

Senate Bill 826
Corporate Board Gender Diversity
Senators Jackson, Atkins and Leyva

SUMMARY

SB 826 is a proactive approach to require more women directors on the boards of publicly held corporations in California. California is the 5th largest economy in the world and, as such, sets an example for responsible businesses globally. Therefore, California has a responsibility to ensure that women are included in the discussions and decisions that affect corporate actions and profitability.

Research shows that corporations with female directors outperform those that don't have female directors. Yet, one-fourth of California's public companies still have no women on their boards.

Senate Bill 826 would provide for gender diverse representation on corporate boards by requiring each publicly-held corporation headquartered in California to have at least one woman on its board of directors by the end of 2019. Further, beginning July 2021, the bill requires a minimum of two women directors on boards with five directors and at least three women on boards with six or more directors.

BACKGROUND

The research on the influence of women serving on boards is abundant, including a 2016 McKinsey & Company study "that revealed nationwide, the companies where women are most strongly represented at board or top-management levels are also businesses that perform the best, in profitability, productivity, innovation, governance, better performance and workforce engagement."

The McKinsey study further found that companies with three or more women in senior management positions scored higher, on average, on the organization performance profile, than companies with no women on boards or in the executive ranks.

As of June 30, 2017, among the Russell 3000 headquartered in California, only 15.5% of the board seats were held by women. California's percentage of female directors is lower than those found nationally: 16.2% of Russell 3000 board seats and 19.8% of the Fortune 1000 board seats are held by women. Among the counties in the state: Los Angeles, Orange County and San Diego Counties have the lowest percentage of women directors, with

only approximately 12% of the board seats at companies headquartered in each of these counties. San Francisco County has the highest percentage of board seats held by women, at 21%.

In 2013, Senate Concurrent Resolution 62 (Jackson) urged that by 2017, each public company in California increase the number of women on their board to one, two or three, depending on the size of the board. California was the first state in the U.S. to adopt this type of resolution, followed by at least five other states that have passed similar measures. However, as of the December 31, 2016 cut-off date, fewer than 20% of the Russell 3000 companies headquartered in California had the minimum number of women directors called for in the Resolution.

Europe is leading this historic trend: Norway in 2003 mandated 40% seats be held by women, followed by France and other European countries. Germany is the largest economy, to have done so by requiring that 30% of board seats are held by women.

SUPPORT

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California Legislative Women's Caucus
Consumer Attorneys of California
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STATUS

Pending on Senate Appropriations Committee's
Suspense File

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