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# Memo

**To:** Canadian Broadcasting Corporation / Radio-Canada's Board of Directors

**Date:** May 8<sup>th</sup>, 2025

**From:** Mercer Canada

**Subject:** Compensation Review of the Canadian Broadcasting Corporation / Radio-Canada's Non-Unionized Roles

## Introduction and Context

Mercer (Canada) Limited ("Mercer") has been engaged by the Board of Directors of the Canadian Broadcasting Corporation/Société Radio-Canada ("CBC/Radio-Canada") to conduct a total remuneration review of non-unionized roles. A key focus of this study is to evaluate the competitiveness and appropriateness of CBC/Radio-Canada's compensation programs, levels, and structure, including the performance pay provisions that are included therein.

As a federal public sector employer that receives significant funding from parliament, ensuring that CBC/Radio-Canada's compensation programs are aligned to market best practice is critically important. Like many sectors of the Canadian economy, the broadcasting/media/entertainment industry is undergoing rapid transformation, with the rise of new competitors, primarily from the US, shifting consumer habits and expectations and a diversification of distribution platforms. Given this context, CBC/Radio-Canada needs to ensure that it offers a total compensation program that is market aligned and allows the organization to attract and retain employees with the emerging skills and capabilities needed in leading the organization's mandate (today and into the future), while also ensuring that compensation is managed responsibly from a financial perspective and in alignment with the interests of all stakeholders.

As part of its regular course of business, CBC/Radio-Canada conducts a total remuneration review every two years to ensure market alignment. However, this year's review is more in-depth, in particular focusing on performance pay programs.

"Performance pay" (i.e. incentive compensation, paid on the basis of individual/organizational performance) is a component of CBC/Radio-Canada's current total compensation program which has faced scrutiny. Within the scope of this review is an assessment of the market alignment of the performance pay/incentive programs at CBC/Radio-Canada for non-unionized employees, including top executives.

This memo provides a summary of the methodology that was used to review CBC/Radio-Canada's compensation programs, key findings and recommendations for discussion.

### **Methodology**

The following three categories of 1,197 non-unionized employees were within scope for this study:

- CBC/Radio Canada's 6 Senior Executives;
- 39 Executives; and
- 1,152 Management and Professional Employees.

Included in this study was a review of the comparative market alignment of the following aspects of total compensation, relative to the midpoint of the market:

- Base Salary
- Target Incentives (Performance Pay)
- Total Direct Compensation (Base Salaries + Target Incentives)
- Other Benefits and Pension
- Total Remuneration (Total Direct Compensation + Other Benefits + Pension)

The comparison market used for the executives was a Canadian peer group comprised of 50 private sector and public sector organizations including broadcasting, media/entertainment, and broader public sector (e.g., Crown Corporations, higher education, public service providers etc.). Where data was insufficient, a secondary general industry peer group was used comprised of 57 Canadian companies similar in size to CBC/Radio-Canada (with annual revenues / operating budgets between 0.5x and 2x CBC/Radio-Canada's operating budget). In addition, Mercer conducted a series of interviews with a select group of similar international public-sector broadcasters to understand their approach to compensation.

Non-executive roles were compared to Canadian general industry market compensation data, since non-executive roles are more transferable across industry and compensation is not typically influenced by industry or organizational size.

The market compensation data used in this review was from the 2024 Canadian Mercer Benchmark Database (“MBD”), effective as of April 1, 2024. This was compared against CBC/Radio-Canada’s 2024 compensation structure and levels. Mercer considers compensation to be market aligned when it is within +/- 5% of the midpoint of the market data (also known as the market median, 50<sup>th</sup> percentile, or “middle of the pack”).

### Market Findings for Canadian Comparisons

CBC/Radio-Canada is generally market aligned on total remuneration when all elements of compensation are considered, across all non-unionized employee groups. Overall it is:

- conservative (at or below market) on cash compensation (base salaries and target incentives);
- below market at the senior executive and executive levels at CBC/Radio-Canada for total direct compensation;
- aligned with the market for the non-executive groups that were reviewed.

The value of CBC/Radio-Canada’s defined benefit pension plan, which compares well to other pension plans offered in the public sector (i.e. other large crown corporations, federal public sector, etc.), helps to improve the positioning of the organization’s overall total remuneration program.

Further details are as follows:

**Base Salary** – The alignment of base salaries for senior executives at CBC/Radio-Canada varies, with some positions falling below market. Overall, the average base salaries for all other non-unionized roles are market aligned.

**Target Incentives** – CBC/Radio-Canada is generally at or below market for all non-unionized roles.

**Target Total Direct Compensation** – Due to the presence of higher incentives in the market, target total direct compensation for senior executives and other executives at CBC/Radio-Canada falls below market.

**Other Benefits/Pensions** – CBC/Radio-Canada offers benefits that are a relatively small portion of total remuneration, while the pension plan is meaningful and provides a key tool for attraction and retention.

**Total Remuneration** – **When all elements of compensation are considered**, all non-unionized employee groups at CBC/Radio-Canada are currently aligned with market.

### Market Findings for International Comparisons

As part of this engagement, Mercer conducted a series of interviews with nine international public-sector broadcasters.

Three of the nine organizations follow a practice similar to CBC/Radio-Canada, providing incentives to executives and management/professional employees. One organization provides incentive pay only to senior executives.

Five out of the nine organizations do not offer any incentive pay at any level. One organization removed its previous performance-related incentive program due to a requirement determined by the national government, that was applied to all public sector organizations in the country.

The other public broadcasters indicated that they faced ongoing challenges, similar to CBC/Radio-Canada's in balancing public scrutiny around compensation levels and spending, with their publicly funded mandate and the need to attract essential expertise and talent.

### **Commentary and Recommendations**

CBC/Radio-Canada is aligned with the midpoint of the market on total remuneration. CBC/Radio-Canada's incentive program design is generally conservative, consistent with market practice and well governed for all its non-unionized employees.

While CBC/Radio-Canada's incentive targets are generally conservative relative to market, removing incentives altogether would position CBC/Radio-Canada's compensation below market. CBC/Radio-Canada should be mindful of not falling below market if it wants to retain and recruit the expertise and talent it needs to deliver on the organization's national mandate. In the Canadian talent market including in government and Crown corporations, performance pay linked to both individual and organizational achievements is a widely adopted strategy for linking employee pay to performance and is generally regarded as a best practice to be included within an organization's total compensation package.

If CBC/Radio-Canada decides to remove or reduce their performance-based incentive program, it should:

- 1) Take measures to ensure compensation remains aligned with the midpoint of the market
- 2) Consider other ways to drive and manage performance
- 3) Consider issues related to key employee retention
- 4) Review potential legal risks
- 5) Develop internal and external communication plans
- 6) Establish detailed implementation strategies