

Alpha Unlimited Inc. Employee Performance Management Policy

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Foreword: Our Performance Philosophy—Driving Impact, Achieving Excellence Together

At Alpha Unlimited Inc. (hereinafter referred to as "the Company"), we believe the core purpose of performance management is not merely to evaluate past contributions but to empower the future, unlock potential, and tightly connect personal growth with the Company's ambitious mission. We are committed to fostering a high-challenge, high-support, and high-transparency environment where every team member can clearly see how their efforts translate into tangible impact for our customers, our products, and the world.

This policy aims to establish a systematic and forward-looking performance management framework. It is more than just a set of procedures; it is a manifestation of our culture. We value data and facts, encourage candid and constructive dialogue, reward actions that create genuine value, and firmly believe that everyone has the potential to strive for excellence. Our goal is to make performance management an engine for innovation, not a rigid administrative burden. We believe that when executed well, this process becomes a powerful engine for organizational growth, enabling us to adapt quickly to market changes and maintain our competitive edge. This policy is designed to be a living document, a tool for continuous learning and adaptation, ensuring that our talent strategy remains agile and effective.

This expanded policy will cover the following core content:

- **Clear Guiding Principles:** To ensure performance management is fair, transparent, and tightly integrated with company strategy.
- **A Complete Cycle:** From goal setting (OKR), daily tracking, mid-year review, to year-end evaluation and calibration, forming a closed loop.
- **Multi-Dimensional Evaluation Methods:** A comprehensive approach that considers both "Results & Impact" and "Behaviors & Values," and incorporates diverse inputs like self-assessment and peer feedback.

- **Application of Performance Results:** Clearly defining the connection between performance results and compensation, bonuses, promotions, and talent development.
- **Continuous Dialogue and Feedback:** Advocating for ongoing, real-time dialogue and feedback between managers and employees, replacing the single, annual review.
- **Addressing Underperformance:** Providing a clear and specific process to support and manage underperforming employees.

This expanded version builds on the original framework by delving into the practical details of each chapter, aiming to provide more comprehensive guidance to ensure the policy's effective implementation throughout the Company.

Table of Contents

Part I: General Principles & Performance Culture

- Chapter 1: Fundamental Principles
 - Article 1: Purpose and Guiding Principles
 - Article 2: Scope of Application
 - Article 3: Roles and Responsibilities
 - Article 4: Definition of Terms
- Chapter 2: The Alpha Performance Culture
 - Article 5: Core Philosophy of Performance Management
 - Article 6: Connection to Leadership Principles
 - Article 7: Continuous Feedback and Dialogue
 - Article 8: Confidentiality and Code of Conduct

Part II: Performance Management Cycle & Execution
- Chapter 3: Goal Setting: The OKR (Objectives and Key Results) Framework
 - Article 9: OKR Cycle and Cadence
 - Article 10: Principles for Setting Objectives (O)
 - Article 11: Principles for Setting Key Results (KR)
 - Article 12: Types of OKRs: Committed vs. Aspirational
 - Article 13: OKR Alignment and Transparency
 - Article 14: OKR Review and Finalization Process
- Chapter 4: Performance Tracking and Continuous Dialogue
 - Article 15: 1-on-1 Meetings
 - Article 16: Progress Reviews and Check-ins
 - Article 17: Mid-cycle Performance Review

Part III: Performance Evaluation & Calibration
- Chapter 5: Year-End Performance Evaluation Process
 - Article 18: Performance Evaluation Cycle
 - Article 19: Overview of the Evaluation Process
 - Article 20: Evaluation Inputs
- Chapter 6: Detailed Evaluation Components
 - Article 21: Self-Assessment
 - Article 22: Peer Feedback / 360-Degree Feedback
 - Article 23: Manager Assessment

- Chapter 7: Performance Calibration
 - Article 24: Purpose and Principles of Calibration
 - Article 25: Composition and Responsibilities of the Calibration Committee
 - Article 26: Calibration Meeting Process
 - Article 27: Avoiding Common Calibration Biases
- Chapter 8: Performance Ratings and Result Communication
 - Article 28: Performance Rating Definitions
 - Article 29: The Performance Conversation
 - Article 30: Appeals and Review Mechanism
- Part IV: Application of Performance Results & Talent Development
- Chapter 9: Performance and Compensation
 - Article 31: Performance and Annual Salary Increases
 - Article 32: Performance and Performance Bonuses
 - Article 33: Performance and Equity Awards
- Chapter 10: Performance and Talent Development
 - Article 34: Identifying and Developing High-Performing Talent
 - Article 35: Performance and Promotions
 - Article 36: Individual Development Plan (IDP)
- Chapter 11: Managing Underperformance
 - Article 37: Initiating Performance Coaching
 - Article 38: Performance Improvement Plan (PIP)
 - Article 39: PIP Execution and Outcomes
- Part V: Appendices
- Chapter 12: Policy Management
 - Article 40: Policy Interpretation and Amendment
 - Article 41: Effective Date

Part I: General Principles & Performance Culture

Chapter 1: Fundamental Principles

Article 1: Purpose and Guiding Principles

This policy aims to establish a fair, transparent, and motivating performance management system guided by the following core principles:

1. **Alignment:** Ensure that every individual's goals are tightly aligned with team and company-level strategic objectives. This is not just to maximize individual contributions but to build a culture of shared purpose, where every employee understands how their work drives the company forward. For example, a software engineer's OKR to "reduce API latency" should be a direct contributor to the product team's objective to "improve platform speed," which in turn supports the company's annual goal to "enhance customer experience."
2. **Enablement:** View performance management as a continuous development process, not just an annual assessment. Through goal setting, timely feedback, and coaching, we help employees enhance their capabilities and achieve their career aspirations. We believe that an excellent performance management system should enable

employees to become the best versions of themselves, equipping them with the skills, knowledge, and confidence to take on new challenges and leadership roles.

3. **Fairness & Accuracy:** Strive to objectively and accurately assess employee performance and impact by using multiple data inputs (self-assessments, peer feedback, business data) and a calibration process, thereby minimizing personal bias. We are committed to a data-driven approach, ensuring that assessments are grounded in facts and observable behaviors, rather than personal feelings or short-term impressions. This includes using quantitative metrics where possible, and relying on multiple perspectives to create a well-rounded view of an employee's contributions.
4. **Incentivizing Excellence:** Clearly differentiate levels of performance and provide corresponding rewards and recognition to high-performing contributors, fostering a culture that pursues excellence. We will ensure that rewards are meaningful and directly tied to the level of impact and value created. Our compensation and recognition systems are designed to disproportionately reward those who make exceptional contributions, providing a clear path for professional and financial growth.

Article 2: Scope of Application

This policy applies to all full-time and part-time regular employees at all Company locations worldwide. The performance management for contractors, interns, consultants, and other non-regular workers should be conducted in the spirit of this policy and in accordance with their individual contracts or project agreements, with a focus on project-specific deliverables and timelines.

Article 3: Roles and Responsibilities

1. **Human Resources & Organizational Development (HR & OD):**
 - Formulates, interprets, and updates this performance management policy and related tools.
 - Designs and implements a globally consistent performance management process, timeline, and system platform.
 - Provides training and enablement for managers and employees on topics such as setting high-quality OKRs, giving and receiving feedback, and conducting effective performance conversations. HR also serves as a neutral third party to mediate disagreements.
 - Organizes and facilitates performance calibration meetings to ensure the fairness and consistency of the process.
 - Analyzes performance data to provide insights on organizational talent health to senior leadership, identifying skill gaps, high-potential individuals, and areas for strategic talent investment.
2. **Managers (All Levels):**
 - As key executors of performance management, work with employees to set clear and challenging goals (OKRs) that are both ambitious and achievable.
 - Provide continuous, timely, and actionable feedback and coaching through regular 1-on-1 meetings, acting as a true coach and mentor.
 - Objectively gather information on employee performance from various sources and write fair, fact-based performance assessment reports that are free from bias.

- Represent their teams in calibration meetings, accurately conveying employee contributions and impact while also being open to peer feedback.
- Conduct candid and constructive performance conversations with employees, focusing on both past achievements and future development plans.

3. Employees:

- Proactively think about and draft personal OKRs that drive business outcomes and align with team goals, demonstrating a sense of ownership.
- Take ownership of their performance and development, regularly tracking goal progress and actively seeking feedback from managers and peers.
- Complete self-assessments thoughtfully and objectively, and provide constructive peer feedback when requested, focusing on specific and actionable observations.
- Actively participate in performance conversations and co-plan future growth paths with their managers, embracing feedback as a gift for growth.

Article 4: Definition of Terms

- **OKR (Objectives and Key Results):** A goal-setting and management framework used to define a challenging "Objective (O)" and measure its achievement through several quantifiable "Key Results (KRs)."
- **Performance Cycle:** The complete loop from goal setting, through mid-cycle review, to year-end evaluation, calibration, and result communication, typically lasting for half a year.
- **Continuous Conversation:** The ongoing informal and formal communication between a manager and an employee throughout the performance cycle, including regular 1-on-1 meetings and real-time feedback.
- **Calibration:** A process where a group of managers, facilitated by a senior leader or HR, meets to review and discuss their team members' draft performance assessments to ensure that performance standards are applied consistently and fairly across the organization.
- **Performance Improvement Plan (PIP):** A time-bound, goal-oriented coaching and improvement plan for employees who are consistently not meeting performance expectations.

Chapter 2: The Alpha Performance Culture

Article 5: Core Philosophy of Performance Management

We believe that performance is not just about "what" was accomplished, but also about "how" it was accomplished. A comprehensive performance evaluation gives equal weight to the following two dimensions:

1. **Results & Impact:** Did the employee achieve their OKR goals? What measurable positive impact did their work have on the team, product, or customers? This dimension focuses on the tangible outcomes and business value created. We look at the concrete results, such as revenue generated, costs saved, new features shipped, or customer engagement metrics improved.

