

PA CONSULTING GROUP LIMITED

2015 Carlyle Investment

TAX INFORMATION – SWITZERLAND

PREPARED: 6 November 2015

LAST UPDATED: 30 November 2017

This document provides guidance for:

- **People who held legacy PA Ordinary shares who were directors, employees or linked shareholders (spouse/ trust etc.) of any member of the PA Group as of 1 August 2015 and who had not given or received notice of termination of their employment prior to 1 August 2015.**
- **People who held Options over legacy PA Ordinary shares who were employees of any member of the PA Group as of 1 August 2015 and who had not given or received notice of termination of their employment prior to 1 August 2015.**

This document summarises the information that PA has received from external lawyers and tax advisers in relation to the personal tax implications of the Carlyle Investment which completed on 11 December 2015 when all legacy PA shares were purchased in exchange for a mix of cash, Vendor Loan Notes and new equity.

The information contained herein assumes you are employed and tax resident in Switzerland. Whilst every effort has been made to ensure the accuracy of the tax information provided, PA does not take any responsibility for personal tax obligations which remain with you the taxpayer and with your personal tax adviser if you have one.

Disclaimers:

PA gives no undertaking to update this document. The issue of the document shall not be deemed to be any form of commitment on the part of PA to proceed with any Investment.

This communication is for information purposes only and is not intended to be, and is not, an offer or invitation to sell, or to purchase or subscribe, any shares or other securities.

Nothing in this document constitutes legal, tax or financial advice. If you do not understand anything in this document or if you require legal, tax or financial advice in respect of your specific circumstances it is strongly recommended that you seek professional advice from an appropriately authorised independent adviser.

The information in this document in respect of taxation is general in nature. The information in this document has not, therefore, been tailored to your personal circumstances and the actual tax consequences for you may be different than as set out in this document. The information in this document applies in respect of an individual who is and has been resident and domiciled for tax purposes in the country to which this document applies (as stated in the title of this document) during the period from the first date on which any PA shares or share options were acquired until the final disposal of any securities referred to in this document. For the avoidance of doubt, if you decide to transfer your shares to any other person, or if any of your options lapse, the information in this document will not take account of this transfer or lapse. The information in this document is based on information provided to PA on the basis of tax laws in force at the time such information was provided to PA. PA has sought to ensure that the information in this document is accurate, but cannot be responsible for any inaccuracies.

References in this document to the value of securities are to the value of such securities for the purposes of the Scheme of Arrangement implementing the proposed Carlyle investment only. The value for which such securities may be able to be disposed of may be different, and can fall as well as rise.

This document is being made available in reliance on Article 62 (Sale of a body corporate) and Article 60 (Participation in employee share schemes) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005.

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ABBREVIATIONS

PACG	PA Consulting Group Limited. This was the company in which legacy PA shares were held. It was renamed PA Consulting Holdings Limited on 11 December following the Carlyle investment.
PACG Ordinary share	The legacy Ordinary shares in PA Consulting Group Limited
Investment	The proposal from the Carlyle Group to purchase all issued PACG Ordinary shares through a UK court approved scheme of arrangement.
Loan Note (VLN)	This is your vendor (i.e. seller) loan to the new PA group.
Preference shares	These are shares in the new PA group top company to be issued to ongoing employees and option holders in the new PA group top company. They are 'stapled' to the B Ordinary shares held by PA people.
B Ordinary shares	The B shares in the new PA group parent company are also issued to ongoing employees. They are 'stapled' to the Preference shares. Together one B and 3.8543 (rounded) Preference shares are known as a 'Share Unit'.
EBT	The PA 2004 ESOP. This is PA's Jersey employee benefit trust which held the PACG Ordinary shares not currently held by employees.

SUMMARY

The Investment was approved by legacy PACG Ordinary shareholders and the court, and became effective on 11 December 2015.

You can review your Personal communication (attached to the email set to you by PA's Share Plans team on 17 December 2015) of what your legacy share and/or share options delivered as a result of the Investment happening on 11 December.

1. [You pay income tax and Social Security on the shares gifted to you by PA's Employee Benefit Trust.](#)
2. [You had a special opportunity to use your share options before the Investment](#)
3. [There was no specific tax charge when you exchanged your legacy PACG shares for the new consideration at the time of the Investment](#)
4. [Future tax charges on your Loan Note, Preference shares and B Ordinary shares](#)
5. [What happens if you leave PA employment before a share realisation event](#)

1. You pay income tax and Social Security on the shares gifted to you by PA's Employee Benefit Trust

Legacy PA shares which were not held directly by employees or covering share options and therefore could be regarded as 'excess' under a 100% employee ownership model, were held in an EBT. The EBT gave current and former employee shareholders one of its shares for every four PA shares and options (in your name or linked holding) you held. As you did not pay anything for these shares, you paid income tax and Social Security on the full value (£23.89) of each share gifted to you.

Example 1

You hold 400 PACG shares

100 (1 for 4 held) PACG shares are gifted to you by PA's EBT

$100 \times £23.89$ Investment value per share = £2,389 total value gifted

$£2,389 \times 36.8\%$ tax = £879 estimated payroll taxes cost you will pay as a result of you receiving the 100 shares

PA withheld tax through the payroll. The final income tax you will pay on receiving share value from the EBT will depend upon your Canton of residence and your marginal tax rate of up to 30% for 2015 year. The Social Security you pay is calculated through payroll in the month it is taxed.

For reference, we investigated with external advisers and wrote a detailed submission to HMRC (the UK tax authority) requesting their agreement that the transfer of value from the EBT could be subject to capital gains tax treatment rather than Income tax. This was ultimately not agreed by HMRC who relied on complex provisions of UK tax law to deny such treatment to us.

