ATOS UK 2019 PENSION SCHEME ("the Scheme")

SUMMARY OF FREQUENTLY ASKED QUESTIONS IN RELATION TO THE ATOS TRANSFOMRATION PLAN ANNOUNCEMENT ISSUED IN FEBRUARY 2024

Q1 ***Please can the Trustee confirm that the Scheme's assets are held separately from Atos, are protected for the sole benefit of members and cannot be traded or reduced as part of any sale or restructuring? Who is responsible for the day-to-day management of the Scheme?***

A1 The Scheme's assets cannot be used by either Atos IT Services UK Limited ("Atos UK") - the Scheme's statutory employer - or Atos SE - the Scheme's Guarantor as part of any business restructuring or refinancing exercises. The Scheme's assets are held in trust for the benefit of members and, where relevant, their beneficiaries. This means that the Scheme's assets are held separately from those of Atos UK and Atos SE.

Day-to-day management of the Scheme is the responsibility of the corporate Trustee, Atos Pension Schemes Limited ("APSL") and the Directors of APSL, working closely with their professional advisors. Chris Martin, a professional trustee from Independent Trustee Services Limited ("ITS", which since 2022 has traded as Independent Governance Group) is the Chair of the Trustee. ITS is a director of APSL and Chris Martin is its lead representative. He also sits as the other director of APSL in his own right.

Q2 ***Were there any changes to the Scheme as a result of the separation of the Atos businesses into the Eviden and Tech Foundations divisions? Please can the Trustee confirm who is responsible for ensuring there are sufficient funds to provide in full the benefits earned by Scheme members?***

A2 In June 2022, Atos announced its plan to divide the business into two separate operating divisions to be known as Eviden and Tech Foundations. Following the restructure announcement, Atos UK became part of the Tech Foundations division. There has been no change to the structure of the Scheme or the arrangements for the management of the Scheme's assets following the creation of the Eviden and Tech Foundations divisions. Atos UK remains the Scheme's statutory employer and, as such, is the legal entity responsible for funding the retirement benefits earned by Scheme members.

Similarly, there has been no change to Atos SE's position as the Scheme's Guarantor. Should Atos UK become insolvent or otherwise fail to complete any payments it is required to make to the Scheme then, under the terms of the Parent Company Guarantee, Atos SE would be required to provide the funding which would be expected to enable members' benefits to be bought out in full with an insurance company. Alongside the restructuring of its business, Atos continues to consider options for selling parts of the business or other assets that would allow it to raise funds to support its ongoing funding needs (in particular, to meet payments due to its banks and bondholders that are scheduled to fall due in 2024 and 2025). These options currently include the possible sale of a material part of the Eviden business to Airbus.

The Trustee is monitoring these developments closely and has been actively seeking additional information from Atos so that the Trustee will be able to assess the likely impact on the ability of Atos to financially support the Scheme if the asset disposals go ahead. The Trustee is also actively discussing the developments with the Pensions Regulator.

Q3 ***Is the Scheme eligible for entry to the Pension Protection Fund?***

A3 Yes, the Scheme is an "eligible scheme" for the purposes of the Pension Protection Fund ("PPF"). The PPF provides financial compensation to members of UK defined benefit pension schemes in cases where the sponsoring employer has become insolvent and cannot provide the funds needed for the scheme to be able to afford a minimum level of benefits for its members. The Scheme would be eligible for assessment for entry into the PPF in those circumstances. Further information on the PPF is available at https://www.ppf.co.uk/

Q4 ***If Atos UK becomes insolvent, what would happen to the Scheme, and would my benefits be paid in full?***

A4 As the Scheme's statutory employer, Atos UK is responsible for funding the benefits payable to all Scheme members, irrespective of where their benefits originated. On insolvency, Atos UK would be liable for any difference between the value of the Scheme's assets and the cost of paying an insurance company to take on responsibility for paying all the pensions under the Scheme - referred to as a "buyout".