2. **Behaviors & Values:** In achieving their goals, did the employee exemplify the company's "**Leadership Principles**"? Did they collaborate effectively with the team? Did they make a positive contribution to the organizational culture? This dimension assesses how the employee's actions reflect the Company's core values. We believe that sustainable success is built on a strong foundation of positive, value-driven behaviors.

Article 6: Connection to Leadership Principles

The Company's "Leadership Principles" are the cornerstone of performance evaluation; they define the highest standards for "how" we work. All aspects of performance evaluation (self-assessment, peer feedback, manager assessment) must include descriptions and evaluations of specific behavioral examples of how the employee has practiced these principles. For example:

- **Customer Obsession:** Did the employee work backward from the customer to solve a deep-seated problem, even if it meant re-scoping the project? For example, a marketing specialist might discover through user interviews that customers are confused by a specific pricing model. Instead of just creating a new marketing campaign, they take the initiative to present this feedback to the product team, successfully arguing for a simplified pricing structure that ultimately reduces customer churn by .
- **Ownership:** Did the employee proactively take on tasks outside their defined responsibilities to ensure project success? For instance, did a software developer take the initiative to help the QA team write test cases to prevent a critical bug from going to production? Another example is a salesperson who, after a client's purchase, notices a problem with product delivery and takes responsibility for tracking the logistics issue until it is fully resolved, rather than simply passing the problem to the support team.
- **Dive Deep:** Did the employee uncover key insights missed by others through in-depth data analysis? Did a marketing analyst, for example, not just report on a campaign's performance but also dig into the underlying data to identify a previously unnoticed conversion bottleneck? A finance team member might notice a small but consistent cost overrun in a seemingly unrelated department's budget and, after digging into the details, uncover a systematic and fixable procurement issue.
- **Have Backbone; Disagree and Commit:** Did the employee voice a well-reasoned, different opinion during a meeting, and then fully support the decision once it was made? A product manager, for instance, might argue against a feature's scope in a design review, but once the team aligns, they enthusiastically drive the implementation. A more detailed example is an engineer who, during a sprint planning meeting, argues against using a new technology because of potential stability risks. Although the team ultimately decides to proceed with it, the engineer fully supports the decision and even volunteers to build additional monitoring tools to mitigate the risks they highlighted.

Article 7: Continuous Feedback and Dialogue

We reject a "once-a-year" surprise-based performance review. Instead, we champion a culture of continuous communication.

- **Timeliness:** Feedback, whether praise or constructive advice, should be given as soon as possible after an event occurs. This ensures the feedback is relevant and can be acted upon immediately.
- **Specificity:** Feedback should be based on specific behaviors or events, not vague personal impressions. The "**SBI Model**" (**Situation, Behavior, Impact**) is highly recommended. For example, instead of saying "You are a great collaborator," say, "In the last project review, when you helped the marketing team solve their data issue (Situation), you stayed late to help them troubleshoot (Behavior), which ensured we met the launch deadline (Impact)."
- **Bi-directionality:** Managers should not only give feedback but also actively seek feedback from employees on their own management style. This creates a more trusting and effective working relationship. A manager might ask, "Is there anything I can do to better support your work on this project?" or "How could I have communicated that decision more effectively?"
- **Normalization:** Through tools and systems (like 1-on-1 meetings), the acts of giving and receiving feedback should be internalized as a routine and non-threatening part of work. Feedback is not an act of judgment, but a tool for mutual growth.

Article 8: Confidentiality and Code of Conduct

All individuals involved in the performance management process, especially managers and HR personnel, are obligated to maintain strict confidentiality regarding personal information, peer feedback content, calibration meeting discussions, and final rating and compensation outcomes. Any breach of confidentiality will be considered a serious violation of work rules and will be handled accordingly.

Part II: Performance Management Cycle & Execution

Chapter 3: Goal Setting: The OKR (Objectives and Key Results) Framework

Article 9: OKR Cycle and Cadence

The Company operates on a semi-annual performance cycle, with OKRs set and tracked on a quarterly basis.

- **First Half (H1):** January to June.
- **Second Half (H2):** July to December.
- The first two weeks of each quarter are designated for setting and finalizing that quarter's OKRs.

Article 10: Principles for Setting Objectives (O)

An Objective (O) is a qualitative description of "where we want to go." It should be:

1. **Inspirational:** It should motivate the team and individuals, painting a clear picture of success that feels significant and worthwhile.

2. **Ambitious:** It should be set beyond the comfort zone. An achievement rate of 60%-70% is considered a good performance. If an objective is easily achieved at 100%, it was not ambitious enough.
3. **Time-bound:** It must be clearly scoped to be completed within one quarter.
4. **Actionable:** It should be within the control of the team or individual, not entirely dependent on external teams.

【Example】

- Poor Objective: Improve user satisfaction. (Too vague)
- Good Objective: Launch the industry's most seamless new user onboarding experience. (Inspirational and specific)
- Even Better Objective: Create a new digital content platform that sets a new standard for interactive learning. (Ambitious and forward-looking)

Article 11: Principles for Setting Key Results (KR)

A Key Result (KR) is a quantitative description of "how we know we are getting there." It should be:

1. **Outcome-oriented:** It measures business results, not the completion of tasks or activities. It should focus on the "what," not the "how."
2. **Measurable & Verifiable:** It must contain specific numbers and have a clear success criterion, allowing anyone to objectively determine if it has been met.
3. **Specific & Ambitious:** It provides a clear roadmap for achieving the objective.
4. **Limited in Number:** Each objective should have 2-5 key results to ensure focus and avoid spreading efforts too thin.

