

HOUSE BILL 2656

By Chism

AN ACT to amend Tennessee Code Annotated, Title 4;
Title 8; Title 12; Title 48 and Title 67, relative to
business entities.

WHEREAS, this General Assembly finds that women and minorities are still largely underrepresented nationally in positions of corporate authority, such as serving as a director on a corporation's board of directors; and

WHEREAS, this low representation could be contributing to the disparity seen in wages made by women and minorities versus their white male counterparts; and

WHEREAS, increased representation of these individuals as directors on boards of directors for corporations may boost this state's economy, improve opportunities for women and minorities in the workplace, and foster an environment in this State where the business community is representative of our residents; now, therefore,

BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF TENNESSEE:

SECTION 1. Tennessee Code Annotated, Title 8, Chapter 3, is amended by adding the following as a new part:

8-3-301. Part definitions.

As used in this part:

(1) "Annual report" means the report submitted annually to the secretary of state pursuant to § 8-3-302;

(2) "Minority person" means an individual who is a citizen or lawful permanent resident of the United States and who is a member of a racial or ethnic minority within this state; and

(3) "Publicly held domestic or foreign corporation" means a corporation with outstanding shares listed on a major United States stock exchange.

8-3-302. Reporting to the secretary of state.

(a) No later than January 1, 2025, and each January 1 thereafter, each corporation registered with the secretary of state shall submit the following information to the secretary of state, which the secretary of state shall make public on the secretary of state's website as the information is received:

(1) Whether the corporation is a publicly held domestic or foreign corporation with its principal executive office located in this state; and

(2) If the corporation is a publicly held domestic or foreign corporation with its principal executive office located in this state:

(A) Data on specific qualifications, skills, and experience that the corporation considers for its board of directors, nominees for the board of directors, and executive officers;

(B) The gender of each member of its board of directors;

(C) Data on whether each member of its board of directors self-identifies as a minority person and, if so, which race or ethnicity to which the member belongs;

(D) A description of the corporation's process for identifying and evaluating nominees for the board of directors, including whether, and, if so, how demographic diversity is considered;

(E) A description of the corporation's process for identifying and appointing executive officers, including whether, and, if so, how demographic diversity is considered; and

(F) A description of the corporation's policies and practices for promoting diversity, equity, and inclusion among its board of directors and executive officers.

(b) No later than March 1, 2025, and each March 1 thereafter, the secretary of state shall review the information reported and published under subsection (a) and publish on the secretary of state's website a report that provides aggregate data on the demographic characteristics of the boards of directors and executive officers of corporations filing an annual report for the preceding year along with an individualized rating for each corporation as described in subsection (c). The report must identify strategies for promoting diversity and inclusion among boards of directors and corporate executive officers.

(c) The secretary of state shall establish a rating system assessing the representation of women and minorities on corporate boards of directors of those corporations that are publicly held domestic or foreign corporations with their principal executive office located in this state based on the information gathered under this section. The rating system must consider, among other things, compliance with the demographic reporting obligations in subsection (a); the corporation's policies and practices for encouraging diversity in recruitment, board membership, and executive appointments; and the demographic diversity of board seats and executive positions.

SECTION 2. The secretary of state is authorized to promulgate rules to effectuate this act. The rules must be promulgated in accordance with the Uniform Administrative Procedures Act, compiled in Tennessee Code Annotated, Title 4, Chapter 5.

SECTION 3. The headings in this act are for reference purposes only and do not constitute a part of the law enacted by this act. However, the Tennessee Code Commission is requested to include the headings in any compilation or publication containing this act.

SECTION 4. For purposes of rulemaking, this act takes effect upon becoming a law, the public welfare requiring it. For all other purposes, this act takes effect July 1, 2024, the public welfare requiring it.