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1. ABOUT SALARY SACRIFICE

1.1. How does a Salary Sacrifice arrangement work?

Through Salary Sacrifice, you agree to exchange part of your gross (pre-tax) pay for another benefit. In this case, a Salary Sacrifice of pension contributions where the Company will make the payment equivalent to the pension contributions you would otherwise have had deducted from your pay.

1.2. Does the Salary Sacrifice arrangement have HM Revenue & Customs approval?

This is a change to your employment terms and conditions and is, a matter of employment law not tax law.

However, to ensure openness, we are providing full disclosure of the arrangement to HMRC to obtain its confirmation that it meets their requirements. HMRC do not give prior approval and we have worked with our advisors, Aon Hewitt, and lawyers, Hogan Lovells, to ensure that this approval will be forthcoming.

2. SALARY SACRIFICE AND YOUR PENSION

2.1. Why is Alstom introducing Salary Sacrifice for pension contributions?

National Insurance contributions for employers and their employees are continuing to rise. Salary Sacrifice is a more efficient way to make pension contributions, which means members and the Company will also pay less National Insurance.

2.2. Why does reduced pay mean less National Insurance contributions but the same amount of income tax?

As the Alstom Defined Contribution Plan, Alstom Pension Scheme and the Railways Pension Scheme are HMRC approved pension plans, you already enjoy income tax relief on your contributions.

2.3. Can Salary Sacrifice for pension contributions change in future?

Alstom intends to keep Salary Sacrifice for pension contributions as long as it continues to reduce the National Insurance you and the Company pay. The Company, or indeed the Government, has the right to end this arrangement at any time.

If, for whatever reason, the arrangement ends members will revert to the present pension contribution and National Insurance contribution arrangements.

2.4. Have the Trustees' of the pension funds been involved?

Yes. The Trustees have been briefed on proposals. The Trustees will prepare a new Schedule of Contributions to reflect that the Company will now pay the sacrificed Member contributions to the arrangements and will, as appropriate, maintain its own contribution rate on the aggregate of members' **Pre Sacrificed Annual Salaries**.

The Trust Deed and Rules of the funds are being amended prior to the launch on 6 April 2011 to ensure that contributions and benefits are unaffected by being calculated with reference to **Pre Sacrificed Annual Salaries**.

2.5. What is the Company intending to do with its savings?

The company aims to ensure the most effective and efficient way of managing its operations and financial structures and this opportunity is being implemented to allow both employees and the organisation to save money. Any benefit from the

cost savings will be treated in the same way as other initiatives and be redirected in to the company to help ensure that the organisation has a viable future for its employees.

3. ELIGIBILITY

3.1. Which Alstom Pension funds are included in the Salary Sacrifice arrangement?

From 6 April 2011

- Alstom Defined Contribution Plan
- Alstom Pension Scheme

And from 1 July 2011

- Alstom Railways Section of the Railways Pension Scheme
- West Coast Train Care Section of the Railways Pension Scheme

3.2. What are the eligibility conditions?

The Company's advisors have scrutinised the level of members' earnings and on their recommendations have decided that all members whose Basic Annual Salary is more than £7,500 pa are eligible.

A member whose pay, after sacrificing, will reduce below the National Minimum Wage (currently £5.93 per hour for workers aged 21 years or over) will also not be allowed to join.

3.3. Why am I included when I am on an Assignment Policy and paid locally?

This is due to Alstom's policy of operating a Minimum Net pay based on hypothetical taxation. With lower NI contributions your net pay will increase.

3.4. Why is the Grid Group Personal pension (GPP) excluded?

The decision to exclude the GPP was made, as during 2011 there will be a review of how the GPP will continue in the future.

4. PAY & BENEFITS

4.1. How can I be better off if you have reduced my salary?

When you choose to receive reduced pay, you will make a saving in National Insurance contributions. For the vast majority of members electing to taken part in a Salary Sacrifice arrangement this will mean an increase in take home pay. This is because you only pay National Insurance on the pay you actually receive so when you take part in Salary Sacrifice your gross pay goes down.

4.2. What is Pre Sacrificed Annual Salary?

Pre Sacrificed Annual Salary is what your basic salary would have been if you had not taken part in any salary sacrifice arrangement.

This will continue to be shown as **T Ann. Salary** on your pay slips. This will continue to be referred to as **ANNSAL** on ALPS.

4.3. Will my reduced basic pay affect my credit rating for loans, mortgages etc?

Although your gross pay will reduce, we can provide certified documents to confirm the Salary Sacrifice arrangements which have been introduced and in which you participate.

This will show your **Pre Sacrificed Annual Salary** figure, which lenders will accept. You can then pass this information on to any lender.

4.4. My repayments for my student loan are based on my pay. Does taking part in Salary Sacrifice affect these repayments?

