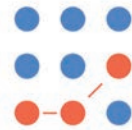


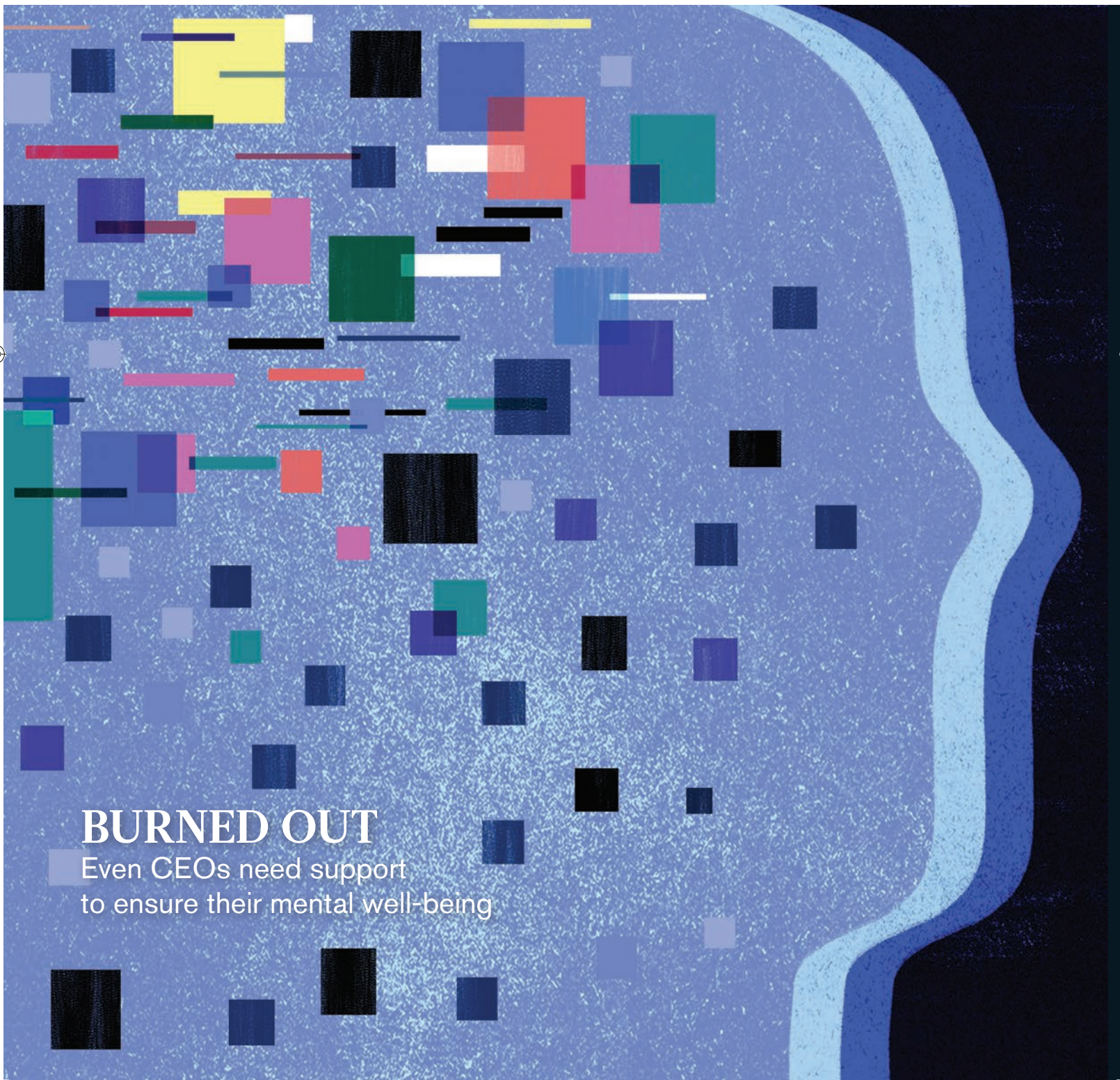


Director Journal



A PUBLICATION OF THE INSTITUTE OF CORPORATE DIRECTORS

SEPTEMBER/OCTOBER 2022



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Building trust and confidence in Canadian organizations is imperative. At the Institute of Corporate Directors (ICD), we believe that this starts with the right leadership and good governance. Directors must lead by being informed, prepared, ethical, connected, courageous and engaged with the world. In the pages that follow, you will find thoughtful and provocative articles that explore these essential leadership qualities.

Bâtir la confiance envers les organisations canadiennes est primordial. À l'Institut des administrateurs de sociétés (IAS), nous croyons que cela commence par un bon leadership et une bonne gouvernance. Les administrateurs doivent gouverner en étant informés, préparés, intègres, connectés, courageux et ouverts sur le monde. Dans les pages qui suivent, vous trouverez des articles réfléchis et provocateurs qui explorent ces qualités de leadership essentielles.

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ISSN 2371-5634 (Print)
www.icd.ca ISSN 2371-5650 (Online)

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Managing extremes

Executive wellness and worker compensation require board attention

MOST SENIOR EXECUTIVES manage stress as part of their jobs and are well compensated in the process. But changes over the past few years are increasingly making these matters important subjects for the board's attention. That's because the mental pressures that executives face and the wealth that they enjoy compared with their workers have both become excessive.

Our cover story (page 22) by the ICD's Prasanthi Vasanthakumar, "The boss is not okay," was sparked by a recent study by Deloitte Canada and LifeWorks, which found that 82 per cent of senior leaders are at risk of burn-out. The pandemic, as well as widespread political and economic volatility, has leaders operating in overdrive.

In response, boards should be adjusting their expectations of their CEOs, while providing oversight with empathy and understanding. And they should also be making sure that a stressed-out CEO is not overworking the rest of the senior management, Vasanthakumar reports.

The situation requires that directors increase their awareness of mental health issues and build the right relationship with their CEOs so there can be an open and honest exchange about the well-being of the leadership team, she adds.

In our feature "The great compensation divide" (page 38), Jeff Buckstein spotlights the inconsistency among businesses that promote their progressive environmental, social and governance (ESG) policies while simultaneously contributing to society's expanding wealth gap.

Canada's top CEOs are making almost 200 times the average wage of their workers, an inequity that has steadily widened over the years as stock-based compensation schemes grew more generous and hourly wages stagnated during a long period of low inflation.

The issue isn't even that executives are paid too much; it's that they are failing to pay some of their workers enough to live on, Roger Martin, of the University of Toronto's Rotman School of Management, tells Buckstein.

Given the circumstances, board members have a responsibility to protect both the mental health of their top executives and the economic well-being of the lowest-paid workers, with the broader goal of ensuring the success of their organization. **DJ**



Simon Avery
Editor
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POUR LA PLUPART des cadres supérieurs, gérer le stress fait partie du boulot et ils sont bien payés pour le faire. Mais les changements des dernières années en ont accru l'importance au point de mériter l'attention du conseil. Les pressions mentales exercées sur les dirigeants sont devenues excessives.

Notre article principal (page 22), « Le patron ne va pas bien », de notre collègue de l'IAS Prasanthi Vasanthakumar, s'appuie sur un récent sondage de Deloitte Canada et Life Works, qui a révélé que 82 pour cent des cadres supérieurs étaient à risque d'épuisement professionnel.

En réponse à la situation, les conseils devraient ajuster leurs attentes envers leurs chefs de la direction, tout en leur offrant empathie et compréhension.

La situation exige que les administrateurs soient plus sensibles aux enjeux de santé mentale et bâtissent une relation adéquate avec leurs chefs de la direction, pour que s'installe un échange ouvert et franc sur le bien-être de l'équipe de direction.

Dans notre article intitulé « The great compensation divide » (page 38), Jeff Buckstein souligne l'incohérence chez les entreprises qui font la promotion de politiques progressistes sur le plan environnemental, social et de gouvernance (ESG), tout en contribuant à une inégalité sociale croissante.

Les plus importants chefs de la direction au Canada gagnent presque 200 fois le salaire moyen de leurs travailleurs et les écarts de richesse se sont constamment élargis au fil des ans alors que les régimes de rémunération fondés sur les actions ont été plus généreux et que les salaires horaires ont stagné pendant une longue période de faible inflation.

Le problème n'est pas seulement que les hauts dirigeants sont trop payés; c'est qu'ils ne versent pas à certains de leurs travailleurs assez pour survivre, affirme Roger Martin, de la Rotman School of Management de l'Université de Toronto.

Dans les circonstances, les membres du conseil ont la responsabilité de protéger à la fois la santé mentale de leurs dirigeants et le bien-être économique de leurs travailleurs. **DJ**

Focusing on your people

Boards must recognize that mental health issues are a game-changer

THERE IS SURELY NO DIRECTOR in the country today unaware of the effect the pandemic has had on the mental health and welfare of individuals, including their own employees. Compounding the crisis, the health of many businesses themselves are under strain, hurt by rising interest rates, inflation, enhanced global political uncertainty, and demands to take action against climate change.

Strong companies committed to creating long-term sustainable value for all stakeholders will recognize that their greatest asset is their people and that the mental health of those employees is a key to success. For boards of directors, this means that overseeing culture, strategy and risk includes being attuned to the well-being of staff. It means understanding that the uncertainties we face as a society today are taking a toll on people's mental health and that organizations' expectations of their employees may need to evolve.

In this process, the role of board members becomes more relevant, and their leadership more required, than ever before. Directors increasingly recognize the broad impact that mental health is having and understand that it may be unrealistic to expect employees to operate in the same way they did before the pandemic. Somewhere in the decision-making and oversight process, the needs of organizations and their employees should be linked if there is to be long-term success.

Many boards are now working with senior managers to be more sensitive and responsive to mental health issues within their ranks.

A director engaged and connected with the world and who exhibits expertise, leadership, wisdom and humanity, is one most likely to handle such difficult issues in the boardroom with courage. I urge all members to continue your engagement on these and other issues with the Institute of Corporate Directors – through our local chapters, our community of directors, and through all of our learning opportunities. **DJ**



Rahul Bhardwaj
LL.B, ICD.D
President and CEO,
The Institute of Corporate Directors

IL N'Y A SÛREMENT aucun administrateur au pays qui ne soit pas conscient des effets qu'a eus la pandémie sur la santé mentale et le bien-être des personnes, y compris leurs propres employés. Aggravant les effets de la crise, la santé de plusieurs entreprises est compromise, frappées qu'elles sont par les taux d'intérêt croissants, l'inflation, l'incertitude politique mondiale accrue et la nécessité d'agir contre les changements climatiques.

Les organisations fortes engagées dans la création de valeur durable à long terme pour l'ensemble des parties prenantes reconnaîtront que leur actif le plus important réside dans leur personnel et que la santé mentale de ces employés est l'une des clés du succès. Pour les conseils d'administration, cela signifie que la surveillance de la culture, des stratégies et du risque implique d'être sensibilisé au bien-être du personnel. Il s'agit de comprendre que les incertitudes auxquelles

nous faisons face en tant que société affectent la santé mentale des gens et que les attentes des organisations envers leurs employés doivent évoluer.

Dans ce contexte, le rôle des membres du conseil exige plus de pertinence et de leadership. Ceux-ci doivent reconnaître l'impact de la santé mentale et comprendre qu'il peut être irréaliste d'exiger des employés qu'ils se comportent comme avant la pandémie. Les besoins des organisations et des employés doivent être étroitement liés.

Plusieurs conseils collaborent aujourd'hui avec leurs hauts dirigeants afin d'être plus sensibles et réceptifs aux enjeux de santé mentale dans leurs rangs.

Un administrateur engagé faisant preuve d'expertise, de leadership, de sagesse et d'humanité est plus susceptible de porter ces enjeux avec courage au conseil. J'exhorte tous nos membres à poursuivre leur engagement envers ces enjeux au sein de l'Institut des administrateurs de société – dans nos sections régionales, notre communauté d'administrateurs et dans le cadre de toutes nos occasions d'apprentissage. **DJ**



COMPILED BY Prasanthi Vasanthakumar

Dispatches

A digest for diligent directors



THE OFFICE DEBATE RAGES ON

Forget inflation, supply chain problems and the war in Ukraine. What CEOs really want to talk about is hybrid work and how much they hate it, Gillian Tett writes in the Financial Times. The cultural anthropologist and editor moderated two debates on economics, where “work from home” eclipsed supply and demand. Remote work is the “single biggest issue,” bemoaned one boss of a Midwest industrial group.

Middle-aged executives want employees in the office because of culture, logistics and economics. All the participating CEOs told Tett that meeting in real life is important for teamwork, creativity and people management.

Younger workers disagree. These digital natives grew up building relationships online and think managers need to learn how to manage virtually. They also find the office conversations that executives hold dear a drag on productivity.

Most CEOs assume they can put the kibosh on remote work when summer ends or if a recession strikes. But surveys consistently show that most people now working from home expect to continue doing so.

Is this corporate clash just a generational divide? And who will prevail? “It is a fascinating moment to be a corporate anthropologist and a nightmare for those CEOs,” Tett writes.



DUPED

The pandemic may have slowed many of us down, but for con artists, business is booming. One elderly woman in Kelowna, B.C., lost \$34,000 in a bitcoin scam, complete with a fake banking portal, two-factor authentication process, and account balance. Meanwhile, in Ottawa, a couple's rental property was fraudulently posted on Kijiji and rented out using text messages and e-transfers. The unsuspecting "tenant" presumed the lack of in-person interaction was owing to pandemic protocols and was left \$4,000 poorer, Dave Zarum reports in Pivot Magazine.

CONS IN CANADA

Here's what the scams and shams of 2022 have added up to:



Source: Canadian Anti-Fraud Centre. Data as of June 30, 2022.

WHEN NO NEWS IS GOOD NEWS

Data from the Reuters Institute show people are increasingly quitting the news because they find it depressing, disempowering or untrustworthy. Many consumers say the problem is bias, while journalists blame a business model where bad news is clickbait. But Amanda Ripley, a journalist and recovering news junkie, thinks the real problem is the sheer hopelessness of it all.

In The Washington Post, she boils it down to three missing ingredients: hope, agency and dignity. People need hope to get up in the morning, the feeling that they can take action, and the sense that they matter. Instead, today's news is a never-ending slideshow of doom and gloom.

The New York Times's ambitious project, "Postcards from a World on Fire," is one example. Featuring an image of the Earth in flames, the apocalyptic piece chronicled how climate change has affected life in 193 countries. Ripley called it a well-intentioned effort, but not one built for humans. "I don't know what species it would work for, but it's not one I'm familiar with," she writes.

According to David Bornstein of the Solutions Journalism Network, reporters believe the best way to avoid catastrophe is to keep people focused on the potential for catastrophe 24/7. But with a polarized public and the birth of fake news, a better approach is to outline problems and solutions.

As Ripley braces for a future of political turmoil, virus variants and climate cataclysms, she has a plea for her fellow journalists: It's time to change how we tell stories. It's time to treat readers like humans.





WORK FROM THE BEACH?

For many business-leisure travellers, work is better in flip-flops. As a new subset of digital nomads, they typically work abroad for weeks or months before returning home – making those working from home look positively quaint.

As more employees look to work from anywhere they want for shorter periods, governments are scrambling to figure out visa and tax regulations, Michelle Jamrisko, Suttinee Yuvejwattana and Claire Jiao report in Bloomberg News. Businesses also have a new set of headaches as they navigate compliance and corporate culture. Despite the difficulty, one business leader expects more companies will set up remote work options for trusted employees.

