01 Introduction

01.01 Scope of this document
This document constitutes the Statement of Investment Principles (the “SIP”) required under Section 35 of the Pensions Act 1995 for the Global Crossing Pension Scheme (the “Scheme”). It describes the investment policy being pursued by the Trustees of the Scheme and is in accordance with the Government’s voluntary code of conduct for Institutional Investment in the UK (the “Myners Principles”). This SIP also reflects the requirements of the Occupational Pension Schemes (Investment) Regulations 2005.

01.02 Preparation
The Trustees confirm that, before preparing this SIP, they have consulted with the employer, Lumen Technologies UK Limited (the “Company”) and the Investment Adviser (XPS Investment) and have obtained and considered written advice.

01.03 Responsibilities
The Trustees are responsible for the investment of the Scheme’s assets and the administration of the Scheme. Where they are required to make an investment decision, the Trustees always receive advice from the Investment Adviser first. The Trustees believe the Investment Adviser to be qualified by their ability and practical experience of financial matters and to have appropriate knowledge of the investment arrangements that the Scheme requires.

The Trustees review the SIP at least every three years, as well as immediately after any significant changes in the Scheme’s Investment Strategy.

01.04 Declaration
The Trustees confirm that this Statement of Investment Principles reflects the Investment Strategy they have decided to implement. The Trustees acknowledge that it is their responsibility, with guidance from the Investment Adviser, to ensure the assets of the Scheme are invested in accordance with these Principles.
02 Scheme governance

The Trustees are responsible for the governance and investment of the Scheme’s assets. The Trustees consider that the governance structure set out in this SIP is appropriate for the Scheme as it allows the Trustees to make the important decisions on investment policy, while delegating the day-to-day aspects to the managers of pooled funds. Appropriate advice is obtained before decisions are made about which pooled funds to invest in. The responsibilities of each of the parties involved in the Scheme’s governance are detailed in Appendix A.
03 Investment objectives

The primary investment objectives of the Scheme are:

a) The acquisition of suitable assets of appropriate liquidity which will generate income and capital growth to meet, together with any new contributions from the Company, the cost of current and future benefits which the Scheme provides.

b) To limit the risk of the assets failing to meet the liabilities, both over the long term and on a shorter-term basis.

c) To minimise the long term costs of the Scheme by maximising the return on the assets whilst having regard to the objective shown under b).

These qualitative objectives have been used to help formulate the investment strategy and return expectations set out in Appendix B.

The Trustees consider the investment objectives and the resultant investment strategy alongside the actuarial valuation methodology and assumptions used by the Scheme Actuary for each formal actuarial valuation.

The Trustees recognise that the likely best way to meet these objectives in the long-term would be through a secondary buy-in solution that fully secures the benefits of all members.
The Trustees choose an appropriate allocation of asset classes which they believe best meets the Scheme's investment objectives as set out in Section 3. The Trustees have not restricted the allocation, they can invest in a wide range of asset classes, but only to the extent such asset classes are consistent with the Trustees' attitude to risk.

The asset allocation is determined following advice from the Investment Adviser, and the Employer will be consulted in the event of any significant change.

The Trustees have entered a buy-in arrangement with Aviva in respect of all of the Scheme’s pensioner members at the end of 2011. Whilst this policy provides full protection in respect of these members, it is still technically a Scheme asset. As such, the Scheme is exposed to the risk of a default by Aviva. The insurance market is protected by regulations, however, and the Trustees undertook due diligence when Aviva was selected. The Trustees will continue to monitor this arrangement, and particularly the financial strength of Aviva.

Should an appropriate opportunity arise to do so, the Trustees will look to enter into another buy-in arrangement to secure a buy-in of the remaining liabilities of the Scheme. In the event of such an arrangement occurring where all of the Scheme’s liabilities are secured in a buy-in arrangement, any spare excess funds remaining will be invested into an institutional cash fund. If the opportunity does not arise and a further buy-in does not occur, the current investment strategy will remain in place.

At the point of drafting this new statement, the Trustees had not yet implemented a new buy-in so the rest of this SIP focusses on the Trustees' remaining invested assets with BlackRock.

