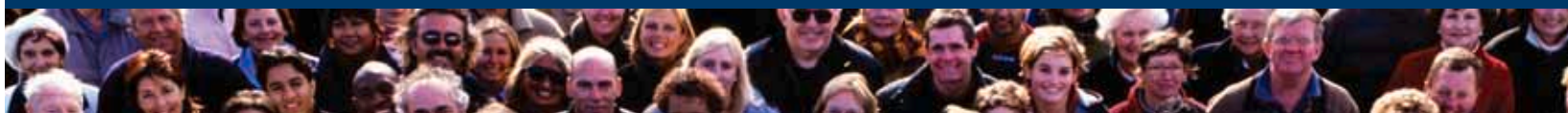


Amicus

amicus
the union

WORKING FOR YOU IN HBOS NEWSLETTER

APRIL 2005



PAY 2005

Amicus members have overwhelmingly accepted the bank's offer of a 3.5% pay pot for the 2005 pay deal.

Amicus recognises that the settlement is in line with the December inflation figure, which went down in January to 3.1%, but with the bank's commitment to a full Total Reward Review and Pensions Review, our members were satisfied with this deal.

The company has recently posted the annual results, which again are very successful and go towards job security for HBOS colleagues. Job security and pensions security are the two main priorities for Amicus in 2005 within the finance sector and we will represent and campaign for our members vigorously and use all means available.

Negotiations are now concluded at Divisional level on the distribution of the 3.5% pay pot - details for each division are overleaf.



Appraisals

As the company's pay philosophy is based on performance and therefore a corresponding pay rise, appraisals in HBOS are essential to future earnings. HBOS is committed to ensuring that pay rises are awarded irrespective of gender, colour, creed, marital status, or sexual orientation.

However, Amicus recognises that colleagues may find themselves in a situation where they feel their award has been given unfairly or in a subjective manner. We need to ensure that pay rises are fair and equitable and as a result, we have insisted that each of the Divisions hold a 'pay post mortem' and share the results with the union.

It is essential that if you are unhappy with your appraisal rating you take advice from Amicus on how to pursue a satisfactory conclusion.

Firstly, you need to have a one-to-one discussion with your line manager to outline your concerns and to 'set the record straight'. If you are still unhappy, you should contact your local NCC member or Amicus seconded rep, who will be only too happy to give you advice, support and representation.

John Nolan, National Secretary

If you require any further information, please contact Bill Blenman on 0141 332 8673 or Nathalie Carr on 01244 895032. Alternatively you can email us on unifisupport.hbos@unifi.org.uk



RETAIL PAY 2005

Following extensive negotiations and an overwhelming endorsement by the membership, we have now agreed the pay distribution within Retail for 2005. Pay is one part of the Total Reward package. Others include bonuses, share benefits (including free shares), employee benefits and pensions.

The arrangement set out will apply to all colleagues in Retail on Levels 1-5, with the exception of those listed below:

- Customer Service Centres
- Level 1 colleagues in Retail Contact Centres
- Collectors in Collections & Recoveries
- Intelligent Finance
- Birmingham Midshires
- Retail Business Banking
- BOSIS

All of the above have separate arrangements and will be covered further in future communications.

Devolved pay

A pay budget of 3.5% will be applied in Retail and the full pot will be spent.

The company wishes to concentrate on the business and staff with the greatest need and this will be the Level 1 population.

Amicus welcomes this move, which will go some way to addressing the low pay issue.

However, we are still extremely concerned that long serving members of staff are still falling behind on their base pay.

The company has committed themselves to addressing this issue during 2005 and has agreed to participate in the Total Reward Review, which is taking place throughout the Group during 2005.

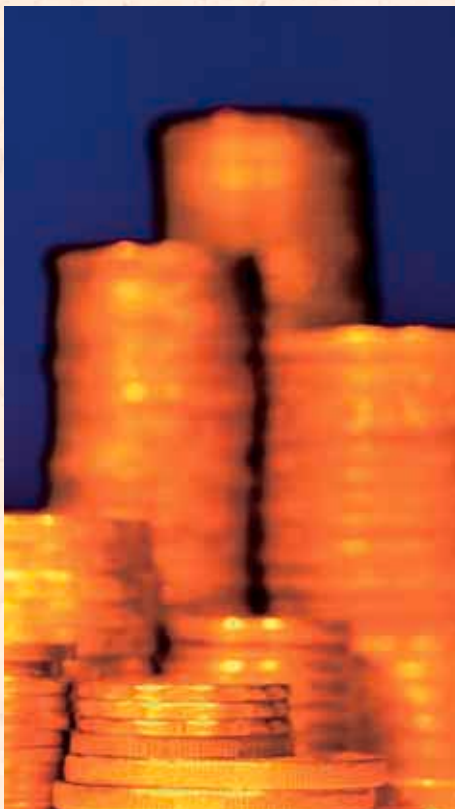
Amicus will play a full and active part in the negotiations with a view to seeking improvements which will not adversely affect our members' appeals.

In addition, the company has committed to one-to-one interviews for all staff and this will include discussing the current total reward package being paid to individuals.

