

# Gildan to hold shareholder meetings in late spring for board of directors vote

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Gildan head office in Montreal, on Dec. 11, 2023.

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Canadian clothing maker Gildan Activewear Inc., GIL-T locked in a fight with dissident investors over its decision to sack its chief executive officer

in December, is convening its shareholders in late spring to vote on whether they want a new board.

The company says the timeline for the meeting on May 28 will give investors “a reasonable period” to evaluate the dissidents’ plan for the company while providing more opportunity to judge the competence of the new CEO brought in by the board, Vince Tyra. U.S. investment fund Browning West, which is leading the dissidents, called it an “attempt to buy time for a seemingly unqualified chief executive officer with a record of value destruction.”

Montreal-based Gildan is under pressure from Browning West and other shareholders to hold a meeting as soon as possible to consider bringing in a new board that would back the return of former CEO Glenn Chamandy. Gildan says Mr. Chamandy sought to entrench himself as CEO and that giving him his job back would jeopardize the company’s future because he’s no longer up to the task.

Browning wants a majority of Gildan’s current 11-director board out. Earlier this month, it made a formal request to the company for a special meeting so investors can vote on the investment fund’s own slate of candidates, which is supported by five institutional shareholders.

Gildan responded Monday and says it has called two shareholders meetings for May 28, one a special meeting and the other an annual meeting. But the clothing maker says it will seek a court ruling on whether the Browning West requisition is legal. If a judge rules in Gildan’s favour, the company would hold just an annual meeting that day and drop the special meeting. Browning could still try to get its directors elected at the AGM.

“Over the last few weeks, the company has heard from numerous shareholders, both those who have indicated preliminary support for

Browning West and those who have not,” Gildan said in a news release. “The board and shareholders are aligned in the view that a speedy resolution of this unnecessary proxy contest is in the best interests of the company and its shareholder owners.”

The timing of the May meeting isn’t sitting well with at least two shareholders, who could mount a legal challenge to it.

### **Opinion: Gildan board wants last laugh in CEO showdown**

Browning West blasted the board for setting a date that will come nearly five months after it submitted its special meeting requisition. “It appears the board has learned nothing from its recent string of ill-conceived decisions and publicity stunts, which seem to have only succeeded in alienating shareholders,” the firm’s founders said in a statement.

Toronto-based Turtle Creek Asset Management echoed that view. “The board’s tactics are just another slap in the face of Gildan’s long-term shareholders,” the firm said in an e-mailed statement.

Gildan has held its last eight annual general meetings at the end of April or in the first week of May, meaning this year’s May 28 AGM would come later than normal.

“We do have a sense of urgency here on the activist side,” said François Dauphin, chief executive of Montreal’s Institute for Governance of Private and Public Organizations. “Every hour, every week that goes by makes the possibility of getting Mr. Chamandy back at the helm that much harder.”

Gildan said it “remains ready and willing” to engage with Browning West and other shareholders to find a resolution to the dispute. It said while it has offered the investment fund an opportunity to meet with the new CEO, it has not been offered access in turn to Browning’s director nominees.

The decision to hold the shareholders meeting in May takes into account statements by investors expressing support for a spring meeting and a desire to limit disruption to the business, Gildan said. Combining a special meeting with an AGM on the same day avoids having two meetings within a month or two of each other that would address similar issues, Gildan said.

On the question of whether the Browning West meeting requisition is legitimate, Gildan wants a court to decide. The company said it would file an application for declaratory judgment to the Quebec Court on Monday seeking a ruling that the Browning West requisition is null and void.

Under Canadian law, shareholders can requisition a special meeting of shareholders only if they hold more than 5 per cent of a company's shares. Gildan says it believes Browning West violated U.S. antitrust law when it built up its Gildan stake, making its meeting request not valid. The investment fund bought a stake without making a regulatory filing and without complying with a mandatory 30-day wait period under the U.S. Hart-Scott-Rodino Act, Gildan says.

Browning West's stance is that it is not obligated to file under the HSR Act as the fund's parent entity is not incorporated in the United States and Gildan is not based in the United States.

"The only logical explanation for why the board is pursuing a legal challenge is that it is being led astray by its high-priced legal advisers, who are economically incentivized to recommend scorched-earth tactics," Browning West said. "Any legal action at this point only further impugns the board's credibility."

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