The current benchmark and target allocation is set out in Appendix B and any significant changes will only be made after receiving written advice from the Investment Adviser that such allocation remains consistent with the investment objectives. The Trustees will consult with the Company in the event of a significant change in the asset allocation.

Due to the size of the Scheme, the Trustees have currently decided to use pooled index funds to invest the Scheme's assets. The Trustees have also taken the view that active investment management within asset classes is unlikely to deliver sufficient excess returns to justify the additional cost and risks.

The Trustees' policy is not to leverage the portfolio. Some short-term borrowing for settlement is allowed, but is strictly limited and for the purpose of trade settlement only (which is standard practice in investment management).

04.01 Rebalancing policy

The Trustees, with the help of the Investment Adviser, monitor the balance of the Scheme's assets versus the benchmark. If the asset allocation is considered to be too out of line with the benchmark, then the Trustees may decide to switch assets to bring it back into line.

04.02 Rates of return

The target rates of return for each asset class are detailed in Appendix B.
04.03 Alignment of incentives

Based on the structure set out in the Appendix, the Trustees consider the arrangements with the investment managers to be aligned with the Scheme’s overall strategic objectives. Details of each specific mandate are set out in guidelines, agreements and pooled fund documentation with each investment manager.

The amounts allocated to any individual category or security will be influenced by the overall benchmark and objectives, varied through the investment managers’ tactical asset allocation preferences at any time, within any scope given to them through any asset allocation parameters or guidelines set by the Trustees or governing the pooled funds in which the Scheme is invested.

The Trustees will ensure that the Scheme’s assets are predominantly invested in regulated markets to maximise their security.

Investment managers are incentivised to perform in line with expectations for their specific mandate as their continued involvement as investment managers as part of the Scheme’s investment strategy – and hence the fees they receive – are dependent upon them doing so. They are therefore subject to performance monitoring and reviews based on a number of factors linked to the Trustees’ expectations, including their selection / deselection criteria.

The Trustees encourage investment managers to make decisions in the long-term interests of the Scheme. The Trustees expect engagement with management of the underlying issuers of debt or equity and the exercising of voting rights in line with the investment mandate guidelines provided.

This expectation is based on the belief that such engagement can be expected to help investment managers to mitigate risk and improve long term returns.

As covered in more detail in this document, the Trustees also require the investment managers to take ESG factors and climate change risks into consideration within their decision-making as the Trustees believe these factors could have a material financial impact in the long-term. The Trustees therefore make decisions about the retention of Investment managers, accordingly.

04.04 Diversification

The Trustees have sought to achieve diversification by:

> Investing in more than one asset class. Generally speaking, each asset class would expect to have different issuers and therefore add to the diversification of the Scheme.
> Investing in pooled funds which have investment restrictions (i.e. funds which impose concentration limits on individual positions and limits on the exposure to individual issuers).

The Trustees will monitor the strategy regularly to ensure that they are comfortable with the level of diversification.
**04.05 Suitability**

The Trustees have taken advice from the Investment Adviser, as well as the Scheme Actuary, to ensure that the asset allocation strategy is suitable for the Scheme, given its investment objectives.

Each asset class performs a function in the Scheme’s Investment Strategy, which has been set out in Appendix B.

**04.06 Liquidity**

The Scheme holds a range of assets with different dealing dates, which affects the ability of the Trustees to access the Scheme’s funds over the short term. As part of any change in Investment Strategy, the Trustees will consider the liquidity implications to ensure that the Scheme will be able to meet benefit requirements as they fall due, in line with the investment objectives.

The Trustees also hold a small amount of cash in a bank account to help meet short-term cash requirements.
05 Strategy Implementation

The Trustees have decided to invest only in pooled funds.

05.01 Mandate and performance objectives

The Trustees have received advice on the appropriateness of each pooled fund that the Scheme is invested in from the Investment Adviser and believe them to be suitable to meet the Scheme’s investment objectives. The benchmark and objective for each fund currently held are set out in Appendix B.

Appointments of investment managers are expected to be long-term, but the Trustees will review the appointment of the investment managers in accordance with their responsibilities.

05.02 Manager agreements

The Scheme is invested in pooled funds and as such there is no formal agreement between the Trustees and an individual fund manager relating to investments in each asset class.

