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# A BILL FOR AN ACT

RELATING TO EQUITABLE GENDER REPRESENTATION ON CORPORATE BOARDS.

**BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF HAWAII:**

1           SECTION 1. The legislature finds that the inclusion of  
2 individuals of all genders on boards of directors of publicly  
3 held corporations will boost the State's economy; improve  
4 opportunities for all individuals in the workplace; protect  
5 Hawaii taxpayers, shareholders, and retirees; and lead to other  
6 societal benefits. The legislature recognizes that numerous  
7 independent studies have concluded that publicly held  
8 corporations generally perform better, or, at the very least,  
9 show no negative effects, when there is gender diversity of  
10 their boards of directors. A 2017 study by MSCI ESG RESEARCH  
11 LLC found that during the period from 2011 to 2016, United  
12 States companies with three or more female directors reported  
13 earnings per share that were thirty-seven per cent higher than  
14 earnings for companies with no female directors. A 2016 study  
15 in the *Journal of Social Issues* acknowledged that while findings  
16 regarding the effects of gender diversity of corporate boards  
17 are mixed, with no clear positive or negative trend, there are



1 no negative effects of such diversity, particularly for  
2 companies' accounting outcomes. In 2014, Credit Suisse found  
3 that companies with at least one woman on their boards since  
4 2005 had an average return on equity of 14.1 per cent, compared  
5 to 11.2 per cent for companies with no female directors. The  
6 same report found that companies with women on their boards had  
7 a price-to-book value of 2.3 times the value in comparison to  
8 1.8 times the value for companies without women on their boards.  
9 Further, a 2012 study from the University of California,  
10 Berkeley found that companies with more women on their boards  
11 are more likely to "create a sustainable future" by, among other  
12 matters, instituting strong governance structures with a high  
13 level of transparency.

14 The legislature also recognizes, however, that studies  
15 predict that it will take forty to fifty years to achieve gender  
16 parity if proactive measures are not taken. The legislature  
17 notes that economically thriving European countries, such as  
18 Germany, France, Norway, and the Netherlands, have addressed the  
19 lack of gender diversity on corporate boards by instituting  
20 quotas mandating that thirty to forty per cent of seats be held  
21 by female directors.



1 The purpose of this Act is to require publicly held  
2 domestic corporations to include individuals of all genders  
3 among the directors of their corporate boards.

4 SECTION 2. Chapter 414, Hawaii Revised Statutes, is  
5 amended by adding a new section to part IX, subpart A, to be  
6 appropriately designated and to read as follows:

7 "§414- Boards of publicly held corporations; equitable  
8 gender representation. (a) Each publicly held domestic  
9 corporation whose principal executive office is located within  
10 the State shall comply with the following equitable gender  
11 representation requirements:

12 (1) Beginning no later than December 31, 2021, have a  
13 gender-diverse board; and

14 (2) Beginning no later than December 31, 2023, have a  
15 minimum of:

16 (A) Three male or non-binary directors on its board;

17 and

18 (B) Three female or non-binary directors on its

19 board;

20 provided that, if its number of directors is five, the

21 corporation shall have at least two male or non-binary



1 directors and at least two female or non-binary  
2 directors; provided further that, if its number of  
3 directors is four or fewer, the corporation shall have  
4 at least one male or non-binary director and at least  
5 one female or non-binary director.

6 A corporation may increase the number of directors on its  
7 board to comply with this section.

8 (b) Each corporation subject to this section shall report  
9 on its compliance to the department in the form and substance  
10 directed by the department.

11 (c) No later than July 1, 2024, the department shall  
12 publish a report on its website documenting the number of all  
13 publicly held domestic corporations whose principal executive  
14 office is located within the State that have at least one male  
15 or non-binary director and one female or non-binary director.

16 (d) No later than March 1, 2025, and no later than each  
17 March 1 thereafter, the department shall publish an annual  
18 report on its website that shall provide, at a minimum:

19 (1) The number of corporations subject to this section  
20 that complied with this section for any period of time  
21 during the preceding calendar year;



1       (2) The number of publicly held corporations that moved  
2       their United States headquarters to this State from  
3       outside of the State during the preceding calendar  
4       year; and

5       (3) The number of corporations that were subject to this  
6       section at some point during the preceding calendar  
7       year, but subsequently ceased to be publicly held  
8       corporations.

9       (e) The department shall adopt rules pursuant to chapter  
10      91 to implement this section.

11      (f) In addition to any other applicable fine or penalty,  
12      an administrative fine shall be imposed upon a corporation  
13      subject to this section for failure to timely file with the  
14      department information that is required by any rule adopted by  
15      the department. For a first violation, the fine shall be \$500.  
16      For any second violation or subsequent violation that occurs  
17      within ten years after the most recent violation, the fine shall  
18      be \$1,000.

19      (g) In addition to any other applicable fine or penalty,  
20      an administrative fine shall be imposed upon a corporation  
21      subject to this section for failure to comply with the equitable



1 gender representation requirements of subsection (a). For a  
2 first violation, the fine shall be \$1,000. For any second  
3 violation or subsequent violation that occurs within ten years  
4 after the most recent violation, the fine shall be \$5,000. For  
5 the purposes of this subsection, each director's seat not in  
6 compliance with this section shall count as a separate  
7 violation.

8 (h) For purposes of this section:

9 "Department" means the department of commerce and consumer  
10 affairs.

11 "Principal executive office" means a corporation's  
12 principal executive office, as listed on the corporation's most  
13 recent United States Security and Exchange Commission FORM 10-K.

14 "Publicly held corporation" means a corporation with  
15 outstanding shares listed on a major United States stock  
16 exchange."

17 SECTION 3. Section 414-16, Hawaii Revised Statutes, is  
18 amended by amending subsection (d) to read as follows:

19 "(d) The department director's duty to file documents  
20 under this section is ministerial[-]; provided that the  
21 department shall perform its duties under section 414- . The



1 department director's filing or refusing to file a document does  
2 not:

3 (1) Affect the validity or invalidity of the document in  
4 whole or part;

5 (2) Relate to the correctness or incorrectness of  
6 information contained in the document; and

7 (3) Create a presumption that the document is valid or  
8 invalid or that information contained in the document  
9 is correct or incorrect."

10 SECTION 4. Statutory material to be repealed is bracketed  
11 and stricken. New statutory material is underscored.

12 SECTION 5. This Act shall take effect on July 1, 2021.



**Report Title:**

Gender Representation; Corporate Boards; Department of Commerce and Consumer Affairs; Reports

**Description:**

Requires publicly held domestic corporations to have a gender-diverse board of directors. Establishes reporting requirements for the Department of Commerce and Consumer Affairs and penalties. (SD1)

*The summary description of legislation appearing on this page is for informational purposes only and is not legislation or evidence of legislative intent.*