For pandemic-ravaged tourism hotspots like Bali and Thailand, this work-from-anywhere trend could allow for a comeback. One Indonesian resort that offers large communal areas, workspaces, and the opportunity to go snorkelling between Zoom meetings, is in high demand with working sun-seekers. However, Indonesia’s immigration and tax laws are still murky in this area, while Thailand’s visa application process may be too complicated.

Thankfully, the world has many beaches. From Aruba and Brazil to Sri Lanka and Greece, more than 24 countries have set up “digital nomad” programs that welcome working travellers. Where will you go?











PASSPORT POWER

If you’re looking for a smooth travel experience, passports from Japan, Singapore and South Korea are your best bets. Offering visa-free access to more than 190 countries, these Asian nations have dethroned European destinations to top the latest Henley Passport Index.

In contrast, Iraq and Afghanistan have the least-coveted passports, providing entry to fewer than 30 countries without a visa.

Where does Canada land? Granting hassle-free access to 185 countries, it’s tied with four other nations for the eighth spot.

THE 10 MOST POWERFUL PASSPORTS OF 2022

PASSPORT	RANK	COUNTRY ENTRY SCORE
 Japan	1	193
 Singapore	2	192
 South Korea	2	192
 Germany	3	190
 Spain	3	190
 Finland	4	189
 Italy	4	189
 Luxembourg	4	189
 Austria	5	188
 Denmark	5	188

Source: Henley Passport Index

PHOTOGRAPHY BY MARK BROADHEAD (LEFT), JAKOB ROSEN/UNSPLASH (RIGHT), ICON BY NOUN PROJECT



WANTED: INTERNATIONAL EXPERIENCE

In 2022, half of the 395 new directors appointed to S&P 500 boards had global experience – up by 16 per cent from 2021. These board members may have worked abroad or originally hail from outside the United States. According to the executive search firm Spencer Stuart, this significant increase suggests leading boards are strengthening their global outlook.

New directors on S&P 500 boards with foreign work experience



Source: Spencer Stuart's 2022 S&P 500 New Director Snapshot

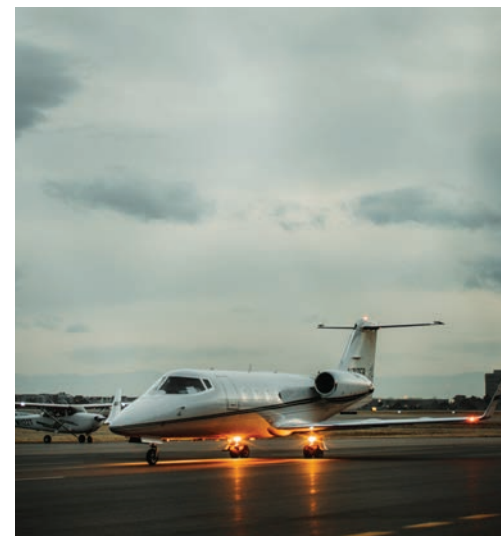
PRIVATE JETS, PUBLIC PROBLEM

Kylie Jenner, the U.S. media personality and entrepreneur, is mired in controversy again, this time for taking to the skies for a 17-minute trip to avoid a 45-minute drive. Private jets have become a must-have accessory for the rich and famous, but they belch 10 times more carbon, on average, than their commercial cousins.

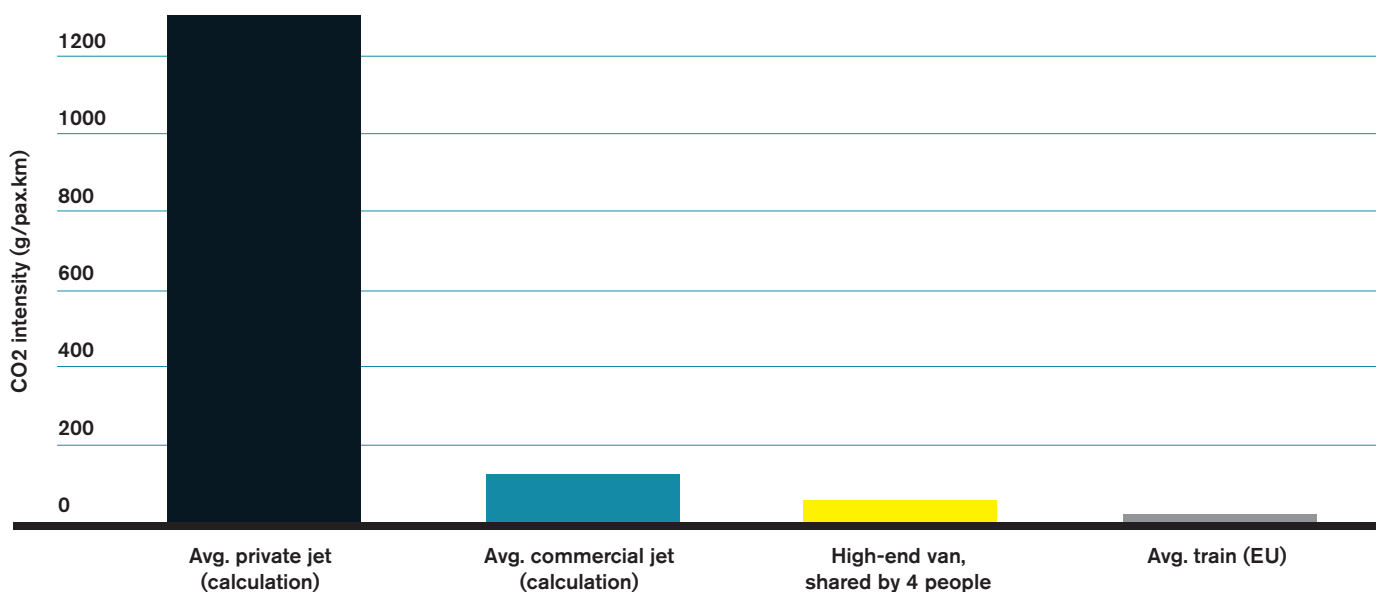
Amid another summer of intense heat waves, wildfires and flash floods, Twitter users were quick to brand Jenner a “climate criminal.” But as Dani Di Placido observes in *Forbes*, the celebrity socialite’s crimes pale in comparison to those rocket-blasting billionaires trying to get space tourism off the ground.

Indeed, as *Transport & Environment in Europe* points out, just 1 per cent of people cause 50 per cent of global aviation emissions. But the clean transport campaign group has solutions that go beyond Twitter shaming. For example, proposals for new, zero-emission aircraft might lead to planes more suitable for short-haul flights.

Despite the accelerating climate crisis, Jenner won’t be the last clueless celebrity to hop on a private plane for a quick trip. But perhaps there is a way for the wealthy to continue their jet-setting lifestyle without drawing the ire of everyone else.



PRIVATE JETS OUTPOLLUTE OTHER TRANSPORT TYPES



Source: “Private jets: Can the super-rich supercharge zero-emission aviation?,” *Transport & Environment* (2021).



IT'S TIME TO PRIORITIZE CLIMATE GOVERNANCE

WHY NOW?

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*PENSER AU-DELÀ
DE LA SALLE DU CONSEIL.*



BY Simon Avery

Bewildering governance

Better oversight of NASA would have delivered a smoother ride back to the moon

NASA'S SPACE LAUNCH SYSTEM is a marvel of human achievement. It comprises the Orion capsule – which could transport astronauts to and from the lunar surface as soon as 2025 – as well as the most powerful rocket the United States has yet built.

The great accomplishment, however, is not so much technical. Indeed, the US\$23-billion SLS is a mash-up of old technology and parts. Its four main engines, for example, are repurposed from the Space Shuttle, which was designed in the 1970s and retired in 2011. Its two solid rocket boosters also derive from the shuttle. But, unlike in the past, none of the equipment on the SLS will be reusable – it will crash into the ocean as garbage.

The wonder of NASA's SLS is that it made it to the launch pad at all, given the politicized development process, the competing interests at stake, the number of compromises that had to be made, and the convoluted system of oversight in place.

SLS roots can be traced to NASA's Constellation program, announced in 2004 as the successor to the Space Shuttle program, that was intended to take crews to the moon and eventually Mars. But years of cost overruns led U.S. President Barack Obama to cancel Constellation in 2010.

With thousands of jobs and billions of dollars of contracts at stake, spread out across all 50 states, the Constellation program enjoyed strong support in Congress. Lawmakers responded to Obama's decision by passing the NASA Authorization Act, directing the agency to use old contracts from the Space Shuttle and Constellation programs to create the next human spaceflight system.

When announced in 2012, the first SLS launch was to have taken place in 2016 and costs were pegged at about US\$500,000 for each launch. Today's estimate for the first four SLS missions – named Artemis I through Artemis IV – is US\$4.1-billion each, according to NASA's Office of Inspector-General. The entire program will have cost more than US\$93-billion by 2025, it estimates.

As costs rise at NASA, private space companies such as SpaceX, Blue Origin and RocketLab are building smarter and cheaper systems. California-based SpaceX, for example, is currently engine testing a fully reusable heavy-lift vehicle called StarShip that could carry massive payloads at a fraction of NASA's costs.

None of these companies faces anything like the bureaucratic labyrinth that defines NASA. Led by Administrator Bill Nelson, a former astronaut and U.S. senator, the agency relies on four senior



leadership councils to provide high-level oversight, strategy and guidance. External councils and advisory groups also have a hand in governance, chief among them the National Space Council, led by the U.S. vice-president.

In addition, the organization must meet various requirements set out in laws such as the Space Act and Federal Acquisition Streamlining Act, and Nelson himself is directly accountable to the U.S. president for everything from the agency's vision and strategy to the implementation of policies and performance. That's a lot even for an astronaut to navigate. **DJ**

SIMON AVERY is a freelance business writer and editor of Director Journal.

NASA spent US\$23-billion to develop its Space Launch System, which will take astronauts to the moon using engines refurbished from the retired Space Shuttle program.



The dilemma

Q. What are the advantages and disadvantages of establishing a risk committee?



Heather Wilson
ICD's Senior Director,
Policy and Research

IT IS UNDERSTANDABLE why risk is top of mind for many boards. Aside from the global pandemic, we are faced with enormous challenges, including a war in Europe, inflation, a possible recession, and supply chain headaches. Alternatively, without risk, there is no reward. Recognizing and mitigating risk is an important part of running an organization, and its elimination should neither be expected nor attained.

The creation of a risk committee is one strategy some organizations use to help monitor risks effectively. In Australia, for example, 40 per cent of respondents to a recent survey indicated that they had a separate risk committee on their listed company boards.

Before deciding to establish a risk committee, an evaluation of the effectiveness of the current risk oversight program may be helpful. To determine whether a risk committee is necessary, organizations should examine their risk registry – a chart or document that identifies risks to the organization – to understand what their key threats are, says Gail Harding, chair of the board's

risk committee at Meridian Credit Union. Once that's been done, directors should be able to assess whether those risks are being well monitored within the existing board committee structure.

A risk committee may enhance the risk oversight function of the board, make recommendations on the organization's risk appetite and tolerance, as well as bolster its ability to handle compounding risks. Risk committee members may also be able to delve more deeply into matters and consequently gain a more complete understanding of the complexity of the organization's risk environment. Inadequate risk oversight at the board level may be the focus of litigation, says Andrew Gray, a partner at Torys LLP in Toronto. In the United States, for instance, Caremark claims – named for a precedent-setting case in the Delaware Court of Chancery – allege that directors “have breached their duties by failing to monitor company operations. Establishing a risk committee allows a board to fulfill its oversight role and mitigate litigation concerns,” Gray says.

If a risk committee is created, it should have a clear mandate about the work it will undertake and how it will communicate its findings to the entire board.

The composition of the risk committee is also important. The board has the opportunity to appoint members to the committee with specialized knowledge and experience. When searching for risk committee members, Harding looks for directors who have a solid understanding of risk frameworks (perhaps someone with an accounting or internal audit background), or those who have a deep understanding of the risks faced by the organization through their professional experience.

Risk identification, mitigation, and establishing the risk appetite are part of every director's role. According to Harding, the environmental scan of risks should be made available to all directors in their board packages. She notes that “this gives the board a sense of what is happening out there and what the trends are. At our board meetings, I can then provide more context about the topics we took deep dives on.” A heat map colour coded to show very high-level risks and their trend lines can also be a helpful way of keeping the entire board informed about the organization's current risks.

An integrated approach to risk needs to be maintained, no matter the structure used for risk oversight. A risk committee may be a useful addition if the risks facing the organization are not being well monitored by existing committees. No matter the structure used, risk oversight is a full board responsibility with all directors actively participating in risk identification and mitigation. **DJ**

ILLUSTRATION BY AARON MCCONOMY



ON PEUT COMPRENDRE pourquoi le risque figure au sommet des préoccupations de plusieurs conseils. Outre la pandémie mondiale, nous faisons face à d'énormes défis, dont la guerre en Europe, l'inflation, une récession possible et les casse-têtes reliés à la chaîne logistique. Par ailleurs, qui ne risque rien n'a rien. La reconnaissance et l'atténuation du risque sont des éléments importants de la gestion d'une entreprise.

La création d'un comité des risques est une stratégie qu'adoptent certaines entreprises pour surveiller efficacement les risques. En Australie, par exemple, 40 pour cent des répondants à un récent sondage ont indiqué que leur conseil était doté d'un comité distinct consacré à la surveillance des risques.

Pour déterminer si la création d'un comité des risques est nécessaire, les organisations devraient examiner leur registre des risques – un tableau ou document identifiant les risques auxquels elle fait face – afin de comprendre les principales menaces qui se posent, affirme Gail Harding, qui préside le comité des risques du conseil de la Meridian Credit Union. Une fois cela fait, les administrateurs devraient être en mesure d'évaluer si ces risques font l'objet d'une surveillance adéquate dans le cadre de la structure actuelle des comités du conseil.

Un comité des risques peut améliorer la fonction de surveillance du conseil, soumettre des recommandations sur la propension et la tolérance de l'organisation au risque, en plus de renforcer sa capacité de gérer les risques aggravants. Les membres du comité peuvent aussi être en mesure d'approfondir les questions et d'acquiescer ainsi une compréhension plus complète de la complexité de l'environnement de l'organisation en matière de risque. Une surveillance inadéquate de la part du conseil peut être une source de litiges, soutient Andrew Gray, associé chez Torys LLP à Toronto. Aux États-Unis, par exemple, les plaintes de Caremark – nom d'un cas qui a

fait jurisprudence à la Cour de la Chancellerie du Delaware – allèguent que les administrateurs « ont manqué à leurs devoirs en négligeant de surveiller les opérations de l'entreprise ».

Une fois créé, le comité des risques devrait avoir un mandat clair quant aux tâches à entreprendre et à la manière de communiquer ses conclusions à l'ensemble du conseil.

La composition du comité est aussi importante. Le conseil a l'occasion d'y nommer des gens ayant des connaissances et des expériences spécialisées en matière de risque. Lorsqu'elle recherche des candidats, Mme Harding privilégie des administrateurs qui ont une solide compréhension des structures de risque ou dont l'expérience professionnelle offre une compréhension approfondie des risques encourus par l'organisation.

L'identification, l'atténuation et l'établissement de la propension au risque font partie de la tâche de chaque administrateur. Selon Mme Harding, tous les administrateurs devraient disposer d'une analyse environnementale des risques. Elle souligne que cela « sensibilise le conseil aux tendances qui ont cours en la matière. Lors de nos réunions du conseil, je peux alors fournir davantage d'éléments de contexte sur les sujets que nous abordons en profondeur ». Une carte thermique dotée de codes de couleur pour identifier les risques les plus élevés et les courbes de tendance peut aussi s'avérer un moyen utile de tenir le conseil informé des risques courus par l'organisation.