Following an insolvency event for Atos UK, the Scheme would commence formal assessment for entry into the PPF. During the period when the Scheme is being assessed, the pensions in payment would be reduced to the level that would be paid by the PPF and the Scheme would not be able to make transfer payments on behalf of members to other pension schemes (except for divorce purposes). There are three main potential outcomes of this process:

1. If the Scheme is able to recover the balance of the full cost for a buyout from Atos UK and/or Atos SE, then it would proceed to secure members' benefits in full with an insurance company.

The Scheme's ability to recover the balance of the buyout cost from Atos UK and / or Atos SE following an insolvency event is not certain. Should the Scheme not be able to recover sufficient amounts from Atos UK and Atos SE to afford the full buyout of members' benefits, then the Trustee and the PPF would determine whether the Scheme could afford to pay benefits above the level provided by the PPF. The result of that assessment process would determine whether:

2. If the Scheme could afford a level of benefits greater than the PPF would provide, the Trustee would seek to secure the highest proportion of members' benefits it is able to with the available Scheme assets with an insurance company. This means members would unfortunately receive less than the full benefit entitlement as set out in the Scheme rules but still more than the PPF would provide. The amount above the PPF level of benefits for each member would depend on the level of the Scheme's assets and also overriding legislation about which member benefits are secured as a priority.

3. If the Scheme could not afford the level of benefits provided by the PPF then it would enter the PPF. The PPF would take over responsibility to pay members benefits (called "compensation") but this would be at a level determined by the law which established the PPF. This level would unfortunately be less than the level set out in the Scheme's rules. You can find further information regarding the benefits provided by the PPF at https://www.ppf.co.uk/our-members/what-it-means-ppf

In a case where the Scheme cannot afford all benefits for members, then the benefits the Trustee can secure is governed by overriding law based on member's individual entitlement under the Scheme rules. Members are not treated more or less favourably simply because of the Legacy Scheme they were originally in when earning their benefits.

Q5 ***How would the Parent Company Guarantee operate If both Atos UK and Atos SE become insolvent? Would the Trustee be able to recover all of the funds due to the Scheme?***

A5 In November 2019 the Trustee and Atos UK completed the transfer of the assets and liabilities of the Atos (Sema) Pension Scheme, the Atos Pension Fund and the Atos CS Pension Scheme (collectively, "the Legacy Schemes") into the Scheme. As part of the agreement to merge the Legacy Schemes, Atos SE agreed to provide an enhanced Parent Company Guarantee ("PCG"). The coverage of the enhanced PCG was extended to former members of the Atos UK 2011 Pension Scheme in January 2021, when their benefits were also transferred into the Scheme.

The PCG means that should Atos UK become insolvent or otherwise fail to make any payments it is required to make to the Scheme, then Atos SE would be obliged to provide the additional funding needed for the Scheme to buyout members' benefits in full with an insurance company. Should both Atos UK and Atos SE become insolvent, then the Scheme's ability (in a scenario where it could be one of a large number of unsecured creditors) to recover the full cost of the buyout deficit through the PCG would be uncertain. The amount that could be recovered would depend on the available assets of Atos SE following its insolvency and the claims of other creditors.

Q6 ***The last actuarial valuation in 2019 showed that the Scheme had a shortfall of £21m. Please can the Trustee share an update on how the funding position has changed since then?***

A6 Every three years, the Scheme's Actuary carries out an actuarial valuation – a review of how much money the Scheme has, compared with how much the Trustee and Atos UK believe is needed to pay the benefits earned by members. Annual updates are completed by the Actuary in between each actuarial valuation.

For the actuarial valuation, the Actuary must assess the Scheme's financial position using two separate calculation bases. The first, known as the Technical Provisions basis, is calculated using a set of financial and demographic assumptions agreed between the Trustee and Atos UK and assumes that the Scheme will continue in its current form for the foreseeable future. This is the calculation basis which indicated a shortfall of £21m as at 31

December 2019. The second, known as the Buyout basis, is calculated using the Actuary's estimate of the money the Scheme would need to enable it to pay an insurance company to take on the full responsibility for paying members' benefits. This basis assumes that the Scheme would be wound up once members' benefits had been transferred to the insurance company.

