

New Illinois Law Requires Corporations to Report Diversity on Corporate Boards

By Patrick J. Rocks and Kathryn Montgomery Moran

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A new Illinois law, [Public Act 101-0589](#), signed by Governor J.B. Pritzker on August 27, 2019, aims to encourage diversity on the boards of directors of publicly held domestic and foreign corporations with principal executive offices in Illinois. The bill passed both houses of the General Assembly as House Bill 3394.

P.A. 101-0589 requires that corporations include additional information in annual reports submitted to the Secretary of State that the Secretary will make available to the public online. The additional information includes whether the corporation is a publicly held domestic or foreign corporation with its principal executive office in Illinois. Corporations that meet this requirement also must report:

1. Data on specific qualifications, skills, and experience that the corporation considers for its board of directors, nominees for the board, and executive officers;
2. The self-identified gender of each member of its board of directors;
3. Whether each member of its board self-identifies as a minority person and which race or ethnicity to which the member belongs;
4. The corporation's process for identifying and evaluating nominees for the board, including whether and how the corporation considers demographic diversity;
5. The corporation's process for identifying and appointing executive officers, including whether and how the corporation considers demographic diversity; and
6. The corporation's policies and practices for promoting diversity, equity, and inclusion among its board and executive officers.

The University of Illinois will study information provided in annual reports and publish a report on its website. The report will include aggregate data on the demographic characteristics of the boards and executive officers of corporations that filed reports, individualized ratings for each corporation, and strategies for promoting diversity and inclusion among boards and corporate executive officers.

The University will establish a rating system considering the corporation's compliance with reporting obligations, corporation policies, practices for encouraging diversity in recruitment, board membership, and executive appointments, and the demographic diversity of board seats and executive positions.

The General Assembly removed mandatory diversity obligations and penalties in earlier versions of HB 3394 before delivering the final bill to the Governor.

P.A. 101-0589 became effective upon enactment. Corporations must report the new required information as soon as practicable, but no later than January 1, 2021. Information required by P.A. 101-0589 also must be updated in each annual report filed with the Secretary of State thereafter. The University's report is due by March 1 of each year beginning in 2021.

California, Massachusetts, and Pennsylvania have enacted board diversity legislation. Board diversity legislation also is pending in the U.S. House of Representatives.

Jackson Lewis attorneys are available to answer questions about P.A. 101-0589 and help corporations comply with its requirements.

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