



**OFFICE OF
STATE TREASURER
DENISE L. NAPPIER**

NEWS

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Nappier Says New York Stock Exchange Standards for Independent Board Members Provides Opportunity for More Diverse Boards to Include Women, Minorities

Connecticut Treasurer Denise L. Nappier, the nation's first African American woman elected State Treasurer, said that new standards calling for a majority of independent members on the boards of New York Stock Exchange-listed companies "creates an historic and unprecedented opportunity for greater diversity on America's corporate boards."

"With hundreds of corporate boards looking to add new members," Nappier said, "there is a real chance, as never before, to add diversity to the board room and new strength to the bottom line."

The new standards, adopted this week by the NYSE following the recommendations of their Corporate Accountability and Listing Standards (CALs) Committee, will require that "Independent directors must comprise a majority of a board. Companies must have a nominating committee, compensation committee (or committees of the company's own denomination with the same responsibilities) and an audit committee, each comprised solely of independent directors." The new standards must be approved by the Securities and Exchange Commission.

Treasurer Nappier, principal fiduciary of the Connecticut Retirement Plans and Trust Funds, said the fund's investment guidelines, as developed by her Office and the state's Investment Advisory Council, "reflect our belief that shareholder value and the corporate bottom line are enhanced by an independent and diverse Board of Directors."

"Today's action by the NYSE is the first step, requiring independent directors in unprecedented numbers. The next steps, to be taken by America's corporations, will determine if the new corporate boards will take advantage of the tremendous pool of qualified, talented and experienced individuals that is ready and willing to serve – and provide greater accountability, transparency and responsiveness to shareholders."

A Investment Responsibility Research Center report on board practices and executive pay found that the percentage of women holding board seats at companies in the S&P Super 1500 hasn't grown recently, remaining at 9.8% in 2001 and 2000, only slightly higher than the 9.3% in 1999. Only 64% of those companies surveyed had at least one woman on the board in 2001, according to the survey. The percentage of minorities holding board seats of the S&P Super 1500 rose from 7.4% in 2000 to 8.1% in 2001.

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The stricter standards include requiring shareholder approval of all stock option plans, increasing the authority and role of independent directors, tighten the definition of independence, and requiring regular meetings of non-management directors. They would apply to approximately 2,300 U.S. companies that are listed on the NYSE. Nappier had previously urged the NYSE board to adopt the new standards that were approved today.

“Public and investor confidence in corporate governance has been substantially harmed due to the abhorrent actions of a number of corporate executives, and the abrogation of duties by some corporate directors,” Nappier said.

“These new standards will certainly enhance the governance – and potentially, I believe, the financial performance – of all companies that adopt them. They include many of the reforms that I, and many other institutional investors, have been advocating for a number of years.”

The NYSE will also require, for the first time, that every corporate board of listed companies have a nominating committee, that it consist entirely of independent members, and that it adopt a charter. Currently, many boards do not have a separate nominating committee, with the full board handling that responsibility. Nappier said the establishment of nominating committee charters also provides companies with an opportunity to formally state their commitment to diversity on their corporate board.

“Neither women nor minorities are adequately represented in the boardrooms of America’s top companies. I have no doubt that our nation’s corporations, with a little effort and this new incentive, can do better,” Nappier said. “The benefits of that effort, the Treasurer added, “will accrue to shareholders, the corporate bottom line, and the strength of our economy.”

A 2001 Harvard Business School study found, in a sample of companies during the ‘90’s, that companies with corporate governance policies unfriendly to shareholders did not perform as well as companies with strong policies.

Nappier noted that her office is developing a “Connecticut Board Diversity Initiative” with the state’s Permanent Commission on the Status of Women, the State Commissions on African-American Affairs and Puerto Rican and Latino Affairs, DemocracyWorks, and the Conference on Community and Justice to assist companies in developing a process to achieve a greater diversity of board membership.

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