

Tesco and Mandate Final Proposals 2006

The following proposals are as a result of negotiations between the Company and Mandate Trade Union. The proposals are designed to address the business plans and continued growth of the Company while at the same time addressing the actual needs of our staff.

1. Rates of Pay

New Staff employed from the 1st November 2006 will be on the following rates and these will be increased by 2.5% on the 1st June 2007 and a further 2.5% on the 1st May 2008 as outlined below:

	1 st November 2006	1 st June 2007	1 st May 2008
Point 1	€8.78	€9.00	€9.22
Point 2	€9.27	€9.50	€9.74
Point 3	€10.95	€11.22	€11.50

- For all new staff there will be 18 months progression between each point.

Existing staff on points 1 and 2 will automatically move to the appropriate point of the scale from the 1st November 2006. Existing staff on points 3 & 4 of the current pay-scale will be offered the opportunity to move onto the new pay scale.

Existing Staff (who have not transferred to the new rates of pay)

Their rates of pay will be increased as follows:

- 1st November 2006 = 6% (for 12 months)
- 1st November 2007 = 2.5% (for 6 months)
- 1st May 2008 = 2.5% (for 6 months)

Existing Staff will move to the next point of the pay-scale on the anniversary of their start date (12 month progression).

Staff on point 3 and above of the current pay-scale who do not choose to move to the new scale will receive a once off lump sum payment calculated as follows:

- 6% of their current salary x 2 months (1st September - 1st November 2006).

Cleaners

All existing cleaners will move to the appropriate point of the new scale based on their service. Whilst their primary role will remain cleaning they may be required to perform other general assistant duties as required.

New Retail Security Officers (RSO's) and Grocery Home Shopping Drivers (GHS Drivers)

New Retail Security Officers (RSO's) and Grocery Home Shopping Drivers (GHS Drivers) from date of agreement will be paid the agreed rate of €11.86 per hour. These rates do not attract any incremental increases. These rates will only be increased by national wage rounds including the one outlined above.

2. Contracts and Patterns

The contracts for all staff going forward will be as follows;

- 20 to 25 hours band
- 25 to 30 hours band
- 30 to 35 hours band
- 39 hours or full time equivalent in their store

Staff who on assimilation normally work greater than 35 hours but less than the recognised full time hours will be considered to work a range of hours never less than 35 hours per week. Staff who at the point of assimilation, assimilate to the current full time hours of their store will be offered a 39 hour contract or equivalent in their store. As is the current situation hours may fluctuate and start and finish times may vary within these bands.

Staff who on assimilation fall on the dividing hours between bands e.g. 20 hours or 25 hours will have the option to take a contract for either the higher or lower band.

New staff who work less than 20 hours per week by mutual consent will be issued with a contract indicating their weekly hours of work.

Existing staff on assimilation who work less than 20 hours per week will be issued with a contract indicating their current weekly hours of work.

Individual assimilation onto the new band of hours will be determined by a weekly average based on the 13 weeks hours worked over the period of September, October and November 2006 or other suitable non trading peak period.

It is recognised that there may be certain staff who by local agreement may have specific local arrangements i.e. a 3 day week. In these cases the number of weekly hours the staff member works will be assimilated onto the appropriate band and they will retain their working pattern and number of hours unless otherwise agreed.

Staff will be supported in their job by their job description and role profiles for each area of the store. Furthermore, staff will be provided with training as required to assist them in their role and development.

From time to time additional hours may become available for staff over and above the hours outlined on their contract. Although a staff member is not obliged to work hours in excess of their band, they may want to avail of these hours if they arise. When these hours are no longer available they will return to working hours within their contracted band.

In the event that a staff member consistently works hours in excess of their band for 4 months or more they are given the option to move up into the band which reflects the number of hours the staff member has been working. The management and union will endeavour to ensure the above is carefully monitored and not open to abuse. Staff may be given hours on a temporary basis in addition to their contracted band to cover issues

such as refits, seasonal trade changes; maternity leave and long term absence. Such hours will be documented on a temporary and agreed basis.

