ecgi

As California Goes, So Goes the Nation? Board Gender Quotas and Shareholders' Distaste of Government Interventions

Finance Working Paper N° 785/2021
August 2025

Felix von Meyerinck
Lake Lucerne Institute, University of Zurich and Hamburg Financial Research Center

Alexandra Niessen-Ruenzi
University of Mannheim and ECGI

Markus Schmid
University of St. Gallen, Swiss Finance Institute and ECGI

Steven Davidoff Solomon
University of California, Berkeley and ECGI

ECGI Working Paper Series in Finance

As California Goes, So Goes the Nation? Board Gender Quotas and Shareholders' Distaste of Government Interventions

Working Paper N° 785/2021

August 2025

Felix von Meyerinck
Alexandra Niessen-Ruenzi
Markus Schmid
Steven Davidoff Solomon

We are grateful to Renée Adams, Kenneth Ahern, Yakov Amihud, Bo Becker (GCCG-discussant), Murillo Campello, Ettore Croci, Vicente Cu˜nat, Daniel Ferreira (AFA-discussant), Miguel Ferreira, Jill Fisch, Joseph Grundfest, Michael Halling, James Hicks, Lorenz Kueng, Philipp Krueger, François Longin (PFMC-discussant), Alberto Manconi, Ernst Maug, Kasper Meisner Nielsen, Adair Morse, Stephen Penman, Stefan Reichelstein, Stefan Ruenzi, Lukas Schmid, Paul Smeets, David Solomon, Holger Spamann, Jonathan Stötherau, Alex Wagner, Hannes Wagner, and participants at the 2019 Paris Financial Management Conference (PFMC), the 2019 Accounting Symposium at the University of St. Gallen, the 2019 American Law and Economics Association meetings, the 2020 American Finance Association (AFA) meetings, the 2021 Global Corporate Governance Colloquia (GCCG), and the 2021 Corporate Finance Day at Erasmus University, as well as seminar participants at Ludwig-Maximilians-Universität in Munich, Norwegian University of Science and Technology in Trondheim, University of Konstanz, University of Southern Denmark, University of Basel, University of Zurich, University of St. Gallen, and University of Oxford for helpful comments and discussions. Financial support from the Basic Research Fund of the University of St. Gallen is gratefully acknowledged. All errors are our own. Declarations of interest: none.

Abstract

In 2018, California set a precedent by enacting a mandatory gender quota for corporate boards, only to become the first state to repeal it in 2022. Our analysis reveals significant variation in the stock market responses of California firms to both the implementation and subsequent repeal of the board gender quota as well as significant spillover effects for non-California firms. Our results show that director labor market frictions are not the only driver of these stock market reactions. Instead, two novel factors emerge as key drivers: the sensitivity of firms to policy changes and their orientation towards Environmental, Social, and Governance (ESG) principles. Specifically, firms sensitive to policy changes reacted negatively to the quota's introduction and positively to its repeal, reflecting their regulatory uncertainty aversion. In contrast, firms with strong ESG commitments showed the opposite response, indicating that these firms value gender diversity on boards beyond compliance with legal mandates. These findings underline the importance of considering broader regulatory and corporate governance factors in understanding stock market responses to gender quotas.

Keywords: Gender quota, Regulatory uncertainty, Director labor markets

JEL Classifications: J16, J24, G38, K38

Felix von Meyerinck
Director of Research
Lake Lucerne Institute
Seestrasse 18
6354 Vitznau, Switzerland
e-mail: felix.vonmeyerinck@llui.org

Alexandra Niessen-Ruenzi
Professor and Chair of Corporate Governance
University of Mannheim
68131 Mannheim, Germany
e-mail: alexandra.niessen-ruenzi@uni-mannheim.de

Markus Schmid*
Professor of Corporate Finance
University of St Gallen
Unterer Graben 21
CH-9000 St.Gallen, Switzerland
e-mail: markus.schmid@unisg.ch

Steven Davidoff Solomon
Alexander F. and May T. Morrison Professor of Law
University of California, Berkeley
693 Simon Hall
Berkeley, CA 94720, United States
phone: +1 510 642 1769
e-mail: steven.solomon@law.berkeley.edu

*Corresponding Author

As California Goes, so Goes the Nation? Board Gender Quotas and Shareholders' Distaste of Government Interventions*

Felix von Meyerinck Alexandra Niessen-Ruenzi Markus Schmid Steven D. Solomon†

April 2, 2025

Abstract

In 2018, California set a precedent by enacting a mandatory gender quota for corporate boards, only to become the first state to repeal it in 2022. Our analysis reveals significant variation in the stock market responses of California firms to both the implementation and subsequent repeal of the board gender quota as well as significant spillover effects for non-California firms. Our results show that director labor market frictions are not the only driver of these stock market reactions. Instead, two novel factors emerge as key drivers: the sensitivity of firms to policy changes and their orientation towards Environmental, Social, and Governance (ESG) principles. Specifically, firms sensitive to policy changes reacted negatively to the quota's introduction and positively to its repeal, reflecting their regulatory uncertainty aversion. In contrast, firms with strong ESG commitments showed the opposite response, indicating that these firms value gender diversity on boards beyond compliance with legal mandates. These findings underline the importance of considering broader regulatory and corporate governance factors in understanding stock market responses to gender quotas.

JEL Classifications: J16, J24, G38, K38

Keywords: Gender quota, Regulatory uncertainty, Director labor markets

*We are grateful to Renée Adams, Kenneth Ahern, Yakov Amihud, Bo Becker (GCCG-discussant), Murillo Campello, Ettore Croci, Vicente Cuñat, Daniel Ferreira (AFA-discussant), Miguel Ferreira, Jill Fisch, Joseph Grundfest, Michael Halling, James Hicks, Lorenz Kueng, Philipp Krueger, François Longin (PFMC-discussant), Alberto Manconi, Ernst Maug, Kasper Meisner Nielsen, Adair Morse, Stephen Penman, Stefan Reichelstein, Stefan Ruenzi, Lukas Schmid, Paul Smeets, David Solomon, Holger Spamann, Jonathan Stötherau, Alex Wagner, Hannes Wagner, and participants at the 2019 Paris Financial Management Conference (PFMC), the 2019 Accounting Symposium at the University of St. Gallen, the 2019 American Law and Economics Association meetings, the 2020 American Finance Association (AFA) meetings, the 2021 Global Corporate Governance Colloquia (GCCG), and the 2021 Corporate Finance Day at Erasmus University, as well as seminar participants at Ludwig-Maximilians-Universität in Munich, Norwegian University of Science and Technology in Trondheim, University of Konstanz, University of Southern Denmark, University of Basel, University of Zurich, University of St. Gallen, and University of Oxford for helpful comments and discussions. Financial support from the Basic Research Fund of the University of St. Gallen is gratefully acknowledged. All errors are our own. Declarations of interest: none.

†Felix von Meyerinck (corresponding author): Department of Finance, University of Zurich, Plattenstrasse 14, 8032 Zurich, Switzerland, E-mail: felix.vonmeyerinck@df.uzh.ch. Alexandra Niessen-Ruenzi: University of Mannheim, L9, 1-2, 68161 Mannheim, Germany, E-mail: niessen@bwl.uni-mannheim.de. Markus Schmid: Swiss Finance Institute (SFI) and School of Finance, University of St. Gallen, Unterer Graben 21, CH-9000 St. Gallen, Switzerland, E-mail: markus.schmid@unisg.ch. Steven Davidoff Solomon: Berkeley School of Law, University of California Berkeley, 693 Simon Hall, Berkeley, CA 94720, USA, E-mail: steven.solomon@law.berkeley.edu.

1 Introduction

Women remain underrepresented in corporate leadership roles. According to the 2023 Global Gender Gap Report by the World Economic Forum, the share of women in managerial roles was 35.5%, and the share of women in director roles was 36.8%. Female representation drops even further to 25% in executive positions. In the United States, the share of female CEOs of Fortune 500 companies was only 10.6%, corresponding to 53 female CEOs.[1] To address this disparity, several countries have implemented mandatory gender quotas for boardroom representation. The first country to act was Norway, setting a benchmark with a 40% quota for female board members in 2003 (Ahern and Dittmar (2012); Matsa and Miller (2013); Eckbo et al. (2022)). Following Norway's lead, Belgium, France, Germany, Iceland, India, Israel, Italy, and Portugal have all adopted similar measures. In the U.S., California was the first state to enact a mandatory board gender quota on September 30$^{\text{th}}$, 2018. California firms were given until year-end of 2021 to comply. The quota was subsequently overturned by a California court in May 2022.

The effectiveness of the California gender quota was debated from the start. Critics argued it might not significantly alter board compositions, as companies could meet the quota by adding a few female directors without removing male ones. The law's penalties were seen as mild, with fines of $100,000 for a first offense and $300,000 for subsequent ones, capping at $900,000 annually for an all-male board with six or more directors. Moreover, its constitutionality was questioned from the beginning, given potential conflicts with the corporate internal affairs doctrine and civil rights laws (Fisch and Davidoff Solomon (2019); Grundfest (2019)). This skepticism was validated when, on May 13$^{\text{th}}$, 2022, the Superior Court of Los Angeles County declared the law unconstitutional, violating the right to equal treatment.[2] At the time the law was overturned, about 25% of California firms were non-compliant, including three with all-male boards.

Despite initial doubts about its legal validity, we document a robust and significantly negative market reaction from both California and non-California firms to the adoption of the California gender quota. Specifically, we find that abnormal returns of California firms are -2.5% on average for a two-day event window, while industry and size-matched non-California firms experience a

[1] Data obtained from PEW Research (2023).

[2] See Crest v. Padilla, L.A. Superior Court Case No. 19STCV27561. In signing the law, Governor Brown already acknowledged potentially "*fatal*" legal problems in the measure, but said it was "*high time*" to force action by corporations.

negative return of -1.8%. In economic terms, the mean reduction in shareholder value amounts to around $314 million for California and $102 million for non-California firms, respectively (based on the mean market capitalization in the two groups). These large losses for non-California firms are remarkable given that they are not directly affected by the gender quota. For California firms, they also appear too large given the law's limited effectiveness.[3] We also examine the "reverse shock" of the quota's repeal in May 2022 and find that both, California and non-California firms, experience robust and significantly positive two-day abnormal returns of around 2.8%.

Why do shareholders react so negatively to the introduction of a gender quota? The predominant explanation put forward in the previous literature is frictions in the director labor market. According to Ahern and Dittmar (2012); Hwang et al. (2019), and Greene et al. (2020), a lack of qualified female candidates or costly access to the pool of female directors explains the negative announcement returns to gender quotas. If qualified female directors are scarce and part of different job networks to which firms don't have regular access (Beaman et al. (2018)), shareholders may anticipate higher search costs and thus react negatively to a gender quota.

In this paper, we show that the negative valuation effects of California and non-California firms are not fully accounted for by frictions in the director labor market. While we observe a shift in the demand curve for female directors at California firms following the quota's adoption, our analysis of a comprehensive set of board characteristics following the quota implementation reveals no evidence of a decline in board quality at California firms relative to non-California firms, and no discernible impact on board compensation. Furthermore, we find no evidence that the gender quota leads to a shift in the demand curve for female directors at non-California firms. Consequently, the new labor market equilibrium post-quota appears to impose no additional costs for California and non-California firms. However, the anticipation of further stakeholder-oriented legislation seems to be an important contributor to negative market responses upon the announcement of the gender quota. Essentially, investors seem to react negatively not just to the specifics of the gender quota but to the broader implications of a changing regulatory landscape that shifts power from

[3]To illustrate, consider the following back-of-the-envelope calculation. Nguyen and Nielsen (2010) show that the value of an outside director is about 0.84% on average. Given that the average California firm needed to add 1.7 directors to comply with the quota requirements, even when required to replace directors, the effect would only be about 1.4% or half of the documented announcement returns of California firms. Given that no directors needed to be replaced under the quota, this amount should represent the upper bound of the expected valuation effect.

shareholders to other stakeholders at the firm. We conduct a series of tests to determine whether a shareholder preference-based explanation contributes to the announcement returns associated with gender quotas.

First, we examine whether investors' distaste for regulatory uncertainty explains the negative valuation effects in response to quota adoption. Bushee et al. (2014) provide evidence that governance-sensitive institutional investors affect firms' corporate governance mechanisms. In a similar vein, investors' sensitivity to regulatory uncertainty may affect how firms react to the introduction of a gender quota. We use the Economic Policy Uncertainty (EPU) index of Baker et al. (2016), an established newspaper-based index counting articles related to economic policy uncertainty on a given day, and follow Koijen et al. (2016) and Akey and Lewellen (2017) to compute a firm-level measure of sensitivity to the firm's regulatory environment. According to the EPU, policy uncertainty indeed increased strongly surrounding the days of the quota's adoption and repeal. Controlling for director labor market frictions, we show that firms with high policy sensitivity react more negatively (positively) to the adoption (invalidation) of the gender quota than firms with low policy sensitivity.

Second, we analyze whether firms' appetite for stakeholder-friendly legislation matters for how shareholders react to a gender quota. In recent years ESG-related issues, including gender equality, became more important and share ownership by socially responsible investment funds increased significantly (e.g., Hartzmark and Sussman (2019)).[4] Such developments favoring a stakeholder-oriented and gender-equal economic environment could yield a more positive market response to gender quotas if shareholders prefer stakeholder-friendly legislation.[5] Using data from MSCI KLD, we show that California firms with higher sustainability scores indeed react more positively to the quota's adoption than California firms with lower sustainability scores. This result is consistent with the view that firms' reaction to the adoption of a gender quota depends on their appetite for stakeholder-friendly legislation. Similarly, we find that ownership by socially responsible investment

[4]Data provided by the Principles for Responsible Investment (PRI, 2021) suggest that assets managed by PRI signatories increased from about USD 6 trillion in 2006 to more than USD 120 trillion in 2021; see PRI Annual Report (2021)

[5]In line with this view, Fried (2021) shows that investor preferences for gender diversity matter for their investment decisions, i.e., funds from countries with greater gender equality hold larger stakes in firms with more female directors. Similarly, Heath et al. (2023) show that SRI funds select firms following strategies consistent with their own objectives, including higher board gender diversity, but do not try to change corporate behavior through engagement or the submission of proposals.

(SRI) funds has a mediating effect on the negative valuation effects for both California and non-California firms.

To further examine whether regulatory uncertainty about stakeholder-friendly government interventions drives our main result, we analyze whether spillover effects are stronger for firms in states likely to follow California's legislative lead. We use several proxies for a state's propensity to follow California's legislative direction, among them the extent to which a state followed California in raising minimum hourly wages, legalizing the consumption of Cannabis, and adopting strict environmental legislation. In the sample of non-California firms, we find more negative returns to the quota's adoption for firms in states with a high propensity to follow California. Among firms in these states, policy-sensitive and stakeholder-oriented ones react the strongest, while female board representation does not matter. These results further support our conjecture that shareholders' reaction is driven by their distaste for stakeholder-oriented legislation rather than concerns about filling board seats with qualified female directors.

Our paper contributes to the literature on board gender quotas (e.g., Ahern and Dittmar (2012); Greene et al. (2020); Eckbo et al. (2022)) and gender diversity on corporate boards (e.g., Carter et al. (2017); Adhikari et al. (2019); Adams and Ferreira (2009); Kang et al. (2022); Baik et al. (2024)). Ex-ante, this literature does not provide a clear prediction on whether the adoption of a gender quota should be associated with positive or negative announcement returns. While Ahern and Dittmar (2012) document negative announcement returns to the adoption of a gender quota in Norway, Eckbo et al. (2022) find statistically insignificant announcement returns to the same quota. For the California quota, Greene et al. (2020) and Hwang et al. (2019) document negative announcement returns. However, other papers using U.S. data point to benefits associated with gender-diverse boards. These studies refer to increased stock price informativeness (Gul et al. (2011)), lower litigation risk (Adhikari et al. (2019)), improved investment outcomes (Baik et al. (2024)), heightened cognitive diversity (Kang et al. (2022)), and better oversight (Adams and Ferreira (2009)). The link between board gender diversity and firm value is less clear. While Kang et al. (2022) find a positive relation, Adams and Ferreira (2009) document the opposite. A negative link between gender quotas and productivity has also been shown for France and Spain, while a positive relation has been found for Italy (Comi et al. (2020)). Our paper addresses this ambiguity

by highlighting the importance of accounting for firm-specific preferences for stakeholder-friendly legislation. Additionally, we present the first evidence of significant and robust spillover effects on firms outside California following both the adoption and invalidation of the California gender quota.

Most importantly, our results provide a more nuanced view on the drivers of negative announcement returns to gender quotas (see, for example, Ahern and Dittmar (2012) and Greene et al. (2020)). While we also document that negative valuation effects are stronger for California firms with a lower fraction of female directors, we additionally examine post-quota board changes and show that these firms were able to increase female board representation without compromising on board quality or facing significantly higher board compensation.[6]

We propose a new channel through which the negative valuation effect can be explained: Shareholders' sensitivity to regulatory uncertainty and their varying appetite for stake-holder-friendly legislation. Specifically, we argue that shareholders' reaction to the gender quota is not only a function of direct financial considerations — like increased compliance costs in a tight director labor market — but also encompasses concerns of a shift in corporate governance that prioritizes social objectives over traditional shareholder value maximization which may induce economic costs that are much higher than direct financial costs from board quota compliance. This shift could reduce shareholder influence, favoring a stakeholder-centric approach and potentially explaining stock price declines in response to the quota. A recent paper by Bian et al. (2024) supports this view. Examining a large sample of job ads, the authors show that California firms wrote fewer female-friendly job ads post quota adoption. They argue that the gender quota may have induced backlash at firms, where legislative efforts clashed with ideological preferences.

Understanding the root cause of negative stock price reactions to gender quotas is essential for assessing their effectiveness in promoting gender equality. If the adverse reaction primarily stems from labor market frictions, then efforts to broaden the pool of qualified female candidates could mitigate negative valuation effects. However, if the reaction is rooted in a deeper conflict with shareholder preferences, the path forward becomes more complex. Our findings indicate that

[6] In a contemporaneous paper, Gertsberg et al. (2022) also challenge the view that director labor market frictions can fully account for the negative valuation effects. They argue that inefficiencies in the board restructuring process could play a role in explaining the negative valuation effect.

government interventions signal future policy directions, prompting shareholders to adjust their expectations accordingly.

2 Data and sample selection

2.1 Main data sources

Our main sample includes firms listed in Compustat that had records up to one year before California's gender quota adoption on September 30$^{\text{th}}$, 2018, excluding utilities and financial firms, those lacking state headquarters information, non-U.S. firms, firms with negative equity value, and those missing essential financial data (assets, market-to-book ratio, ROA, leverage, cash flow volatility). We further excluded firms not listed on NYSE, AMEX, or NASDAQ, and firms listing only American Depository Receipts, given the quota's applicability to California-based firms listed on major U.S. exchanges. We supplement this sample with stock price data from Compustat, selecting the series with the highest market cap as of the event date for firms with multiple listings and necessary data for market model estimation. Board of directors data was sourced from BoardEx.

Governor Brown signed the law on Sunday, September 30$^{\text{th}}$, 2018, and the adoption of the law was publicly announced on the same day. We define the event date as the first trading day after the announcement: Monday, October 1$^{\text{st}}$. This choice is justified by the patterns reported in Panel A of Figure OA.1 in the Online Appendix, which shows that newspaper coverage is concentrated in the week following the signature of the bill. Reading a random subset of articles published before September 30$^{\text{th}}$ confirms that there was considerable uncertainty about whether the Governor would sign the controversial bill.

On Friday, May 13$^{\text{th}}$, 2022, Judge Maureen Duffy-Lewis of the Superior Court of Los Angeles County ruled the California board gender quota law unconstitutional. At the core, the court argued that the state could not prove that the "*use of a gender-based classification was necessary to boost California's economy, improve opportunities for women in the workplace, and protect California taxpayers, public employees, pensions and retirees*" and violated the right to equal treatment under state and federal law (see Crest v. Padilla, L.A. Superior Court Case No. 19STCV27561).

To analyze the market reaction to the judicial invalidation of the quota, we follow a procedure similar to that used in the analysis of the adoption of the quota. Specifically, we construct a second

sample, comprising firms' reporting data within one calendar year before the date of the invalidation of the quota (May 13$^{\text{th}}$, 2022). We use Monday, May 16$^{\text{th}}$, as the event date. Media coverage is generally lower and more dispersed around the invalidation compared to the adoption, which is partly driven by articles speculating about invalidation of the quota (see Panel B of Figure OA.1). For example, almost three years before the quota's repeal in May 2022, the LA Times ran an article titled "Setting quotas on women in the boardroom is probably unconstitutional. It also doesn't work" in which it explicitly states that "*While undoubtedly well-intentioned, these mandates are likely to be struck down in court*".[7]

To quantify changes in shareholder value, we compute daily abnormal returns (ARs) as the observed return less the predicted return from a market model regression estimated over a 250-day estimation window that ends six trading days before the event date. As a proxy for the market return, we use the return of a value-weighted market index consisting of all sample firms.[8] For a firm to be included in our final sample, we require at least 125 daily return observations during the estimation window and complete return data during a symmetric five-day window around the event date. We compute a set of alternative cumulative abnormal returns (CARs) over different sub-periods within the five-day event window. All abnormal returns are winsorized at the 1$^{\text{st}}$ and 99$^{\text{th}}$ percentiles. We describe all variables used in our empirical analyses in detail in Table A.1. Our final sample for the quota implementation consists of 2,440 firms, of which 453 are headquartered in California and 1,987 are headquartered in other states. The final sample for the quota invalidation comprises 2,593 firms, out of which 506 are headquartered in California.

2.2 Construction of the matched control sample

In contrast to the Norwegian setting investigated in the seminal paper by Ahern and Dittmar (2012), the adoption of the gender quota had different implications for the institutional environments and local labor markets in the U.S. In Norway, the entire country was affected by the law, which makes both the recruiting of female directors within the country and the identification of an appropriate control group more difficult (Ferreira (2015)). In the U.S., only firms headquartered

[7] See LA Times article: "Setting quotas on women in the boardroom is probably unconstitutional. It also doesn't work", published July 8th 2019, accessed online on April 10th 2024.

[8] In a robustness test reported in column (1) of Table OA.1 in the Online Appendix, we re-estimate our baseline regression with an equally-weighted market index as a proxy for the market return and find very similar results for both, the adoption (Panel A) and repeal (Panel B) of the quota.

in California were affected. Therefore, to obtain comparable treatment and control groups for the California gender quota, we choose, for each of our treatment firms headquartered in California, three non-California-headquartered firms that share the same two-digit SIC code and are closest in terms of total assets. A firm in the control sample may be a matched control firm for more than one treatment firm but is included only once in the control sample. The resulting matched sample for the adoption of the quota comprises 453 treatment firms and 772 control firms.[9]

We create a separate matched control sample for the invalidation of the quota to avoid survivorship bias in our analysis, because some California firms that were present at the adoption of the quota disappeared from the sample until the repeal of the quota, while at the same time newly listed firms entered the sample. Therefore, we download the current set of firms at the time of the quota's repeal and then apply the same procedure as described in the previous paragraph. This results in a sample of 506 treatment firms and 891 control firms.

