

Large Companies Tend to Adopt More Restrictive Director Independence Criteria

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We spoke with *Agenda* for its recent article, “Large Companies Have Strictest Director Independence Standards” (subscription required), which explored the Conference Board’s 2013 Director Compensation and Board Practices report. The report showed that one-fifth of companies in the financial services sector and one-fifth to one-quarter of companies in other industries have director independence policies that go beyond what the applicable securities exchanges require. In addition, the largest companies are more likely to maintain more stringent independence standards.

The article provides examples of different types of restrictive standards that some companies are following, such as a longer look-back period for examining certain relationships, or a lower threshold amount for the receipt of direct compensation. We also mentioned that there may be limits to the amount of charitable contributions donated to nonprofit organizations with which directors have affiliations, which is not prohibited under the securities exchanges’ director independence rules.

The Conference Board report reached a similar conclusion as to the prevalence of other governance practices among large companies, such as the tendency to have higher representation of independent directors overall.

If you have any questions regarding the matters covered in this publication, please reach out to any of the lawyers listed below or your usual Davis Polk contact.

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