

PERFORMANCE MANAGEMENT PROGRAM

For Chief Executive Officers of Crown Corporations



GUIDELINES

**Senior Personnel Secretariat
Privy Council Office
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1.0 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.

1.1 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.

1.2 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 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 CEOs 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.

1.3 Eligibility:

This program only applies to the Crown corporations listed in **Annex A**.

To be eligible for performance pay, incumbents appointed by the Governor in Council must normally hold their positions for at least three (3) 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 three months but less than 12 months (full performance cycle), performance pay, if approved, may be prorated.

2.0 THE PERFORMANCE AGREEMENT

The performance agreement is a mutual understanding between the CEO and the board of directors (under the accountability of the chair), outlining the performance objectives for what is expected by the board of directors and the shareholder during the upcoming performance cycle.

Performance objectives are to be challenging but achievable with effort through the CEO's own influence and control. They must also be results-oriented and measurable. (See examples in **Annex B**.) The board has the flexibility to establish other categories in addition to those mentioned below.

2.1 Performance Objectives

The performance agreement is comprised of objectives and their related performance measures in the following categories:

- **Policy and Program Results:** CEOs will be measured on their ability to achieve results in the organization's priority areas of focus during the performance cycle. Performance agreements must contain the following:
 - objectives based on the organization's corporate plan and that reflect its statutory mandate; and
 - objectives that reflect priority areas of focus for the Government.
- **Management Results:** These objectives reflect expected performance in achieving excellence in the management of the corporation. Performance agreements must contain the following:
 - objectives based on financial management priorities;
 - objectives based on human resources management priorities;
 - objectives based on risk management priorities; and
 - other management objectives as set by the board (infrastructure, marketing, governance, public affairs, etc.).

- **Shareholder and Stakeholder Relations Results¹:** CEOs will be measured on their ability to achieve excellence in establishing and maintaining effective and productive relations with the shareholder. Performance agreements must contain the following:
 - objectives designed to ensure productive and effective relations with the minister, the portfolio deputy minister and central agencies; and
 - objectives designed to ensure productive and effective relations with other stakeholders as identified by the board.
- **Leadership Results:** These objectives reflect the expected demonstration of the leadership competencies in the achievement of results against which CEOs will be measured. Performance agreements must contain the following:
 - objectives that demonstrate the effective display of values and ethics in addition to other leadership competencies as set by the board.
- **Corporate Results:** These objectives should reflect a current priority of the Government and/or of Crown Corporations as a whole. Corporate priorities will be communicated on behalf of the Governor in Council on an annual basis. Performance will be evaluated and rewarded based on results obtained and the extent to which the corporation was able to contribute to the furthering of these priorities.

Details on the corporate priorities are posted annually on the [Privy Council Office website](#).

2.2 Performance Measures

Each objective must be accompanied by related performance measures. These are data or observations that determine and define if and how well the objectives are met. Performance agreements may contain a combination of both quantitative and qualitative performance measures; however, where possible, the use of corporate performance metrics should be employed.

While each corporation has the flexibility to determine their performance measures, they must define clear and measurable goals for the CEO against which performance can be measured and evaluated at the end of the cycle. The measures must also be challenging in order to encourage performance and to ensure the corporation makes notable progress in achieving its goals.

¹ *The private sector concept of shareholder, particularly as applied to widely-held corporations, is used in the context of Crown corporations. Crown corporations may or may not have formal share capital. Either way, the Crown is the lawful owner of the corporation and the government of the day exercises authority on behalf of the Crown. Functionally, the role of owner is exercised by the responsible Minister on behalf of the government of the day. (Review of the Governance Framework for Canada's Crown Corporations (2005) p. 14 and 16)*

These measures will form the basis of the performance evaluation and support the rationale for the recommendation of performance pay at the end of the performance cycle.

2.3 Consultation on the Performance Agreement

The chair/board is responsible for the establishment of performance agreements with the CEO. However, in so doing, chairs are asked to consult with the minister to ensure the priorities and views of the shareholder are well reflected. It is also recommended that the chairs consult with the portfolio deputy minister on areas affecting the portfolio to ensure effective cooperation and support while respecting statutory authorities and varying degrees of independence. The portfolio deputy minister may support the minister by providing advice on:

- how accurately the agreement reflects the minister's priorities and the approved corporate plan, portfolio objectives and any other expectations of the shareholder; and
- the degree to which the agreement contains performance measures that are challenging, clear and measurable.