2.3 Descriptive statistics

Panel A of Table 1 reports descriptive statistics for the 453 California firms subject to the quota. At the time of quota adoption, mean (median) board size is 7.7 (8.0) directors (*Board size*), out of which 14.7% (14.3%) (*Female directors (%)*) or 1.2 (1.0) are female (*# female directors*). By the end of 2021, the quota mandates three female directors if a board has six or more directors, two female directors if a board has five directors, and one female director if there are four or fewer directors on a board. About 88.7% of all California firms did not fulfill the quota's requirement at the time of adoption. To comply, they had to appoint on average 1.7 (2.0) female directors, assuming constant board size (*# missing female directors*).[10] Scaled by board size, this translates to 23.9% (25%) of directors that would have to be replaced (*Shortfall (%)*). An alternative to replacing male by female directors is to add female directors to an existing board. Increases in board size, however, can increase the number of female directors required for firms with less than

[9]Note that the control sample is not dominated by one state or a small number of states: The largest fraction of control firms is headquartered in Massachusetts (14.3%), followed by New York (10.6%) and Texas (10.6%). In total, the control group includes firms that are headquartered in 43 different states and the D.C. In a robustness test reported in column (2) of Online Appendix Table OA.1, we re-estimate our baseline regression using the entire sample of non-California-headquartered firms as a control group and find very similar results.

[10]As the quota encompasses staged compliance dates, we also use the number of missing female directors for compliance with the 2019 quota requirements, and the 2021 quota requirements assuming that the 2019 requirements are met.

six directors. Hence, *# missing female directors (exp)* is the number of female directors needed for compliance, assuming that they will be added to the board without male directors being replaced.

Descriptive statistics for the 772 matched non-California control firms are displayed in Panel B of Table 1. Tests for differences between treatment and control samples in Panel C show no significant differences in board size or female board representation.[11] The representation of firms that are policy sensitive in the treatment sample is also very similar to the control sample (11.1%). With respect to firms' sustainability scores, we find that California firms have significantly higher sustainability scores than non-California firms. This is not surprising given that, for example, many Silicon valley companies are viewed as role models for sustainability and provide detailed and comprehensive ESG disclosure (Bell and Llewellyn (2023)).

We report descriptive statistics on the invalidation sample in Online Appendix Table OA.2, for California firms (Panel A) and non-California firms (Panel B) separately. Interestingly, at the time of the invalidation of the quota, around 25% of all California firms were not in compliance with the quota law. This significant level of non-compliance may be attributed to the minimal fines and non-enforcement of the law. In Panel C, tests for differences between the treatment and control samples show that both samples did not differ in board characteristics prior to the quota's adoption (see Panel C of Table 1), but differ in female board representation post-quota. This finding is not surprising given that California firms were treated through the adoption of a gender quota, while non-California firms were not. From an econometric point of view, however, it is important to point out that the quota adoption, by definition, provides a cleaner test setting than the quota's invalidation.

3 Valuation effects of California's gender quota

The California quota is particularly well-suited to analyze valuation effects. First, its unexpected adoption provides a clear event window for analysis. Second, unlike country-wide quotas like Norway's, it targets a specific group of companies, providing a natural control group for comparison. Third, unlike other regulations like environmental policies, compliance with a gender quota is

[11] Absent specific regulations in these states, we assume that non-California firms would be subject to the same requirements as postulated by the California gender quota. Indeed, discussions about gender quotas in other U.S. states show that requirements for firms can be expected to be very similar to SB 826 (see, for example, New Jersey's Bill S3469).

directly observable. Last, the quota's repeal in May 2022 presents a unique opportunity to test whether this "reverse shock" indeed leads to opposite results and helps disentangling the various channels through which a stock price reaction to a gender quota can be explained.

To analyze firms' stock price reaction to the adoption and repeal of the quota, we regress different abnormal return measures on a dummy variable equal to one if a firm is headquartered in California, and zero otherwise. We add a set of control variables including the natural logarithm of total assets, return on assets, the market-to-book ratio, leverage, and cash flow volatility. Our empirical approach is akin to a difference-in-differences setting. We account for industry heterogeneity by matching non-California control firms to California firms based on their two-digit SIC code instead of including industry fixed effects. This way, the coefficient on the California dummy variable captures the average difference in the stock market response between California and non-California firms around the quota's adoption, while the constant reflects the average stock market response return of non-California firms.[12]

The identifying assumption central to a causal interpretation of our difference-in-differences analysis is that treated and control firms share parallel trends before the onset of treatment, i.e., they do not differ in their returns prior to the adoption of the quota. In Panel A of Online Appendix Table OA.3, we provide evidence in support of the parallel trends assumption: Market-adjusted returns leading up to the adoption of the quota estimated over five different pre-event windows are not statistically different between California and non-California firms.

Table 2 reports results from regressions of abnormal returns, estimated over different event windows from two to five days, on the California-headquarter dummy variable and control variables. In Panel A, the event windows are constructed around the first trading day after implementation of the gender quota, i.e., October 1st, 2018, which corresponds to $t = 0$ in our analysis. In Panel B, event windows are constructed around the repeal of the quota on May 16th, 2022.

Coefficients on the regression constant in Panel A suggest that both, non-California and California firms react negatively to the adoption of the gender quota. Depending on the specification, stock returns drop by -1.83% to -2.19%. Coefficients on the California dummy imply that market

[12]With industry fixed effects, the constant would only represent the estimated mean return of non-California firms in an arbitrarily selected industry. Nonetheless, we later show that results obtain in a specification with industry fixed effects.

values of firms subject to the quota drop by an additional 0.63% to 1.15% compared to matched non-California control firms. Thus, the negative return of California firms amounts to -2.46% on average for a two-day window. Based on the mean market capitalization, the reduction in shareholder value is $101.69 million for non-California and $314.00 million for California firms, respectively.

Panel B of Table 2 shows returns in response to the quota's repeal. Similar to the analysis on the adoption of the gender quota, the identifying assumption is that treated and control firms share parallel trends before the invalidation of the quota. In Panel B of Table OA.3 in the Online Appendix, we therefore test the parallel trends assumption for the invalidation. Both, California and non-California firms, experience large and negative market-adjusted returns over five different pre-event windows, likely the result of events preceding the invalidation of the quota (for example, COVID-19 pandemic, Ukraine war). We find a marginally significant difference in market-adjusted returns between treatment and control firms for the 250-day pre-event window, but not for all others. Thus, the parallel trends assumption is not fully satisfied for the quota's repeal.

We find a significantly positive reaction to the repeal of the quota. Specifically, the coefficient on the regression constant implies that stock prices of all firms increase by 2.76% to 5.76%, depending on the size of the event window. The California headquarter dummy is insignificant in all regressions, suggesting that the invalidation of the gender quota was interpreted as good news to shareholders of all firms in the U.S., independent of the location of a firm's headquarters.

In the next step, we conduct several robustness tests and add different types of industry fixed effects as well as board size to the regression. Online Appendix Table OA.4 shows that our results are robust for both, the implementation and repeal of the quota. In Table OA.5, we account for potential contemporaneous cross-correlation of (abnormal) stock returns, potentially biasing standard errors (Brown and Warner (1985)), and apply the portfolio sorts approach proposed by Eckbo et al. (2022).[13] Results are very similar to those in Table 2, with the exception that we also observe a significantly more positive reaction by California firms for an event window of five days.[14]

[13]Specifically, we form equally-weighted calendar time portfolios of all California firms and all non-California matched control firms. We then regress differences in daily returns between both portfolios on a dummy variable equal to one for observations in the event window, and equal to zero in the estimation window.

[14]We also examine the effect of alternative event dates (as suggested by Eckbo et al. (2022)) and other bills signed by the Governor at the same time (Greene et al. (2020)). Results in Table OA.6 show that none of the alternative event dates or bills yielded a significant stock price reaction of California firms, and that the date of the adoption of the law is the relevant event.

In further tests, we explore the role of business ties between non-California and California firms and exclude all firms from the control sample that disclose at least one of the treated California sample firms as principal customer.[15] Results are reported in column (1) of Table OA.7 and are virtually identical to those reported in column (1) of Table 2. Hence, direct trading relationships with California firms are unlikely to drive the negative spillover effects. In column (2), we exclude all geographically close firms with headquarters in Western states (AZ, CO, ID, NM, NV, MT, OR, WA, WY, and UT) from the control sample, to account for local director labor market components (e.g., Knyazeva et al. (2013)). In column (3), we control for California's weight in a given 2-digit SIC industry. Results are robust to these variations.

Finally, to compare the economic magnitude of our results to other, potentially value-relevant events, we re-run the baseline regression from column (1) of Table 2 for each of the 250 trading days in the estimation window and compare the frequency distribution of the estimated coefficients to the magnitude of the coefficient observed in response to the quota's adoption. The frequency distribution of the placebo event study coefficients and the event study coefficients associated with the quota's adoption are reported in Panels A and B of Figure OA.2 in the Online Appendix, and in Panels C and D of the same figure for the repeal of the quota. We find that only 18 (7.2%) of the slope coefficient estimates in the estimation window are smaller than -0.63% (Panel A) and only seven (2.8%) intercept estimates in the estimation window are smaller than -1.83% (Panel B). When we replicate this analysis for the repeal, as reported in Panels C and D, we find the event estimates to be more at the center of the distribution of placebo events. These findings suggest that the adoption of the gender quota in California constitutes a rare event that is economically meaningful for both, California and non-California firms, while the effect is less pronounced for the repeal of the quota.

Taken together, we document that California firms underperform non-California firms at the adoption of the gender quota, which is consistent with findings in Greene et al. (2020). However, we additionally uncover that there are large and significant negative spillover effects on non-California firms following the adoption of the California gender quota, and that firms throughout the U.S.

[15] We follow Cohen and Frazzini (2008) and collect the names of all principal customers from the Compustat Segments database. Regulation SFAS No. 131 requires firms to disclose the identity of any customer representing more than 10% of total reported sales.

react positively to the quota's repeal. These spillover effects, although largely overlooked by existing research, play a crucial role in understanding valuation effects of gender quotas.

4 Why do shareholders react to gender quotas?

Despite uncertainty about the constitutionality of the California gender quota at the time of its adoption, we find large and significantly negative announcement returns for California and non-California firms. Earlier papers on gender quotas in Norway and California show that negative valuation effects are more pronounced for firms with a higher shortage of female directors at the adoption of the quota (Ahern and Dittmar (2012); Greene et al. (2020)). From this they conclude that negative valuation effects in response to gender quotas are most likely explained by frictions in the director labor market, i.e., investors expecting higher search costs to fill board seats with sufficiently qualified female candidates. In section 4.1, we test this conjecture and examine whether post-quota changes in board composition and quality are indeed consistent with frictions in the director labor market driving negative (positive) announcement returns to the quota's adoption (repeal).

The negative reaction of California and non-California firms to the quota's adoption, and their positive reaction to its repeal would also be consistent with shareholders' distaste of regulatory uncertainty, i.e., the quota may have signaling value for the path of future government policy and the governments' general willingness to impose regulation on firms. In line with this view, prior research shows that investors' governance sensitivity matters for firms' governance mechanisms (Bushee et al. (2014)) and that regulatory uncertainty has negative implications for firm values (e.g., Pástor and Veronesi (2012, 2013); Brogaard and Detzel (2015); Brogaard et al. (2020)). In section 4.2, we examine whether increased regulatory uncertainty associated with the adoption and repeal of the gender quota explains California and non-California firms' announcement returns.

Moreover, recent literature shows that firms with a lower fraction of female directors also have lower Environmental, Social, and Governance (ESG) scores (Fan et al. (2024). This raises the question whether variables reflecting frictions in the director labor market simply proxy for firms' ESG orientation, i.e., shareholders' preference for stakeholder friendly policies. Especially in times of increasing ESG awareness, the gender quota may be interpreted by shareholders as a further

shift of power towards other stakeholder groups at the firm. This perception can lead to a negative (positive) stock price reaction to adoption (repeal) of a gender quota, if shareholders are concerned about about a redistribution of power within the company that might not align with their interests. In line with this view, Manchiraju and Rajgopal (2017) show that the adoption of a law in India that requires firms to spend at least 2% of their net income on CSR was associated with negative stock returns. In section 4.3, we examine whether firms' ESG orientation matters for how they react to adoption and repeal of the California gender quota.

Distinguishing between a friction-based and a preference-based explanation is crucial. The former suggests that negative valuation effects stem from a scarcity of qualified female candidates, implying operational challenges and increased costs for firms. The latter, however, points to a fundamental misalignment between gender quota adoption and the prevailing preferences of shareholders, calling for a reevaluation of how firms balance social objectives with shareholder interests.

4.1 The labor market channel

To understand the negative reactions of California and non-California firms to the California gender quota, we first examine changes in the director labor market following the quota's implementation. If the appointment of female directors post-quota is linked to labor market frictions, we would expect a decline in the qualifications of California firms' boards. Additionally, increased compensation could indicate a supply-demand imbalance for female directors, potentially causing firms to deviate from standard equal pay policies. Conversely, if board characteristics and compensation remain unchanged, this might suggest that existing female directors are taking on more roles, or that California firms are recruiting new female directors from outside the state. This could lead to reduced qualifications or directorships among non-California firms, as they lose potential candidates to California firms. Subsequently, increased compensation in non-California firms could reflect a tighter market needing higher pay to retain female directors. The same compensation may persist if firms maintain general payment policies, with female directors possibly holding their previous positions while also joining California boards. This dual role could still prompt a negative stock price reaction if it contributes to board busyness, which has been associated with weaker corporate governance and lower profitability (Fich and Shivdasani (2006)).

To study changes in board characteristics, we use BoardEx data and track each firm's board

of directors, starting two years before the adoption of the quota (October 1st, 2016) and ending around two months after the invalidation of the quota law (July 31st, 2022). Panel A of Figure 1 displays weekly mean changes in female board representation relative to the adoption of the quota (September 30th, 2018) separately for California (blue line) and non-California firms (red line). Average female board representation at California firms increases by around 15.1 percentage points from the adoption of the quota (September-end, 2018) until the last quota compliance date (December-end 2021). We observe a kink in the time series of female board representation around the adoption of the board gender quota (red vertical line). A test for structural breaks (Bai and Perron (1998, 2003)) in the time series of female board representation rejects the null hypothesis of a structural break at the time of the quota's adoption (rank correlation of 36.54, p-value < 0.01). Moreover, the figure shows that female board representation increases by around 7.8 percentage points at non-California firms from the adoption of the quota to the last compliance date. Visual inspection suggests that there is no structural break in female board representation at non-California firms around the adoption of the board gender quota in California, which is confirmed by the Bai and Perron (1998, 2003) test (rank correlation of 0.80, p-value of 0.37). Thus, the adoption of the California gender quota had little effect on female board representation at non-California firms. In Panel B, we plot the corresponding difference-in-differences estimates as well as 99% confidence intervals, testing whether changes in female board representation since adoption of the quota are different between California and non-California firms. The difference-in-differences estimates suggest that female board representation at California firms increased by around 7.5 percentage points more relative to non-California firms.

Next, we compare changes in board characteristics between the adoption of the quota (September 30th, 2018) and the quota compliance date (December 31st, 2021) across California and non-California firms.[16] We regress different board characteristics on an interaction term between the California dummy variable and a dummy variable that is equal to one for the quota compliance date (December 31st, 2021) and equal to zero for the date of the adoption of the quota (September 30th, 2018) as well as firm and time fixed effects. To ensure that our results are robust to the multiple hypothesis testing problem (Heath et al. (2023)), we adjust standard errors according to

[16]Descriptive statistics on these board characteristics as of the quota adoption date are reported in Table OA.8. The number of observations is reduced compared to Table 1 because of additional data requirements.

the Romano and Wolf (2005a,b, 2016) procedure.

Results presented in Panel A of Table 3 align with findings from Panel B of Figure 1. Following the quota's adoption, female board representation in California firms increased by an additional 7.67 percentage points compared to non-California firms, while the number of female directors increased by 0.67. The fraction of directors that need to be replaced to achieve compliance, the number of missing female directors, and the share of non-compliant firms decreased significantly more at California than at non-California firms.

California firms could comply with the quota either by replacing male directors with female ones or by expanding their boards to include more female directors. Our estimates on board size in Panel A of Table 3 show that California firms added an average of 0.42 directors more than non-California firms, while the number of male directors decreased by 0.26. This increase in total board size accounts for approximately two-thirds of the rise in female directorships (0.67), indicating that only one in every three female director appointments displaces a male director.

Next, we directly test for the effect of the quota on aggregate board skills and experiences. As reported in part iii) of Panel A, we obtain economically small and mostly statistically insignificant coefficients. Interestingly, we document increases in the board's generalist experience and education at California firms. These findings suggest that boards of California firms become, if anything, slightly more experienced and qualified post-quota. These patterns likely result from boards adding female directors rather than replacing male by female directors. In part iv), we uncover that directors at California firms become on average around 0.7 years younger and hold 0.07 more outside board seats. While these point estimates are statistically significant, they imply economically small effects. The increase in the number of outside board seats, for instance, suggests that only one in 14 directors at California firms adds one outside board seat. Moreover, we find that the accumulation of board seats is not driven by female directors. We also show that board compensation does not change significantly post quota adoption. Overall, results in Panel A of Table 3 cast doubt on the view that negative valuation effects of gender quotas are explained by frictions on the director labor market reducing board quality.

In Panel B of Table 3, we examine changes in board characteristics at non-California firms. Broad shifts in the demand for female directors in California could also affect non-California firms

due to an increase in the competition for female directors. This effect should be more pronounced for non-California firms in industries with a larger footprint in California, given that directors' industry experience is a key selection criterion during the formation of new boards (e.g., Denis et al. (2015)) and is positively related to firm value (e.g., Masulis et al. (2012); Drobetz et al. (2018)). To test this conjecture, we compute, for each two-digit SIC industry, the fraction of all industry assets of firms headquartered in California. We then re-estimate the analysis in Panel A of Table 3 but restrict the sample to non-California firms and replace the California dummy variable with the fraction of an industry's assets belonging to firms in California. The interaction term captures whether non-California firms' responses to the quota are a function of intensified competition for the same female directors. Across all 21 board characteristics, we obtain statistically insignificant and economically small coefficients. This finding suggests that there are no meaningful director labor market spillovers to non-California firms and implies that such labor market spillovers are unlikely the reason for the negative returns of non-California firms.

4.2 Sensitivity to regulatory uncertainty

Shareholders' reaction to the gender quota may encompass broader concerns over a qualitative shift in corporate governance dynamics: regulatory interventions that favor social objectives over traditional shareholder value maximization. The unexpected implementation of the gender quota likely increased uncertainty about future government policies leaning towards a more stakeholder-centric approach. Next, we will test whether firms more sensitive to regulatory uncertainty exhibit stronger reactions to both the implementation and repeal of the gender quota.

To measure a firm's sensitivity to regulatory uncertainty, we use the Economic Policy Uncertainty (EPU) index of Baker et al. (2016) and follow the procedure of Koijen et al. (2016) and Akey and Lewellen (2017).[17] This index is widely used across various disciplines, including accounting (e.g., Nagar et al. (2019); Lee et al. (2020); El Ghoul et al. (2021)) and finance (e.g., Brogaard and Detzel (2015); Kelly et al. (2016); Brogaard et al. (2020)). In our analysis of the quota's adoption as well as repeal, we estimate the same market model regression used in the calculation of daily

[17]The EPU index is based on the normalized number of news articles that appear in U.S. newspapers and contain the terms "economic" or "economy", "uncertain" or "uncertainty", and one or more of "congress", "deficit", "Federal Reserve", "legislation", "regulation", and "White House". For details, see Baker et al. (2016) as well as *https://www.policyuncertainty.com/*.

abnormal returns and add the daily change of the EPU index as a second explanatory variable. The coefficient estimate on the EPU index provides a measure of the firm's sensitivity to changes in the regulatory environment that are not reflected in the market return. Following Akey and Lewellen (2017), we classify a firm as policy-sensitive if the coefficient on the change in the daily EPU index is significant at least at the 10% level. According to this definition, 137 (11.18%) and 140 (10.92%) of firms are policy sensitive in the adoption and repeal samples, respectively.[18]

To assess whether the adoption and the repeal of the board gender quota had a meaningful impact on regulatory uncertainty, we compare the distribution of daily changes in the EPU index during the 250-day estimation window that precedes the adoption (repeal) of the quota with the change in the EPU index observed at the quota's adoption (repeal). Panel A in Figure 2 shows a large positive change in the EPU index on the day the quota was adopted (red vertical line), with 11 days (4.4% of the observations) in the estimation window being associated with larger positive changes in the EPU index. Thus, the adoption of the California gender quota represents a meaningful event for the level of regulatory uncertainty in the U.S.. In Panel B, we also observe a positive change in the EPU index on the day the quota was invalidated, with 31 days (12.4% of the observations) in the estimation window being associated with larger positive changes in the EPU index. Hence, the invalidation of the gender quota had a weaker (but still observable) impact on regulatory uncertainty, maybe because it was more anticipated, and doubts about the constitutionality of the quota were already raised as of its adoption.

To test whether shareholders' adverse reactions to the adoption of the quota stem from a distaste of regulatory uncertainty, we augment the baseline regression from column (1) of Table 2 with a proxy for a firm's sensitivity to frictions in the director labor market, and a proxy for a firm's sensitivity to regulatory uncertainty, respectively, together with an interaction with the California headquarter dummy. The interaction term captures whether returns of California firms are a function of policy sensitivity, while the coefficient on the standalone policy sensitivity variable captures whether returns of non-California firms are explained by their policy sensitivity.

Results are reported in Panel A of Table 4. In column (1), we find a significant interaction

[18] A potential concern is that our proxies of policy sensitivity and ESG orientation are highly correlated with variables reflecting director labor market frictions or firm characteristics (for example, "glamour firms"), i.e., firms that generally move more with any types of news. Table OA.9 in the Online Appendix shows that this is not a major concern for both, the adoption (Panel A) and repeal (Panel B) of the quota.

term between the California headquarter dummy and the policy sensitivity dummy, suggesting that announcement returns of policy sensitive California firms are about 2% lower than those of non-policy sensitive California firms. This difference is statistically significant at the 1% level. We do not find a differential impact of policy sensitivity on announcement returns for non-California firms, presumably because the likelihood of similar legislation needs to be sufficiently high.[19]

In columns (2) to (9), we add various proxies for frictions in the director labor market since this has been the prevailing explanation for negative announcement returns to gender quotas in the previous literature. We continue to find that the coefficient on the interaction term between the California-headquarter dummy and the dummy variable indicating policy-sensitive firms is negative and statistically significant across all eight specifications. The coefficient estimates suggest that abnormal returns to the quota's adoption of policy-sensitive firms in California are about two percent lower than abnormal returns of non-policy-sensitive firms in California.[20] In addition, we find significant interaction terms for California firms facing stronger director labor market frictions in seven of eight specifications, i.e., California firms in need of a larger number of female directors for quota compliance show lower returns to the law's adoption than other California firms. For instance, in column (6), in which the proxy for director labor market frictions is a dummy variable, we find that California firms not yet complying with the law at the adoption of the quota underperform California firms already in compliance with the law by 2.6%.