A staff member may for various reasons want to reduce the number of hours that they work. A change request outlining the new band and the reasons for the request should be made to the Line Manager. Change requests in this regard will be considered for staff who have successfully completed their probationary period. The Line Manager in consultation with the Personnel Manager will consider all change requests on an individual basis and will make their decision based on the business and operational requirements determined by management and individual needs.

Vacancies will be advertised internally within the company in the first instance. In the instance of a selection process being required for the position normal selection processes apply. In the event that there are 2 or more candidates who are equally suitable for the position, final selection will be based on seniority in the instance. The Store Manager as part of the store forum agenda will inform the forum union representatives on the vacancies and recruitment situation as they arise within the store. It is agreed that the number of bands created at the original point of assimilation will be used as a reference point going forward.

Patterns of Hours

The company agree in principal with the need for stability and consistency with regards to working patterns. The company and union view this as an essential contribution to the quality of work life balance, whilst also recognising the needs of the business. Both parties are committed to entering into discussions to address this matter commencing February 2007.

Changes in Trade pattern or Sales (seasonal and permanent)

In the event that there are changes to the business patterns or budgeted requirements in stores or departments within stores requiring a reduction in hours greater than staff being brought to the bottom of their band the procedure outlined in Appendix 1 will be followed. If this procedure fails to resolve the issue the company and union agree to meet and discuss all further options available and in accordance with the agreed procedures.

3. Annual Leave

Going forward from April 2007 (New Holiday Year) annual leave entitlement will be as follows;

- 21 days for all staff
- 22 days after 3 years service
- 23 days after 5 years service
- 24 days after 20 years service

From this new holiday year annual leave and public holidays will be based on 13 weeks average pay based on hours worked and will therefore include overtime i.e. late nights, Sundays and early mornings. In order to facilitate the new bands and new enhanced annual leave and pay the Company will introduce a modern Time and Attendance system which all staff will use. The introduction of this system will in no way be used to alter any local arrangements i.e. starting and finishing times or breaks.

4. Privilege Card

All staff will be entitled to receive a privilege card after 1 years continuous service. You will receive a 10% discount on all goods you purchase (except those restricted by law) to the total sales value of €13,000 per year in Tesco, this includes electrical goods etc.

5. Tesco Ireland Share Bonus Scheme

The Tesco Ireland Share Bonus Scheme will be paid annually to all eligible staff members. There will be a 2 year qualifying period. As long as employees have 2 years service at the end of the financial year (e.g. 26th February 2007) each year and are still employed by Tesco on the date the bonus is awarded. The bonus percentage will be declared in May each year.

- If you take your bonus as cash, the full amount will be subject to income tax and PRSI.
- If you take your bonus in shares, the full amount will be invested in Tesco plc shares. After 3 years you will receive the full value of your shares including any increase in the share price. This will not be subject to any income tax and PRSI (see examples in Appendix 2).

The following options are available to all staff eligible for the share bonus scheme.

- In May you can choose to take the value of the declared bonus percentage in shares.
- In May you can choose to take the value of the declared bonus percentage in cash paid then or in December.
- To take a 50/50 split of the declared bonus percentage between shares and cash. You will receive your shares when the bonus is declared and can choose whether to receive your cash then or in December.

Where you take your bonus or part of your bonus in cash you will be subject to income tax and PRSI liabilities.

In addition to the above, staff may choose to buy additional Tesco plc shares from gross salary and gain the same tax advantages (see Appendix A).

Interim arrangement

The Tesco Ireland Share Bonus Scheme will be launched for the 2007/2008 financial year. This means that the first bonus declared from the Scheme will be in May 2008. In the interim, the following arrangements will apply:

- Anyone employed between 2/7/06 and the date of agreement (1st November 2006) will receive 1 weeks Christmas bonus in December 2007 and 2 weeks in Christmas bonus in December 2008 until they become eligible for the Share Bonus Scheme in 2009.
- All other existing staff will receive Christmas bonus as normal in December until they become eligible for the Share Bonus Scheme.

