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AGREEMENT BETWEEN POST OFFICE LTD AND UNITE CMA

New pay framework and alternative approach to pay progression for Unite CMA represented grades.

1. PURPOSE

The purpose of this document is to outline an agreement between Post Office Ltd and Unite CMA, who share the objective of introducing:

1. A new pay and progression framework
2. Job families and clear career development paths
3. An alternative approach to pay progression

The aims of the agreement are to:

- Support the recruitment and retention of high quality people by ensuring that reward arrangements are appropriate when compared with external market data.
- Enable the opportunity to progress pay further than the current grade maximum.
- Consolidate existing JVPs and some allowances (specified later in this document), thereby reducing complexity and the risk of loss should people move jobs in the future.
- Enable the opportunity for people to earn more without the need to be promoted.
- Recognise the importance of the contribution that each individual makes to the success of the business, enhancing levels of professionalism and performance across the organisation.
- Provide better support and more clarity about how individuals can develop their own careers within Post Office Ltd and across

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the wider Group

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2. NEW PAY AND PROGRESSION FRAMEWORK

2.1 Pay Bands and Ranges

The new pay framework is made up of pay bands, rather than grades. There are 3 pay bands in scope for this agreement; bands 2, 3 and 4.

In each of bands 2 and 3, there are 2 pay ranges, pay range A and pay range B.

The new pay ranges are broader than the current grade scales.

The new framework looks like this:

Current grade	New band position	London Min Max		Non London Min Max	
BPC 7 / BPC 8/ CPC	Band 4				
BPC 9	Band 3 (pay range A)	40,000	60,000	36,800	52,000
CM1, CHD 1, CHD 1+1	Band 3 (pay range B)	31,200	46,800	27,200	40,800
CM2 and CHD 2, CHD 2+1	Band 2 (pay range A)	24,000	36,000	21,600	32,400
CM3, CHD 3+1	Band 2 (pay range B)	21,600	32,400	18,400	27,600

Included in this table are the pay ranges for bands 2 and 3. At the time of writing, the range for band 4 is still under discussion and not subject to, or dependent on, this agreement.

Each pay range is built around a 'mid point' (100%), which is informed by the external market. These pay ranges overlap, creating further

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flexibility, and the maximum of each new range is greater than the maximum of current grades in all cases. There is potential to reach the maximum of the new range for those individuals who sustain a high level of performance.

CMA collective pay bargaining rights cover all of band 2 and band 3, pay range B only.

2.2 Job families and career progression

Each role in Post Office Ltd has been assigned to a job family.

Job families are groups of roles, which have similar skills. A job family framework is a 'ladder' of role profiles and each 'rung' of the ladder or profile, contains increasing skills, knowledge and responsibility, demonstrating how individuals can progress as they gain experience in the particular field and as the opportunity for promotion comes available.

The new job family framework has several purposes. It introduces a new methodology, by which jobs will be evaluated by Post Office Ltd and Unite CMA, it will help to clarify how individuals can develop their careers and enable better and more effective investment in learning & development initiatives. Additionally it will aid performance management by enabling consistent setting of objectives and assessment of performance.

There are 6 job families in the Post Office Ltd framework. Each level in the job family framework identifies similar 'sizes of role' across all 6 families. The levels will be consistent across Royal Mail Group. This is essential for a number of reasons, including equality of opportunity and the ability to consider career movements that may go outside a particular job family or business unit.

By having a framework of 6 job families, individuals can see how they can progress their careers within other fields and not just within their current 'family'. The benefit of having job families is to demonstrate development paths and allow individuals to consider cross

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development and the opportunity to develop their skills outside of their immediate area.

