

March 11, 2021

To: Chair Smith Warner and Members of the House Committee on Rules
From: Paloma Sparks, OBI
RE: OBI Testimony on HB 3110

Chair Smith Warner and Members of the Committee:

Thank you for the opportunity to testify on this important issue for Oregon Business & Industry members. OBI is Oregon's most comprehensive business association representing over 1,600 businesses that employ over 250,000 people. We represent multiple sectors and serve as the state's Retail and Manufacturing Councils.

First, I would like to start by saying that our members support the underlying goal of this bill. Having diverse representation within our companies and on our boards are very important to OBI's members. We take this work very seriously and have been prioritizing diversity within our companies and boards.

Public companies are highly regulated at the federal level by both law and marketplace rules. It doesn't make sense to regulate these issues at the state level, particularly when so much work is being done at the federal level to address these issues. The NASDAQ is currently proposing board diversity rules which may end up in conflict with this bill. Public companies have an obligation to abide by the rules and regulations at the federal law. These businesses are already beholden to NASDAQ, NYSE and the SEC. We believe that is the proper place for this issue to be decided.

We are particularly concerned that this concept doesn't take into account the fact that business leadership does not control board membership. This is a decision entirely at the control of shareholders who elect board members. Shareholders have many interests, but first and foremost it is the financial health of the business. Companies have a fiduciary duty to our shareholders to maximize their return on investment. That means that directors are chosen based on whether they will further the goal of benefiting shareholders.

Companies are competing for the best talent to serve on our boards to help improve and grow the business. Board members that serve the culture, mission and unique needs of companies are not easy to find. That is why so many companies are investing in talent development among their own employees, to ensure that we all have a broader and more diverse pool of skilled future board members. But this work takes time.

Finally, there are a very few public companies headquartered in Oregon, far less than we had twenty years ago. Particularly in our more virtual world, businesses have a lot of choices about where to headquarter their operations. The regulatory environment and costs of Oregon have

already reduced our desirability as a location. This bill could further disincentivize businesses from locating to or remaining in Oregon. These businesses provide a great benefit to the health of our economy and the desirability of Oregon for other businesses and citizens. Oregon, particularly Portland, is struggling to make it through the damage this past year has brought – we should be encouraging growth rather than discouraging it.

We support the spirit of this concept to grow board diversity but there are better ways to achieve these goals. Oregon should be focused on finding ways to incentivize businesses to be more diverse while supporting their investment in our communities.

Thank you for your consideration.