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**Governance Report:**

**The Process of CEO Succession Planning by the Board of Directors  
of Gildan Activewear Inc.**

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## 1. Introduction and Background

My name is Dr. Richard Leblanc. I hold a PhD, the subject of which is board of director and individual director effectiveness. I have taught corporate governance as well as ethics and other related subjects for over 20 years. I hold six university degrees, including three law degrees. I have written and published in the field of corporate governance. My most recent book, entitled *The Handbook of Board Governance: A Comprehensive Guide for Public, Private and Not-for-Profit Board Members*, 2<sup>nd</sup> ed., was published in May 2020. The third edition of this book is scheduled for publication on March 26, 2024. I also regularly advise and train boards of directors, CEOs, senior executives and regulators. I am a Professor of Governance, Law & Ethics at York University in Toronto, Canada. I have taught corporate governance at Harvard University.

I have been retained by the Ad Hoc Succession Planning Committee of the Board of Directors (the “**Board**”) of Gildan Activewear Inc. (“**Gildan**”) to answer the following question: *Did the Board of Directors of Gildan Activewear follow a good and rigorous process with respect to succession planning for the President and Chief Executive Officer?*

My answer, below, is supported by statements of assumed facts (or the equivalent, i.e., chronology of events) and other documents. I have requested governance and other documentation from Gildan and various advisors to Gildan. I received full cooperation in this regard. The research that I have conducted and the statement of assumed facts and other documents upon which I have relied upon are listed at Schedule A.

I confirm that I am independent of all the parties in this matter, to the best of my knowledge, information and belief. I (i) have never done any governance advisory work for Gildan; (ii) do not have any relationship with any of Gildan’s directors; and (iii) do not have any relationship with the former President and Chief Executive Officer, Glenn Chamandy (the “**former CEO**”).

I have been compensated to produce this report by Gildan at my standard rate.

## 2. Executive Summary

Based on my review, I conclude that the Board followed a good and rigorous process with respect to succession planning for the President and Chief Executive Officer of Gildan, by taking all reasonable steps to ensure that:

- (i) CEO succession planning and strategic planning were both maintained on the Board’s agenda and focused upon by the Board during regularly scheduled meetings;
- (ii) Internal candidates were considered by the Board, and the Board oversaw their respective developmental progress to become CEO-ready;
- (iii) An international executive search firm, compensation advisory firm, and legal firm, in no particular order, were retained throughout the process to recruit top external candidates and provide expert advice, as the case may be, to the Board;
- (iv) Internal and external candidates were reviewed, assessed and diligently deliberated upon by the Board, with independent directors proceeding iteratively, methodically, deliberatively, and without undue influence or bias, at all stages of the CEO hire process,

including as it progressed from a universe list (515 profiles), to a long list (37 profiles), to a short list (21 candidates), to a ranked short list (seven candidates), to a finalist list (four candidates, narrowed to three finalists after a first round of interviews), to the selection of the winning candidate, with an appropriate number of meetings and interviews held with all finalists (including 11 meetings and interviews of the three finalists, five of which were with the chosen candidate);

- (v) Detailed psychometric testing occurred with the three finalist candidates;
- (vi) The chosen permanent CEO's credentials, competencies and other attributes were vetted in the context of detailed reference and background checks involving respectively eight and 24 external arms-length individuals; and
- (vii) The Board respected the confidentiality of the CEO succession planning process.

### 3. Analysis

#### 3.1 Overview of the Standards of Conduct That Apply to the Board

National Policy 58-201<sup>1</sup> recommends that a mandate be established by each reporting issuer for the functions of its board of directors. I have reviewed all of the publicly disclosed governance documents of Gildan as part of this review.

There are now developed and prevailing standards of corporate governance, including roles and responsibilities to follow, that I regularly use and apply with board clients, to assist them in establishing universal best practice functions for the board of directors. These functions are also applicable to all types of organizations, including private companies, and are irrespective of form.

