

SELEX PENSION SCHEME

GUIDE TO BLOCK 1**100+ section (post 1 May 2005 joiners)**

The Selex Pension Scheme is part of the valuable benefits package that the Leonardo Group provides to UK employees.

From 6 April 2016 the Scheme provides benefits on a 'Career Salary' basis which means that each Scheme Year you build up a 'block' of pension equal to 1/100th of your Pensionable Salary earned during that Scheme Year. The Scheme is described in more detail in the Member's Booklet.

This Guide is applicable to members who joined the 100+ Section of the Scheme on or after 1 May 2005 (whose Selex benefits are not linked to prior BAE Systems pension benefits), and explains how Block 1 of your Career Salary pension has been calculated. The top up benefits from your Retirement Account and any AVCs are in addition to your core pension and are unaffected by the creation of Block 1.

Please note, if you left the Scheme before 5 April 2016, Block 1 does not apply to your benefits. References to the 'Scheme' throughout this guide mean the Selex Pension Scheme.

Block 1

Block 1 consists of a one off calculation at 5 April 2016 representing the value of your pension earned up to that date under the previous final salary structure.

The pension under the previous structure was calculated as follows:

$$\text{Selex pension} = 1\% \times \text{Final Basic Salary as at 5 April 2016} \times \text{Pensionable Service with Selex as at 5 April 2016}$$

Final Basic Salary meant the average annual rate of basic pay during the last year, subject to the Earnings Cap.

Block 1 Statement

The result of the Block 1 calculation will be set out for you in a Block 1 Statement.

This is an important document showing the amount of your pension built up to 5 April 2016 which you should keep for your records.

Your pension will not fall below the amount shown in the Block 1 statement (other than through any options you may choose to exercise). You should note that the Block 1 amount is calculated on the basis that you retire at your Normal Retirement Date. If you retire early, then early retirement factors would be applied to your benefits.

Future years of accrual from 6 April 2016 will be based on the Career Salary rate of 1/100th of your Pensionable Salary for each Scheme Year (or 1/95th or 1/90th if you use the Buy Up option).

Block 1 (and the new blocks of Career Salary accrual for each subsequent year of membership) will be revalued each following 5 April by 1% above the growth in the Consumer Prices Index (subject to a maximum of 6% each year) for so long as you remain in Pensionable Service.

Deferred pension underpin

To ensure that your accrued pension is protected following the introduction of the Career Salary structure, a deferred pension underpin also applies. This underpin is based on the amount of pension you would have been entitled to if you had left Pensionable Service on 5 April 2016. It is guaranteed that your pension will never be less than this underpin amount which is revalued broadly in line with inflation until you draw your benefits.

Further information

The Scheme has a website - www.selexpensions.co.uk - which provides lots more information about the Scheme, including guides and modelling tools.

If you wish to discuss a pensions matter please contact the Scheme's administrator, Aon Hewitt

Telephone: 0345 603 5660

Email: selex.pensions@aonhewitt.com

Write to: Selex Pension Scheme, Aon Hewitt, PO Box 196, Huddersfield, HD8 1EG.

This Guide is intended as a helpful summary of how Block 1 of your Career Salary benefit will be calculated based on agreed principles. The Trustees and Company retain the power to adjust the calculation to reflect the underlying principles. The Guide is not a legal document and **if there is any conflict between the Guide and the Rules of the Scheme, the Rules will prevail.** You should take independent financial advice if you are in any doubt about your personal financial position. More information (including the meaning of defined terms) can be found in the Scheme booklet.