Repayments to the Student Loans Company are based on your gross pay. As taking part in Salary Sacrifice reduces your gross pay, your repayments may be reduced slightly and the repayment period may increase.

4.5. Can I backdate Salary Sacrifice pension contributions?

No. Salary Sacrifice for pension contributions is a change to your employment contract - it changes the terms and conditions of the pay and benefits you receive in return for your work.

You cannot give up the right to part of your cash salary after you have earned the right to receive it.

4.6. What happens at pay reviews?

Pay reviews will not be affected by the arrangement. All pay increases will be calculated by reference to your **Pre Sacrificed Annual Salary**.

4.7. The Company already offers salary sacrifice for childcare vouchers– how would they be affected?

These operate in the same way as the pensions salary sacrifice is described here, and provides you with an opportunity to save on national Insurance contributions.

You may participate in any arrangement but you must not take your pay below the National Minimum Wage. Alstom believes that by operating an eligibility earnings level of £7,500 pa no employee would be adversely affected by participating in both arrangements.

5. PARTICIPATION

5.1. Do I have to take part in Salary Sacrifice for pension contributions?

No. If you do not wish to participate you will need to complete the form "Opting out of Salary Sacrifice for Pension contributions" by 28 February 2011. This form is available from your local HR Partner.

5.2. How do I know if Salary Sacrifice for pension contributions makes sense for me?

The Company has designed Salary Sacrifice for pension contributions to benefit as many members as possible, and everyone, under state pension age, who takes part in Salary Sacrifice will make some savings and receive more take-home pay than they would outside Salary Sacrifice.

However, a very small number of people might not benefit from Salary Sacrifice and for their own benefit, the Company will not allow these members to take part. For example, we will not include you in Salary Sacrifice if we think that taking part will affect your entitlement to receive State benefits or takes you below the National Minimum Wage.

However, we cannot know all your personal circumstances and we cannot, by law, offer any individual financial advice. If you are at all unsure about whether to take part in Salary Sacrifice, we suggest you consider contacting an independent financial adviser.

6. CHANGING YOUR MIND

6.1. Can I choose to opt out of Salary Sacrifice and join at a later date?

Yes, but in the meantime you will lose the opportunity to pay reduced National Insurance contributions.

You will have the opportunity each year before April 6th to change your level of contributions and AVCs and also to elect to opt in to Salary Sacrifice.

6.2. If my circumstances change after I join, can I opt out of Salary Sacrifice?

If you are participating in this arrangement and want to opt out, HMRC specifies that you will only be able to do this at the annual renewal (but only in this arrangement for AVCs) or on the occasion of a 'Lifestyle Event'.

6.3. Why do I have to wait until annual renewal to change?

For Salary Sacrifice to be an effective arrangement and provide savings for the Company and for employees, it must involve a change to your terms and conditions. You must give up the right to receive the Salary Sacrifice pension contribution as a cash payment with your salary. If you could opt-in and out whenever you wanted, it would not be an effective change to the terms of your contract and, indeed the HMRC could determine that National Insurance would have to be paid on the pension contribution after all.

The Company has the final say on whether or not you can take part in Salary Sacrifice for pension contributions.

6.4. What is a Lifestyle Event?

Under the Salary Sacrifice Arrangement you may be allowed to opt in or out if a Lifestyle Event occurs. A Lifestyle Event is simply one which has an exceptional and major effect on your lifestyle. The Company has agreed that these will be:

- Marriage, cohabitation or civil partnership
- Divorce, separation of partner
- Becoming pregnant
- Birth or adoption of a child
- Death of a partner or dependent
- Commencement of leave with reduced/no pay – restricted to decreasing/ceasing Salary Sacrifice contributions
- Return from leave with reduced/no pay – restricted to increasing/starting Salary Sacrifice contributions
- Significant change to working hours and/or salary eg 10% or more
- Hardship from spouse/partner loss of employment; restricted to reducing Salary Sacrifice contributions
- Expatriation – restricted to ceasing Salary Sacrifice contributions
- Repatriation – restricted to starting Salary Sacrifice contributions

- Becoming eligible for Salary Sacrifice (eg no longer failing an eligibility check) – restricted to starting Salary Sacrifice contributions

If the Company has previously informed you that you are not eligible to take part in Salary Sacrifice, but your situation changes and you become eligible, this also counts as a Lifestyle Event.

If you believe a Lifestyle Event has occurred that affects your participation and you wish to opt-out, it will be your responsibility to provide the Company with sufficient evidence, within 2 months, to confirm that a Lifestyle Event has taken place. The Company will then decide whether or not this constitutes an event that affects your participation in the arrangement. A form is available from your HR Partner.

Any change will not take effect until the start of the next pay period.