In a company similarly situated to Gildan, the standards of conduct of the board of directors include the following:

- 1) To provide leadership and vision to supervise the management of the company in the best interests of the organization, including its shareholders and other stakeholders.
- 2) To provide leadership in reviewing and approving the values, vision, mission, strategic plan and annual operating plan of the company.
- 3) To set the ethical tone for the company and its management.
- 4) To select, appoint, evaluate and, if necessary, terminate the CEO.
- 5) To approve or develop the corporate objectives that the CEO is responsible for meeting, and assess the CEO's performance against those objectives.
- 6) To review and approve a succession plan, including appointing, training and monitoring the performance of senior management.

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<sup>1</sup> 58-201 *Corporate Governance Guidelines* (the “**National Policy**”), available here: <https://www.osc.ca/en/securities-law/instruments-rules-policies/5/58-20>, applies to all reporting issuers, including listed public corporations such as Gildan.

- 7) To review and approve the compensation of the CEO and review the compensation of other senior officers and appropriate compensation programs for the Company's employees.
- 8) To monitor compliance with the *Company's Code of Conduct*, and to decline or grant and provide for appropriate disclosure of any waivers of the *Company's Code of Conduct Policy* for officers and directors.
- 9) To respond to potential conflict of interest situations.
- 10) To regularly determine those individual directors proposed to be nominated for appointment by the shareholders.
- 11) To establish policies and procedures that provide for the company's compliance with applicable law, including timely disclosure of relevant information and regulatory reporting.
- 12) To appoint any board committee, or disestablish any standing committee, that the board decides is needed, and delegate to that board committee any appropriate powers of the Board.
- 13) To annually delegate approval authorities to the CEO and review and revise them as appropriate.
- 14) To consider and, in the board's discretion, approve financial commitments in excess of delegated approval authorities.
- 15) To review and, at the recommendation of the audit committee (or the equivalent), approve the annual results, financial statements, annual report, public announcements, any news releases, prior to being filed with, or available to, as the case may be, regulatory authorities, shareholders and other stakeholders.
- 16) To adopt a strategic planning process and, at least annually, approve a strategic plan for the company that achieves the vision and mission of the company in a reliable, quality, safe and ethical manner and that takes into account, among other things, the opportunities and risks of the company's business and affairs.
- 17) To monitor the company's performance in light of the approved strategic plan.
- 18) At least annually, to approve an annual operating plan for the company, including business plans, operational requirements, organizational structure, staffing and budgets that support the strategic plan.
- 19) To ensure policies and procedures are in place to: identify the company's principal financial and non-financial risks and opportunities; address what risks are acceptable to the

company; and ensure that appropriate systems and internal controls are in place to manage the risks.

- 20) To ensure policies and procedures designed to maintain the integrity of the company's internal control over financial and non-financial reporting are in place.
- 21) To ensure policies and procedures designed to maintain appropriate auditing and accounting principles and practices are in place.
- 22) To participate in an annual evaluation of board performance by the nominating and governance committee (or the equivalent) (or by the board of directors).
- 23) To receive a report from the CEO at each regularly scheduled meeting on the current matters relevant to the company.
- 24) To meet at least four times annually and as many additional times as needed to carry out its duties effectively.
- 25) To meet in separate, non-management, executive sessions at each regularly scheduled meeting. The outcome(s) of any foregoing session will be shared for appropriate implementation and documentation needs of the company.

Next, I wish to address the fiduciary duty owed by all directors of Gildan, and company law in Canada at this time, including the broad nature of such fiduciary duty and the consideration of stakeholders and a long-term time horizon.

### 3.2 Fiduciary Duty of Individual Directors of Gildan

Gildan's Restated Certificate of Incorporation reads that articles of incorporation were restated under the *Canada Business Corporations Act*.