Once the minister has been consulted, the chair must forward a copy of the final, signed performance agreement to the responsible minister, with copies to the portfolio deputy minister and the Deputy Secretary to the Cabinet (Senior Personnel, Business Transformation and Renewal), Privy Council Office (PCO).

2.4 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 chair). Changes must be communicated to the responsible minister, the portfolio deputy minister and PCO.

3.0 PERFORMANCE EVALUATION

At the end of the performance cycle (the corporation's fiscal year), the board of directors reviews the CEO's performance, prepares a detailed written assessment and makes a recommendation to the minister for a performance rating.

Each board has the flexibility to conduct and develop the assessment in a manner which meets its own needs; however the assessment must be in writing and must indicate for each performance objective, the degree to which the measure was achieved for all categories of results. An assessment that includes information from multiple sources (including metrics, client feedback, etc.) contributes to a strong assessment process.

3.1 Performance Ratings

Performance 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 performance objectives. The rating should be assigned for policy and program, management, shareholder and stakeholder relations, leadership and corporate results. 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.
- **Succeeded**
Has fully achieved the majority of objectives or has fully achieved all of the objectives in a manner that is satisfactory to the board.
- **Succeeded +**
Has fully achieved all of the objectives and in so doing, exceeded expectations in several areas or in areas of highest priority.
- **Surpassed**
Has fully achieved all of the objectives and in so doing has significantly exceeded the expectations in several areas of significance and in extraordinarily challenging circumstances. **It is not expected that the majority of CEOs would be awarded a surpassed rating on an annual or sustained basis and the chair must justify the extraordinarily challenging circumstances which the CEO had to face.**

3.2 Performance Awards

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

- Economic Increase
An economic increase may be recommended annually by the Advisory Committee on Senior Level Retention and Compensation and if applicable, would reflect a percentage increase in base salary. Eligibility for this increase is normally dependent upon the successful achievement of objectives. An economic increase can also be 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 performance ratings achieved determine the amount of the lump sum at-risk performance award.

The lump sum payment is equivalent to a percentage of base salary and must be re-earned each year, based on the successful achievement of commitments. At-risk pay does not increase an individual's base salary and 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.

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.

3.3 Performance Award Percentages

PCO annually issues details on the performance awards available to individuals, by Crown corporation group, according to the performance rating achieved. This information is available on the [Privy Council Office website](#).

3.4 Consultation on the Performance Evaluation

The chair/board is responsible for evaluation of performance. However, in so doing, chairs are asked to consult with the minister to ensure the views of the shareholder are well reflected. It is also recommended that the chairs consult with the portfolio deputy minister on areas affecting the portfolio.

The chair must seek and reflect the views of the minister, as the shareholder's representative, on the assessment and the recommended performance rating for program and policy, management, shareholder and stakeholder relations, leadership, and corporate results. The portfolio deputy minister may support the responsible minister by providing advice to him/her on the following:

- how accurately the evaluation reflects the expectations of the shareholder;
- the degree to which the evaluation reflects the assessment of the achievement of results;
- the degree to which the proposed ratings reflect the results achieved; and
- the rigour of the assessment process.

The chair must submit the board's final detailed assessment of the CEO's performance to the responsible minister, with copies to the portfolio deputy minister and the Deputy Secretary to the Cabinet (Senior Personnel, Business Transformation and Renewal), PCO. In this submission the chair is to include the board's recommendations for movement within the salary range and performance award. If a performance award is recommended that differs from the award percentage associated with a particular rating, a rationale must be provided.

4.0 APPROVAL AND FEEDBACK PROCESS

Compensation for CEOs, including performance pay is approved by the Governor in Council.

Each responsible minister will review the recommendation of the board. In so doing, the minister may wish to also take into account any relevant information related to the corporation's performance during the performance cycle, relative to its corporate plan and the objectives, strategies, and activities as approved by the Government as well as the extent to which the corporation contributed to a corporate objective that reflects current Government priorities.

