

BOARD OF DIRECTORS of the CANADIAN BROADCASTING CORPORATION

Minutes of the Meeting held on

March 26-27, 2014 Ottawa, Ontario

= by video-conference

<u>Members of the Board present:</u>

Rémi Racine, Chairperson of the Board

Hubert T. Lacroix, President and CEO

Edward Boyd

Peter Charbonneau

George Cooper

Pierre Gingras

Cecil Hawkins

Marni Larkin

Terrence Leier

Maureen McCaw

Brian Mitchell

Marlie Oden

Members of the Board absent:

None

In attendance:

Maryse Bertrand, Vice-President, Real Estate, Legal Services and General Counsel

Stéphanie Duquette, Chief of Staff to the President and CEO

Tranquillo Marrocco, Associate Corporate Secretary

Also attending:

Bill Chambers, Vice-President, Brand, Communications and Corporate Affairs (Items 1 and 8)

Heather Conway, Executive Vice-President, English Services (Items 1, 5 and 8)

Steven Guiton, Vice-President, Technology and Chief Regulatory Officer (Items 1 and 8)

Louis Lalande, Executive Vice-President, French Services (Items 1, 5 and 8)

Suzanne Morris, Vice-President and Chief Financial Officer (Items 1 and 8)

Roula Zaarour, Vice-President, People and Culture (Items 1, 7 and 8)

Joanne Berry, Consultant, Berry Management Consulting Group (Item 8)

Sarah Maywood, Legal Counsel, Law Department (Item 6)

Neil McEneaney, Chief Business Officer, English Services (Items 1, 5 and 8)

Francois Messier, Sports Director, French Services () (Item 5)

Michael Mooney, Executive Director, Finance and Administration (Item 1)

Jeffrey Orridge, Executive Director of Sports Properties and General Manager, Olympics Sports properties (Item 5)

Trevor Pilling, Head of Sports Programming, English Services () (Item 5)

Benoit Villeneuve, Executive Director, Finance and Strategic Planning, French Services (Items 1, 5 and 8)

Jerry Zubryckyj, Executive Director, Shared Services Center and Capital Process (Item 1)

Opening of the Meeting

On March 26, 2014, at 3:15 p.m., the Chairperson called the meeting to order.

Rémi Racine welcomed Cecil Hawkins to the Board of Directors.

1. Operating & Capital Budgets

1.1 Presentation

Suzanne Morris explained the objectives of the presentation, the planning context that guided the development of the business plans and budgets, the financial pressures anticipated for 2014-2015, the recent developments that significantly impact the budgets, and the proposed solutions to address the 2014-15 financial pressures.

Board members inquired about the budget and FTE cuts ratio and cuts between English Services and French Services.

Suzanne Morris then provided an overview of the budget measures since 2009, the three year financial outlook, and the structural shortfall that has to be managed in order to balance the budget.

Board members inquired about advertisement revenue trends, the timeline and rationale for effecting the FTE cuts over a two year period, and the ensuing announcements. They also commended Management for having reduced expenditures when the probability of a revenue shortfall arose, thereby ending the 2013-14 fiscal year with a higher net position than forecasted.

Heather Conway discussed industry trends in general including the fragmentation of audiences, digitization, commoditization of news, competitive environment and lack of barriers to entry in content creation. She then provided an update on the Strategy 2015 rollout for English Services and on the challenges associated with rebuilding the TV brand.

Board members inquired about industry trends, television ad revenues, public funding of the Aboriginal Peoples Television Network, budget share of, and proposed reductions for, News and Current Affairs, the private broadcasters' spending on news and current affairs, the impacts of not broadcasting over the air in a city, and the local English language news in Montreal.

Neil McEneaney provided an overview of the English Services' 2014-15 operating budget, including a breakdown of revenues and proposed cuts.

Board members inquired about the infrastructure and general administration costs of provincial public broadcasters, the cost of the Revenue Group as a proportion of ad revenues, the possibility of going ad-free in the future, the allocation of parliamentary appropriations, the budgetary impact of completing the rollout of Strategy 2015, ad revenues generated by other broadcasters, the opportunity to cut costs without impacting viewership, and the terms of the proposed agreement with Rogers. They also discussed the role of the public broadcaster generally.

