

Nortel Networks UK Pension Plan

Investment Policy Implementation Document

June 2022

1. Introduction

1.1 This Investment Policy Implementation Document (the “IPID”) has been prepared by the Trustee of the Nortel Networks UK Pension Plan (the “Plan”). The IPID sets out the detail of the Plan’s investment arrangements, based on the principles documented in the Statement of Investment Principles (the “Statement”).

2. Plan Governance

2.1 The Trustee has the responsibility for appointing the investment manager ("the Investment Manager") from time to time to manage the assets of the Plan. The Investment Manager currently appointed is detailed in Section 4.

2.2 The Trustee has a signed and dated Investment Management Agreement (“IMA”) or equivalent document with the Investment Manager which delineates the terms and conditions by and under which the respective portfolios shall be managed and reported and which does not conflict with this Statement. The Investment Manager has day-to-day responsibility for managing the assets of the Plan and is regulated by the Financial Conduct Authority (“FCA”).

2.3 The Trustee also has the following ongoing responsibilities:

- To monitor the Investment Manager’s investment performance and processes on a quarterly basis;
- To make decisions on the selection and deselection of the Investment Manager;
- To review the Plan's investment manager structure from time to time and to implement changes as appropriate;
- To review strategy;
- To review the investments over which the Trustee has retained control and to obtain the appropriate written advice for consideration; and
- To review the capabilities, procedures and the required due diligence checks on third party service providers (e.g. custodians, transition managers).

2.4 The Plan invests in pooled funds; the safekeeping of the underlying assets is undertaken by a custodian (Northern Trust) selected by the investment manager.

2.5 Investment Consultant

The day-to-day management of the Plan's assets is delegated to investment managers. All other investment decisions including strategic asset allocation and the selection and monitoring of the investment manager is based on advice received from the Investment Consultant. Mercer Limited has been appointed as the Investment Consultant.

3. Managing Strategic Risk

3.1 In October 2018, the Plan completed a bulk annuity transaction and the majority of the Plan's assets and liabilities were transferred to Legal and General Asset Management ("LGAS"). A second, smaller, bulk annuity transaction was completed in March 2021, also with LGAS. The residual assets held by the Plan are invested in a pooled liability hedging mandate and in liquidity funds as shown in the table below.

Asset Class	Asset Allocation (%)
Liability hedging mandate	45
Cash / liquidity funds	55

* Based on approximate asset allocation as at 30 April 2022, subject to change with market movements. Includes balance in the Trustee Bank Account.

- 3.2 Due to the nature and maturity of the Plan, the actual asset allocation may vary compared to the starting allocation outlined. As of January 2010, the Fund's overall performance is no longer measured against a strategic benchmark and there is also no formal rebalancing between the asset classes set out in the table above.
- 3.3 Members' benefits will be enhanced using the residual assets. The level of benefit enhancement is dependent on movements in the value of the residual assets versus the cost of insurance.
- 3.4 The Trustee seeks to:
- Limit the Plan's investments in volatile and/or illiquid assets, in recognition of the need to hold assets that will be readily realisable or transferable to LGAS in the event of enhancing insured member benefits;
 - Allow a wide tolerance range around the major asset classes, in particular allowing the liability hedging asset value to increase to 100%.
- 3.5 The liability hedging mandate is designed to share characteristics with the expected future benefits. The mandate has been designed so that it matches c. 100% of the impact of interest rate and inflation movements on the value of the total assets (allowing for expected cash lump sums).

4. Managing the Investment Managers

- 4.1 The Trustee has appointed Insight Investment Management Limited (“Insight Investment”) to manage the defined benefit assets as follows:

Investment Manager:	Insight Investment
Asset Class:	Liability hedging mandate (unleveraged)
Investment Type:	Pooled
Mandate Benchmark:	Fund specific benchmarks
Performance Objective:	Match 100% of interest rate and inflation sensitivity of expected future benefits.
Performance Review Period:	n/a
Allocation*:	45%

Investment Manager:	Insight Investment
Asset Class:	Sterling Liquidity Plus
Investment Type:	Pooled
Mandate Benchmark:	SONIA
Performance Objective:	To maintain stability of capital and income through investment in short term fixed income and variable rate securities.
Performance Review Period:	n/a
Allocation*:	42%

* Approximate allocations shown are as at 30 April 2022 and are subject to change with market movements.

- 4.2 The Investment Manager provides quarterly investment reports to the Trustee including:
- A valuation of all investments held for the Plan at prevailing market value on the last day of the quarter;
 - Records of all transactions together with a cash reconciliation; and
 - A review of recent actions undertaken on behalf of the Plan together with a summary of the Investment Manager’s current stated policy.

5. Cash Flow Management and Rebalancing

- 5.1 The current disinvestment policy is to source all of the required disinvestments from the Sterling Liquidity Plus Fund managed by Insight Investment. The Trustee reviews the Plan’s disinvestment policy as and when required to ensure that it remains appropriate.

5.2 The Trustee does not actively rebalance the Plan's broad asset allocation or the maturity allocations within the LDI portfolio.

6. **AVC Sections**

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

6.2 As part of the preparations for the eventual winding-up of the Plan, members' AVC funds have been transferred to members' own arrangements. There are no remaining AVC assets within the Plan.

7. **Fee Structures**

7.1 Information on the Investment Manager and Investment Consultant fee schedules are set out in the Investment Policy Implementation Document Fee Appendix.