

PAY, BONUS AND PROFIT SHARE PROPOSALS 2009

AGREEMENT REACHED – CLERICAL AND APPOINTED GRADES ONLY

Following huge media speculation and the ultimate intervention of the Government and UK Financial Investments (UKFI), the RBSG recently announced its proposals for pay, bonus and profit share for 2009.

UNITE can confirm that an agreement has been concluded for Clerical and Appointed Staff. A key factor in reaching an outcome has been a negotiated agreement around both an increase in the base salary budget and an alternative to the existing profit share scheme as a result of the continued financial difficulties that face the Group.

Negotiations took place with the bank during January, at which time an agreement on pay and reward for Managerial graded staff was also reached. At that time it was intended that the trade union and the bank would issue a simultaneous communication around pay and reward as part of a planned process. However in recent weeks members will have been aware of the frenzy of media activity and mounting negative public opinion over the bonus culture within the Financial Services Sector. The impact of this was that with very little advance

warning, the bank had to bring forward their announcement on pay, bonus and profit share and UNITE found themselves in the impossible position of having to respond to a situation which evolved over the course of a few hours.

In the final analysis, in light of the Government now having a 68% stake in RBSG, their holding company UKFI intervened, with a decision being taken to make significant changes to the agreement reached between UNITE and the bank for all staff across the Group. This decision has unfortunately also impacted on the agreement that UNITE negotiated for Management graded staff in respect of alternative profit share arrangements. Further detail on the Pay and Reward position for Managerial Graded staff will be covered in this newsletter; however the situation at the time of writing remains unclear.

PAY CLAIM

In December 2008, following extensive feedback from members, the Unite National Company Committee (NCC) agreed to submit a pay claim with the following key elements:

- **An overall increase in the pay pot to meet at least the November RPI figure of 3%.**
- **For 2009 every member of staff to receive an increase in their basic salary.**
- **Guaranteed Profit Share or equivalent payment of 10%.**
- **Guaranteed retention of the final salary pension scheme for existing members.**

OUTCOME OF NEGOTIATIONS

Your trade union entered negotiations during what continues to be a tumultuous time for the Group, however we made it clear to the bank that we would not accept a position whereby RBS staff and UNITE members suffered a detriment in pay or terms and conditions as a result of the continued financial crisis for which they bear no responsibility.

In responding to UNITE's pay claim the bank reiterated their performance and market pay philosophy, however acknowledged that they entered pay talks in a very different financial position to previous years and this had a significant impact on the pay proposition on offer.

For 2009, the agreement reached on pay has 2 key elements, an increase in the overall base salary bill and an alternative proposal around profit share.

Increase in Base Salary – Clerical and Appointed Grades Only

The settlement represents a modest increase in the bank's base salary offer, with headline figures being:

22% of staff receiving 4% or more

48% of staff receiving 3% or more

60% of staff receiving 2% or more

During negotiations UNITE once again sought to significantly reduce the number of members receiving zero pay awards through a claim for improvements in the percentage award available in the fixed and variable matrices where there was the potential to award zero rises to Level 3 and 4 performers sitting below 120% in range.

The bank agreed to revise their initial pay offer replacing zero increases in matrices for all Level 3 and 4 performers sitting below 120% in range with a modest award of 0.25%. These improvements have a positive impact on c. 2000 staff.

In isolation the bank's base salary offer is clearly disappointing and the union stressed the importance that a significant improvement around base salary increase would be required in future pay proposals.

Increase in Value Account Funding – Clerical and Appointed Grades Only

Well in advance of the beginning of negotiations, UNITE had been pressing the bank to address the question of profit share. Our members have told us consistently that they rely on this payment to supplement take home pay and to pay essential debts, the continuation of an equivalent payment was therefore a key element of UNITE's pay claim.

Agreement has been reached on an alternative proposal which will in effect replace the existing profit share scheme in its entirety and will be effective from 1st January 2009.