2. You had a special opportunity to use your share options before the Investment

As a result of the Investment, you had a special opportunity to use all options you held.

If you held share options, the purchase cost you needed to pay to acquire legacy PACG Ordinary shares (which were then subject to the Investment) will be deducted from the upfront Cash consideration due to you. In general, share option holders received sufficient Cash from the Investment to cover both the option purchase cost (for example £7.30 for options issued in March 2014) and also the taxes due on their option gain (for most legacy options, this will be Income tax and National Insurance on the £23.89 Investment per share value less option cost e.g. £7.30).

The tax charge for the use of options is Income Tax treatment. You were liable for income tax at your marginal rate of up to 30% (depending on the level of your earnings and Canton of residence), on the difference between the amount paid for the option and the value of the share when you use your option.

PA withheld wage tax and Social Security when the options were used.

Example 2

You request to use 100 share options at the share purchase cost of £2.07 each.

The option tax charge is calculated on notional income of new consideration less purchase cost. £23.89 less £2.07 = £21.82 per option

100 options x £21.82 = £2,182 total notional income

£2,182 x 36.8% = £802 estimated payroll taxes on option gain

Payment of the full share purchase cost (£207) is deducted from your Cash proceeds.

The total cost to use the options to purchase 100 shares will therefore be £1,009 (£207 + £802)

At the date of the Investment you will receive:

- £1,688 Cash (£16.88 initial value x 100 options)
- £683 Preference shares (£6.83 initial value x 100 shares)
- £18 B Ordinary shares (£0.18 initial value x 100 shares)

Your net Cash position at the date of the investment will be £679 (£1,688 Cash less £1,009 total option purchase cost including taxes). You will also hold £683 of Preference shares and £18 of B Ordinary shares.

3. There was no specific tax charge when you exchanged your legacy PACG shares for the new consideration at the time of the Investment

Each legacy PACG Ordinary share you held (including those given to you by the EBT) was exchanged for the following consideration:

- £9.581940 Cash (value)
- £7.301361 Loan Note (value)
- £6.832863 Preference share (initial value which were issued in £1.00 per share units)
- £0.177281 B Ordinary share (initial value which were issued in £0.10 per share units)

Your Cash proceeds were delivered to you in Francs. The market rate on the date the Scheme became effective was applied to convert your Cash proceeds to Francs.

The shares you hold in PA are a private investment (and assuming you do not qualify as a professional securities dealer), you do not have to pay any taxes when selling PA shares and realizing a capital gain as there is no capital gains tax in Switzerland on the sale of shares held as private assets.

Depending on your Canton of residence you may be required to include the value of your PA shareholding in your private wealth tax calculations and report this on your tax return. If you are in any doubt regarding wealth tax you should consult a personal tax advisor.

4. Future tax charges on your Loan Note, Preference shares and B Ordinary shares

Future tax charges on your Loan Note

Depending on your Canton of residence you may be required to include the value of your Loan Note in your private wealth tax calculations and report this on your tax return. If you are in any doubt regarding wealth tax you should consult a personal tax advisor.

Interest

Interest is payable on your Loan Note amount each September at a fixed annual rate of 5% and also on the amount of any repayment of Loan Note at the time it is repaid.

Any interest payments made in respect of the Loan Note will be subject to UK withholding tax at basic rate, currently 20%, and reconciled to your home marginal rate of tax for the year through your tax return.

As an alternative, our [VLN interest tax guidance notes](#) provide information by country and set out how it may be possible for you to seek exemption from the UK withholding tax and how you can apply for a refund of any withholding tax we have paid to HMRC on this and future payments of interest.

Capital repayment

From the total £200 million total issued Vendor Loan Notes,

- £20 million was repaid on 31 March 2017
- £30 million was repaid on 15 December 2017

Together these payment equates to 25% of each holder's total Loan Note amount.

There is no additional tax charge at the point any of your Loan Note amount is paid out on the basis that it is held as a private asset.

Future tax charges on your Preference shares and B Ordinary shares

Depending on your Canton of residence you may be required to include the value of your PA shareholding in your private wealth tax calculations and report this on your tax return. If you are in any doubt regarding wealth tax you should consult a personal tax advisor.

There is no additional tax charge at the point your Preference shares and B Ordinary shares are sold on the basis they are held as a private asset.

5. What happens if you leave PA employment before a share realisation event

Once you give or are given notice to leave PA's employment you are no longer able to offer your Share Units for sale, but instead that right has passed to the Company and this is operated using a 'Call Option' placed over your Share Units.

The following steps then take place in connection with your Share Units:

- a) Your leaver status for Share Units is determined by PA's Succession and Compensation Committee. The leaver section of our [Guide to PA shares](#) provide detail on leaver status.

- b) The Call option price for your Share Units is set. Until your shares have been sold there is no gain to consider for capital gains tax purposes. Having a 'Call Option' placed over your Share Units does not trigger any tax reporting or liability.
- c) Your Share Units will be sold either at the all option price in order to satisfy employee demand, typically in a share market each April, or sold at lower of the call option price and price offered (to all shareholders) by a third party buyer of PA.
- d) You will be paid out your sale proceeds in accordance with PA's articles.

For Normal and Competing leavers the sale proceeds will become payable on the earlier of:

- i) A share realisation event (when Carlyle exit from PA); and
- ii) 10 December 2023.

For Exceptional and Staged Value exceptional leavers the sale proceeds will become payable as follows:

- i) 50% on 10 December 2017 (or any later Share Unit sale date)
- ii) The balance on the earlier of a share realisation event and 10 December 2023.

Selling your Share Units does not trigger any tax reporting or liability on the basis they are held as a private asset.