The minister will indicate whether or not he/she agrees with the proposed performance rating and, in instances where the minister disagrees with the proposed rating, provide a rationale to PCO with a copy to the chair.

Final discretion on performance ratings and awards remains with the Governor in Council.

4.1 Feedback

The provision of timely and constructive feedback is essential to managing performance and this responsibility rests with the chair. Feedback should be provided throughout the performance cycle in order to correct and motivate performance and ensure the final recommendations and approved ratings are well understood.

In this responsibility, the chair should consult with the minister throughout the performance cycle in order to obtain additional information. In situations where the recommended rating and approved rating differ, the chair should also seek input from the minister in order to provide additional feedback to the CEO.

As part of the approval and feedback process, once Governor in Council approval is attained, a copy of the Order in Council authorizing payment will be provided to the chair.

4.2 Recovery of Performance Pay

The Performance Management Program for Governor in Council (GIC) appointees incents performance by linking a portion of compensation to the achievement of results. A rigorous evaluation process and the ability to accurately compensate for results are essential to the program's integrity. On occasion, information may come to light following the evaluation period that is relevant to the assessment and performance pay that was provided to an appointee:

- when it has been determined, following due process, that an appointee willfully or recklessly sought to hide or misrepresent their achievements such that any deficiencies would have been difficult to detect at the time of evaluation; or
- when it has been determined, following due process, that an appointee committed serious breaches of conduct or mismanagement within a particular performance period that would have had such a negative effect on the rating provided that they would have received a rating of "did not meet".

In such cases, the GIC may assign a revised performance rating for the period in question and recover any performance pay and associated compensation provided to the appointee during that period:

- the amounts eligible for recovery are deemed under the *Terms and Conditions for Full-Time Governor in Council Appointees* to be an overpayment under s.155 of the *Financial Administration Act*, and,
- the amounts eligible for recovery include any at-risk pay and in-range movement earned as a result of the initial rating assigned during the performance cycle in question. This also includes a recalculation of pension entitlements, should the appointee have retired and recovery of any overpayments as a result.

5.0 TIMELINES

The timelines for the administration of the Performance Management Program for Chief Executive Officers vary according to the fiscal year of each Crown corporation.

5.1 Beginning of the Corporation's Fiscal Year

Within three months of the beginning of the corporation's fiscal year (beginning of the performance cycle) the following is required:

- **Corporate Plan and Performance Agreement:** The board of directors finalizes the corporate plans and develops a new performance agreement for the CEO in accordance with the program guidelines.
- **Consultation:** The chair consults with and obtains the input of the minister and portfolio deputy minister, as described in section 2.3, and revises the performance agreement as required.
- **Final Performance Agreement:** The chair enters into a new performance agreement with the CEO and provides the final agreement to the minister with a copy to the portfolio deputy minister and the Deputy Secretary to the Cabinet (Senior Personnel, Business Transformation and Renewal), PCO, for information.

5.2 End of the Corporation's Fiscal Year

At the end of the corporation's fiscal year (end of the performance cycle) the following is required:

- **Board's Assessment of CEO and Proposed Rating:** the board's detailed assessment of the CEO and recommended performance rating are provided to the minister with a copy to the portfolio deputy minister and the Deputy Secretary to the Cabinet (Senior Personnel, Business Transformation and Renewal), PCO, for information. In order to allow sufficient time for consultation with the minister and portfolio deputy minister, as described in section 3.4, chairs should consult with their portfolio department to determine the deadline for submitting this information.
- **Ministerial Comment:** Ministerial comment on the board's evaluation and proposed rating is required in writing to the Deputy Secretary to the Cabinet (Senior Personnel, Business Transformation and Renewal), PCO with a copy to the chair and the portfolio deputy minister for information.
- **Submission to the Governor in Council:** Governor in Council approval will be sought twice throughout the year: at the **end of June** and at the **end of October**. In order to be considered for Governor in Council approval, all necessary documents, including the recommendation of the responsible minister, must be received by the Senior Personnel Secretariat, PCO, **at least two weeks prior to the submission deadline (i.e. mid-June or mid-October)**, otherwise, they will be held for the next submission.