To examine the relative importance of policy sensitivity and labor market frictions in explaining the negative announcement returns, we re-run regressions from Table 4, column (2), but use zero mean unit variance standardized independent variables. Results are shown in Panel A of Table OA.11. We find that both, shortfall and policy sensitivity, are significantly negatively related to announcement returns, with slightly larger coefficients on the shortfall variable. In addition to comparing coefficients, we examine how the adjusted R^2 changes after including each of the variables to the regression. We find that both variables improve the regression's goodness of fit by about the same magnitude (see Table OA.12).

Overall, our results show that, in addition to frictions in the director labor market, sensitivity

[19] In line with this view, we later find that policy sensitive firms outside of California also react more strongly to the California gender quota, if they are located in a state that is more likely to follow California's legislative lead.

[20] These results are robust to using industry fixed effects. See Table OA.10 in the Online Appendix.

to regulatory uncertainty also predicts the stock price reaction of California firms to the implementation of the gender quota. These results support earlier findings by Bushee et al. (2014), in that governance sensitivity of investors is important for firm outcomes. It is important to point out that the coefficients on the standalone variables, capturing the unconditional effect of labor market frictions and sensitivity to regulatory uncertainty, are statistically insignificant at conventional levels.

In Panel B of Table 4, we examine whether the repeal of the gender quota triggers an opposite, i.e., positive reaction of California firms with higher sensitivity to director labor market frictions and/or regulatory uncertainty. Specifically, we re-run regressions of Panel A for an event window surrounding the repeal of the quota. We indeed find a positive and significant coefficient on the interaction term between the California headquarter dummy and the variable capturing a firm's sensitivity to regulatory uncertainty. This finding suggests that California-headquartered firms with higher sensitivity to regulatory uncertainty react more positively to the invalidation of the gender quota. With respect to California firms likely to face director labor market frictions, we find one significant coefficient in column (3) while all other columns show insignificant results.[21]

While policy sensitivity increases around both, adoption and repeal of the quota (see Figure 2), we observe that policy sensitive firms in California react more negatively to the quota's adoption, and more positively to its repeal. This result is robust to variations of the policy sensitivity measure.[22] We conjecture that policy-sensitive firms in California re-evaluate the risk of future stakeholder-friendly regulation, which arguably increases upon quota adoption, and decreases upon its repeal. If this was the case, we would expect more stakeholder-oriented firms to evaluate the adoption of the quota more positively.

4.3 Preferences for stakeholder-friendly legislation

Over the past decade, ESG-related issues, including gender equality, became more important, and share ownership by socially responsible investment funds increased significantly (Hartzmark and Sussman (2019)). For example, assets managed by PRI (Principles of Responsible Investments)

[21] Note that in column (3), the interaction term captures the group of firms headquartered in California and failing the 2019 requirement of the quota law, i.e., not having one female director. This group comprises three firms only.

[22] In Panel A of Online Appendix Table OA.13, we show that results are robust to using a continuous measure of policy sensitivity. In Panel B, we additionally show that results are robust to classifying firms as policy sensitive if the coefficient estimate on the daily change in the EPU index if significant at least at the 5% level.

signatories increased from about USD 6 trillion in 2006 to more than USD 120 trillion in 2021.[23] According to Fried (2021), investor preferences for gender diversity matter for their investment decisions, i.e., funds from countries with greater gender equality hold larger stakes in firms with more female directors. Thus, firms with a more stakeholder friendly shareholder base may react more positively to a gender quota than those with a shareholder base focused on shareholder primacy. The latter may have lower female representation on their boards to start with, and view recent developments toward a more stakeholder-oriented and gender equality-friendly economic environment as a threat.

To examine whether firms' ESG orientation matters for how their stock prices react to the adoption and repeal of a gender quota, we use data from MSCI KLD Stats and compute a firm-level sustainability index in the spirit of Servaes and Tamayo (2013).[24]

To capture investors' stakeholder orientation at a given firm, we resort to ownership of mutual funds because mutual funds own considerable fractions of firms' shares and data on funds' portfolios, including funds' ESG scores, are widely available (Hartzmark and Sussman (2019)). We download ESG scores from Morningstar for all funds as of the adoption of the quota (September 30$^{\text{th}}$, 2018) and classify a fund as socially responsible investment (SRI) fund if its portfolio's ESG score ranks in the top 25$^{\text{th}}$ percentile.[25]

We first add a firm's ESG score and an interaction term with the California dummy as explanatory variables to our baseline regression reported in column (1) of Table 2. Results are reported in Panel A (implementation of the quota) and Panel B (repeal of the quota) of Table 5.

Despite a reduction in sample size due to availability of sustainability scores, we find that California firms with higher sustainability scores indeed react significantly more positively to the

[23] See PRI Annual Report (2021).

[24] MSCI KLD Stats categorizes corporate social responsibility-related items into seven different categories: "Community", "Corporate Governance", "Diversity", "Employee Relations", "Environment", "Human Rights", and "Product". We omit the "Corporate Governance" category because prior research shows that the data vendor's assessment of governance quality differs significantly from that employed in the finance literature (e.g., Krüger (2015)). Consistently, recent research suggests that, across different data vendors, the governance category shows the lowest correlation among all ESG categories and thus conveys a very noisy signal of firms' corporate governance (e.g., Gibson Brandon et al. (2021); Berg et al. (2022)). We also exclude the "Diversity" category because it is closely related to female board representation and might thus capture director labor market frictions.

[25] We supplement fund holding data from CRSP for the end of the third quarter of 2018, which coincides with the date of the adoption of the quota. To arrive at a firm-level measure, we count the number of shares held by SRI funds and scale it by the sum of shares held by all funds for which we find ESG scores in Morningstar.

implementation of the quota. This result holds for all specifications.[26] In contrast, our proxies for frictions in the director labor market are mostly insignificant. This again casts doubt on the view that frictions in the director labor market are the major driver of negative valuation effects of gender quotas.

Equity ownership by socially responsible investment (SRI) funds may also have a mediating effect on the negative market reaction resulting from distaste of stakeholder-friendly regulation as these funds aim at sustainability outcomes besides a financial return and may thus be supportive of stakeholder-oriented regulation (Friedman (2020); Heath et al. (2023)). Therefore, we also add SRI fund ownership as an explanatory variable to the baseline regression, together with an interaction term with the California dummy. We find an insignificant interaction term and a significantly positive coefficient on the standalone variable, suggesting that all sample firms, independent of their headquarter state, react more positively to the quota's adoption when SRI funds hold a larger stake in the firm. We interpret these findings as additional evidence that investors' preference for stakeholder orientation in general and gender diversity in particular is an important driver of announcement returns to gender quotas.[27]

5 Spillover effects to non-California firms

Finally, we examine why non-California firms react to the implementation and repeal of the gender quota in California. Results in Table 2 show that there is a statistically significant negative reaction of non-California firms to the implementation of the quota (Panel A), and a statistically significant positive reaction to its repeal (Panel B). Since California has a reputation for being a pioneer in introducing new legislation, shareholders of non-California firms may expect similar legislation to come.[28] Such expectations are reflected in a speech by SEC commissioner Hester Peirce at the 2018 Annual SEC conference: "*The California legislation effectively forces corporations, including non-California corporations, to consider all women as stakeholders. Once we introduce the idea that a company must act in the interest of [...] its stakeholders [...] policymakers might be tempted to get this or that favored group included in the stakeholder definition. Opening such*

[26] Standardized coefficients are reported in Panel B of Table OA.11.

[27] These results are robust to using industry fixed effects. See Table OA.14 in the Online Appendix.

[28] For anecdotal evidence see Todd S. Purdum, *The Nation: Golden Rules; As California Goes, so Goes the Country?*, The New York Times, Sept. 21, 2003, Kate Conger and Noam Scheiber, *California's Contractor Law Stirs Confusion Beyond the Gig Economy*, The New York Times, Sept. 11, 2019.

a wide door introduces uncertainty [...] into corporate operations" and "*Moreover, as they say, nothing that happens in California, stays in California*" (Peirce (2018)). Thus, negative announcement returns at non-California firms in response to the California gender quota might be driven by expectations that similar legislation will be established by the local government. To test this conjecture, we restrict the sample to all matched non-California firms and introduce several measures that capture the propensity of a firm's headquarter state to follow California's legislative lead.

First, we look at policies in other states that are directly related to gender equality. Specifically, we define a dummy variable equal to one for firms in states which proposed board gender quotas with requirements very similar to the one in California. These states are IL, MA, NJ, NY, and WA.[29] Two further proxies are derived from California being a front-runner in other ESG-related regulation. In response to the U.S. withdrawal from the Paris Agreement on June 1st, 2017, California helped establish the United States Climate Alliance alongside NY and WA. This bipartisan coalition commits to meeting or surpassing the 2015 Paris Agreement goals and the federal Clean Power Plan targets. By September 30th, 2018, thirteen additional states had joined. We define a dummy equal to one for firms in these Alliance states, and a dummy equal to one for firms in states with comprehensive Greenhouse Gas (GhG) reduction policies to gauge a state's likelihood of adopting California's legislative initiatives.[30]

California has also been pivotal in advancing minimum wage laws, aiming to increase wages beyond the federal minimum of \$7.25 per hour. In 2015, governor Brown enacted Senate Bill 3 for the minimum wage to reach \$15 per hour, indicating another commitment to prioritizing stakeholder interests. Subsequently, several other states also raised their minimum wages above the federal level. Therefore, we also measure the propensity of states to follow California's legislative lead by the difference in their minimum wage rates from the federal minimum.[31]

California was a pioneer in legalizing the use of cannabis for medical purposes in 1996. Ten jurisdictions followed. For each state, we compute a Cannabis legalization score, which is equal to zero if any type of cannabis use is illegal, equal to one if cannabis is legal for medical purposes, but laws restrict the allowable concentration of tetrahydrocannabinol (THC), equal to two if the

[29] See, for example, Laura Weiss, *California board diversity mandate spreads to other states, Washington*, Roll Call, Jul. 19, 2019.

[30] Besides California, eighteen states have such policies in place (see Table A.1).

[31] For details on U.S. states' minimum wage policies, refer to Panel A of Figure OA.3 in the Online Appendix.

use of cannabis is legal for medical purposes without restrictions on THC levels, equal to three if the recreational consumption of cannabis is illegal but has been decriminalized, and equal to four if recreational consumption of cannabis is legal.[32]

Our next set of proxies is based on the idea that states with higher regulatory density are more likely to follow California's regulatory interventions. We use state-level regulatory indices from the John Locke Foundation and the Cato Institute to measure regulatory density. The John Locke Foundation's index includes 27 provisions across six categories to rank states on "regulatory freedom." The Cato Institute's index covers 50 provisions in seven categories. Using these indices, we calculate regulatory scores for each state, ranking them into quintiles from least to most restrictive regulations and assigning scores from one (least restrictive) to five (most restrictive).

Our last proxy for a state's propensity to follow California's legislative lead is a state's political orientation. We expect that Democratic-leaning states are more inclined to implement regulations akin to California, a long-standing Democratic bastion, and assess a state's Democratic orientation using its voting results for the Democratic Party in the 2016 Presidential Election.

We then regress two-day CARs on each of these measures and the same set of control variables as before. Results are reported in Table 6. In Panel A, we find that coefficients on all eight proxies that capture the propensity to follow California's legislative lead are negative, with six estimates being statistically significant.[33] The coefficient in column (1), for instance, suggests that returns of firms in states in which legislators proposed board gender quotas as well have returns that are 0.72% lower than those of firms in states that did not propose a similar board gender quota.[34]

In Panel B, we report results for the quota's repeal. We again observe a significantly positive coefficient on the regression constant, indicating that stock prices of all non-California firms reacted positively to the deregulation event with no difference between those who are more or less likely to follow California's legislative lead, except for two measures where California firms react even less positively to the repeal than non-California firms.

Overall, results in Table 6 are consistent with a regulatory anticipation effect outside of Cali-

[32]For an overview of the cannabis policy of all U.S. states, see Panel B of Figure OA.3 in the Online Appendix.

[33]The number of observations is reduced in column (4) because we disregard firms in states that do not define a minimum wage (AL, LA, MS, NH, SC, and TN). In alternative tests, we assume a federal minimum wage of $7.25 for these states and find slightly stronger results. The number of observations is reduced in columns (6) and (7) because the two regulatory scores are not available for the D.C.

[34]Results are robust to the inclusion of headquarter state fixed effects (see Online Appendix Table OA.15).

fornia, triggered by the adoption of the gender quota in California.

To further examine what drives the negative regulatory anticipation effect at non-California firms, we test for post-quota changes in board structure at non-California firms conditional on their state's propensity to follow California's legislative lead. We run tests similar to those reported in Panel A of Table 3 but restrict the sample to non-California firms and replace the California-headquarter dummy with a variable that indicates a high propensity to follow California's legislative lead. Results are reported in Table OA.16 in the Online Appendix and show statistically insignificant and economically negligible changes in female board representation for all five measures of female board representation and all eight proxies for the likelihood that a state follows California's legislative lead. We also find no evidence of a decline in board quality, with only four of 128 coefficients (16 board characteristics and eight proxies for CA followership) being statistically significant, some pointing to improvements and some to declines in board quality. We also document insignificant changes to board compensation. Overall, the regulatory anticipation effect in non-California firms does not seem to be driven by frictions in the director labor market.

To discriminate between the return effect that results from uncertainty regarding future stakeholder-oriented legislation and the return effect that results from anticipated frictions in the director labor market due to an anticipated gender quota, we re-run our main regressions and include a dummy variable for policy-sensitive firms, the number of missing female directors scaled by board size, and interaction terms between these two variables and the probability that a firm's headquarter state follows California. Results are reported in Panel A of Table 7. We find that all eight interaction terms between the proxy for the probability of following California's legislative lead and the dummy variable for policy-sensitive firms are negative, with six of the estimates being statistically significant. In contrast, the coefficients on the number of missing female directors scaled by board size and their interaction with the proxies for the propensity to follow California's legislative lead are all insignificant. Thus, the negative spillover effects observed for non-California firms are more likely to be due to increased regulatory uncertainty regarding future stakeholder-friendly legislation, rather than a more specific expectation of director labor market frictions.[35]

[35]To test the robustness of these results with respect to the choice of the friction measure, we re-estimate Table 6, replacing the number of missing female directors scaled by board size (*Shortfall (%)* with the other seven proxies for director labor market frictions. Results are reported in Table OA.17 and are very similar to those reported in Table 7.

Results for the repeal of the quota (Panel B of Table 7) are mostly insignificant.[36]

As in the previous section, we also examine a firm's ESG orientation as a potential channel driving the regulatory anticipation effect. Results are reported in Table 8. We find a positive and significant coefficient on the interaction term between a state's propensity to follow California's legislative lead and a firm's sustainability score in seven of the eight specifications. The coefficients on the interaction term between the proxy to follow California and SRI fund ownership are positive across all specifications, but significant in only one specification. We again find no evidence that director labor market frictions contribute to the negative announcement returns of non-California firms.[37] Results are mostly insignificant for the repeal of the quota (Panel B, Table 8).

6 Discussion and conclusion

Several studies show that the adoption of gender quotas triggered negative stock price reactions of affected firms. This paper provides the first evidence that there are also negative returns of firms that are not directly affected by the quota. In response to the adoption of a gender quota in California, abnormal returns of California firms are -2.5% on average for a two-day event window, while non-California firms experience a negative return of -1.8%. Frictions in the director labor market cannot fully account for these effects.

We propose a novel explanation for the detrimental impact of gender quotas on firm value: shareholders' aversion to stakeholder-centric governmental interventions. If shareholders interpret gender quotas as signals of heightened regulatory uncertainty and potential future stakeholder friendly government interventions that could disrupt corporate strategies, negative stock returns not only for the directly affected firms but also for those in states considered likely to enact similar legislation would be expected. In line with this view, our analysis reveals that firms with a high sensitivity to policy changes — both in California and in states likely to mirror California's legislative direction — exhibit more pronounced negative reactions to the implementation of the California gender quota. At the same time, California and non-California firms with high sustainability scores

[36] In Table OA.15, we find slightly stronger results once we include state fixed effects, which ensure that we only compare the within-state market reaction and absorb the stand-alone coefficients on the state-level proxy for the likelihood to follow California.

[37] To test for robustness with respect to the choice of the friction measure, we re-estimate Table 7 replacing the number of missing female directors scaled by board size (*Shortfall (%)*) with the other seven proxies for director labor market frictions. Results are reported in Table OA.18 in the Online Appendix and are very similar to those reported in Table 7.

and a more stakeholder-friendly investor base react more positively to the introduction of the California gender quota. This finding underscores the broader implications of gender quotas as signals of regulatory shifts that can either unsettle or please shareholders depending on their preferences for stakeholder friendly regulation. We acknowledge that shareholders' preferences for stakeholder friendly regulation is an abstract concept that is difficult to measure empirically. Consequently, further research is necessary to study how shareholder preferences affect firm valuations. One interesting avenue for future research could be to examine valuation effects of shareholders' preferences regarding other policies targeted at ESG dimensions, for example environmental policies.

Our results have important policy implications. The substantial negative market reactions to gender quotas likely do not stem primarily from a scarcity of qualified female candidates for board roles. Instead, our results point to reactions being at least partly due to shareholders' aversion to government interventions that favor stakeholder interests over traditional shareholder-centric priorities. This suggests that the resistance to gender quotas and similar regulations may reflect broader concerns about the direction of regulatory policy rather than the practical challenges of fulfilling these mandates.

References

Adams, R. and D. Ferreira (2009). Women in the boardroom and their impact on governance and performance. *Journal of Financial Economics 94*, 291–309.

Adhikari, B., A. Agrawal, and J. Malm (2019). Do women managers keep firms out of trouble? Evidence from corporate litigation and politics. *Journal of Accounting and Economics 67*, 202–225.

Ahern, K. and A. Dittmar (2012). The changing of the boards: The impact on firm valuation of mandated female board representation. *Quarterly Journal of Economics 127*, 137–197.

Akey, P. and S. Lewellen (2017). Policy uncertainty, political capital, and firm risk-taking. Working Paper.

Bai, J. and P. Perron (1998). Testing for and estimation of multiple structural changes. *Econometrica 66*, 47–79.

Bai, J. and P. Perron (2003). Computation and analysis of multiple structural changes. *Journal of Applied Econometrics 18*, 1–22.

Baik, D., C. X. Chen, and D. Godsell (2024). Board gender diversity and investment efficiency: Global evidence from 83 country-level interventions. *The Accounting Review 99*, 1–36.

Baker, S., N. Bloom, and S. Davis (2016). Measuring economic policy uncertainty. *Quarterly Journal of Economics 131*, 1593–1636.

Beaman, L., N. Keleher, and J. Magruder (2018). Do job networks disadvantage women? Evidence from a recruitment experiment in Malawi. *Journal of Labor Economics 36*, 121–157.

Bell, D. A. and R. C. Llewellyn (2023). ESG insights: Silicon Valley's largest public tech and life sciences companies stepped up ESG reporting last year. Working Paper.

Benmelech, E. and C. Frydman (2015). Military CEOs. *Journal of Financial Economics 117*, 43–59.

Berg, F., J. Kölbel, and R. Rigobon (2022). Aggregate confusion: The divergence of ESG ratings. *Review of Finance 26*, 1315–1344.

Bian, B., J. Li, and K. Li (2024). Does mandating women on corporate boards backfire? Working Paper, University of British Columbia.

Brogaard, J., L. Dai, P. Ngo, and B. Zhang (2020). Global political uncertainty and asset prices. *Review of Financial Studies 33*, 1737–1780.

Brogaard, J. and A. Detzel (2015). The asset pricing implications of government economic policy uncertainty. *Management Science 61*, 3–18.

Brown, S. and J. Warner (1985). Using daily stock returns: The case of event studies. *Journal of Financial Economics 14*, 3–31.

Bushee, B. J., M. E. Carter, and J. Gerakos (2014, 12). Institutional Investor Preferences for Corporate Governance Mechanisms. *Journal of Management Accounting Research 26*(2), 123–149.

Carter, M. E., F. Franco, and M. Gine (2017). Executive gender pay gaps: The roles of female risk aversion and board representation. *Contemporary Accounting Research 34*(2), 1232–1264.

Cohen, L. and A. Frazzini (2008). Economic links and predictable returns. *Journal of Finance 63*, 1977–2011.

Comi, S., M. Grasseni, F. Origo, and L. Pagani (2020). Where women make a difference: Gender quotas and firm's performance in three european countries. *ILR Review 73*, 768–793.

Custódio, C., M. Ferreira, and P. Matos (2013). Generalists versus specialists: Lifetime work experience and chief executive officer pay. *Journal of Financial Economics 108*, 471–492.

Custódio, C. and D. Metzger (2014). How do CEOs matter? The effect of industry expertise on acquisition returns. *Review of Financial Studies 26*, 2008–2047.

Denis, D., D. Denis, and M. Walker (2015). CEO assessment and the structure of newly formed boards. *Review of Financial Studies 28*, 3338–3366.

Drobetz, W., F. von Meyerinck, D. Oesch, and M. Schmid (2018). Industry expert directors. *Journal of Banking and Finance 92*, 195–215.

Eckbo, B., K. Nygaard, and K. Thorburn (2022). Valuation effects of Norway's board gender-quota law revisited. *Management Science 68*, 3975–4753.

El Ghoul, S., O. Guedhami, Y. Kim, and H. Yoon (2021). Policy uncertainty and accounting quality. *The Accounting Review 96*, 233–260.

Fan, Y., S. Li, and W. Yang (2024). The impact of the percentage of female directors on corporate ESG score. *Finance Research Letters 63*, 105376.

Ferreira, D. (2015). Board diversity: Should we trust research to inform policy? *Corporate Governance: An International Review 23*, 108–111.

Fich, E. and A. Shivdasani (2006). Are busy boards effective monitors? *Journal of Finance 61*, 689–724.

Fisch, J. and S. Davidoff Solomon (2019). Centros, California's "women on boards" statute and the scope of regulatory competition. *European Business Organization Law Review 20*, 493–520.

Fried, J. (2021). Will Nasdaq's diversity rules harm investors? *Harvard Business Law Review 12*, 1–8.

Friedman, H. (2020). Investor preference for director characteristics: Portfolio choice with gender bias. *The Accounting Review 95*, 117–147.

Gertsberg, M., J. Mollerstrom, and M. Pagel (2022). Gender quotas and support for women in board elections. Working Paper, Monash University.

Gibson Brandon, R., P. Krueger, and P. Schmidt (2021). ESG rating disagreement and stock returns. *Financial Analysts Journal 77*, 104–127.

Graham, J., S. Li, and J. Qiu (2012). Managerial attributes and executive compensation. *Review of Financial Studies 25*, 144–186.

Greene, D., V. Intintoli, and K. Kahle (2020). Do board gender quotas affect firm value? Evidence from California Senate Bill No. 826. *Journal of Corporate Finance 60*, 101526.

Grundfest, J. (2019). Mandating gender diversity in the corporate boardroom: The inevitable failure of California's SB 826. Working Paper, Stanford University Law School.

