

Former CEO gives Gildan Activewear board a dressing-down

NICOLAS VAN PRAET >

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Gildan Activewear Inc. president and CEO Glenn Chamandy responds to questions during a news conference following the apparel manufacturer's annual meeting on Feb. 5, 2015 in Montreal.

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Former Gildan Activewear Inc. GIL-T chief executive Glenn Chamandy fired back at the company's latest accusations concerning his leadership, saying the board is seeking to unfairly harm his reputation and cast aspersions on his performance.

The company on Tuesday took aim at Mr. Chamandy's leadership, alleging he had become disengaged from his job, and that he had an undisclosed relationship with an unnamed investor that's now demanding he be rehired.

"It is with regret that I observe the board's current focus on a strategy seemingly aimed at undermining my reputation and my record through insinuation and distortion of the truth," Mr. Chamandy said in a statement Wednesday morning.

The board's latest release "barely warrants a response," Mr. Chamandy said. "It continues to reflect an approach that is misguided, misleading, and value-destructive, prioritizing the obsession of board members with their own reputations above all else."

It's the latest volley in what has become a rapid-fire fight between Gildan's board and several major shareholders over the surprise dismissal in December of Mr. Chamandy, the company's founder and long-time CEO. Nine dissident investors holding an estimated 35 per cent of Gildan's stock have called publicly for his return. The board says no way. Neither side shows signs of backing down.

For weeks, directors of the Montreal-based T-shirt and fleece maker have tried to explain the many reasons why they showed Mr. Chamandy the door. In sum: They'd lost trust and confidence in a CEO they say had no credible long-term strategy for the company. And when he tried to entrench himself by proposing a high-risk acquisition strategy only he could oversee, they let him go.

Over the past 10 days, they've sharpened their justifications by attacking his day-to-day leadership, saying he'd become distracted by personal pursuits such as the development of a golf course in Barbados. According to Gildan directors, Mr. Chamandy was rarely in the office, held few management

meetings and sent on average “no more than a handful” of work e-mails a day.

The board is also probing Mr. Chamandy’s activities around the time he was dismissed, poring through his files and electronic information because of what they’ve called his “questionable behaviour.” Directors say what they’ve uncovered so far underscores the broken trust between the board and the former CEO toward the end of his employment and the need for new leadership.

On Monday, Vince Tyra, a former executive at Fruit of the Loom, started as Gildan’s new CEO.

The board said Tuesday that its investigation shows Mr. Chamandy failed to disclose that he had invested in funds managed by a Gildan shareholder who has now come out in support of reinstating him as CEO. A senior executive of that shareholder also bought a multimillion-dollar property at Apes Hill, the private golf course in Barbados owned by Mr. Chamandy, they said. They declined to name the shareholder.

It’s very rare for the board of directors of a Canadian public company to be so aggressive when faced with activist shareholder campaigns, said François Dauphin, chief executive of Montreal’s Institute for Governance of Private and Public Organizations. This suggests they’re digging to defend their position.

“The very people who launched the attack are now under fire,” Mr. Dauphin said of the dissident shareholders. “The latest revelations show that a link clearly existed between Mr. Chamandy and activist shareholders well before his termination. This raises questions about the sharing of privileged information, but also in terms of conflicts of interest.”

Gildan CFO made \$9.1-million from share sales after CEO's departure in December

In his statement Wednesday, Mr. Chamandy declined to address specifics about his ties to investors. He said only: “Over the years, Gildan’s executive team and I dedicated ourselves to fostering relationships with our stakeholders, grounded in confidence and trust. These efforts were instrumental in establishing a company that is not only respected, but also deeply trusted by its shareholders, customers and employees.”

Directors have said they’re unanimous that Mr. Chamandy’s continued employment would have jeopardized the company’s future. Shareholders including U.S. hedge fund Browning West LP and Montreal investment management firm Jarislowsky Fraser say Mr. Chamandy has delivered in spades for investors over the years and want him back.

Browning West filed a formal request with Gildan last week to hold a special shareholders meeting without delay and vote in a new board. Gildan has yet to formally respond to that request.

According to Gildan directors, Mr. Chamandy appears to have a close relationship with Browning West. As one example, Mr. Chamandy played host to Browning West’s founders as well as a number of investors in the hedge fund on an “exclusive visit” to Gildan’s manufacturing plant in Honduras this past November, the board said. The directors said they could find no other example in recent history of any other Gildan shareholder being offered similar treatment.

The hedge fund said the Honduras visit is an example of the “rigorous diligence” it performs to understand the companies it invests in. It said the Gildan board is sending out “increasingly desperate messages” that are failing to divert attention away from substantive shareholder concerns.