

Directors' Report

REMUNERATION REPORT

1. INTRODUCTION

1.1 About this Report

This Remuneration Report forms part of the Directors' Report. It outlines the overall remuneration strategy, framework and practices adopted by the Company and the Group for the period 1 July 2012 – 30 June 2013 and has been prepared in accordance with Section 300A of the *Corporations Act 2001* and its regulations. This entire Remuneration Report is designated as audited.

In accordance with the *Corporations Act 2001*, this Remuneration Report discloses prescribed remuneration details for the Group's Key Management Personnel.

Key Management Personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company and the Group, directly or indirectly, being the Company's Non-Executive Directors whose names appear in Table 8, and the Executive Directors and Executive Managers whose names appear in Table 7.

In this Report, the term Executive Directors refers to the Managing Director and the Finance Director, and the term Executive Managers refers to Key Management Personnel who are not Directors.

1.2 Overview of Contents

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1.3 Executive Summary

Remuneration Strategy

In 2012–13, the Board continued to oversee implementation of its remuneration strategy, supported by the Human Resources and Remuneration Committee. The key elements of the remuneration strategy are:

- market-competitive levels of remuneration to employees having regard both to the level of work and to the impact those employees could potentially have on the Company's performance;
- appropriate levels of at-risk performance pay to encourage, recognise and reward high performance;
- group performance measures which align performance incentives with the interests of shareholders;
- attraction and retention of talented, high performing employees; and
- a remuneration structure that provides the appropriate balance in risk and reward sharing between each participant and the Company.

Remuneration Outcomes for 2012–13

Remuneration outcomes for 2012–13 reflected the Company's financial performance during the same period. The year was characterised by a volatile external environment, including the steepest fall in the gold price for 30 years and a strong Australian dollar, a challenging operating environment and its impact on the Company's balance sheet. A combination of application of the Short Term Incentive measures and the exercise by the Board of its discretion, resulted in a zero Short Term Incentive outcome for the Managing Director and significantly reduced awards for the Finance Director and Executive Managers, below 8% of the maximum STI award in each case. Details of actual awards under the 2013 Short Term Incentive are set out in Tables 9 and 14. The Board also determined that Executive Directors and Executive Managers would receive a zero salary increase in the Company's annual pay review in October 2013.

2. NEWCREST REMUNERATION FRAMEWORK 2012–13

2.1 Remuneration Policy

The Board's remuneration policy continues to provide market-competitive levels of remuneration for all employees, and for Non-Executive Directors, Executive Directors and Executive Managers, having regard to both the size and complexity of the Company, and the level of work and the impact that those employees can potentially have on Company performance.

The policy also seeks to align the interests of employees and shareholders by ensuring an appropriate level of at-risk performance pay across the Company, linking incentives and performance measures to both Company and individual performance.

Performance linked compensation includes both short- and long-term incentives, and is designed to reward employees for increasing shareholder value by meeting or exceeding their Company and, where applicable, individual objectives.

2.2 Non-Executive Directors

Non-Executive Director fees are set based upon the need to appropriately attract and retain individuals of suitable calibre, reflecting the demands of the role and fairness in relation to prevailing market conditions.

Non-Executive Directors' fees are reviewed every two years and were last adjusted in December 2010 (with effect from 1 January 2011). In 2012, the Board resolved that the two yearly review of Non-Executive Directors' fees should be postponed until the following year. In June 2013, the Board again deferred review of Non-Executive Directors' fees. These remain at the level set in December 2010 following benchmarking and review by an independent remuneration consultant. Details of current Non-Executive Directors' fees are set out in section 4.

2.3 Executive Directors and Executive Managers

Executive Director and Executive Manager remuneration comprises both fixed and variable components. Fixed remuneration is set with reference to fixed remuneration paid by a comparator group of companies for comparable roles.

Variable equity and cash remuneration in 2012–13 were offered respectively under the Long Term Incentive Plan and the Short Term Incentive Plan.

Details of the above incentive schemes are set out in sections 5.5 and 5.6.