Gul, F., B. Srinidhi, and A. Ng (2011). Does board gender diversity improve the informativeness of stock prices? *Journal of Accounting and Economics 51*, 314–338.

Hartzmark, S. M. and A. B. Sussman (2019). Do investors value sustainability? A natural experiment examining ranking and fund flows. *Journal of Finance 74*, 2789–2837.

Heath, D., D. Macciocchi, R. Michaely, and M. Ringgenberg (2023). Does socially responsible investing change firm behavior? *Review of Finance 27*, 2057–2083.

Heath, D., M. C. Ringgenberg, M. Samadi, and I. M. Werner (2023). Reusing natural experiments. *Journal of Finance 78*, 2329–2364.

Hwang, S., A. Shivdasani, and E. Simintzi (2019). Mandating women on boards: Evidence from the United States. Working Paper, Kenan Institute of Private Enterprise.

Kang, J.-K., S. Kim, and S. Oh (2022). Does board demographic diversity enhance cognitive diversity and monitoring? *The Accounting Review 97*, 385–415.

Kelly, B., L. Pástor, and P. Veronesi (2016). The price of political uncertainty: Theory and evidence from the option market. *Journal of Finance 71*, 2417–2480.

Knyazeva, A., D. Knyazeva, and R. Masulis (2013). The supply of corporate directors and board independence. *Review of Financial Studies 26*, 1561–1605.

Koijen, R., T. Philipson, and H. Uhlig (2016). Financial health economics. *Econometrica 84*, 195–242.

Krüger, P. (2015). Corporate goodness and shareholder wealth. *Journal of Financial Economics 115*, 304–329.

Lee, W.-J., J. Pittman, and W. Saffar (2020). Political uncertainty and cost stickiness: Evidence from national elections around the world. *Contemporary Accounting Research 37*, 1107–1139.

Manchiraju, H. and S. Rajgopal (2017). Does corporate social responsibility (CSR) create shareholder value? Evidence from the Indian Companies Act 2013. *Journal of Accounting Research 55*, 1257–1300.

Masulis, R., C. Ruzzier, S. Xiao, and S. Zhan (2012). Do independent expert directors matter? Working Paper, University of New South Wales.

Matsa, D. and A. Miller (2013). A female style in corporate leadership? Evidence from quotas. *American Economic Journal: Applied Economics 5*, 136–169.

Minton, B. and C. Schrand (1999). The impact of cash flow volatility on discretionary investment and the costs of debt and equity financing. *Journal of Financial Economics 54*, 423–460.

Nagar, V., J. Schoenfeld, and L. Wellman (2019). The effect of economic policy uncertainty on investor information asymmetry and management disclosures. *Journal of Accounting and Economics 67*, 36–57.

Nguyen, B. D. and K. M. Nielsen (2010). The value of independent directors: Evidence from sudden deaths. *Journal of Financial Economics 98*, 550–567.

Peirce, H. (2018). My beef with stakeholders: Remarks at the 17th annual SEC conference. Center for Corporate Reporting and Governance. Available at: `https://www.sec.gov/news/speech/speech-peirce-092118`.

Pástor, L. and P. Veronesi (2012). Uncertainty about government policy and stock prices. *Journal of Finance 64*, 1219–1264.

Pástor, L. and P. Veronesi (2013). Political uncertainty and risk premia. *Journal of Financial Economics 110*, 229–242.

Romano, J. P. and M. Wolf (2005a). Exact and approximate stepdown methods for multiple hypothesis testing. *Journal of the American Statistical Association 100*, 94–108.

Romano, J. P. and M. Wolf (2005b). Stepwise multiple testing as formalized data snooping. *Econometrica 73*, 1237–1282.

Romano, J. P. and M. Wolf (2016). Efficient computation of adjusted p-values for resampling-based stepdown multiple testing. *Statistics and Probability Letters 113*, 38–40.

Servaes, H. and A. Tamayo (2013). The impact of corporate social responsibility on firm value: The role of customer awareness. *Management Science 59*, 1045–1061.

Figure 1: Changes in female board representation following the quota's adoption

Panel A plots coefficient estimates of the following ordinary least squares regression:

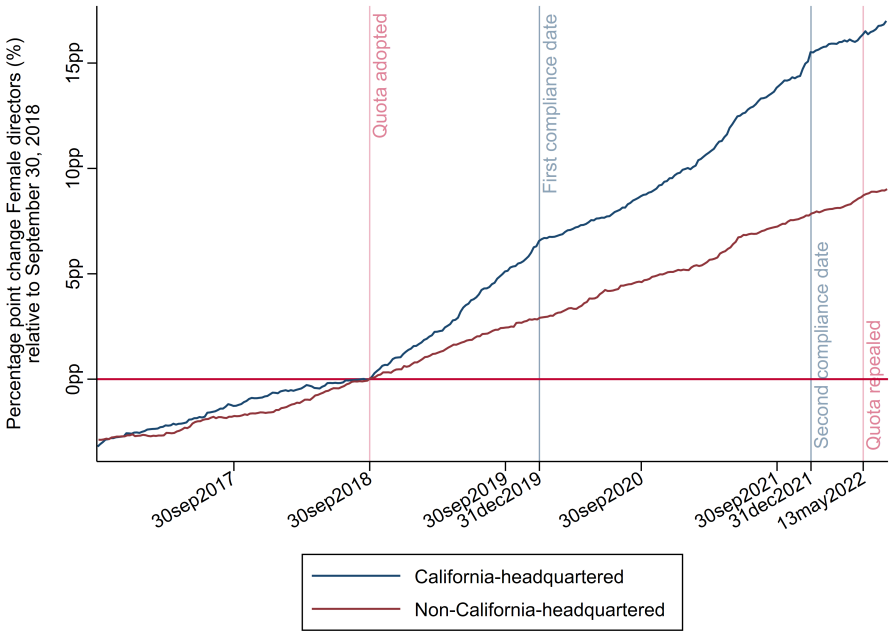
$$Female\ directors\ (\%)_{i,t} = \sum_{t=October\ 1,\ 2016}^{T=July\ 31,\ 2022} \beta_t\ Week\ (d)_t + \alpha_i + \epsilon_{i,t},$$

run separately for California-headquartered firms (blue line) and non-California-headquartered firms (red line). Panel B plots coefficient estimates and 99% confidence intervals of the following ordinary least squares regression:

$$Female\ directors\ (\%)_{i,t} = \sum_{t=October\ 1,\ 2016}^{T=July\ 31,\ 2022} \beta_t CA\ HQ\ (d)_i \times Week\ (d)_t + \alpha_i + \alpha_t + \epsilon_{i,t}.$$

i indexes firms and t weeks. *Female directors* (%) is the fraction of female directors on the board. *CA HQ* (d) is a dummy variable indicating whether a firm is headquartered in California at the adoption of the quota. *Week* (d) are dummy variables indicating calendar weeks. Standard errors are clustered by firm. The sample of firms is the industry- and size-matched sample from the adoption of the quota, as described in the caption of Table 1. For each firm, female board representation is estimated weekly (on Sundays) for the time period October 1st, 2016, to July 31st, 2022, using BoardEx data.

Panel A: Changes in female board representation, California and non-California firms



Panel B: Differences in the changes in female board representation between California and non-California firms

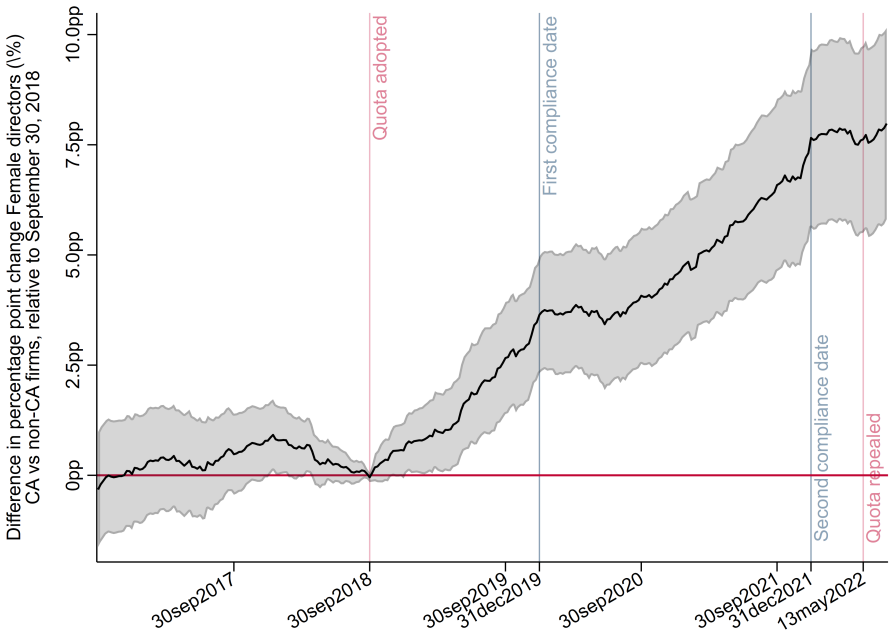
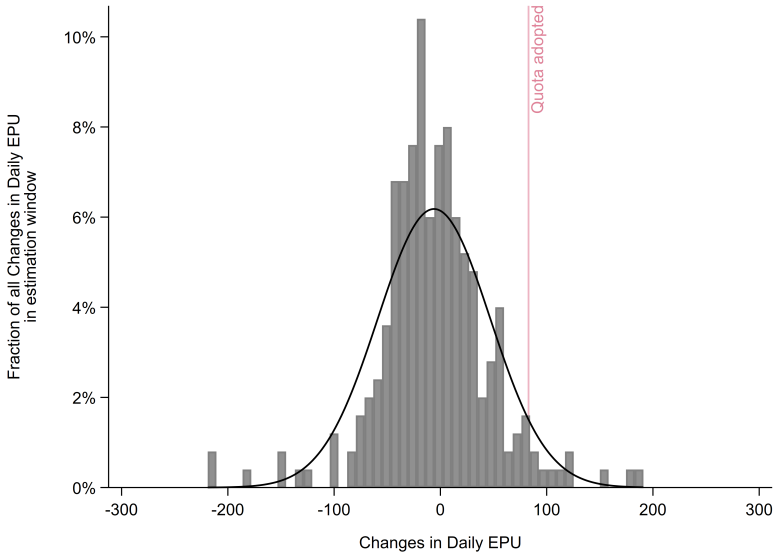


Figure 2: Distributions of changes in the EPU index in estimation window

This figure displays the frequency distribution of daily changes in the Economic Policy Uncertainty (EPU) index from Baker et al. (2016) during the 250-day estimation window that ends six trading days before the event for the adoption of the quota (Panel A) or the invalidation of the quota (Panel B). In Panel A, eleven of the 250 observations (4.4%) have a larger change in EPU than the adoption of the board gender quota in California (October 1st, 2018). In Panel B, 31 of the 250 observations (12.4%) have a larger change in EPU than the invalidation of the board gender quota in California (May 16th, 2022).

Panel A: Distribution for the quota's adoption



Panel B: Distribution for the quota's invalidation

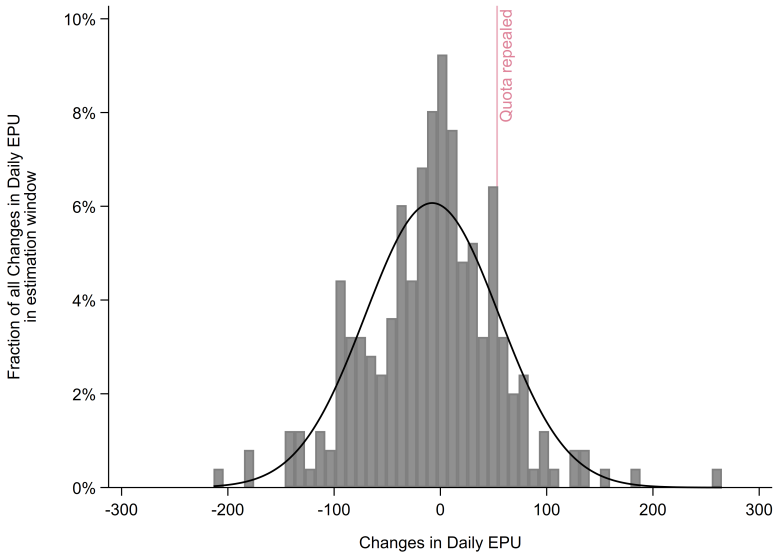


Table 1: Descriptive statistics at the adoption of the quota

This table reports descriptive statistics at the time of the adoption of the quota (September 30th, 2018). Panel A reports descriptive statistics on firms subject to California's board quota. A firm enters this sample if it is headquartered in California and reports data within one calendar year before the event date in Compustat. We exclude utilities and financial firms (SIC codes 4940-4949 and 6000-6999, respectively), firms with negative book value of equity, firms with missing financial control variables (total assets, market-to-book ratio, return on assets, leverage, and cash flow volatility), firms that only list American Depository Receipts, and firms without a listing on NYSE, AMEX, or NASDAQ. We also require at least 125 daily return observations during the 250-day estimation window that ends September 21st, complete return data for the entire five-day event window around the event date (October 1st), and availability of director data from BoardEx. Panel B reports descriptive statistics on the matched control sample. To construct this control sample, we draw, for each firm headquartered in California, the three firms closest in size that are active in the same two-digit SIC code industry, are headquartered in another U.S. state or the District of Columbia, and pass the same sample selection criteria as outlined above. A firm in the control sample may be matched to more than one treatment firm, but is included only once in the control sample. Panel C reports results of tests for differences in means and medians between the sample of California firms (Panel A) and the sample of matched non-California control firms (Panel B). Variable definitions are provided in Table A.1.

Panel A: California firms

	Mean	P25	Median	P75	SD	Obs.
Board size	7.675	6.000	8.000	9.000	1.886	453
Shortfall (%)	23.935	12.500	25.000	33.333	14.605	453
# missing female directors	1.684	1.000	2.000	2.000	0.929	453
# missing female directors (2019)	0.294	0.000	0.000	1.000	0.456	453
# missing female directors (2021)	1.391	1.000	2.000	2.000	0.719	453
# missing female directors (exp)	1.812	1.000	2.000	3.000	0.981	453
2021 requ. failed (d)	0.887	1.000	1.000	1.000	0.316	453
Female directors (%)	14.697	0.000	14.286	22.222	12.414	453
# female directors	1.203	0.000	1.000	2.000	1.062	453
Policy sensitive firm (d)	0.113	0.000	0.000	0.000	0.316	453
Sustainability index	0.110	0.000	0.010	0.100	0.259	293
CAR(0,1)	-2.254	-4.379	-2.085	0.109	4.444	453
CAR(-1,1)	-2.290	-5.044	-1.788	0.753	5.265	453
CAR(-2,2)	-1.802	-4.917	-1.554	0.997	6.491	453

Panel B: Matched non-California control firms

	Mean	P25	Median	P75	SD	Obs.
Board size	7.806	6.000	8.000	9.000	2.024	772
Shortfall (%)	23.152	11.111	25.000	33.333	14.592	772
# missing female directors	1.632	1.000	2.000	2.000	0.946	772
# missing female directors (2019)	0.288	0.000	0.000	1.000	0.453	772
# missing female directors (2021)	1.345	1.000	2.000	2.000	0.751	772
# missing female directors (exp)	1.776	1.000	2.000	3.000	1.006	772
2021 requ. failed (d)	0.864	1.000	1.000	1.000	0.343	772
Female directors (%)	14.863	0.000	14.286	22.222	12.431	772
# female directors	1.253	0.000	1.000	2.000	1.125	772
Policy sensitive firm (d)	0.111	0.000	0.000	0.000	0.315	772
Sustainability index	0.068	0.000	0.000	0.085	0.202	476
CAR(0,1)	-1.493	-3.856	-1.442	0.552	4.567	772
CAR(-1,1)	-1.489	-4.046	-1.285	0.540	5.462	772
CAR(-2,2)	-0.678	-4.033	-1.064	1.740	6.872	772

Panel C: Tests for differences

	Differences (CA HQ (d) = 1 – CA HQ (d) = 0)				
	Mean	SE	*t*-statistic	Median	z-statistic
Board size	-0.130	0.12	-1.11	0.000	-1.05
Shortfall (%)	0.783	0.86	0.91	0.000	0.83
# missing female directors	0.052	0.06	0.94	0.000	0.85
# missing female directors (exp)	0.036	0.06	0.62	0.000	0.51
# missing female directors (2019)	0.006	0.03	0.22	0.000	0.22
# missing female directors (2021)	0.046	0.04	1.06	0.000	0.91
2021 requ. failed (d)	0.023	0.02	1.19	0.000	1.19
Female directors (%)	-0.166	0.74	-0.23	0.000	-0.23
# female directors	-0.050	0.07	-0.76	0.000	-0.50
Policy sensitive firm (d)	0.001	0.02	0.06	0.000	0.06
Sustainability index	0.042**	0.02	2.50	0.010	1.44
CAR(0,1)	-0.760***	0.27	-2.84	-0.642***	-2.87
CAR(-1,1)	-0.801**	0.32	-2.51	-0.504**	-2.15
CAR(-2,2)	-1.123***	0.40	-2.82	-0.490**	-2.36

Table 2: Returns gender quotas

This table reports results of the following ordinary least squares regressions:

$$CAR_i = \beta CA\ HQ\ (d)_i + Controls_i + \alpha + \epsilon_i.$$

i indexes firms. Panel A reports results for the adoption of the gender quota in California. The event date is Sunday, September 30th, 2018 (a non-trading day). The first trading after the event ($t = 0$) is October 1st. Panel B reports results for the repeal of the quota. The event date ($t = 0$) is Monday, May 16th, 2022. Across columns, we vary the length of the event window. The caption of Table 1 describes the construction of the matched samples. t-statistics based on heteroscedasticity-consistent standard errors are reported in parentheses. *, **, and ***, indicate statistical significance at the 10%, 5%, and 1% level, respectively. Variable definitions are provided in Table A.1.

Panel A: Adoption

	CAR(0,1)	CAR(-1,1)	CAR(-2,2)
	(1)	(2)	(3)
CA HQ (d)	-0.627**	-0.685**	-1.151***
	(-2.26)	(-2.04)	(-2.77)
ln(Total assets)	0.007	0.082	0.075
	(0.09)	(0.90)	(0.69)
Return on assets	-0.810	-0.466	-2.136**
	(-1.54)	(-0.70)	(-2.39)
Market-to-book ratio	-0.044**	-0.034	-0.049
	(-2.11)	(-1.35)	(-1.60)
Leverage	2.626***	2.042**	1.148
	(3.27)	(2.14)	(0.98)
Cash flow volatility	-0.014***	-0.012***	-0.002
	(-6.44)	(-4.03)	(-0.39)
Constant	-1.828***	-2.188***	-1.202*
	(-3.58)	(-3.68)	(-1.70)
R^2	0.03	0.02	0.02
Observations	1,225	1,225	1,225

Panel B: Repeal

	CAR(0,1)	CAR(-1,1)	CAR(-2,2)
	(1)	(2)	(3)
CA HQ (d)	-0.398	-0.061	0.644
	(-1.15)	(-0.14)	(1.13)
Return on assets	-2.663***	-4.761***	-6.716***
	(-3.11)	(-4.33)	(-5.02)
ln(Total assets)	-0.227**	-0.163	-0.093
	(-2.36)	(-1.35)	(-0.60)
Market-to-book ratio	-0.071***	-0.046***	0.012
	(-4.25)	(-2.80)	(0.52)
Leverage	0.090	-0.760	-2.139
	(0.10)	(-0.63)	(-1.40)
Cash flow volatility	0.001	-0.001	-0.004
	(0.05)	(-0.07)	(-0.22)
Constant	2.759***	3.436***	5.759***
	(4.11)	(4.02)	(5.25)
R^2	0.06	0.06	0.05
Observations	1,397	1,397	1,397

Table 3: Changes in board characteristics post-quota adoption

Panel A reports coefficient estimates of the following ordinary least squares regression:

$$Board\ characteristic_{i,t} = \beta CA\ HQ\ (d)_i \times December\ 31,\ 2021\ (d)_t + \alpha_i + \alpha_t + \epsilon_{i,t}.$$

Panel B reports coefficient estimates of the following ordinary least squares regression:

$$Board\ characteristic_{i,t} = \beta\%\ of\ industry\ in\ CA_i \times December\ 31,\ 2021\ (d)_t + \alpha_i + \alpha_t + \epsilon_{i,t}.$$

i indexes firms and t either the quota adoption date (September 30$^{\text{th}}$, 2018) or the last quota compliance date (December 31$^{\text{st}}$, 2021). $Board\ characteristic_{i,t}$ are different board characteristics, as defined in Table A.1. $CA\ HQ\ (d)$ is a dummy variable indicating whether a firm is headquartered in California at the adoption of the quota. *December* 31, 2021 (d) is a dummy variable set to one for the last quota compliance date (December 31$^{\text{st}}$, 2021) and equal to zero for the quota adoption date (September 30$^{\text{th}}$, 2018). $\%\ of\ industry\ in\ CA$ is the fraction of firms in an industry headquartered in California. t-statistics are based on standard errors clustered by firm, are corrected for multiple hypothesis testing (Romano and Wolf (2005a,b, 2016)), and are not reported for brevity. The sample of firms is the industry- and size-matched sample from the adoption of the quota, as described in the caption of Table 1.

Panel A: California firms and non-California firms

i. Female board representation

	Shortfall (%)	# missing female directors	2021 requ. failed (d)	Female directors (%)	# female directors
CA HQ (d) × December 31, 2021 (d)	-8.570***	-0.597***	-0.340***	7.674***	0.674***

ii. Board size

	Board size	# male directors
CA HQ (d) × December 31, 2021 (d)	0.419***	-0.256***

iii. Board skills and experience

	Generalist index	CEO experience	Financial experience	Industry experience	Law experience	Military experience	Education (score)
CA HQ (d) × December 31, 2021 (d)	1.275**	-0.022	0.078	-0.010	0.054	0.005	0.858***

iv. Other board characteristics

	Age	Independent outside directors (%)	Connection to CEO (%)	# outs. board seats	# outs. board seats female
CA HQ (d) × December 31, 2021 (d)	-0.716**	-0.172	-0.010	0.069***	0.013

v. Board compensation

	log(Cash fee)	log(Total compensation)
CA HQ (d) × December 31, 2021 (d)	-0.035	-0.087

Panel B: Non-California firms and California's relative importance in an industry

i. Female board representation

	Shortfall (%)	# missing female directors	2021 requ. failed (d)	Female directors (%)	# female directors
% of industry in CA × December 31, 2021 (d)	2.278	0.085	-0.085	-2.633	-0.171

ii. Board size

	Board size	# male directors
% of industry in CA × December 31, 2021 (d)	-0.144	0.026

iii. Board skills and experience

	Generalist index	CEO experience	Financial experience	Industry experience	Law experience	Military experience	Education (score)
% of industry in CA × December 31, 2021 (d)	-0.869	-0.258	0.086	-0.071	0.061	-0.019	-0.110

iv. Other board characteristics

	Age	Independent outside directors (%)	Connection to CEO (%)	# outs. board seats	# outs. board seats female
% of industry in CA × December 31, 2021 (d)	0.491	-2.129	0.015	-0.022	-0.022

v. Board compensation

	log(Cash fee)	log(Total compensation)
% of industry in CA × December 31, 2021 (d)	-0.071	-0.083

Table 4: Regulatory uncertainty aversion and returns to gender quotas

This table reports results of the following ordinary least squares regression:

$$CAR(0,1)_i = \beta CA\ HQ\ (d)_i + \gamma CA\ HQ\ (d)_i \times Policy\ sensitive\ firm\ (d)_i + \delta Policy\ sensitive\ firm\ (d)_i + \zeta CA\ HQ\ (d)_i \times Friction\ proxy_i + \eta Friction\ proxy_i + Controls_i + \alpha + \epsilon_i.$$

i indexes firms. Panel A reports results for the adoption of the gender quota in California. The event window comprises October 1st and October 2nd, the first two trading dates following the adoption of the gender quota on September 30th (a non-trading day). Panel B reports results for the repeal of the quota. The event window comprises May 16th and 17th, the two trading days around the repeal of the quota on May 16th. Control variables are the same as in Table 2 (ln(total assets), return on assets, market-to-book-ratio, leverage, and cash flow volatility). Across columns, we vary the proxy for director labor market frictions. The caption of Table 1 describes the construction of the matched samples. t-statistics based on heteroscedasticity-consistent standard errors are reported in parentheses. *, **, and ***, indicate statistical significance at the 10%, 5%, and 1% level, respectively. Variable definitions are provided in Table A.1.

