



ICD Fellowship Award Recipient

Barry Jackson

ROCKS. THAT IS WHAT FASCINATED Barry Jackson when he was a youth, growing up in Calgary. Rocks of all kinds. He became a passionate rock collector, which was the first step in a career in Alberta's oil and gas business. By the time he was entering post-secondary studies, he knew that he wanted to be involved in Western Canada's leading industry as an engineer.

To pursue that goal, he enrolled in chemical engineering at the University of Calgary where he received a Bachelor of Science degree. In summers during his studies, he secured jobs in the industry to gain experience; in his last summer, he worked for Hudson's Bay Oil & Gas Company. Upon graduation, he was offered a full-time job with the company. His first post was in Calgary as a Project Engineer working on pipeline construction. His second post was outside Edmonton, working at a major gas plant. He quite liked construction engineering and left Hudson Bay Oil & Gas to work as a Facilities Engineer at Richlyn Engineering, a small firm specializing in engineering design, construction and project management.

The lure of the broader oil and gas business drew him back into that sector. He worked next in operations management for Texas Pacific Oil (TPO). The head office of TPO was in Dallas, Texas, but it was wholly-owned at the time by the Seagram Company, a large multi-faceted Canadian corporation headquartered in Montreal. This was an interesting experience for Mr. Jackson as he observed the relationships between the operating entity in Alberta, the head office in Texas and the parent company in Quebec. He continued his career in oil and gas, moving to Northstar Energy Corporation as Vice President and subsequently as President and Chief Operating Officer. In this capacity, he was a member of the Board of Directors and was heavily involved in the company's shareholder engagement activities.

Subsequently, he was recruited to be the President and CEO of Crestar Energy, another oil and gas company. The company was privately owned by Dow Chemical Company and Amoco Corporation (50 percent each). One of his key responsibilities as CEO was to engineer (pun intended!) an initial public offering (IPO). To accommodate the stock exchange listing, the Board of Crestar was restructured to include an independent chair and other independent directors. The independents included two directors who became ICD Fellows: Richard Haskayne (F. ICD 2000) and Harry Schaeffer (F.ICD 2004).

The IPO was successful and Mr. Jackson was accountable to what he described as a "triumvirate" board: directors associated with Dow, directors associated with Amoco and directors who were independent. In looking back, Mr. Jackson assesses the governance environment at Crestar as leading edge. Crestar had a non-executive chair, a complement of independent directors and formal mandates for the board and its committees; these governance practices have now become commonplace.

When Crestar was sold to Gulf Canada at the beginning of the new millennium, Mr. Jackson decided to take a "time-out" to think deeply about his future. His recent executive posts had involved intense work weeks, considerable travel away from home and extensive dialogue with investors. Would he seek another CEO post that would likely replicate these demands? Or was there another path available to him that would be interesting, challenging and energizing? The more he pondered, the more he tended towards the latter choice – a new pathway. But what would that be?

The answer became clear as invitations to join various boards started to arrive: a new career as an independent director. Once again, there was an oil and gas connection as most of the companies seeking him

out were in that sector. He agreed to join various public boards including Gulf Canada, Westcoast Energy, Deer Creek Energy, Resolute Energy and subsequently Nexen, TransCanada Corporation and WestJet.

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Often, he served on the audit committee of the board. One might wonder why an engineer like Mr. Jackson would want to sit on an audit committee, or why his board colleagues would think an engineer to be a good fit for an audit committee. His response is two-fold: one part serious and one part in some jest. In his view, the audit committee provides a director with a tremendous opportunity to understand the company in some depth, as the results of its business operations are reviewed and assessed by this committee. His advice to new directors is to consider participating on the audit committee as a way of getting a superb education about the company. With some jest, he adds that engineers do know how to work with numbers! No doubt as well that his previous senior executive responsibilities, including as CEO, made him a good candidate for audit committees.

From his posts as an executive and from his experiences as a director, Mr. Jackson concludes that Canadian public companies generally have very high standards of governance. Canadians have resolved issues still being debated in both Europe and the U.S. such as non-executive chairs. Recently, there has been an evolution in shareholder engagement in Canada. Institutional investors in particular have become more active, including through representative organizations like the Canadian Coalition for Good Governance. It is certainly difficult to disagree with the premise that shareholders should have a voice in the affairs of their company. The task is to find appropriate vehicles to do so.

In Mr. Jackson's view, advisory votes in the compensation area, "Say on Pay" resolutions, are likely to grow in acceptance, but the concept is not without its challenges. The first "Say on Pay" votes in Canada have shown 90 percent endorsement by shareholders, not substantially different than the votes for directors

of compensation committees under majority voting provisions. But considerable time and energy have been incurred by boards in preparing for a "Say on Pay" vote. Furthermore, it is not clear that there would be any incremental information conveyed by a losing vote, should one occur. How would a board know what components of the pay package were deemed to be unacceptable without a dialogue with investors? The better route almost certainly would be to focus on disclosure and dialogue with shareholders in the first place. Yes, there are tricky issues in determining with whom to dialogue, in avoiding selective disclosure to certain investors, and in assessing investors' views given that compensation schemes are typically very complex. Nevertheless, he is confident that boards and shareholders can find the means to interact effectively.

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Mr. Jackson is concerned that the "Say on Pay" precedent could spread to other areas (e.g., "Say on Carbon Policy" or "Say on Corporate Social Responsibility", "Say on Oil Sands Investments" or "Say on Capital Programs" more generally), thereby creating a plebiscite approach to corporate activity. In his mind, this would risk dragging boards down in a sea of populist voting on particular aspects of a company's business, without adding much value to governance oversight. Indeed, such votes could wind up empowering those investors who have a very narrow focus, looking to pressure the company to take certain decisions that might play to other agendas or produce short-term gains, yet not build long-term shareholder value. Such votes would distract the board from what he described as its most important duty – that of contributing to the company's strategic direction.

Canada's democratic institutions work on the basis of voting for representatives, not voting on particular issues (except for the extremely rare referendum). Publicly listed companies have an annual meeting of shareholders and most have an annual vote on individual directors. Mr. Jackson noted that this is a very high level of accountability!