

By: Miles

S.B. No. 1197

A BILL TO BE ENTITLED

AN ACT

relating to requiring female representation on the boards of directors of certain publicly traded corporations; authorizing administrative penalties.

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

SECTION 1. Subchapter I, Chapter 21, Business Organizations Code, is amended by adding Sections 21.419 and 21.420 to read as follows:

Sec. 21.419. BOARD COMPOSITION FOR PUBLICLY TRADED CORPORATION: FEMALE REPRESENTATION REQUIRED. (a) In this section:

(1) "Female" means an individual who self-identifies the individual's gender as female.

(2) "Headquarters," with respect to a publicly traded corporation, means the location listed on the corporation's most recent Form 10-K filed with the Securities and Exchange Commission.

(3) "Publicly traded corporation" means a corporation that has a class or series of the corporation's voting shares qualified for trading on a national securities exchange.

(b) A publicly traded corporation whose headquarters are located in this state must:

(1) not later than January 1, 2024, have at least one female director on the corporation's board of directors; and

(2) not later than January 1, 2025, have at least:

(A) one female director on the corporation's

board of directors if the board is composed of four or fewer members;

(B) two female directors on the corporation's board of directors if the board is composed of five members; or

(C) three female directors on the corporation's board of directors if the board is composed of at least six members.

(c) Not later than March 1 of each year, the secretary of state shall publish on the secretary of state's Internet website a report regarding the compliance of publicly traded corporations with Subsection (b) during the preceding calendar year. The report must include:

(1) the number of corporations that were in compliance with Subsection (b) at any time during the preceding calendar year;

(2) the number of corporations that were subject to the requirements of Subsection (b) and that relocated the corporations' headquarters outside of this state during the preceding calendar year; and

(3) the number of corporations that were subject to the requirements of Subsection (b) at any time during the preceding calendar year but are no longer subject to those requirements because the corporation has changed to the extent it no longer meets the definition of a publicly traded corporation.

(d) A publicly traded corporation is considered to be in compliance with Subsection (b) if, at any time during the preceding calendar year, the corporation had the appropriate number of female directors required by that subsection.

(e) The secretary of state may adopt rules necessary to

1 implement this section.

2 Sec. 21.420. ADMINISTRATIVE PENALTY FOR VIOLATION OF BOARD
3 COMPOSITION REQUIREMENTS. (a) The secretary of state may impose an
4 administrative penalty on a publicly traded corporation that
5 violates Section 21.419 or a rule adopted under that section.

6 (b) The penalty for a violation of Section 21.419(b) may be
7 in an amount not to exceed:

8 (1) \$100,000 for a first violation; and

9 (2) \$300,000 for a second or subsequent violation.

10 (c) The penalty for a violation of a rule adopted under
11 Section 21.419 may be in an amount not to exceed \$100,000.

12 (d) The amount of an administrative penalty imposed under
13 this section must be based on:

14 (1) the history of any previous violations;

15 (2) the amount necessary to deter future violations;

16 and

17 (3) efforts to correct the violation.

18 (e) An administrative penalty collected under this section
19 shall be remitted to the comptroller for deposit in the general
20 revenue fund.

21 SECTION 2. Not later than July 1, 2023, the secretary of
22 state shall publish on the secretary of state's Internet website a
23 list of publicly traded corporations, as defined by Section 21.419,
24 Business Organizations Code, as added by this Act, headquartered in
25 this state that, during the preceding calendar year, had at least
26 one female director on the corporation's board of directors.

27 SECTION 3. The secretary of state is required to publish the

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1 initial report required by Section 21.419(c), Business
2 Organizations Code, as added by this Act, not later than March 1,
3 2024.

4 SECTION 4. This Act takes effect September 1, 2019.