Panel A: Adoption

	CAR(0,1)								
Friction proxy:	-	Shortfall (%)	# missing female directors	# missing female directors (2019)	# missing female directors (2021)	# missing female directors (exp)	2021 requ. failed (d)	Female directors (%)	# female directors
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
CA HQ (d)	-0.391	0.851*	0.724	-0.188	0.760	0.852*	1.907***	-1.076**	-1.184***
	(-1.33)	(1.84)	(1.41)	(-0.59)	(1.34)	(1.67)	(2.68)	(-2.28)	(-2.58)
CA HQ (d) × Policy sensitive firm (d)	-2.081***	-1.991***	-2.040***	-2.036***	-2.057***	-2.001***	-1.994***	-2.011***	-2.015***
	(-2.79)	(-2.70)	(-2.74)	(-2.75)	(-2.78)	(-2.69)	(-2.70)	(-2.70)	(-2.71)
Policy sensitive firm (d)	0.392	0.327	0.360	0.364	0.387	0.355	0.376	0.352	0.356
	(0.79)	(0.67)	(0.73)	(0.74)	(0.78)	(0.72)	(0.76)	(0.71)	(0.72)
CA HQ (d) × Friction proxy		-5.302***	-0.667**	-0.739	-0.829**	-0.697***	-2.626***	4.554**	0.640***
		(-2.85)	(-2.33)	(-1.20)	(-2.20)	(-2.62)	(-3.46)	(2.15)	(2.75)
Friction proxy		1.777	0.100	0.596	-0.030	0.228	0.680	-1.906	-0.237
		(1.43)	(0.56)	(1.49)	(-0.13)	(1.31)	(1.47)	(-1.40)	(-1.51)
Constant	-1.830***	-2.226***	-1.852***	-2.182***	-1.626**	-2.218***	-2.424***	-1.595***	-1.572***
	(-3.51)	(-3.03)	(-2.64)	(-3.67)	(-2.40)	(-2.95)	(-3.28)	(-2.97)	(-2.90)
Controls	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
R^2	0.03	0.04	0.04	0.03	0.04	0.04	0.04	0.03	0.04
Observations	1,225	1,225	1,225	1,225	1,225	1,225	1,225	1,225	1,225

Panel B: Repeal

	CAR(0,1)								
Friction proxy:	-	Shortfall (%)	# missing female directors	# missing female directors (2019)	# missing female directors (2021)	# missing female directors (exp)	2021 requ. failed (d)	Female directors (%)	# female directors
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
CA HQ (d)	-0.669*	-0.877**	-0.817*	-0.775**	-0.718*	-0.692*	-0.803*	-0.917	-1.026
	(-1.85)	(-2.13)	(-1.94)	(-2.16)	(-1.65)	(-1.65)	(-1.84)	(-0.72)	(-0.97)
CA HQ (d) × Policy sensitive firm (d)	2.142**	2.144**	2.147**	2.220**	2.140**	2.131**	2.144**	2.155**	2.164**
	(1.99)	(1.99)	(1.99)	(2.06)	(1.99)	(1.98)	(1.99)	(2.00)	(2.01)
Policy sensitive firm (d)	-0.032	-0.044	-0.042	-0.040	-0.037	-0.041	-0.036	-0.034	-0.035
	(-0.05)	(-0.07)	(-0.07)	(-0.06)	(-0.06)	(-0.07)	(-0.06)	(-0.05)	(-0.06)
CA HQ (d) × Friction proxy		1.925	0.220	11.149**	-0.016	-0.146	0.330	0.634	0.101
		(0.47)	(0.39)	(2.25)	(-0.03)	(-0.26)	(0.40)	(0.17)	(0.30)
Friction proxy		-1.227	-0.115	-0.362	-0.087	-0.094	-0.121	0.349	0.099
		(-0.73)	(-0.48)	(-0.43)	(-0.32)	(-0.40)	(-0.30)	(0.18)	(0.57)
Constant	2.650***	3.014***	2.859***	2.753***	2.802***	2.902***	2.766***	2.602***	2.708***
	(3.98)	(3.69)	(3.58)	(4.00)	(3.50)	(3.46)	(3.40)	(3.60)	(3.92)
Controls	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
R^2	0.06	0.06	0.06	0.07	0.06	0.06	0.06	0.06	0.06
Observations	1,397	1,397	1,397	1,397	1,397	1,397	1,397	1,397	1,397

Table 5: ESG orientation and returns to gender quotas

This table reports results of the following ordinary least squares regression:

$$CAR(0,1)_i = \beta CA\ HQ\ (d)_i + \gamma CA\ HQ\ (d)_i \times Sustainability\ index\ (d)_i + \delta Sustainability\ index\ (d)_i + \zeta CA\ HQ\ (d)_i \times SRI\ fund\ holdings\ (\%)_i + \eta SRI\ fund\ holdings\ (\%)_i + \theta CA\ HQ\ (d)_i \times Friction\ proxy_i + \iota Friction\ proxy_i + Controls_i + \alpha + \epsilon_i.$$

i indexes firms. Panel A reports results for the adoption of the gender quota in California. The event window comprises October 1st and October 2nd, the first two trading dates following the adoption of the gender quota on September 30th (a non-trading day). Panel B reports results for the repeal of the quota. The event window comprises May 16th and 17th, the two trading days around the repeal of the quota on May 16th. Control variables are the same as in Table 2 (ln(total assets), return on assets, market-to-book-ratio, leverage, and cash flow volatility). Across columns, we vary the proxy for director labor market frictions. The caption of Table 1 describes the construction of the matched samples. t-statistics based on heteroscedasticity-consistent standard errors are reported in parentheses. *, **, and ***, indicate statistical significance at the 10%, 5%, and 1% level, respectively. Variable definitions are provided in Table A.1.

Panel A: Adoption

	CAR(0,1)									
Friction proxy:	-		Shortfall (%)	# missing female directors	# missing female directors (2019)	# missing female directors (2021)	# missing female directors (exp)	2021 requ. failed (d)	Female directors (%)	# female directors
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
CA HQ (d)	-0.653**	-0.589*	0.114	0.078	-0.616*	0.411	0.070	0.639	-1.052**	-1.187**
	(-2.13)	(-1.86)	(0.21)	(0.13)	(-1.70)	(0.60)	(0.11)	(0.83)	(-2.02)	(-2.38)
CA HQ (d) × Sustainability index	1.372*		1.509*	1.558*	1.794**	1.482*	1.572*	1.551*	1.665**	1.435*
	(1.95)		(1.77)	(1.84)	(2.13)	(1.76)	(1.87)	(1.84)	(2.01)	(1.70)
Sustainability index	0.497		0.037	0.009	-0.055	0.001	0.017	0.019	-0.009	0.085
	(0.98)		(0.07)	(0.02)	(-0.10)	(0.00)	(0.03)	(0.03)	(-0.02)	(0.15)
CA HQ (d) × SRI fund holdings (%)		-0.068	-9.107	-8.528	-6.211	-8.977	-8.808	-8.480	-8.318	-9.954*
		(-0.01)	(-1.57)	(-1.46)	(-1.12)	(-1.52)	(-1.50)	(-1.45)	(-1.45)	(-1.71)
SRI fund holdings (%)		16.253***	13.140***	12.929***	12.122***	12.990***	13.112***	12.918***	12.901***	13.433***
		(3.81)	(4.22)	(4.12)	(4.05)	(4.12)	(4.17)	(4.04)	(4.17)	(4.26)
CA HQ (d) × Friction proxy			-2.928	-0.376	0.260	-0.668	-0.364	-1.351*	3.176	0.485*
			(-1.39)	(-1.19)	(0.35)	(-1.63)	(-1.19)	(-1.78)	(1.30)	(1.85)
Friction proxy			1.032	0.108	0.067	0.140	0.211	0.676	-1.689	-0.251
			(0.73)	(0.52)	(0.15)	(0.53)	(1.06)	(1.36)	(-0.99)	(-1.39)
Constant	-3.389***	-1.261**	-3.095***	-3.025***	-2.989***	-3.043***	-3.352***	-3.619***	-2.654***	-2.688***
	(-5.07)	(-2.24)	(-3.32)	(-3.24)	(-4.02)	(-3.15)	(-3.51)	(-3.52)	(-3.57)	(-3.65)
Controls	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
R^2	0.05	0.04	0.06	0.06	0.06	0.06	0.06	0.06	0.06	0.06
Observations	769	1,207	766	766	766	766	766	766	766	766

Panel B: Repeal

Friction proxy:	CAR(0,1)									
	-		Shortfall (%)	# missing female directors	# missing female directors (2019)	# missing female directors (2021)	# missing female directors (exp)	2021 requ. failed (d)	Female directors (%)	# female directors
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
CA HQ (d)	-0.489	-0.437	-0.610	-0.534	-0.483	-0.491	-0.561	-0.657	-1.378	-1.417
	(-1.29)	(-1.05)	(-1.20)	(-1.04)	(-1.13)	(-0.94)	(-1.10)	(-1.24)	(-1.09)	(-1.37)
CA HQ (d) × Sustainability index	0.164		0.536	0.484	0.460	0.464	0.529	0.518	0.492	0.352
	(0.20)		(0.62)	(0.56)	(0.54)	(0.54)	(0.62)	(0.60)	(0.57)	(0.40)
Sustainability index	-0.002		-0.153	-0.145	-0.113	-0.137	-0.157	-0.172	-0.148	-0.115
	(-0.00)		(-0.24)	(-0.23)	(-0.18)	(-0.21)	(-0.25)	(-0.27)	(-0.23)	(-0.17)
CA HQ (d) × SRI fund holdings (%)		-1.557	-1.709	-2.025	-2.186	-2.219	-2.098	-1.407	-3.642	-4.974
		(-0.29)	(-0.28)	(-0.34)	(-0.37)	(-0.37)	(-0.35)	(-0.23)	(-0.63)	(-0.82)
SRI fund holdings (%)		3.562	-0.057	0.118	0.291	0.210	0.040	-0.002	0.193	0.491
		(0.99)	(-0.02)	(0.04)	(0.09)	(0.07)	(0.01)	(-0.00)	(0.06)	(0.16)
CA HQ (d) × Friction proxy			1.229	0.148		0.100	0.032	0.616	2.880	0.348
			(0.27)	(0.23)		(0.15)	(0.05)	(0.77)	(0.75)	(1.06)
Friction proxy			-1.739	-0.102	-0.799	-0.051	-0.196	-0.217	0.266	0.005
			(-0.70)	(-0.31)	(-0.45)	(-0.15)	(-0.60)	(-0.49)	(0.11)	(0.03)
Constant	1.172	2.479***	1.555	1.279	1.267	1.192	1.512	1.317	1.041	1.228
	(1.34)	(3.34)	(1.44)	(1.21)	(1.38)	(1.11)	(1.42)	(1.22)	(0.98)	(1.27)
Controls	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
R^2	0.04	0.07	0.04	0.04	0.04	0.04	0.04	0.04	0.04	0.04
Observations	661	1,023	655	655	655	655	655	655	655	655

Table 6: Propensity to follow California and returns to gender quotas

This table reports results of the following ordinary least squares regression:

$$CAR(0,1)_i = \beta CA\ follower\ proxy_j + Controls_i + \alpha + \epsilon_i.$$

i indexes firms and j states. Panel A reports results for the adoption of the gender quota in California. The event window comprises October 1st and October 2nd, the first two trading dates following the adoption of the gender quota on September 30th (a non-trading day). Panel B reports results for the repeal of the quota. The event window comprises May 16th and 17th, the two trading days around the repeal of the quota on May 16th. Control variables are the same as in Table 2 (ln(total assets), return on assets, market-to-book-ratio, leverage, and cash flow volatility). Across columns, we vary the proxy for the propensity that a state in which a firm is headquartered follows California's legislative lead. The sample comprises only non-California-headquartered firms. The caption of Table 1 describes the construction of the matched samples. t-statistics based on heteroscedasticity-consistent standard errors are reported in parentheses. *, **, and ***, indicate statistical significance at the 10%, 5%, and 1% level, respectively. Variable definitions are provided in Table A.1.

Panel A: Adoption

	CAR(0,1)							
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Impending quota (d)	-0.726**							
	(-2.11)							
U.S. Climate Alliance (d)		-0.766**						
		(-2.30)						
GhG reduction policies (d)			-0.515					
			(-1.54)					
Excess minimum wage ($)				-0.197**				
				(-2.32)				
Cannabis legalization score					-0.262*			
					(-1.92)			
Regulatory score (JL)						-0.308**		
						(-2.44)		
Regulatory score (Cato)							-0.143	
							(-1.11)	
% Democratic votes								-3.350*
								(-1.75)
Constant	-1.051	-0.855	-1.006	-0.916	-0.612	-0.203	-0.773	0.332
	(-1.63)	(-1.32)	(-1.55)	(-1.38)	(-0.85)	(-0.27)	(-1.03)	(0.31)
Controls	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
R^2	0.02	0.02	0.02	0.02	0.02	0.02	0.02	0.02
Observations	772	772	772	748	772	770	770	772

Panel B: Repeal

	CAR(0,1)							
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Impending quota (d)	-0.482							
	(-1.17)							
U.S. Climate Alliance (d)		-0.535						
		(-1.33)						
GhG reduction policies (d)			-0.292					
			(-0.73)					
Excess minimum wage ($)				-0.260***				
				(-2.61)				
Cannabis legalization score					-0.521***			
					(-3.28)			
Regulatory score (JL)						-0.118		
						(-0.83)		
Regulatory score (Cato)							-0.131	
							(-0.84)	
% Democratic votes								-3.198
								(-1.27)
Constant	2.073**	2.214***	2.079**	2.623***	3.250***	2.317**	2.368**	3.499**
	(2.56)	(2.74)	(2.57)	(3.20)	(3.62)	(2.47)	(2.50)	(2.41)
Controls	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
R^2	0.04	0.04	0.04	0.05	0.05	0.04	0.04	0.04
Observations	891	891	891	860	891	889	889	891

Table 7: Policy sensitivity of non-California firms and returns to gender quotas

This table reports results of the following ordinary least squares regression:

$$CAR(0,1)_i = \beta CA\ follower\ proxy_j + \gamma CA\ follower\ proxy_j \times Policy\ sensitive\ firm\ (d)_i + \delta Policy\ sensitive\ firm\ (d)_i + \zeta CA\ follower\ proxy_j \times Shortfall\ (\%)_i + \eta Shortfall\ (\%)_i + Controls_i + \alpha + \epsilon_i.$$

i indexes firms and j states. Panel A reports results for the adoption of the gender quota in California. The event window comprises October 1st and October 2nd, the first two trading dates following the adoption of the gender quota on September 30th (a non-trading day). Panel B reports results for the repeal of the quota. The event window comprises May 16th and 17th, the two trading days around the repeal of the quota on May 16th. Control variables are the same as in Table 2 (ln(total assets), return on assets, market-to-book-ratio, leverage, and cash flow volatility). Across columns, we vary the proxy for the propensity that a state in which a firm is headquartered follows California's legislative lead. The sample comprises only non-California-headquartered firms. The caption of Table 1 describes the construction of the matched samples. t-statistics based on heteroscedasticity-consistent standard errors are reported in parentheses. *, **, and ***, indicate statistical significance at the 10%, 5%, and 1% level, respectively. Variable definitions are provided in Table A.1.

Panel A: Adoption

	CAR(0,1)							
CA follower proxy:	Impending quota (d)	U.S. Climate Alliance (d)	GhG reduction policies (d)	Excess minimum wage ($)	Cannabis legalization score	Regulatory score (JL)	Regulatory score (Cato)	% Democratic votes
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
CA follower proxy	-0.340	-0.790	0.186	-0.264**	-0.433*	-0.210	0.002	-2.837
	(-0.60)	(-1.44)	(0.34)	(-1.98)	(-1.85)	(-1.02)	(0.01)	(-0.86)
CA follower proxy × Policy sensitive firm (d)	-1.651*	-1.435	-1.700*	-0.486**	-0.701*	-0.199	-0.680*	-12.402**
	(-1.77)	(-1.47)	(-1.78)	(-2.04)	(-1.69)	(-0.51)	(-1.83)	(-2.17)
Policy sensitive firm (d)	0.941	1.192	1.246	1.407**	2.176*	0.990	2.830*	6.657**
	(1.48)	(1.60)	(1.57)	(2.13)	(1.83)	(0.72)	(1.89)	(2.20)
CA follower proxy × Shortfall (%)	-0.776	0.850	-2.087	0.536	1.099	-0.308	-0.281	3.154
	(-0.33)	(0.38)	(-0.92)	(0.96)	(1.16)	(-0.36)	(-0.30)	(0.25)
Shortfall (%)	1.709	0.913	2.387	0.321	-1.630	2.543	2.545	-0.107
	(1.10)	(0.52)	(1.45)	(0.17)	(-0.53)	(0.80)	(0.71)	(-0.02)
Constant	-1.905**	-1.568	-2.076**	-1.549	-0.842	-1.299	-2.035*	-0.678
	(-2.04)	(-1.62)	(-2.21)	(-1.55)	(-0.72)	(-1.15)	(-1.83)	(-0.37)
Controls	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
R^2	0.03	0.03	0.03	0.03	0.03	0.03	0.02	0.03
Observations	772	772	772	748	772	770	770	772

Panel B: Repeal

CA follower proxy:	CAR(0,1)							
	Impending quota (d)	U.S. Climate Alliance (d)	GhG reduction policies (d)	Excess minimum wage ($)	Cannabis legalization score	Regulatory score (JL)	Regulatory score (Cato)	% Democratic votes
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
CA follower proxy	-0.838	-0.714	-0.619	-0.319**	-0.608***	-0.185	-0.191	-2.451
	(-1.53)	(-1.34)	(-1.18)	(-2.40)	(-2.90)	(-0.98)	(-0.99)	(-0.82)
CA follower proxy × Policy sensitive firm (d)	0.502	0.626	0.735	0.242	0.586	0.050	0.054	3.119
	(0.39)	(0.49)	(0.61)	(0.76)	(1.18)	(0.11)	(0.14)	(0.57)
Policy sensitive firm (d)	-0.183	-0.314	-0.398	-0.470	-1.550	-0.154	-0.176	-1.544
	(-0.19)	(-0.32)	(-0.51)	(-0.42)	(-0.97)	(-0.09)	(-0.12)	(-0.53)
CA follower proxy × Shortfall (%)	2.044	0.848	1.803	0.218	0.219	0.443	0.360	-7.942
	(0.67)	(0.28)	(0.60)	(0.28)	(0.19)	(0.39)	(0.30)	(-0.38)
Shortfall (%)	-1.238	-0.860	-1.372	-1.129	-1.288	-1.807	-1.687	3.504
	(-0.55)	(-0.36)	(-0.58)	(-0.44)	(-0.35)	(-0.41)	(-0.36)	(0.33)
Constant	2.386**	2.483**	2.426**	3.021***	3.741***	2.640**	2.733**	3.288*
	(2.23)	(2.27)	(2.30)	(2.67)	(3.02)	(2.15)	(2.27)	(1.78)
Controls	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
R^2	0.04	0.04	0.04	0.05	0.05	0.04	0.04	0.04
Observations	891	891	891	860	891	889	889	891

Table 8: ESG orientation of non-California firms and returns to gender quotas

This table reports results of the following ordinary least squares regression:

$$CAR(0,1)_i = \beta CA\ follower\ proxy_j + \gamma CA\ follower\ proxy_j \times Sustainability\ index\ (d)_i + \delta Sustainability\ index\ (d)_i + \zeta CA\ follower\ proxy_j \times SRI\ fund\ holdings\ (\%)_i + \eta SRI\ fund\ holdings\ (\%)_i + \theta CA\ follower\ proxy_j \times Shortfall\ (\%)_i + \iota Shortfall\ (\%)_i + Controls_i + \alpha + \epsilon_i.$$

i indexes firms and j states. Panel A reports results for the adoption of the gender quota in California. The event window comprises October 1st and October 2nd, the first two trading dates following the adoption of the gender quota on September 30th (a non-trading day). Panel B reports results for the repeal of the quota. The event window comprises May 16th and 17th, the two trading days around the repeal of the quota on May 16th. Control variables are the same as in Table 2 (ln(total assets), return on assets, market-to-book-ratio, leverage, and cash flow volatility). Across columns, we vary the proxy for the propensity that a state in which a firm is headquartered follows California's legislative lead. The sample comprises only non-California-headquartered firms. The caption of Table 1 describes the construction of the matched samples. t-statistics based on heteroscedasticity-consistent standard errors are reported in parentheses. *, **, and ***, indicate statistical significance at the 10%, 5%, and 1% level, respectively. Variable definitions are provided in Table A.1.