The 6 core job families in the Post Office Ltd framework are:

1. **Customer Service / Sales** - the purpose of these roles is to deliver effective service to customers whilst delivering branch targets. (E.g. Branch Manager, Assistant Branch Manager, Business Development Manager, Head of Business Development)
2. **Operational Management** - these roles manage a largely routine production operation of some scale with physical or information outputs to be used within the organisation or sold, and involving significant numbers of production personnel. (Eg. Frontline Shift Manager, Unit Manager (CIT), Cash Centre Manager, Current Agents Debt Manager, Cash Control Manager, Travel Products Manager)
3. **Product Management** - (including product development managers) – roles, which conceive and bring about the customer proposition which will be sold and delivered usually elsewhere in the organisation. (E.g. Product Management roles in Marketing)
4. **Professional Services** - (advisor/specialist/solution providers) – this is a Generic Family of roles, which deliver important internal services to external-facing functions or to the organisation as a whole. (E.g Finance Analyst, Finance Manager, P&OD Business Partner, POLFS & Control Manager)
5. **Project Management** - (change manager/programme managers) – these roles manage all or part of a project or process to transform the operations or assets of the organisation. (E.g Project Team Manager, Project Practitioner, Project Senior)
6. **Relationship Management** - these roles manage external relationships to deliver various benefits to the business unit.

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(E.g. Compliance Policy and Standards Manager, various roles across the Marketing Directorate)

2.3 Job Mapping to the new bands

Each role in the organisational structure has been evaluated and mapped to the appropriate new band. On migration to the new bands, individuals in these roles will be allocated to the appropriate new band and pay range.

In the vast majority of cases, roles have been mapped to the equivalent band as shown in the table on page 4, although there are a small number of exceptions where roles have been mapped to either a higher or lower band. In these cases, special arrangements for the purposes of migration will apply and these are outlined later in this document.

JVPs (Job Value Payments) will cease to exist in the new framework and will be consolidated into basic pay, apart from those enjoying pre-existing MTSF arrangements whom will not have JVPs consolidated. Existing arrangements for these individuals will continue.

2.4 Salary ranges

There are pay ranges for London and National. Each pay range is built around a mid point, which is 100% of the range. Inner and Outer London allowances will be consolidated into the new London range.

The pay ranges will apply to all functional areas.

Market data will be analysed twice a year using established market surveys and refreshed and published annually in readiness for annual pay negotiations.

Pay ranges and the data on which they are based will be shared with Unite CMA.

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2.5 Bonus arrangements and Benefits pots

With the introduction of this new framework, bonus percentage awards for Unite CMA represented grades, with the exception of those individuals that belong to the Network Incentive Scheme (formerly Goldmine) will become directly linked to individual's consolidated pay amounts. Where allowances are being consolidated into basic pay as a result of the move to the new framework, this means that these consolidated allowances will also become bonus-worthy.

Bonus and benefit arrangements for BPC 8 and BPC 7 moving to band 4 and for BPC 9 moving to band 3, pay range A will remain.

Where individuals are mapped to these pay ranges from lower grades, the arrangements in these circumstances will be dealt with later in this agreement.

2.6 JVPs

On 25 September 2006, Post Office Ltd moved to a new organisational structure, where roles were evaluated using a different methodology which looked objectively at the accountability of the roles.

On migration to the new organisational structure, individuals who had been in receipt of JVPs as a result of their pre-OD role were allowed to keep them, pending this review.

On migration to the new framework, colleagues currently in receipt of JVPs will have them consolidated into base pay, regardless of the role they are now doing.

However, those who moved role prior to OD and lost entitlement to JVPs and therefore were already on a marked time arrangement, will continue with those marked time arrangements.

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2.7 Consolidation of allowances

On migration to the new framework, those managers in receipt of the following location allowances will have them consolidated into their basic pay:

- London Weighting,
- Defined Area Payment
- Scottish Islands allowances

These location allowances will then cease to exist.

3. COLLECTIVE PAY BARGAINING

Unite CMA rights to collective bargaining in respect of grades CM1, CM2, CM3 and CHD equivalents are unaffected by the introduction of this agreement.

Roles in these grades have translated into the new framework as all jobs in band 2 and band 3, pay range B.

Unite CMA and POL will continue to negotiate the pay awards for individuals in bands 2 and band 3, pay range B albeit based upon the new market and appraisal based reward structure – outlined further in this document.

4. PAY PROGRESSION

4.1 Progression of pay for Band 2 and Band 3, pay range B

The principle is that the level of pay a manager receives correlates with their level of contribution.

