



## ICD Fellowship Award Recipient

### Claude Fontaine

IN THE EARLY 2000S, THE INSTITUTE OF Corporate Directors was heavily Toronto-based where most events took place and where most members resided. There were perhaps 15 members of the ICD from Quebec. One of them was Claude Fontaine, who had been interested in corporate governance for many years. This interest spurred him to become a Director of the ICD.

Mr. Fontaine recognized the opportunity for the ICD to broaden its reach into Quebec: there were many companies with head offices in Montreal and the province had a significant number of corporate directors who could benefit from ICD events. Bernie Wilson, then Chair of the Board of the ICD, and Mr. Fontaine discussed the concept of creating ICD Chapters across the country, with the first to be located in Quebec. The Board of the ICD embraced Chapters as a new strategic direction for the ICD. The law firm Ogilvy Renault, where Mr. Fontaine was a senior partner, was extremely supportive. Together with fellow Ogilvy Renault lawyer Thierry Dorval, Mr. Fontaine worked to establish the Quebec Chapter of the ICD, located in Montreal.

The Chapter needed start-up resourcing. Mr. Fontaine was able to secure an appointment with the CEO of the National Bank – which is headquartered in Montreal – to seek a sponsorship contribution. ICD President Beverly Topping and Mr. Fontaine made the pitch. The CEO listened politely and then responded that “As sympathetic to your idea as I am, I have no budget

for charitable endeavours such as this.” Mr. Fontaine’s reply was the turning point in the conversation: “We are not asking for a charitable donation; we are asking you to contribute to stronger governance in the firms you have loaned money to, in order to protect your investment!” The CEO was persuaded; the National Bank hosted the inaugural meetings of the Quebec Chapter in 2003 and became a founding sponsor. Mr. Fontaine took on the role of Chair of the Quebec Chapter, serving until 2007. Today, the Quebec Chapter is a thriving entity with over 400 members, holding regular events that attract hundreds of participants.

Mr. Fontaine’s humble beginnings hardly heralded a corporate governance champion. His father passed away when he was a teenager. He did not come from a rich family and needed to work hard to support himself through post-secondary education. He secured a part-time job during each academic year and typically held two jobs in the summer. Hard work was not going to be a deterrent to a professional education, but the question he faced was what educational program should he pursue? He had attended Collège Jean-de-Brébeuf in Montreal for secondary school where he received a strong classical education, followed by a Bachelor’s degree from Université Laval, the oldest centre of education in Canada. Although law was not a passion at the time, he saw a law degree as a “door opener” to many different career pathways.

He enrolled in the law school of the Université de Montréal. Law school was the beginning of a transformation. He developed an interest in business law. Almost all significant business transactions in Montreal were done in English at that time. To learn English business terminology and to improve his English fluency, he arranged to take his fourth year of law school at McGill University. When it came time to secure an articling position, his uncle’s connection to a partner at Ogilvy Renault secured him an interview.

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Ogilvy Renault was then the largest law firm in the British Commonwealth, so it was quite a coup to be selected as an articling student. His salary was \$125 per month, equivalent today to about \$850 per month, far below what the current crop of articling students receive. The remuneration may have been slim, but the experience was exceptional – Mr. Fontaine had found his passion ... and it was indeed law. On his admission to the Barreau du Québec, he joined Ogilvy Renault as a lawyer. For almost 45 years, he remained with the firm, specializing in corporate and securities law, retiring in 2007.

Early in his legal career, he was recruited to become a member of the Board of Directors of Beneficial Finance of Canada, a wholly-owned subsidiary of the U.S.-based Beneficial Corporation which was traded on the New York Stock Exchange. Although the Canadian company was not listed on the Canadian stock exchanges, it was a registered issuer as it sold debentures in Canada. This was Mr. Fontaine's first board and it sparked his intense interest in corporate governance. Over the years, he has been a director of many companies and given considerable thought to the issues of corporate governance. Indeed, he has frequently been asked to review the corporate governance systems of major listed Canadian companies, some of which were also listed on U.S. stock exchanges. Crown corporations and other organizations have also sought his advice on corporate governance.

These experiences have led him to become a strong advocate for a principles-based approach to corporate governance rather than a rules-based approach. Rules provide an opportunity – perhaps even encouragement – to find loopholes, whereas principles are overarching directions for desired performance. He credits the renowned Dey Report in 1994 (*Where Were The Directors?*) for encouraging a principles-based approach in Canada. In contrast, the U.S. had tended to embrace a rules-based approach, with the Sarbanes-Oxley Act of 2002 being the prime example.

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Furthermore, in his view, rules cannot guarantee effective board functioning. That requires, among other things, integrity, trust, accountability and courage in the boardroom. An off-hand comment after a board meeting years ago was an important lesson for him about board dynamics. The general counsel of the company remarked that the directors “rarely ask the second question”. In other words, directors may be good at asking an initial question, but they do not always follow-up with additional penetrating questions. Why? Some directors may feel awkward about questioning the initial reply, concerned about appearing ill-informed or being seen as wasting the board's time. But if the reply is not clear, or the response does not answer the question, directors need to have the courage and the skill to pursue the matter effectively, without alienating management while adding value to the board's deliberations.

Mr. Fontaine has carried the message of effective corporate governance and Canada's approach into the international arena. In 2009, he was invited to be a member of the faculty of the Board Directors Institute (BDI), a newly established corporate governance organization sponsored by the Gulf Cooperation Council.<sup>1</sup> Among the founding partners of the BDI was McKinsey and Company. Zafer Achi, the Managing Partner of the Dubai Office of McKinsey and Company, was involved with the BDI; he had been one of the original members of the Executive Committee of the Quebec Chapter of the ICD. So it was the ICD connection that generated the opportunity for Mr. Fontaine to participate in a BDI three-day seminar with board chairs, directors, CEOs and others from the Gulf states. He described these corporate leaders as open-minded and ready to hear, discuss and learn from what others have done. They are interested in improving corporate governance and they have embraced the ICD mantra of “better directors; better boards; better business”. Who better to deliver the Canadian perspective than Mr. Fontaine, someone who has more than 40 years of relevant experience?

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<sup>1</sup> The Gulf Cooperation Council is a political and economic union involving the six Arab States in the Persian Gulf (Bahrain, Kuwait, Oman, Qatar, Saudi Arabia and United Arab Emirates).