



POSITION STATEMENT

TESTIMONY PRESENTED TO THE SENATE EDUCATION, HEALTH, AND ENVIRONMENTAL AFFAIRS COMMITTEE

SENATE BILL 301 - CORPORATIONS – BOARD MEMBERS AND EXECUTIVE OFFICERS DIVERSITY – PROCUREMENT PREFERENCE AND REPORTING

Sponsor: Senator Sydnor

February 3, 2021

DONALD C. FRY
PRESIDENT & CEO
GREATER BALTIMORE COMMITTEE

Position: Support with Amendments

The Greater Baltimore Committee (GBC) supports Senate Bill 301 with amendments. This bill requires the Board of Public Works to establish, by regulation, a threshold and process for determining the demographics of board members and executive officers of a corporation that are similar to those of the State; requires the Board to adopt certain regulations that require certain units of State government to establish a certain corporate diversity percentage price preference; and requires the Department to report by January 1 annually to the Board information on the racial and ethnic diversity of certain Boards of Directors; etc.

The lack of diversity among corporate executives has been a longstanding and underreported negative impact on the economy. According to the McKinsey and Company consulting firm:

“Companies in the top quartile of gender diversity on executive teams were 25 percent more likely to experience above-average profitability than peer companies in the fourth quartile... (and) for ethnic and cultural diversity, companies in the top 25% outperformed those in the bottom quarter by 36% in terms of profitability.”

While companies agree about the importance of diversity, corporate boards and executive demographics often show a lack of women and minorities. Also, a survey revealed that among support staff and operations employees, 64% of all employees are white while 36 % were nonwhite, but among executives, 85% were white while only 14% were nonwhite.

The Greater Baltimore Committee contends that addressing these disparities will have a positive impact on Maryland’s economic growth and vitality.

While the GBC does support the intent of Senate Bill 301, there are several amendments that should be included to ensure that the true intent of the legislation is followed:

- The reporting requirement should include a provision that would include a reporting of gender diversity as well as racial diversity among board members and corporate executive officers.
- As the purpose of the bill is to serve as a reporting and informational source of diversity on boards and executive roles, the mandate to describe the process and procedure for identifying and selecting board

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111 South Calvert Street • Suite 1700 • Baltimore, Maryland • 21202-6180

(410) 727-2820 • www.gbc.org

members and executive positions should be deleted. In its place, language should be added similar to the process required of corporations desired to be listed by Nasdaq. Specifically, if the reporting reveals that the diversity reported by the corporation does not meet the established guidelines, the company filing the report shall explain the justification for the lack of diversity. This requirement would serve as an acknowledgement of the deficiency in diversity and require justification, if any.

For these reasons, the Greater Baltimore Committee urges a favorable report of Senate Bill 301 following the adoption of the recommended changes contained in this testimony.

The Greater Baltimore Committee (GBC) is a non-partisan, independent, regional business advocacy organization comprised of hundreds of businesses -- large, medium and small -- educational institutions, nonprofit organizations and foundations located in Anne Arundel, Baltimore, Carroll, Harford, and Howard counties as well as Baltimore City. The GBC is a 66-year-old, private-sector membership organization with a rich legacy of working with government to find solutions to problems that negatively affect our competitiveness and viability.