- **10% of base salary will be added to the Value Account of all Clerical and Appointed graded staff.**
- **A lump sum backdated payment equivalent to 4 months (representing the introduction of the new arrangements on 1 January 2009) will be paid to all Clerical and Appointed staff in April.**

- **May 2009 onwards will see the 10% increase in Value Account paid in equal monthly payments.**

- **The 10% Value Account increase will also be applied to any ongoing pay increases received.**

This additional funding represents an ongoing payment and an increase in monthly pay, which will be contractual for Clerical and Appointed staff, including new joiners. Employees on maternity leave, paid sick leave and long-term disability will also benefit from these proposals. Any employees who leave the employment of the Group for any reason between January and April 2009 will also receive an equivalent back dated payment in April to reflect their period of employment during 2009. Staff will have the option to take the additional Value Account funding as cash or to use it to exercise RBSelect options.

During the course of negotiations the union managed to gain the bank's agreement to extend the new proposals to members of staff who remain on legacy contracts as well as a commitment to an appropriate adjustment being made to the Value Account of part time staff who work excess hours. All Clerical and Appointed RBS employees in the UK with the exception of those working in Global Banking Markets will therefore benefit from these proposals.

Guaranteed Retention of the Final Salary Scheme for all Existing Members

The bank responded to this element of the union's pay claim by pointing to the strategic review of the business that is currently being undertaken by the Group's new CEO, Stephen Hester. Whilst there are no current or planned proposals around changes to existing pension arrangements, unfortunately the bank were unable at this stage to provide a firm commitment around the guaranteed retention of the scheme. Clearly this is an area where we will continue to seek reassurances from the bank.

Performance Ratings and Zero Awards

Under the bank's pay matrices, pay awards are driven by performance. Of those receiving a zero pay award in base pay, around 73% have been rated as Level 1 or 2 performers. Therefore if any member

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feels they have been unfairly rated, particularly those receiving zero pay awards, then you are encouraged in the first instance to have an open discussion with your Line Manager regarding your rating.

Should this prove unsuccessful and members wish to formally challenge their rating, they should contact their local workplace representative or the RBS Member Helpline on 0870 241 4425.

MANAGEMENT GRADED STAFF – CURRENT POSITION

UNITE did not agree to, nor do we support the decision to withdraw the increase in Value Account funding for Managerial staff. We are extremely disappointed and angry that Managers who bear no responsibility for the current position of RBSG have now paid the ultimate price and have been branded as “fat cats”. At one point the whole agreement around the alternative profit share proposal was in jeopardy for all staff across the Group, however your trade union managed to salvage part of the deal which will benefit c 60,000 staff across the Group. Unfortunately there was no scope for negotiation for the Management population, the bank themselves made genuine efforts to retain the agreement that had been negotiated with the trade union, but it became clear that the ultimate decision was outwith the control of both the trade union and the bank.

The deal that had been reached represented the following:

- **5% of base salary was to be added to the Value Account of all Management graded staff, with an additional ongoing opportunity to earn a further 10% in discretionary bonus first payable in March 2010.**

The initial decision to accept the bank's pay offer for Managers was based on the combined agreement around pay and profit share. In isolation the union are no longer supportive of the bank's final base salary pay offer for Managers and we have requested urgent talks to re-open negotiations on the pay pot.

UNITE will also be taking legal advice on the withdrawal of the negotiated agreement around profit share and will use our political influence to raise our serious concerns around Managers and GBM directly with the Government.

In reaching the settlement for Clerical and Appointed staff the UNITE NCC has taken into account a number of factors:

- **Feedback received from members both throughout 2008 and in response to our pay claim in advance of the salary negotiations.**
- **The bank's proposals around an alternative arrangement to the payment of profit share.**
- **The improvements made on the bank's initial base salary pay offer having a positive impact on the number of zero awards.**
- **The continued financial difficulties that face the Group and exist throughout the entire economy.**
- **The outcome and progress of pay negotiations in other parts of the Finance Sector.**

UNITE acknowledges that some employees will be disappointed with the 2009 settlement on base salary and stressed to the bank that in the absence of the alternative proposals around profit share, this would have been quite simply unacceptable. The union once again maintains concerns over the number of zero awards, notwithstanding the improvements achieved, and the increase this year in Level 2 performers across the Group.

The UNITE NCC, although recognising the depth of the financial turmoil afflicting the finance sector currently and the particular impact upon RBS, is of the clear opinion that RBS staff and Unite members remain hardworking and committed, therefore should continue to be rewarded, particularly as large parts of RBS remain highly profitable.