Il faut maintenir une approche intégrée du risque, peu importe la structure de surveillance. Un comité des risques peut s'avérer un ajout utile si les risques pesant sur l'organisation ne sont pas bien surveillés par les comités existants. Peu importe la structure qui y préside, la surveillance du risque est sous la responsabilité de l'ensemble du conseil. DJ

DIRECTOR LENS

- A risk committee may be a helpful addition to the board's committee structure if the organization's key risks are not being effectively monitored by the existing board committees.
 - A risk committee can enhance risk oversight but not replace the risk responsibility of the board.
 - Risk committees should share their risk heat maps and environmental scans with all directors to help increase their knowledge of the organization's risks.
-
- Un comité des risques peut s'avérer un ajout utile à la structure du conseil si les principaux risques courus par l'organisation ne font pas l'objet d'une surveillance efficace de la part des comités du conseil existants.
 - Un comité des risques peut améliorer la surveillance du risque, mais ne peut se substituer à la responsabilité du conseil.
 - Les comités des risques devraient partager leurs cartes thermiques et analyses environnementales avec tous les administrateurs.

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PHOTOGRAPHS BY Samuel Tessier

AN ENHANCED PERSPECTIVE

As chair of National Bank of Canada, JEAN HOUDE uses his government and private sector experience to see beyond the near horizon, Guy Dixon writes

Comme président du conseil de la Banque Nationale du Canada, JEAN HOUDE combine son expérience des secteurs public et privé dans un style de leadership qui se projette au-delà de l'horizon, écrit Guy Dixon

IN 2009, in the wake of the Great Recession, economist and New York Times columnist Paul Krugman wrote an opinion piece that touched a nerve in the financial sector. Banking, he said, should be made boring again. At the time, the world was crawling out from under the collapse of U.S. subprime mortgages, and subsequent credit crises had rocked banks globally. Krugman's argument was that regulators should do what they did during the Great Depression of the 1930s and tighten controls on U.S. banks, reforming them into risk-averse bulwarks, there to protect against future crises, not contribute to them.

EN 2009, dans la foulée de la Grande récession, l'économiste et chroniqueur du New York Times Paul Krugman publiait un article d'opinion qui toucha une corde sensible dans les milieux financiers. Le secteur bancaire, écrivait-il, devrait redevenir ennuyeux. À l'époque, le monde sortait de peine et de misère de la crise des prêts hypothécaires à risque et des crises subséquentes qui ont secoué le monde bancaire à l'échelle mondiale. L'argument de Krugman faisait valoir que les autorités réglementaires devraient agir comme elles l'avaient fait durant la Grande dépression des années 1930 en resserrant les contrôles sur le secteur bancaire,





'You must remember, when you are on a bank board or bank management, you operate under a licence of a public authority,' says National Bank chair Jean Houde, who credits Canada's stronger regulatory environment with helping the country avoid the worst of the Great Recession.



‘I THINK EXPERIENCE IN THE PUBLIC SERVICE HELPED ME TO BETTER UNDERSTAND PEOPLE AND BEHAVIOUR.’

« JE PENSE QUE MON PASSAGE DANS LA FONCTION PUBLIQUE M’A AIDÉ À MIEUX COMPRENDRE LES GENS ET LEURS COMPORTEMENTS. »

Krugman was making a point about regulation. Yet, it’s easy to take the argument a step further – to question, perhaps, the role of banks in society, to look beyond short-term profits and self-interest, toward broader perspectives. And these ideas could originate with board directors who may have larger public interests in mind.

While Canada’s banking sector came through the financial crisis relatively unscathed compared with the United States, thanks to our stronger regulatory tradition, Jean Houde, a member of the board of Montreal-based National Bank of Canada since 2011 and its chair since 2014, says Krugman had the right idea.

“For sure, we went through the financial crisis,” says Houde, who served as Quebec’s deputy minister of finance at the time of the upheaval. “We had our commercial paper [debt] crisis mostly in Quebec, but also elsewhere in Canada. But that demonstrates in my view that the regulations done by OSFI [the Office of the Superintendent of Financial Institutions] and others, [including] the Bank of Canada, were right, and we were a lot less risky as a system than the U.S. banks were.”

And yet, public interest quickly enters his thinking. “Just keep in mind

pour le transformer en rempart à l’abri du risque et le protéger de crises futures et non y contribuer.

M. Krugman prenait fait et cause pour la réglementation. Il est facile de pousser l’argument plus loin – de remettre en question, peut-être, le rôle des banques dans la société, de porter le regard au-delà des profits et des intérêts à court terme, d’élargir les perspectives. Et ces idées peuvent prendre forme avec des administrateurs qui ont à cœur l’intérêt public.

Alors que le secteur bancaire canadien a été relativement épargné par la crise financière – en comparaison avec les États-Unis – grâce à une tradition réglementaire plus forte, Jean Houde, membre du conseil de la Banque Nationale du Canada depuis 2011 et président du conseil depuis 2014, affirme que M. Krugman avait raison.

« Bien sûr, nous avons été touchés par la crise, admet M. Houde, qui à l’époque était sous-ministre des Finances du Québec. La crise du papier commercial a surtout affecté le Québec, mais aussi d’autres régions du Canada. Mais selon moi, cela démontre que les réglementations édictées par le BSIF [Bureau du surintendant des institutions financières] et d’autres – dont la Banque du Canada –





that it's a kind of public service being a bank, because you have a licence to operate that business, and the government can decide to take back this licence. ... You must remember, when you are on a bank board or bank management, you operate under a licence of a public authority.”

Public service wisdom

It's that intersection between private business and public interest where Houde's career differs from many board chairs. Houde has been inducted as a 2022 Fellow of the Institute of Corporate Directors, recognizing his many years of service on boards, including as chair of the Montreal-based energy company Énergir from 2011 to 2020. Previously, he held various senior management positions at National Bank before working for Quebec's Ministry of Finance from 2005 to 2009.

“When I left the bank, I was appointed to work in the public service. Two years after that, the government asked me to become the deputy minister of finance, and that was unfortunately [during] the financial crisis of 2007 and 2008. And I was in touch a lot with CEOs of financial institutions in Quebec,” Houde says. This helped lead to his appointment on the National Bank board. “That was maybe not the only reason, but one of the reasons they thought of me becoming chairman of the bank, because they saw what we did, trying to manage that crisis and the way that I behaved in that crisis.”

Speaking in relaxed, accented English, he says that he never dreamed he'd be asked to return to the bank to become a director, much less chair, after having left the bank and its management team. “Frankly, it came to me as a surprise. Not a bad surprise, but a good surprise. But I did my best with my background. I think experience in the public service helped me to better understand people and behaviour.”

His tenure on the National Bank board followed the global financial crisis. Still, the risks are constant: geopolitical tensions, worsening environmental news, higher rates of inflation, even as the industry itself navigates a period of tremendous change. Financial technology may herald an era when the public may see banks less as physical institutions than a collection of apps on their phones and blips on their screens.

“The banks today are huge technology outfits. You have to be able to understand that, and be able also to challenge the proposals that are submitted to the board,” Houde says.

Evolving needs

Constant change, especially technological change, is the first thing Houde notes when asked about his time on the National Bank board. It has meant bringing in new directors with expertise in fast-emerging technologies and direct knowledge of changing customer habits. This has entailed appointing some directors from outside the Montreal and Quebec business communities. Although the board tries to maintain a majority of members from Quebec, Houde says, the board today has more regional diversity. “If you look at the composition of the board now, it's quite different than when I took over the chairmanship, because the needs of the organization have changed, and we should appoint the right people,” Houde says.

étaient les bonnes et que notre système bancaire était bien moins à risque que celui des États-Unis. »

Pourtant, la question de l'intérêt public s'insinue rapidement dans son esprit. « N'oublions pas que la banque est un service public. »

La sagesse du service public

C'est à ce carrefour entre l'entreprise privée et l'intérêt public que la carrière de M. Houde diffère de celle de beaucoup de présidents du conseil. Celui-ci a été nommé Fellow 2022 de l'Institut des administrateurs de sociétés, en reconnaissance de ses nombreuses années de service au sein de conseils d'administration, dont la présidence du conseil d'Énergir de 2011 à 2020. Auparavant, il avait occupé divers postes de gestion à la Banque Nationale avant d'œuvrer au ministère des Finances du Québec de 2005 à 2009.

« Quand j'ai quitté la banque, j'ai été nommé dans la fonction publique. Deux ans plus tard, le gouvernement m'a demandé de devenir sous-ministre des Finances et c'était malheureusement pendant la crise financière de 2007 et 2008. J'ai alors été en contact avec beaucoup de dirigeants d'institutions financières au Québec », explique M. Houde, ce qui l'a sans doute mené à sa nomination au conseil de la Banque Nationale. « Ce n'était peut-être pas la seule raison, mais ces gens ont vu comment nous tentions de gérer la crise. »

Il explique qu'il n'avait jamais rêvé de retourner dans le secteur bancaire à titre d'administrateur, encore moins comme président du conseil. « Franchement, j'ai été surpris. Mais ce fut une bonne surprise. J'ai fait de mon mieux avec l'expérience qui était la mienne. Je pense que mon passage dans la fonction publique m'a aidé à mieux comprendre les gens et leurs comportements. »

Son mandat au conseil de la Banque Nationale a suivi la crise financière mondiale. Mais les risques n'en demeurent pas moins constants encore aujourd'hui : tensions géopolitiques, menaces à l'environnement, taux d'inflation en croissance, au moment même où l'industrie elle-même traverse une période d'énormes changements. La technologie financière est annonciatrice d'une époque où les banques seront moins des institutions physiques qu'une collection d'applications sur les téléphones et d'images sur les écrans.

« Les banques sont aujourd'hui d'immenses appareils technologiques. Il faut être en mesure de comprendre ça », soutient Jean Houde.

Des besoins en évolution

Le changement constant – surtout d'ordre technologique – est la première chose que souligne M. Houde quand il évoque son mandat. Cette situation a amené au conseil de nouveaux administrateurs dotés d'expertise dans les technologies rapidement en émergence et d'une connaissance directe des habitudes changeantes des clients. Cela a aussi entraîné la nomination de certains administrateurs choisis hors des communautés d'affaires de Montréal et de Québec. Comme il l'explique, le conseil offre aujourd'hui une plus grande diversité régionale. « Si on examine la composition du conseil aujourd'hui, elle est bien différente de ce qu'elle était lorsque je suis devenu président, parce que les besoins de l'organisation ont changé et qu'il nous faut nommer les bonnes personnes. »

L'importance marquée qu'accorde le conseil de la Banque Natio-



The difficulty with new board members who come from the C-suite, National Bank chair Jean Houde says, is getting them to relinquish their CEO hats: 'It takes a little bit of time to change their mindset.'



‘YOU HAVE TO UNDERSTAND THAT YOU HAVE A ROLE TO PLAY, BRINGING EXPERTISE AROUND THE TABLE, GIVING THEM THE OCCASION TO EXPRESS THEMSELVES.’

« ON DOIT COMPRENDRE QU’ON A UN RÔLE À JOUER POUR AMENER DE L’EXPERTISE AUTOUR DE LA TABLE ET DONNER AUX GENS QUI LA DÉTIENNENT L’OCCASION DE S’EXPRIMER. »

National Bank board’s strong emphasis on technology, from managing ever-present cybersecurity risks to better understanding how customers adopt new technology, is reflected in the board’s structure. Like many boards, much of the work is done by committees, and the National Bank board has given information technology its own designated committee, emphasizing its importance to the bank. In addition, appointees to the board in recent years have included Rebecca McKillican, a younger director with an extensive background in e-commerce and finance, and Pierre Blouin, a veteran telecom industry leader.

Houde says this underscores the effort that the board has made to keep pace with the constant change faced by management. “The way that I see it, it takes some humility when you chair a bank,” he says. “You for sure represent the authority, the ultimate authority. You are even the boss of the CEO. But you have to understand that you have a role to play, bringing expertise around the table, giving them the occasion to express themselves, advise management, challenge the management.”

‘Continuous dialogue’

The difficulty with new board members who come from the C-suite, Houde says, is getting them to relinquish their CEO hats. “It takes a little bit of time to change their mindset. They are not CEOs any more. They don’t have to think they are in charge, and

nale à la technologie – qu’il s’agisse des risques toujours présents en matière de sécurité informatique ou d’une meilleure compréhension de la manière dont les clients adoptent les nouvelles technologies – se reflète dans la structure du conseil. Comme c’est le cas chez beaucoup de conseils, une bonne partie du travail est effectué par les comités et le conseil a lui-même créé un comité voué aux technologies de l’information. En outre, on compte parmi les administrateurs nommés au cours des dernières années des gens comme Rebecca McKillican, une jeune administratrice possédant une expérience solide en commerce électronique et en finances, ainsi que Pierre Blouin, un leader chevronné de l’industrie des télécommunications.

« Il faut une certaine humilité pour présider le conseil d’une banque, soutient Jean Houde. Bien sûr, on représente l’autorité ultime. Mais on doit aussi comprendre qu’on a un rôle à jouer pour amener de l’expertise autour de la table et donner aux gens qui la détiennent l’occasion de s’exprimer. »

Un dialogue continu

La difficulté qui se pose avec les nouveaux administrateurs provenant d’une équipe de direction consiste à leur faire renoncer à leur chapeau de chef de la direction, affirme M. Houde. « Il faut un certain temps pour changer ça et cela représente un certain défi pour le président du conseil. Il faut rester calme. »

Dominic Paradis, vice-président des Affaires juridiques et



that's a little bit of a challenge for the chair. ... But that's part of the chair's role. You have to be calm, and you have to have some humility," Houde says.

Dominic Paradis, National Bank's senior vice-president of legal affairs and corporate secretary, describes Houde as a chair who is regularly "on the floor," making the rounds of different managers' offices, maintaining personal relationships. But it's a delicate skill. "That's important for him, this continuous dialogue, notwithstanding board meetings or monthly meetings or strategic meetings. If he sees something in the newspapers, I'm going to receive a call. That's the way he sees his leadership or his involvement," Paradis says.

This also ties into the bank's approach to board succession, Paradis says. "It's not diversity for diversity's sake. It's diversity of thought, of approach, of mindset, of culture. ... So we start from an assessment of how the board is performing as a unit, as a governance unit. And then we see, are we missing something structurally? Are we missing something that the existing people can learn? Or do we need to bring in somebody else to accelerate our learning, accelerate our impact, our performance? That's how we see board succession."

Yet, attracting new people – essentially drawing a flow of new knowledge into the bank and onto its board – also requires a measured approach, Houde says. "When you are appointed as chair, you don't go around rapidly [meeting management]," he says. "You have to understand the people, first of all, on your board. And after that, you start to build a relationship with the management team, first of all with the CEO. It takes time. You have to adjust yourself [and] understand what to do and what not to do," he cautions.

"But remember, our role is to give advice as a board member. It is also to be what we call an effective challenge to the management," he adds. "In my case, I've known the bank for many years. So that helped. I don't think it would be the case for the person who will [one day] replace me, because he will not have the experience of having been a manager of the bank. That has helped for sure," Houde says.

