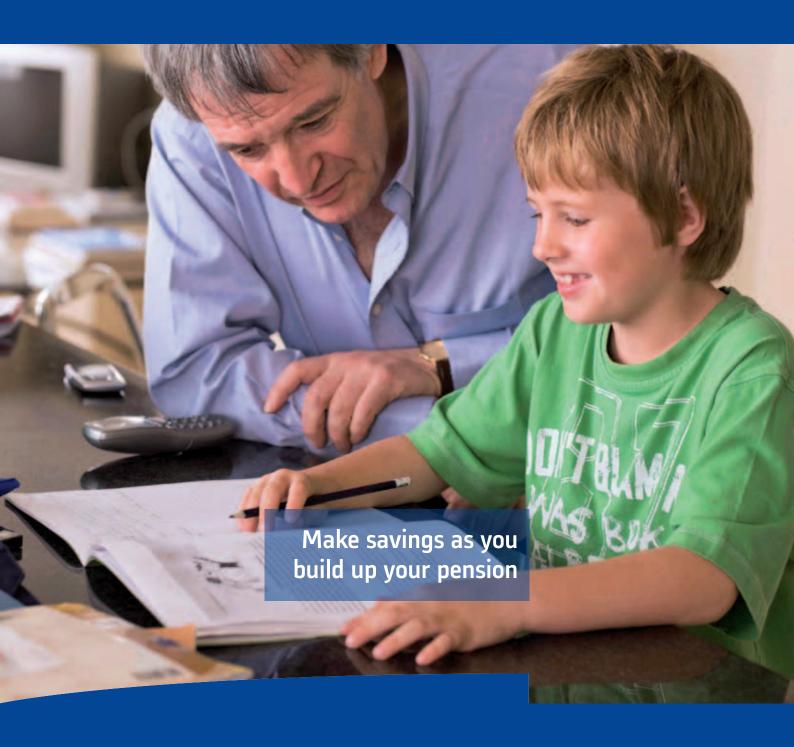
Alstom SALARY SACRIFICE

for pension contributions scheme

A GUIDE FOR MEMBERS OF THE ALSTOM LTD GROUP PERSONAL PENSION PLAN July 2012



We are shaping the future ALSTOM

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Introducing SALARY SACRIFICE

As a member of the ALSTOM Ltd Group Personal Pension Plan (the 'Alstom GPP'), you have an individual account which builds up with the contributions you and the Company pay along with investment returns. At retirement you may take some of the account as a tax free lump sum and then convert the remainder into a pension.

Through the Alstom Salary Sacrifice for pension contributions scheme, ALSTOM Ltd (the 'Company') provides a tax efficient way for member contributions to be paid to the Alstom GPP that is designed to help save you money as you save for retirement.

This guide tells you what you need to know.

SAVING YOU MONEY as you save for retirement

How Salary Sacrifice works

Salary sacrifice arrangements allow companies to provide employees with certain benefits in a way that reduces the amount of National Insurance that has to be paid. The Company already provides a Salary Sacrifice arrangement for childcare vouchers, the cycle for work benefit, and this scheme is also used for pension contributions for members of the Alstom Pension Scheme and the Railways Pension Scheme.

Outside of Salary Sacrifice, the Company would deduct your regular pension contributions from your gross (pre-tax) Pay (the cash due to you under your contract of employment) less basic rate tax at 20% and pays them over to Aviva. (Regular contributions include your ordinary contributions and any regular additional voluntary contributions — or AVCs — that you pay.)

If you take part in Salary Sacrifice, you do not pay certain regular contributions to the Alstom GPP - the Company will pay these instead. Your basic contractual annual salary and pensionable fixed allowances (see note below) are reduced by an amount equal to the pension contributions you would otherwise have paid.

Only regular pension contributions can be paid through Salary Sacrifice. You will be unable to make any one off payments through Salary Sacrifice.

How you benefit

If you take part in Salary Sacrifice and have not reached State Pension Age, you will pay less National Insurance. This means that your take home pay will be higher than it would be if you did not take part in Salary Sacrifice.

This happens because you pay National Insurance on your gross Pay and when you take part in Salary Sacrifice your Pay is reduced. Remember that this is not because you are losing out – you have simply agreed to give up some of your contractual salary and pensionable fixed allowances in return for no longer paying certain pension contributions and the Company will pay an equal amount to the Alstom GPP instead.

The savings that result from Salary Sacrifice will vary from member to member. Broadly members earning above the Upper Earnings Limit will benefit from a lower rate of National Insurance contribution savings than those members earning below this limit. (For the 2012/13 tax year, the Upper Earnings Limit is £42,484 a year.)