Staff on point 3 and above at date of agreement will receive the declared bonus and this will be topped up to 5% (this 5% incorporates the current Christmas bonus). This 5% will be paid regardless of whether or not they voluntarily transfer to the new pay scale. See Appendix 3 for further details.

Both parties agree to review the operation of the new share bonus scheme after 4 years in operation.

6. Pension

It is proposed to introduce a Career Average Defined Benefit scheme for all new staff employed before the 1st April 2007. These staff will be entitled to join this scheme once they have completed 3 years continuous service.

All existing staff (employed before the 1st April 2007) will continue to be entitled to join the existing Final Salary Defined Benefit scheme after the completion of 1 years' continuous service.

In addition to the above, the following amendments will be introduced to both schemes:

- To improve the tax free lump sum on retirement. At retirement, members can take a tax-free lump sum from their pension, currently they receive €9 (tax-free) for every €1 pension given up. It is agreed to increase this to €10 (tax-free) for every €1 pension given up, representing an 11% improvement.
- To extend spouses pension to adult financial dependents including non-marital partners or same-sex partners.
- To introduce a children's pension calculated as 1/3rd of adult dependent's pension per child for a maximum of 3 children. (see appendix)
- To change the practice in relation to early retirement. You can continue to retire early from the plan with Company consent. Early retirement pensions will be reduced for all years of early retirement.
- Future funding costs will be shared on a 2:1 basis with the employer paying twice the level of the employee. On the 1st April 2008 employees contributions will increase by 1% of pensionable salary (please note 1% of pensionable salary is considerably less than 1% of basic salary. Please see Appendix 4 for more details.

All other eligibility criteria apply to both schemes. All other pension rules will remain the same.

Going forward the company is committed to ensuring that the awareness of the Tesco Ireland pension plan is supported through active promotion within the business.

Unless changed or addressed by the contents of this agreement, all other agreements remain un-changed.

In the event that these proposals do not find favour they are deemed to be without status and never to have been tabled.

Appendix 1 – Changes in Trade Pattern or Sales (seasonal or permanent) or Budgetary Requirements

The below steps will be used to address all situations which arise in stores where there has been an impact on the store (as outlined in the agreement).

Step 1

The Store Manager understands through careful examination of the impact and their payroll budget the number of hours they are looking to decrease in the store.

A recruitment ban is put in place in the store. There will be no recruitment of new staff save where the reduction and recruitment are in different departments e.g. Checkouts and nights and existing staff choose not to take up these additional hours.

A meeting should be held between the Store Manager, PM, Shop Steward and Trade Union Official to discuss changes to business patterns or budget requirements. At this meeting a plan should be drawn up on how to manage the change and a communication plan should be agreed.

Step 4

Store Manager and PM's hold 1-2-1's with all staff (staff may bring in a representative if they so choose).

Prior to talking to staff the Manager and PM will identify if they need a staff member to work all or part of their hours in another area of the store. This will be discussed and agreed with the staff member as part of their 1-2-1 meeting.

At these 1-2-1 meetings the following options should be offered to all staff:

- Family friendly policies i.e. Career Breaks, Parental leave etc.
- Annual leave or unpaid leave.
- Store transfer.
- Voluntary reduction in hours greater than being brought to the bottom of their band this may include a reduced working week.
- This is not an exhausted list.

If this procedure does not deliver the full reduction of hours needed in the store in order for the store to meet its budget requirement the Company and Union agree to meet to discuss all further options available in accordance with the agreed procedures including dropping staff to lower bands etc.

It is agreed that it is in everyone's best interest that engagement from both sides in this situation must be meaningful and undertaken in a spirit to resolve the budgetary situation of the store.

Step 6

Where staff hours are reduced no further recruitment should take place until such a time as existing staff are given first refusal of ad hoc hours that become available and ultimately until hours can be restored to within their normal 5- hour band.

Appendix 2 - Tesco Ireland Share Bonus Scheme

Definitions

Qualifying period is defined as 2 years service at the end of the financial year (e.g. 26th February 2007 TBC) and they are still employed by Tesco on the date the bonus is declared (May each year).

