KINGSDALE Advisors

KINGSDALE PERSPECTIVE

GOOD ON PAPER

Why Canada's "Blue-Chip" Boards Still Fall Short

Canada's biggest boardrooms have never looked stronger.

Across the country's largest public companies, boards are more diverse, more experienced, and more credentialed than ever. Women now hold nearly 40% of board seats among the top 100 companies by revenue, and new directors are increasingly recruited for industry expertise, digital capability, and capital markets fluency.

On paper, this is a governance success story. In practice, it's something else entirely.

Because even as boards become more sophisticated, governance failures continue to surface often in companies that appear to have strong boards.

That's the uncomfortable truth Canadian directors need to confront this proxy season: A "blue-chip" board is not the same thing as an effective one.

It's a lesson blue-chip Canadian directors first learnt in 2012, when Bill Ackman worked with Kingsdale Advisors on his successful proxy fight against CP Rail.

Boards That Look Good vs. Boards That Work

Here's the brutal truth: most boards look effective, few actually are. Yes, they check the boxes:

- ✓ **Independence**
- ✓ **Diversity Targets**
- ✓ **Formal Evaluations**

And to be clear, Canadian boards are putting in the work.

Among the country's largest companies, 98% of the boards in the TSX Composite evaluated their effectiveness. Nearly 50% have engaged third-party advisors in the past three years, rising to over 60% among TSX 60 companies. The scope is expanding. The questions are getting deeper. The process is getting more rigorous.

At the same time, board composition continues to evolve. Among Canada's largest public companies, women now hold 39% of board seats, and renewal is accelerating, with 27% of boards appointing multiple new directors in a single year, often driven by evaluation outcomes and investor pressure.

On paper, this is exactly what good governance should look like.

And yet, this is where the story breaks. Because none of this guarantees performance.

You can run evaluations. You can hire external advisors. You can refresh the board and upgrade its skillsets. And still end up with a board that doesn't challenge management, interrogate strategy, or act until it's too late.

You can professionalize governance and still fail at it.

Consider Toronto-Dominion (TD) Bank. By any conventional measure, it had a strong board: experienced, credible, well-structured. And yet it presided over significant anti-money-laundering failures. The issue wasn't credentials. It was effectiveness.

Who Really Controls the Board?

Nomination committees exist to signal independence. Formally, that works. Practically, it often doesn't.

Many CEOs still pull the strings. Some can veto candidates outright. Others shape the "acceptable" profile. The result? Boards that are structurally independent but behaviourally aligned with management.

While boards are responsible for appointing CEOs, that role can sometimes make objective oversight more difficult. Too often, the result is reluctance to challenge when it matters most.

The Three Directors Every Board Actually Needs

When recruiting a director, the balance between prestige and function needs more thought than what is normally afforded.

High-performing boards don't just look balanced; they operate with intent. And that requires three types of directors:

THE OPERATOR – Industry expertise that translates into real, actionable pressure testing of strategy. They know the business. They know where it breaks.

THE TRANSLATOR – Fluent in capital markets and shareholder expectations. Investors aren't just seeking answers; they're testing directors' strategic understanding.

THE GUARDIAN – A governance purist. Fiduciary duty isn't theoretical. Asking hard, uncomfortable questions isn't optional; it's mandatory.

Most boards can point to these profiles on paper. Few deliver them in practice.

When Governance Works

Strong boards aren't theoretical; they show up in outcomes.

Look at Torex Gold. Their CEO succession process wasn't reactive or opaque. It was deliberate, structured, and well executed. The company announced the transition months in advance, elevated an internal candidate deeply involved in the strategy, and aligned the timing with the completion of major operational milestones.

That's what effective governance looks like: not credentials or checklists, but discipline, judgment, and follow-through. A transition planned well in advance, led by a credible internal successor, and executed from a position of strength, with clear accountability at every step.

Canada's Governance Reality Check

Canada has made real progress. Boards are more diverse. More skilled. More actively refreshed than ever before. But governance isn't a checklist, and it isn't a disclosure exercise. It's behaviour under pressure.

It's whether directors:
- Challenge management when it matters.
- Interrogate strategy instead of endorsing it.
- Act before issues become failures.

Because when things go wrong, no one asks how impressive the board looked on paper.

They ask where the board was, and what they actually did. A blue-chip board may reassure investors for a time. But it does not guarantee accountability and long-term shareholder confidence.

To learn more about our governance and defensive advisory services, email strategy@kingsdaleadvisors.com