CROWN CORPORATIONS BY GROUP

<p>CEO 1</p> <ul style="list-style-type: none">• Canadian Race Relations Foundation <p>CEO 2</p> <ul style="list-style-type: none">• Atlantic Pilotage Authority• Canadian Dairy Commission• Freshwater Fish Marketing Corporation• Great Lakes Pilotage Authority• Laurentian Pilotage Authority• Pacific Pilotage Authority <p>CEO 3</p> <ul style="list-style-type: none">• Canadian Museum for Human Rights• Canadian Museum of Immigration at Pier 21• Canadian Museum of Nature• Defence Construction (1951) Limited• Federal Bridge Corporation Limited• Jacques Cartier and Champlain Bridges Inc.• Marine Atlantic Inc.• National Arts Centre Corporation• National Capital Commission• National Gallery of Canada• National Museum of Science & Technology• Standards Council of Canada	<p>CEO 4</p> <ul style="list-style-type: none">• Atomic Energy of Canada Limited• Canada Council for the Arts• Canada Deposit Insurance Corporation• Canada Lands Company Limited• Canadian Air Transport Security Authority• Canadian Commercial Corporation• Canadian Museum of History• Canadian Tourism Commission• International Development Research Centre• PPP Canada Inc.• Telefilm Canada• Windsor-Detroit Bridge Authority <p>CEO 5</p> <ul style="list-style-type: none">• Farm Credit Canada• Royal Canadian Mint• VIA Rail Canada Inc. <p>CEO 6</p> <ul style="list-style-type: none">• Business Development Bank of Canada• Export Development Canada <p>CEO 7</p> <ul style="list-style-type: none">• Canada Mortgage & Housing Corporation• Canadian Broadcasting Corporation <p>CEO 8</p> <ul style="list-style-type: none">• Canada Post Corporation
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Annex B

SAMPLE PERFORMANCE OBJECTIVES AND MEASURES

Policy and Program Results: CEOs will be measured on their ability to achieve results in the organization's priority areas of focus during the performance cycle. Performance agreements must contain the following: objectives that are based on the organization's corporate plan and that reflect its statutory mandate; and objectives that reflect priority areas of focus for the Government.

Sample Objectives	Sample Performance Measures
<ul style="list-style-type: none"> Deliver services that are responsive to the clients' needs and that meet their quality of performance expectations. 	<ul style="list-style-type: none"> Timeliness of service: Average 20 days or less. Client Satisfaction: exceed 95% rating. Completion of service: 90% completed within 30 days of due date.
<ul style="list-style-type: none"> Increased and sustained Market share. 	<ul style="list-style-type: none"> Market share of at least 20%.
<ul style="list-style-type: none"> Generate profit and maintain long-term viability of the corporation through ongoing commitment to growth and efficiency. 	<ul style="list-style-type: none"> Meet target of \$35M in savings. Realize pre-consolidated, pre-tax profit of \$18.5M.
<ul style="list-style-type: none"> Improve service offerings to small/medium enterprises by making sure that they are increasingly relevant to their needs. 	<ul style="list-style-type: none"> Adapt current solutions and/or develop/implement new ones to meet changing needs of clients.
<ul style="list-style-type: none"> Review Museum collections and identify top level priorities for future collections development. 	<ul style="list-style-type: none"> Completion of the last phase of the review and a report of top level priorities for future collections development provided to the board.
<ul style="list-style-type: none"> Oversee the improved maintenance of the corporation's fleet. 	<ul style="list-style-type: none"> Maintain a 95% (+/- 3%) breakdown-free maintenance record.
<ul style="list-style-type: none"> Coordinate an annual review and update the corporation's strategic plan, consistent with the requirements of the Treasury Board. 	<ul style="list-style-type: none"> Board approval of Corporate Plan.
<ul style="list-style-type: none"> Imbed and normalize the Integrated Business Development and Transaction Structure to achieve increased market penetration and growth. 	<ul style="list-style-type: none"> Engrain the new roles, processes, and performance measurement framework and technology changes throughout operations. Complete Phase I and launch Phase II of Transaction Structure.