A challenge, however, in embracing new views and expertise outside of the bank, is that it increases outside exposure and attention, particularly in Canada's close-knit business community and in the even more tightly-bound Montreal and Quebec communities. Business leaders "live almost publicly, because they are followed by the regulators, the government, the shareholders, the depositors," says Robert Tessier, former chair of the Caisse de dépôt et placement du Québec, one of the largest pension fund managers in Canada. Tessier has known Houde for 40 years or so and notes how they both have had careers in the private and public eye.

The public and private good

"He has a pattern a bit similar to me, because we've been switching from the government to businesses a couple of times in our lives. It gives you a different perspective on the way you manage or partici-

secrétaire général de la Banque Nationale, décrit Jean Houde comme un président du conseil constamment « sur le terrain », où il entretient des relations personnelles avec les membres de l'équipe de direction. Il s'agit là d'une compétence délicate à exercer. « Ce dialogue continu, hors des réunions du conseil et des rencontres stratégiques, est important à ses yeux. S'il lit quelque chose dans les journaux, je vais recevoir un appel. C'est ainsi qu'il voit le leadership et son implication. »

Cela s'inscrit aussi dans l'approche de la banque en matière de succession à l'échelle du conseil, souligne M. Paradis. « Il ne s'agit pas de diversité pour la diversité. Il s'agit de diversité d'approches, d'états d'esprit, de culture. Nous partons donc d'une évaluation de la performance du conseil en tant qu'unité de gouvernance. Nous nous demandons ensuite si nous n'avons pas raté quelque chose sur le plan structurel. Avons-nous raté quelque chose que les gens en place pourraient apprendre? Devrions-nous amener au conseil quelqu'un d'autre susceptible d'accélérer notre apprentissage, notre impact, notre performance? Voilà comment nous envisageons la succession au sein du conseil. »

Il n'en demeure pas moins que la nécessité d'attirer de nouvelles personnes – essentiellement un flot de nouvelles connaissances à la banque même et au conseil – exige aussi une approche mesurée, explique M. Houde. « Quand on est nommé président du conseil, on ne se dépêche pas de rencontrer l'équipe de direction. On doit d'abord comprendre les gens qui siègent au conseil. Après, on commence à bâtir des relations avec les membres de l'équipe dirigeante, à commencer par le chef de la direction. Cela prend du temps. Il faut s'ajuster, comprendre ce qu'il faut et ce qu'il ne faut pas faire. »

« Mais rappelons-nous, poursuit-il, que notre rôle consiste à donner notre avis à titre d'administrateurs. Il consiste aussi à être ce qu'on pourrait appeler un lieu efficace de remise en question auprès de la direction. Dans mon cas, je connais la banque depuis longtemps. Cela m'a aidé. Je ne crois pas que ce serait nécessairement le cas pour la personne qui me remplacera un jour, parce qu'elle n'aura pas l'expérience d'avoir été gestionnaire de la banque. »

Toutefois, les remises en question fondées sur l'adoption de nouveaux points de vue et de nouvelles expertises extérieures au milieu bancaire attirent l'attention de l'extérieur, en particulier chez la communauté des affaires tissée serrée du Canada et celles étroitement intégrées de Montréal et de Québec. Les leaders d'affaires « ont une existence presque publique, parce qu'ils sont suivis par les autorités réglementaires, le gouvernement, les actionnaires et les déposants », explique Robert Tessier, ancien président du conseil de la Caisse de dépôt et placement du Québec. M. Tessier connaît Jean Houde depuis une quarantaine d'années et souligne qu'ils ont tous deux, au cours de leur carrière, été la cible des regards privés et publics.

L'intérêt public et l'intérêt privé

« Son profil est quelque peu similaire au mien, signale-t-il, parce que nous sommes passés du secteur public au monde des affaires à quelques reprises durant nos carrières. Cela vous confère une perspective différente sur la manière de siéger à un conseil. Il n'y a pas beaucoup de gens qui ont joué ce double rôle au sein de la société. »



pate on a board. That's one characteristic. You don't have that many people who have this dual role in society."

Public scrutiny also means questions about the environment, social commitment and a business's role in the larger public good – "a shower of questions," as Tessier says. For Houde, his time as Quebec's deputy finance minister allowed him to see how these questions of public good and private business overlap, and not just in times of crisis.

"I think that when I came back to the private sector, I was thinking of that experience and tried to ... influence people to think more broadly than strictly focusing on the next results, because [every] company should look into the future, as a good public-service person does. What's the future of the quality of the service we provide to the public? At a bank level, what will be the future of the organization? What type of human resources do we need? What are the values of this company? What is the mission of this company? – before focusing too much on the results of the next quarter.

"I am absolutely convinced that if you have good values, a clear mission, you will succeed better than any organization," he says. **DJ**

GUY DIXON is a Toronto-based writer and was, for many years, a reporter at The Globe and Mail, where he covered business, the arts, and often the intersection between the two.

Le regard du public entraîne aussi des questions sur l'environnement, l'engagement social et le rôle de l'entreprise dans une perspective largement comprise de l'intérêt public – « un déluge de questions », souligne M. Tessier. Pour M. Houde, son mandat de sous-ministre des Finances du Québec lui a permis de voir comment ces questions d'intérêt public et d'entreprise privée se chevauchent, et pas seulement en situation de crise.

« Je crois qu'en retournant au secteur privé, j'ai réfléchi à cette expérience et tenté d'inciter les gens à élargir leurs horizons et à dépasser la stricte question des prochains résultats, parce que toute entreprise devrait envisager l'avenir, comme le fait toute personne vouée au service public. Quel est l'avenir de la qualité des services que nous fournissons au public? À l'échelle de la banque, quel sera l'avenir de l'organisation? De quel type de ressources humaines aurons-nous besoin? Quelles seront les valeurs de cette entreprise? Quelle est sa mission? Il faut se poser ces questions avant de trop se concentrer sur les résultats du prochain trimestre. »

« Je suis absolument convaincu, conclut-il, que si on a de bonnes valeurs, une mission claire, on réussira mieux que n'importe quelle organisation. » **DJ**

GUY DIXON est un journaliste de Toronto qui fut pendant plusieurs années reporter au Globe and Mail, où il a couvert l'économie, les arts et fréquemment le carrefour entre les deux.



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ILLUSTRATIONS BY Josie Portillo

The boss is not okay

After two-and-a-half gruelling years of leading organizations in a global pandemic, the C-suite is burned out. If they haven't already done so, boards need to put executive mental health on the agenda, Prasanthi Vasanthakumar writes *Après deux épuisantes années et demie de gestion d'organisations au cœur d'une pandémie mondiale, les équipes de direction sont au bout du rouleau. S'ils ne l'ont pas encore fait, les conseils doivent placer la santé mentale de leurs gestionnaires à l'ordre du jour, écrit Prasanthi Vasanthakumar.*

KEVIN FORD REMEMBERS the panic and hysteria of the early days of the pandemic. He recalls the jarring images of bodies in make-shift morgues and people living in lockdown as Covid-19 swept the globe, leaving behind a trail of illness and death. The CEO of Calian Group Ltd., a consultancy based in Ottawa, would lie awake at night wondering how he would keep his company afloat, staff safe and customers happy.

"Covid-19 caught every leader by surprise because we didn't have experiences related to global pandemics in our toolbox," Ford says.

KEVIN FORD SE RAPPELLE la panique et l'hystérie qui ont régné dans les premiers jours de la pandémie. Il se souvient des images discordantes de corps gisant dans des morgues improvisées et de gens confinés au moment où la Covid-19 s'est mise à déferler sur le monde, laissant dans son sillage la maladie et la mort. Le chef de la direction du Groupe Calian, une firme de consultants d'Ottawa, se couchait le soir en se demandant comment il allait maintenir son entreprise à flot, son personnel en sécurité et ses clients satisfaits.

« La Covid-19 a pris tous les leaders d'affaires par surprise », ex-



“So, you’re trying to learn and lead at the same time. Every night I’d go to bed thinking, ‘Man, I don’t know if I’m doing this right, but I survived another day. Tomorrow’s a new day.’ That’s how I’ve felt for the last two years.”

It’s not easy being the CEO at the best of times, but the pandemic has made everything that much harder. A 2021 study by Deloitte Canada and LifeWorks, a human resources company, found that 82 per cent of senior leaders are at risk of burnout. Of these exhausted executives, 96 per cent say their mental health has taken a hit.

One reason for this exhaustion stems from the sense of responsibility leaders bear for the health and well-being of their employees. At the onset of the pandemic, Kara Hardin, founder of The Practice Lab, a Toronto-based company that offers mental health training and education, noticed that leaders focused on protecting their staff, keeping them employed, giving them updates and being transparent.

“All their leadership skills went into overdrive, so there was incredible burnout,” Hardin says. “These executives had the highest engagement coupled with the poorest health.”

Sleeplessness, irritability, anxiety, loneliness, isolation, a lack of motivation, and a desire for idleness or intense change can be signs of deteriorating mental health. But, as with all ailments, prevention is the best cure. Instead of waiting for these red flags to appear, Hardin says boards should actively create a relationship that supports the mental health of the C-suite.

The board-CEO relationship

A good relationship starts with the board asking the right questions of the CEO, Hardin says. These might include: How are you, really? What’s keeping you up at night? Do you have a vacation plan? What structure is in place for when you’re away, so you can truly unplug? Do you have enough support in your role? What parts of your job are energizing? What tasks are not a good use of your time?

“CEOs need a board that is listening and curious and recognizing their work,” says Hardin. “And that means the board must ask more questions than it can answer, and be willing to let the CEO guide the discussion. If possible, it shouldn’t only be a reporting relationship – it should be co-operative, collaborative and creative.”

Boards should also tweak their expectations in a crisis, and provide oversight with empathy and understanding.

“If you’re expecting your executives to show up like they did pre-pandemic, you have the wrong expectation,” says Ford. “The exhaustion, the virtual nature of running meetings, and the reality of what executives were dealing with... There had to be an understanding that maybe the quality of the board package isn’t what it used to be, but that’s okay because they’re worried about the right things, just not everything. As a board, the best thing you can do is say, ‘Let’s simplify, let’s focus on the right things.’”

Mary Jo Haddad, a corporate director at Telus, says it’s important that the board recognize the pressures facing the CEO. But she also worries about the executives who report to the CEO. If a stressed-out CEO is making demands of executives on their days off, they never have time to relax, reflect and regenerate their energy, says Haddad. Identifying this type of always-on work ethic comes from conversation and observation.

plique M. Ford. Tous les soirs, j’allais au lit en me disant : ‘Je ne sais pas si je fais ce qu’il faut, mais j’ai survécu un autre jour.’ C’est comme ça que je me suis senti pendant les deux dernières années. »

Il n’est pas facile d’être chef de la direction dans la meilleure des situations, mais la pandémie a rendu tout plus difficile. Une étude menée en 2021 par Deloitte Canada et LifeWorks, une entreprise de ressources humaines, a indiqué que 82 pour cent des hauts dirigeants sont à risque d’épuisement professionnel. Parmi eux, 96 pour cent affirment que leur santé mentale s’en est ressentie.

L’une des raisons de cet épuisement provient du sens des responsabilités que ces leaders éprouvent à l’égard de la santé et du bien-être de leurs employés. Kara Hardin, fondatrice du Practice Lab, une entreprise de Toronto qui offre des services de formation en santé mentale, a remarqué que les leaders sont attachés à la protection de leurs employés, à maintenir leurs emplois et à les informer de façon transparente.

« Toutes leurs compétences en matière de leadership ont été sollicitées à l’excès, provoquant ainsi des cas incroyables d’épuisement », affirme-t-elle.

Le manque de sommeil, l’irritabilité, l’anxiété, la solitude, l’isolement, le manque de motivation ainsi qu’un désir intense d’inaction ou de changement peuvent être des signes de détérioration de la santé mentale. Mais comme pour toutes les maladies, la prévention demeure le meilleur remède. Plutôt que d’attendre l’apparition de signes inquiétants, Mme Hardin soutient que les conseils devraient créer activement une relation qui soutient la santé mentale des équipes de direction.

La relation entre le conseil et le chef de la direction

Une bonne relation se fonde sur la nécessité pour le conseil de poser les bonnes questions au chef de la direction, explique Mme Hardin : comment vous-sentez-vous vraiment? Qu’est-ce qui vous tient éveillé la nuit? Quelle structure est en vigueur en votre absence, pour être certain que vous puissiez vraiment décrocher? Avez-vous assez de soutien dans votre rôle? Quels éléments de votre travail sont stimulants? Quelles sont les tâches qui ne mettent pas votre temps à profit?

« Les chefs de la direction ont besoin d’un conseil curieux et à l’écoute et qui reconnaît leur travail, poursuit-elle. Cela veut dire que le conseil doit poser plus de questions qu’il n’a de réponses et être disposé à laisser le chef de la direction guider la discussion. Si possible, ça ne devrait pas seulement être une relation d’information, mais aussi de coopération, de collaboration et de rapports créatifs. »

Les conseils devraient aussi ajuster leurs attentes en situation de crise et déployer leur tâche de supervision avec empathie et compréhension.

« Si vous espérez que votre équipe de direction se comporte comme avant la pandémie, vous faites fausse route, assure M. Ford. Il faut comprendre que les choses ne sont plus ce qu’elles étaient. Comme membre du conseil, la meilleure attitude consiste à vouloir simplifier les choses, à se concentrer sur ce qui importe. »

Mary Jo Haddad, administratrice de Telus, soutient qu’il est important pour le conseil de reconnaître les pressions qui s’exercent sur le chef de la direction. Mais elle s’inquiète aussi au sujet des



The board, particularly the human resources committee, should look at people, culture, wellness and compensation. This big-picture approach broadens how directors view their roles and assess wellness. By asking questions about executive well-being and the adequacy of board support, directors can build feedback mechanisms.

“When executives know the board is watching, listening and supporting through commentary, questions and feedback, that’s where the strength of excellent governance cultures come from,” says Haddad, a former nurse who served as CEO of the Hospital for Sick Children (SickKids) between 2004 and 2013.

Some leaders need more explicit direction to take care of themselves. Marina Go, chair of Adore Beauty Group Ltd. in Australia, has forced some executives to go on vacation.

“CEOs are not necessarily good at setting boundaries for themselves, so in some ways, we have to help them do that,” says Go. “They’re generally driven people who want to do exciting things 24/7. But the board’s duty of care is to our CEO, so we must ensure that he and she are looking after themselves.”

However, many CEOs aren’t overly eager to bare their souls to the board. The Deloitte/LifeWorks study finds that more than half of respondents think their careers will suffer if people know about

membres de la direction qui sont sous son autorité. Si un chef de la direction croulant sous le stress exige d’eux de travailler les jours de congé, ils n’ont pas le temps de relaxer, de réfléchir et de faire le plein d’énergie, souligne-t-elle.

Le conseil – en particulier le comité des ressources humaines – devrait se préoccuper des gens, de la culture, du bien-être et de la rémunération. Cette approche globale élargit la manière dont les administrateurs voient leurs rôles et évaluent le bien-être des cadres. C’est ainsi qu’en leur posant des questions, le conseil peut bâtir des mécanismes de rétroaction.

« Lorsque les cadres savent que le conseil observe, les écoute et les soutient par des commentaires, des questions et de la rétroaction, voilà sur quoi se fonde une excellente culture de gouvernance », affirme Mme Haddad, une ancienne infirmière qui a été cheffe de la direction de l’Hospital for Sick Children (SickKids) de 2004 à 2013.