The Christmas bonus will not apply to staff employed after the agreement date. However, on completion of qualifying period, they will be eligible participate in the Share Bonus Scheme.

Staff on point 3 and above, will receive a bonus payment topped up to 5%, which is made up of the bonus declared in May and a cash bonus (where the declared bonus percentage is less than 5%). This bonus incorporates their current Christmas bonus.

SHARE SCHEME EXAMPLES

To highlight the value to be gained by taking the bonus in shares, the examples below compare the cash value received through the Christmas bonus versus the value to be received if the SBS was in place in 2003 and shares were chosen.

Example A – Joe is a full timer working 39 hours + 2 late nights per week.

In 2003, Joe was on top point of the scale and his hourly rate was €10.90.

- In 2003 he received a Christmas bonus payment as follows – 2 weeks pay less tax and PRSI (26%). His take home value was €823.
 - If the SBS was in place in 2003 and Joe had been entitled to invest in Tesco shares, the full amount available to him would have been used to buy shares. No income tax or PRSI would be deducted.
 - Joe would also have been entitled to the top up payment allowing him to invest a total of 5% of his pay before tax in Tesco shares.
 - After 3 years in May 2006, the total value of the shares available to Joe would be approximately €2,414.
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Appendix 3 - Pensions

On 1/04/08, employee contributions will increase by 1% of pensionable salary. Please note 1% of pensionable salary is your annual salary – 1.5 x state pension. Your pensionable salary is therefore considerably less than 1% of basic salary.

*Note: The current state offset that is applicable for full-time employees is 1.5 times the single person's Annual State Pension (€15,078). If someone works part time e.g 20 hours a week we must prorata the state offset applicable to them – this is done as follows:

- 39 hours is the full-time equivalent number of hours per week. Joe Bloggs works 30 hours per week. The state offset applicable to Joe Bloggs = €15,078 * 30/39 = €11,599.

EXAMPLE B – Mary is a part timer working 30 hours per week. She is on point 4 of the scale and her hourly rate is €10.23

Base pay	€15,959	
1% base pay	€160 per annum	€3.07 per week
Pensionable Salary	€4,360 = €15,959 – (15,078 x 30/39)	
	€43.60 per annum	€0.84 per week

The real cost of this is 60 cent per week take home pay. In this example this represents 1/5th of 1% of her base pay.

Pension funding costs:

Future funding costs will be shared on a 2:1 basis with the employer paying twice the level of the employee. For example, if the actuarial valuation indicates a 1.5% increase (or reduction) in the total cost, the employer contribution will increase (or reduce) by 1% and the employee contribution will increase (or reduce) by 0.5%. The minimum employee contribution will be 5% and the maximum will be 7% of pensionable salary.

Children's pension

Will cover all children of members i.e. marital, non marital, adopted and is payable until the child reaches age 18 or age 21 if child is continuing in full time education. It is payable for life if the child is disabled. Children's pensions are doubled if no adult dependant's pension is payable i.e. in the case of orphans.

Example B – Mary is a part timer working 30 hours per week.

In 2003, Mary was on point 4 of the scale and her hourly rate was €9.03.

- In 2003 she received a Christmas bonus payment as follows – 2 weeks pay less income tax and PRSI (26%). Her take home value was €401.
 - If the SBS was in place in 2003 and Mary had been entitled to invest in Tesco shares, the full amount available to her would have been used to buy shares. No income tax or PRSI would be deducted.
 - Mary would also have been entitled to the top up payment allowing her to invest a total of 5% of her pay before tax in Tesco shares.
 - After 3 years in May 2006, the total value of the shares available to Mary would be approximately €1,177.
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Example C – Peter is a part timer working 20 hours per week. This example presumes that Peter was on point 2 when the SBS was introduced and is therefore entitled to the only the SBS declared.

In 2003, Peter was on point 3 of the scale and his hourly rate was €8.40. Example presumes that he became eligible for SBS in 2003.