The duty of loyalty and fiduciary duty of a director of such a corporation in Canada is as follows:

- "122 (1) Every director and officer of a corporation in exercising their powers and discharging their duties shall
- (a) act honestly and in good faith with a view to the best interests of the corporation; [...]"<sup>2</sup>

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<sup>2</sup> See section 122(1.1) of the *Canada Business Corporations Act*, RSC 1985, c C-44, <https://laws-lois.justice.gc.ca/eng/acts/c-44/fulltext.html>, which goes on to read:

"Best interests of the corporation[:]"

(1.1) When acting with a view to the best interests of the corporation under paragraph (1)(a), the directors and officers of the corporation may consider, but are not limited to, the following factors:

- (a) the interests of

Insofar as clarifying the interests of the corporation, vis-à-vis the interests of a particular stakeholder, including but not limited to investors, the Supreme Court of Canada has written:

[24] In arriving at these conclusions, the trial judge proceeded on the basis that the BCE directors had a fiduciary duty under s. 122 of the *CBCA* to act in the best interests of the corporation. He held that while the best interests of the corporation are not to be confused with the interests of the shareholders or other stakeholders, corporate law recognizes fundamental differences between shareholders and debt security holders. He held that these differences affect the content of the directors' fiduciary duty. As a result, the directors' duty to act in the best interests of the corporation might require them to approve transactions that, while in the interests of the corporation, might also benefit some or all shareholders at the expense of other stakeholders. He also noted that in accordance with the business judgment rule, Canadian courts tend to accord deference to business decisions of directors taken in good faith and in the performance of the functions they were elected to perform by shareholders.<sup>3</sup>

The Supreme Court went on to write:

[37] The fiduciary duty of the directors to the corporation originated in the common law. It is a duty to act in the best interests of the corporation. Often the interests of shareholders and stakeholders are co-extensive with the interests of the corporation. But if they conflict, the directors' duty is clear — it is to the corporation: *Peoples Department Stores*.

[38] The fiduciary duty of the directors to the corporation is a broad, contextual concept. It is not confined to short-term profit or share value. Where the corporation is an ongoing concern, it looks to the long-term interests of the corporation. The content of this duty varies with the situation at hand. At a minimum, it requires the directors to ensure that the corporation meets its statutory obligations. But, depending on the context, there may also be other requirements. In any event, the fiduciary duty owed by directors is mandatory; directors must look to what is in the best interests of the corporation.

[39] In *Peoples Department Stores*, this Court found that although directors *must* consider the best interests of the corporation, it may also be appropriate, although *not mandatory*, to consider the impact of corporate decisions on shareholders or particular groups of stakeholders. As stated by Major and Deschamps JJ., at para. 42:

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- (i) shareholders,
  - (ii) employees,
  - (iii) retirees and pensioners,
  - (iv) creditors,
  - (v) consumers, and
  - (vi) governments;
  - (b) the environment; and
  - (c) the long-term interests of the corporation.”

<sup>3</sup> *BCE Inc v 1976 Debentureholders*, 2008 SCC 69, [2008] 3 SCR 560, at pages 578-579.

We accept as an accurate statement of law that in determining whether they are acting with a view to the best interests of the corporation it may be legitimate, given all the circumstances of a given case, for the board of directors to consider, *inter alia*, the interests of shareholders, employees, suppliers, creditors, consumers, governments and the environment.<sup>4</sup>

The Supreme Court also writes:

“However, the directors owe a fiduciary duty to the corporation, and only to the corporation. People sometimes speak in terms of directors owing a duty to both the corporation and to stakeholders. Usually this is harmless, since the reasonable expectations of the stakeholder in a particular outcome often coincide with what is in the best interests of the corporation. However, cases (such as these appeals) may arise where these interests do not coincide. In such cases, it is important to be clear that the directors owe their duty to the corporation, not to stakeholders, and that the reasonable expectation of stakeholders is simply that the directors act in the best interests of the corporation.”<sup>5</sup>

In other words, in Canada, the fiduciary duty is broader and is specifically not owed to investors or shareholders, or to any other stakeholder. The fiduciary duty of directors is owed to the corporation (Gildan) as a whole, having regards to all relevant stakeholders and the long-term interests of the corporation, as or if appropriate, as set out in section 122 (1.1), *supra* footnote 2.