Certains leaders ont besoin d’indications plus claires sur les directions à prendre. Marina Go, présidente du conseil d’Adore Beauty Group Ltd en Australie, a forcé certains de ses cadres à partir en vacances.

« Les chefs de la direction ne sont pas nécessairement doués pour se fixer des limites. Donc, nous devons les aider », explique Mme Go.

Cependant, beaucoup de chefs de la direction ne sont pas trop désireux de se mettre à nu face au conseil. L’étude de Deloitte/Life-

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their mental health challenges. For this reason, Go believes a relationship of trust is more critical than ever.

“Unless the CEO can trust you not to view them negatively, they’re not going to tell you how they’re feeling and that creates a problem,” says Go. “They need permission from the board to be vulnerable; otherwise, they’re probably not being honest about their mental state. And it’s becoming more important than ever to ensure we don’t burn our CEOs out because there are a lot of challenges ahead.”

Tone at the top

As a numbers guy, Chuck Bruce understands the financial implications of burnout and mental health inaction. With more than 25 years experience in financial services, the chair of the Mental Health Commission of Canada believes a psychologically healthy and safe working environment begins with the board.

Bruce suggests grounding mental health awareness in director orientation and evaluations as a first step. It should also be added to the board agenda as a recurring item, “not as a nice-to-have, but a must-have.”

As board chair, Bruce highlights the importance of checking in on the well-being of his directors as well. Do they have the right amount of information? Do they feel supported in decision-making? Bruce learned that directors found five-hour board meetings on Zoom draining. To address this problem, the board held shorter, more frequent meetings that increased engagement and productivity.

“Sometimes we forget about the strength and depth of experience of the individual directors around the table,” says Bruce. “They often come from diverse backgrounds, with executive experience in different jurisdictions in different organizations. Embedding mental health in an organization at the board level will trickle down throughout the organization. But it will take time and commitment for that messaging and education to filter down.”

New tactics, existing programs

To show the organization that executive mental health is a priority, boards can take several actions. First, the board can ask management to report on the state of well-being and resiliency of leaders, says Zabeen Hirji, executive advisor on the future of work at Deloitte, and corporate director at Sleep Country Canada. This data can come from slicing and dicing employee surveys to extract executive information and adding new questions about the well-being of leaders. Boards can also ask focused questions about projects that address mental health stigma and wellness.

“As a board, I’d look for actions embedded into existing processes like employee surveys,” says Hirji. “Once it’s embedded, it’s more likely to stick. Otherwise, people could say, ‘We’re moving into a different phase of the pandemic; everything’s going to be fine, and we can just move on.’”

Much like the annual physicals that many senior leaders undergo, executive coaching is another initiative that may be added to existing wellness programs. Hardin views executive coaching as a space to “deflate some of the gravity and remove some of the pressure,” akin to going to the gym. “It’s a place for the CEO to put their worries,” she says.

Works indique que plus de la moitié des répondants pensent que leur carrière en souffrira si les gens sont au courant de leurs problèmes de santé mentale. Voilà pourquoi, selon Mme Go, il est plus que jamais essentiel de bâtir une relation de confiance.

« À moins que le chef de la direction n’ait le sentiment que vous n’avez pas une vision négative de lui, il ne vous fera pas connaître ses sentiments et c’est un problème. Ces dirigeants ont besoin que le conseil les autorise à être vulnérables; autrement, ils ne seront sans doute pas honnêtes au sujet de leur état mental. Et il devient de plus en plus important de nous assurer que notre chef de la direction ne s’épuise pas, parce qu’il y a beaucoup de défis à relever. »

Donner le ton au sommet

Comme homme de chiffres, Chuck Bruce comprend les implications financières de l’épuisement professionnel relatif à la santé mentale. Avec plus de 25 ans d’expérience en services financiers, le président du conseil de la Commission de la santé mentale du Canada croit qu’un environnement de travail psychologiquement sain et sécuritaire commence par le conseil.

M. Bruce suggère comme première étape d’ancrer la sensibilisation à la santé mentale dans l’orientation et l’évaluation de l’administrateur. On devrait aussi l’ajouter comme élément récurrent de l’ordre du jour du conseil, « non pas comme quelque chose de sympathique, mais comme quelque chose d’essentiel ».

Comme président du conseil, M. Bruce insiste sur l’importance de vérifier également le bien-être de ses administrateurs. Détiennent-ils le bon volume d’information? Se sentent-ils soutenus dans le processus de prise de décision? Il a ainsi appris que les administrateurs trouvaient épuisantes les réunions du conseil d’une durée de cinq heures sur Zoom. Pour régler ce problème, le conseil a commencé à tenir des réunions plus courtes, mais plus fréquentes, qui ont permis d’accroître l’engagement et la productivité.

« On oublie parfois la force et la profondeur de l’expérience des administrateurs autour de la table, souligne Chuck Bruce. Ils sont souvent issus de milieux diversifiés, avec de l’expérience de cadre dans différents domaines de différentes organisations. L’intégration de la santé mentale au sein d’une organisation à l’échelle du conseil se répercutera à tous les niveaux. Mais cela prendra du temps et de l’engagement avant que le message et la formation nécessaires fassent leur chemin. »

Nouvelles tactiques, programmes existants

Pour montrer à l’organisation que la santé mentale des cadres est une priorité, les conseils peuvent prendre plusieurs mesures. D’abord, le conseil peut demander à la direction un rapport sur le bien-être et la résilience des cadres, explique Zabeen Hirji, conseillère exécutive sur l’avenir du travail chez Deloitte et administratrice de Sleep Country Canada. Ces données peuvent provenir d’extraits de sondages menés auprès des employés pour en tirer l’information nécessaire et ajouter de nouvelles questions sur le bien-être des leaders de l’organisation. Les conseils peuvent également poser des questions ciblées sur des projets portant sur la santé mentale.

« Comme conseil, je serais à la recherche d’initiatives déjà intégrées dans les processus existants, comme les sondages auprès



The right CEO for the times

In this era of exponential change, the definition of strong leadership has shifted. What makes the best candidate for the top job today?

According to Mary Jo Haddad, a corporate director, soft skills reign supreme. Does the individual have emotional intelligence? Do they take care of themselves? Do they seek support? Are they aware of their strengths and weaknesses? Boards are now asking these types of questions. Boards also look at a leader's track record of managing through failures and crises.

"You don't get judgment through crisis, emotional intelligence and self-care off a CV," says Haddad. "You get that by understanding someone's journey through leadership."

Part of this understanding comes from looking at how leaders own their mistakes.

"When the CEO can step up and acknowledge a mistake, apologize, and take the company to the next level, that demonstrates mental health strength to me," says Haddad. "It acknowledges that nothing is perfect. It speaks to how we build our character and trust as leaders. To me, that's a very critical part of leadership."

Similarly, Zabeen Hirji, executive advisor to Deloitte on the future of work, believes vulnerability and authenticity are necessary skills for any leader in this time of tumult.

As executives speak more openly about their mental health challenges, others feel comfortable doing so as well, she observes. These leaders must be willing to admit they don't have all the answers and invite others to contribute in a crisis. When leaders feel comfortable in their own skin, they can focus on important issues instead of wasting energy acting like someone they are not.

"The future of leadership is human," says Hirji.

En cette ère de changements exponentiels, la définition d'un leadership fort s'est modifiée. Quels éléments déterminent le meilleur candidat pour le plus important poste de commande aujourd'hui?

Selon Mary Jo Haddad, les compétences personnelles doivent dominer. Le candidat est-il doté d'une intelligence émotionnelle? Est-ce qu'il prend soin de lui-même? Recherche-t-il du soutien? Est-il conscient de ses forces et de ses faiblesses? C'est le genre de questions que posent les conseils aujourd'hui. Ils veulent aussi savoir comment un candidat gère une organisation à travers les échecs et les crises.

« On n'acquiert pas du jugement à travers une crise, de l'intelligence émotionnelle et la prise en charge de soi-même sur la foi d'un CV, souligne Mme Haddad. On l'obtient par un parcours en leadership. »

Cette vision s'appuie en partie sur l'observation de leaders qui assument leurs erreurs.

« Quand un chef de la direction peut reconnaître une erreur, s'en excuser et porter l'entreprise à un niveau supérieur, cela est à mes yeux l'indice d'une solide santé mentale, poursuit Mme Haddad. Pour moi, c'est un élément essentiel du leadership. »

De la même façon, Zabeen Hirji croit que la vulnérabilité et l'authenticité sont des compétences essentielles pour tout leader en cette époque de tumulte.

« L'avenir du leadership est humain », conclut-elle.

Rethinking work

One worry plaguing CEOs is the sheer volume of work. According to the Deloitte/LifeWorks survey, it is the top stressor for leaders, with 68 per cent of respondents saying they have more on their plate compared to workloads before the pandemic. However, Hirji doesn't see much discussion on the board about this issue because productivity and workload aren't typically standard governance topics.

Once again, she recommends embedding the topic in existing projects. For example, directors can ask about the impact on people and productivity when approving a large technology rollout. Is technology deployed to help executives simplify tasks and liberate time? With the preponderance of virtual meetings, can meeting culture be revisited to allow for more frequent optional attendance? Are new work models inclusive, and do they offer the right tools and support?

"It's important to build rethinking work into decisions around where and when the work is done, as opposed to doing things the same way, just in a different place," says Hirji.

des employés, explique Mme Hirji. Une fois intégrées, ces mesures ont plus de chances de durer. »

Tout comme les examens médicaux annuels auxquels se soumettent beaucoup de cadres supérieurs, le coaching exécutif est une autre initiative susceptible d'être ajoutée aux programmes de bien-être existants. Kara Hardin considère cette pratique comme un espace destiné à « faire baisser la gravité et la pression », comme si on allait au gym. « C'est un lieu qui permet aux cadres de laisser à leurs soucis », dit-elle.

Repenser le travail

Le seul volume de travail est un souci considérable pour les chefs de la direction. Selon le sondage Deloitte/LifeWorks, il s'agit du principal élément de stress pour les dirigeants, alors que 68 pour cent des répondants affirment qu'ils ont plus de pain sur la planche qu'avant la pandémie.

Là encore, Mme Hirji recommande d'intégrer la question dans



Heavy is the head ...

Times have certainly changed. From the invasion of Ukraine and fractured supply chains to inflation and a potential recession – all against the backdrop of a mutating virus and the growing threat of climate change – it’s no wonder CEOs are tired. Unsurprisingly, the Deloitte/LifeWorks study finds that more than half of senior leaders are contemplating stepping back from some responsibilities.

In addition to eroding years of service, poor mental health affects tone at the top and the quality of decision-making, which can have longer-term implications for the organization, says Hirji. As a material risk and driver of performance, executive mental health and well-being requires the board’s attention.

Like Hirji, Hardin believes mental health drives performance. The challenge for organizations is establishing new processes to monitor it.

“Healthy people who are fulfilled socially, emotionally and psychologically perform better over the long term,” says Hardin. “CEOs and boards need to learn how to lead with mental health. Performance requires mental health, and mental health requires practice. Organizations and leaders need to start practising.”

Indeed, the importance of self-care is a lesson that isn’t lost on Ford.

“What I’ve learned about mental health is that you’ve got to take care of it,” he says. “You’re accountable to yourself, and you have to own it. And I’m still working through that myself. Because what people forget is that titles don’t mean anything. We’re just humans trying to do the best we can.” **DJ**

PRASANTHI VASANTHAKUMAR is the ICD’s manager of editorial content.

les projets existants. Par exemple, avant d’approuver l’implantation massive d’une nouvelle technologie, les administrateurs peuvent s’enquérir de son impact sur les gens et la productivité. La technologie aidera-t-elle les cadres à simplifier leurs tâches et à libérer du temps? Les nouveaux modèles de travail sont-ils inclusifs et offrent-ils les outils et le soutien adéquats?

« Il est important de repenser le travail en fonction de décisions sur le lieu et le moment où il est effectué plutôt que de faire les choses de la même façon, simplement dans un lieu différent », affirme Mme Hirji.

Les faits ont la tête dure..

Bien sûr, les temps ont changé. De l’invasion de l’Ukraine et des chaînes logistiques rompues à l’inflation et à une récession possible – le tout dans le contexte d’un virus en constante mutation et de la menace croissante des changements climatiques – il n’y a pas à s’étonner que les hauts dirigeants soient fatigués.

En plus, les problèmes de santé mentale affectent la qualité de la prise de décision, ce qui peut entraîner des implications à long terme pour l’organisation, explique Mme Hirji. En tant que risque matériel et moteur de performance, la santé mentale et le bien-être des cadres exigent l’attention du conseil. Les organisations doivent établir de nouveaux processus pour en assurer la surveillance.

« Les gens épanouis socialement, émotivement et psychologiquement offrent une meilleure performance à long terme, soutient Mme Hardin. Les cadres supérieurs et les conseils doivent apprendre comment assurer un leadership en matière de santé mentale. » **DJ**

PRASANTHI VASANTHAKUMAR est directeur du contenu éditorial de l’IAS.

Mental health resources for leaders

The Mental Health Commission of Canada (MHCC) provides innovative programs and tools to support the mental health and wellness of Canadians.

La Commission de la santé mentale du Canada (CSMC) offre des programmes et des outils innovateurs pour soutenir la santé mentale et le bien-être des Canadiens.

KEY RESOURCES

- “Manager’s Toolkit – Protecting Their Own Mental Health” and “Leading in a Hybrid Work Environment” are resources focused on executives and leaders.
- “National Standard of Canada for Psychological Health and Safety in the Workplace” is a set of voluntary guidelines, tools and resources to guide organizations in fostering good mental health. This standard is the first of its kind in the world.
- “The Working Mind” is a training program that helps organizations raise awareness and reduce the stigma around mental health challenges.

These resources and others can be found on the website mentalhealthcommission.ca

RESSOURCES CLÉS

- « La trousse d’outils du gestionnaire : Diriger dans un environnement de travail hybride » est une ressource qui s’adresse spécifiquement aux cadres et leaders d’organisations.
- « Santé et sécurité psychologiques en milieu de travail » est une norme volontaire – la première en son genre au monde – qui spécifie les exigences d’une approche documentée et systématique pour maintenir un milieu de travail psychologiquement sain et sécuritaire.
- « L’esprit au travail » est un programme de formation qui aide les organisations à mieux prendre conscience des défis liés à la santé mentale et à réduire les maux qui y sont associés.

Ces ressources et d’autres documents sont disponibles sur le site Web.commissionsantementale.ca.





Ready for (almost) anything

With a possible recession approaching, businesses are operating in a world of uncertainty but taking some decisive measures to prepare for the worst, Virginia Galt writes

À l'aube d'une possible récession, les entreprises évoluent dans un monde incertain, mais prennent des mesures décisives pour se préparer au pire, écrit Virginia Galt

AS THE MACROECONOMIC ENVIRONMENT becomes increasingly perilous, Canadian boards of directors are stepping up their risk oversight. They're weighing the impact of persistent high inflation in the context of other troubling trends: supply chain disruptions, labour scarcity, trade tensions, droughts and floods related to climate change, and the massive geopolitical upheaval caused by Russia's invasion of Ukraine.

It's a daunting watch list. The workload of audit and risk committees is such that some boards are now expanding their com-

ALORS QUE L'ENVIRONNEMENT macroéconomique devient de plus en plus périlleux, les conseils d'administration au Canada augmentent leur surveillance du risque. Ils mesurent l'impact d'une inflation résolument élevée dans le contexte d'autres tendances troublantes : perturbations de la chaîne logistique, pénurie de main-d'œuvre, tensions commerciales, sécheresses et inondations reliées aux changements climatiques et agitation géopolitique massive causée par l'invasion de l'Ukraine par la Russie.