【Example】

- **Objective:** Launch the industry's most seamless new user onboarding experience.
- **Poor KR:** Finish developing the new login page. (This is a task, not an outcome)
- **Good KR 1:** Increase the successful login rate for new users from 85% to 95%.
- **Good KR 2:** Reduce customer support tickets related to login failures by 50%.
- **Good KR 3:** Decrease the average time for a new user's first login from 45 seconds to under 15 seconds.

More Examples Across Roles:

- **Marketing Manager**
 - **Objective:** Build a vibrant community and a clear brand voice in the market.
 - **KRs:**
 - Increase social media engagement rate (likes, shares, comments) on key platforms from **2.5%** to **4.0%**.
 - Launch and manage **2** new, high-quality content series (e.g., a podcast or a video series).
 - Host **1** customer-facing virtual summit attracting over **500** attendees.
- **Sales Representative**
 - **Objective:** Expand market share in the enterprise segment.
 - **KRs:**

- Close **5** new enterprise-level contracts worth over **\$200,000** each.
 - Generate **30** new qualified leads through self-directed prospecting.
 - Achieve **120%** of the quarterly revenue target.
- **Human Resources Specialist**
 - **Objective:** Enhance the employee onboarding experience to improve retention.
 - **KRs:**
 - Increase new hire satisfaction scores from **7.5** to **9.0** on a 10-point scale.
 - Reduce the time for new hires to complete all required training modules by **20%**.
 - Decrease new hire attrition within the first 90 days from **8%** to under **5%**.

Article 12: Types of OKRs: Committed vs. Aspirational

1. **Committed OKRs:** These are goals that the team agrees must be achieved, with an expected completion rate of 100%. They are typically tied to core business metrics, product launches, or critical infrastructure projects. Failure to meet a committed OKR requires a thorough post-mortem analysis.
2. **Aspirational OKRs:** Also known as "moonshots," these are highly challenging goals designed to push the team to think outside the box. They are meant to be stretch goals. Even achieving 60%-70% of an aspirational OKR is considered a huge success, and a failure to achieve it is not penalized, as the attempt itself is valued for its learning and innovation potential. Aspirational OKRs encourage employees to take risks, innovate, and think beyond their daily tasks, knowing they will be judged on the effort and learning, not just the final result.

When setting OKRs, employees and their managers should clearly label each OKR's type.

Article 13: OKR Alignment and Transparency

- **Vertical Alignment:** Individual OKRs should support team OKRs, which in turn support department OKRs, ultimately aligning with company-level OKRs. This ensures that everyone's work is contributing to the larger strategic vision.
- **Horizontal Alignment:** Cross-functional teams (e.g., product, engineering, marketing) are encouraged to set shared OKRs to break down silos and promote collaboration on shared business outcomes.
- **Full Transparency:** Except for highly sensitive information, all employees' OKRs should be visible to the entire company in an internal system to foster understanding, collaboration, and accountability. This transparency also allows individuals to proactively identify opportunities to help colleagues and better understand the big picture.

Article 14: OKR Review and Finalization Process

1. **Drafting:** Employees draft their individual OKRs based on company and team goals within the first week of the quarter.

2. **1-on-1 Discussion:** The employee and their direct manager hold a 1-on-1 meeting to discuss the ambition, feasibility, and resource needs of the drafted OKRs. This is a collaborative dialogue, not a top-down mandate.
3. **Team Calibration:** The team holds a meeting to share their respective OKRs, ensuring that goals among team members are coordinated and free of conflicts or overlaps. This also provides an opportunity to offer mutual support.
4. **Finalization:** All OKRs must be formally finalized in the performance management system by the end of the second week of the quarter. Any changes after this point require approval from the manager and HRBP.

Chapter 4: Performance Tracking and Continuous Dialogue

Article 15: 1-on-1 Meetings

Managers should have regular (weekly or bi-weekly is recommended), uninterrupted 1-on-1 meetings with each of their direct reports. This meeting's agenda is driven by the employee and should focus on in-depth dialogue rather than status reporting. Topics may include:

- Challenges and roadblocks in OKR progress.
- Career development and growth opportunities.
- Work-life balance.
- Team collaboration and communication.
- Feedback for the manager.
- A discussion of long-term career goals and skill development.

Article 16: Progress Reviews and Check-ins

Employees should regularly (weekly is recommended) update the progress of their KRs in the performance management system. They can add brief text descriptions and a confidence score (e.g., Green - on track, Yellow - at risk, Red - off track). This helps managers and collaborators quickly understand the status and offer help when needed. Managers are expected to review these updates and provide comments. This process is about real-time transparency and accountability, allowing for agile adjustments and problem-solving.

Article 17: Mid-cycle Performance Review

At the midpoint of each performance cycle (i.e., at the end of the first quarter), the manager should conduct a more formal mid-cycle review with the employee.

