

MANDATE OF THE
BOARD OF DIRECTORS OF
NORTEL NETWORKS LIMITED

The Board of Directors of Nortel Networks Limited is responsible for supervising the management of the business and affairs of the Corporation. The Board of Directors shall review, discuss and approve various matters related to the strategic direction, business and operations, and organizational structure of the Corporation with a view to the best interests of the Corporation and its shareholders generally.

The Board of Directors shall be composed of Directors elected by the shareholders of the Corporation at the annual meeting of shareholders and Directors appointed by the Board of Directors between shareholders' meetings in accordance with applicable law. The Board of Directors shall be composed of a majority of "independent" directors as defined under the applicable requirements of all stock exchanges on which the Corporation lists its securities and of securities regulatory authorities, as adopted or amended and in force from time to time. The composition of the Board of Directors, including the qualifications of its members, shall comply with the other applicable requirements of the *Canada Business Corporations Act*, the stock exchanges on which the Corporation lists its securities and securities regulatory authorities, as adopted or amended and in force from time to time.

Regularly scheduled meetings of the Board of Directors may be held at such time or times as the Board of Directors or the Chairman of the Board may determine and special meetings of the Board of Directors may be called by, or by the order of, the Chairman of the Board, the Chief Executive Officer, the President or any two Directors of the Corporation. Meetings may be held in person, or by means of telephonic, electronic or other communications facilities. At every meeting of the Board of Directors, whether such meeting is conducted in-person or telephonically, the Board of Directors shall meet in executive session without members of management present (including management directors). Minutes of the meetings of the Board of Directors shall be prepared and circulated to the Directors. The Board of Directors shall annually elect the Chairman of the Board, constitute the Committees of the Board of Directors, and appoint Directors to serve as members and chairpersons of each Committee of the Board of Directors. The Board of Directors shall adopt written mandates for Committees of the Board of Directors, setting out the responsibilities of the Board of Directors that are delegated to the Committees of the Board of Directors and requiring Committees of the Board of Directors to meet at least once a year.

The Board of Directors may exercise all such authority and powers of the Corporation and do all such lawful acts and things as are not by law or otherwise directed or required to be exercised or done by the shareholders of the Corporation or in some other manner. In carrying out its supervisory or oversight responsibilities, the Board of Directors (or the Committees of the Board of Directors duly constituted by the Board of Directors to the

extent such delegation is permitted by law) shall have the following specific responsibilities:

1. the submission of matters or questions requiring the approval of shareholders to the shareholders for approval;
2. the approval of the submission to the shareholders of any amendment to the articles of the Corporation or the approval of any adoption, amendment or repeal of any by-laws of the Corporation;
3. the recommendation of candidates for election or appointment to the Board of Directors, including the review of nominations recommended by shareholders;
4. the adoption of corporate governance guidelines or principles applicable to the Corporation, including with respect to the size and composition of the Board of Directors, the criteria to be utilized for the identification of individuals qualified to be selected as Directors of the Corporation, the responsibilities, compensation and tenure of Directors;
5. the determination of the “independence” of Directors and the categorical standards to be used in making such determinations, the determination of the “financial literacy” of Audit Committee members and the determination as to whether one or more members of the Audit Committee has “accounting or related financial management expertise” as such qualifications are interpreted by the Board of Directors in its business judgment, and/or whether one or more members of the Audit Committee is an “audit committee financial expert”, each as defined under the applicable requirements of all stock exchanges on which the Corporation lists its securities and of securities regulatory authorities, as adopted or amended and in force from time to time;
6. if any Director serves on the audit committee of more than two other public companies, such Director may only serve on the Audit Committee of the Board of Directors of the Corporation if the Board of Directors determines that simultaneous service would not impair the ability of such Director to effectively serve on the Audit Committee;
7. the adoption of a process for shareholders and other interested parties to communicate directly with the Board of Directors and with individual Directors, as appropriate;
8. the adoption of processes for succession planning, the periodic review of succession plans for key members of senior management (including the Chief Executive Officer), and the appointment and monitoring the performance and compensation of senior management, including officers, of the Corporation;

