

Remuneration Discussion – Practice with a Coach

Scenario 1: Remuneration discussion; STIP payout below the Group STIP outcome

Your practice session

Please prepare for the practice conversation in the same way as you would for a real-life conversation, as this will enable you to get the most out of the session. The PRO coach will provide feedback, helping you to refine your style and content to increase your effectiveness in your upcoming remuneration discussion.

This conversation will focus on the Short-Term Incentive Plan (STIP) component of the Performance 6 & Annual Remuneration Review (ARR), however you can tailor the learnings from this session (as required) for discussions on the base salary and Long-Term Incentive Plan (LTIP) components.

Your Approach

In supporting you to frame and structure these conversations, we have suggested an approach and structure below. Your PRO coach will be able to provide feedback on how you execute these skills.

You will find information below on Ali's performance outcome and STIP outcome, and what they may be expecting. Please review this to prepare for the conversation.

Background to the remuneration discussion

Remuneration outcomes are expected to be discussed with individuals from 1 March, which has prompted you to call this meeting. You will take the lead in the conversation.

Your team member works in a role that makes them eligible for STIP. Our Group STIP outcome is based on one scorecard for everyone, to encourage all of us to work together for our collective success. The scorecard is made up of 50% financial measures, and 50% strategic measures. Individuals can influence their STIP if they deliver exceptional outcomes against their Performance 6 objectives (i.e., the what) and deliver them in line with our values (i.e., the how). In these instances, an individual multiplier can be applied to the Group STIP outcome, and they may receive 25% more for their own STIP. Conversely, if an individual does not meet their Performance 6 objectives, or there is misalignment to our values, then the individual may receive 25% less than the Group STIP outcome, or no STIP outcome.

Ali's Situation: STIP payout below the Group STIP outcome (0% or 75%)

You are meeting with Ali. There have been multiple instances where previous performance conversations between the you and Ali have been challenging. Throughout 2024, Ali missed/significantly missed their Performance 6 Objectives, and/or did not meet the expectations of their role. Their behaviours were not consistently to our values, which impacted both business outcomes and colleagues.

Optional for Ali's situation: Ali has been on a Performance Improvement Plan (PIP) during 2024 to assist with improving their performance and meet the standard requirements of their role. Regular PIP reviews have been undertaken to assess improvement, with improvement demonstrated.

As a result of the above, Ali has received score below the Group STIP outcome (i.e., 0% or 75%). In the Performance 6 end of year review, you already shared feedback with Ali regarding their performance outcome. This feedback may need to be restated, and you may refer to some or all the below:

Feedback from 2024 Performance 6 objectives

- Provide monthly updates to the team on the progress of the Alpha Project and seek feedback. This only happened the first 2 months.
- Drive continuous improvement initiatives [e.g., within the team/across site/across operations]. Whilst initiatives were identified, no steps were put in place to implement.
- Deliver project Beta as part of a cross-functional project team. Feedback was consistently provided that Ali made decisions independently without collaborating with project team members. As a result, the delivery of project Beta has been significantly impacted.

Behaviour not consistent with our values

- On several occasions, Ali performed tasks without following the required safety procedures, increasing risk of injury to self or others. This is a serious misalignment to our value of Care and does not meet expectations of operating safely.
- Some colleagues reported feeling disrespected or excluded by Ali during interactions, and that Ali demonstrated a lack of our value of [e.g., Care, Curiosity, Courage]. This had been discussed with Ali throughout the year and limited focused action taken by Ali to improve behaviours (e.g. preparing for the discussion before speaking with colleagues, testing conversation plan with leader, debriefing with leader after conversation).

Your Approach and Structure

Part 1 – Set the scene

Skills to practice:

- Build rapport
- Confidently recap Performance 6 and STIP outcomes

Goals:

- Check the employee's understanding of the Performance 6 & ARR process and how STIP operates.
- Be clear what you are going to cover and not as part of this ARR conversation.

Part 2 – Discussing STIP outcome

Skills to practice:

- Dealing with challenge
- Managing emotional responses to the situation (both your own and theirs).

Goals:

- Allow Ali time to reflect on their STIP outcome and encourage them to share their thoughts
- Consider and acknowledge how they might be feeling
- Be prepared to address that STIP considers their overall performance, and whilst their performance met expectations in certain areas, the majority of their Performance 6 objectives were missed/significantly missed and/or behaviours didn't align with our values.

Part 3 – Looking forward

Skills to practice:

- Communicating clear areas for improvement
- Develop an action plan
- Set clear expectations for monitoring progress
- Closing with a positive outcome.

Goals:

- Recap the main points of the conversation
- Communicate your expectations (areas to improve, when to improve, ways of working etc)
- Based on your expectations, discuss an action plan and agree immediate actions required
 - If applicable: discuss that a PIP might be needed to support progress
- Discuss other support Ali might need to get their performance on track
- Remind Ali that improving performance means achieving their objectives in a way that aligns with our values, meets role expectations and contributes to our progress towards Best Operator
- Discuss and agree (or inform, if receiving 0% STIP) how frequently you will meet to discuss their improvement progress
- Motivate Ali to get their performance back on track. Examples:
 - If receiving 0% STIP: reinforce why improvement needs to be a critical focus for Ali
 - If receiving 75% STIP: reinforce whilst their performance fell short of expectations last year, you are confident that Ali can improve
- Close on a positive note.