 2031-2040	–	–	12,080	7.6
Insight Partially Funded Index-linked Gilts 2051-2065	–	–	10,619	6.7

20. Employer related investments

There were no employer-related investments during the financial period or at the financial period end (2020: £NIL).

NORTEL NETWORKS UK PENSION PLAN**NOTES TO THE FINANCIAL STATEMENTS** *(continued)***PERIOD FROM 1 APRIL 2020 TO 30 SEPTEMBER 2021****21. Current assets**

	30 Sep 21	31 Mar 20
	£'000	£'000
Prepayments	20	–
VAT reclaim	370	950
Cash balances	13,686	3,358
	<u>14,076</u>	<u>4,308</u>

The prepayment of £20k in current financial period are for prepaid TPR levies.

22. Current liabilities

	30 Sep 21	31 Mar 20
	£'000	£'000
Unpaid benefits	3,360	–
Accrued expenses	900	3,345
Other creditors	–	11
	<u>4,260</u>	<u>3,356</u>

23. Related-parties

The Plan pays benefits to certain Trustee Directors who are beneficiaries of the Plan. Such benefits are paid on the same terms as other Plan members.

As disclosed in note 8, non-professional Trustee Directors receive expenses for meeting attendance, and honoraria payments solely in their capacity as Trustee Directors.

All of the above transactions were made in accordance with the Plan Rules.

24. Contingent liabilities and contractual commitments

In the opinion of the Trustee, the Plan had no material contingent liabilities and no material contractual commitments as at 30 September 2021 (31 March 2020 - £Nil).

NORTEL NETWORKS UK PENSION PLAN

IMPLEMENTATION STATEMENT

PERIOD FROM 1 APRIL 2020 TO 30 SEPTEMBER 2021

Nortel Networks UK Pension Plan

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 Trustee has been followed during the period 1 April 2020 to 30 September 2021.

The SIP is a document drafted by the Trustee in order to help govern the Plan's investment strategy. It details a range of investment-related policies alongside the relevant actions taken by the Trustee in connection with each of these policies.

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 guidance published by the Pensions Regulator.

Investment Objectives of the Plan

The Trustee believes it is important to consider the policies in place in the context of the investment objectives they have set. The Trustee's primary objective is to follow a low-risk strategy and to maintain the type of assets that would move approximately in line with annuity prices in order to secure members' future benefits.

Policy on ESG, Stewardship and Climate Change

The Plan's SIP includes the Trustee's policy on Environmental, Social and Governance ("ESG") factors, stewardship and Climate Change. This policy sets out the Trustee's beliefs on ESG and climate change and the processes followed by the Trustee in relation to voting rights and stewardship. This was last reviewed in June 2021. The Trustee keeps their policies under regular review with the SIP subject to review at least triennially.

The following work was undertaken during the eighteen months to 30 September 2021 relating to the Trustee's policy on ESG factors, stewardship and climate change, and sets out how the Trustee's engagement and voting policies were followed and implemented during the period.

Engagement

Over the eighteen months to 30 September 2021, the Plan's assets were invested in gilt-based Liability Driven Investment ("LDI") multi-client pooled funds, multi-client pooled liquidity funds and cash. As the Plan invests in pooled investment vehicles, the Trustee accepts that it has no direct ability to control the level of ESG integration and engagement of the underlying assets and therefore its activity is focused on oversight.

The Trustee and its advisors engage with the Investment Managers on ESG issues, where relevant, and monitor Investment Managers' engagement. The Trustee requested details of relevant engagement and ESG integration activity for the year from the Plan's Investment Managers, a summary is as follows:

- LDI funds:
 - RPI Reform: Insight liaised with pension schemes, insurers and investment advisors encouraging their engagement with policymakers regarding the RPI reform consultation. In March 2020 Insight wrote to the Chancellor and the Chair of the UK Statistics Authority urging that the consultation deadline, then set for 22 April 2020, be extended given the unprecedented backdrop caused by the coronavirus pandemic. The deadline was subsequently pushed back to 21 August 2020.

NORTEL NETWORKS UK PENSION PLAN

IMPLEMENTATION STATEMENT *(continued)*

PERIOD FROM 1 APRIL 2020 TO 30 SEPTEMBER 2021

- **ESG in LDI:** In 2020, Insight established a LDI working group with a specific remit to focus on responsible investment issues for the LDI mandates they manage. Insight engaged directly with the UK Debt Management Office on the proposed issuance of green gilts.
- Liquidity fund:
 - Insight changed their approach to exclude investments in tobacco and fossil fuels in their cash and liquidity funds. Insight also continue to exclude defence from these funds.

The Trustee requested that the Investment Managers in place over the eighteen months to 30 September 2021 confirm compliance with the principles of the UK Stewardship Code. Insight and BlackRock confirmed that they submitted the required reporting to the Financial Reporting Council by 31 March 2021 in order to be on the first list of signatories for the UK Stewardship Code 2020 that took effect on 1 January 2020. BlackRock are currently signatories of the UK Stewardship Code, however, over the course of 2021 the Plan fully disinvested the residual assets managed by BlackRock. Insight have advised that they were informed on 1 September 2021 by the Financial Reporting Council (FRC) that Insight have been unsuccessful in their submission. Insight have confirmed that they have addressed the issues raised and provided the FRC with a revised submission.

The Plan's asset valuation is reviewed by the Trustee on a monthly basis. Separately, the investment consultant produces ratings which provide an assessment of performance and ESG credentials, if there were a change in either rating it would be flagged by the investment consultant to the Trustee for further consideration and possible action.

Voting Activity

During the eighteen months to 30 September 2021, there were no investor votes under the Plan's investment mandates and therefore the managers did not exercise any voting rights on behalf of the Trustee. This is in line with expectation given the investment strategy is comprised solely of gilt-based LDI and liquidity funds.