

In April 2011, we briefed all colleagues on our ambition to be No.1 for Customer Care and the changes that needed to take place to meet this ambition. Our aim was to get the best people in the best place and at the best times for customers and to modernise how we rewarded colleagues who made a difference to this ambition.

We also talked about the need to simplify our pay and benefits, ensuring our reward packages remained market competitive; our premium rates for Sundays, Bank Holidays and nights; and investing more in the rates of pay for our hourly-paid store colleagues. This included making changes which affected those people who were in receipt of double time for working during certain premium hours (for Sundays, people who joined before October 2000, and for Bank Holidays, before October 2002.)

In June 2011, in conjunction with the introduction of new premium rates, we also offered:

- a company-wide 2% pay increase;
- the opportunity to earn further reward through a new bonus for people who are 'legendary' for our customers; and
- an extra 1% in colleague base pay on top of the company-wide increase to remain market competitive.

Our belief was that we had the right to make this decision as part of the annual pay review and the right to make changes to premium rates as and when necessary.

Following those briefings, the majority of colleagues accepted the changes (99.4% of those potentially affected) but a number of colleagues decided not to accept the changes and referred the matter to an Employment Tribunal.

This Employment Tribunal hearing took place recently in Nottingham. Whilst we believe that we acted in a reasonable and fair manner and were confident that we had the right to make these changes, the Employment Judge ruled in favour of the claimants, given his perception of certain ambiguities in the wording of our contractual documentation and our staff handbook, "Boots & Me".

Whilst we accept and respect the Employment Tribunal's decision, our commitment is, was, and continues to be to pay a competitive rate of pay and a total package that compares well against the market. As we did last year, we will continue to invest in our reward packages to make sure that they support our ambition of having the best people in the best place and at the best times for our customers.

There is no impact on the majority of our colleagues, as most people have joined us after 2002. For those colleagues who joined before 2002, the vast majority have already accepted the changes and the 'top-up' payments, and are working within the new arrangements to support our ambition to be

No1 for Customer Care. There will, therefore, be no changes as a consequence of the tribunal case for those colleagues.

We are sharing this with you for information, as there may be questions within your teams. The rationale for making the changes last year hasn't changed. If anything, our commitment to being better for customers and doing everything we can to have the best people in the best place and at the best times for our customers has strengthened.

As leaders, please use these notes to talk to your teams where appropriate. Please note, this subject has attracted coverage in the press and has the potential to remain in the news.

Next steps

1. For colleagues impacted by the Nottingham Employment Tribunal, we will work with them to agree next steps. This will be between the HR & Legal teams on behalf of the company and the legal representatives of the claimants, rather than on a store-by-store basis. Please show sensitivity whilst these conversations are taking place and continue to lead your people as usual.
2. We will treat those colleagues in Northern Ireland, who made claims to the tribunal, in the same way as colleagues impacted by the Nottingham tribunal outcome.
3. For all colleagues, we will provide you with a letter to share with them so that they hear from us first. Please look out for further updates early next week.
4. Please direct any further queries through to the Peoplepoint Team 0115 9494949 and from 7th May onwards 0115 918 2000