

## [Securities Regulation Daily Wrap Up, CORPORATE GOVERNANCE— California governor signs additional board diversity bill, \(Oct. 1, 2020\)](#)

Securities Regulation Daily Wrap Up

[Click to open document in a browser](#)

By [Mark S. Nelson, J.D.](#)

The measure requires public companies with principal executive offices in California to achieve board diversity goals for person from underrepresented communities.

California Governor Gavin Newsom signed into law AB 979, thus expanding the state's board diversity requirements beyond women to a larger group of individuals who self-identify as members of racial and ethnic minorities or as LGBT. The signing of the bill was announced via a [press release](#) in which Governor Newsom noted California's leadership on issues of racial inequality, including the enactment of several additional bills along with the board diversity bill.

"As a nation, we can only truly thrive when every one of us has the opportunity to thrive. Our painful history of slavery has evolved into structural racism and bias built into and permeating throughout our democratic and economic institutions," said Governor Newsom. "California's rich diversity is our greatest asset, and we won't turn away from this moment to make right the discrimination and disadvantages that Black Californians and people of color still face. While there is still so much work to do to unravel this legacy, these pieces of legislation are important steps in the right direction to building a more inclusive and equitable future for all."

The [statute](#) requires a publicly held domestic or foreign corporation whose principal executive offices are in California to have at least one director from an underrepresented community on its board by the end of 2021. Compliance may be achieved by expanding the size of the board. By the end of 2022, such companies must have directors from underrepresented communities in the numbers specified by the statute:

- Board of 9 or more members—3 directors from underrepresented communities.
- Board of 5-8 members—2 directors from underrepresented communities.
- Board of 1-4 members—1 director from underrepresented communities

The statute defines "director from an underrepresented community" broadly to include "an individual who self identifies as Black, African American, Hispanic, Latino, Asian, Pacific Islander, Native American, Native Hawaiian, or Alaska Native, or who self-identifies as gay, lesbian, bisexual, or transgender."

By contrast, the similar requirements for women representation on boards use different board size numbers but otherwise follow the pattern of 3, 2, 1 directors based on board size. Moreover, while the definition of "female" in the statute already included persons "without regard to the individual's designated sex at birth," the added definition of "director from an underrepresented community" explicitly includes persons who are transgender.

As with the statute on female board membership, the new provision on directors from underrepresented communities includes state reporting requirements and fines for noncompliance. A court previously [dismissed](#) a challenge to California's female board membership statute because the plaintiff there lacked standing to bring the suit.

LegislativeActivity: CorporateGovernance DirectorsOfficers GCNNews