

Hewlett-Packard Ltd Retirement Benefits Plan.

Member Update

Corporate re-organisation of Hewlett-Packard Company

At the start of November 2015, Hewlett-Packard Company (in the US) was split into two new publicly traded companies. Hewlett-Packard Company was renamed HP Inc and a new company called Hewlett Packard Enterprise Company (HPE) was listed on the New York Stock Exchange. HP Inc comprises the printer and personal systems businesses of the old Hewlett-Packard Company, whilst HPE comprises the enterprise technology infrastructure, software and financial services businesses. With regard to the Hewlett-Packard Limited Retirement Benefits Plan (the Plan), the sponsoring UK companies are now part of the HPE group of companies.

The purpose of this communication is to summarise how this corporate re-organisation has affected the Plan. In particular, the re-organisation triggered discussions between the Trustees and the Company regarding the Company's financial support for the Plan. These discussions have resulted in some changes to the agreements on funding that were previously in place. The key points are described below.

Financial support agreement

In July 2012 you were sent a summary of the financial support agreement in place for the Plan at that time. As a reminder:

- Under UK law, the sponsoring UK companies (i.e, the UK employers) are the entities legally responsible for financially supporting the Plan.
- A Funding Agreement was put in place in April 2012 which set out how the contributions payable to the Plan will be determined, in order to ensure there are enough assets in the Plan to be confident of paying out benefits as they fall due. The Funding Agreement also contained an agreed approach on how to reduce the risk of the investment strategy over time.

A Parent Company Guarantee from Hewlett-Packard Company was also put in place in April 2012 which provided that, in the unlikely event of the sponsoring UK companies not being able to meet the contributions due under the Funding Agreement, Hewlett-Packard Company will meet those contributions instead.

- The financial support agreement only applied to the Hewlett-Packard and Digital Sections of the Plan. The Bank of Ireland Section (now the BOI/Medas Section) is treated separately.

A copy of this summary is available on the Plan's website hp.xpmemberservices.com in the news archive for 2012.

Changes to the financial support agreement

In the months leading up to the split of Hewlett-Packard Company, the Trustees worked closely with the Company to understand the impact the split would have on the ongoing support available to the Plan and to ensure that the security of member benefits would not be materially diminished. During the discussions, the Trustees took legal, actuarial, employer covenant and investment advice and had discussions with the Pensions Regulator.

As a result of these discussions, it was agreed that the Parent Company Guarantee from Hewlett-Packard Company would be replaced by a Parent Company Guarantee from HPE,

the new parent company of the UK employers. This new Parent Company Guarantee with HPE has the same terms as the previous guarantee, but with the following improvements:

- The Parent Company Guarantee with HPE will now remain in force after the Plan has reached a position of self-sufficiency. Self-sufficiency means that the Plan has sufficient assets such that all the assets can be invested in low risk investments whose return matches the pension payments as they become due. The previous guarantee with Hewlett-Packard Company would have fallen away once self-sufficiency was achieved.
- As with the previous guarantee, the Parent Company Guarantee with HPE also covers additional company contributions which will become payable under the Funding Agreement if the Plan were terminated in line with the Rules. Such contributions are over and above those payable in an ongoing situation. Under the new Parent Company Guarantee with HPE, the cap on these contributions has been raised to £520m compared to a cap of £450m under the previous guarantee with Hewlett-Packard Company.
- The Funding Agreement has been updated to better align the actuarial assumptions used to calculate the ongoing contributions paid by the Company with the investment strategy and long term objectives which the Trustees have adopted for the Plan. The purpose of this is to reduce the likelihood of the plan not reaching self-sufficiency in a reasonable timeframe. This change will also make it more straightforward for the Trustees to manage the investment strategy risk of the Plan.

The BOI/Medias Section is still not formally covered by the financial support agreement. However, since 2012, it has in practice been treated for funding purposes in the same way as the Hewlett-Packard and Digital Sections. The Trustees and the Company have agreed to continue with this approach for the time being.

As a result of making these changes the Trustees, supported by specialist actuarial, legal and employer covenant advisors, have ensured that the security of Members' benefits under the Plan has been broadly maintained despite the corporate re-organisation and the reduced size of the parent Company and that a number of improvements have been made to the Guarantee that will help maintain the security of the members' benefits in the future.

Want to know more?

For more details on the terms used, please refer to the summary funding statements which can give you more information on:

- How the Plan operates
- The funding level
- The Plan's assets and liabilities
- The latest information on the shortfall in funding
- The Company's contributions.

Summary funding statements can be found on the HP Plan website hp.xpmemberservices.com. The latest summary funding statements were produced as at 31 October 2014. Statements as at 31 October 2015 will be produced once the actuarial valuation as at 31 October 2015 has been completed. The deadline for completing this is not

until 31 January 2017 though, so the next statement may not be produced until after that date.

Trustees of the Hewlett-Packard Ltd Retirement Benefits Plan

December 2015