

Kingsdale Advisors Releases Innovative Report
[The New Abnormal: How 2020 Has Changed the Future of Corporate Governance](#)

TORONTO, Sept. 30, 2020 - Kingsdale Advisors, North America's most trusted strategic shareholder advisory firm, releases [The New Abnormal: How 2020 Has Changed the Future of Corporate Governance](#), highlighting the impact of the COVID-19 pandemic, the movement to end anti-Black systemic racism, and other major developments in ESG and compensation practices have had on corporate governance in Canada.

"2020 has changed the course of history and dramatically re-written the job description for Canadian directors by placing increased demands upon their time and forcing them to take a broader view of the constituencies they have an obligation to, moving from a shareholder focus to one that considers society as a whole," said Wes Hall, Kingsdale's Executive Chairman and Founder. "While financial shareholder activism will never go away, we expect social activism focused on human capital management, equality, and eliminating anti-Black systemic racism will dramatically increase. Within five years, we expect SOP –say on pay– votes will be joined by SOD –say on diversity– votes that will hold boards accountable for ensuring meaningful representation of the BIPOC community in their companies."

Report highlights include:

Pandemic shifts the paradigm for directors and increases expectation for engagement: COVID-19 has had an overwhelming impact on the world and made parts of our working lives completely unrecognizable. For companies, the biggest challenges related to lock downs, border closures, and travel bans, are further compounded by the number of directors on most Canadian boards who fall into the most at-risk age groups. Together, these challenges mean it is no longer "business as usual", not for the company itself, nor directors, nor how the board operates.

COVID-19 is not a license to pause shareholder engagement activities—unpredictability does not mean shareholders' expectations for engagement have changed. During this difficult period, engagement remains critical, not only to prevent potential issues, dissuade shareholder activism, and demonstrate board capability, but to calm fears, instill market confidence, and increase investor interest. Shareholders' pandemic related questions generally revolve around risk management, supply chain disruption, and macro demand impacts. Moreover, many institutional investors believe that a time of crisis is a test of commitment, especially as it relates to ESG standards, because if a company is willing to abandon its principles once tested, did they ever truly hold those principles in the first place?

Diversity accountability: In recent years, the drive towards gender parity has been at the forefront of social and governance reforms aimed at increasing diversity. The problem is that "diversity" has become a catch-all phrase that creates the impression that something is being done to help all ethnically and racially diverse communities when, in reality, little has changed.

This year, boards who were already struggling to deal with the new challenge of COVID-19 have been forced to confront the age-old scourge of anti-Black systemic racism in a manner never seen before. Going forward, overtures to diversity without meaningful action and measurable targets will not be tolerated. Shareholders and other stakeholders have set a clear expectation that boardrooms must reflect the racial mosaic of Canada by specifically increasing representation of the BIPOC community at the most senior levels of the company.

Compensation renovation: Executive compensation matters are critically important in a time of crisis, not just to free up capital but to retain and encourage executives. With COVID-19 impacting share prices and, by extension, compensation packages through changing the value of performance awards, a variety of measures have been employed 'on the fly' to address this pressing issue and the pre-existing disconnect between performance and pay. Strategies include executive salary and board pay cuts, waiving of board approved pay raises, and suspending cash compensation, among others. Shareholders are placing spending and financial commitments throughout this period of economic uncertainty under greater scrutiny and executive compensation is at the forefront of their minds. As a result, tying compensation packages to ESG metrics, in light of the increased focus upon employee health and safety

and broader social issues, is likely to become an integral part of an incentive compensation framework going forward.

End of the in-person AGM (we hope): Last year Kingsdale advocated for the modernization of the corporate AGM, moving from tiny sandwiches in person for a small group of advisors close to the company to a virtual experience, noting that 95% of shares are voted in advance and that current platforms have features which enable shareholders to exercise their rights at the meeting, outside of contested situations. This year, COVID-19 forced companies to accelerate their adoption of virtual meetings. In the first half of 2020, 317 Canadian companies or 54% of this year's meetings were virtual only, a vast increase from before where only four virtual-only meetings had been held in Canada since the first one was conducted in 2017.

Balance sheets restructured: As the year started, certain sectors were already under economic pressure, specifically, Retail, Oil & Gas, and Cannabis. Compounding this challenge, household and corporate borrowing in Canada was already amongst the highest in the G8. Since then, COVID-19 and certain geo-political drivers, such as the trade war with China, prolonged Saudi oil dumping, and the upcoming U.S. election, have added further chaos that will disproportionately hurt the Canadian economy. Given Canada's primary industries are long-cycle, capital intensive, energy hungry and transport dependent, there is an ongoing need to raise new capital and pressure to sustain debt levels. The problem is that given the breadth of the downturn and its unknown duration, what may have worked in the past may not work in the future.

Balance sheet restructuring refers to any aspect of the debt or equity side of the balance sheet or changes to debt tenure that are driven by the need to improve liquidity or avoid solvency issues. Companies must understand the structure of their current obligations and the existing restructuring mechanisms to develop and implement the correct solution. Strategies include: consent solicitation, plans of arrangement under the business corporations acts, or insolvency protection under the CCAA. The global nature of the securities market, especially in a worldwide crisis, make transactions more complex than initially anticipated and nuanced with operational differences. A refreshed understanding of your obligations and these strategies is required to ensure success.

[*The New Abnormal: How 2020 Has Changed the Future of Corporate Governance*](#) includes new analysis, unique to the Canadian marketplace, exploring the impact of COVID-19 and social justice reform on the governance landscape and predicting where companies will be most vulnerable going forward. A must read that guides business into 2021 with innovative strategies and renewed optimism.

"We take great pride in the results we are able to achieve for our clients and even more pride in the innovations and insights we are able to bring to the market. What makes [*The New Abnormal: How 2020 Has Changed the Future of Corporate Governance*](#) unique and important is our ability to share new strategies as they are developed and identify trends before they are trends," said Amy Freedman, Chief Executive Officer. "The commentary and analysis in this report leverages our 17 years of diverse, first-hand experience to provide insight and advice we hope will be of value as boards wrestle with these unprecedented times and navigate forward."

To further explore Kingsdale's [*The New Abnormal: How 2020 Has Changed the Future of Corporate Governance*](#), Kingsdale will host a virtual presentation on Thursday, October 1, 2020, at 12pm EST to present our findings and answer your questions about how to maintain a successful business in these troubling times. To find out more and register for the event, please click [here](#).

About Kingsdale Advisors:

With offices in Toronto and New York, Kingsdale Advisors is the leading advisor to public companies on all shareholder, governance, and transaction related matters having acted on the largest and highest profile proxy fights, transactions, and other special situations. Since 2003, public companies across North America have looked to the expertise of Kingsdale Advisors to secure the success of transactions or resolutions driven by shareholder votes. Kingsdale Advisors' multidisciplinary team offers an array of specialized services focused on strategic and defensive advisory, governance advisory, compensation advisory, strategic communications, voting analytics, and creative services.

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