



Understanding Newcrest's Short Term Incentive (STI) for Work Levels 1.1 – 3.2

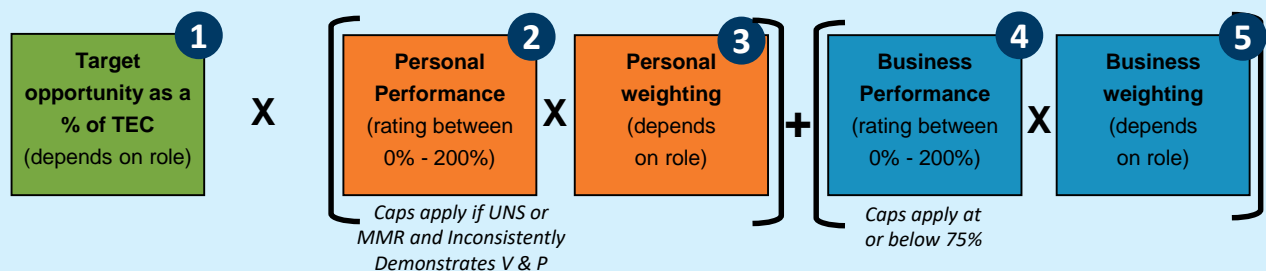
Last Reviewed: June 2020

Plan overview

This brochure explains the main features of Newcrest’s Short Term Incentive (**STI**), effective from 1 July 2018, for employees in roles at work levels 1.1 to 3.2. Full details are available in the STI Procedure ([HR-PR-22](#)) which take precedence over this brochure in the event of any inconsistencies).

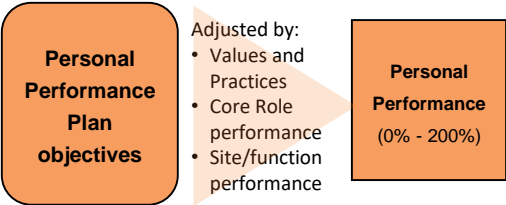
The calculation of STI is summarised in the diagram below.

Gross STI payment =



1 Your target opportunity is set as a % of your TEC (or TEC equivalent outside of Australia). The percentage opportunity depends on your role and will have been confirmed in your individual employment agreement or invitation, as applicable.

2 Your Personal Performance rating is the score given to you at the end of the financial year following an assessment of your **Personal Performance Plan objectives**, and also taking into account your overall performance against **core role requirements**, your **demonstration of the Values and Practices** and **site or function performance**. A score at or around 100% would be representative of target performance.



3 Your Personal weighting depends on the Work Level of your role, as outlined on page 3. Full details are available in the Procedure but as a general rule the weighting given to this element is between 60% - 70%.

4 The Business Performance rating is the score given to the overall Newcrest Group at the end of the financial year. The metrics, targets and relative weightings used to determine this score are agreed by the Board, and may change from year to year. The table at right shows the metrics that were applicable for FY20. A score at or around 100% would be representative of target performance.

Business Performance is based on	
• Safety (25%):	
• TRIFR (5%)	
• SPI action verification & investigation quality (5%)	
• CCM action close out (5%)	
• OEL Reduction Plans (5%)	
• Process Safety Improvements (5%)	
• Earnings: Net Profit After Tax (25%)	
• Free Cash Flow (25%)	
• Costs: All-in Sustaining Costs per ounce (25%)	

5 Your Business weighting depends on the Work Level of your role, as outlined on page 3. Full details are available in the Procedure but as a general rule the weighting given to this element is between 30% - 40%.

Understanding your Personal STI Rating

The part of the STI over which you have the most control is your Personal Performance rating. It is therefore important to understand how to set your Personal objectives, and what other factors are taken into account in determining the final score.