- In 2003 he received a Christmas bonus payment as follows – 2 weeks pay less income tax and PRSI (26%). His take home value was €249.
 - If the SBS was in place in 2003 and Peter been entitled to invest in Tesco shares, the full amount available to him would have been used to buy shares. No income tax or PRSI would be deducted.
 - After 3 years in May 2006, the total value of the shares available to Peter would be approximately €438.
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**All examples are based on the share prices and exchange rates at 1st May 2003 and 1st May 2006.*

** Share price can go up as well as down. Past performance is no indication of future performance.*

** Gains made under the SBS will be subject to Capital Gains Tax. CGT is triggered only on gains of over €1,270 in any one tax year. The current CGT rate is 20%.*

Change Request - INCREASE in Hours

Name: _____

Address: _____

Start Date: _____

I am currently contracted to work between _____ and _____ hours per week.

For the past ____ months I have been consistently working between _____ to _____ hours per week.

Therefore, I am applying to move to the next band which is _____ to _____ hours per week.

I understand that if I meet the relevant criteria my application will be granted and I will be issued with a new contract of employment.

(Criteria: In the event that a staff member consistently works hours in excess of their band for 4 months or more)

Signed: _____
(Applicant)

Date: _____

To be completed by a member of management

Date of receipt of application:

Signed: _____
(Member of Management)

Application Granted: ☐

New Contract of Employment Issued: ☐

Application Rejected: ☐

Signed: _____
(Member of Management)

Reason:

Note: Applications will be granted or rejected based on the relevant criteria. If the request is rejected an individual maintains the right to raise a grievance in line with the Company grievance procedures.

Contract B

Line Manager Information - Mandate Agreement 2006 Contracts

- The following staff will be issued with a contract of employment.
 - ✓ All staff who become full time as a result of the assimilation process.
 - ✓ All post 94 full time staff.
 - ✓ All part time staff
 - ✓ All new employees.
- From time to time additional hours may become available for staff in excess of their band.
- Although a staff member is not obliged to work hours in excess of their band, they may want to avail of these hours if they arise, and are offered to them.
- These additional hours should be offered as equitably as possible.
- When these hours are no longer available they will return to working hours within their contracted band.

Assimilation of working hours process

- Individual assimilation onto the new band of hours will be determined by a weekly average based on the 13 weeks hours **worked** over the period of September, October and November 2006 or over another suitable non trading peak period.
- A spreadsheet detailing which band staff will fall into will be issued to stores.
- Staff who on assimilation fall on the divide of the band e.g. 20 hours or 25 hours will have the option to take a contract for either the higher or lower band.
- Existing staff on assimilation who work less than 20 hours per week will be issued with a contract indicating their current weekly hours of work.
- Staff on assimilation who normally work greater than 35 hours but less than the recognised full time hours of the store will be considered to work a range of hours never less than 35 hours per week.
- Staff who at the point of assimilation to the current full time hours of their store will be offered a 39 hour contract or full time equivalent in their store.

Line Manager – Information

Change request- increase in hours

- In the event that a staff member consistently works hours in excess of their band for 4 months or more, they are given the option to move up into the band which reflects the number of hours the staff member has been working.
- For example if a staff member's contracted band is 25-30 hours and for 4 months or more, they have worked between 30-35 hours then they have the option to move to the 30-35 hour band.
- Applications for this increase in hours should be made to the Personnel Manager/ Line Manager. If following an analysis of the individual's hours worked over the 4 months it is found that the staff member has consistently worked over and above their contracted band, the Personnel Manager/Line Manager will accept the application. (See application form attached).

Change request- decrease in hours

- A staff member may for various reasons wish to reduce the number of weekly hours they work. A change request outlining the new band and the reasons for the requests should be made to their Line Manager. (See application form attached)
- Change requests in this regard will be considered for staff who have successfully completed their probationary period.
- The Company recognise that staff may need to reduce their hours for a variety of different reasons i.e. work life balance. Therefore the Line Manager in consultation with the Personnel Manager will consider all change requests.

***Note:** The above applications reflect permanent changes to terms and conditions of employment*