

**PERFORMANCE
MANAGEMENT PROGRAM
GUIDELINES
FOR CHIEF EXECUTIVE
OFFICERS OF CROWN
CORPORATIONS**

**Management Priorities
and Senior Personnel Secretariat
Privy Council Office
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PERFORMANCE MANAGEMENT PROGRAM GUIDELINES FOR CHIEF EXECUTIVE OFFICERS OF CROWN CORPORATIONS

PURPOSE

The purpose of this document is to provide an overview of the Performance Management Program for Chief Executive Officers (CEOs) of Crown corporations.

All documentation and forms mentioned in this guide (Performance Agreement and Evaluation Form, these guidelines, etc...) are available on the Privy Council Office Web site at www.pco-bcp.gc.ca/performance-rendement.

PROGRAM OBJECTIVE

The objective of the Performance Management Program is:

- ° to encourage excellent performance by recognizing and rewarding the achievement of results that are linked to corporate plans and government objectives and the demonstration of leadership competencies, values and ethics; and
- ° to provide a framework within which a consistent and equitable approach to performance management can be applied.

COMPENSATION PLAN

In March 2000, the government accepted the recommendations contained in the *Second Report of the Advisory Committee on Senior Level Retention and Compensation*. As a result, a new compensation plan for CEOs of Crown corporations was subsequently introduced.

The plan consists of a job rate for fully satisfactory performance as well as variable cash compensation (termed “at risk pay”) based on corporate and individual achievements against targets.

An effective performance management program is integral to the success of the compensation plan.

PERFORMANCE MANAGEMENT PROGRAM COMPONENTS

The Statement of Objectives

The statement of objectives is a mutual understanding between the CEO of the Crown corporation and the Board of Directors (under the direction of the Chair) as to what is expected for the performance cycle. It is comprised of ongoing objectives, key objectives and performance measures.

- ° ***Ongoing objectives*** are the expectations that do not usually change from year to year. They reflect core accountabilities such as financial management, human resources management, business planning, policy development and program delivery. The successful performance of these objectives results in movement through the salary range.
- ° ***Key objectives*** are priority areas of focus in the performance cycle that are linked to corporate plans and government objectives. They are challenging (“stretching”) but achievable with effort. They are also results-oriented, measurable and achievable through the individual’s own influence and control. The successful performance of these objectives forms the basis of at risk pay.
- ° ***Performance measures*** are observations or data that determine and define if and how well the objectives are met, including the demonstration of leadership competencies, values and ethics.

The statement of objectives can be in whatever form the Board considers appropriate and these guidelines are not intended to change current practices for establishing annual objectives with the CEO. However, mandatory requirements of the Performance Management Program include:

- ° objectives must be established for the CEO and these must be in writing;
- ° objectives must be measurable; and
- ° the Board must identify and agree on those challenging objectives which will be linked to at risk pay.

An example of a form that can be used for the statement of objectives as well as the performance evaluation at the end of the cycle is available on the Privy Council Office Web site.

Performance Ratings

Performance is reviewed against the achievement of the statement of objectives and a rating is proposed as follows:

- *Did Not Meet*

Did not achieve the expectations set out in the statement of objectives.
- *Succeeded*

Has succeeded in achieving the expectations set out in the statement of objectives.
- *Surpassed*

Has gone beyond the expectations set out in the statement of objectives, in areas of significance.

Pay Implementation

In implementing in-range salary increases and at risk payments, the salary used as the base for calculations is that in effect on the last day of the performance cycle.

- *In-range Salary Movement*

Movement through the salary range is earned through the achievement of ***ongoing objectives***. Normal progression for successful performance is 5% per year. Higher or lower percentages may be approved based on the degree of performance against expectations. Normally, no in-range increase would be given for a “did not meet” performance.
- *At Risk Pay*

This lump sum payment, which is re-earned each year, is based on the achievement of ***key objectives***. This payment does not increase an individual’s base salary. At risk payments can be earned regardless of an individual’s position in the salary range, however, the ***ongoing objectives*** must be successfully met in order to be eligible.

The highest percentage for at risk pay is reserved for performance at the “surpassed” level.