Panel A: Adoption

	CAR(0,1)							
CA follower proxy:	Impending quota (d)	U.S. Climate Alliance (d)	GhG reduction policies (d)	Excess minimum wage ($)	Cannabis legalization score	Regulatory score (JL)	Regulatory score (Cato)	% Democratic votes
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
CA follower proxy	-0.767	-1.721**	-0.536	-0.385**	-0.642**	-0.522**	-0.293	-6.732*
	(-1.07)	(-2.58)	(-0.79)	(-2.31)	(-2.36)	(-2.04)	(-1.24)	(-1.94)
CA follower proxy × Sustainability index	2.166**	2.665**	2.411*	0.459	0.926**	1.194***	0.848**	13.353**
	(2.01)	(2.24)	(1.89)	(1.39)	(2.09)	(3.12)	(2.05)	(2.02)
Sustainability index	-0.741	-1.294	-1.296	-0.559	-2.281	-4.124**	-3.198*	-6.611*
	(-0.87)	(-1.20)	(-1.10)	(-0.53)	(-1.51)	(-2.41)	(-1.65)	(-1.83)
CA follower proxy × Shortfall (%)	-0.825	2.910	-0.015	0.480	1.715*	0.396	0.273	13.750
	(-0.28)	(1.13)	(-0.01)	(0.77)	(1.69)	(0.38)	(0.25)	(1.03)
Shortfall (%)	0.226	-1.287	0.112	-0.696	-4.466	-1.284	-0.876	-6.754
	(0.15)	(-0.72)	(0.07)	(-0.34)	(-1.38)	(-0.38)	(-0.24)	(-1.04)
CA follower proxy × SRI fund holdings (%)	1.238	9.277	2.027	2.495	3.162	2.466	1.583	15.751
	(0.20)	(1.59)	(0.31)	(1.46)	(1.19)	(1.00)	(0.75)	(0.36)
SRI fund holdings (%)	14.396***	10.487**	13.736**	10.449**	6.355	6.728	8.604	6.873
	(3.29)	(2.43)	(2.49)	(2.41)	(0.88)	(0.74)	(0.98)	(0.30)
Constant	-1.584	-0.980	-1.719	-1.220	-0.279	-0.141	-0.967	1.334
	(-1.45)	(-0.86)	(-1.62)	(-0.98)	(-0.20)	(-0.10)	(-0.81)	(0.70)
Controls	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
R^2	0.06	0.07	0.05	0.06	0.06	0.07	0.05	0.05
Observations	473	473	473	453	473	471	471	473

Panel B: Repeal

CA follower proxy:	CAR(0,1)							
	Impending quota (d)	U.S. Climate Alliance (d)	GhG reduction policies (d)	Excess minimum wage ($)	Cannabis legalization score	Regulatory score (JL)	Regulatory score (Cato)	% Democratic votes
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
CA follower proxy	-0.744	-0.479	0.165	-0.222	-0.425*	-0.135	-0.071	-4.193
	(-1.29)	(-0.80)	(0.28)	(-1.47)	(-1.82)	(-0.67)	(-0.30)	(-1.22)
CA follower proxy × Sustainability index	0.009	0.369	-0.117	-0.084	-0.489	0.186	0.081	1.387
	(0.01)	(0.28)	(-0.09)	(-0.24)	(-0.89)	(0.40)	(0.13)	(0.16)
Sustainability index	-0.253	-0.417	-0.204	-0.015	1.013	-0.834	-0.542	-0.937
	(-0.29)	(-0.41)	(-0.24)	(-0.02)	(0.69)	(-0.48)	(-0.24)	(-0.21)
CA follower proxy × Shortfall (%)	-0.402	1.488	-3.583	0.509	0.122	0.055	-1.353	24.379
	(-0.08)	(0.30)	(-0.75)	(0.36)	(0.06)	(0.03)	(-0.60)	(0.59)
Shortfall (%)	-2.029	-2.732	-0.358	-2.892	-2.495	-2.244	2.747	-14.183
	(-0.60)	(-0.75)	(-0.10)	(-0.70)	(-0.42)	(-0.31)	(0.32)	(-0.67)
CA follower proxy × SRI fund holdings (%)	8.525	3.502	-3.486	2.140	4.342	1.192	-0.796	20.253
	(1.39)	(0.55)	(-0.56)	(1.17)	(1.27)	(0.59)	(-0.28)	(0.52)
SRI fund holdings (%)	-3.080	-1.870	1.618	-3.844	-11.711	-4.429	3.229	-10.970
	(-0.76)	(-0.37)	(0.43)	(-0.75)	(-1.11)	(-0.54)	(0.26)	(-0.49)
Constant	1.962	1.919	1.636	2.172	2.600	2.114	1.993	3.696
	(1.25)	(1.23)	(1.13)	(1.35)	(1.54)	(1.28)	(1.35)	(1.65)
Controls	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
R^2	0.03	0.03	0.03	0.03	0.04	0.03	0.03	0.03
Observations	442	442	442	423	442	441	441	442

Table A.1: Variable definitions

Panel A: Board characteristics

Variable	Definition	Source
Board size	Number of directors on the board.	BoardEx
Shortfall (%)	Number of missing female directors scaled by board size.	BoardEx
# missing female directors	Number of female directors necessary to fulfill the 2021 female director requirements of SB 826 assuming that board size stays constant, that is, three minus board size if board size is six or more, two minus board size if board size is five, and one minus board size if board size is four or less.	BoardEx
# missing female directors (2019)	Number of female directors necessary to fulfill the 2019 female director requirements of SB 826, that is, one if the current number of female directors is zero, and zero otherwise.	BoardEx
# missing female directors (2021)	Number of female directors necessary to fulfill the 2021 female director requirements of SB 826 assuming that board size stays constant and that the 2019 requirement of having one female director is met, that is, two minus board size if board size is six or more, one minus board size if board size is five, and zero if board size is four or less.	BoardEx
# missing female directors (exp)	Number of female directors necessary to fulfill the 2021 female director requirements of SB 826 assuming that female directors will be added to the board, which increases board size and can trigger the requirement to add additional female directors. For instance, if a firm currently has no female director and board size if four, the addition of a new female director increases board size to five. Having a board size of five requires the firm to add another female director, which increases board size to six. Having a board size of six requires the firm to add another female director. For current board size of four, this measure would therefore be three (rather than one if one assumes that firms exchange female directors for male directors).	BoardEx
2021 requ. failed (d)	Dummy variable equal to one if a firm fails to comply with the 2021 female director requirements of SB 826, that is, a firm does not have three female directors if board size is six or more, two female directors if board size is five, and one female director if board size is four or less, and zero otherwise.	BoardEx
Female directors (%)	Fraction of directors that are female.	BoardEx
# female directors	Number of directors that are female.	BoardEx
# male directors	Number of directors that are male.	BoardEx
Generalist index	Aggregate Generalist Ability Index of all directors. A director's Generalist Ability Index equals 0.268 × Number of different positions + 0.312 × Number of different firms + 0.309 × Number of different industries + 0.281 × CEO experience + 0.153 × Conglomerate experience (see Custódio et al. (2013)).	BoardEx, Compustat Segments, CRSP
CEO experience	Number of directors with experience as a CEO of another listed firm.	BoardEx
Financial experience	Number of directors with financial experience. A director is considered as having financial experience if she worked as CEO of either a banking or investment firm (SIC code starts with 60, 61, or 62), or in a finance-related role (accountant, CFO, treasurer, or VP of finance), or in a large auditing firm (PWC, EY, Deloitte, or KPMG or any predecessor, see Custódio and Metzger (2014)).	BoardEx, CRSP
Industry experience	Number of directors with industry experience. A director is considered as having industry experience if she has experience at another listed firm that is active in the same two-digit SIC code industry as the sample firm.	BoardEx, CRSP

Law experience	Number of directors with legal experience. A director is considered as having law experience if she works or has worked at a law firm that is listed in the top 500 Thomson M&A legal advisory League Table of all time, or served in a legal role (e.g., counsel, judge, lawyer, attorney etc.), or obtained a law degree (LLB, LLM, LLD, MJ, SJD, DCL, JSD, JD).	BoardEx
Military experience	Number of directors with military experience. A director is considered as having military experience if she was employed in the Armed Forces (see Benmelech and Frydman (2015)).	BoardEx
Education (score)	Aggregate education score of all directors. A director's education score equals one if her highest degree is below a Bachelor's degree, two if her highest degree is a Bachelor's degree, three if her highest degree is a Master's degree, four if her highest degree is a PhD, and zero otherwise (see Graham et al. (2012)).	BoardEx
Age	Average age of all directors.	BoardEx
Independent outside directors (%)	Fraction of outside directors who are independent.	BoardEx
Connection to CEO (%)	Fraction of non-CEO directors with an education, an employment, or an other activity connection to the CEO (see Engelberg, Gao, and Parsons (2013)). A director has an education connection to the CEO if she graduated within one year of the CEO from the same university. A director has an employment connection to the CEO if she shares an overlapping work engagement with the CEO at another listed firm. A director has an other activity connection to the CEO if she and the CEO are active members (other rolename than "member") in the same social organization.	BoardEx, CRSP
# outs. board seats	Average number of outside board seats held by all directors at other listed firms.	BoardEx
# outs. board seats female	Average number of outside board seats held by all female directors at other listed firms.	BoardEx
Cash fee	Average cash fee of all directors (*cash_fees*).	Compustat Execucomp
Total compensation	Average total compensation of all directors (*total_sec*).	Compustat Execucomp

Panel B: Firm characteristics

Variable	Definition	Source
CAR(t_1,t_2)	Cumulative abnormal return, estimated as the sum of daily (unwinsorized) abnormal returns from t_1 to t_2. Daily abnormal returns are calculated as the observed return minus the predicted return. The predicted return is estimated using a market model regression where daily returns (adjusted for distributions and stock splits) are regressed on daily value-weighted index returns over a 250-day estimation window that ends six trading days before the event. We require at least 125 daily observations with non-missing stock and index return data in the estimation window. The variable is winsorized at the 1^{st} and 99^{th} percentiles.	Compustat
CA HQ (d)	Dummy variable equal to one if a firm is headquartered in California, and zero otherwise (*state*).	Compustat
Return on Assets	Operating income before depreciation (*oibdp*) scaled by total assets (*at*), winsorized at the 1^{st} and 99^{th} percentiles.	Compustat
Total assets	Total assets (*at*).	Compustat
Market-to-book ratio	Market value of equity (*csho* $\times$ *prcc_f*) scaled by book value of equity (*ceq*), winsorized at the 1^{st} and 99^{th} percentiles.	Compustat
Leverage	Long-term debt (*dltt*) and debt in current liabilities (*dlc*) scaled by total assets (*at*), winsorized at the 1^{st} and 99^{th} percentiles.	Compustat

Cash flow volatility	Standard deviation of operating cash flow scaled by mean operating cash flow during the last 24 quarters (see Minton and Schrand (1999)). A firm is included in the sample if it has at least one year (four quarters) with non-missing data.	Compustat Quarterly
Policy sensitive firm (d)	Dummy variable equal to one if a firm's stock returns in the 250-day estimation window depend significantly (at least at the 10% level) on changes (in percent) of the daily Economic Policy Uncertainty (EPU) index of Baker et al. (2016) when controlling for daily value-weighted market returns, and zero otherwise. The daily EPU index relies on the Newsbank database and is computed as a scaled daily number of articles that appeared in around 1,500 U.S. newspapers and include the triple 'uncertainty' or 'uncertain'; 'economic' or 'economy'; and one of the following policy terms: 'congress', 'deficit', 'Federal Reserve', 'legislation', 'regulation' or 'white house' (including variants).	Baker et al. (2016)
Sustainability index	For each of the five categories "Community", "Employee Relations", "Environment", "Human Rights", and "Product", we compute a positive and negative index based on the positive ("Strengths"), or negative ("Concerns") dummy variables. As the number of strengths and concerns varies across categories, we scale the strengths and concerns for each category to obtain two indices that range from 0 to 1. We then divide the number of strengths (concerns) for each firm-year within each category by the maximum possible number of strengths (concerns) in each category-year. Within each category, in each firm-year, we subtract the concerns index from the strengths index to end up with a net sustainability index that ranges from –1 to +1. We sum up the five different category indices, which yields our sustainability index that ranges from -5 to +5 with a higher score indicating a more sustainable firm. We use the mean sustainability index of all available observations on each sample firm, a maximum of seven yearly observations (2010 – 2016).	MSCI KLD Stats
SRI fund holdings (%)	The number of shares held by SRI funds scaled by the number of shares held by all funds for which we find SRI scores in Morningstar. A fund is classified as an SRI fund if the fund's portfolio ranks in the top 25^{th} percentile of all funds in Morningstar as of the quota's adoption date (September-end 2018). Fund holding data is provided by CRSP.	Morningstar, CRSP Mutual Fund data
% of industry in CA	Sum of total assets in a two-digit SIC industry of firms headquartered in California, scaled by sum of total assets in a two-digit SIC industry of all sample firms. Computed using the sample before matching, i.e., based on all firms that survive the filtering described in Section 2.	Compustat
Retail ownership	One mines the fraction of shares outstanding held by 13F investors.	ThomsonReuters
Return vola	Standard deviation of returns in estimation window.	Compustat
Telecom (d)	Dummy variable equal to one if a firm is active in the two digit SIC code 48 (Communications) or is a member of the U.S. Telecom Trade Group, and zero otherwise.	Compustat

Panel C: Headquarter state characteristics

Variable	Definition	Source
Impending quota (d)	Dummy variable equal to one for firms headquartered in states that are likely to follow California in introducing a board gender quota (MA, IL, NJ, NY, and WA), and zero otherwise.	Compustat, Newspaper articles

U.S. Climate Alliance (d)	Dummy variable equal to one for firms headquartered in states that had joined the United States Climate Alliance by the time of the adoption of the gender quota law in California, and zero otherwise. The United States Climate Alliance is a bipartisan coalition of states and other U.S. territories that are committed to upholding the objectives of the 2015 Paris Agreement on climate change within their borders and meeting or exceeding the targets of the federal Clean Power Plan. The Alliance was formed on June 1st, 2017 by the governors of the three founding states following President Donald Trump's announcement that he had decided to withdraw the U.S. from the Paris Agreement. Until September 30th, 2018, CO, CT, DE, HI, MA, MD, MN, NC, NJ, OR, RI, VA, and VT had joined the three founding states CA, WA, and NY.	Compustat, U.S. Climate Alliance, Newspaper articles
GhG reduction policies (d)	Dummy variable equal to one for firms headquartered in states that have implemented comprehensive Greenhouse Gas (GhG) reduction policies, and zero otherwise. As comprehensive GhG reduction policies, we consider statutory reduction requirements, statutory reporting requirements, market-based policies, or the Transportation & Climate Initiative (TCI). Besides CA, the following states have such policies in place: CT, DE, HI, IA, MA, MD, ME, MN, NH, NJ, NV, NY, OR, PA, RI, VA, VT, and WA.	Compustat, NCSL
Excess minimum wage ($)	Difference in dollars between the state and federal minimum wage per hour, estimated as the state-wide minimum wage per hour less the federal wage of $7.25 per hour. Note that the hourly minimum wage set at the state-level can vary within a state. Oregon, for instance, prescribes a minimum wage per hour of $10.5 for non-urban counties and of $12 for the Portland Metropolitan Area. In such cases, we use the lower minimum wage. We also disregard minimum wages set at the municipality or city-level as prevalent, for example, in Berkeley ($15). AL, LA, MS, NH, SC, and TN do not set minimum wages, and firms headquartered in these six states are excluded from analyses using this variable. As of September-end 2018, California is tied with Massachusetts and Washington for second place with a $12 minimum wage per hour. The D.C. ranks first ($13.25). For the spatial distribution of the state-level minimum wages, see Panel A of Figure OA.3 in the Online Appendix.	Compustat, NCSL
Cannabis legalization score	Score variable that is equal to zero if any type of cannabis use is considered illegal, equal to one if the use of cannabis for medical purposes is legal but laws restrict the allowable concentration of tetrahydrocannabinol (THC), the main psychoactive component of cannabis, equal to two if the use of cannabis is legal for medical purposes, equal to three if the recreational consumption of cannabis is illegal, but has been decriminalized, and equal to four if the recreational consumption of cannabis is legal. California was the first state to legalize Cannabis for medical purposes (in 1996) and is among those states that legalized Cannabis consumption completely. For the spatial distribution of this variable, see Panel B of Figure OA.3 in the Online Appendix.	Compustat, states' legislative websites
Regulatory score (JL)	Score variable ranging from one to five with low scores indicating little regulation and high scores high regulation. We group all 50 states into quintiles according to their regulatory ranking and assign a score of one to firms headquartered in states with the least restrictive regulation and five for firms in states with the strictest regulation. The index is not available for the D.C., and firms headquartered in D.C. are excluded from analyses using this variable. The ranking is based on 27 provisions in six categories (Land Use, Labor Market, Utilities, Occupations, Tort, and Insurance Regulations). California is among the most heavily regulated states in both panels. For the spatial distribution of this variable, see Panel C of Figure OA.3 in the Online Appendix.	Compustat, John Locke Foundation

Regulatory score (Cato)	Score variable ranging from one to five with low scores indicating little regulation and high scores high regulation. We group all 50 states into quintiles according to their regulatory index values and assign a score of one to firms headquartered in states with the least restrictive regulation and five for firms in states with the strictest regulation. The index is not available for the D.C., and firms headquartered in D.C. are excluded from analyses using this variable. The index is based on 50 provisions in seven categories (Land-use Freedom, Health Insurance Freedom, Labor Market Freedom, Lawsuit Freedom, Occupational Freedom, Miscellaneous Regulatory Freedom, and Cable and Telecommunications). California is among the most heavily regulated states in both panels. For the spatial distribution of this variable, see Panel D of Figure OA.3 in the Online Appendix.	Compustat, Cato Institute
% Democratic votes	Fraction of votes obtained by Democratic Party in 2016 Presidential Election in the state where a company's headquarter is located.	Compustat, Politico

Online Appendix to: As California Goes, so Goes the Nation? Board Gender Quotas and Shareholders' Distaste of Government Interventions

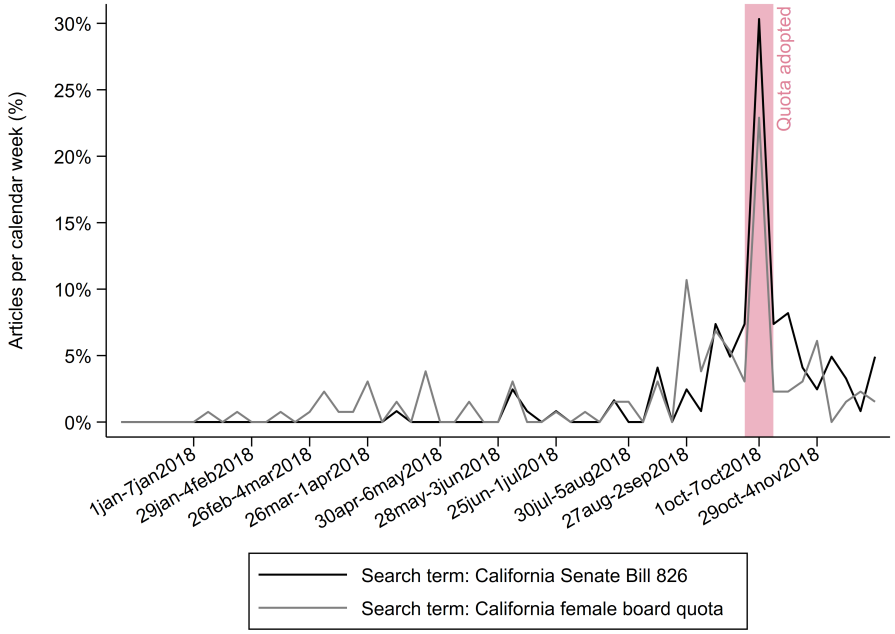
April 2, 2025

– Not for Publication –

Figure OA.1: Newspaper coverage of the California gender quota

This figure displays the fraction of articles on the California gender quota per calendar week around the quota's adoption (Panel A) and the quota's invalidation (Panel B). For each event, we run article searches using Factiva for two different search terms, "California female board quota" (black line) and "California Senate Bill 826" (gray line), allowing for variations, e.g., "SB 826" for "Senate Bill 826".

Panel A: Newspaper coverage around the quota's adoption



Panel B: Newspaper coverage around the quota's invalidation

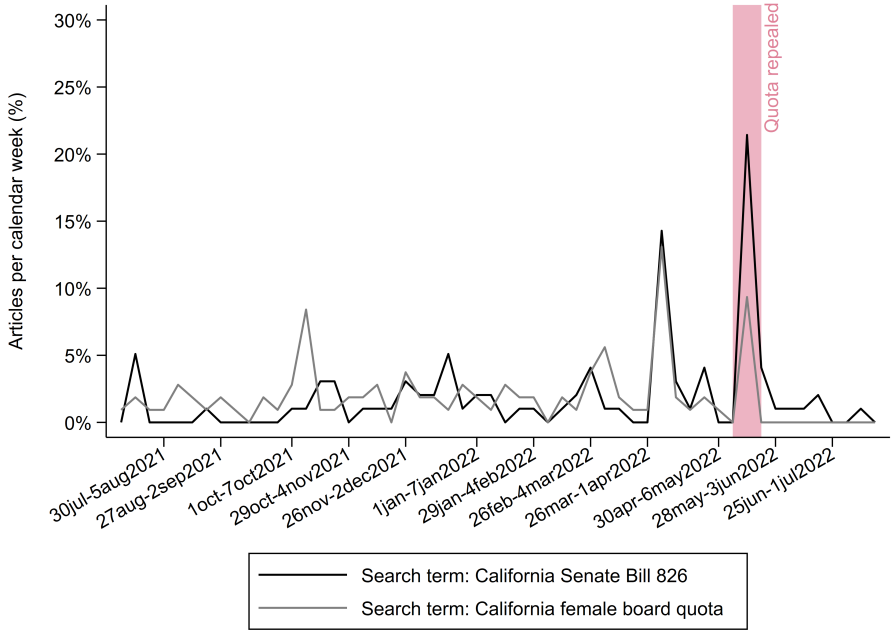


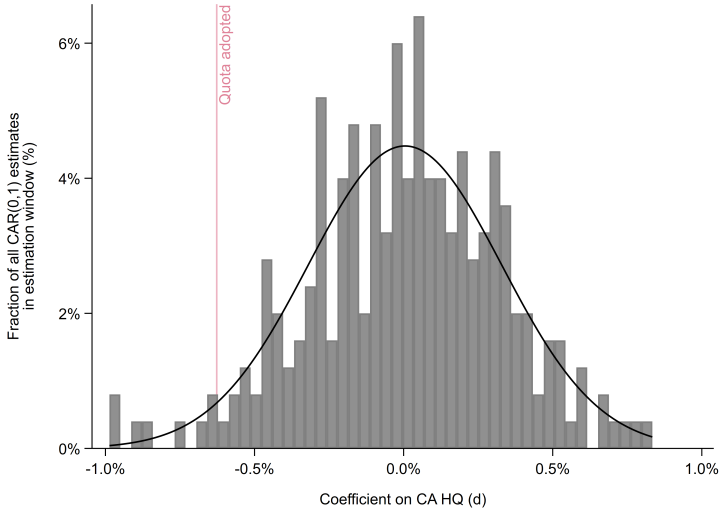
Figure OA.2: Distributions of placebo coefficient estimates

This figure displays distributions of coefficient estimates of the following ordinary least squares regressions:

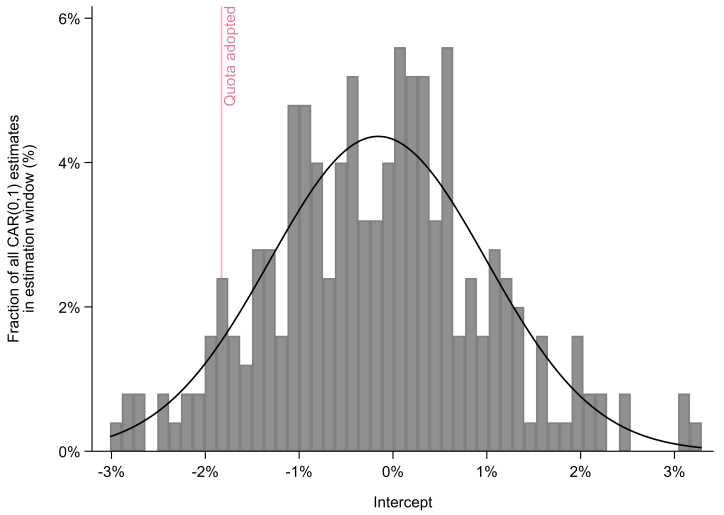
$$CAR(0,1)_i = \beta CA\ HQ\ (d)_i + Controls_i + \epsilon_i,$$

where i indexes firms, estimated on a rolling basis for all 250 trading days of the estimation window. Panel A displays the frequency distribution of the California-headquarter dummy variable for the quota's adoption. Seven trading days in the estimation window (2.8%) have a smaller coefficient estimate than the adoption of the quota. Panel B displays the frequency distribution of the intercept for the quota's adoption. 18 trading days in the estimation window (7.2%) have a smaller intercept than the adoption of the quota. Panel C displays the frequency distribution of the California-headquarter dummy variable for the quota's repeal. 14 trading days in the estimation window (5.6%) have a smaller coefficient estimate than the repeal of the quota. Panel D displays the frequency distribution of the intercept for the quota's repeal. 201 trading days in the estimation window (80.4%) have a smaller intercept than the repeal of the quota.