Four key steps to preparing your Personal STI scorecard

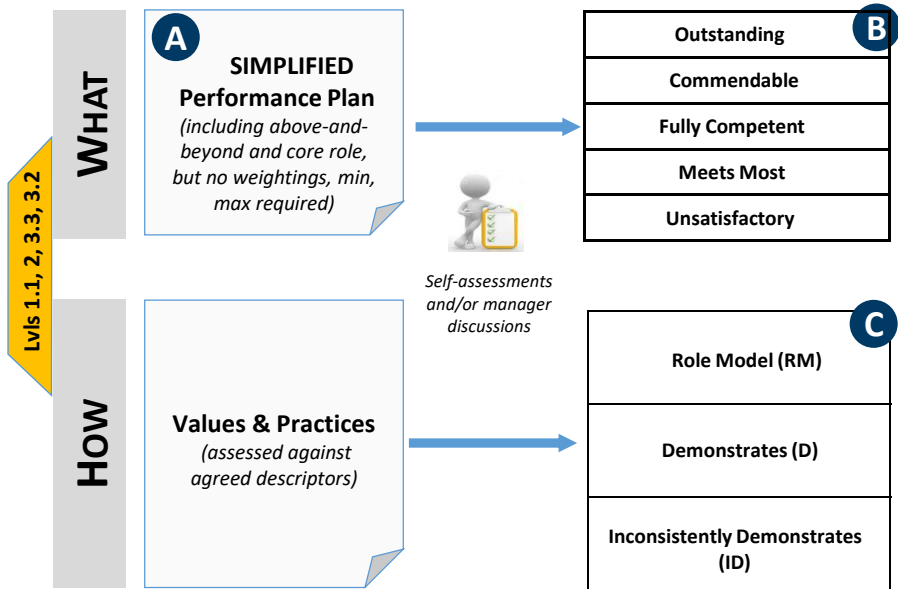
1. Set objectives early
Use People Central/ Performance Online to draft your Performance Plan. These are to be completed and agreed prior to the commencement of the financial year.

2. SMART objectives
Ensure your objectives are Specific, Measurable, Achievable, Relevant, Time-bound

3. Aligned to business
Take into account the business strategy and your department's priorities, using your team's annual plan if available

4. Meaningful and controllable
Ensure your objectives are directly and significantly controllable by you, and that they include more than just day-to-day activities.

A Prior to the commencement of each financial year, both you and your manager are required to set and agree on the key objectives you are to achieve for the Performance Period (financial year). Defining minimum, target and maximum performance, and weightings, for each of these objectives is no longer required, but they still need to be 'SMART'.



B At the end of the year, both you and your manager will discuss and finalise the assessment of your overall performance on a 5 point rating scale. Neither you nor your manager are required to score individual objectives out of 200%. The assessment will take into consideration how you have performed against the objectives agreed in your Performance Plan and how you have performed the core responsibilities of your role.

C Both you and your manager will also be required to discuss and finalise the assessment of your demonstrated behaviours in line with Newcrest's Values and Practices. This is assessed on a simplified 3 point rating scale.

D The Executive Committee will also complete an assessment of how your site or function has performed during the Financial Year on a 3 point rating scale – Missed Targets, Met Targets, or Exceeded Targets. The performance of your site or function will also be a factor that is taken into consideration when determining your final Personal STI outcome.

Understanding your Personal STI Rating

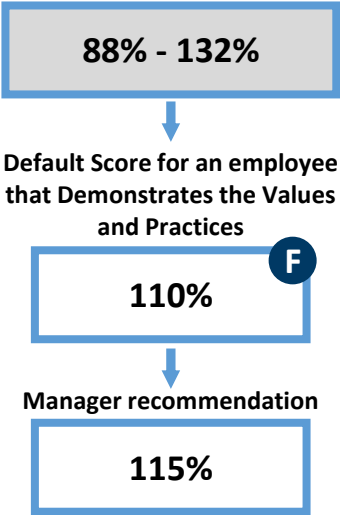
E A combination of your site’s or function’s performance, your Personal Performance, and your demonstrated behaviours in line with Newcrest’ Values and Practices will generate a proposed “default” Personal STI rating out of 200%. In general, for a site or function that has met targets, and for an employee with Fully Competent performance and who has demonstrated Newcrest’s Values and Practices, their STI outcome will be around 100%.

Individual Performance Rating	Indicative Allowable Personal STI Score (%) [*]
Outstanding	134 – 200
Commendable	108 - 168
Fully Competent	68 – 132
Meets Most Requirements	40 – 92
Unsatisfactory	0

^{*}Allowable range for any given employee will be further constrained by site performance. Default scores (within the allowable range) will also be impacted by the values and Practices rating. Default scores can then be revised by Managers to take into consideration nuances in employee/peer performance.

E

Illustrative allowable range for fully competent individual performance at a site that exceeded targets



F Your Manager (Department Manager or Head/GM) will subsequently review all proposed default STI outcomes for employees in their organisational structure and will have the discretion to amend the proposed score within the approved range for that site/function and level of performance. This discretion provides Managers the opportunity to make adjustments for differences in employee performance within the Department/Section and to ensure fairness and consistency in the assessments across the Department, on site and/or across the function.

