

FOR THE INFORMATION OF
CEOs AND DIRECTORS OF
CROWN CORPORATIONS ONLY

2007– 2008 PERFORMANCE MANAGEMENT PROGRAM GUIDELINES



CHIEF EXECUTIVE OFFICERS OF CROWN CORPORATIONS

Senior Personnel and Special Projects Secretariat
Privy Council Office
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INTRODUCTION

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

PROGRAM OBJECTIVES

The objectives of the Performance Management Program are:

- to encourage excellent performance by setting clear objectives that are linked to corporate plans, Government objectives and leadership competencies and rigorously evaluating the achievement of results;
- to recognize and reward strong performance and identify under-performance; and,
- to provide a framework within which a consistent and equitable approach to performance management can be applied.

COMPENSATION PLAN

The Advisory Committee on Senior Level Retention and Compensation, composed of senior executives from the private and other public sectors, was established in 1997 to provide independent advice to the government on the compensation and overall human resources management matters for public service executives and Governor in Council appointees.

In March 2000, the government accepted the recommendations contained in the Second Report of the Advisory Committee. As a result, a new compensation plan for chief executive officers of Crown corporations was introduced.

As per the Committee's recommendation, cash compensation for CEOs has two components – base salary and performance pay. The portion of compensation identified as performance or "at-risk" pay must be re-earned each year. As in the private sector, it would be expected that most CEOs would receive some at-risk pay.

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

PROGRAM COMPONENTS AND APPLICATION

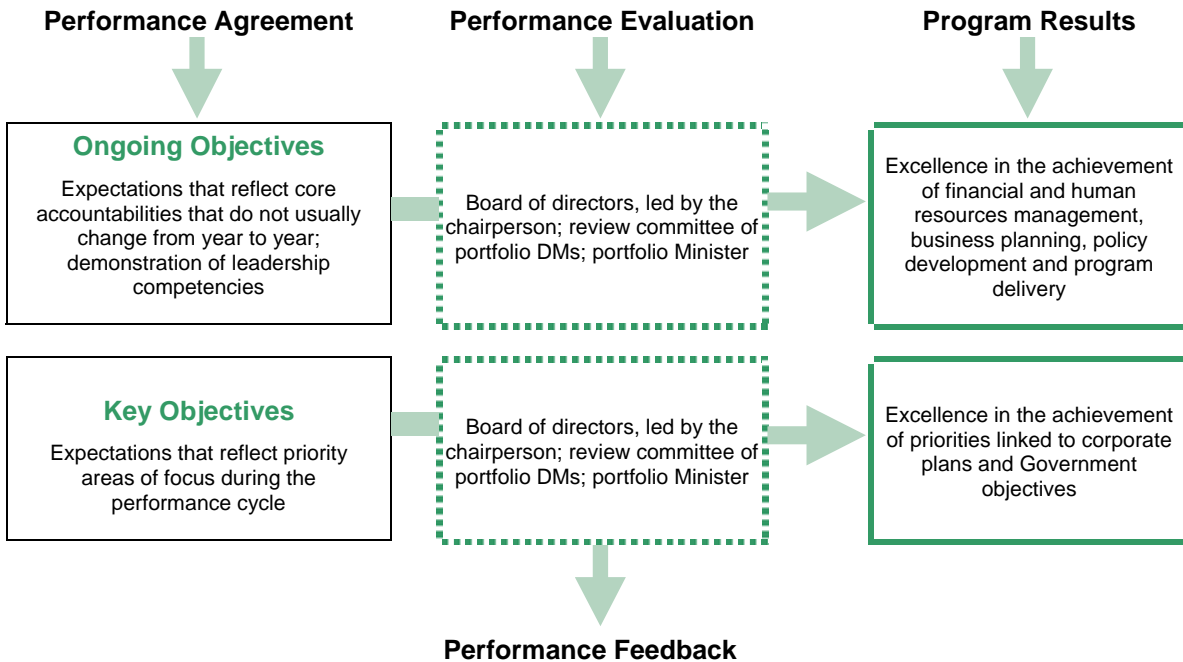
Eligibility

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 more than six months but less than 12 months (full performance cycle), performance pay, if approved, may be prorated.