Actuarial valuation of the Scheme's level of funding as at 31 December 2019

In the 2023 newsletter, the Trustee provided a reminder of the results of the 31 December 2019 actuarial valuation and also updated members on the results of the annual update undertaken as at 31 December 2021. The results of both exercises are shown in the table below:

	31 December 2019 (Actuarial valuation)		**31 December 2021 (Annual update)**	
	"Ongoing" Technical Provisions	**Buyout**	**"Ongoing" Technical Provisions**	**Buyout**
Scheme assets	£1,416m	£1,416m	£2,197m	*Note 3*
Scheme liabilities	£1,437m	£2,006m	£2,062m	*Note 3*
(Deficit) / Surplus	(£21m)	(£590m) *(Note 1)*	£135m *(Note 2)*	*Note 3*

Note 1: The larger shortfall on the buyout basis compared to the "ongoing" Technical Provisions basis reflects the estimated cost of buying insurance policies which is expected to be more expensive than continuing to pay benefits from the Scheme.

Note 2: The improvement in the Scheme's funding level at 31 December 2021 relative to the 2019 actuarial valuation was primarily due to the combined effect of better than anticipated investment returns achieved on the Scheme's assets and the transfer in of the assets and liabilities from the Atos UK 2011 Pension Scheme.

Note 3: The Actuary is not required to produce an update on the buyout position for an annual funding update.

Actuarial valuation as at 31 December 2022

The Trustee is working with its advisers and Atos UK on the 31 December 2022 actuarial valuation, which will provide updated assessments of the Scheme's funding position at that date on both the "ongoing" Technical Provisions basis and Buyout basis.

Whilst the Scheme's assets reduced significantly during 2022 as a result of the economic uncertainty following the "Mini Budget", the estimated value of the liabilities calculated on the "ongoing" Technical Provisions basis also reduced by a similar level. Therefore, the Scheme's funding position has not been materially impacted by the investment performance in 2022. As part of the actuarial valuation, certain assumptions used to measure the liabilities are being reviewed by the Trustee, its advisers and Atos UK and will be updated as appropriate. Depending on the assumptions that are used and allowing for more up to date membership data, the results of the full valuation could lead to a materially different funding position.

The Scheme's estimated funding position on the Buyout basis has improved since the 31 December 2019 actuarial valuation, due primarily to the positive impact that the change in financial conditions has had on insurer pricing, although there is still a deficit. Within the communication issued to members in February 2024, the Trustee explained that the estimated funding deficit on the Buyout basis had reduced from £590m in 2019 to between £300m and £350m (based on Scheme assets of £1,272m).

Q7 ***What steps is the Trustee taking to protect the Scheme's funding position and avoid it getting any worse? Has the Trustee considered moving the Scheme's assets to a large insurance company, so that the insurer can assume responsibility for making pension payments rather than allowing the current uncertainty to persist?***

A7 The Trustee, working closely with its professional advisers, regularly reviews the Scheme's investment strategy to ensure that the nature of the investments - in particular the degree of risk that they contain - and the level of returns being targeted remain appropriate to the circumstances of the Scheme. The Scheme's allocation to the Schroders Liability Driven Investment ("LDI") Fund enables it to mitigate the impact on its funding level of adverse movements in long term interest rates and inflation - both of which would otherwise have a significant influence on the Scheme's funding position. The table below shows the allocation of the Scheme's investments as at 31 January 2024:

Investment fund	Value of Investment	% of Scheme investments
Schroders Liability Driven Investment ("LDI")	£446m	35.0%
Mercer UK Cash Fund	£4m	0.3%
LGIM Passive Equity Fund	£94m	7.4%
Amundi Global Corporate Bond Fund	£213m	16.8%
Insight Global Corporate Bond Fund	£209m	16.4%
Hermes Absolute Return Bond Fund	£19m	1.5%
PIMCO Absolute Return Bond Fund	£55m	4.3%
Mercer Senior Private Debt Fund	£123m	9.7%
LGIM LPI Property Income Fund	£54m	4.3%
Mirova Renewable Infrastructure Fund	£36m	2.8%
Stonepeak Renewable Infrastructure Fund	£13m	1.0%
Trustee bank account	£6m	0.5%
Total	**£1,272m**	**100.0%**

In order for an insurance company to take on the responsibility for making pension payments, the Scheme would have to pay an insurance premium. The estimated cost of this is the Trustee's "buyout" estimate of liabilities. At present the Scheme does not have sufficient assets to meet the estimated insurance premium. Within the communication issued to members in February 2024, the Trustee explained that the estimated funding deficit on the Buyout basis was between £300m and £350m (based on Scheme assets of £1,272m).

The Trustee's duty is to act to preserve members' benefits and it is taking advice on all of the available options to do so. Given that the Scheme's assets are not currently sufficient to buyout all of members' benefits, seeking a buyout of only some part of members' benefits is not a practical option at this stage and may not be equitable for all members.

Q8 ***As a deferred member yet to start receiving my pension, please can the Trustee confirm whether the transfer value for my Scheme benefits is affected by the Scheme's financial performance?***

A8 Should the Trustee become concerned about the funding level then an 'insufficiency report' may be commissioned in order to reduce transfer values. At present, this is not necessary although the Trustee and Scheme Actuary will keep this under review.

The transfer value payable will depend on the assumptions adopted by the Trustee for this purpose at the time of the calculation. In line with usual market practice, allowance is made for the impact of changes in market conditions, most notably any changes in yields on UK government bonds. If these yields rise (which will typically mean that the Scheme's assets have fallen in value) then your transfer value will reduce and if these yields fall (which will typically mean that the Scheme's assets have risen in value) then your transfer value will increase.

Q9 ***Please can the Trustee confirm whether annual costs of living increases will continue to be applied to my Scheme pension?***

A9 The Scheme continues to pay, where relevant, any increases to pensions in payment in accordance with the Scheme's Rules. There are separate provisions that determine the approach to pension increases for each of the Legacy Schemes, and these continue to be applied following the completion of the mergers in 2019 and 2021. If you have any questions regarding the increase arrangements that apply to your own pension benefits, then you can raise them with the Scheme administrator Hymans Robertson by calling 0121 212 8151 or by email to Atos@Hymans.co.uk

Should Atos UK become insolvent, then the Scheme will start to be assessed by the PPF. During this time, and if the Scheme eventually enters the PPF, then future increases to pensions in payment would be in line with the PPF compensation levels rather than the Scheme's Rules. Any pension earned prior to 6 April 1997 would not receive an annual increase in payment through the PPF, whilst any pension earned after 6 April 1997 would be increased each year by the lower of the Consumer Prices Index or 2.5%. Further information on increases to pensions in payment paid via the PPF is available at https://www.ppf.co.uk/our-members/Will-my-pension-increase

If Atos UK becomes insolvent but, after assessment, the Scheme does not eventually enter the PPF, then the Trustee will have to consider what level of benefits that the Scheme's assets can afford to secure. Part of this process would include looking at what cost of living increases can be afforded.

Q10 ***Is the Trustee able to provide advice on actions that I should take regarding my Scheme benefits?***

A10 The Trustee has received a number of requests from members for advice on potential options related to their Scheme benefits - for example, whether to investigate transferring their benefits to an alternative pension arrangement or to consider drawing their benefits early. The Trustee is not able to provide financial advice to members or advise on what they should do with their Scheme benefits.

If you are considering a change to your current arrangements, then you should consult with an Independent Financial Advisor ("IFA") prior to reaching a decision. You can get details of IFAs working in your local area at https://www.unbiased.co.uk Before appointing an IFA, please remember to check that they are authorised by the Financial Conduct Authority to provide advice - you can search the register of authorised advisors at https://www.fca.org.uk/firms/financial-services-register.