Other details you should know (the “fine print”)

Special caps apply in relation to **personal performance**:

- Employees **MUST** achieve, as a minimum, a ‘Meets Most Requirements’ (MMR) rating in their final performance review to be eligible to receive an STI payment. If an employee scores an “Unsatisfactory” (UNS) rating in their final review they will not qualify for a STI payment.
- If the Personal Performance rating is MMR and the Values and Practices Rating is Inconsistently Demonstrated (ID), the maximum STI award that can be received is 75% of the overall Target opportunity.

Subject to Board or delegate discretion, special caps may also apply in relation to **business performance**:

- If Business Performance is rated at or below 75%, participants may have their STI capped at 100% of their Target opportunity.

Other details you should know (the “fine print”)

The **weighting** of your Business and Personal components depends upon your role:

	Personal weighting	Business weighting
Level 3.2 and 3.3 (ie, Managers, Principals)	60%	40%
Level 2 and eligible 1.1 (ie Superintendents, Supervisors etc)	70%	30%

Mythbusters

- STI payments are **not** an entitlement – any payments made under the plan are at the discretion of Newcrest.
- STI outcomes are **not** determined formulaically – they are guided primarily by your Performance Plan and performance in the core aspects of your role, but also take other factors into account such as demonstration of Values and Practices and site/function performance.
- It is **not** impossible to receive a Personal performance rating at or around 200% – it does happen, but naturally the level of performance required needs to be truly exceptional, both personally and by your site or function.
- It is **not** acceptable to set vague Personal objectives. Even though discretion remains an important part of the assessment, a well constructed Performance Plan and Role Description provides an important basis for assessing performance at the end of the year.

Frequently asked questions

1. When do STIs get paid?

STI is usually paid in mid October, once annual results have been disclosed and Personal scores fully calibrated. You will be notified if the timing changes.

2. Is STI paid in cash?

Yes, although you may also elect (in Australia) to receive a portion as superannuation. Certain senior employees, including the Executive Committee, are required to receive a portion of STI as shares.

3. Why doesn't everyone participate in STI?

Participation is generally limited to those in Level 2 and above roles in Australia, PNG and the Americas, and Level 1.1 roles in Australia. Other permanent employees participate in site-based Performance Incentive Plans (formerly named Gainshare), and contractors are rewarded according to their agreed arrangements.

4. Are STI outcomes adjusted for factors outside of the employee's control (e.g. gold prices, exchange rates)?

For Business Performance, adjustments remove part of the effect of fluctuations in gold and copper prices, exchange rates, and certain events that (if approved by the Board) are considered outside of management's control (eg, earthquakes). For Personal Performance, manager discretion ultimately applies, and this may make allowances for extenuating circumstances. As a general rule, though, outcomes against clear-cut Personal objectives should **not** be adjusted for FX, metal prices or other uncontrollable events.

5. Do I find out how my STI is calculated?

Shortly before STI is paid in or around October each year, you will get access to a letter that details the value of your STI payment and the performance ratings on which it has been calculated. You are encouraged to speak to your Manager/Supervisor for insights into how your STI has been determined.

6. Do I receive STI if I resign?

If you resign and your last day is before 30 June, you will not be eligible to receive an STI payment in relation to that financial year. If you resign, but your last day is on or after 30 June, you will remain eligible subject to the usual conditions and timing of payment.

7. How much discretion can be applied to my Personal score?

Your individual performance rating (5-point scale) and your site/functional performance are the primary drivers of your Personal STI score. Taken together, they determine a range of allowable Personal STI scores within which your Manager can apply discretion. The range is generally around 40 percentage points (in the illustrative example on page 3 of this brochure the range is 88% to 132% for a Fully Competent employee at a site that has exceeded targets). In deciding on a Personal STI score within the allowable range, a Manager will take into account a number of factors beyond your Personal Performance Plan, including your performance against core role requirements, your demonstration of the Values and Practices, the difficulty (in hindsight) of your performance objectives and, to a lesser extent, your performance in comparison to your peers.

8. What happens at calibration?

Calibration happens differently for each site/department, but in essence it is done by leadership teams prior to the commencement of Performance Review discussions by comparing the proposed Final Performance Review Rating across groups of employees. Comparisons are generally done across comparable levels of seniority to ensure consistency and fairness in the assessments.

Values and Practices ratings will not be formally calibrated, but will be reviewed for appropriateness.

There will be no formal calibration process following each Manager's review of the default STI score. However, the final assessments will be reviewed, and further adjusted if required, to ensure they remain consistent with ExCo's expected distribution for the site.