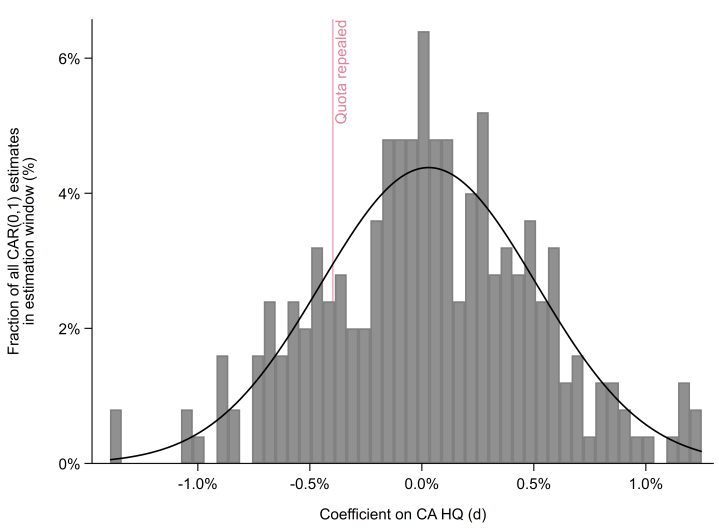
Panel A: Distribution of coefficients on California dummy variable for quota adoption



Panel B: Distribution of intercepts for quota adoption



Panel C: Distribution of coefficients on California dummy variable for quota repeal



Panel D: Distribution of intercepts for quota repeal

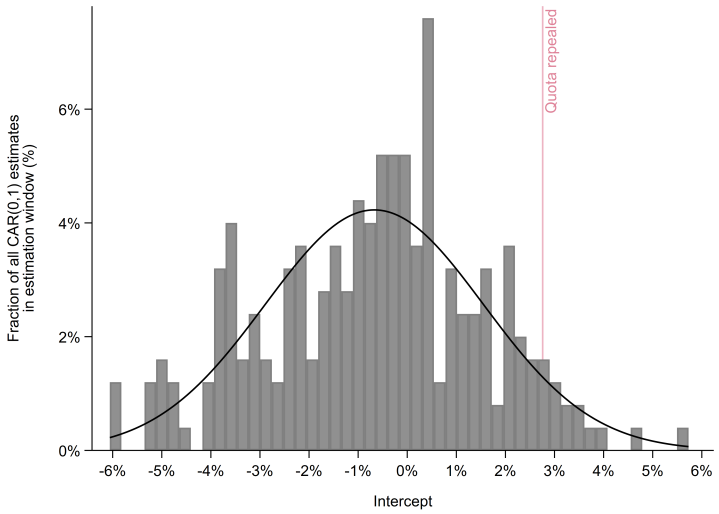
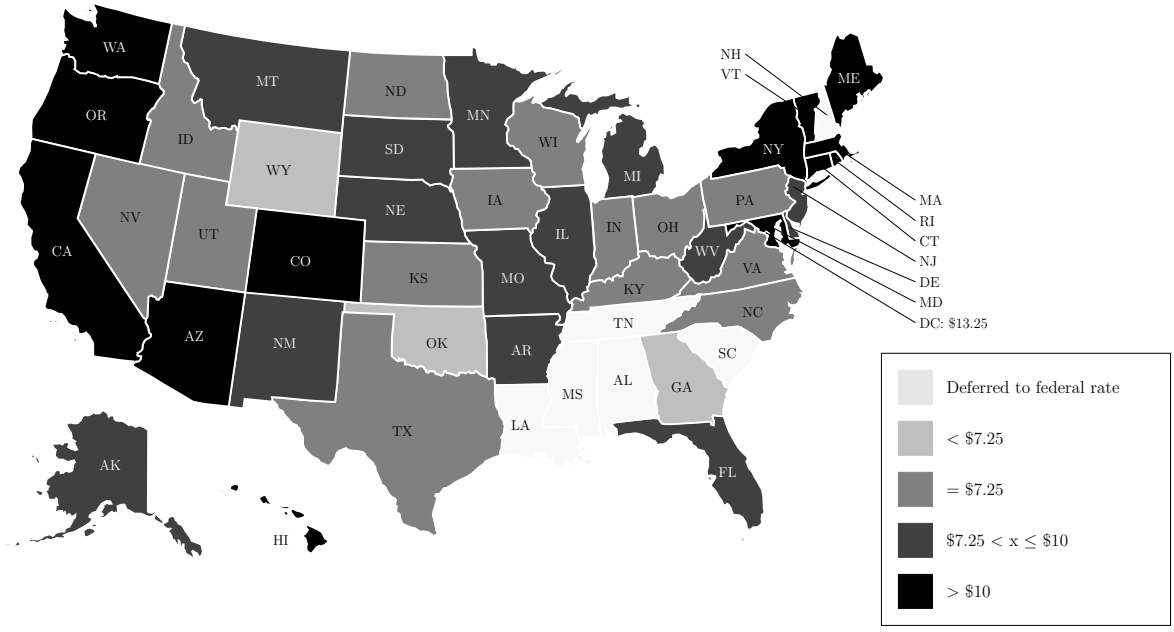


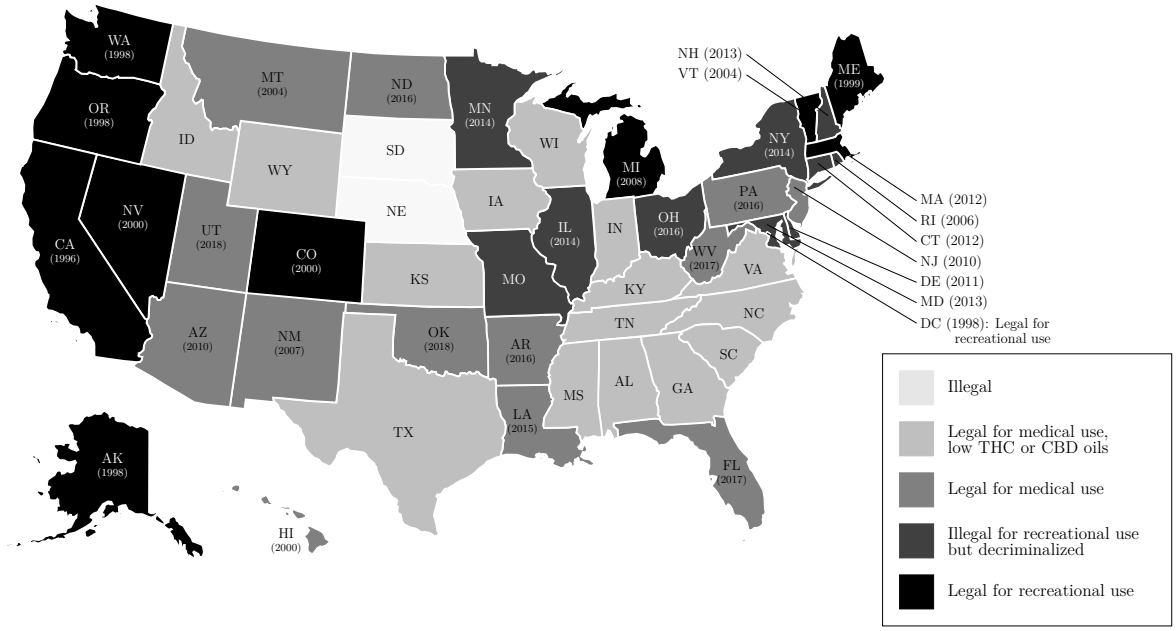
Figure OA.3: Spatial distribution of proxies for the propensity to follow California

Panel A displays the state-level minimum wage per hour for each state and the District of Columbia. Panel B displays the legislation governing cannabis consumption for each state and the District of Columbia and, if applicable, the year in which cannabis was legalized for medical use. Panels C and D display the regulatory scores for each state.

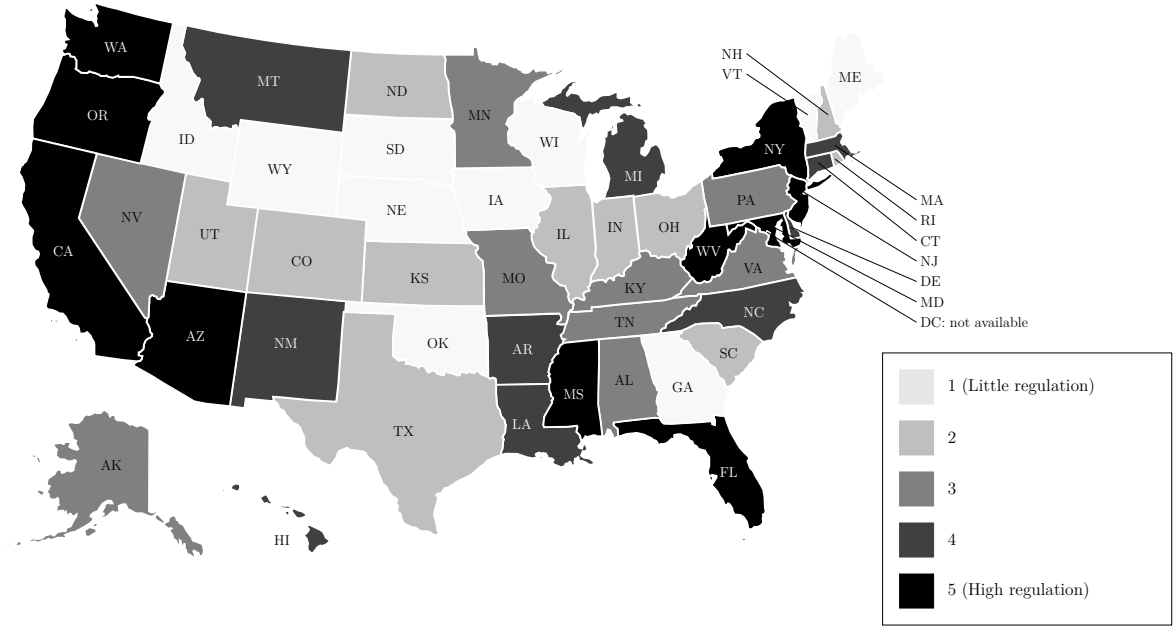
Panel A: State-level minimum wages per hour



Panel B: State-level cannabis consumption legislation



Panel C: Regulatory scores defined using data from the John Locke Foundation



Panel D: Regulatory scores defined using data from the Cato Institute

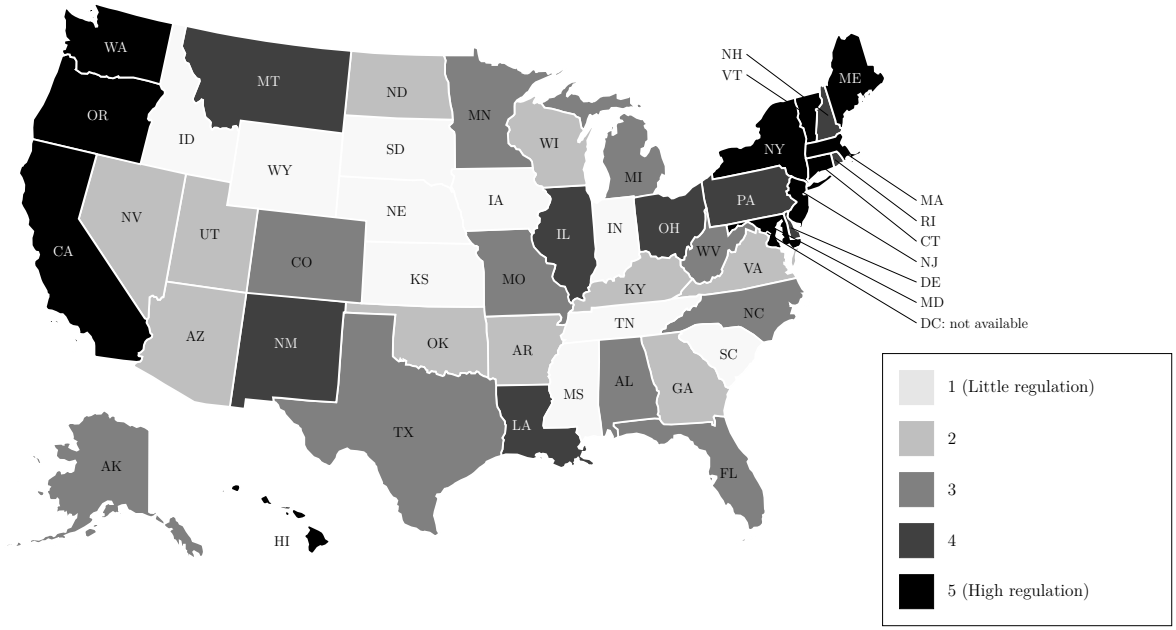


Table OA.1: Alternative market proxy and alternative sample of control firms

This table reports results of the following ordinary least squares regressions:

$$CAR(0,1)_i = \beta CA\ HQ\ (d)_i + Controls_i + \alpha + \epsilon_i.$$

i indexes firms. Panel A reports results for the adoption of the gender quota in California. The event date is Sunday, September 30th, 2018 (a non-trading day). The first trading after the event ($t = 0$) is October 1st. Panel B reports results for the repeal of the quota. The event date ($t = 0$) is Monday, May 16th, 2022. In column (1), we use an equally-weighted index return as a proxy for the market return (instead of a value-weighted index return). In column (2), we use all non-California firms that pass the sample selection criteria as control sample (instead of an industry and size-matched control samples described in the caption of Table 2 of the paper). t-statistics based on heteroscedasticity-consistent standard errors are reported in parentheses. *, **, and ***, indicate statistical significance at the 10%, 5%, and 1% level, respectively. Variable definitions are provided in Table A.1 of the paper.

Panel A: Adoption

	CAR(0,1)	
	EW returns as market return	All non-CA firms as control firms
	(1)	(2)
CA HQ (d)	-0.476*	-0.746***
	(-1.75)	(-3.19)
Constant	-0.974**	-2.221***
	(-1.98)	(-6.83)
Controls	Yes	Yes
R^2	0.03	0.02
Observations	1,225	2,440

Panel B: Repeal

	CAR(0,1)	
	EW returns as market return	All non-CA firms as control firms
	(1)	(2)
CA HQ (d)	-0.523	-0.629*
	(-1.49)	(-1.84)
Constant	1.176*	2.504***
	(1.73)	(5.01)
Controls	Yes	Yes
R^2	0.03	0.03
Observations	1,397	2,593

Table OA.2: Descriptive statistics at the invalidation of the quota

This table reports descriptive statistics at the invalidation of the gender quota (May 13th, 2022). Panel A reports descriptive statistics on firms subject to California's quota. A firm enters this sample if it is headquartered in California and reports data within one calendar year before the event date in Compustat. We exclude utilities and financial firms (SIC codes 4940-4949 and 6000-6999, respectively), firms with negative book value of equity, firms with missing financial control variables (total assets, market-to-book ratio, return on assets, leverage, and cash flow volatility), firms that only list American Depository Receipts, and firms without a listing on NYSE, AMEX, or NASDAQ. We also require at least 125 daily return observations during the 250-day estimation window that ends September 21st, complete return data for the entire five-day event window around the event date (October 1st), and availability of director data from BoardEx. Panel B reports descriptive statistics on the matched control sample. To construct this control sample, we draw, for each firm headquartered in California, the three firms closest in size that are active in the same two-digit SIC code industry, are headquartered in another U.S. state or the District of Columbia, and pass the same sample selection criteria as outlined above. A firm in the control sample may be matched to more than one treatment firm, but is included only once in the control sample. Panel C reports results of tests for differences in means and medians between the sample of California firms (Panel A) and the sample of matched non-California control firms (Panel B). *, **, and ***, indicate statistical significance at the 10%, 5%, and 1% level, respectively. Variable definitions are provided in Table A.1 of the paper.

Panel A: California firms

	Mean	P25	Median	P75	SD	Obs.
Board size	8.375	7.000	8.000	10.000	1.985	506
Shortfall (%)	0.044	0.000	0.000	0.091	0.084	506
# missing female directors	0.300	0.000	0.000	1.000	0.556	506
# missing female directors (2019)	0.006	0.000	0.000	0.000	0.077	506
# missing female directors (2021)	0.294	0.000	0.000	1.000	0.543	506
# missing female directors (exp)	0.330	0.000	0.000	1.000	0.620	506
2021 requ. failed (d)	0.253	0.000	0.000	1.000	0.435	506
Female directors (%)	0.333	0.273	0.333	0.375	0.096	506
# female directors	2.779	2.000	3.000	3.000	0.937	506
Policy sensitive firm (d)	0.126	0.000	0.000	0.000	0.333	506
Sustainability index	0.133	0.000	0.012	0.119	0.293	214
CAR(0,1)	0.628	-2.746	0.097	3.426	6.488	506
CAR(-1,1)	2.326	-2.139	1.243	5.557	7.772	506
CAR(-2,2)	6.208	-0.162	5.099	11.520	10.435	506

Panel B: Matched non-California control firms

	Mean	P25	Median	P75	SD	Obs.
Board size	8.086	7.000	8.000	9.000	2.061	891
Shortfall (%)	0.148	0.000	0.125	0.250	0.136	891
# missing female directors	1.034	0.000	1.000	2.000	0.884	891
# missing female directors (2019)	0.103	0.000	0.000	0.000	0.304	891
# missing female directors (2021)	0.930	0.000	1.000	2.000	0.776	891
# missing female directors (exp)	1.131	0.000	1.000	2.000	0.979	891
2021 requ. failed (d)	0.678	0.000	1.000	1.000	0.468	891
Female directors (%)	0.234	0.143	0.250	0.308	0.129	891
# female directors	1.976	1.000	2.000	3.000	1.249	891
Policy sensitive firm (d)	0.085	0.000	0.000	0.000	0.279	891
Sustainability index	0.061	0.000	0.000	0.079	0.201	447
CAR(0,1)	1.082	-1.702	0.679	3.442	5.764	891
CAR(-1,1)	2.251	-1.685	1.128	5.436	7.548	891
CAR(-2,2)	5.155	-0.619	3.160	9.370	10.034	891

Panel C: Tests for differences

	Differences (CA HQ (d) = 1 – CA HQ (d) = 0)				
	Mean	SE	*t*-statistic	Median	z-statistic
Board size	0.289**	0.11	2.55	0.000***	3.04
Shortfall (%)	-10.382***	0.67	-15.58	-12.500***	-14.99
# missing female directors	-0.733***	0.04	-16.86	-1.000***	-15.90
# missing female directors (exp)	-0.801***	0.05	-16.61	-1.000***	-15.74
# missing female directors (2019)	-0.097***	0.01	-7.06	0.000***	-6.94
# missing female directors (2021)	-0.636***	0.04	-16.31	-1.000***	-15.23
2021 requ. failed (d)	-0.425***	0.03	-16.74	-1.000***	-15.28
Female directors (%)	9.887***	0.66	15.02	8.333***	15.09
# female directors	0.802***	0.06	12.58	1.000***	13.36
Policy sensitive firm (d)	0.041**	0.02	2.47	0.000**	2.46
Sustainability index	0.073***	0.02	3.74	0.012*	1.91
CAR(0,1)	-0.455	0.34	-1.35	-0.582**	-2.00
CAR(-1,1)	0.075	0.42	0.18	0.115	0.03
CAR(-2,2)	1.053*	0.57	1.86	1.939***	2.73

Table OA.3: Testing the parallel trends assumption

This table reports results of tests for differences in means for cumulative abnormal returns between California-headquartered firms and non-California-headquartered matched control firms prior to the adoption of the quota (Panel A) and prior to the invalidation of the quota (Panel B). The table also reports results from t-tests against zero for different cumulative abnormal return measures for the subsample of California firms (*CA HQ (d) = 1*) and for the matched control sample of non-California firms (*CA HQ (d) = 0*). The construction of the matched sample is described in the caption of Table 1 of the paper. Variable definitions are provided in Table A.1 of the paper.

Panel A: Adoption

	CA HQ (d) = 1			CA HQ (d) = 0			Differences	
	Mean	*t*-statistic	Obs.	Mean	*t*-statistic	Obs.	Mean	*t*-statistic
CAR(-250,-1)	-2.404%	-0.67	431	-1.952%	-0.70	723	-0.45%	-0.10
CAR(-200,-1)	2.894%	0.95	432	2.023%	0.88	724	0.87%	0.23
CAR(-150,-1)	0.684%	0.29	432	3.055%	1.65	725	-2.37%	-0.78
CAR(-100,-1)	-5.551%	-3.06	432	-3.122%	-2.15	725	-2.43%	-1.03
CAR(-50,-1)	-5.734%	-4.94	432	-4.795%	-5.43	725	-0.94%	-0.65

Panel B: Repeal

	CA HQ (d) = 1			CA HQ (d) = 0			Differences	
	Mean	*t*-statistic	Obs.	Mean	*t*-statistic	Obs.	Mean	*t*-statistic
CAR(-250,-1)	-50.958%	-10.73	444	-63.026%	-18.90	839	12.07%	2.10
CAR(-200,-1)	-46.587%	-11.59	444	-50.224%	-17.74	839	3.64%	0.75
CAR(-150,-1)	-42.898%	-13.07	444	-43.063%	-18.45	839	0.17%	0.04
CAR(-100,-1)	-28.990%	-11.99	444	-24.639%	-14.19	839	-4.35%	-1.47
CAR(-50,-1)	-13.511%	-9.97	445	-13.186%	-12.66	839	-0.33%	-0.19

Table OA.4: Returns to gender quotas with board size and industry fixed effects as controls

This table reports results of the following ordinary least squares regressions:

$$CAR(0,1)_i = \beta CA\ HQ\ (d)_i + Controls_i + \alpha_k + \epsilon_i.$$

i indexes firms and k SIC industries. Panel A reports results for the adoption of the quota in California. The event date is Sunday, September 30$^{\text{th}}$, 2018 (a non-trading day). The first trading after the event ($t = 0$) is October 1$^{\text{st}}$. Panel B reports results for the repeal of the quota. The event date ($t = 0$) is Monday, May 16$^{\text{th}}$, 2022. Across columns, we vary the industry definition underlying the industry fixed effects. The construction of the matched sample is described in the caption of Table 1 of the paper. t-statistics based on heteroscedasticity-consistent standard errors are reported in parentheses. *, **, and ***, indicate statistical significance at the 10%, 5%, and 1% level, respectively. Variable definitions are provided in Table A.1 of the paper.