- **Purpose:** To assess performance in the first half of the cycle, identify strengths and areas for improvement, and calibrate efforts for the second half.
- **Process:** The employee prepares a brief self-assessment, reviewing Q1 OKR achievement and the practice of Leadership Principles. The manager provides feedback based on their observations and the employee's progress updates.
- **Focus:** This is a developmental conversation, not involving a performance rating, aimed at helping the employee succeed by the end of the cycle. It is an opportunity to adjust goals if business priorities have changed or if the initial OKRs have been achieved.

Part III: Performance Evaluation & Calibration

Chapter 5: Year-End Performance Evaluation Process

Article 18: Performance Evaluation Cycle

The Company conducts two formal performance evaluations per year:

- **First Half (H1):** In July, evaluating performance from January to June.
- **Second Half (H2):** In January of the following year, evaluating performance from July to December.

Article 19: Overview of the Evaluation Process

A complete evaluation process typically takes 4-6 weeks and includes the following steps:

1. **Launch & Communication:** HR announces the start of the performance evaluation cycle and provides all necessary forms and templates.
2. **Information Gathering:**
 - Employees submit their self-assessment reports.
 - Peer feedback nominations and submissions are completed.
3. **Manager Assessment:** The manager synthesizes all information, writes an assessment report, and assigns a preliminary rating.
4. **Calibration Sessions:** Managers at all levels participate in calibration meetings to ensure fairness and consistency in ratings.
5. **Leadership Review:** Senior leadership reviews the calibration outcomes to ensure alignment with organizational goals.
6. **Performance Conversations:** Managers deliver the final performance evaluation results to employees in a structured, face-to-face meeting.

Article 20: Evaluation Inputs

To ensure a comprehensive and objective evaluation, the manager's assessment must be based on the following diverse sources of information:

1. **OKR Achievement Data:** The final completion status of the employee's OKRs from the two quarters within the performance cycle, including a qualitative review of the effort and challenges.
2. **Employee Self-Assessment:** The employee's qualitative description of their contributions, growth, and challenges.
3. **Peer Feedback:** Anonymous or named feedback from multiple collaborators who have worked closely with the employee.
4. **Business Data and Output:** Objective data such as specific business metrics, project outcomes, code contribution volume, customer satisfaction surveys, and user engagement statistics.
5. **Manager's Direct Observation:** The manager's continuous observation records and notes from daily work and 1-on-1 meetings, which serve as a factual basis for their judgment.

Chapter 6: Detailed Evaluation Components

Article 21: Self-Assessment

Employees must complete their self-assessment in the performance management system by the specified deadline. A high-quality self-assessment should include:

- **Summary of Key Achievements:** A bulleted list of the 3-5 most important achievements during the cycle, described using the **STAR method (Situation, Task, Action, Result)**, with a focus on quantifying their "impact."
- **OKR Review:** A review of OKR achievement during the cycle, with an analysis of the reasons for success or shortfall, including external factors or roadblocks.
- **Practice of Leadership Principles:** 1-2 specific examples illustrating how they have practiced the company's Leadership Principles, citing a clear situation and the impact of their actions.
- **Strengths and Growth Areas:** An honest reflection on their strengths and the areas they wish to develop in the next cycle, and a proposal for their next Individual Development Plan (IDP).

Article 22: Peer Feedback / 360-Degree Feedback

Peer feedback is a crucial component for assessing collaboration and team impact.

1. **Nomination Mechanism:**
 - Employees can nominate 3-5 colleagues who are best positioned to evaluate their work, including their direct manager, cross-team collaborators, and even direct reports (for managers).
 - The manager may add 1-2 additional nominators to ensure comprehensive feedback, especially from those the employee has not worked with directly but whose work is impacted by them.
2. **Feedback Questions:** The feedback questionnaire typically includes open-ended questions such as:
 - "What is one thing that [Employee Name] did exceptionally well or had a significant impact on in the past six months? Please provide a specific example."
 - "What is one thing that [Employee Name] could do differently or develop further to have an even greater impact in the future? What specific action could they take?"
 - "Please provide an example of how [Employee Name] demonstrated one of the company's Leadership Principles."
 - "How does [Employee Name]'s work affect yours? Is there anything they could do to make your collaboration more effective?"
3. **Feedback Principles:** Feedback providers should follow the principles of being "specific, sincere, and actionable," avoiding vague praise or criticism.
4. **Confidentiality:** Peer feedback is presented to the manager anonymously or named (as determined by company policy). The manager must synthesize and summarize the key themes of the feedback and share them with the employee without revealing the specific sources unless the feedback provider has given explicit consent.

Article 23: Manager Assessment

The manager is the integrator and judge in the performance evaluation. The manager's assessment report is the primary document discussed in the calibration meeting.