The benefit of this new framework is a more flexible approach to reward with more opportunity for an individual to progress pay without being dependent on promotion.

This pay progression approach will replace all existing models. The core element will be pay awards based on an individual's PDR

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Marking

For band 2 and pay range B in band 3, the overall pay award pot will be negotiated with

Unite CMA and distributed using principles outlined as follows:

The business commits to distribute the agreed pay pot by allocating different amounts to individuals based on their PDR marking and their position against the market.

Awards for each PDR rating, for represented grades, will be negotiated with Unite CMA.

Distribution will be within the parameters of the agreed pot available. The pot average will be awarded to those in receipt of a PDR 3 marking.

Those with a PDR of 4 and 5 will benefit from additional amounts.

Those with a PDR 2 will receive less than the pot average.

People receiving a PDR 1 will not receive a pay increase.

The new system provides the opportunity for individuals to receive increases above the maximum of the range although these will normally be paid as unconsolidated cash amounts.

4.2 Pay awards outside of the annual process

Outside of the annual process, there will be provision within budgetary constraints for exceptional pay awards to cover circumstances under which additional pay would be appropriate. Governance arrangements will be in place to ensure all pay award decisions are made fairly and the appropriate level of authority is involved in making the decision.

A large proportion of additional pay awards in-year are due to people taking on additional accountabilities in their jobs, or covering a different job, largely on a temporary basis.

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The following section covers pay awards specifically for represented grades. The management of senior managers (band 3, pay range A and above) will continue as is currently.

Guidelines will be given to P&OD Business Partners to ensure they support line managers in making all management pay decisions. In the cases of represented grades, guidelines have been jointly developed with Unite CMA.

There are a number of standard circumstances where pay awards (permanent or temporary) outside of the annual process can be given.

These are:

- Pay review on moving to a role in a higher pay range.
- Pay review where an individual takes on additional accountabilities / special projects (the pay increase could be temporary for either a fixed or variable period). In these circumstances where an individual moves to a higher pay range, the temporary increase to pay will follow the same principles as if the individual is moved into the role on a permanent basis.
- Where an individual moves between National and London locations, their pay increase will be on a comparative ratio ('compa ratio') basis, i.e. they will be paid at the equivalent % point in the equivalent London range.
- Pay review in exceptional circumstances where the business is at risk of losing critical skills or knowledge if an individual leaves (Directors would authorise this)
- Other circumstances which may arise, and for roles in band 2 and band 3, pay range B, these will be shared with Unite CMA.

4.2.1 Appointment on a temporary basis (replacing Temporary Promotion)

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The following process for dealing with temporary pay awards outside of the annual process will replace the current temporary promotion and substitution arrangements and are relevant to moves once the framework is 'live'. Pay award provision in respect of *migration* to the new framework will be dealt under a separate section of this agreement.

An increase to basic pay will be given on a temporary basis if the individual is performing a role, which is at a higher pay range. Where this is for a fixed or temporary term of longer than six months, the increase will be consolidated (pensionable) to basic pay for the temporary period.

In exceptional circumstances, an individual may be performing a role, with increased accountabilities. This could be to address specific short-term business needs and in such cases may be addressed by an unconsolidated cash payment. This unconsolidated cash payment can be made at either regular intervals throughout the period or at the end of the period, whichever is most appropriate.

The Head of P&OD has to sign off such an arrangement.

Where an individual covers a role on a temporary basis (not including substituting) for less than 12 months within a performance year (defined 1st April to 31st March), any bonus payment awarded will be a pro rated payment to reflect the time spent in all roles during the financial year.

Where an individual covers a role in band 4 or upper band 3, they are not entitled to the benefits package, as applies now, as it would not be appropriate to award this for a short period.

4.2.2 Temporary Cover on a short-term basis (replacing Substitution)

This applies where an individual is needed to substitute a role in a higher pay range, covering absence outside and annual leave. As now, this does not apply in the case of manager's regular days off.

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As now, in the cases of short-term cover, payment will be made on an unconsolidated (non-pensionable) basis, for the period covered. The payment will be raised to 10% or to the minimum of the higher pay band whichever is greater.