Performance Management Program Guidelines

Chief Executive Officers of Crown Corporations

Management Results: These objectives reflect expected performance in achieving excellence in the management of the Corporation. Performance agreements must contain the following: objectives based on financial management priorities; objectives based on human resources management priorities; objectives based on risk management priorities; and other management objectives as set by the board (infrastructure, marketing, governance, public affairs, etc.).

Sample Objectives	Sample Performance Measures
<ul style="list-style-type: none"> Achieve financial targets established in the Corporate Plan. 	<ul style="list-style-type: none"> Expense to revenue ratio (46%). Net Income (\$4.7 million). Return on Equity (7.1%). Maintain an overhead cost of less than 12% of revenue.
<ul style="list-style-type: none"> Complete the job evaluation and compensation study of all staff positions to ensure fair and competitive salaries in keeping with the organization's program and operational expectations. 	<ul style="list-style-type: none"> Successful completion of the study, including acceptance of the recommended conclusions by management in the area of job evaluation, and progress towards effective implementation of the compensation recommendations.
<ul style="list-style-type: none"> Improve employee satisfaction rate. 	<ul style="list-style-type: none"> 75% or above employee satisfaction rating based on annual workforce survey.
<ul style="list-style-type: none"> Increased awareness through marketing campaigns to target audience. 	<ul style="list-style-type: none"> At least 66% overall awareness of Corporation by target audiences.
<ul style="list-style-type: none"> Ensure succession planning is in place for all key leadership positions. 	<ul style="list-style-type: none"> Present comprehensive succession plan to board of directors.

Shareholder and Stakeholder Relations Results: CEOs will be measured on their ability to achieve excellence in establishing and maintaining effective and productive relations with the shareholder. Performance agreements must contain the following: objectives designed to ensure productive and effective relations with the minister, the portfolio deputy minister and central agencies; and objectives designed to ensure productive and effective relations with other stakeholders as identified by the board.

Sample Objectives	Sample Performance Measures
<ul style="list-style-type: none"> Enhance shareholder and stakeholder understanding and confidence in the Corporation's contribution to their trade strategy. 	<ul style="list-style-type: none"> Personally establish and encourage direct relationships between the organization and with key government departments including CIDA, DFAIT, Industry, Finance, NRCan and PCO.
<ul style="list-style-type: none"> Establish and maintain effective and regular relationships with key Portfolio peers (e.g. deputy minister's Office) and provide input/participate (where appropriate) in Portfolio policy activities. 	<ul style="list-style-type: none"> Ongoing liaison with Senior Government Officials on all key Corporation activities and governance matters, including the proposed amendments to the ABC Corporation's Act and the pending Strategic Review.
<ul style="list-style-type: none"> Oversee communications between the corporation and central agencies of the Government with regard to the management of the business, activities and other affairs of the corporation. 	<ul style="list-style-type: none"> Personally establish and encourage direct relationships between the organization and with key government departments including CIDA, DFAIT, Industry, Finance, NRCan and PCO.

Performance Management Program Guidelines

Chief Executive Officers of Crown Corporations

Leadership Results: These objectives reflect the expected demonstration of the leadership competencies in the achievement of results against which CEOs will be measured. Performance agreements must contain the following: objectives that demonstrate the effective display of values and ethics in addition to other leadership competencies as set by the board.

Sample Objectives	Sample Performance Measures
<ul style="list-style-type: none">• Values and Ethics – serving with integrity and respect.	<ul style="list-style-type: none">• Demonstrates values and ethics including the Code in personal behaviour and organizational practices.• Creates a collaborative, inclusive and diverse workforce.• Models, communicates and builds a culture of respect.

Corporate Results: This commitment reflects a current Government priority. It will be identified on an annual basis by the Clerk of the Privy Council and the results will be evaluated and rewarded based on the contribution of the individual towards the corporate commitment.

Sample Objectives	Sample Performance Measures
<ul style="list-style-type: none">• Dependent on the identified priority.	<ul style="list-style-type: none">•