APPEALS PROCESS

Amicus has secured an appeals process for members in Levels 1 and 2 who are not happy with the rationale being given in relation to any award made.

This should be raised in the first instance with your line manager. Amicus reps will be available for advice and support and any representation that may be required should an appeal be made by the member.



Retail Contact Centres

We will publish a separate communication on Contact Centre pay in the near future.



PAY IN CORPORATE

Pay Framework

Colleagues in Corporate have recently seen a change in their pay framework as a result of the harmonisation process of the former Corporate and Business Banking Division pay structures. This exercise was pursued under the banner of Project Purple.

Corporate Division's HR engaged Amicus early on the harmonisation proposals and negotiations were constructive and fruitful.

The purpose for the new pay framework was to move from the interim arrangements that were created during the Bank of Scotland/Halifax merger and to introduce a more open and transparent pay structure that is more reflective of the external market.

Negotiations were concluded and the new pay framework was operational from 1 January 2005.

The main elements this will mean to colleagues within Corporate are

- A broadband for each level based on market data
- Three tiers within Level 1
- Two tiers within Level 2
- Typical range for each tier/level will be 80%-120% of the market midpoint
- Increase to at least 80% of the appropriate market range for all colleagues in Levels 1 and 2

The result of this means for colleagues in Corporate that over 200 members will have received an immediate pay increase effective from 1 January to bring them up to 80% of the market rate.

Amicus was insistent that this cost would not be met out of the agreed 2005 pay pot and it was agreed that any additional costs would be met by the business and not by other colleagues. We were equally insistent that colleagues who found themselves above 120% of the market rate would not be adversely affected but would have their current salary protected.

Pay 2005

Following the agreement with Group on the pay pot of 3.5%, negotiations took place to determine the distribution of the pot, the result of which was communicated to you in your Total Reward Review on 2 March.

To ensure fairness, Corporate HR was very positive in the applying of the pay pot distribution in that managers should allocate awards to

- Colleagues who have met or delivered above expectations
- Move colleagues closer to their new midpoint where they have delivered against expectations
- Recognise and reward individuals who have made contributions more than their peers

Although there was no guaranteed minimum increase for colleagues in the 2005 settlement, any member who was given no pay rise should have anticipated this and this would only be if they were delivering well below expectations. However, Amicus was satisfied that Corporate HR did give line managers the opportunity to take individual circumstances into account when applying 0%.

- Pay awards would be applied to base pay, with the exception of those colleagues who currently sit above the maximum for their level who would receive a non-consolidated award. Where members were sitting close to the maximum, the line manager should have considered a combination of consolidated and non-consolidated award. Colleagues who have received a pay award through the new Pay Framework should also be included in this pay review and receive a suitable award where applicable.

All colleagues should have had a one-to-one with their line manager following receipt of their reward letter to discuss any issues/concerns.

To ensure fairness and equity, Managing Director/Head of Function/Head of Team discussed the pay proposals with line managers prior to sign off of their recommendations. It would be their responsibility to ensure that the full pot has been spent.

If any member has concerns/issues regarding their pay award, please contact your seconded representative to discuss. Alternatively, email Amicus at unifisupport.hbos@unifi.org.uk.





GROUP DIVISION PAY

Pay Framework

All of Group Services colleagues have recently been informed that the company has evolved the pay framework to properly reflect market conditions. To date a review has taken place in Group Risk, Group Functions, Group Finance, Group Programmes, Group HR and Group Services.

In line with other divisions within HBOS, Group has introduced

- Typical range for each tier/level will be 85%-120% of the market midpoint
- Increase to at least 85% of the appropriate market range for all colleagues

This review has resulted in 1369 colleagues receiving a pay rise backdated to 1 January 2005.

Following the agreement with Group on the pay pot of 3.5%, negotiations took place to determine the distribution of the pot.

Group Functions HR has committed to fairness and equity on the distribution and has issued robust guidelines to line managers to ensure they are satisfactorily applied. As a result managers should allocate awards to

- Colleagues whose performance and objectives have been achieved
- Colleagues who have made a contribution to the business
- Where a colleague's salary position within the pay range is considerably lower than their peers

Colleagues should be aware that Amicus has secured:

- A commitment to ensure the full 3.5% pay pot is spent
- Consolidation of pay award into base pay if salary is within pay range
- Where a colleague's salary is above the maximum of the salary range, the colleague will get at least a non-consolidated rise
- Where an increase takes the colleague above the salary maximum, a combination of both consolidated and non-consolidated can be used to ensure the colleague receives a pay award that justifies their performance
- Excellent or Above Expected performers should receive a better increase than other colleagues - this will be dependent on their current salary against the salary guide
- Colleagues who have received a pay award through the new Pay Framework should also be included in this pay review and receive a suitable pay increase as applicable

All colleagues should receive a one to one meeting with their line manager to their pay review in the context of Total Reward to discuss any issues or concerns.

If any member has concerns/issues regarding their pay award, please contact your seconded representative to discuss. Alternatively email Amicus at unifisupport.hbos@unifi.org.uk.