Voilà une liste de surveillance colossale. La tâche des comités







mittees or forming new stand-alone risk committees, says corporate director Don Chynoweth, who stepped down as co-chair of the Institute of Corporate Directors' Calgary chapter this past June. "That's a trend we are starting to see. ... The risks are getting so numerous and so impactful," said Chynoweth, who serves on a number of boards, including the Canadian Public Accountability Board.

"Companies are trying to plan for the 'what ifs' under a whole bunch of different scenarios," says Ryan Resch, chair of the ICD's Greater Toronto Area chapter. "What if we get a recessionary hit? What if interest rates go up significantly? What if inflation remains high? You can't just downplay it and say it's transitory," says Resch, a senior partner at Toronto-based compensation consulting firm Southlea Group.

And if organizations are forced to cut costs, what are the trade-offs? These are the quandaries directors are dealing with now, Resch said. "How do you sort of rationalize investments that you might need [in order] to address climate change with the near-term challenges around profitability, or investments you might need to address the tight labour markets and being able to attract and retain staff?"

This is "the value added" that directors bring to the table, particularly in times of economic uncertainty, says corporate director Tim Penner, chair of the board at natural health products company Jamieson Wellness Inc. and a former member of the board of trustees at Toronto's Hospital for Sick Children (SickKids). "Directors draw on their experience in unrelated industries to identify risks and opportunities that might help the company," Penner says. It's important, he adds, that boards "not step in and meddle while

d'audit et de risque est telle que certains conseils les élargissent ou en forment de nouveaux, souligne l'administrateur de sociétés Don Chynoweth, qui a quitté en juin dernier la coprésidence de la section régionale de Calgary de l'Institut des administrateurs de sociétés. « C'est une tendance qu'on commence à observer. Les risques sont devenus si nombreux et conséquents. »

« Les entreprises essaient de se préparer à toute une foule de scénarios différents, explique Ryan Resch, président du conseil de la section régionale du Grand Toronto de l'IAS. Et si nous étions frappés par une récession? Et si les taux d'intérêts augmentaient fortement? Et si l'inflation demeurait élevée? On ne peut pas seulement sous-estimer les choses et dire qu'elles sont transitoires. »

Et si les organisations étaient forcées de couper les coûts, quelles seraient les contreparties? Voilà les dilemmes qui se posent aujourd'hui aux administrateurs, affirme M. Resch. « Comment, en quelque sorte, allez-vous justifier de renoncer aux investissements que vous devriez faire pour lutter contre les changements climatiques en faveur de défis à court terme liés à la rentabilité ou de la nécessité de répondre à la pénurie de main-d'œuvre et d'attirer et de garder votre personnel? »

Telle est la « valeur ajoutée » que les administrateurs apportent, en particulier en temps d'incertitude économique, observe l'administrateur de sociétés Tim Penner, président du conseil de Jamieson Wellness, une entreprise de produits de santé naturels. « Les administrateurs puisent dans leur expérience vécue dans des industries non apparentées pour identifier des risques et opportunités susceptibles d'aider leurs entreprises. Il est important, ajoutait-il, que les conseils ne se mêlent pas des problèmes à court terme dont se charge l'équipe de direction. »

management deals with short-term problems. ... It's by stepping back from the issue that board members can help management see a problem through a slightly different lens."

Preparing for recession

The role of the board is to look further out, said Chynoweth. Depending on the sector, inflation might not be the biggest risk facing the company. An airport authority, for instance, might not have enough glycol on hand to de-ice the planes through the winter. "We ask our management teams, 'So what are the things that you have never thought of being in short supply, and have you got enough for the next two or three years in inventory should there be a hiccup?' It's a new game, having larger inventories than we have had in decades, perhaps."

At the end of August, when Royal Bank of Canada reported its third-quarter earnings, corporate balance sheets were strong, consumer savings accounts were healthy and unemployment rates were low, said CEO David McKay. But with inflation at its highest level in decades, the major banks increased loan-loss provisions as a buffer against a possible recession. Grocers were competing for budget-conscious consumers with promotions and discount brands, and energy companies took advantage of the oil price bonanza to pay off debt. Private equity firm Onex Corp. reported that it was working closely with its portfolio companies on the development of "action plans" for controlling costs and driving efficiencies.

RBC's profit of \$3.6-billion for the quarter ended July 31, 2022, declined by 17 per cent from the corresponding period a year earlier, due, in large measure, to volatile capital markets and "a prudent" boost in loan-loss reserves. The number of impaired loans actually fell in the third quarter. "In an uncertain world, we continue to operate from a position of strategic and financial strength," McKay said in an earnings conference call.

"While inflationary pressures appear to be peaking – [the Consumer Price Index eased to 7.6 per cent in July, down from June's 39-year high of 8.1 per cent] – we expect aggressive monetary policy to continue as central banks try to rein in demand-driven inflation by raising borrowing costs. This pushes us even closer to the end of an economic cycle. These factors alone would not likely drive a severe downturn. That would also require higher unemployment. And we believe the current job market is a differentiating factor relative to the beginning of prior downturns," he said.

Still, Bank of America Corp. analyst Ebrahim Poonawala elicited a candid response when he asked McKay for "a perspective in terms of your downside scenario and how quickly things could get materially worse." McKay said he couldn't predict with any certainty what might happen. "The operating word is uncertainty. And from the investment community, to the CEO community, to the government, all stakeholders in our economy are struggling to read all of these forces at play at once right now."

Squeezed profits

Loblaws Cos. Ltd. and Metro Inc. report that soaring grocery prices have driven shoppers to their discount stores and brands. Loblaws said it has been pushing suppliers to justify their higher prices and,

Se préparer à une récession

Le rôle du conseil est de regarder plus loin, fait valoir M. Chynoweth. Selon le secteur, l'inflation pourrait ne pas représenter un si grand risque. Par exemple, une administration aéroportuaire pourrait être à court de glycol pour dégivrer les avions en hiver. « Nous demandons à nos équipes de direction si elles ont songé à un produit dont elles pourraient manquer et si elles en ont suffisamment pour les deux ou trois années à venir. Le fait d'avoir en main des inventaires plus importants qu'auparavant fait partie de la nouvelle donne. »

Fin août, lorsque la Banque Royale du Canada a publié ses revenus du troisième trimestre, ses résultats étaient solides, les comptes d'épargne des consommateurs étaient sains et les taux de chômage étaient bas, explique le chef de la direction David McKay. Mais avec l'inflation qui atteint ses niveaux les plus élevés depuis des décennies, les grandes banques ont accru leurs prévisions de pertes sur les emprunts pour se protéger d'une possible récession. Les épiceries se disputaient des consommateurs soucieux de leur budget à coup de promotions et de prix modiques et les entreprises d'énergie tiraient parti de la montée en flèche des prix du pétrole pour rembourser leurs dettes. La société d'investissement Onex a indiqué qu'elle travaillait en étroite collaboration avec des sociétés de portefeuille au développement de 'plans d'action' pour contrôler les coûts et susciter des rendements.

Les profits de RBC de 3,6 milliards \$ pour le trimestre se terminant le 31 juillet 2022 ont diminué de 17 pour cent par rapport à la même période l'an dernier, en raison dans une large mesure de marchés boursiers instables et d'une hausse « prudente » des réserves pour prêts irrécouvrables. Le nombre de prêts douteux a en fait diminué au troisième trimestre. « Dans un monde incertain, nous continuons de profiter d'une position stratégique et d'une solidité financière », soutient M. McKay.

« Même si les pressions inflationnistes semblent atteindre un sommet, poursuit-il, nous nous attendons à ce que soient maintenues des politiques monétaires agressives alors que les banques centrales tentent de contenir une inflation soutenue par la demande en augmentant les coûts des emprunts. Cela nous rapproche d'encore plus près de la fin d'un cycle économique. À eux seuls, ces secteurs ne sont pas susceptibles de susciter une crise grave. Cela nécessiterait aussi un fort taux de chômage. Et nous pensons que le marché actuel de l'emploi est un facteur de différenciation par rapport au début de crises précédentes. »

Tout de même, l'analyste de Bank of America Corp. Ebrahim Poonawala a obtenu une réponse franche lorsqu'il a demandé à M. McKay « une perspective sur votre propre scénario de crise et comment les choses pourraient matériellement empirer ». M. McKay a répondu qu'il ne pouvait prédire avec certitude comment les choses pourraient se passer. « Le mot clé est l'incertitude. Et qu'il s'agisse de la communauté des investisseurs, de celle des chefs de la direction ou du gouvernement, toutes les parties prenantes de notre économie se débattent pour interpréter l'ensemble des forces qui sont en jeu à l'heure actuelle. »





in reporting results for the quarter ended June 18, 2022, chief financial officer Richard Dufresne told analysts that some relief was in sight. “Commodity prices are coming off their highs, some freight costs are coming down, and supply chain issues are normalizing.”

Metro CEO Eric La Flèche said long-term investments in automated distribution centres “will enable us to add capacity, increase productivity and improve services to stores, while benefiting from lower operating expenses.” In the meantime, however, Metro is managing in an environment of higher wage and supply costs.

“We are renewing labour contracts at higher increases than we are used to,” and overtime is up, because of industry-wide labour shortages. That’s just the cost of doing business in the current environment, La Flèche said in his third-quarter earnings call. Metro is also trying to cushion the impact on food shoppers to the extent that it can. “We are absorbing some of those [supply] costs, not passing on some of those cost increases” to customers, whose household budgets are stretched. “Consumers are feeling it, a lot of consumers are on budgets and fixed income, and we work really hard ... to create value.” This food pricing strategy is offset to some extent by strong pharmacy sales, “but if this high inflationary and high prices environment continues, it will continue to put pressure on margins.”

Un rétrécissement des marges

Loblaw Cos. Ltd. and Metro Inc. rapportent que les prix croissants des produits d’épicerie ont poussé les clients vers les magasins et les marques de rabais. Loblaw dit avoir exigé de ses fournisseurs qu’ils justifient la hausse de leurs prix et, en publiant les résultats de l’entreprise pour le trimestre se terminant le 18 juin 2022, le chef de la direction financière Richard Dufresne a confié aux analystes qu’il y avait de l’espoir à l’horizon. « Les prix des produits de base ne sont plus aussi élevés, certains frais de transport sont en train de baisser et les problèmes relatifs à la chaîne logistique sont en voie d’être aplanis. »

Le chef de la direction de Metro Éric La Flèche affirme que les investissements à long terme dans les centres de distribution automatisée « nous permettront d’ajouter de la capacité, d’accroître la productivité et d’améliorer les services aux magasins, tout en profitant de dépenses d’exploitation plus faibles. Entretemps, toutefois, Métro évolue dans un environnement de salaires et de coûts d’approvisionnement plus élevés ».

Metro est à renouveler ses conventions collectives à un coût plus élevé qu’auparavant et le travail supplémentaire est en hausse en raison de pénuries de main-d’œuvre à l’échelle de l’industrie. Tel est le prix de faire des affaires dans l’environnement actuel, explique M. La Flèche. Metro tente également autant que possible d’en

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Stretched consumers

Buzz Hargrove, former president of the Canadian Auto Workers union and retired executive director of the Centre for Labour Management Relations at Ryerson University (now known as Toronto Metropolitan University) says “smart employers” recognize that their employees’ standard of living has been eroded by inflation and are raising pay. “You’ve got to be on top of things to make sure you don’t lose your good people.” But, he predicts, Canada is headed for a lot more labour disruption in the coming months, particularly in the public sector organizations where governments are imposing wage caps.

Canadians are struggling with the higher cost of everything. “I have a good pension, it has inflation protection in it, but I am shocked when I go to the butcher shop and see steaks for \$22 or \$23 a pound,” Hargrove said. “I just shake my head and walk on by to the chicken counter.”

Battle-tested

At Onex, founder, chair and CEO Gerry Schwartz offers some perspective: “Clearly, this global economy is going through a period of adjustment as it works its way through several macro-related issues. While these transitions contribute to short-term market uncertainty, nearly 40 years of cycle-tested experience has shown us it is possible to weather them and emerge even stronger,” he said during his firm’s second-quarter earnings call.

In private equity, Onex is working with the operating companies in its portfolio on “value-creation plans and proactive and innovative strategies for mitigating the impacts of inflationary pressures and rising rates,” added president Robert Le Blanc, whose firm attracted more than 100 CEOs and chief financial officers to “a productivity and procurement council” in June.

The last word goes to veteran corporate director Peter Dey, a tireless advocate of good governance.

Boards have upped their game, says Dey, an executive in residence at the University of Toronto’s Rotman School of Management and chair of the board at Paradigm Capital Inc., a Toronto-based independent investment dealer. He also serves on the board of Calgary-based Gran Tierra Energy Inc., which used higher oil profits to pay off its debt in the second quarter of 2022. “The mindset of that board is long-term. We are grateful for the high energy prices that have enabled us to reconfigure our balance sheet,” says Dey. “But the issues like climate change are still forefront because we know in the long term those issues have to be managed.”

The pandemic was a crash course in crisis management. “It’s one thing to manage internal crises within the operations of a business. . . . The pandemic was kind of an orientation process for boards to deal with major global crises. In that respect, it proved to be very constructive,” said Dey.

“One of the other things I think most boards learned during the course of the pandemic . . . was the importance of the relationship of the stakeholders to the corporation” – investors, employees, customers, suppliers, community. “In dealing with inflation, I think one of the important initiatives by the board is to sort of look at

atténuer l’impact pour ses clients. « Nous absorbons certains de ces coûts [d’approvisionnement] sans les refiler aux consommateurs, dont les budgets sont serrés. Et nous travaillons très fort à créer de la valeur. Mais si cet environnement hautement inflationniste se maintient, il exercera beaucoup de pression sur nos marges. »

Des consommateurs serrés

Buzz Hargrove, ancien président des Travailleurs unis de l’automobile et directeur à la retraite du Centre for Labour Management Relations de l’Université Ryerson (maintenant connue sous le nom d’Université métropolitaine de Toronto), explique que les « employeurs intelligents » reconnaissent que le niveau de vie de leurs employés a été affaibli par l’inflation et ils augmentent leurs salaires en conséquence. « Vous devez prendre les choses en main pour faire en sorte de ne pas perdre vos bons employés », dit-il. Mais il prédit que le Canada connaîtra néanmoins beaucoup de perturbations dans les prochains mois, en particulier chez les organisations du secteur public à qui les gouvernements imposent des plafonds salariaux.

Les Canadiens font face à une hausse des prix qui affecte tous les produits et services. « J’ai un bon revenu de retraite, protégé contre l’inflation, poursuit M. Hargrove. Mais ça demeure un choc quand je me rends chez le boucher et que je vois des steaks à 22 ou 23 \$ la livre. Je secoue la tête et je me dirige vers le comptoir du poulet. »

L’expérience du combat

Le fondateur, président du conseil et chef de la direction d’Onex, Gerry Schwartz, offre une autre perspective.

« Il est clair que l’économie mondiale traverse une période d’ajustement, alors qu’elle connaît de multiples problèmes globaux. Même si ce type de transition contribue à l’incertitude du marché à court terme, près de 40 ans d’expérience à travers les cycles nous ont prouvé qu’il est possible d’y survivre et même d’en sortir plus fort. »

En investissement privé, Onex travaille avec les entreprises de son portefeuille à des « plans de création de valeur et des stratégies proactives et innovantes afin d’atténuer les impacts des pressions inflationnistes et des taux d’intérêt croissants », ajoute le président Robert Le Blanc, dont la firme a attiré plus de 100 chefs de la direction et chefs de la direction financière à un « conseil sur la productivité et l’approvisionnement » tenu en juin.

