
BILL NO: House Bill 1210
TITLE: Corporate Diversity – Board, Executive Leadership, and Mission
COMMITTEE: Economic Matters
HEARING DATE: February 24, 2021
POSITION: **SUPPORT**

House Bill 1210 seeks to recognize and bring to light the deficiency of diversity within Maryland board rooms and in executive leadership. While recent efforts have been made to increase board gender diversity, notably 2019's SB 911 (Gender Diversity in the Boardroom - Annual Report or Nonprofit Sales and Use Tax Exemption Application), efforts to increase racial diversity have unfortunately often stalled. As reporting is not mandatory, it can be difficult to quantify the exact make up of boards at either the state or national level. But it is clear that corporate boards remain overwhelmingly white and male. According to recent studies, 37% of S&P 500 companies still did not have a single black board member in 2019¹. Overall, under-represented racial groups make up only 12.5% of board directors, with Black directors making up just 4%. **And for women of color, that number is shockingly low at less than 2%**². While these numbers reflect a slight increase across the years, board representation of under-represented racial groups has been increasing at a very slow rate, particularly when compared to gender diversity. Legislation such as HB 1210 would help make the process quicker and benefit the State as a whole.

HB 1210 will increase board diversity in Maryland by requiring organizations meet certain criteria related to underrepresented communities in order to qualifying for state grant or contract funding and tax credits. Applying to both for-profit and non-profit corporations, HB 1210 requires any corporation receiving a state capital grant, state tax credit, or state contract, totaling \$1,000,000 or more in a single year, demonstrate membership of underrepresented communities within their board or executive leadership, or support of underrepresented communities in its mission. Studies suggest that this type of legislation is necessary in order to significantly increase board diversity³.

Diversity on corporate boards matters. Boards of directors make decisions impacting individuals and communities. They choose CEOs, make decisions about executive compensation, whether to buy, sell, or merge with other companies, where corporate offices close and relocate, and how much priority a company gives to issues other than profits, such as social responsibility. Having greater racial diversity on boards would increase diversity of thought and practices. HB 1210 will not only have a positive impact on the applicable entities, but also on the communities impacted by those entities.

Therefore, the Women's Law Center of Maryland, Inc. urges a favorable report on HB1210.

The Women's Law Center of Maryland is a private, non-profit, membership organization that serves as a leading voice for justice and fairness for women. It advocates for the rights of women through legal assistance to individuals and strategic initiatives to achieve systemic change. The Women's Law Center operates two hotlines, the Protection Order Advocacy and Representation Projects in Baltimore City, Baltimore County and Carroll County, and the statewide Collateral Legal Assistance to Survivors and Multi-Ethnic Domestic Violence Projects.

¹ Power in the Board Room: Blacks in Corporate Governance, Black Enterprise, Derek T. Dingle, October 9, 2019, <https://www.blackenterprise.com/power-in-the-boardroom-corporate-governance/>, last visited 2/21/21

² Diversity Push Barely Budes Corporate Boards to 12/5%, Survey Finds, The New York Times, Peter Eavis, September 15, 2020, <https://www.nytimes.com/2020/09/15/business/economy/corporate-boards-black-hispanic-directors.html>, last visited 2/21/21

³ U.S. Board Diversity Trends in 2019, Kosmas Papadopoulos, May 31, 2019, https://www.issgovernance.com/file/publications/ISS_US-Board-Diversity-Trends-2019.pdf, last visited 2/21/21