4.3 Promotion and in band development moves

Promotion is the permanent movement of an individual from:

Band 2, pay range B to Band 2, pay range A
Band 2 to Band 3 or above
Band 3, pay range B to Band 3, pay range A
Band 3 to Band 4

Promotion to a higher pay range will attract a substantial salary increase of a minimum of 10% or to the minimum of the appropriate band whichever is higher.

Pay will then progress through the range using the criteria detailed in section 4 (and see 6.6).

Moves *within* a pay range to address particular circumstances may attract an increase to the basic salary, up to the maximum of the range. Such moves, including the agreed increase amount have to be signed off by a Head of P&OD. Any amount paid above the maximum of any range will attract an unconsolidated (non-pensionable) monthly payment.

5. PERFORMANCE MANAGEMENT

5.1 Relative Performance

As the PDR rating will now be a critical part of the pay award process, the principle is no surprises at year-end, especially for those rated a PDR 1 or PDR 2.

Performance in Post Office Ltd is measured on a relative basis, which

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means the performance of each individual is considered against the performance of the rest of the individuals in the same band and work area, in order to understand and raise the performance of the business as a whole.

However, every individual manager's contribution is critical to the success of the business and everyone is entitled to have their performance properly managed and supported, to enable them to sustain their performance and develop their individual potential.

In order to achieve this, the business is committed to continuing to equip line managers with the necessary skills to ensure they manage the performance of their people, develop individual potential and ensure their teams know how they are performing, to allow them the opportunity to improve and develop as they move through the year.

In order to ensure this, everyone will have:

- Recorded monthly one to one discussions with their line manager
- A performance plan* which outlines their development path, regardless of their PDR rating
- A formal assessment of their performance and a PDR rating on a six monthly basis, which has been assessed in relation to their peers.

Individuals who are not accepting of their PDR rating can either speak to their line manager informally or may choose to raise a grievance. The existing 3-stage grievance procedure as detailed on HR Help should be used, however there is an option to bypass stage 1 as detailed in the grievance guidelines. If an individual wishes the second line manager grievance meeting to be taken out of the direct line then they can request for this to happen by putting their grievance in writing to the Gateway team in P&ODS, they would then nominate an alternative manager at a suitable level to hear the grievance. The timescales for hearing the grievance as outlined in the current policy will apply.

*The performance plan is contained in PaLMS (Performance and Learning Management System) and includes the individual's

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business and personal objectives, their personal development review, career aspirations, feedback, examples and evidence of their performance. It will also contain line manager's comments, observations and details of support that they will provide.

Due to technical difficulties with accessing PaLMS, for the performance year 2007/2008, all Crown managers' performance plans will remain paper based and ratings submitted to P&ODS via Business Development Managers and P&OD Business Partners.

The purpose of the performance plan is to allow people to be clear about what is expected of them in their role, how they will be measured and how they intend to develop their skills, sustain performance levels and realise their potential.

5.2 New to Role

People that are new to role will not automatically be given a PDR 2 rating. They must be set objectives considering their circumstance as new to role, and their performance measured against these objectives and the leadership behaviours. They will then be awarded whatever PDR rating is appropriate.

5.3 Performance assessments for people moving roles in year

From 2007/ 2008 performance year, all managers will have a formal assessment at full and half year. The performance year runs from 1st April to 31st March, therefore half year reviews should be completed taking into account performance from 1st April to 30th September. Performance reviews for half and full year will begin at the start of October and April and the full process completed by the end of October and end April respectively.

Should an individual move roles during the performance year, the existing line manager will complete a performance summary at the time of the move.

The full year assessment should take into account performance at both half and full year, but should be a rating, which reflects the

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relative performance of the individual across the entire 12-month period. For people moving roles, the full year assessment should take into account performance in both the old role and the new role.

6. MIGRATION TO THE NEW FRAMEWORK

6.1 Timetable

Unite CMA will put the proposals outlined in this agreement to ballot. Providing the agreement is confirmed by the membership, all managers will move across to the new framework. This is likely to happen in two distinct phases:

- Migration of Crown Office Branch Managers and Assistant Branch Managers
- Migration of all other managers in Post Office Ltd, up to and including BPC 7 and CPC

All changes to pay and terms and conditions will take effect from the migration dates and will be reflected in the next available pay date.