Le dernier mot revient au vétéran administrateur Peter Dey, un infatigable promoteur de la bonne gouvernance, qui siège notamment au conseil de Gran Tierra Energy, une entreprise de Calgary qui a utilisé ses profits plus élevés du deuxième trimestre de 2022 pour rembourser sa dette.

« L’idée de base de ce conseil est le long terme, explique-t-il. Nous sommes reconnaissants que les prix élevés de l’énergie nous aient permis de reconfigurer notre bilan financier. Mais les enjeux comme les changements climatiques demeurent au premier plan parce que nous savons que ces problèmes doivent être gérés à long terme. »

La pandémie a été à ses yeux un cours accéléré en gestion de crise. « La pandémie a été une sorte de processus d’orientation



the range of stakeholders and, if it is forced to cut costs, where it can cut costs with the least negative impact on the company.” A few recent examples illustrate his point – some of the banks giving mid-year pay increases to their lower-paid employees to help with rising living costs; and grocers such as Metro trying to blunt some of the impact of rising food prices.

Most boards, Dey says, were not caught off guard by the spike in inflation and interest rates. “There were some boards probably that were in the process of breathing a sigh of relief, having successfully navigated through the pandemic. ... But the well-positioned board would have understood that we weren’t going to recreate the pre-pandemic world in the post-pandemic world. Most boards, I think, were spending time thinking about what’s the world going to look like once we are successfully managing Covid? Where do we fit into that world, and can we continue to be a sustainable business over the long-term?” **DJ**

VIRGINIA GALT, a former business and education reporter for The Globe and Mail, covers legal, education and management issues for a number of publications.

pour les conseils qui ont à gérer des crises mondiales majeures. En ce sens, ce fut une expérience très constructive », soutient M. Dey.

« Une autre chose que la plupart des conseils ont apprise durant la pandémie, poursuit-il, fut l’importance des relations avec les parties prenantes. »

La plupart des conseils, croit-il, n’ont pas été pris au dépourvu par la montée de l’inflation et des taux d’intérêt. « Certains d’entre eux étaient sans doute en train de pousser un soupir de soulagement après avoir traversé la pandémie sans trop d’embûches. Mais un conseil bien positionné aurait compris qu’on n’allait pas pouvoir recréer après la pandémie le monde d’avant la pandémie. La plupart des conseils, je pense, ont pris le temps de réfléchir à ce à quoi le monde allait ressembler une fois que nous aurions géré la Covid avec succès. Où allons-nous nous situer dans ce monde et pouvons-nous continuer d’être une entreprise durable à long terme? » **DJ**

VIRGINIA GALT, ancienne journaliste du Globe and Mail spécialisée en économie et en éducation, couvre les questions juridiques, d’éducation et de gestion pour un certain nombre de publications.

HOW JAMIESON TACKLED INFLATION

The secret, says Jamieson Wellness chair Tim Penner, is managing for the short term while planning for the long term.

“Several of the people on our board do have experience managing during inflationary times, based on the various industries and countries where we have worked. This allowed us to ask good questions when we could see inflationary pressures rising and gave us great confidence in the plans management put in place.

“Several things have worked well for us. Primary among those things is a sense of trust in the CEO, the CFO [chief financial officer] and the management team. We knew they were facing challenging times, but we also knew they were highly capable of dealing with those challenges. In addition, the board moved quickly on capital allocation decisions that needed to be made through the heart of the crisis: temporarily holding more raw material inventory to manage supply chain volatility and lead-time changes. We approved consulting fees and major capital projects that would vastly expand our capacity to facilitate our growth for years to come. We invested in systems and process improvements to improve customer service. We worked on and approved a strategic plan that plotted our growth plans for the future . . .

“We evaluated M&A opportunities, resulting in the transformational acquisition of [Nutrwise Health & Beauty Corp.] and our entry into the U.S. market – the largest market for vitamins, minerals and supplements in the world. By staying in our own lane [as a board], we could be of greater help to the long-term health of the business than by meddling in management’s lane.”

- VG

Le président du conseil Tim Penner sur la stratégie de Jamieson Wellness : gérer le court terme, planifier le long terme.

« Bien des gens qui siègent à notre conseil ont une expérience de gestion en période inflationniste, selon les divers pays et industries où ils ont travaillé. Cela nous a permis de poser des bonnes questions quand nous avons pris note des premières pressions inflationnistes. Nous en avons tiré une plus grande confiance dans les plans mis en place par la direction. »

« Les choses ont bien fonctionné. D’abord, la confiance dans le chef de la direction, le chef de la direction financière et l’équipe de cadres. Nous savions qu’ils traversaient des moments difficiles, mais nous savions aussi qu’ils étaient capables de relever les défis. Le conseil a aussi agi rapidement pour prendre des décisions sur l’allocation de capital qui devaient être rendues au cœur d’une crise. Nous avons approuvé des frais de consultation et des projets majeurs d’investissement qui allaient élargir notre capacité de croissance dans les années qui viennent. Nous avons investi dans nos systèmes et processus afin d’améliorer notre service à la clientèle. Nous avons approuvé un plan stratégique qui trace les voies de notre croissance. »

« Nous avons évalué les opportunités de fusion et acquisition, ce qui a permis notre entrée sur le marché américain – le plus important marché du monde pour les vitamines, minéraux et suppléments. En nous en tenant à nos prérogatives, nous avons été plus en mesure de soutenir la santé à long terme de l’entreprise que si nous nous étions mêlés des affaires de la direction. »

- VG



The great compensation divide

No one expects workers to make as much as the CEO, but when people can't live on what they make, boards have a duty to act, Jeff Buckstein writes

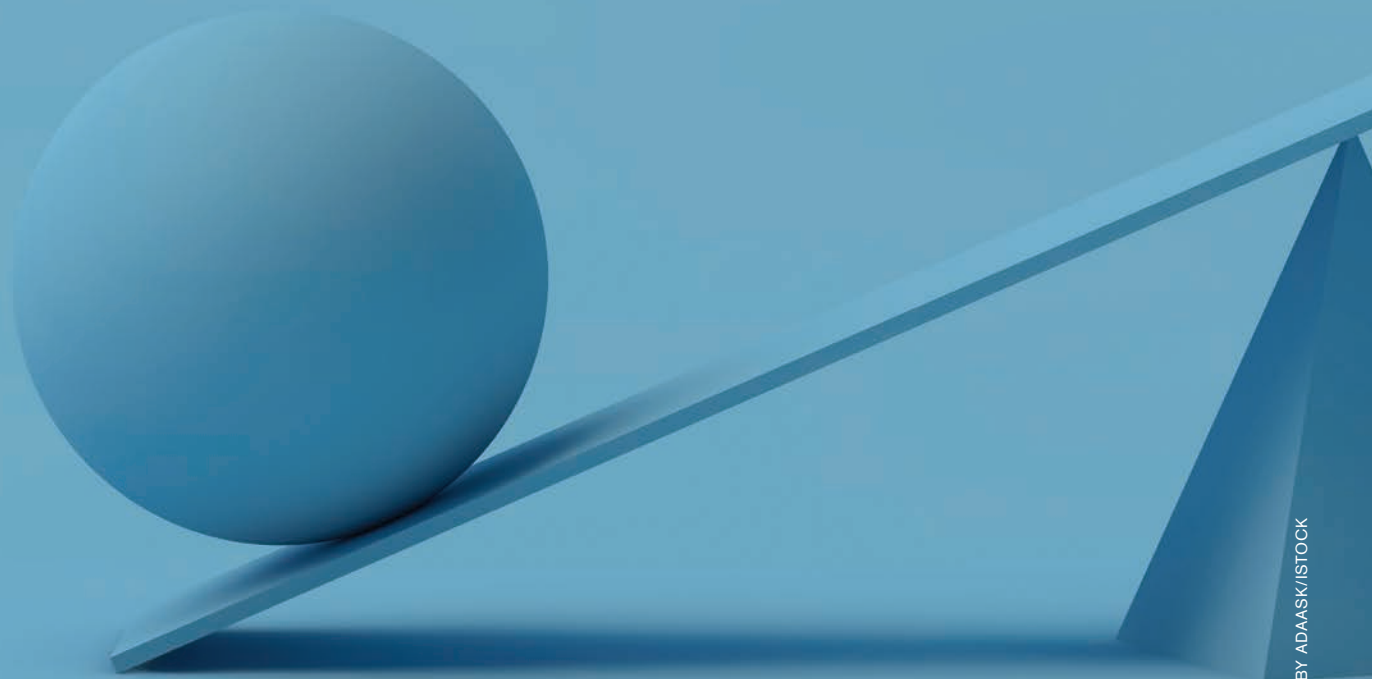
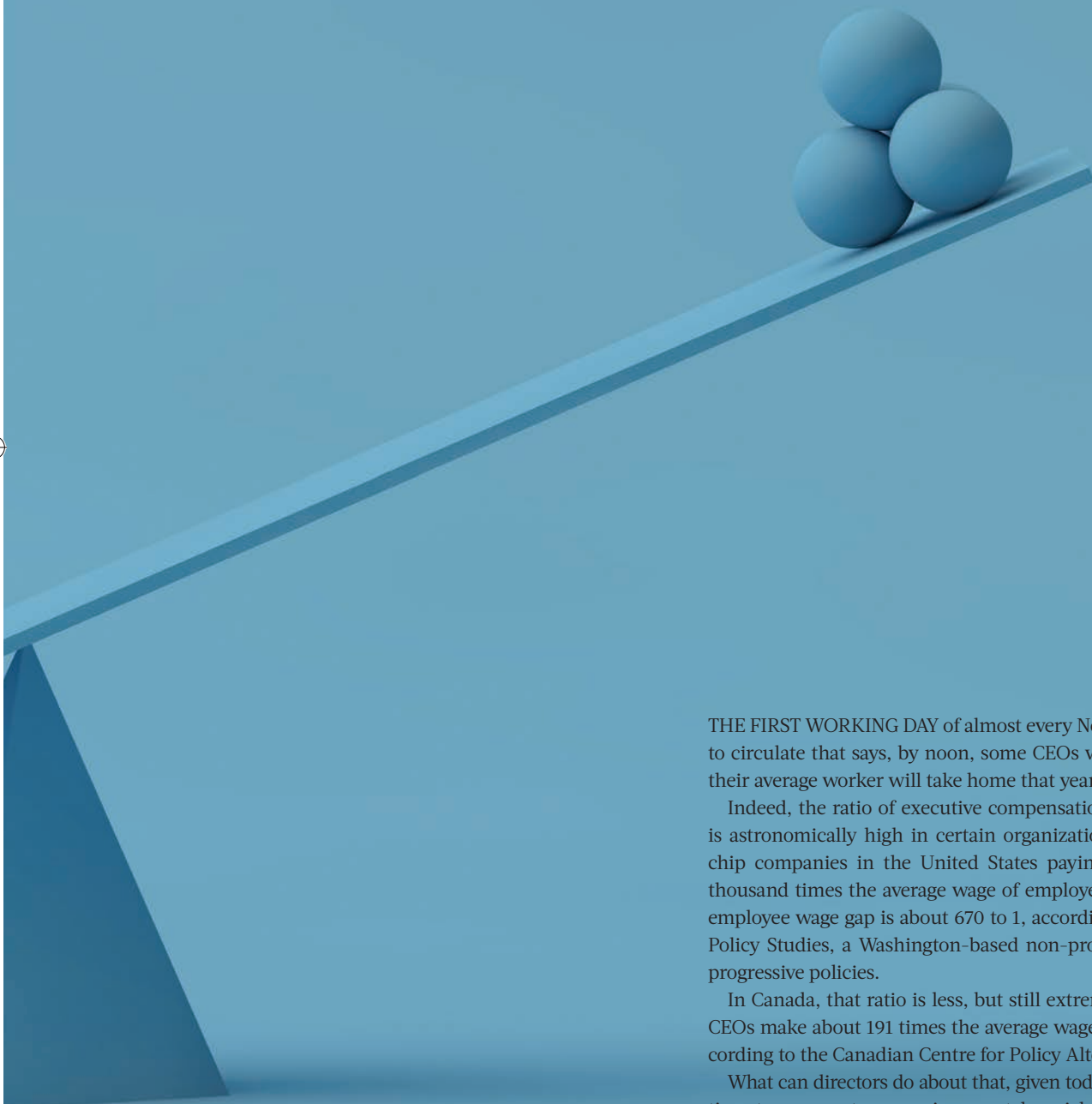


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THE FIRST WORKING DAY of almost every New Year, a story seems to circulate that says, by noon, some CEOs will have earned what their average worker will take home that year.

Indeed, the ratio of executive compensation to employee wages is astronomically high in certain organizations, with some blue-chip companies in the United States paying their CEOs several thousand times the average wage of employees. The average CEO/employee wage gap is about 670 to 1, according to the Institute for Policy Studies, a Washington-based non-profit that advocates for progressive policies.

In Canada, that ratio is less, but still extreme. The country's top CEOs make about 191 times the average wage of their workers, according to the Canadian Centre for Policy Alternatives.

What can directors do about that, given today's push for corporations to pursue strong environmental, social and governance (ESG) related practices, and to let stakeholders see and judge them on those efforts? Is the widespread new focus on ESG the catalyst that directors need to correct what appears to be a major social injustice?





Low pay, high risk

Early in the pandemic, there was a sudden and widespread realization that grocery workers stocking shelves were, in fact, essential workers. But it also became clear that many were paid at such a low rate, they weren't earning enough to cover their rent and basic costs. When people are not paid a living wage, corporations are "headed straight for a huge chasm," said Roger Martin, professor emeritus of strategic management at the University of Toronto's Rotman School of Management. "Directors, if they were really responsible, would say 'We've got to be a force in the opposite direction.'"

When it comes to compensation, low-end wages are the most significant problem facing directors of corporations. The wage gap of hundreds or thousands of times salary between executives and workers is "a red herring" Martin said. "It's a ratio for journalists. It sounds horrible, but it's not. If we took executive compensation down, but didn't raise wages of the low end, I wouldn't say the world has gotten one iota better.

"The real problem is [pay] that people can't live on. I think there is a potential corporate crisis coming of society revolting over that." So if directors want an environment where their company can succeed, they need to realize low pay is a "flash point" and do something about it, he said.

Studies have shown that when companies give workers precarious jobs with irregular hours, low hourly pay, no benefits and no training, this results in an environment where there is poor quality work, including more errors and weak customer service, because employees have too many worries and insecurities, he said.

In contrast, "If you pay them well, they do a much better job, make you much more productive and much more profitable," said Martin, who noted that directors in the United States are currently presiding over 53 million low-wage jobs, in which the median take home pay is under US\$18,000 annually.

To try to correct that inequity, board members need to challenge executives to make sure they pay workers a living wage. Where shift work is involved, employees should be receiving their schedules well in advance. Workers in retail are sometimes assigned their shifts just the day before, creating disruption for families – especially single mothers, Martin said.

"There are all sorts of economic studies that say what a living wage is, and as a director I'd want to know 'What employees are below that? And what is our plan to get them up to a living wage?' If directors are not doing that, they are hastening the crisis," he said.