Frequently asked questions (cont'd)

There is no strict definition of an appropriate distribution - it should provide suitable differentiation of individual performance, and should loosely reflect the business, site or department performance.

9. Should objectives reflect my day job or activities above and beyond my core duties?


It depends on the nature of your role. For operational roles focussed on production, your objectives may reflect key safety, budget or production metrics (effectively the day job), with some project or initiative-based objectives potentially included to encourage development of new and better ways of doing things. For technical, support or leadership roles, objectives should be focused on your "key deliverables" and on delivering improvements above and beyond day-to-day duties, i.e. objectives should *not* only reflect the responsibilities detailed in your position description.

10. How will my Final Performance Review rating, Values and Practices rating, and ultimately my final Personal STI score be decided if I change roles during the year?

If you change roles and managers during the year, and both roles were STI eligible, you will need to update your objectives (refer question 11). In addition, your previous manager should either provide comments within your plan online (prior to you changing managers) or simply pass feedback on to your new manager – sufficient to assess your overall performance, and to inform your new manager of any need to exercise discretion.

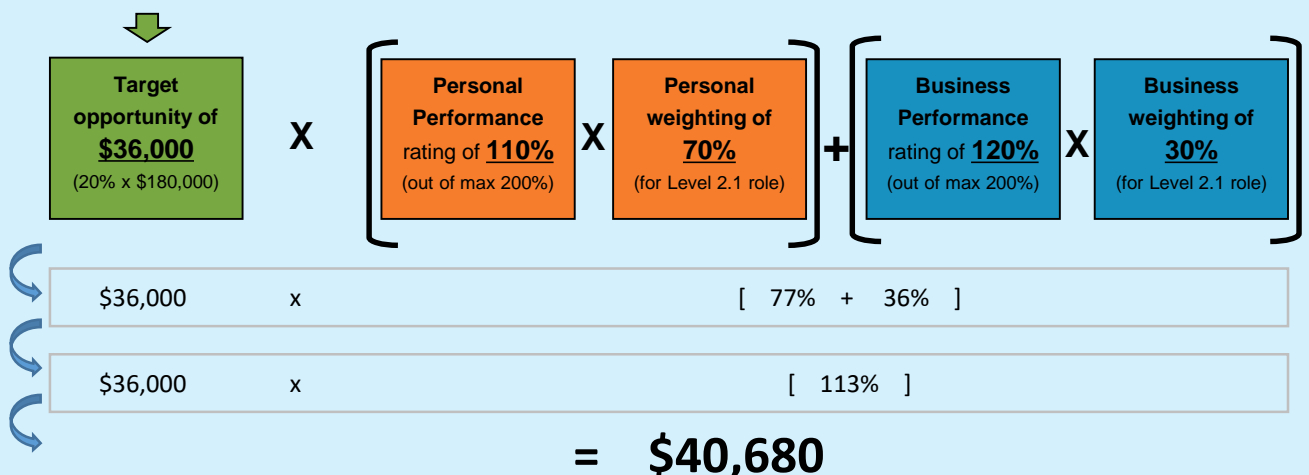
Either way, you are strongly encouraged to discuss performance with your former manager before you change roles and ensure comments are captured.

11. Can my Performance Plan objectives change during the year?

Absolutely. Employees are encouraged to discuss objectives with managers during the year, and agree changes if certain objectives become irrelevant or if priorities change. You can update objectives by clicking [Edit](#) or  (depending on where in the system you are editing) at any time during the year.

This example uses a Level 2.1 role with a TEC of \$180,000. The Target opportunity at this level is 20% of TEC.

Example calculation (for a Level 2.1 role, e.g. Superintendent)



Frequently asked questions (cont'd)

12. What if I am a high performer at a site that is exceeding its targets and move to a site that is missing its targets. Will my STI outcome be affected by accepting the move?

When recommending your Personal STI score, your Manager will be required to apply judgement by considering the score range applicable had you not moved during the year, and the time in each role. Note that such considerations should also apply if moving from a low performing site/function to one that is exceeding expectations.

13. What happens if I move to a new location after 30 June? Will my old Manager be able to complete my STI assessment?

In this instance it is essential that you have your performance discussion with your manager before you move and they complete your final Performance Review and Values and Practices ratings prior to the move, and ideally also completed their exercise of discretion to determine your final STI score.

If this has not been completed at the time you move, your new Manager will need to complete the assessment, as detailed at Q12.