This program only applies to the Crown corporations listed in Annex A. It does not apply to other Crown corporations for a variety of reasons: in some cases, CEO compensation is fixed by the board of directors rather than by the Governor in Council; some CEOs serve part-time and are not eligible for performance pay; some CEOs are public servants who serve as CEOs on an *ex officio* basis; and one CEO is ineligible because the receipt of performance pay could be seen as a conflict of interest.

Program Overview

The diagram below summarizes the performance management program.



Performance Agreement

The performance agreement is a mutual understanding between the CEO and the board of directors (under the direction of the chairperson), as to what is expected for the upcoming performance cycle. It is comprised of ongoing objectives, key objectives and performance measures.

- **Ongoing objectives** are 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.
- **Key objectives** are priority areas of focus in the performance cycle that are linked to corporate plans and Government objectives. They are challenging but achievable with effort through the individual's own influence and control. They are results-oriented and measurable.

Each objective must be accompanied by related performance measures, which are observations or data that determine and define if and how well the objectives are met. They will form the basis of reporting at the end of the performance cycle.

An example of a form that can be used for the performance agreement is attached in Annex B.

The chairperson must forward a copy of the signed performance agreement to the portfolio Minister for comments, with copies to the portfolio deputy minister and the Deputy Secretary to the Cabinet (Senior Personnel and Special Projects), Privy Council Office (PCO), for information.

Changes to the Performance Agreement

Changes may be made to the performance agreement during the performance cycle, by agreement between the CEO and the board of directors (represented by the chairperson). Changes must be communicated to the portfolio Minister, the portfolio deputy minister and PCO.

Performance Evaluation

Input on Performance Evaluation

At the end of the performance cycle (the corporation's fiscal year), the board of directors reviews the CEO's performance against the objectives set out in the performance agreement, and prepares a detailed written assessment of the CEO's performance. The board of directors must develop an overall rating of the

CEO's performance in relation to both the ongoing objectives and the key objectives.

The chairperson must submit the board's detailed assessment of the CEO's performance as well as a summary of the information supporting the proposed rating and award to the portfolio Minister, with copies to the portfolio deputy minister and the Deputy Secretary to the Cabinet (Senior Personnel and Special Projects), PCO, for information. In this submission, the chairperson may include the board's recommendations for movement within the salary range and performance pay.

A committee of deputy ministers with portfolio responsibilities representing the Crown corporations subject to the Performance Management Program will convene to develop recommendations for the responsible Ministers as a means of ensuring overall program integrity and an equitable distribution of ratings amongst all Crown corporations.

Each portfolio Minister will review both the recommendation of the board of directors and that of the review committee and provide his/her recommendation to PCO for review by the Prime Minister and approval by the Governor in Council.

Approval Process

Compensation for CEOs is approved by the Governor in Council.

In considering the board's assessment and recommendations for salary movement/performance pay and those of the committee of portfolio DMs, the Minister may take into account any relevant information including the corporation's performance during the performance cycle, relative to its corporate plan and the objectives, strategies, and activities approved by the Government. The final amount of performance pay is determined by the degree to which the objectives were achieved, the relative contribution of the individual, the scope and complexity of the individual's challenges, and the manner in which the results were achieved.

In cases where the Minister is not in agreement with the evaluation or the recommendations, the final determination will be made during the Prime Minister's review. Ultimately, the approval of the Governor in Council is required in order to implement changes to CEO compensation. Once this approval is attained, a copy of the Order in Council authorizing payment is provided to the chairperson.