Also, if you pay a higher rate of tax you will get immediate tax relief on your contributions rather than needing to adjust your tax code or make a claim at the end of the year.

We have prepared two examples that illustrate this on page 6.

How the Company benefits

In addition to reducing the amount of National Insurance that members pay, Salary Sacrifice for pension contributions also reduces the National Insurance that the Company pays. This is because the Company's National Insurance contributions are also based on employees' gross Pay, which is reduced for those employees taking part in a Salary Sacrifice arrangement.

NOTE:

If you are a former member of the Alstom Grid Group Personal Pension Plan and chose to participate in the Grid transitional arrangements up to 31 March 2014, your Pensionable Earnings up to that date will be your gross earnings, including overtime and contracted bonus payments. From 1 April 2014, your Pensionable Earnings will be as set out above.

Looking in **MORE DETAIL**



Salary Sacrifice and your take home pay

Everyone below State pension age who takes part in Salary Sacrifice for pension contributions, will make some National Insurance savings. They will receive more take home pay than they otherwise would. We have prepared two examples to illustrate the level of savings that Salary Sacrifice could provide (see page 6). Both examples use the tax and allowance rates that apply for the 2012/13 tax year.

Salary Sacrifice and other Alstom benefits

Taking part in Salary Sacrifice for pension contributions only affects a reduction in your Pay. It will not affect the amount of pension benefits you are building up in the Alstom GPP or any other payments or benefits that the Company provides based on your salary. This is because a Pre-Sacrificed Annual Salary (which is what your basic salary would have been if you had not taken part in any salary sacrifice arrangement) is recorded and used to calculate salary related payments and benefits that the Company provides.

These salary related payments and benefits include:

- Additional payments such as overtime and bonuses
- Absence related payments such as:
 - Company Sick Pay
 - Life cover
- Redundancy payments

Your Pensionable Earnings under the Alstom GPP will be calculated based on what your basic salary and pensionable fixed allowances would have been if you had not taken part in any salary sacrifice arrangement. (If you are a former member of the Alstom Grid Group Personal Pension Plan, please see the note on page 3.)

The Company will also explain that you are participating in a Salary Sacrifice arrangement and provide your Pre-Sacrificed Annual Salary if you are applying for a mortgage or loan.

If you are absent from work

The Company will continue to make pension contributions to the Alstom GPP during any period when you are receiving an absence related payment. These pension contributions will be based on your Pensionable Earnings immediately before you went on leave.

Salary Sacrifice and State benefits

Contribution based benefits

Some State benefits (such as the basic State pension, employment and support allowance, jobseeker's allowance) are based on the National Insurance contributions you pay. This means that taking part in Salary Sacrifice might affect your entitlement to these benefits, either while you are working for the Company or in the future.

To build up an entitlement, you need to earn over a certain amount – the Government's Lower Earnings Limit (which in 2012/13 is £5,564 a year).

To ensure that no one's entitlement to contribution based State benefits will be adversely affected by taking part in Salary Sacrifice for pension contributions, the Company will only let you take part if your annual basic salary is £7,500 or more.

Work related payments

Certain state benefits (such as statutory maternity, paternity, adoption and sick pay) are based on average weekly earnings. Taking part in Salary Sacrifice reduces these earnings, meaning the amount of these work related payments could be reduced as a result of taking part in a Salary Sacrifice arrangement.

However, the checks the Company has built in to Salary Sacrifice mean that the only payments likely to be affected are the first six weeks of Statutory Maternity Pay (which are based on 90% of average weekly earnings.)

If you take part in Salary Sacrifice you can ask the Company to allow you to opt out if you become pregnant. If you would like further details please contact your HR partner.

Earnings related benefits

Certain State benefits such as the State Second Pension are based on your level of earnings after any Salary Sacrifice has taken place and the length of time you have paid National Insurance contributions.

If your Pay (after reduction as a result of Salary Sacrifice) is between the

Government's Lower Earnings Threshold (currently £14,400) and the Upper Accrual Point (currently £40,040), taking part in Salary Sacrifice for pension contributions may reduce the amount of the State Second Pension you build up.

Although the Company cannot give you a guarantee, the Company can confirm that its advisors have carried out checks which

indicate that, at this time, the savings in National Insurance contributions as a result of taking part in Salary Sacrifice are expected to be greater for existing members of the Alstom GPP than the value of the loss in State Second Pension.