05.03 Diversification

The assets are invested in pooled funds with diversification requirements. The Trustees will monitor the overall strategy regularly to ensure that it is comfortable with the level of diversification being achieved.

05.04 Custody

Custody of the underlying assets is at the discretion of the pooled funds, whilst shares and/or units in the funds are held in book form only. Cash is held securely in separate accounts with approved counterparties.
06 Monitoring

06.01 Pooled funds

The Trustees will monitor the performance of the funds against their stated performance objectives. The Trustees, or the Investment Adviser on behalf of the Trustees, will regularly review the performance of the funds over the relevant periods to satisfy themselves that the funds remain suitable. Additionally, any significant changes relating to the Trustees’ selection and deselection criteria that the Investment Adviser is aware of will be highlighted, which may lead to a change in the Investment Adviser’s rating for a particular mandate. These ratings help to determine an investment manager’s ongoing role in implementing the investment strategy.

If the Trustees are not satisfied with the performance of the funds they will ask the manager of those funds what steps they intend to take to rectify the situation, and the Trustees may carry out a more in-depth review of the investment manager. If the funds still do not meet the Trustees’ requirements, they will look to purchase other funds - potentially with a different manager - after consultation with the Investment Adviser.

The Investment Adviser has also carried out a review of how well the Trustees’ guidelines in relation to ESG factors are incorporated into each investment manager’s processes and the Trustees will re-assess progress on ESG issues periodically.

Fund manager remuneration is considered as part of the manager selection process. It is also regularly monitored with the help of the Investment Adviser to ensure it is in line with the Trustees’ policies and with fee levels deemed by the Investment Adviser to be appropriate for the particular asset class and fund type. Investment managers will also attend Trustees’ meetings as requested.

06.02 Adviser

The Trustees will monitor the advice given by the Investment Adviser on a regular basis.

06.03 Other

The Trustees are required to review this SIP on a triennial basis, or, without undue delay, following any changes to the investment strategy.
07 Fees

07.01 Funds

The Trustees will ensure that the fees charged by funds and their expense ratios are consistent with levels typically available in the industry for passive funds. The current fee basis for each of the funds is set out in Appendix B.

The Trustees are aware of the investment manager policy regarding soft commission arrangements. Information about the investment manager’s fees, commissions and other transaction costs is available in the annual report of the pooled funds in accordance with the Financial Conduct Authority (FCA) Disclosure Code.

The Trustees require the investment managers to report on actual portfolio turnover at least annually, including details of the costs associated with turnover, how turnover compares with the range that the investment manager expects and the reasons for any divergence.

07.02 Adviser

Fees paid to the Investment Adviser are based either on actual time spent and hourly rates for relevant individuals, or on fixed fees agreed in advance for specifically defined projects.

07.03 Custodian

BNY Mellon acts as the custodian for the Scheme, appointed directly by the Trustees. Their remuneration is taken directly from the invested assets.

07.04 Trustees

The Trustees are individuals appointed to act on behalf of the Scheme. The Trustees receive remuneration based on time spent on their duties in relation to the Scheme.
The Trustees recognise a number of risks involved in the investment of assets of the Scheme:

i) The risk of failing to meet the objectives as set out in Section 3 – the Trustees will regularly monitor the investments to mitigate this risk.

ii) The risk of adverse consequences arising through a mismatch between the Scheme’s assets and its liabilities. This is addressed through the asset allocation strategy and through regular actuarial and investment reviews and the funding target.

iii) Risk of lack of diversification of investments – addressed through investing in pooled funds with diversification requirements and through the asset allocation policy.

iv) Risk of holding assets that cannot be easily sold should the need arise – addressed through the use of pooled funds with frequent dealing dates.

v) Underperformance risk – addressed through investing in passively managed funds, monitoring closely the performance of each fund and taking necessary action when this is not satisfactory.

vi) Organisational risk – addressed through regular monitoring of the investment manager(s) and the Investment Adviser.

vii) Credit risk - addressed through investing in pooled funds which are limited to investing in issuers with strong credit ratings and spreading the credit risk across many different issuers.

viii) Interest rate risk – addressed through the holding of off-risk assets in fixed interest investments of appropriate duration.

ix) Inflation risk – addressed through holding investments in equity funds where long term performance is expected to exceed the rate of inflation.

x) Currency risk – addressed through investing predominantly in sterling denominated pooled funds.

xi) Sponsor risk – the risk of the Company ceasing to exist, which for reasons of prudence, the Trustees have taken into account when setting the asset allocation strategy.

