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Meridian Client Update

Illinois' Proposed Board Diversity Law Stripped of Diversity Mandate

Earlier this month, the Illinois House of Representatives and Senate passed legislation that requires certain public companies to report diversity data and information, but excludes the requirement that these public companies' board of directors meet racial and gender quotas (which were a part of the initial proposed legislation).

As we previously reported in our [Client Update dated May 22, 2019](#), the Illinois House of Representatives and Illinois Senate were both considering separate bills that would have required subject corporations' boards of directors to include at least one female and one African American director by December 31, 2020. The Senate bill also would have required corporate boards to include at least one Latino director by the same date. Both the House bill and Senate bill would have imposed financial penalties for non-compliance. However, the bill passed by the Illinois legislature only requires subject corporations to file annual diversity statistics with the Illinois Secretary of State. These diversity reporting requirements are described below.

Demographic Diversity Reporting Requirements

The final legislation will require each foreign¹ or domestic public corporation whose principal executive office is located in Illinois (collectively, "Subject Companies") to disclose in its annual report filed with the Illinois Secretary of State the following information:

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

¹ A foreign corporation is a corporation organized under the laws of another jurisdiction (including non-U.S. jurisdictions) that qualifies to transact business in Illinois.

² Racial and ethnic identities are specified and defined in the statute.

The legislation requires that Subject Companies include the demographic diversity information in annual reports no later than January 1, 2021.

Meridian Comment

Surprisingly, the Illinois legislature could not muster majority support for either the House bill or the Senate bill with the diversity mandate included, despite the fact that Democrats hold a super-majority in both legislative chambers and Illinois' newly elected governor is a Democrat. The detailed diversity statistics under the new legislation are intended to aid Illinois legislators in drafting future policy solutions to eliminate the disparate representation of women and minorities on corporate boards. Illinois Governor J.B. Pritzker could sign the bill into law as early as this month.

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The **Client Update** is prepared by Meridian Compensation Partners' Governance and Regulatory Team led by Donald Kalfen. Questions regarding this Client Update or executive compensation technical issues may be directed to Donald Kalfen at 847-235-3605 or dkalfen@meridiancp.com.

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