1. **Comprehensive Analysis:** The manager needs to carefully read the employee's self-assessment, all peer feedback, and combine it with the objective data and observations they have to form an overall performance judgment. They must be able to synthesize these diverse inputs into a coherent narrative.
2. **Writing the Assessment Report:** The report must include a comprehensive evaluation of the employee's performance in both "**Results & Impact**" and "**Behaviors & Values.**" The content should be based on facts and data, avoiding subjective speculation.
3. **Proposing a Preliminary Rating:** Based on the company's performance rating definitions, the manager proposes a preliminary performance rating for the employee and prepares to provide sufficient rationale and examples to support this rating in the calibration meeting.

Chapter 7: Performance Calibration

Article 24: Purpose and Principles of Calibration

Calibration is the core mechanism for ensuring fairness in performance evaluation. Its purposes are to:

- **Establish a Common Standard:** Ensure all managers have a shared, consistent understanding of performance standards like "excellence" and "meets expectations" across different teams and departments.
- **Reduce Personal Bias:** Challenge and correct potential biases of individual managers, such as the "halo effect," "recency effect," or being "too lenient/strict," through group discussion and data-driven debate.
- **Identify Top Talent:** Compare talent across a broader scope to identify the most outstanding performers in the organization, preventing talent from being "lost" within a single team.
- **Ensure a Reasonable Rating Distribution:** Ensure that the final rating distribution reflects real performance differences, not just variations in managers' rating styles.

Article 25: Composition and Responsibilities of the Calibration Committee

- **Composition:** Typically chaired by a senior director or VP-level leader, with their direct reports (all managers) as participants. An HRBP (Human Resources Business Partner) serves as the facilitator and guardian of the process.
- **Responsibilities:**
 - **Chair:** Ensures the meeting runs efficiently, guides the discussion, and makes final decisions when disagreements arise.
 - **Participating Managers:** Briefly present the performance of their team members, defend their preliminary ratings with data and examples, and also constructively question the assessments of other managers to ensure objectivity.
 - **HRBP:** Upholds the fairness of the calibration process, alerts participants to potential biases, and records the meeting outcomes.

Article 26: Calibration Meeting Process

1. **Pre-meeting Preparation:** All participating managers must submit their team members' draft performance assessments and preliminary ratings in advance. The HRBP will conduct a preliminary data consolidation and flag potential outliers.
2. **Opening Statement:** At the beginning of the meeting, the chair or HRBP reiterates the purpose and principles of calibration and the recommended rating distribution guidelines for the session.
3. **Level-by-Level Discussion:** The discussion usually starts with high-performing employees to set a benchmark for excellence. A manager briefly explains an employee's key contributions, and other managers ask challenging questions. For example: "Do you believe this employee's impact is significantly higher than that of other high-performing employees at the same level in other teams?"
4. **Comparison and Ranking:** During the discussion, employees with similar performance levels are compared to ensure the relative fairness of their ratings. The group collaboratively agrees on a final rating for each person.
5. **Handling Borderline Cases:** The meeting will spend considerable time discussing employees who are on the borderline between two ratings, with in-depth debate to determine their final placement.
6. **Confirming Results:** At the end of the meeting, the performance ratings for all employees are provisionally confirmed.

Article 27: Avoiding Common Calibration Biases

The HRBP is responsible for alerting participants to the following biases during the meeting to ensure fairness:

- **Visibility Bias:** Do not only reward employees who are good at self-promotion or work on high-profile projects.
- **Similarity Bias:** Avoid giving higher ratings to employees who have similar backgrounds or styles to your own.
- **Indispensability Bias:** Be wary of employees who are considered "indispensable" because they manage a critical but legacy system, but who are not actually growing or innovating.
- **Recency Effect:** Ensure that the entire performance cycle is evaluated, not just the most recent achievements.

Chapter 8: Performance Ratings and Result Communication

Article 28: Performance Rating Definitions

The Company uses a five-level performance rating system to clearly differentiate levels of contribution:

- **Level 1: Needs Improvement**
 - Consistently performs below the core requirements of the role and fails to achieve most key objectives.
 - Exhibits significant behavioral or collaboration issues that negatively impact the team.

- Requires immediate performance coaching or a PIP. This individual's work may require frequent corrections, and they may struggle to grasp fundamental concepts or fulfill basic responsibilities without extensive guidance.
- **Concrete Examples of Behaviors:**
 - Frequently misses deadlines without prior communication.
 - Delivers work with recurring, fundamental errors that require extensive rework by others.
 - Struggles with basic problem-solving and needs constant supervision.
 - Exhibits a negative attitude that negatively impacts team morale.
- **Level 2: Partially Meets Expectations**
 - Performance is inconsistent, meeting requirements at times but with gaps in some key areas.
 - Achieves some objectives, but core contributions fall short of expectations.
 - Requires more intensive guidance and support from the manager. A person at this level may complete their core tasks but miss deadlines or fail to produce work of the required quality, requiring significant manager oversight.
 - **Concrete Examples of Behaviors:**
 - Meets routine, simple deadlines but often misses deadlines for more complex projects.
 - Work quality is acceptable but lacks polish and could be improved with more independent thought.
 - Requires frequent check-ins to stay on track and often needs the manager to unblock issues.
 - Achieves individual goals but rarely proactively helps teammates or contributes to team-level goals.
- **Level 3: Meets All Expectations**
 - Reliably meets all job requirements and core objectives; a solid contributor to the team.
 - Consistently demonstrates the company's Leadership Principles.
 - This rating is an affirmation for the majority of employees who perform well. They are reliable, produce high-quality work, and are a dependable team member.
 - **Concrete Examples of Behaviors:**
 - Consistently delivers high-quality work on time.
 - Independently solves problems within their scope and proactively communicates progress.
 - Is a reliable team member who can be counted on to deliver.
 - Gives and receives feedback professionally and contributes positively to team discussions.
- **Level 4: Exceeds Expectations**
 - Consistently performs beyond the requirements of the role, making significant and measurable contributions to business outcomes.
 - Not only achieves their own goals but also proactively helps others, enhancing the entire team's effectiveness.
 - Serves as a role model for practicing the Leadership Principles. An employee at this level may lead a small, complex project to completion, volunteer to mentor a junior colleague, or find an innovative solution to a difficult problem that wasn't part of their original plan.