The Trustees will keep these risks under regular review.

The Trustees note that some of these risks could be significantly reduced by the purchase of a new buy-in policy covering the Scheme’s uninsured members.
09 Other issues

09.01 Statutory Funding Requirement
The Trustees will obtain and consider proper advice on the question of whether the investments are satisfactory having regard to both the investment objectives and the requirement to meet statutory funding requirements. The funding position is reviewed periodically by the Scheme Actuary, with a full actuarial valuation at least every three years.

The Trustees will consider the investment strategy at each actuarial valuation and determine whether it is necessary to make changes to the investment strategy to ensure continued compliance with the statutory funding requirement.

09.02 ESG
The Trustees have considered their approach to environmental, social and corporate governance (“ESG”) risks and they believe there can be financially material risks relating to ESG. The Trustees have delegated the ongoing monitoring and management of ESG risks to the Scheme’s investment managers. The Trustees expect the Scheme’s investment managers to take into consideration ESG risks, as with other material factors, within their decision-making, recognising that how they do this will be dependent on the characteristics of the asset classes in which they invest.

The Investment Adviser will assist the Trustees with monitoring the processes and operational behaviour of the investment managers to ensure they remain appropriate and in line with the Trustees’ requirements. The Trustees have delegated responsibility for the exercise of rights (including voting rights) attached to the Scheme’s investments to the investment managers and encourages them to vote whenever it is practical to do so.

Further, the Trustees’ policy is that non-financial matters should not be taken into account in the selection, retention and realisation of investments.

09.03 Voting rights
As the Scheme invests in pooled funds, the Trustees acknowledge that they cannot directly influence the policies and practices of the companies in which the pooled funds invest. They have therefore delegated responsibility for the exercise of rights (including voting rights) attached to the Scheme’s investments to the investment managers.

The Trustees encourage them to engage with investee companies and vote whenever it is practical to do so on financially material matters such as strategy, capital structure, conflicts of interest policies, risks, social and environmental impact and corporate governance as part of their decision-making processes. The Trustees require the investment managers to report on significant votes made on behalf of the Trustees.

If the Trustees become aware of an investment manager engaging with the underlying issuers of debt or equity in ways that they deem inadequate or that the results of such engagement are mis-aligned with the Trustees’ expectation and the investment mandate guidelines provided, then the Trustees may consider terminating the relationship with that investment manager.
Appendix A
Responsibilities

Trustees

The Trustees of the Scheme are responsible for, amongst other things:

i) Determining the investment objectives of the Scheme and reviewing these from time to time.
ii) Agreeing an investment strategy designed to meet the investment objectives of the Scheme, including buy-ins or exploring buy-out solutions.
iii) Reviewing triennially the content of this SIP and modifying it if deemed appropriate, in consultation with the Investment Adviser.
iv) Reviewing the suitability of the investment policy alongside each actuarial or investment review, in consultation with the Investment Adviser.
v) Assessing the performance of the pooled funds and the processes they use by means of regular reviews of the investment results and other information, by way of meetings and written reports, in consultation with the Investment Adviser.
vi) Selecting pooled funds which are consistent with the investment strategy after consultation with the Investment Adviser.
vii) Assessing the ongoing effectiveness of the Investment Adviser.
viii) Consulting with the Company when reviewing investment policy issues.
ix) Monitoring compliance of the investment arrangements with this SIP on an ongoing basis.
x) Informing the Investment Adviser of any changes to Scheme benefits or significant changes in membership.