9. the approval of the annual or semi-annual goals and objectives of the Corporation and the Chief Executive Officer, and the assessment of the performance of the Corporation and the Chief Executive Officer against the approved objectives;
10. the adoption of a strategic planning process that includes the periodic (not less than annually) review and approval of strategic business plans;
11. the approval of an annual operating budget for the Corporation and its subsidiaries on a consolidated basis;
12. the approval of financings, customer financings, acquisitions, dispositions, investments and other transactions not in the ordinary course of business and/or in excess of the limits prescribed from time to time by the Board of Directors;
13. the authorization of the issuance of securities of the Corporation as required in accordance with applicable laws;
14. the declaration of dividends on shares of the Corporation or the approval of the purchase, redemption or other acquisition of shares issued by the Corporation as required in accordance with applicable laws;
15. the review of the processes utilized by management with respect to risk assessment and risk management, the identification by management of the principal risks of the business of the Corporation, including the financial risks, and the implementation by management of appropriate systems to manage such risks;
16. the oversight of the reliability and integrity of accounting principles and practices followed by management, financial statements and other financial reporting, and disclosure principles and practices followed by management;
17. the oversight of the qualifications and independence of the independent auditors of the Corporation and the approval of the terms of their audit and non-audit service engagements as required in accordance with applicable laws and the requirements of any stock exchanges on which the Corporation lists its securities and of securities regulatory authorities, as adopted or amended and in force from time to time, and the assessment of the performance of the independent auditors, the filling of a vacancy in the office of the independent auditor between shareholders' meetings, and the recommendation of the annual appointment or, if appropriate, the removal, of the independent auditors of the Corporation to the shareholders of the Corporation for their approval in accordance with applicable laws;

18. the oversight of the establishment by management of an adequate system of internal audit controls and procedures and management information systems, and the effectiveness of the internal controls and procedures;
19. the oversight of the maintenance by management of practices and processes to assure compliance with applicable laws and appropriate ethical standards, including the adoption by management of corporate policies and procedures and a code of business conduct;
20. the approval of the annual audited consolidated financial statements of the Corporation and its pension plans and, as required in accordance with applicable laws, the approval of the quarterly unaudited consolidated financial statements of the Corporation;
21. the approval of prospectuses, annual reports on Form 10-K, and proxy circulars and proxy statements sent to shareholders of the Corporation and the review and/or approval of managements' discussion and analyses of financial condition and results of operations, and other material disclosure documents in accordance with applicable law and as determined by the Board of Directors from time to time;
22. review and approve the Corporation's and Nortel Networks Inc.'s (NNI) retirement plan governance structure and processes and any material amendments to such structure and processes and review an annual governance report on the financial status of the Corporation's and NNI's plans, including material funding and investment results and the discharge of responsibilities under the plan governance structure, including the activities of committees and material claims or possible claims relating to the retirement plans;
23. approve the acceptance of the audited plan financial statements for the Corporation's retirement plans;
24. review and approve the Corporation's and NNI's retirement plan designs and any material amendments and associated cost estimates;
25. review and approve any of the Corporation's and NNI's defined benefit retirement plan funding contributions in excess of statutory requirements and above a \$100 million aggregate global annual limit;
26. the periodic review of the communications or disclosure policies, controls and procedures adopted by management;
27. the oversight of the management of environmental risks and practices, charitable activities and other social responsibility matters;

28. the adoption and monitoring of compliance with the code of business conduct adopted by the Corporation from time to time and the granting of any waivers in respect of compliance with the code of ethics in accordance with the applicable requirements of the stock exchanges on which the Corporation lists its securities and securities regulatory authorities, as adopted or amended and in force from time to time; and
29. the annual assessment of the Board of Directors, each Committee of the Board of Directors, each individual Director and the Chairman and the reporting of the results of the assessments to the Board of Directors.

In discharging its duties and responsibilities, the Board of Directors may conduct such examinations, investigations or inquiries, and engage such special legal, accounting or other advisors, at the expense of the Corporation, at such time or times and on such terms and conditions, including fees, as the Board of Directors considers appropriate. The Board of Directors shall review and assess the adequacy of the mandate of the Board of Directors annually.

Effective March 15, 2007.