We now turn to applying the foregoing standards of conduct to the Board of Gildan.

### 3.3 Application of the Standards of Conduct and Fiduciary Duties to the Board’s CEO Succession Planning Process

I carefully reviewed the documents listed under Schedule A hereto, including internal books and records of Gildan provided to me. These included the minutes of in camera sessions of the Board in deliberating upon CEO succession.

Based on my review, it is my opinion that the Board acted in a manner consistent with prevailing standards of corporate governance for CEO succession planning, and the duties and obligations owed by directors to Gildan, during the time from May 2021 to the letter of termination of the former CEO, dated December 10, 2023.

The independent directors of the Board acted in a manner consistent with best practices for CEO succession planning, based on information provided to me and assumed facts upon which I have relied, in the following ways:

- a) By the independent directors of the Board approaching CEO succession planning as early as May 2021, with sufficient runway time to ensure (i) maximum options for choice of the best CEO successor candidate by independent directors; and (ii) a smooth transition;

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<sup>4</sup> *Ibid.* at pages 583-584.

<sup>5</sup> *Ibid.* at page 593.



- b) By the Board chair and other independent directors working co-operatively with the incumbent CEO, setting out expectations that (i) the independent directors of the Board are solely responsible for CEO succession; and (ii) the incumbent CEO is solely responsible for internal candidate development;
- c) By the Board (i) retaining an international executive search firm to conduct a global CEO search; (ii) overseeing and receiving advice from such firm; and (iii) being engaged and deliberating together and as independent directors in ensuring the development, interviews and detailed assessment of both internal and external permanent CEO candidates;
- d) By independent directors taking all reasonable steps to ensure that the Board had viable internal candidates who were CEO-ready, and requiring the incumbent CEO (i) to develop internal candidates to become CEO-ready; and (ii) to report to the Board regularly in this regard;
- e) By the Compensation and Human Resources Committee and the Board placing development of internal candidates as part of the incumbent CEO's short-term incentive plan for 2022 and 2023, including the development of an existing executive, which was reviewed by the Board, in addition to recruiting executive vice-presidents with potential to eventually take on the CEO role, thus incentivizing the foregoing internal candidate development;
- f) By requiring the CEO to (i) expose high-potential talent to the Board; (ii) propose development plans for internal candidates, for review and approval of the Board; and (iii) ensure that the Board remained informed as to the internal candidates' progress in becoming CEO-ready;
- g) By carefully overseeing and structuring, in no particular order, CEO succession, non-CEO officer succession, and Board leadership succession, in a staged manner, so as to enable mentoring, development, and smooth gradual transition periods, in the best interests of Gildan;
- h) By receiving views, orally and in writing, from the incumbent CEO on internal CEO candidates, and giving these views due weight in light of a conflict of interest that all CEOs have in internal candidate development;
- i) By taking all reasonable steps to ensure the alignment of the Board-approved strategic plan with the desired and must-have competencies of a prospective successor CEO, in achieving the Board-approved strategic plan;
- j) By independent directors proceeding iteratively, methodically, deliberatively, and without undue influence or bias, at all stages of the CEO hire process, including (i) the process of preparing a CEO position description and profile taking into account the necessary qualifications to achieve the value-creating, Board-approved strategic plan; (ii) the internal and external candidate review and outreach process; (iii) the selection process (including the universe list (515 profiles); the long list (37 profiles); the short list (21 candidates

targeted); the ranked short list (seven candidates who were assessed in depth); the finalist list (four candidates, narrowed to three finalists after a first round of interviews); the selection of the winning candidate; and the holding of an appropriate number of meetings and interviews with all finalists (including 11 meetings and interviews of the three finalists, five of which were with the chosen candidate)); and (iv) the contracting process;