Pension scam activity continues to represent a significant risk to savers. So, it's important that you recognise the key signs to look out for and understand the actions that you can take if you have any suspicions. Please do take a few moments to read through the information provided by the FCA in its pension scam leaflet.
https://www.fca.org.uk/publication/documents/pension-scams-leaflet.pdf

Q11 ***In the February 2024 communication to members, the Trustee explained that Atos SE had requested the appointment of a Mandataire ad Hoc to help the company explore a possible restructuring of its financial debt. Where can I get further information regarding this process?***

A11 Any questions regarding Atos's request for the appointment of a Mandataire ad Hoc, should be raised directly with the Company's UK pensions team via email to pensionenquiries@atos.net.

Q12 ***Who should I contact if I have a question regarding the benefits I have earned in the Scheme?***

A12 If you have any questions regarding your individual Scheme benefits then these should be raised with the Scheme Administrator Hymans Robertson, either by email to Atos@Hymans.co.uk or by calling on 0121 212 8151.

March 2024

Glossary of terms:

Actuarial valuation	*A full financial health check of a pension scheme carried out by the scheme's actuary. It usually takes place once every three years, and compares how much money the scheme has (its assets) with how much it needs to be able to pay everyone their benefits (its liabilities).*
Atos IT Services UK Limited	*The Scheme's statutory employer. It is the company responsible for ensuring that the Scheme has sufficient funds to provide the benefits earned by members.*
Atos SE	*The Scheme's Guarantor. Atos SE is the parent company of Atos IT Services UK Limited.*
Atos Pension Schemes Limited	*The corporate trustee company. The Directors of Atos Pension Schemes Limited, working with their professional advisers, are responsible for the day to day running of the Scheme.*
Buyout	*When a pension scheme pays for an insurance company to take over the responsibility of paying members' pensions directly, using the assets of the scheme. At that point, the scheme will no longer be responsible for paying members' pensions, and will be able to wind-up, which means it will cease to exist.*
Eligible pension scheme (for PPF purposes)	*A pension scheme that can benefit from support from the PPF if the employer becomes insolvent.*
Guarantor	*A party that has legally agreed to accept liability for the financial obligations of an employer of the scheme.*
Insolvency	*When a business no longer has enough money to function, and often cannot pay off its debts.*
Insufficiency report	*A report from the Scheme Actuary showing that a pension scheme does not have enough money to cover transfer values in full.*
Liabilities	*The total value of the benefits a pension scheme needs to pay out to members, now and in the future.*
Parent Company Guarantee	*A promise by a company to take responsibility for an agreed shortfall in a pension scheme if the sponsoring employer(s) become insolvent.*

Pension Protection Fund (PPF)	*The PPF is a public body that protects people with an eligible defined benefit pension when an employer becomes insolvent.*
PPF assessment	*When an employer becomes insolvent, the PPF will assess the pension scheme to check the data is accurate, members are receiving the correct benefits and whether the scheme has enough assets to secure the PPF levels of benefits.*
PPF eligibility	*Most defined benefit pension schemes, and schemes that have defined benefit elements are eligible for PPF support. There are some exceptions, for example very small schemes or schemes that are directly supported by the government.*
Scheme Rules	*A pension scheme's rules are the legal document that sets out how the scheme works, the benefits that are payable to members and where applicable to their beneficiaries.*
Technical Provisions	*The method used by the Scheme Actuary at each actuarial valuation to calculate the combined cost of providing all of the benefits earned by Scheme members. The Technical Provisions method assumes that the Scheme will continue to operate in its current form and must be agreed by both the Trustee and Atos. It is a specific measure of the liabilities of a scheme.*
The Pensions Regulator	*The public body that protects workplace pensions in the UK.*
Transfer value	*The amount it is expected to cost the scheme to provide a member's benefits, and therefore the amount the scheme would pay if the member wanted to transfer their benefits to an alternative provider.*