- **Concrete Examples of Behaviors:**
 - Leads a complex, cross-functional project to a successful, early conclusion.
 - Proactively mentors junior team members and shares knowledge that elevates the entire team's skill level.
 - Identifies and solves a critical, latent business problem before it becomes a major issue.
 - Finds an innovative solution or process improvement that leads to a measurable increase in team efficiency or a decrease in operational costs.
- **Level 5: Redefines Excellence**
 - Performance far exceeds expectations, with contributions and impact at the level of the next job grade.
 - Achieves breakthrough results in highly challenging areas, creating extraordinary value for the company.
 - This rating is reserved for a very small number of the most exceptional employees and is a strong signal for promotion. This individual is a force multiplier, creating impact far beyond their own work and inspiring others to new levels of performance. They might lead a cross-functional initiative that fundamentally changes the company's trajectory.
 - **Concrete Examples of Behaviors:**
 - Authors a best practice document or architecture that is adopted company-wide and fundamentally changes how a core function operates.
 - Architects and delivers a new product or feature that opens up a significant new market or revenue stream.
 - Serves as a "go-to" technical or strategic expert across the company and their industry.
 - Recruits, trains, and develops a team that is widely recognized as a top-performing unit within the organization.

Article 29: The Performance Conversation

After receiving the final, calibrated rating, the manager must conduct a formal, face-to-face performance conversation with each employee.

- **Preparation:** The manager must prepare specific talking points and behavioral examples in advance, ensuring they can clearly articulate the rationale behind the final rating. This includes gathering all data points, peer feedback summaries, and their own observation notes.
- **Structure of the Conversation:**
 1. **Opening:** State the purpose of the meeting and create an open, safe atmosphere for dialogue.
 2. **Delivering the Result:** Clearly and directly communicate the final performance rating and immediately explain the key reasons behind it, using specific data and examples.

- 3. **Two-Way Discussion:** Allow ample time for the employee to ask questions and share their perspective. The manager must listen actively, not just deliver a message.
- 4. **Focus on the Future:** Shift the conversation from looking back to looking forward, discussing the employee's strengths, development areas, and next steps for the upcoming cycle.
- 5. **Closing:** Summarize the key points of the meeting and express support for the employee's future development.
- **No Surprises:** There should be no "surprises" in the performance conversation. An employee's performance should be a topic of ongoing conversation throughout the cycle, not something they hear about for the first time in this meeting. The formal review should be a summary of what has already been discussed in regular 1-on-1s.

Article 30: Appeals and Review Mechanism

If an employee has a significant disagreement with their performance evaluation result and cannot reach a consensus with their manager, they may initiate an appeal.

1. **Submitting an Appeal:** The employee must submit a written appeal to the HRBP within five working days of the performance conversation, including specific reasons and supporting evidence.
2. **Investigation and Review:** The HRBP and the employee's second-level manager will form a temporary review panel to re-examine all performance-related materials and may interview relevant parties.
3. **Final Decision:** The review panel will make a final decision within ten working days and communicate the outcome to the appealing employee and their manager. This decision is final.

Part IV: Application of Performance Results & Talent Development

Chapter 9: Performance and Compensation

Article 31: Performance and Annual Salary Increases

The magnitude of the annual salary adjustment is directly linked to the performance rating. The company will set a guideline range for the percentage increase for each performance rating, based on the annual budget. Employees with high performance ratings will receive significantly higher-than-average salary increases. This ensures that pay is directly tied to performance and impact. For example, the salary increase for a "Level 4: Exceeds Expectations" employee may be double that of a "Level 3: Meets All Expectations" employee, providing a powerful financial incentive for high performance.

Article 32: Performance and Performance Bonuses

Performance bonus payouts are based on two factors: individual performance and company performance. The Individual Performance Multiplier is determined by the performance rating.

- **Bonus Calculation Formula (Example):** Target Bonus Amount x Company Performance Factor x Individual Performance Multiplier = Actual Bonus Payout

- The higher the performance rating, the larger the Individual Performance Multiplier. The multiplier for the highest rating can be several times that of the lowest eligible rating. This powerfully incentivizes top performance. For instance, the multiplier for a "Level 5" employee could be 2.0, while a "Level 3" employee receives a 1.0 multiplier, ensuring a direct and significant link between contribution and reward.