Louis Lalande provided an overview of the French language market and the trends observed in that market including the stability of TV audiences, the slower pace of technological adoption, the emergence of digital and the competitive environment. He then described the French Services' Strategy 2015 rollout status, program genre and multiplatform strategies, financial challenges, and proposed solutions.

Board members inquired about the sports bulletins, specialty revenues and the Corporation's ability to broadcast the Olympics if it drops the coverage of all professional sports.

Benoit Villeneuve reviewed the French Services' current financial situation, projected revenues, and proposed solutions.

Board members inquired about measures to minimize the loss of talent, how FTE reductions are effected, and the budget for the Olympic Games and FIFA World Cup broadcasts.

Michael Mooney provided an overview of the non-media services' operating budgets and proposed solutions.

Michael Mooney and Jerry Zubryckyj provided an overview of the 2014-15 Capital Budget.

Board members inquired about the fleet reductions and the rationale for proposing further fleet capital expenditures.

Bill Chambers provided an overview of the Communications Plan ensuing from the Budget measures.

Board members inquired about how the budget announcements might be received and when the Minister will be informed. They then discussed messaging options for the communications plan.

2. In Camera Session (Independent Directors)

The Board met in camera to discuss several topics. No matters were reported to the Corporate Secretary for inclusion in the Minutes.

At 6:00 p.m., the meeting was suspended until March 27, 2014, at 8:30 a.m.

3. In Camera Session with President & CEO

The Board met in camera with the President and CEO to discuss several topics. No matters were reported to the Corporate Secretary for inclusion in the Minutes.

4. Approval of the Minutes

On a motion duly moved and seconded, **IT WAS RESOLVED**, – That the Minutes of the January 27, 2014, Board of Directors meeting be approved.

1. Operating & Capital Budgets (continued)

1.2 Approval

The Board met with Hubert T. Lacroix, Heather Conway, Neil McEneaney and Maryse Bertrand to resume discussions on the Budgets and asked questions regarding the schedule and development process in English Services, the level of investments and cuts to programming activities, the programming strategy, the expectations as to quality, popularity and revenues, and the time frame. The Board also enquired about opportunities to collaborate with French Services on programming.

On a motion duly moved and seconded, **IT WAS RESOLVED**, – That the 2014-2015 Operating and Capital Budgets be approved subject to further changes following the approval of the Beyond 2015 Strategic Plan, and that the Senior Executive Team be authorized to give effect to the measures contained in the Budgets.

The Board also indicated that the Minutes should reflect that English Services should be given an objective to emphasize TV programming with a view to ensuring a renewed focus on the CBC prime time schedule.

s.18(b)

s.21(1)(b)

5. Olympic Games Update

Jeffrey Orridge, Trevor Pilling and François Messier provided an overview of the impact of the Olympic Games' broadcast, the production team's performance objectives and how they achieved those objectives. They highlighted the "one company" approach taken, the quality and quantity of content and coverage, the broadcasting innovations used, the relationships with sponsors, the audience responses, and the Paralympics' coverage.

A video illustrating the "one company" approach taken by the team was shown.

Board members inquired about the audience for the video, the extent to which this success story has been shared with the rest of the organization, how we can capitalize on the apps developed for the Games, the production costs, the lessons learned, staffing levels of the other broadcasters covering the Games, and the working conditions at the Games. They also congratulated the team on the quality of the broadcasts and the "one company" approach taken.

6. By-law Amendment – Indemnification for Pension Plan Employees & Agents

Maryse Bertrand reviewed the context behind the request from the Pension Board of Trustees to extend the Trustees' indemnification provisions to Pension Plan employees and agents, the presentations to the Audit Committee and the Board of Directors meetings held in November 2013, the liability of the agents employed by the Trustees to administer the Pension Fund, the rationale for providing them with an indemnification agreement, and the Trust Deed amendments and the indemnification to be provided by the Corporation in case of default by the Pension Fund. She also noted that the Trust Deed amendments have been approved by the Trustees.

s.18(b)

On a motion duly moved and seconded, **IT WAS RESOLVED**, – That, subject to the approval of the Minister,

- 1) the proposed amendments to the Trust Deed and Section 21 of the By-Laws (see Appendices) be approved; and
- 2) the individuals, to be determined by the Board of Trustees from time to time, be entitled to indemnification by the Pension Fund and, if the Pension Fund cannot fulfil its indemnification obligations to these individuals, CBC/Radio-Canada shall fulfil the Pension Fund's indemnification obligations to these individuals.

