

1998

Personalized Rewards Statement

*Note: Significance of mock cheque on

Dear Nortel Employee:

I'd like to begin with a thank you for the many contributions you make to Nortel's success. On a daily basis, you contribute your skills and expertise, your innovative thinking, your energy and your dedication. The demands are high. This communication is about the rewards the company offers you as a valued member of the Nortel team.

Last year, we recognized that we needed a better way to communicate the multi-dimensional nature of Nortel's total reward package. I am very pleased to introduce you to "3D Rewards," our first attempt to bring together in one place information on the full range of rewards currently available to Nortel employees. We chose the theme to reflect what you already know: that financial rewards are only one dimension of what people look for from a satisfying career. We all also need opportunities to grow and develop our skills (the "development" dimension), and we need a work environment that supports our own unique work and life goals (the "work life" dimension).

This personalized statement outlines the Nortel reward programs in which you currently participate and highlights the broad portfolio of programs available to you. It's one of a number of new tools available to help you assess the total value to you of the reward package Nortel offers, and to make sure you're taking full advantage of what's available and of interest. Our new 3D Rewards web site is an additional source of integrated information. I encourage you to visit this site at <http://47.28.160.118/3DRewards>, and take the opportunity to think about what's important to you in your career and work environment.


A note about one important element of 3D Rewards: we are introducing changes to Nortel's Investment and Retirement Program in Canada and the United States. You will receive a separate information package on your Pension and Investment Plans to ensure you have the level of personal information you need to do your financial planning and to make confident choices about your retirement assets.

You're all aware that this is a time of great change for Nortel. In our drive to make a fast right angle turn, we need to look at every aspect of our business, and see what we need to do differently to succeed in today's business environment. Pulling together information on our current approach to total rewards is an important step. I have made it a personal priority to evolve Nortel's reward practices to ensure our continuing competitiveness in the labour market. In so doing, I will be thinking about how we can motivate every Nortel employee to contribute to his or her fullest potential, and let employees know that the company values their contribution. If this communication sparks any questions or thoughts you'd like to share with me, please send an e-mail to "CEOs office."

Sincerely,



John Roth
President and CEO

 page 4, the recognition even by the employer that although they paid a portion or even in some cases all of the cost of coverage, ~~if~~ the total cost of the plans is deemed to be paid by the employee since she would have accepted a lower "salary" in return for the benefit.

