

Proposed Amendment to Illinois Law Could Impact Corporate Pocketbooks

Labor & Employment Law Update

on March 23, 2022



In the past few years, a law was passed in Illinois that added annual reporting requirements for publicly held companies with their headquarters in Illinois. The requirements of that law included reporting the following on a company's annual report:

1. If the corporation was publicly held, domestic or foreign, and had its principal office in Illinois;
2. Data on credentials, skills, and experience that the corporation uses to choose its board of directors;
3. What gender the member of the board of directors identifies with;
4. Whether the member of the board of directors identifies as a minority;
5. What sexual orientation the member of the board of directors identifies with;
6. What gender identity the member of the board of directors identifies with;
7. A description of the process the corporation uses for identifying and assessing nominees for the board of directors and if demographic diversity is considered;
8. A description of the process the corporation uses for identifying and appointing executive directors and if demographic diversity is considered; and
9. A description of the policies of the corporation and practices used for promoting diversity, equity, and inclusion among its board of directors and executive officers.

The law passed amid considerable controversy, and the law did not include any penalty provisions.

Now, an amendment to the law is being proposed that will add steep penalty provisions. The first time a company fails to include the required information in its annual report, the company will face a \$100,000.00 fine. For the second offense, the fine doubles to \$200,000.00 and adds a \$50,000 monthly fine until the report is filed.

While the law was intended to promote the advancement of women, minorities, and LGBTQ people as executive officers and on boards, the penalties seem severely excessive. This proposed amendment could be passed quickly, so it is important to make the existing reporting requirements part of your company's annual report if you are a publicly held company with headquarters in Illinois.

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