To be eligible for performance pay, incumbents appointed by the Governor in Council must normally hold their positions for at least six (6) consecutive months in the performance cycle. This period allows the incumbent sufficient time to achieve measurable results.

If the period covered by the performance evaluation is less than 12 months (full performance cycle), then the performance pay, is prorated.

At risk pay provides the opportunity to earn lump sum amounts as follows:

| Performance Rating | Groups 1 to 5 % of salary | Groups 6 to 8 % of salary | Group 9 % of salary | Group 10 % of salary |
|---------------------------|--------------------------------------|--------------------------------------|--------------------------------|---------------------------------|
| Did not meet | 0 % | 0 % | 0 % | 0 % |
| Succeeded | 5 % | 7.5 % | 10 % | 12.5 % |
| Succeeded + | 7.5 % | 11.25 % | 15 % | 18.75 % |
| Surpassed | 10 % maximum | 15 % maximum | 20 % maximum | 25 % maximum |

NOTE: See Annex A for the allocation of Crown corporations to groups.

PROCESS

- ° In advance of the performance cycle, the Board of Directors and the CEO agree on a written statement of objectives. The Board may choose its own annual cycle (e.g., calendar year, fiscal year, anniversary of date of appointment). A copy of the signed statement of objectives is forwarded by the Chair to the responsible minister for comments, with a copy to the portfolio deputy minister for information.
- ° At the end of the performance cycle, the Board reviews the CEO's performance against the statement of objectives and:
 - recommends a percentage for salary movement within the range (when not at the maximum) based on achievement of **ongoing objectives**;
 - recommends a performance rating based on achievement of **key objectives** as well as a percentage for the at risk pay lump sum amount; and
 - provides an assessment of performance to support the recommendations.

- ° This information is forwarded to the minister for support, with a copy to the portfolio deputy minister and the Privy Council Office for information.
- ° Once the Board receives the minister's support, the Board's recommendations (with the minister's comments) are forwarded to the Assistant Secretary to the Cabinet (Management Priorities and Senior Personnel), Privy Council Office. To the extent possible, differences of opinion should be resolved before the recommendations are forwarded to the Privy Council Office.
- ° In summary, the complete submission consists of a written evaluation which supports and justifies the Board of Directors' recommendations on the performance of the CEO. In addition, the following information is required:
 - the exact period for which the performance has been evaluated;
 - the overall performance rating for achieving the objectives (did not meet, succeeded, surpassed);
 - the recommended performance awards (in-range salary increase and pay at risk);
 - the support of the responsible minister.
- ° Recommendations on the performance of CEOs are submitted to the Governor in Council, through the Clerk of the Privy Council, for approval. An Order in Council authorizing payment is issued. The Chair is notified directly.
- ° Performance feedback to the CEO is the responsibility of the Board and is an essential element of the Performance Management Program.

ANNEX A

Group 1

Atlantic Pilotage Authority
Blue Water Bridge Authority
Great Lakes Pilotage Authority

Group 2

Canadian Race Relations Foundation
Enterprise Cape Breton Corporation
Laurentian Pilotage Authority
Pacific Pilotage Authority

Group 3

Defence Construction (1951) Limited
Federal Bridge Corporation
Freshwater Fish Marketing Corporation
Standards Council of Canada

Group 4

Canadian Dairy Commission
Canadian Film Development Corporation
Canadian Museum of Nature
National Arts Centre Corporation
National Gallery of Canada
National Museum of Science
and Technology Corporation

Group 5

Canada Council
Canada Lands Company Limited
Canadian Commercial Corporation
Canadian Museum of Civilization Corporation
Canadian Tourism Commission
Marine Atlantic Incorporated
National Capital Commission

Group 6

Canada Deposit Insurance Corporation
Canadian Air Transport Security Authority
Cape Breton Development Corporation
International Development Research Centre

Group 7

Business Development Bank of Canada
Export Development Canada
Farm Credit Canada
Royal Canadian Mint
Via Rail Canada Incorporated

Group 8

Atomic Energy of Canada Limited
Canada Mortgage and Housing Corporation

Group 9

Canadian Broadcasting Corporation

Group 10

Canada Post Corporation