SENATE, No. 3695 STATE OF NEW JERSEY 219th LEGISLATURE

INTRODUCED APRIL 26, 2021

Sponsored by: Senator M. TERESA RUIZ District 29 (Essex) Senator JOSEPH P. CRYAN District 20 (Union)

SYNOPSIS

Requires racial and gender diversity in membership of certain boards of directors.

CURRENT VERSION OF TEXT

As introduced.



(Sponsorship Updated As Of: 5/6/2021)

1 AN ACT concerning the composition of certain corporate boards of 2 directors and supplementing Title 14A of the New Jersey 3 Statutes. 4 5 **BE IT ENACTED** by the Senate and General Assembly of the State 6 of New Jersey: 7 8 1. As used in P.L., c. (C.) (pending before the Legislature 9 as this bill): 10 "Gender" means a person's sex-related or gender-related 11 characteristics, including one's gender identity and has the same 12 legal meaning as sex. 13 "Race" means the major groupings into which humankind is divided on the basis of physical characteristics or shared ancestry. 14 15 "Publicly held domestic or foreign corporation" means a 16 domestic or foreign corporation, with outstanding shares listed on a 17 major United States stock exchange. 18 By December 31, 2021, a publicly held domestic or 19 2. a. 20 foreign corporation, whose principal executive office is located in this State, shall have a board of directors that reflects the racial and 21 22 gender diversity of this State. A corporation may increase the 23 number of directors on its board, pursuant to N.J.S.14A:6-2, to 24 comply with this subsection. 25 b. A publicly held domestic or foreign corporation, whose 26 principal executive office is located in this State, shall rely on 27 information from the most recent decennial census, published by the United States Bureau of the Census, in order to comply with 28 29 subsection a. of this section. 30 c. For the purpose of determining compliance with subsection 31 a. of this section, a publicly held domestic or foreign corporation, whose principal executive office is located in this State, shall file 32 33 with the Secretary of State, on an annual basis, a list of all directors and each director's terms of service. 34 35 36 3. A publicly held domestic or foreign corporation that violates 37 the provisions of P.L. , c. (C.) (pending before the Legislature as this bill) shall be subject to the following penalties: 38 39 A corporation which fails to have its board reflect the racial a. 40 and gender diversity of this State pursuant to subsection a. of 41 section 2 of P.L. , c. (C.) (pending before the Legislature as this bill) shall be subject to a civil penalty of \$100,000 for a first 42 violation and \$300,000 for each subsequent violation. A board 43 44 which reflects the racial and gender diversity of this State for at 45 least a portion of a given calendar year shall not be in violation of 46 this subsection.

1 b. A corporation which fails to file board member information 2 in a timely manner with the Secretary of State pursuant to 3 subsection c. of section 2 of P.L. , c. (C.) (pending before the Legislature as this bill), shall be subject to a civil penalty of 4 5 \$100,000. c. Any fine collected by the Secretary of State pursuant to this 6 7 section shall be used by the secretary to offset the cost of 8 administering P.L., c. (C.) (pending before the Legislature 9 as this bill). 10 11 4. By March 1, 2022, and annually thereafter, the Secretary of 12 State shall prepare and submit a report to the Governor and the 13 Legislature, pursuant to section 2 of P.L.1991, c.164 (C.52:14-19.1), with all of the following: 14 15 a. A list of publicly held domestic and foreign corporations 16 subject to, and in compliance with, the requirements of subsection 17 a. of section 2 of P.L. , c. (C.) (pending before the 18 legislature as this bill) during at least one point during the preceding 19 calendar year; 20 b. The number of publicly held domestic and foreign 21 corporations that moved their United States headquarters during the 22 preceding calendar year to New Jersey from another state or from 23 New Jersey to another state; and 24 c. The number of domestic and foreign corporations that were 25 subject to subsection a. of section 2 of P.L. , c. (C.) (pending 26 before the Legislature as this bill) during the preceding year but are 27 no longer publicly traded. 28 29 5. The Secretary of State shall adopt, pursuant to the 30 "Administrative Procedure Act," P.L.1968, c.410 (C.52:14B-31 1 et seq.), rules and regulations to implement sections 2 through 4 32 of P.L. (C.) (pending before the Legislature as this , c. 33 bill). 34 35 6. This act shall take effect immediately. 36 37 38 **STATEMENT** 39 40 This bill requires a publicly held domestic or foreign 41 corporation, based in New Jersey, to have a board of directors that 42 reflects the racial and gender diversity of this State. Under this bill, a publicly held domestic or foreign corporation, 43 44 whose principal executive office is located within this State, will be 45 required to have a board of directors that reflects the racial and 46 gender diversity of this State by December 31, 2021. In order to

47 comply with this requirement, a corporation will be able to increase

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1 the number of directors on its board and use information from the 2 most recent decennial census published by the United States Bureau 3 of the Census. Corporations will also be required to file a list of all 4 directors and each director's terms of service with the Secretary of 5 State. 6 Additionally, by March 1, 2022, and annually thereafter, the 7 Secretary of State will be required to prepare and submit a report to 8 the Governor and the Legislature that contains the following:

9 (1) A list of publicly held domestic and foreign corporations 10 subject to, and in compliance with, the diversity requirement of this 11 bill during at least one point within the preceding calendar year;

(2) The number of publicly held domestic and foreign
corporations that moved their United States headquarters during the
preceding calendar year to New Jersey from another state or from
New Jersey to another state; and

(3) The number of domestic and foreign corporations that were
subject to the diversity requirement of this bill during the preceding
calendar year but are no longer publicly traded.