Results of the Evaluation Process

Performance ratings reflect not only the CEO's own performance against his/her objectives, but also the relative scope and complexity of the challenges faced. Ratings will be based on results achieved, as well as on the manner in which they were achieved. Performance is reviewed against the achievement of the ongoing and key objectives and ratings are proposed as follows:

- **Did Not Meet/Unable to Assess:**
Did not achieve the objectives or unable to assess the performance during the cycle (due to leave, training, special assignment).
- **Succeeded –**
Did not fully succeed in meeting performance objectives. Or, while succeeded, it was in a position with performance objectives of less scope and complexity in relation to similar CEO jobs.
- **Succeeded**
Has fully achieved the objectives.
- **Succeeded +**
Exceeded the performance objectives. Or fully succeeded in a position of greater scope and complexity in relation to similar CEO jobs.
- **Surpassed**
Has gone beyond the expectations set out in the objectives, in areas of significance.

Performance Pay

The Performance Management Program provides the opportunity to earn the following performance-based compensation:

- **Economic Increase**
The economic increase is recommended annually by the Advisory Committee on Senior Level Retention and Compensation and reflects a percentage increase in base salary. Eligibility for this increase is normally dependent upon the successful achievement of objectives. An economic increase is also awarded in cases where performance is unable to be assessed for reasons such as leave, training, etc. Normally, no economic increase is awarded for performance that does not achieve expectations.
- **In-Range Salary Movement**
Movement through the salary range, up to the maximum of the range, is earned through the successful achievement of 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. No in-range salary increase is awarded for performance that does not achieve expectations.

- **At-Risk Pay**

Over and above base salary, CEOs have the opportunity to earn at-risk pay based on the successful achievement of objectives. The manner in which results are achieved (demonstration of leadership competencies) affects the amount of lump sum at-risk performance awards.

At-risk pay must be re-earned each year and does not increase an individual's base salary. At-risk pay can be earned regardless of an individual's position in the salary range. No at-risk pay is awarded for performance that does not achieve expectations.

The highest percentage for at-risk pay is reserved for performance at the "surpassed" level.

In implementing in-range salary increases and at-risk pay, the salary used as the base for calculations is that in effect on the last day of the performance cycle. Economic increases are based on the salary following application of any in-range salary increase.

Summary of Performance Awards

The following table illustrates the range of performance awards available to individuals, by Crown corporation group, according to performance achieved:

| At-Risk Pay Pursuant to the PMP for 2007-2008 | | | | |
|--|--------------------------------------|--------------------------------------|--------------------------------|---------------------------------|
| 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/ Unable to Assess | X | X | X | X |
| Succeeded - | ✓ Up to 2.5% | ✓ Up to 3.75% | ✓ Up to 5% | ✓ Up to 6.25% |
| Succeeded | ✓ Up to 5% | ✓ Up to 7.5% | ✓ Up to 10% | ✓ Up to 12.5% |
| Succeeded + | ✓ Up to 7.5% | ✓ Up to 11.25% | ✓ Up to 15% | ✓ Up to 18.75% |
| Surpassed | ✓ Up to 10% | ✓ Up to 15% | ✓ Up to 20% | ✓ Up to 25% |

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

Feedback

Performance feedback to the CEO is the responsibility of the board chairperson and is an essential element of the Performance Management Program.

TIMELINES

At the end of the performance cycle of each Crown corporation (the corporation's fiscal year) the following tasks are undertaken:

- The board of directors finalizes planning processes, meets with the CEO on performance objectives, etc.
- Each board of directors enters into a new performance agreement with its CEO for the upcoming performance cycle, and the chairperson forwards a copy to the portfolio Minister for comments, with copies to the portfolio deputy minister and the Deputy Secretary to the Cabinet (Senior Personnel and Special Projects) for information.
- The board of directors assesses the CEO's performance and the chairperson provides the board's detailed assessment, as well as recommendations respecting salary and/or at-risk pay, and a summary of the information supporting the proposed rating and award to the portfolio Minister, with copies to the portfolio deputy minister and the Deputy Secretary to the Cabinet (Senior Personnel and Special Projects).

February

- PCO sends call letters requesting that boards of directors submit their CEO's detailed performance assessment, summaries and new performance agreements shortly after the end of their Crown corporation's performance cycle (fiscal year of the corporation).