Article 33: Performance and Equity Awards

Long-term equity incentives (such as Restricted Stock Units - RSUs) are a critical tool for rewarding and retaining high-performing talent. In annual equity grants, the performance rating is one of the most crucial factors in determining the number of shares granted. Employees who consistently receive high performance ratings will have the opportunity to receive larger equity grants.

Chapter 10: Performance and Talent Development

Article 34: Identifying and Developing High-Performing Talent

Performance evaluations are a key input for Talent Reviews. The Company will use performance data to identify high-potential, high-performing employees and provide them with customized development resources, such as:

- Priority access to leadership development programs.
- Mentorship from senior executives.
- Opportunities for rotation into core or challenging projects.
- Formal training and certification opportunities.
- Participation in strategic planning sessions.

Article 35: Performance and Promotions

A promotion is a recognition of an employee's sustained high performance and readiness for a higher level of responsibility. The primary basis for a promotion decision is whether the employee has been consistently demonstrating the capabilities and impact required at the next job level.

- Typically, a candidate needs two or more consecutive "Exceeds Expectations" or higher ratings to be eligible for promotion nomination.
- The promotion review committee will carefully review the candidate's performance evaluation reports from the past several cycles as a key basis for their decision.

Article 36: Individual Development Plan (IDP)

One of the outputs of the performance conversation is an Individual Development Plan co-created by the employee and manager. Based on the performance feedback, the IDP should identify 1-3 core competencies the employee wants to develop in the next 6-12 months and outline specific development activities (e.g., attending training, taking on new assignments, seeking a mentor, or leading a small project). The IDP should be a living document, revisited and updated in 1-on-1 meetings.

Chapter 11: Managing Underperformance

Article 37: Initiating Performance Coaching

When an employee's performance first or occasionally falls below expectations, the manager should immediately initiate informal performance coaching. This includes:

- Increasing the frequency of 1-on-1 meetings to weekly.
- Providing more specific and frequent feedback based on the **SBI model**.
- Clearly identifying the performance gap and the desired behavioral changes.
- Documenting all significant coaching conversations in writing (e.g., in meeting notes) to create a clear record of the support provided.

Article 38: Performance Improvement Plan (PIP)

If, after performance coaching, the employee's performance shows no substantial improvement, or if their performance rating is "Needs Improvement," the manager, with assistance from the HRBP, should formally initiate a PIP.

- **Purpose:** The primary purpose of a PIP is to give the employee a clear, structured opportunity to improve their performance to meet the requirements of the role, not as a preliminary step to termination.
- **Content:** The PIP document must clearly state in writing:
 1. **Specific Performance Gaps:** A detailed description of which behaviors or results are not meeting expectations, with concrete examples.
 2. **Clear, Measurable Improvement Goals:** Specific, quantifiable goals that must be achieved during the PIP period.
 3. **Improvement Period:** Typically 30 to 60 days, providing a reasonable timeframe for improvement.
 4. **Company Support:** A clear outline of the resources the company will provide, such as additional training, mentorship, or daily check-ins with the manager.
 5. **Consequences of Not Meeting Goals:** A clear statement that failure to achieve the improvement goals by the end of the PIP will result in the termination of the employment contract.

Sample PIP Content

- **Performance Gap Description:** The employee failed to achieve the sales revenue target for the past two quarters, reaching only **65%** and **70%** respectively. Data also shows that the number of new client meetings and cold calls per week has been consistently below the team average.
- **Improvement Goals (Measurable):**
 - Increase the number of completed sales calls to an average of **30** per week.
 - Schedule and conduct a minimum of **5** new client meetings per week.
 - Achieve a total sales revenue of at least **\$100,000** within the next 60 days.
- **Company Support:**
 - The manager will conduct a **30-minute** daily check-in meeting to review progress and provide coaching.

- The company will provide access to an advanced sales training course (e.g., "The Power of Prospecting").
- A senior sales mentor will be assigned to provide one-on-one guidance.

Article 39: PIP Execution and Outcomes

- **Execution:** During the PIP period, the manager must conduct a formal progress review meeting with the employee once a week and keep a detailed record of the meeting. The manager's role is to support the employee's efforts to improve.
- **Outcomes:**
 1. **Success:** If the employee successfully achieves all improvement goals within the timeframe, the PIP concludes, and they return to the normal performance management process.
 2. **Unsuccessful:** If the employee fails to achieve the improvement goals within the timeframe, the Company will proceed with contract termination in accordance with labor laws and the Company's "Comprehensive Talent Acquisition, Employment, and Development Policy."

Part V: Appendices

Chapter 12: Policy Management

Article 40: Policy Interpretation and Amendment

The authority to interpret this policy rests with the Human Resources & Organizational Development Department. This policy may be amended by a proposal from the HR & OD Department, subject to approval by the Company's senior management, to adapt to company development, management needs, and changes in regulations.

Article 41: Effective Date

This policy shall take effect on September 1, 2025. All previous related policies are simultaneously repealed.