

Deferred Scheme Policy

1. Scheme Outline

This is a bonus scheme that is for the 'life of the project'. The total potential bonus is 50% of total salary earned from start date of the scheme to Open for Revenue Service (ORS). The 50% is made up of the following elements that are all assessed at project completion:

- 35% cost
- 35% time
- 15% Business KPI's
- 15% individual performance

2. Eligibility

A number of roles have been identified that are eligible for the 50% scheme:

- Chief Executive
- 6 Exec Committee roles
- Infraco Director
- Commercial Director
- Deputy Project Director

Confirmation of eligibility and which scheme you are a member of will be in your contract of employment or for existing staff a letter that varies your contract of employment. If you do not have confirmation in writing that you are a member of the bonus scheme then you may not be eligible, please see HR for more information.

Start date for the scheme is the 1st April 2009 or such later date as an individual may join the organisation or be invited to join the scheme.

3. Corporate Objectives

The corporate objectives are scored by the RemCom as explained below. The decision of the RemCom is final and there is no appeals process.

a. KPI's

The KPI's are grouped under the headings of Safety, Stakeholder Support, Team Culture and Operational Readiness. The Chief Executive will present the progress against KPI's every 6 months to the RemCom.

A formal assessment will be undertaken in April each year where KPI's will be scored by the RemCom and the score will then be approved by the Board. Board approval must be awarded for the score to be final. The annual score for the deferred scheme provides only guidance on how the project is progressing. There will be a KPI score awarded after Open for Revenue Service by the RemCom and Board to establish a Project Completion KPI score (PCKPI) on which 15% of total deferred bonus entitlement is based.

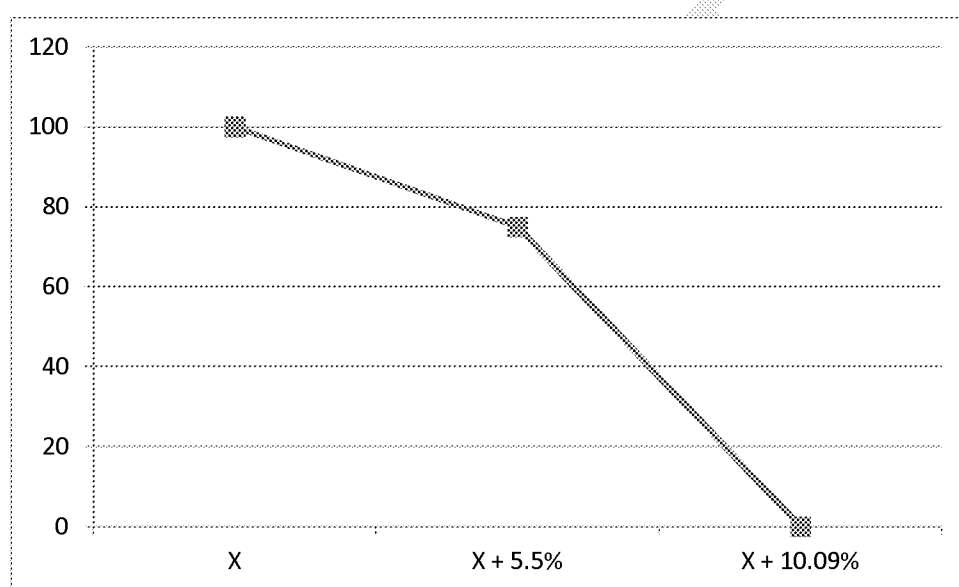
b. Cost and Time

Cost is the final cost of the project. If there is any dubiety as to what is included in this final cost then the tie Chief Executive can present the case to the

RemCom whose decision is final. Time is the date on which the tram opens for revenue service. If a partial opening is considered the RemCom will be asked to exercise its discretion as to how this affects the bonus scheme.

Cost and Time are on a sliding scale. The figures of the Cost and Time targets cannot be shared due to the commercial sensitivity of the figures. We can however tell you that if the final cost of the project is x then 100% of the cost element will be awarded. The time targets are also on a similar sliding scale where date X equals 100% of bonus.

Project Cost	Bonus % Awarded
X	100%
$X + 5.5\%$	75%
$X + 10.09\%$	0%



4. Individual Performance and Objective Setting

The Chief Executive will set objectives with the agreement of the Chairman, the Exec team will have their objectives set by the Chief Executive and then they will be rolled out through the organisation. Everybody will be set objectives that are SMART:

- Specific – objectives should specify what they want to achieve.
- Measurable – you should be able to measure whether you are meeting the objectives or not.
- Achievable - are the objectives you set, achievable and attainable?
- Realistic – can you realistically achieve the objectives with the resources you have?
- Time – agreement on the delivery date for the objective.