Board awareness

Demographics and technology are putting a bigger spotlight on the wage gap. Younger generations, for instance, have "seen the Internet democratize information [and] flow through social media in a way that's given them broader access to the environmental and social issues of the day," said Bill Hatanaka, who serves as chair of Ontario Health, a provincial agency for co-ordinating health care. "They want their firms to demonstrate a social conscience and to follow through on that commitment in a meaningful way."

For an organization to be considered socially responsible today, it

should be transparent about executive and employee pay, and connect bonuses to the organization's success at meeting various ESG and sustainability-related targets that the company has set, Hatanaka said. To do so, he added, it's more important than ever to have several independent board members with expertise in corporate compensation.

The board's compensation committee needs to work closely with management to enshrine the principles that ensure fairness at various levels within the firm, while also maintaining competitiveness in the company's sector. The appropriate compensation structure should include not just the salary component, but other variables, such as extended health benefits, vacation time, and pension contributions, said Hatanaka, who also serves as vice-chair of the electronic trading company ICE NGX Canada Inc.

Good board governance also means ensuring that executive compensation is as transparent as possible and in line with amounts paid across the sector in which the company competes, said Hatanaka, who noted that the compensation gap in some sectors is more acute than in others.

For example, the health care and university sectors in Canada feature a relatively egalitarian distribution of compensation that is disclosed for a wide range of executives, compared with the financial services sector, where only the very top earners have their compensation publicly disclosed, he said.

Pulling back the curtain

Pay equity and transparency are hallmarks of being a good business, said Allison Venditti, the founder of Moms at Work, an education, advocacy and community-building organization in Toronto that helps women network for job success.

But while executive pay is, in many jurisdictions, legally required to be disclosed, there needs to be greater disclosure about why executives make what they do. Boards need to set expectations on what they think is realistic and meaningful for executive compensation. For example, "People are taking great issue with golden parachutes," those massive payouts top executives get when they leave a company, said Venditti, who is also a career coach and human resources expert.





‘IF YOU PAY THEM WELL, THEY DO A MUCH BETTER JOB, MAKE YOU MUCH MORE PRODUCTIVE AND MUCH MORE PROFITABLE.’

—ROGER MARTIN, PROFESSOR EMERITUS OF STRATEGIC MANAGEMENT AT THE ROTMAN SCHOOL OF MANAGEMENT

Moreover, she said, “the boards themselves are often not reflective of the communities that these organizations serve because of lack of diversity, so that also becomes part of the problem.”

Although the disclosure rules in Canada have not been updated in a long time, proxy advisers are busy assessing compensation disclosure for executives on both a qualitative and quantitative basis, said Lisa Colnett, chair of the human resources and compensation committees at Parex Resources Inc. and Northland Power Inc.

Directors must, therefore, go “above and beyond the minimum when it comes to compensation disclosure and analysis. We have to provide relevant information, so that shareholders and other stakeholders can assess how we approach executive pay,” she said.

A company cannot succeed if it fails to earn the confidence or support of its stakeholders, including its investors, customers, policy makers and the local community, Colnett said.

“We’ve seen a broadening, beyond financial returns, of what is now important in the eyes of the board of directors. This assessment now includes ESG issues, and taking care in the communities where they operate,” she said.

Equitable and fair

ESG also gives directors the opportunity to add incentive-related performance measurements around both executive and employee pay, and to ensure that such incentives are consistently applied across the whole organization. “Executive pay targets need to vary and include ESG metrics that are relevant in a meaningful way,” Colnett added.

Directors have a responsibility “to ensure that equitable and fair pay practices are being applied by management across the whole company in the communities where we operate,” she said. “We also have to consider the compensation structure necessary to attract, support and retain key talent.”

Board compensation committees can break the wage-gap cycle by carefully comparing their organization’s pay structure to peer companies, as well as to the jurisdiction at large in which it operates, Colnett said.

There is a long way to go before pay inequity is effectively addressed, but the growing scrutiny of ESG practices is a helpful development, says Rotman’s Roger Martin.

“I’m all for investors asking for more disclosure. I like the

third-party ESG ratings systems that enable managers of funds to say ‘We’re only going to invest in companies that have this rating or above,’” he said. “I like pressure from investors. I like pressure from consumers. I think it’s great when consumers say ‘You’ve got to assure me that you’re being sustainable, and you’ve got to subscribe to science-based targets’ or whatever specifics they wish.”

Smart and responsible directors will try to get their company to act early on such matters. “They see where the puck is going. They should be saying to management ‘What issues are really relevant to us [where we can move to] the front of the queue?’” Martin said.

Directors should be getting their company to commit to paying a living wage, whatever that amount is for the region in which it operates, and to be on top of work-life balance issues, such as providing sufficient advance notice for shift work so that people’s lives are not disrupted, he added.

As more jurisdictions put legislation in place for pay equity, “it’s going to become very hard for companies to explain away an enormous multiplier for executive compensation compared to regular employees, and its impact on the bottom line,” Venditti said. “There has to be a tie-in as to how we value different members of our organization, and a realization that the CEO and executive team are also just members of the organization.” DJ

JEFF BUCKSTEIN is an Ottawa-based freelance business writer with a CPA, CGA designation. He writes about personal finance, accounting and other business-related issues and current events.

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In his latest book, *Innovation in Real Places*, author Dan Breznitz describes Canada as a 'morbidly fascinating paradox' because it has everything it needs to succeed but keeps falling short. He suggests ways to boost our innovation potential.





BY Shirley Won

Why Canada lags at innovation

We have to stop looking to Silicon Valley as the model for our success, argues innovation expert DAN BREZNITZ

CALIFORNIA'S SILICON VALLEY has become the holy grail of innovation that many communities seek to emulate. The model conjures up images of venture capital (VC) helping to mint new tech tycoons through an eye-popping Nasdaq stock listing or a big sale. But Dan Breznitz, chair of innovation studies at the University of Toronto's Munk School of Global Affairs and co-director of its Innovation Policy Lab, warns of the folly of trying to copy this high-tech vision for economic growth. In his book *Innovation in Real Places: Strategies for Prosperity in an Unforgiving World*, he argues that regions

should instead focus on their competitive advantages and consider other models that can lead to more local jobs and equitable wealth. Director Journal's Shirley Won asked Breznitz why innovation is misunderstood, why the Silicon Valley strategy has problems, and how Canada can overcome its poor innovation record.

What was the motivation for writing this book?

It was out of frustration about the public discussion and debate about innovation. It's an important issue because we are not

going to have an improved life, growth and sustainability without innovation. The problem is that people often equate innovation with new gadgets, and a specific model. It's Silicon Valley or bust. But innovation is not the same as invention, and conflating the two is wrong and dangerous.

Why is there confusion between innovation and invention?

Invention is coming up with new ideas. Innovation is putting new ideas into reality and across all production stages – from first-to-the-world product and services, to





'INVENTION IS COMING UP WITH NEW IDEAS. INNOVATION IS PUTTING NEW IDEAS INTO REALITY AND ACROSS ALL PRODUCTION STAGES.'

making them better and cheaper. Confusion arises partly from an obsession with techno-fetishism, or cult of the new. The VC model is also enticing because of stories about how poor students became the world's richest people. It's more interesting to talk about Elon Musk or Bill Gates than explain that it took over 40 years and millions of engineers to improve video compression so that we could have Zoom meetings that changed lives during the Covid-19 pandemic. It was not that somebody thought of the idea of teleconferencing.

Israel has become an innovation powerhouse with government help and Silicon Valley-style venture capital. It has more Nasdaq listings than any other country outside the United States. What's the problem?

Israel has become Silicon Valley on steroids. The only thing that works is startups, which means stagnant productivity and wage growth in other sectors. You have 10 to 15 per cent of the population – the top research-and-development [R&D] engineers, their financiers, lawyers and maybe a few celebrity chefs – earning salaries that are equal to Silicon Valley. Those involved in startups basically have lottery tickets in

stock options or stocks. If the company goes public on the Nasdaq or somebody buys it, they become instant billionaires instead of just millionaires. But the other 85 per cent of the Israeli population doesn't have a ticket for that train of growth. So you have massive inequality, and Tel Aviv has become the most expensive city to live in on Earth.

Taiwan, once known for making cheap toys, is also an innovation leader with government support. How does its model differ?

Taiwan wanted to get involved in the semiconductor industry but couldn't compete against cutting-edge innovation. But its industries were good at making cheap electronic toys, which need small, but constantly changing semiconductors. Through experimentation, the focus turned to creating pure-play foundries. The idea was to create a company to make chips from designs by other companies. That's how Taiwan Semiconductor Manufacturing Co. became the most innovative company – not in new chips, but in chip fabrication. Since the 1980s, we now have supply chains with industries that fit into four different stages of the global production process. In Taiwan's case, it also created an ecosystem of

suppliers in semiconductor fabrication and created a huge number of jobs for people with different skills.

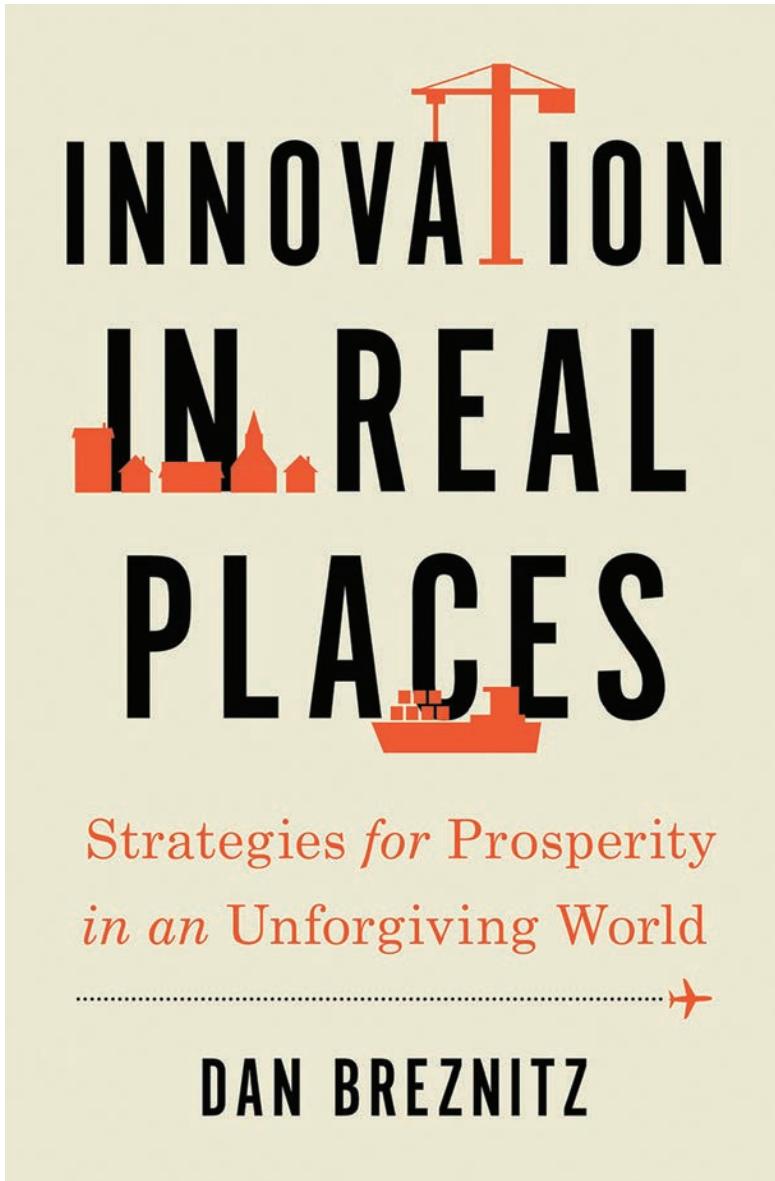
Why do you describe Canada as a 'morbidly fascinating paradox' when talking about its poor innovation reputation?

We have everything needed to succeed in innovation. We have the world's most educated labour force. Our research infrastructure, especially public research, punches above its weight with inventions that could turn into important industries, technologies and products. But we can't seem to turn this intellectual and invention potential into innovation growth. Median wages have been stagnant since 1978. Productivity has been stagnant. Within the global system of production, we have also become less sophisticated. For example, we are good at taking minerals, such as cobalt, out of the ground, but not in refining or using it to build products like batteries to power electric vehicles. Instead, minerals go to China, the U.S., and Europe, which make them into high added-value products that generate massive profits. We like to think of ourselves as part of the Group of Seven [G7] advanced economies, but we look like a third-world country when it comes to





RECOMMENDED READING



In the latest federal budget, the Minister of Finance [Chrystia Freeland] noted that we have a problem with innovation and productivity in the business sector, and that our policy should focus on private-market failure. For that reason, the government will establish an innovation agency modelled on countries such as Finland, Taiwan and Israel. It will provide direct funding to companies, and implement policies that will target all industry sectors in Canada and across all stages of production.

What advice can you give Canada's communities to achieve innovation-based growth?

First, figure out what you want to look like in 15 or 20 years. What kind of companies do you want, and where do they sit in the global system of different stages of production? Once you know what industries you want, you can devise a strategy. It might be useful for cities such as Toronto, Vancouver and Montreal to imitate Israel and Silicon Valley, but most of Canada, which is resource rich, [has] different industries. Like Finland or Taiwan, a focus on different production stages might be a better model. It might be in forestry or critical minerals, where you can employ more people and have a long-term competitive edge.

How necessary is government intervention for Canadian innovation?

You can't expect businesses, especially those with high profits, to suddenly say they will fix everything in the system. A public-private partnership is needed. Ottawa is now willing to partner with business to figure out what should be the model for Canadian companies in all sectors – from high-end ICT [information and communications technologies] to forestry. In doing so, we can innovate, median wages can go up, and our children will have better lives than we have. [DJ](#)

SHIRLEY WON is a Toronto-based freelance journalist and former business and investment reporter for The Globe and Mail. She also worked as a business reporter for the Montreal Gazette, covering transportation, real estate, retail and banking.

technology and innovation. R&D spending by Canada's business sector is the lowest among the G7 nations. And we are the only country in the Organization for Economic Co-operation and Development [OECD] where R&D expenditures have declined yearly since 2001.

What's behind Canadian business neglecting R&D spending?

We have a system where business can make a lot of profit with a lot less risk and change. And federal governments since

1996 – except for the current one – also had a wrong vision of how innovation works. The current government now admits that there was a problem of running on the wrong theory on how to stimulate innovation in the business sector. If there was one country that conflated invention with innovation, it's Canada.

You are a Clifford Clark Visiting Economist this year at the Department of Finance making policy suggestions. What can we expect?





PARTING SHOT



Arctic amplification

Arctic warming is worse than we thought. New research from Finland finds the North Pole has warmed nearly four times faster than the rest of the world – a significant acceleration from oft-cited estimates that pegged the rate at double the global average. The heat is especially intense in the Barents and Kara seas, which the study estimates are warming seven times as fast as the rest of the planet.

Rising temperatures at the top of the world have implications for us all. The region's melting permafrost releases trapped greenhouse gases to rapidly escalate global warming. Temperature differences between the tropics and the poles also lead to more extreme weather events. This past summer alone, Europe baked in record-breaking heat waves, South Korea saw its heaviest rainfall in more than 100 years, a third of Pakistan has been submerged by monsoons and Mexico was left parched by drought. New findings that Greenland's melting ice sheet will raise sea levels by at least 27 centimetres – no matter what climate action is taken – is especially sobering news for the nearly 600 million people who live by the world's coastlines.

- Prasanthi Vasanthakumar

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