Examples of this are set out in the following table:

Reference Salary			ion Annual increase in take-home pay	
£10,000	4%	£O	£48	
£15,000	4%	£1	£72	
£20,000	4%	£2	£96	
£30,000	4%	£2	£144	
£40,000	4%	£3	£192	
£50,000	4%	£O	£40	
£10,000	5%	£O	£60	
£15,000	5%	£1	£90	
£20,000	5%	£2	£120	
£30,000	5%	£3	£180	
£40,000	5%	£4	£240	
£50,000	5%	£O	£50	
£10,000	6%	£O	£72	
£15,000	6%	£1	£108	
£20,000	6%	£2	£144	
£30,000	6%	£4	£216	
£40,000	6%	£5	£288	
£50,000	6%	£O	£60	
£10,000	7%	£O	£84	
£15,000	7%	£1	£126	
£20,000	7%	£3	£168	
£30,000	7%	£4	£252	
£40,000	7%	£6	£336	
£50,000	7%	£O	£70	
£10,000	8%	£O	£96	
£15,000	8%	£1	£144	
£20,000	8%	£3	£192	
£30,000	8%	£5	£288	
£40,000	8%	£6	£384	
£50,000	8%	£O	£80	

Salary Sacrifice and your **TAKE HOME PAY**

EXAMPLE 1 – BASIC RATE TAX PAYER

This member has Pensionable Earnings of £25,000 and chooses a Member Contribution of 4%.

Monthly payslip outside Salary Sacrifice

PAYMENTS		DEDUCTIONS		
ITEM		VALUE	ITEM	VALUE
T. Ann. Salary		2,083.33	Group PP EE 4%	66.67
			Income Tax	281.58
			NI Employee	174.08
Total Payment	2,083.33		Total Deductions	522.33
			ITEM	VALUE
			Taxable pay	2,083.33
			NIable pay	2,083.33
			Pensionable pay	2,083.33
			Gross pay	2,083.33
			Net Payment	1,561.00

Additional higher rate tax relief of £66.67 can be claimed from the local inspector of taxes. (Full tax relief is available automatically for members who contact HM Revenue & Customs directly and arrange to adjust their tax code.)

Monthly payslip under Salary Sacrifice

PAYMENTS		DEDUCTIONS		
ITEM		VALUE	ITEM	VALUE
T. Ann. Salary		2,083.33		
PSS Group PP 4%		(83.33)	Income Tax	264.92
		NI Employee	164.08	
TOTAL PAYMENT	2,000.00		Total Deductions	429.00
			ITEM	VALUE
			Taxable pay	2,000.00
			NIable pay	2,000.00
			Pensionable pay	2,083.00
			Gross pay	2,000.00
			NET PAYMENT	1,571.00

EXAMPLE 2 – HIGHER RATE TAX PAYER

This member has Pensionable Earnings of £50,000 and chooses a Member Contribution of 8%.

Monthly payslip outside Salary Sacrifice

PAYMENTS		DEDUCTIONS		
ITEM		VALUE	ITEM	VALUE
T. Ann. Salary		4,166.67	Group PP EE 8%	266.67
			Income Tax	823.67
			NI Employee	361.42
Total Payment	4,166.67		Total Deductions	1,451.76
			ITEM	VALUE
			Taxable pay	4,166.67
			NIable pay	4,166.67
			Pensionable pay	4,166.67
			Gross pay	4,166.67
			Net Payment	2,714.91

Monthly payslip under Salary Sacrifice

PAYMENTS		DEDUCTIONS		
ITEM		VALUE	ITEM	VALUE
T. Ann. Salary		4,166.67		
PSS Group PP 8%		(333.33)	Income Tax	690.33
			NI Employee	354.75
TOTAL PAYMENT	3,833.34		Total Deductions	1,045.08
			ITEM	VALUE
			Taxable pay	3,833.34
			NIable pay	3,833.34
			Pensionable pay	4,166.67
			Gross pay	3,833.34
			NET PAYMENT	2,788.26

Note:

Both examples assume that the member is a UK tax payer and has a full Personal Allowance of £8,105 for the 2012/13 tax year.

Under Salary sacrifice, the abbreviation 'PSS' stands for Pension Salary Sacrifice.

Taking **PART**



Getting started

Employees, who are eligible to take part, will be automatically included in the Alstom Salary Sacrifice for pension contributions scheme when they join the Alstom GPP, though some members had the option to opt out of Salary Sacrifice for pension contributions when the Alstom GPP started. These include the small number of members of the Alstom Defined Contribution Plan who have previously opted out of Salary Sacrifice, and all members of the Alstom Grid Group Personal Pension Plan.

