

California lawmakers have proposed legislation (AB 979), which, if enacted, would mandate that public companies whose principal executive offices are located in California appoint at least one director from an underrepresented community by the end of calendar year 2021. AB 979 currently defines “underrepresented communities” as African American, Hispanic or Native American, but the definition could expand during the legislative process.

In addition, the proposed legislation would require that additional directors be appointed from underrepresented communities no later than the close of the 2022 calendar year, depending on the size of the board. In particular, the number of directors from underrepresented communities required under the proposed law would be at least:

- One for corporations with four or fewer directors;
- Two for corporations with five to eight directors; and
- Three for corporations with nine or more directors.

AB 979 would require the California Secretary of State to track and report compliance and levy fines for noncompliance. The California legislature has until August 31, 2020 to amend and/or pass the bill, and the governor has until September 30, 2020 to sign or veto the bill (assuming the bill passes in the legislature). In light of the current social justice movement and the focus on the role companies play in such movement, it appears that some form of the legislation has a meaningful chance of being enacted.

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