In terms of the alternative proposals to replace the historical profit share arrangements, again UNITE recognise that many members who previously enjoyed a lump sum payment equivalent to 10% of salary will be disappointed at losing this key Total Reward benefit. The increases in Value Account are also contractual and will rise in line with future pay increases, which will be paid regardless of the performance of the Group, whereas Profit Share was of course dependent upon a profit being recorded

Notwithstanding the withdrawal of the agreement reached for Managers, the trade union believe that the bank did make genuine attempts to acknowledge the efforts of staff during what continues to be an extremely difficult period for RBSG. UNITE broadly welcomes the proposals for Clerical and Appointed staff with the Negotiating Team confident that these new arrangements represented the best deal possible and will go some way towards motivating staff who have made RBSG so successful in the past.



Changes to Bonus Arrangements

On the back of Government intervention, the bank has also announced a number of changes to their bonus schemes and has confirmed that no discretionary cash bonus payments will now be made for performance year 2008, a position that has not been agreed by the union. The bank has also confirmed that it will be undertaking a fundamental review of its pay and reward structures, a move which is broadly welcomed by UNITE. Members will be aware that for many years UNITE has campaigned for a fair and transparent pay system based on a cost of living, pensionable increase for our members as opposed to a reward structure that is divisive and centred around performance, with bonus being used to supplement minimal increases in base salary pay and UNITE will be seeking to forward this agenda.

Notwithstanding this we realise that staff who have worked hard and continued to perform well during a period of sustained difficulty will be disappointed with the new bonus proposals. What is clear at this stage is that there is very limited information currently available on the proposed changes to these arrangements. We have stressed to the bank that further detail and clarity needs to be provided as a matter of urgency and whilst bonus arrangements are not negotiable we have sought and received assurances from the bank that they will engage fully with UNITE on these plans.

Increased Government Shareholding & Job Speculation

The withdrawal of a negotiated settlement as a result of Government intervention is a huge concern to UNITE and poses the very serious question of what the Government's future involvement and influence will be on the real issues that affect our members in the workplace on a day to day basis. In this regard we are using our political influence to seek urgent talks with the Government.

In recent weeks further difficulties have been experienced by RBS with the Group recently recording an annual loss of c£8bn, along with further massive write-downs. This has naturally led to speculation in the press and heightened anxiety among staff regarding job losses, indeed some 2300 job losses have recently been announced across RBS UK. In the event of any plans to reduce headcount within RBS, the bank is committed to engaging and consulting with UNITE at the earliest opportunity and the trade union will do everything possible to avoid compulsory redundancies and protect jobs, as well as supporting members.

What Next?

UNITE has serious concerns for our Management graded and GBM members, many of whom will be demotivated by recent events and are now faced with the prospect of having to lead their staff and the Group back to success. We will communicate further as soon as we have further information to share.

In early March the bank will communicate full details of how this year's pay settlement impacts upon you individually and initial queries should be directed to your line manager.

UNITE will continue to meet the bank during the course of this year at regular pay and policy forum meetings. These meetings provide an opportunity to keep our members' priorities on the agenda. We will provide updates on the progress of negotiations via member newsletters to your workplace and our quarterly publication Catalyst Magazine which is delivered to all members at their home address.

Pay 2009

Enquiries/Feedback

At the time of writing our Member Helpline and Workplace Representatives have been inundated with calls and questions from concerned members.

There is very limited information available particularly around bonus arrangements and the bank have committed to updating Insite on a regular basis.

In the first instance we would encourage members to address pay queries via your Line Manager, alternatively you can contact our Member Helpline or email the trade union at rbsinfo@unitetheunion.com

We always welcome feedback from our members.

Not A Member?

Join UNITE's 2 million members and have a voice within The Royal Bank of Scotland Group.

As well as receiving support, advice and protection for £9.95 per month for full time staff and £5.78 per month for part time staff working less than 20 hours per week.

There is also a young person's rate for under 21's of £4.98 per month.

Membership forms can be obtained via your local workplace representative or you can join on line at www.unitetheunion.com