Crown Office BMs and ABMs will 'go live' on an individual basis as roles are taken up in the new management structure. Managers that have been appointed to Crown Office branch roles, but are remaining with a branch until it transfers to WH Smith will be dealt with on an individual basis.

All other managers, outside of Crown Office branches, will migrate across en masse on a specific date.

On migration, line managers must ensure that all staff have clear objectives for the remainder of 2008 and these are revisited if necessary.

6.2 Alignment of Terms & Conditions

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All individuals will receive a letter outlining how their terms and conditions will change under the new framework. Draft letters will be shared with Unite CMA.

6.3 Job mapping

P&OD Business Partners, involving senior leaders within the business area and in partnership with Unite CMA representatives, have mapped all jobs across to the new bands.

All managers will be advised of their new band and pay range, before the migration happens.

The Head of the area has the responsibility to ensure that each role in their team has a job description, which clearly outlines the accountabilities of the role and is detailed enough to enable individuals to know what's expected of them. Completion of these JDs is the responsibility of the senior leader in the area, and their P&OD Business Partner will support them to achieve this.

6.4 Treatment of individuals mapping into higher bands

6.4.1 Represented grades outside of Crown Branch Offices

For represented grades outside of Crown Offices that are in roles mapped higher than their read across band, the individuals' current pay will be reviewed against the salary range of the higher band and they will receive an increase to pay in line with the new pay on promotion principles of 10% or to the minimum of the range, whichever is greater.

For represented grades moving into band 3, pay range A and above, these individuals will become entitled to the benefits and bonus provision appropriate to the new higher band from the date of migration.

6.4.2 For represented grades within Crown Branch Offices

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Where managers have been appointed to bigger branch offices than they currently manage, identified using the principles outlined in the table below, the new pay on promotion principles of 10% or to the minimum of the higher range will also apply.

The following model will be used to identify Crown Branch Managers that are moving to bigger roles in the new Management Structure:

Existing Grade	Large Flagship Branches (3b)	Flagship Branches (3b)	Large Commercial (2a)	Smaller Commercial (2a)	Sales & Service (2a)
CM1, CM1+JVPs	No change	No change	---	---	---
CM2+3	Increase	No change	No change	---	---
CM2+1, CM2	Increase	Increase	No change	No change	No change
CM3	Increase	Increase	Increase	No change	No change

6.5 Pay Protection

Where an individual is defined as a 'Surplus Employee', has been offered and rejected Voluntary Redundancy on full terms, and has been placed into a role within a new band / pay range in the new framework, that is lower than the 'read across' grade in the current grading structure, then the pay protection provisions of MTSF will apply.

In all other cases, where an individual has been mapped down to a lower band / pay range on the introduction of the new framework they will retain their existing base salary (including the consolidation of any JVP's or allowances as defined elsewhere in this agreement) and be subject to the PDR related pay progression arrangements defined in this agreement.

Senior managers mapping into roles below band 3, pay range A, will have a reserved right to their benefits pot for a period of four years. If they have opted to take a company car, when the renewal date for their company car falls within the four years, they will not be able to renew the car, but will remain in receipt of the allowance, which will be paid in cash.

Bonus entitlement will be adjusted to the appropriate level for the full bonus year after implementation, i.e. 2008/2009.

The underlying principles of migrating to this new framework and protection of pay are as follows:

- Individuals will be no worse off at implementation
- Pre-existing reserved rights and MTSF agreements for individuals will continue to be honoured and will not be affected by this agreement.
- Pre-existing temporary promotions will be reviewed on an individual basis.

6.6 Incremental Awards

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All existing increments due under current terms and conditions will be honoured where individuals are not being promoted during the move to the new framework. These incremental payments will be made in addition to pay awards in 2008, 2009 and 2010.

All new Unite CMA represented grades (band 2 and band 3, pay range B only) appointments from the date of migration to the new framework will be made subject to the terms of this agreement and will be into the new system. Likewise, any promotions made following migration will be subject to the new pay on promotion conditions.

