

Darden Board Makes Significant Changes to Its Corporate Governance Practices

December 9, 2014 | Client Update | 3-minute read

After a bruising proxy contest, Darden Restaurants announced last month several meaningful changes to its [corporate governance practices](#), some of which will be voted on by shareholders at the 2015 annual meeting.

Majority Voting for Director Elections. The company amended its bylaws to require a majority voting standard for uncontested director elections. The company previously had a director resignation policy, which this board also changed. Rather than providing for board discretion to accept or reject a director resignation if the director does not receive majority support, a director who is not elected by a majority of votes cast will remain on the board only until the board appoints another director.

Shareholder Right to Call Special Meetings at 10% Ownership Threshold. The board will ask shareholders to vote to amend the charter to modify the right to call special meetings from requiring 50% of shareholders to 10%.

Poison Pill. The company terminated its poison pill at the end of November.

Exclusive Forum Selection. The board will ask shareholders to ratify the exclusive forum provision in its bylaws that designate Orange County, Florida, as the exclusive forum for derivative claims, breach of fiduciary duty claims and certain other state law claims.

Eliminate Supermajority Vote Requirements. The board will ask shareholders to vote to amend the charter to replace the supermajority voting requirements necessary to change the charter, remove directors for cause and change the vote for business combinations with interested shareholders and the fair price provision.

Advanced Notice Provision. The company previously enhanced its advance notice bylaws in March 2014, which resulted in shareholder litigation. The company has eliminated some of the advance notice bylaw provisions in connection with the settlement of that litigation. The amendments include: (a) adjourning shareholder meetings only by a majority vote of the shares represented, instead of by the chairman or a majority of the directors; (b) holding annual meetings only in September or October; (c) deleting the requirement that shareholders proposing director nominations continue to hold their shares through the date of the meeting and make disclosures regarding their interests in the company or their relationship with the shareholder nominees; and (d) deleting the requirement that shareholder nominees provide information with respect to the nominee's independence, complete a written questionnaire and provide a written representation and agreement with respect to the nominee's entry into voting commitments.

Hedging and Pledging Policy. The company's insider trading policy was amended to prohibit all employees and directors from engaging in hedging transactions or pledging the company's securities as collateral for loans.

Political Contributions and Lobbying Report. The company added disclosure of payments made to trade associations used for political purposes and social welfare organizations that engage in political activities (known under IRS Section 501(c)(4)), as well as the company's lobbying policy and payments made for direct or indirect lobbying.

Shareholder Communication and Interaction. The corporate secretary will facilitate direct communications with the board and must communicate allegations of improper conduct and question and concerns about the company's governance to the independent chairman. Those communications will only be shared with management if authorized by the independent chairman.

Director Compensation. The board changed its director compensation to provide for more equity than cash, eliminate meeting fees and increase stock ownership guidelines for directors.

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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