2014-2015 STIP FRAMEWORK

TO:	**Board of Directors** **Human Resources and Governance Committee (HRGC)**
MEETING:	March 26-27, 2014
FROM:	Roula Zaarour, Vice-President, People & Culture
PURPOSE:	Approval of the 2014-2015 Short-Term Incentive (STIP) Framework
DATE:	March 19, 2014

CBC Radio-Canada

CONTEXT

- The short-term incentive plan (STIP) continues to be a key element of our senior management total compensation package.
  - Such plans are very common in our market/industry, in particular at senior management levels.
  - Supports our need to remain competitive within the market.
- It is also an important management and communication tool.
  - Aligns all parts of the business around organizational objectives outlined in *Strategy 2015* and drives focus on the fiscal's challenges.
- These lump sum payments are not guaranteed, not pensionable and don't attract benefits costs.
- The payout opportunity is based on the achievement of Corporate, Component and Individual performance objectives and supported by measurable KPIs based on the approved business plan.

CONTEXT (CONT'D)

- Each year the plan is reviewed to:
  - Continuously improve the framework and process in order to drive desired behaviors,
  - Ensure alignment with business priorities,
  - Set targets and thresholds with appropriate levels of stretch to drive superior performance, and
  - Provide timely and clear communication throughout the year.

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PLAN FEEDBACK

- Having completed the 3rd year in its current framework, an assessment of the plan's effectiveness was conducted. Feedback was gathered from key stakeholders and plan participants:
  - Too many metrics:
    - Some KPIs do not best represent top priorities for next fiscal.
    - Number of KPIs makes the plan complex to communicate and understand.
  - Introduce an additional threshold achievement level between the 1.0 and 1.5 multipliers for the individual metric.
  - In times when management is working much harder and longer days, limiting the number of employees who can overachieve may demoralize high performers.
  - Any changes must be cost neutral.

s.18(a)
s.18(b)
s.21(1)(b)

KEY DECISION ELEMENTS

- Modify the 2014-2015 STIP framework to:
  - Reduce the number of Key Performance Indicators (KPIs) and focus on those that best align with current business priorities:
    - **From 15 to 12 KPIs**.
  - Add a **1.25 multiplier** threshold to the Individual metric, however remain cost neutral.
    - Propose that the percent distribution be modified to:
      - **Significantly Exceeds Expectations (1.5)**
      - **Exceeds Expectations (1.25)**

      Prior target was . Exceeds for 1.5 multiplier and no 1.25 multiplier threshold
      - Meets Expectations (1.0)
      - Meets Some Expectations (0.5)
      - Below Expectations (0.0)
  - Align Media/Non-Media to have the **same overall weighting** distribution.
    - Also move SM to have the same weightings as Executives.
  - Employees to be eligible for a payment if **actively employed and working on March 31** of the plan-year (formerly had to be active on the date of payout).
  - Maximum payout for a Meets Some Expectations to be **capped at a 0.5 multiplier** overall.

s.18(b)

s.21(1)(b)

KEY DECISION ELEMENTS (CONT'D)

- Reduce the number of Key Performance Indicators (KPIs) from 15 to 12.

	KPI	Recommendation	Rationale
Corporate			
Component			
Individual			

s.18(a)
s.18(b)

s.21(1)(b)

KEY DECISION ELEMENTS (CONT'D)

- In order to drive and align management efforts around achieving the Corporation's Net Budget Position, we will introduce the following "gate" for this plan cycle:

Final payout to be modified per table below:

Payout Gate	**CBC/R-C Net Budget Position - 2014/15 target =**
Payout Modifier	

Note: The Board of Directors, at its discretion, has the right to amend or alter the Plan and/or final award payment to reflect changes to the corporate strategy and/or other business considerations.

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2014-2015 FRAMEWORK

2013-2014 Framework

Incentive Element	Metrics	Media			Non-Media	
		SET	Executives	SM & PB8-10	SET	Executives, SM & PB8-10
CBC/RC	Revenue Generation	5%	5%	5%	5%	5%
	Cost Efficiency	5%	5%	5%	5%	5%
	Perception Survey Results	10%	5%	5%	10%	5%
	Total	**20%**	**15%**	**15%**	**20%**	**15%**
Component	Media Strategy*	15%	15%	10%	40%	35%
	Share *	20%	15%	15%		
	Revenue *	15%	10%	10%		
	Budget Forecast Accuracy	5%	5%	5%	5%	5%
	Total	**55%**	**45%**	**40%**	**45%**	**40%**
Individual	People, Programs, Pushing Forward (PMSD)	**25%**	**40%**	**45%**	**35%**	**45%**
Total		**100%**	**100%**	**100%**	**100%**	**100%**

* Media components: component metrics defined by each media
Non-Media components: average of two Media component results

2014-2015 Proposed Framework

Red text indicates change

From 15 to 12 KPIs

Incentive Element	Metrics	SET	Executives & SM	PB8-10
CBC/RC	Revenue Generation	5%	5%	5%
	~~Effective Financial Management~~	7,5%	5%	5%
	Perception Survey Results	7,5%	5%	5%
	Total	**20%**	**15%**	**15%**
Component	Media Strategy *	40%	35%	30%
	~~Share *~~			
	Revenue *	10%	5%	5%
	Budget Forecast Accuracy	5%	5%	5%
	Total	**55%**	**45%**	**40%**
Individual	~~Performance based on PMSD~~	**25%**	**40%**	**45%**
Total		**100%**	**100%**	**100%**

* Non-Media components: average of two Media component results

Update % weights to incent desired behaviors

KEY BENEFITS, IMPACTS & RISKS

- Benefits / Impacts:
  - More simplified framework will improve plan participant understanding of business and performance priorities.
  - Simpler to track and communicate.
  - More focused alignment with fiscal's priorities.
  - Top multiplier (1.5) for the individual metric associated with truly exceptional performance.

- Risks:
  - Setting appropriate performance thresholds is key to ensuring true pay for performance:
    - Maximum payout multiplier should be associated with super stretch performance outcomes.
    - Performance thresholds to be set with sufficient stretch to motivate desired behaviors but not so high that plan participants believe there is no chance to overachieve targets.

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OTHER OPTIONS CONSIDERED

- Maintain the same framework as the 2013-2014 Plan until Beyond 2015 is complete (2015/2016 fiscal).
  - Changes made now should withstand transition to 2015-2016 plan framework.
  - Continue to receive feedback on duplicate metrics, challenge to communicate and lack of a 1.25 multiplier threshold for individual performance.

SUCCESS MEASURES

- Plan participants understand the Plan better.
- Conversations and behaviors better reflect business priorities.
- Targets and thresholds drive superior business performance.
- Total payout reflects actual business performance.

RESOLUTION

- That the Human Resources and Governance Committee recommends to the Board of Directors that the Short-Term Incentive Plan (STIP) Framework be approved as presented for the 2014-2015 fiscal year.