Crown BM and ABM roles will be subject to the new system from the date the individual takes up their appointment in the new management structure.

Following this agreement, POL and Unite CMA will meet to agree the processes and methods by which new promotees and new entrants as well as those below the minimum will progress through pay ranges in bands 2 and 3, pay range B by 31st January 2008.

7. MTSF IN THE NEW FRAMEWORK

In the event that individuals are made surplus after the introduction of this agreement, the business will honour the protection arrangements, which apply at the relevant time.

Individuals who perform roles in lower pay ranges than their substantive read across range, and are protected by 4 years MTSF pay protection (as outlined in section 6.5), will receive no less than the pot average of their substantive pay range.

Individuals that are 'blocking' and 4 years MTSF pay protection does not apply, will receive the agreed percentage increase according to their PDR rating.

It is the intention that individuals are given objectives appropriate to their substantive level, and performance managed against these objectives. In practise, this may not be possible where someone is

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covering a CWU graded role. Where the job practically allows this will apply in other areas. In these cases, their performance will be measured among peers in their substantive group and they will then be given the agreed appropriate percentage increase.

8. 2008 TRANSITION ARRANGEMENTS

Pay awards will be made in line with the new approach outlined above, from 2008. For 2008 however, specific transition arrangements will apply to PDR 2's. Those in receipt of a PDR 2 will receive 85% of the pot average increase.

9. ONGOING JOB EVALUATION AND METHODOLOGY

Job evaluation will become the responsibility of P&OD Business Partners, in partnership with Unite CMA, using the methodology outlined in the job family document.

The P&OD Business Partners are also required to facilitate the line's accountability for ensuring Job Descriptions are adequate enough to enable evaluation.

Heads of P&OD will be required to sign off any changes as per the Post Office Ltd Change Control process before any jobs are evaluated.

10. HARMONISATION OF NATIONAL WORKING HOURS

As part of this agreement and in line with a commitment made in last year's pay deal, the working week for all CM grades and CHD equivalents based outside of London will be reduced to 41 hours (including meal relief). This will bring them into line with London managers who already work 41 hours.

11. EQUALITY

Post Office Ltd is committed to the principle of Equality and Inclusion and believes it's imperative to the success of the business. The business is acutely aware of the huge demographic and social changes occurring in the UK, and it recognises that embracing these changes is vital for the effective running of the business. Royal Mail Group is fortunate to have a significant level of expertise within the business in these areas, and is committed to work in this area.

We already have made significant investment into Diversity training with our managers. This training has included a video specifically aimed at addressing Bullying & Harassment in the workplace and we have posters on these subjects displayed in branches. Royal Mail group has also won 2 awards in the last 2 years for our work in this area. Business in Community's Best Diversity Company and Opportunity Now's Best Gender Company.

These examples are intended to give assurance as to how serious we are as a business, in relation to these subjects and work in this area will continue.

In 2005 Post Office Ltd introduced Driving for Success, a new system of performance management. At this time the business undertook significant investment in training managers in the new system. Going forward Post Office Ltd will be continuing to provide managers with training in performance management, to ensure they understand the changes to the reward framework and their responsibilities in terms of performance management, and the legislative context within which the New Grading and Performance Related Pay arrangements will sit.

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This ongoing work will include specific guidance on how to deal with employees who take maternity or other family leave, part-timers and disability-related issues.

P&OD Business Partners have been trained in the use of the business's job evaluation methods and will do so in partnership with Unite CMA.

Clear guidance will be available for all managers in respect of the business's performance management principles and comparative analysis will be undertaken at relevant points to identify any potential areas of concern. Appropriate action will be taken, in the event the business identifies any potential areas of concern.

12. SIGNATURES

On Behalf of Post Office Ltd:

Debbie Moore
P&OD Director

Helen Cowper
Head of Reward
and Performance

On behalf of Royal Mail Group:

Steve Bell
Insert job title

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On behalf of Unite CMA

Tony Harris
Pinnell

Assistant National
Sector National
Secretary
Council

Carol Daykin

CMA Sector National
Executive Council

Phil

CMA
Executive