7. Human Resources and Governance Committee Report

Ted Boyd reported on the matters discussed at the meeting of the Human Resources and Governance Committee held on March 26, 2014.

7.1 Salary Planning Budgets

Roula Zaarour provided an overview of the three-year Compensation Strategy approved by the Board in March 2013. She explained the rationale and key decision elements of the proposed salary planning budget, which consist in implementing the second year of the three-year Compensation Strategy for employees in the PB1 to PB7 salary bands

On the recommendation of the Human Resources and Governance Committee, **IT WAS RESOLVED**, — That the 2014 Salary Planning Budgets be approved as presented.

7.3 STIP Framework Changes

Roula Zaarour provided an overview of the feedback gathered from key stakeholders and plan participants and explained the rationale for each key decision element, mainly, the reduction of Key Performance Indicators

the streamlining of the overall weighting distribution, the new payout eligibility date, and the new payout gate requirement relating to the Corporation's net position which would make payouts subject to additional conditions.

On the recommendation of the Human Resources and Governance Committee, **IT WAS RESOLVED,** — That the Short-Term Incentive Plan (STIP) Framework be approved as presented for the 2014-2015 fiscal year.

7.4 STARF Mandate

Roula Zaarour explained the rationale for the proposed bargaining mandate.

On the recommendation of the Human Resources and Governance Committee, **IT WAS RESOLVED**, — That a bargaining mandate with the *Syndicat des techniciens et artisans du réseau Français de Radio-Canada* (STARF) be approved as presented.

s.19(1) s.21(1)(a) s.21(1)(b)

7.5 Other Matters

Ted Boyd reported that the Committee considered various training topics for the next fiscal year and agreed to focus on the following subjects:

7.2 SET Salary Planning Budgets

Board members met in camera to discuss the Committee's recommendation with respect to the SET Salary Planning Budgets.

The Chairperson of the Board reported to the Corporate Secretary for inclusion in the Minutes that, during the in camera session, on the recommendation of the Human Resources and Governance Committee, **IT WAS RESOLVED**, – That the base salary recommendations for SET members be approved as presented.

8. Strategic Planning Committee Report

Ted Boyd reported that, on March 26, 2014, the Committee reviewed and provided input on the planning work completed to date. He also noted that the purpose of the session was to gain alignment with the strategic framework and with the expected deliverables for the May and June Board meetings.

Joanne Berry reviewed in detail the changes made, since the last meeting, to the Strategic Objectives and their potential measures and those made to the Core Strategies and the potential initiatives thereunder.

Board members inquired about what the public space will look like in 4 to 5 years, the opportunity to reduce the number of unionized staff, the outsourcing of production, how we can achieve a more flexible workforce, outstanding issues to be addressed in the plan, regional programming, the opportunity of using demographic changes as a determinant of where to focus on in the regions, the optimal organizational structure and the associated level of risk-taking and decision-making, the portion of our workforce that is eligible to retire, the ability to better forecast ad revenues, and what cushion we have in the budgets.

They also discussed the place of sports in public broadcasting, the review and rationalization of our infrastructure, and the collaboration between English Services and French Services.

Board members were then invited to identify the biggest risks they would like Management to focus on, and any gaps in the draft strategic framework. Board members noted, among other things, the opportunity for the Board to consider fully-costed strategic alternatives, the necessity to articulate clearly the attributes of the envisioned programming content, the need for greater details and more in depth discussion to enable the Board to make a reasoned decision, as well as the need for appropriate stakeholder engagement and awareness.

They indicated their concerns over the low-level of SET involvement and participation at meetings to date and their expectations for future meetings. They also agreed with the general directions presented and acknowledged the efforts deployed throughout the planning process.

9. Varia & In Camera Session (Independen	t Directors
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Board members agreed that there was no need for an in camera session.

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The meeting was adjourned on March 27, 2014, at 3:10 p.m.

Chair
Secretary