- k) By maintaining fair and equitable treatment and relations with all high-potential internal and external CEO candidates;
- l) By taking all reasonable steps to mitigate against possible talent-flight, including the Compensation and Human Resources Committee recommendation and Board approval of retention payments to key internal talent;
- m) By the independent directors regularly deliberating in camera at all steps throughout the CEO succession planning process, including (i) receiving advice from executive search and legal advisors on internal and external prospective CEO candidates' strengths and development opportunities; and (ii) acting in the best interests of Gildan (and not any particular stakeholder, such as members of management, or individual or groups of shareholders) at all times;
- n) By having the three finalist candidates complete detailed psychometric testing;
- o) By undertaking detailed reference checks of Mr. Vince Tyra with eight external, arms-length individuals, the results of which demonstrated that Mr. Vince Tyra was a highly qualified candidate to become CEO of Gildan;
- p) By retaining an external firm to perform a detailed background check with respect to Mr. Vince Tyra, with references received from 24 external, arms-length individuals to validate Mr. Vince Tyra's credentials, competencies and other attributes;
- q) By retaining an external compensation advisory firm to advise the Board on base and incentive pay comparators for the incoming CEO;
- r) By retaining external legal advisors to advise on contracting (of the incoming CEO) and, as or if needed, planned retirement or unplanned dismissal (of the outgoing CEO);
- s) By an independent director, with broad retail sector and former CEO experience, being appointed by the Board following deliberation to serve as interim CEO during the transition period from the dismissal of the incumbent CEO to the start date of the incoming new CEO; and
- t) By respecting and underscoring the confidentiality of CEO succession planning by all independent directors.

All of the foregoing items are consistent with best CEO succession planning and practices, and prevailing standards of corporate governance, including for instance the standards of conduct of

the Board described at paragraphs 1, 2, 4-7, 9, 11, 12, 15-17, 20 and 23-25 under section 3.1 of this report.

#### **4. Conclusion**

Based on the documents and statements of facts provided to me, I have formed the opinion that the Board of Directors of Gildan Activewear followed a good and rigorous process with respect to succession planning for the President and Chief Executive Officer.

Yours sincerely,

Richard Leblanc, PhD

## **Schedule A: Research and Documents Relied Upon For This Report**

### Research Relied Upon for This Report

The research relied upon for this Report includes the following:

BCE Inc v 1976 Debentureholders, 2008 SCC 69, [2008] 3 SCR 560.

Canada Business Corporations Act, R.S.C., 1985, c. C-44.

Larcker, David E. and Tayan, Brian: “CEO Succession Planning,” within Leblanc, Richard, Ed., *The Handbook of Board Governance: A Comprehensive Guide for Public, Private, and Not-for-Profit Board Members*, 3<sup>rd</sup> ed. (Hoboken, NJ: Wiley, forthcoming, 2024).

Leblanc, Richard: “Model CEO Succession Planning Charter,” within Leblanc, Richard, Ed., *The Handbook of Board Governance: A Comprehensive Guide for Public, Private, and Not-for-Profit Board Members*, 3<sup>rd</sup> ed. (Hoboken, NJ: Wiley, forthcoming, 2024).

Leblanc, Richard: “Model Board of Director Guidelines,” within Leblanc, Richard, Ed., *The Handbook of Board Governance: A Comprehensive Guide for Public, Private, and Not-for-Profit Board Members*, 3<sup>rd</sup> ed. (Hoboken, NJ: Wiley, forthcoming, 2024).

Ontario Securities Commission, National Policy (NP) 58-201 Corporate Governance Guidelines, accessed in PDF format: [https://www.osc.gov.on.ca/documents/en/Securities-Category5/rule\\_20050630\\_58-201\\_unofficial-consolidation.pdf](https://www.osc.gov.on.ca/documents/en/Securities-Category5/rule_20050630_58-201_unofficial-consolidation.pdf)

Peoples Department Stores Inc. (Trustee of) v. Wise, 2004 SCC 68.

### Other Documents Relied Upon for This Report

I was provided with all documents requested, including a chronology of events, board and relevant committee agendas, reports, information, presentations, communication, and minutes, as the case may be, concerning, in particular order, CEO succession planning, strategic planning and executive compensation.