
A BILL FOR AN ACT

RELATING TO GENDER EQUITY.

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

1 SECTION 1. The legislature finds that the inclusion of
2 more females on boards of directors of publicly held
3 corporations would boost the State's economy, improve
4 opportunities for women in the workplace, protect Hawaii
5 taxpayers, shareholders, and retirees, and lead to other
6 economic benefits. The legislature recognizes that numerous
7 independent studies have concluded that publicly held
8 corporations perform better when women serve on their boards of
9 directors. A 2017 study by MSCI found that during the period
10 from 2011 to 2016, United States companies with three or more
11 female directors reported earnings per share that were forty-
12 five per cent higher than earnings for companies with no female
13 directors. In 2014, Credit Suisse found that companies with at
14 least one woman on their boards had an average return on equity
15 of 12.2 per cent, compared to 10.1 per cent for companies with
16 no female directors. The same report found that companies with
17 women on their boards had a price-to-book value of 2.4 times the



1 value in comparison to 1.8 times the value for companies without
2 women on their boards. Further, a 2012 study from the
3 University of California, Berkeley found that companies with
4 more women on their boards are more likely to "create a
5 sustainable future" by, among other matters, instituting strong
6 governance structures with a high level of transparency.

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

15 The purpose of this Act is to require publicly held
16 domestic and foreign corporations to include a certain number of
17 women among the directors of their corporate boards.

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



1 "§414-A Boards of publicly held corporations; gender
2 equity. (a) Beginning no later than December 31, 2020, each
3 publicly held domestic or foreign corporation whose principal
4 executive office is located within the State shall have a
5 minimum of one female director on its board.

6 (b) Beginning no later than December 31, 2022, each
7 publicly held domestic or foreign corporation whose principal
8 executive office is located within the State shall comply with
9 the following:

10 (1) If its number of directors is six or more, the
11 corporation shall have at least three female
12 directors;

13 (2) If its number of directors is five, the corporation
14 shall have at least two female directors; and

15 (3) If its number of directors is four or fewer, the
16 corporation shall have at least one female director.

17 (c) A corporation may increase the number of directors on
18 its board to comply with this section.

19 (d) No later than July 1, 2020, the department of commerce
20 and consumer affairs shall publish a report on its website



1 documenting the number of domestic and foreign corporations that
2 have all of the following:

3 (1) A principal executive office located within the State;
4 and

5 (2) At least one female director.

6 (e) No later than March 1, 2021, and no later than each
7 March 1 that occurs thereafter, the department of commerce and
8 consumer affairs shall publish an annual report on its website
9 that shall provide, at a minimum:

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

13 (2) The number of publicly held corporations that moved
14 their United States headquarters to this State from
15 outside of the State during the preceding calendar
16 year; and

17 (3) The number of corporations that were subject to this
18 section at some point during the preceding calendar
19 year, but subsequently ceased to be publicly held
20 corporations.



1 (f) The department of commerce and consumer affairs may
2 adopt rules pursuant to chapter 91 to implement this section.

3 (g) The department of commerce and consumer affairs may
4 impose an administrative fine upon a corporation subject to this
5 section for failure to timely file with the department any board
6 member information that is required by any rule adopted by the
7 department. For a first violation, the fine shall be \$100,000.
8 For any second violation or subsequent violation that occurs
9 within ten years after the most recent violation, the fine shall
10 be \$500,000.

11 (h) The department of commerce and consumer affairs may
12 impose an administrative fine upon a corporation subject to this
13 section for failure to include the minimum number of female
14 directors on its board, as required by subsection (a) or (b).

15 The amount of the fine imposed shall be determined by
16 administrative rule. For the purposes of this subsection:

17 (1) Each director's seat not filled by a female, as
18 required by subsection (a) or (b), shall count as a
19 separate violation; and

20 (2) If a female filled a director's seat as required by
21 subsection (a) or (b) during any portion of a calendar



1 year, the corporation shall not be found to have
2 violated the corresponding subsection for that
3 calendar year.

4 (i) For purposes of this section:

5 "Female" means an individual who self-identifies her gender
6 as a woman, without regard to the individual's designated sex at
7 birth.

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

11 "Publicly held corporation" means a corporation with
12 outstanding shares listed on a major United States stock
13 exchange."

14 SECTION 3. Chapter 414, Hawaii Revised Statutes, is
15 amended by adding a new section to part XVI to be appropriately
16 designated and to read as follows:

17 "§414-B Boards of publicly held foreign corporations;
18 gender equity. (a) Section 414-A shall apply to each publicly
19 held foreign corporation to the exclusion of the law of the
20 jurisdiction in which the foreign corporation is incorporated.



1 (b) For purposes of this section, "publicly held foreign
2 corporation" means a foreign corporation with outstanding shares
3 on a major Unites States stock exchange."

4 SECTION 4. Section 414-16, Hawaii Revised Statutes, is
5 amended by amending subsection (d) to read as follows:

6 "(d) The department director's duty to file documents
7 under this section is ministerial[-]; provided that the
8 department shall perform its duties under section 414-A. The
9 department director's filing or refusing to file a document does
10 not:

- 11 (1) Affect the validity or invalidity of the document in
12 whole or part;
- 13 (2) Relate to the correctness or incorrectness of
14 information contained in the document; and
- 15 (3) Create a presumption that the document is valid or
16 invalid or that information contained in the document
17 is correct or incorrect."

18 SECTION 5. In codifying the new sections added by sections
19 2 and 3 of this Act, the revisor of statutes shall substitute
20 appropriate section numbers for the letters used in designating
21 the new sections in this Act.



1 SECTION 6. Statutory material to be repealed is bracketed
2 and stricken. New statutory material is underscored.

3 SECTION 7. This Act shall take effect upon its approval.



S.B. NO. 2636
S.D. 1

Report Title:

Department of Commerce and Consumer Affairs; Corporations;
Boards of Directors; Women; Penalties

Description:

Requires publicly held domestic and foreign corporations to
includes certain numbers of females among their boards of
directors. Authorizes administrative fines for noncompliance.
(SD1)

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not legislation or evidence of legislative intent.*