Investment Adviser

The Investment Adviser will be responsible for, amongst other things:

i) Participating with the Trustees in reviews of this SIP.
ii) Advising the Trustees how any changes within the Scheme’s benefits, membership, strength of employer covenant and funding position may affect the manner in which the assets should be invested.
iii) Advising the Trustees of any changes in the funds held that could affect the interests of the Scheme.
iv) Undertaking reviews of the Scheme’s investment arrangements including reviews of the asset allocation policy and current pooled funds and advising on the selection of new funds where appropriate.
v) Advising on any potential new buy-in solution, or the investment-related aspects to any buy-out

Scheme Actuary

The Scheme Actuary will be responsible for, amongst other things:

i) Performing the triennial (or more frequently as required) valuations and advising on the appropriate contribution levels.
ii) Commenting on the appropriateness of the investment strategy relative to the liabilities of the Scheme at the triennial valuations.
iii) Advising the Trustees of any changes to contribution levels and funding level.
Appendix B
Current asset strategy

Asset allocation

A large portion of the Scheme’s assets is held by Aviva in respect of the buy-in policy. The allocation of the remainder of the Scheme’s assets is considered separate from the buy-in policy and is set out in this section. For these invested assets, the Trustees have selected pooled funds managed by BlackRock.

Having considered advice and also having due regard for the investment objectives, the current liabilities of the Scheme together with their expected timing, the risks of and to the Scheme and the covenant of the Company, the Trustees have decided upon the following benchmark allocation:

<table>
<thead>
<tr>
<th>Asset class</th>
<th>Investment style</th>
<th>Fund name</th>
<th>Benchmark allocation (% of invested assets)</th>
<th>Target investment return*</th>
</tr>
</thead>
<tbody>
<tr>
<td>Index-linked gilts</td>
<td>Passive</td>
<td><em>Aquila Life over 5 year UK index-linked gilt index fund</em></td>
<td>50</td>
<td>In line with the yield available on gilts of appropriate type and length</td>
</tr>
<tr>
<td>Fixed interest gilts</td>
<td>Passive</td>
<td><em>Aquila Life over 15 year UK gilt index fund</em></td>
<td>25</td>
<td></td>
</tr>
<tr>
<td>Corporate bonds</td>
<td>Passive</td>
<td><em>Aquila Life over 15 year corporate bond index fund</em></td>
<td>25</td>
<td>1.2% per annum above long-term gilt yields</td>
</tr>
</tbody>
</table>

*based on XPS Investment’s expectations at the date of this SIP

The funds have been chosen to provide a high level of matching to the Scheme’s liabilities. This aims to keep the Scheme’s funding position stable against movements in interest rates and inflation expectations. These assets have volatility; the Trustees expect the Scheme’s funding position to stay broadly at the same level in the future.

To achieve additional returns, but without compromising much security, the Trustees hold 25% of the Scheme’s assets in a corporate bond fund.

The Scheme’s investments are in pooled investments, denominated in GBP to limit the level of currency risk to which the Scheme is exposed.

As set out this statement, the Trustees would, subject to market conditions, like to secure the remaining uninsured liabilities with a further buy-in solution. If this happens, then the existing assets set out in the table above would be fully liquidated and the necessary cash proceeds transferred to the new insurer to pay for the buy-in premium. Any excess cash would be stored in an institutional cash fund.

Disinvestment policy

If and when the Trustees are required to realise assets to meet cashflows not covered by the pensioner annuity, the Trustees will disinvest the funds from the fund which is most
overweight versus the benchmark shown in this SIP. This helps to ensure that the Scheme’s assets remain balanced and in line with the Trustees’ investment strategy.

Fund performance targets

The Trustees have agreed the following performance targets with the investment manager:

<table>
<thead>
<tr>
<th>Fund</th>
<th>Benchmark</th>
<th>Approximate fees (p.a.)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Aquila Life over 5 year UK index-linked gilt index fund</td>
<td>FTSE Actuaries Index-Linked Over 5 Years Index</td>
<td>TBC</td>
</tr>
<tr>
<td>Aquila Life over 15 year UK gilt index fund</td>
<td>FTSE Actuaries Government Securities UK Gilts Over 15 Years Index</td>
<td>TBC</td>
</tr>
<tr>
<td>Aquila Life over 15 year corporate bond index fund</td>
<td>Markit iBoxx £ Non-Gilts Over 15 Year Index</td>
<td>TBC</td>
</tr>
</tbody>
</table>