If you choose to pay regular Additional Voluntary Contributions (AVCs) you can elect to make these through Salary Sacrifice. Any request you provide for AVCs to be made through Salary Sacrifice must apply until the next annual renewal (next April).

If you have opted-out of Salary Sacrifice for pension contributions and decide that you would like to take part from the next annual renewal, this will involve a change to the way that the Company delivers your pay and pension benefits. As such it involves a change to your terms and conditions of employment and by agreeing to take part in Salary Sacrifice you are deemed to have consented to this change.

Not everyone will be eligible to take part

The Company has designed Salary Sacrifice for pension contributions to benefit as many members as possible.

However, there are a very small number of employees who might not benefit from Salary Sacrifice and the Company will not allow these members to take part in Salary Sacrifice for pension contributions.

There are two main situations where this might apply:

- If the Company is aware that taking part would adversely affect your entitlement to State benefits (see 'Salary Sacrifice and State benefits' on page 4). The Company wants to ensure that no one's
- entitlement to contribution based State benefits will be adversely affected by Salary Sacrifice for pension contributions. As a result, you will only be allowed to take part if your annual basic salary is £7,500 or more.
- 2. If the Company is aware that taking part would reduce your pay below the UK National Minimum Wage. In this case, the Company would have to exclude you from Salary Sacrifice in order to comply with the minimum wage legislation.

The Company will contact you if you are not eligible to take part in Salary Sacrifice for pension contributions.

Taking **PART**

Making a change

There are occasions when it might be possible to make a change to your Salary Sacrifice arrangements.

If there is a major change in your life or working pattern

These are called 'lifestyle events' and include:

- Getting married, entering into a civil partnership or moving in with a partner
- Going through a separation, getting divorced, having a civil partnership dissolved
- Becoming pregnant or on the birth or adoption of a child
- The death of a partner or dependant
- Going on, or returning from, leave with reduced pay (or no pay at all)
- A significant change to your working hours or pay
- Your husband, wife or partner losing their job
- Expatriation
- Repatriation

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 experience one of these events, you can request to [change the level of regular contributions that you may be making through Salary Sacrifice] or to opt out of Salary Sacrifice (you will need the Company's consent to either of these changes). Please contact your HR partner for more details.

At annual renewal

You will only be able to change your contribution rate from 6 April each year.

Each year, in advance of the annual renewal date (6 April) the Company will review members' eligibility to take part in Salary Sacrifice for pension contributions.

If you are already taking part in Salary Sacrifice for pension contributions the arrangements in place at that time will continue automatically. You will not be able to opt out of Salary Sacrifice for your ordinary contributions unless you fail an eligibility condition. However, you can opt-in or out of Salary Sacrifice for your

regular AVCs at the next renewal. If you want to switch contribution rates for the following year, you can do so by completing and returning the appropriate forms. (The Company will write to remind you of your options around February of each year.)

If you have opted out of Salary Sacrifice but subsequently decide in the future that you wish to take part, you will have an opportunity to join the Salary Sacrifice arrangement for pension contributions with effect from 6 April in any year, provided you are eligible.



Finding out more

If you need more information

If you have any questions about Salary Sacrifice for pension contributions or the Alstom GPP, please contact Alstom Employee Services (AES)

Email: AES-UK@alstom.com

Phone: 03301 233 233.

More detailed information about salary sacrifice arrangements is available on the HM Revenue & Customs website.

www.hmrc.gov.uk/specialist/salary_sacrifice.htm

If you want some advice

The Company's aim is to offer Salary Sacrifice for pension contributions only to those members who are likely to benefit by taking part. However, it is not possible to know each individual member's circumstances and the law does not allow anyone employed by the Company to provide individual financial advice.

If you feel you need advice about Salary Sacrifice for pension contributions, you should consider contacting an independent financial adviser (IFA).

The Money Advice Service is an independent organisation that provides free, unbiased information about all aspects of financial planning, including pensions and how to find an independent financial adviser (IFA) and what questions to ask. Visit their website at www.moneyadviceservice.org.uk or phone their helpline on 0300 500 5000 (call rates may vary).

If you do not already use an IFA, www.unbiased.co.uk provides details of advisers in your area.

It is important to check that whoever advises you on financial services and products, is qualified and authorised to do so. Visit the Financial Services Authority website at www.fsa.gov.uk/register/home.do or phone their consumer helpline on 0845 606 1234.

Please remember that you may have to pay for any advice that you receive.

Pensions Department ALSTOM Ltd Newbold Road Rugby Warwickshire CV12 2NH www.alstom.com/uk

