

Remuneration Discussion – Practice with a Coach

Scenario 2: 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 Mo's performance outcome and STIP outcome, and what they may be expecting below. 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.

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

You are meeting with Mo. There have been instances where previous performance conversations between you and Mo have been challenging, but overall, these were professional. Throughout 2024, Mo performed well in certain areas and aligned with most of your expectations. But their performance didn't fully meet expectations as they missed one or more of their Performance 6 objectives, or did not meet the expectations of their role. There were also concerns Mo's interactions with colleagues did not consistently align to our values.

Optional for Mo's situation: Mo 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, Mo has received a STIP score of 75%. In the Performance 6 end of year review, you already shared feedback with Mo regarding their performance outcome. This feedback may need to be restated, and you may refer to some or all of these below:

Feedback from 2024 Performance 6 Objectives:

- Support the Product Group / Function priorities. However, Mo was consistently reluctant to explore and consider new ideas to support [e.g., safety, continuous improvement, financial initiatives]. This impacted progress against our Product Group / Function priorities.
- Drive continuous improvement initiatives for the [e.g., team, site, operations, Product Group]. However, throughout the year Mo consistently had to be asked to stop non-critical work and be realigned with key deliverables.
- Improve [e.g., safety performance, collaboration, influencing] however, there has been minimal improvement overall across [e.g. the team, teams, the site, operations].

Behaviour not consistent with our values:

- On multiple occasions, it was discussed with Mo that comments they made to team members were not in line with our values, particularly regarding [e.g., the manner in which they spoke to others / the nature of the comments]. This behaviour consistently did not meet our value of [e.g., Care, Curiosity, Courage] and if continues, could impact the cohesiveness and performance of the team.
- Some colleagues reported feeling disrespected or excluded by Mo during interactions, and that Mo demonstrated a lack of our value of [e.g., Care, Curiosity, Courage]. This had been discussed with Mo throughout the year and limited focused action taken by Mo 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 Mo 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 Mo's overall performance, and whilst performance in certain areas were commendable, there were other areas where Performance 6 objectives were not met or where 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 Mo might need to get their performance on track
- Remind Mo 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 how frequently you will meet to discuss their improvement progress
- Reinforce whilst their performance fell short of expectations last year, you are confident that Mo can improve.
- Close on a positive note.