Your objectives should be stretching and able to be linked or connected to the corporate objectives. Your personal performance will be scored annually against objectives. This score will not be used in the calculation of your bonus but will ensure your objectives are up to date and you are aware of your progress against them.

At ORS a final appraisal will be completed and a score calculated. Fig. 2 shows how this score is assigned a percentage which is the final individual performance score worth up to 15% of the final bonus payment.

5. Individual performance scoring

The ratings below (fig 1) are to be used when scoring objectives. The Line Manager needs to make a judgement using the guidance below to ascertain how well the employee has achieved the objective.

There will be a benchmarking exercise undertaken by management within tie to ensure the scoring is being consistently applied throughout the organisation.

Fig.1	
1 – Outstanding	This person clearly exceeds the expectations of their role; completing their objectives but going further than was required displaying initiative and leadership skills. They have outgrown the role.
2 – Excellent	Completes the objectives, is self-motivated to complete tasks set and overcomes obstacles in a professional manner. Performance usually exceeds the results. Contributes beyond the role/function
3 - Good	The objectives were completed in a professional and competent manner. The employee fulfils the role and requirements of the job with very limited supervision
4 – Acceptable	Competent in the role. Tasks are completed on time but with appropriate supervision
5 – Requires Development	New to the role, requires supervision and support in their work. Beginning to fulfil the requirements of the role but still needs development in certain aspects of the job.
6 – Unacceptable	Their performance is significantly lower than expected; maintaining this level of performance is not acceptable.

Fig.2	
Average Score	%
1.00	15.00
1.33	14.00
1.67	13.00
2.00	12.00
2.33	11.00
2.67	10.00
3.00	9.00
3.33	8.00
3.66	7.00
4.00	6.00
4.33	5.00
4.66	4.00
5.00	3.00
5.33	2.00
5.66	1.00
6.00	0.00

6. Bonus Not Paid/Targets Reset

If the maximum cost or latest time that are in the sliding scales at any point in the project become unachievable, then the RemCom will be asked to exercise their discretion to reset the targets. In such a circumstance previously accrued bonus will be lost and bonus will be calculated based on cumulative salary from a new start date which will be the date the new targets are agreed.

If either the cost or the time targets are not met at ORS then no bonus will be paid.

7. Payment – Open for Revenue Service

Payment will be made at Open for Revenue Service to all employees who are eligible. 'Payment Date' will be two complete calendar months after ORS and the date used for the calculation of cumulative salaries, unless another later date is agreed between the company and the individual.

If ORS is achieved but there is no clarity of the likely final cost such as major claims still to be settled then the Remcom will make an assessment of the likely outcome of the cost and make an award on that basis. The Remcom may opt to make a conservative interim award until such time as it is confident that it can achieve sufficient certainty.

8. Leavers

If an employee leaves as a voluntary leaver (resignation) they will not retain any rights to the accrued bonus up to their leave date.

Any employee, who is dismissed under the disciplinary procedure or for performance related reasons, for the purposes of the bonus scheme, will be classed as a voluntary leaver and will not retain any rights to the bonus.

If an employee is an involuntary leaver (redundancy, transfer to a partner organisation at tie's request or retirement) then they will be entitled to the accrued bonus but it will not be paid until ORS. The percentage awarded will be paid up to the leave date and the cumulative salary earned up to the leave date.

The payments will still be subject to the scheme rules for all employees e.g. if either cost or time hits 0% then no bonus will be paid.

9. Worked Example for Deferred scheme

Assumptions

Employee annual salary: £100,000

Max possible bonus: 50%

Start date: 1/4/09

Project completion date and cost targets hit 75%

Payment date 31st July 2012

Project Completion KPI (PCKPI) score 80% (as assessed by RemCo)

Individual performance score 76%

Calculations

Total eligible salary £100,000 x 3 years and 4 months (3.33 years) = £333,334

Cost element of bonus 75% x 35% weighting = 26.25%

Date element of bonus 75% x 35% weighting = 26.25%

PCKPI score 80% x 15% weighting = 12%

Personal score 76% x 15% weighting = 11.4%

% of possible maximum bonus is 26.25 + 26.25 + 12 + 11.4 = 75.9%

Bonus £333,334 x 50% x 75.9% = £126,500

Definitions and Acronyms

RemCom: Remuneration Committee

ORS: Open for Revenue Service

Payment Date: 2 complete calendar months after ORS and date used for calculation of cumulative salaries

KPI: Key performance indicators – for tie they have been set as Safety, Stakeholder Support, Team Culture and Operational Readiness

PCKPI Score: Project completion key performance indicators – the score awarded by the RemCom for achievement against project KPI's