March – September (depending on the corporation's fiscal year)

- Assessments, summaries and new performance agreements are to be completed and forwarded.

| Fiscal Year Ending December 31 | Fiscal Year Ending March 31 | Fiscal Year Ending May 31 | Fiscal Year Ending August 31 |
|---|--|--|---|
| Performance agreements due by January 31 | Performance agreements due by April 30 | Performance agreements due by June 30 | Performance agreements due by September 30 |
| Performance assessment and summaries due by March 31 | Performance assessment and summaries due by June 30 | Performance assessment and summaries due by August 30 | Performance assessment and summaries due by September 30 |

October

- Meeting of the committee of portfolio DMs is held to develop recommendations for portfolio ministers.
- Minister provides his/her recommendations to PCO for review by the Prime Minister.
- Governor in Council approval is sought for CEO salary and at-risk pay.

November

- Performance pay is implemented.
- Board chairperson provides performance feedback to the CEO.

Annex A

CROWN CORPORATIONS BY GROUP

Group 1

- Atlantic Pilotage Authority
- Blue Water Bridge Authority
- Canadian Race Relations Foundation
- Great Lakes Pilotage Authority
- Ridley Terminals Inc.

Group 2

- Enterprise Cape Breton Corporation
- Laurentian Pilotage Authority
- Pacific Pilotage Authority

Group 3

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

Group 4

- Canadian Museum of Nature
- Cape Breton Development Corporation
- National Arts Centre Corporation
- National Gallery of Canada
- National Museum of Science & Technology
- Telefilm Canada

Group 5

- Canada Council for the Arts
- Canada Lands Company Limited
- Canadian Commercial Corporation
- Canadian Museum of Civilization
- Canadian Tourism Commission
- Marine Atlantic Inc.
- National Capital Commission

Group 6

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

Group 7

- Business Development Bank of Canada
- Export Development Canada
- Farm Credit Canada
- Royal Canadian Mint
- VIA Rail Canada Inc.

Group 8

- Atomic Energy of Canada Limited
- Canada Mortgage & Housing Corporation

Group 9

- Canadian Broadcasting Corporation

Group 10

- Canada Post Corporation

Annex B



PROTECTED B
(once completed)

PERFORMANCE AGREEMENT AND EVALUATION FORM

| | | |
|---------------------------|-------------|-----------|
| PERFORMANCE CYCLE: | FROM: _____ | TO: _____ |
|---------------------------|-------------|-----------|

SECTION A: PERSONAL INFORMATION

NAME:

POSITION TITLE:

SECTION B: ONGOING OBJECTIVES

Recurring expectations that reflect core accountabilities such as financial management, human resources management, business planning and program delivery.

| Ongoing Objectives | Performance Measures | Results Achieved |
|--------------------|----------------------|------------------|
| | | |

Narrative on Ongoing Objectives

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SECTION C: KEY OBJECTIVES

Priority areas of focus in the performance cycle that are linked to the corporation's corporate plans, government objectives, etc. Key objectives are intended to be challenging, results-oriented, measurable and achievable through the individual's own influence and control.

| Key Objectives | Performance Measures | Results Achieved |
|----------------|----------------------|------------------|
| | | |

Narrative on Key Objectives

| SECTION D: RATINGS AND RECOMMENDATIONS | |
|---|--|
| Performance Rating: <input type="checkbox"/> Did Not Meet <input type="checkbox"/> Succeeded - <input type="checkbox"/> Succeeded <input type="checkbox"/> Succeeded + <input type="checkbox"/> Surpassed | |
| Recommended Performance Award (in-range salary increase) | |
| Recommended Performance Award (at-risk pay) | |

SECTION E: SIGNATURES

Chairperson

Date

Chief Executive Officer

Date

Once completed, please forward the original to your portfolio Minister, with copies to the portfolio Deputy Minister and the Deputy Secretary to the Cabinet (Senior Personnel and Special Projects), PCO.