Panel A: Adoption

	CAR(0,1)			
	(1)	(2)	(3)	(4)
CA HQ (d)	-0.670**	-0.620**	-0.573*	-0.555*
	(-2.44)	(-2.27)	(-1.90)	(-1.73)
ln(Total assets)	0.061	0.001	-0.008	-0.036
	(0.61)	(0.01)	(-0.07)	(-0.31)
Return on assets	-0.943*	-0.949*	-1.120*	-1.077*
	(-1.71)	(-1.68)	(-1.84)	(-1.70)
Market-to-book ratio	-0.037*	-0.035	-0.030	-0.032
	(-1.77)	(-1.63)	(-1.25)	(-1.26)
Leverage	2.521***	2.223***	1.715*	1.891*
	(3.09)	(2.71)	(1.86)	(1.87)
Cash flow volatility	-0.013***	-0.013***	-0.013***	-0.013***
	(-5.64)	(-6.24)	(-6.47)	(-6.31)
ln(Board size)	-0.520	-0.343	-0.267	-0.157
	(-0.75)	(-0.48)	(-0.35)	(-0.19)
Industry fixed effects	One digit	Two digit	Three digit	Four digit
R^2	0.05	0.09	0.14	0.17
Observations	1,225	1,225	1,225	1,225

Panel B: Repeal

	CAR(0,1)			
	(1)	(2)	(3)	(4)
CA HQ (d)	-0.460	-0.467	-0.398	-0.226
	(-1.37)	(-1.38)	(-1.06)	(-0.56)
Return on assets	-1.395	-0.978	-1.129	-1.123
	(-1.50)	(-1.00)	(-1.07)	(-0.97)
ln(Total assets)	-0.187	-0.204	-0.133	-0.145
	(-1.50)	(-1.57)	(-0.96)	(-0.96)
Market-to-book ratio	-0.058***	-0.059***	-0.053***	-0.045***
	(-3.75)	(-3.82)	(-3.41)	(-2.82)
Leverage	0.405	0.696	0.712	0.377
	(0.44)	(0.71)	(0.67)	(0.33)
Cash flow volatility	0.001	0.001	0.003	0.005
	(0.13)	(0.06)	(0.25)	(0.48)
ln(Board size)	0.347	0.333	0.066	-0.137
	(0.38)	(0.36)	(0.07)	(-0.13)
Industry fixed effects	One digit	Two digit	Three digit	Four digit
R^2	0.09	0.12	0.16	0.19
Observations	1,397	1,397	1,397	1,397

Table OA.5: Accounting for the cross-sectional dependence of returns

This table reports cumulative abnormal stock returns for two portfolios, one comprising California-headquartered firms (*CA HQ (d) = 1*) and the other comprising a sample of industry- and size-matched non-California-headquartered firms (*CA HQ (d) = 0*). The estimate for the daily abnormal return (AR) is obtained from estimating the following regression:

$$r_t = ARd_t + \beta r_{wt} + \alpha + \epsilon_t,$$

where r_t is the daily equally-weighted portfolio return in excess of the 1-month U.S. treasury bill rate, d_t is a dummy variable equal to one for observations in the event window and zero for observations in the estimation window, an r_{wt} is the daily value-weighted market index return in excess of the 1-month U.S. treasury bill rate. As a proxy for the market return, we use the return of a self-computed, value-weighted market index consisting of all sample firms. The regression is estimated over a sample that includes all observations from the 250-day estimation window that ends six trading days before the event and the event window. Estimates for cumulative abnormal returns are obtained by multiplying the obtained coefficient for AR by the number of days in the event window. Differences in abnormal returns between California and non-California firms are obtained from estimating the regression above but with the dependent variable being the daily difference in portfolio returns of California and non-California firms. The construction of the matched sample is described in the caption of Table 1 of the paper. *, **, and ***, indicate statistical significance at the 10%, 5%, and 1% level, respectively. Variable definitions are provided in Table A.1 of the paper.

Panel A: Adoption

	CA HQ (d) = 1			CA HQ (d) = 0			Differences	
	Mean	*t*-statistic	Obs.	Mean	*t*-statistic	Obs.	Mean	*t*-statistic
CAR(0,1)	-2.188%***	-3.16	453	-1.431%**	-2.50	772	-0.757%**	-2.20
CAR(-1,1)	-2.164%**	-2.53	453	-1.396%**	-1.98	772	-0.768%*	-1.82
CAR(-2,2)	-1.662%	-1.49	453	-0.717%	-0.78	772	-0.945%*	-1.73

Panel B: Repeal

	CA HQ (d) = 1			CA HQ (d) = 0			Differences	
	Mean	*t*-statistic	Obs.	Mean	*t*-statistic	Obs.	Mean	*t*-statistic
CAR(0,1)	0.587%	0.41	506	0.976%	0.84	891	-0.390%	-0.68
CAR(-1,1)	1.754%	0.99	506	1.798%	1.26	891	-0.044%	-0.06
CAR(-2,2)	5.647%**	2.48	506	4.621%**	2.52	891	1.026%	1.12

Table OA.6: Alternative event dates and confounding events

This table reports results of the following ordinary least squares regressions:

$$CAR_i = \beta CA\ HQ\ (d)_i + Controls_i + \alpha + \epsilon_i.$$

i indexes firms. Regressions reported in columns (1) to (8) use alternative event dates, as indicated at the top of each column. These events are the introduction of the law (January 3rd, 2018) in column (1), the successful vote in the Senate (May 31st, 2018) in column (2), as well as the successful vote in the Assembly and the second vote in the Senate (August 29th, 2018, and August 30th, 2018, respectively) in column (3). In columns (4) to (7), we analyze additional days on which the law received above-average media coverage. Besides the key dates in the legislative process studied in columns (1) to (3), the highest media coverage was recorded on April 25th and 26th, June 4th and 5th, August 13th and 14th, and September 10th and 11th. The regression in column (9) controls for the potential impact of the contemporaneous adoption of SB 822 (Net Neutrality Law). The construction of the matched sample is described in the caption of Table 1 of the paper. All regressions include the same control variables as in Table 2 of the paper (ln(lotal assets), return on assets, market-to-book-ratio, leverage, and cash flow volatility). t-statistics based on heteroscedasticity-consistent standard errors are reported in parentheses. *, **, and ***, indicate statistical significance at the 10%, 5%, and 1% level, respectively. Variable definitions are provided in Table A.1 of the paper.

	CAR (1/3, 1/4)	CAR (5/31, 6/1)	CAR (8/29, 8/31)	CAR (4/25, 4/26)	CAR (6/4, 6/5)	CAR (8/13, 8/14)	CAR (9/10, 9/11)	CAR(0,1)
Alternative event/test:	Law introduced	Successful Senate vote	Successful Assembly vote and second Senate vote		High media coverage			Controlling for SB822
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
CA HQ (d)	0.268	0.314	0.400	0.130	-0.054	-0.106	-0.053	-0.603**
	(1.03)	(1.43)	(1.37)	(0.56)	(-0.21)	(-0.42)	(-0.20)	(-2.14)
CA HQ (d) × Telecom (d)								-1.178
								(-1.12)
Telecom (d)								0.794*
								(1.71)
Constant	0.565	1.063***	2.427***	-0.951**	0.309	-1.271***	-1.828***	-1.844***
	(1.10)	(2.73)	(4.32)	(-2.21)	(0.66)	(-2.63)	(-3.75)	(-3.60)
Controls	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
R^2	0.01	0.02	0.06	0.01	0.01	0.03	0.01	0.03
Observations	1,183	1,219	1,224	1,204	1,219	1,224	1,224	1,225

Table OA.7: Alternative explanations for returns to gender quotas

This table reports results of the following ordinary least squares regressions:

$$CAR(0,1)_i = \beta CA\ HQ\ (d)_i + Controls_i + \alpha + \epsilon_i.$$

i indexes firms. Panel A reports results for the adoption of the gender quota in California. The event date is Sunday, September 30th, 2018 (a non-trading day). The first trading after the event ($t = 0$) is October 1st. Panel B reports results for the repeal of the quota. The event date ($t = 0$) is Monday, May 16th, 2022. In column (1), we exclude non-California firms that list a California firm as strategic customer. In column (2), we exclude non-California firms headquartered in a Western State (AZ, CO, ID, NM, NV, MT, OR, WA, WY, or UT). In column (3), we add the fraction of assets in a firm's industry that is owned by California firms and an interaction term of this variable with the California dummy variable. All regressions include the same control variables as in Table 2 of the paper (ln(lotal assets), return on assets, market-to-book-ratio, leverage, and cash flow volatility). t-statistics based on heteroscedasticity-consistent standard errors are reported in parentheses. *, **, and ***, indicate statistical significance at the 10%, 5%, and 1% level, respectively. Variable definitions are provided in Table A.1 of the paper.

Panel A: Adoption

	CAR(0,1)		
	Excl. CA-based customers	Excl. firms in Western States	Controlling for CA's weight in industry
	(1)	(2)	(3)
CA HQ (d)	-0.648**	-0.659**	-1.006**
	(-2.31)	(-2.34)	(-2.17)
CA HQ (d) × % of industry in CA			1.299
			(1.10)
% of industry in CA			0.644
			(0.94)
Constant	-1.825***	-1.940***	-1.969***
	(-3.51)	(-3.72)	(-3.60)
Controls	Yes	Yes	Yes
R^2	0.03	0.03	0.03
Observations	1,188	1,138	1,225

Panel B: Repeal

	CAR(0,1)		
	Excl. CA-based customers	Excl. firms in Western States	Controlling for CA's weight in industry
	(1)	(2)	(3)
CA HQ (d)	-0.385	-0.553	0.168
	(-1.11)	(-1.56)	(0.30)
CA HQ (d) × % of industry in CA			-2.303
			(-1.44)
% of industry in CA			-0.736
			(-0.90)
Constant	2.737***	2.628***	2.844***
	(4.06)	(3.66)	(3.94)
Controls	Yes	Yes	Yes
R^2	0.06	0.07	0.06
Observations	1,371	1,286	1,397

Table OA.8: Descriptive statistics on detailed board characteristics

This table reports descriptive statistics on detailed board characteristics as of the adoption of the gender quota in California (September 30th, 2018). Panel A reports descriptive statistics on the matched sample of California and non-Califoria firms. Panel B reports descriptive statistics on the matched sample of non-California firms only. The construction of the sample is described in detail in the caption to Table 1 of the paper. Variable definitions are provided in Table A.1 of the paper.

Panel A: California and matched non-California control firms

	Mean	P25	Median	P75	SD	Obs.
Shortfall (%)	23.422	11.111	25.000	33.333	14.634	1,219
# missing female directors	1.638	1.000	2.000	2.000	0.940	1,219
2021 requ. failed (d)	0.870	1.000	1.000	1.000	0.336	1,219
Female directors (%)	14.939	0.000	14.286	22.222	12.495	1,219
# female directors	1.238	0.000	1.000	2.000	1.102	1,219
Board size	7.705	6.000	8.000	9.000	1.980	1,219
# male directors	6.467	5.000	6.000	7.000	1.610	1,219
Generalist index	26.837	15.228	25.822	36.051	15.053	1,219
CEO experience	1.597	1.000	1.000	2.000	1.370	1,219
Financial experience	1.812	1.000	2.000	2.000	1.132	1,219
Industry experience	3.375	1.000	3.000	5.000	2.449	1,219
Law experience	0.714	0.000	0.000	1.000	0.894	1,219
Military experience	0.263	0.000	0.000	0.000	0.593	1,219
Education (score)	21.066	16.000	21.000	26.000	6.825	1,219
Age	61.625	58.286	61.873	64.821	5.008	1,219
Independent outside directors (%)	94.153	88.889	100.000	100.000	11.170	1,219
Connection to CEO (%)	0.160	0.000	0.111	0.250	0.206	1,219
# outside board seats	0.134	0.000	0.000	0.222	0.195	1,219
# outside board seats female	0.896	0.000	0.833	1.500	0.961	867
Cash fee	77.560	58.571	75.100	96.500	33.892	510
Total compensation	221.919	156.726	215.145	272.809	119.156	510

Panel B: Matched non-California control firms

	Mean	P25	Median	P75	SD	Obs.
Shortfall (%)	23.140	11.111	25.000	33.333	14.632	767
# missing female directors	1.626	1.000	2.000	2.000	0.949	767
2021 requ. failed (d)	0.862	1.000	1.000	1.000	0.345	767
Female directors (%)	15.009	0.000	14.286	22.222	12.523	767
# female directors	1.256	0.000	1.000	2.000	1.124	767
Board size	7.767	6.000	8.000	9.000	2.011	767
# male directors	6.511	5.000	7.000	8.000	1.627	767
Generalist index	25.905	14.397	24.392	35.235	15.140	767
CEO experience	1.576	1.000	1.000	2.000	1.414	767
Financial experience	1.834	1.000	2.000	3.000	1.174	767
Industry experience	3.094	1.000	3.000	5.000	2.406	767
Law experience	0.776	0.000	1.000	1.000	0.939	767
Military experience	0.279	0.000	0.000	0.000	0.639	767
Education (score)	20.877	16.000	21.000	26.000	6.988	767
Age	61.867	58.660	62.050	64.916	4.942	767
Independent outside directors (%)	93.892	87.500	100.000	100.000	11.502	767
Connection to CEO (%)	0.160	0.000	0.100	0.250	0.215	767
# outside board seats	0.130	0.000	0.000	0.222	0.190	767
# outside board seats female	0.877	0.000	0.667	1.500	0.966	547
Cash fee	78.359	59.000	75.625	95.500	35.160	329
Total compensation	204.995	145.446	200.823	252.649	101.069	329

Table OA.9: Correlation matrix

This table reports correlation matrices for the sample from the adoption of the quota (Panel A) and the invalidation of the gender quota (Panel B). *, **, and ***, indicate statistical significance at the 10%, 5%, and 1% level, respectively. Variable definitions are provided in Table A.1 of the paper.

Panel A: Adoption

	Shortfall (%)	# missing female directors	# missing female directors (2019)	# missing female directors (2021)	# missing female directors (exp)	2021 requ. failed (d)	Female directors (%)	# female directors	Policy sensitive firm (d)	Sustain-ability index	Retail owner-ship	Return vola
Shortfall (%)	1											
# missing female directors	0.927***	1										
# missing female directors (2019)	0.757***	0.636***	1									
# missing female directors (2021)	0.713***	0.881***	0.194***	1								
# missing female directors (exp)	0.941***	0.910***	0.758***	0.691***	1							
2021 requ. failed (d)	0.614***	0.672***	0.244***	0.704***	0.686***	1						
Female directors (%)	-0.869***	-0.859***	-0.762***	-0.624***	-0.932***	-0.638***	1					
# female directors	-0.902***	-0.869***	-0.716***	-0.665***	-0.951***	-0.699***	0.939***	1				
Policy sensitive firm (d)	0.0568*	0.0545	0.0302	0.0507	0.0438	0.0268	-0.0462	-0.0379	1			
Sustainability index	-0.230***	-0.208***	-0.143***	-0.182***	-0.218***	-0.142***	0.131***	0.228***	-0.00497	1		
Retail ownership	0.317***	0.195***	0.321***	0.0502	0.313***	0.102***	-0.247***	-0.337***	0.0539	-0.0781*	1	
Return vola	0.210***	0.151***	0.170***	0.0881**	0.175***	0.0835**	-0.143***	-0.184***	0.0162	-0.179***	0.313***	1

Panel B: Repeal

	Shortfall (%)	# missing female directors	# missing female directors (2019)	# missing female directors (2021)	# missing female directors (exp)	2021 requ. failed (d)	Female directors (%)	# female directors	Policy sensitive firm (d)	Sustain-ability index	Retail owner-ship	Return vola
Shortfall (%)	1											
# missing female directors	0.963***	1										
# missing female directors (2019)	0.610***	0.495***	1									
# missing female directors (2021)	0.879***	0.958***	0.225***	1								
# missing female directors (exp)	0.969***	0.954***	0.591***	0.874***	1							
2021 requ. failed (d)	0.810***	0.855***	0.257***	0.873***	0.846***	1						
Female directors (%)	-0.826***	-0.830***	-0.572***	-0.742***	-0.857***	-0.717***	1					
# female directors	-0.848***	-0.834***	-0.507***	-0.768***	-0.869***	-0.767***	0.874***	1				
Policy sensitive firm (d)	-0.0436	-0.0460	-0.0333	-0.0406	-0.0472	-0.0399	0.0159	0.00122	1			
Sustainability index	-0.163***	-0.168***	-0.0397	-0.169***	-0.166***	-0.182***	0.128***	0.262***	0.0573	1		
Retail ownership	0.440***	0.372***	0.363***	0.297***	0.421***	0.299***	-0.314***	-0.462***	-0.0417	-0.0390	1	
Return vola	0.231***	0.193***	0.156***	0.165***	0.210***	0.165***	-0.120***	-0.218***	-0.00833	-0.162***	0.413***	1

Table OA.10: Regulatory uncertainty aversion and returns to gender quotas with board size and industry fixed effects as controls

This table reports results of the following ordinary least squares regression:

$$CAR(0,1)_i = \beta CA\ HQ\ (d)_i + \gamma CA\ HQ\ (d)_i \times Policy\ sensitive\ firm\ (d)_i + \delta Policy\ sensitive\ firm\ (d)_i + \zeta CA\ HQ\ (d)_i \times Friction\ proxy_i + \eta Friction\ proxy_i + Controls_i + \alpha_k + \epsilon_i.$$

i indexes firms and k industries. Panel A reports results for the adoption of the gender quota in California. The event window comprises October 1st and October 2nd, the first two trading dates following the adoption of the gender quota on September 30th (a non-trading day). Panel B reports results for the repeal of the quota. The event window comprises May 16th and 17th, the two trading days around the repeal of the quota on May 16th. Control variables are the same as in Table 2 of the paper (ln(total assets), return on assets, market-to-book-ratio, leverage, and cash flow volatility) as well as the logarithm of board size. Across columns, we vary the proxy for director labor market frictions. The caption of Table 2 describes the construction of the matched samples. t-statistics based on heteroscedasticity-consistent standard errors are reported in parentheses. *, **, and ***, indicate statistical significance at the 10%, 5%, and 1% level, respectively. Variable definitions are provided in Table A.1 of the paper.

Panel A: Adoption

	CAR(0,1)								
Friction proxy:	-	Shortfall (%)	# missing female directors	# missing female directors (2019)	# missing female directors (2021)	# missing female directors (exp)	2021 requ. failed (d)	Female directors (%)	# female directors
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
CA HQ (d)	-0.436	0.773*	0.653	-0.231	0.696	0.761	1.880***	-1.089**	-1.203***
	(-1.50)	(1.69)	(1.28)	(-0.73)	(1.23)	(1.51)	(2.68)	(-2.33)	(-2.65)
CA HQ (d) × Policy sensitive firm (d)	-2.045***	-1.987***	-2.017***	-2.024***	-2.020***	-1.979***	-1.944***	-1.989***	-1.994***
	(-2.74)	(-2.70)	(-2.72)	(-2.73)	(-2.74)	(-2.67)	(-2.64)	(-2.67)	(-2.69)
Policy sensitive firm (d)	0.459	0.420	0.439	0.436	0.450	0.437	0.442	0.435	0.437
	(0.92)	(0.85)	(0.88)	(0.88)	(0.90)	(0.88)	(0.89)	(0.88)	(0.88)
CA HQ (d) × Friction proxy		-5.108***	-0.647**	-0.710	-0.809**	-0.666**	-2.643***	4.372**	0.628***
		(-2.79)	(-2.29)	(-1.15)	(-2.16)	(-2.54)	(-3.51)	(2.07)	(2.71)
Friction proxy		0.780	0.016	0.358	-0.078	0.073	0.422	-0.944	-0.081
		(0.59)	(0.09)	(0.85)	(-0.33)	(0.39)	(0.90)	(-0.69)	(-0.49)
Controls	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
One-digit SIC industry fixed effects	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
R^2	0.05	0.06	0.06	0.05	0.06	0.06	0.06	0.06	0.06
Observations	1,225	1,225	1,225	1,225	1,225	1,225	1,225	1,225	1,225

Panel B: Repeal

Friction proxy:	CAR(0,1)								
	-	Shortfall (%)	# missing female directors	# missing female directors (2019)	# missing female directors (2021)	# missing female directors (exp)	2021 requ. failed (d)	Female directors (%)	# female directors
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
CA HQ (d)	-0.731**	-0.836**	-0.785*	-0.806**	-0.713*	-0.670	-0.810*	-1.274	-1.133
	(-2.07)	(-2.04)	(-1.89)	(-2.29)	(-1.67)	(-1.61)	(-1.88)	(-1.01)	(-1.09)
CA HQ (d) × Policy sensitive firm (d)	2.249**	2.255**	2.251**	2.313**	2.247**	2.242**	2.250**	2.274**	2.282**
	(2.13)	(2.14)	(2.13)	(2.19)	(2.13)	(2.13)	(2.13)	(2.16)	(2.16)
Policy sensitive firm (d)	-0.346	-0.350	-0.348	-0.340	-0.349	-0.348	-0.346	-0.348	-0.351
	(-0.55)	(-0.55)	(-0.55)	(-0.54)	(-0.55)	(-0.55)	(-0.55)	(-0.55)	(-0.56)
CA HQ (d) × Friction proxy		1.299	0.105	11.001**	-0.118	-0.198	0.237	1.580	0.133
		(0.32)	(0.19)	(2.08)	(-0.21)	(-0.36)	(0.29)	(0.42)	(0.40)
Friction proxy		-0.485	-0.032	-0.025	-0.029	-0.008	-0.046	0.129	0.044
		(-0.28)	(-0.13)	(-0.03)	(-0.11)	(-0.04)	(-0.11)	(0.07)	(0.23)
Controls	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
One-digit SIC industry fixed effects	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
R^2	0.10	0.10	0.10	0.11	0.10	0.10	0.10	0.10	0.10
Observations	1,397	1,397	1,397	1,397	1,397	1,397	1,397	1,397	1,397

Table OA.11: Standardized coefficients

This table reports standardized coefficients. Panel A reports standardized coefficients from Panel A of Table 4 of the paper. Panel B reports standardized coefficients from Panel A of Table 5 of the paper. The event window comprises October 1st and October 2nd, the first two trading dates following the adoption of the gender quota on September 30th (a non-trading day). Control variables are the same as in Table 2 of the paper (ln(total assets), return on assets, market-to-book-ratio, leverage, and cash flow volatility). The caption of Table 2 describes the construction of the matched sample. *t*-statistics based on heteroscedasticity-consistent standard errors are reported in parentheses. *, **, and ***, indicate statistical significance at the 10%, 5%, and 1% level, respectively. Variable definitions are provided in Table A.1 of the paper.

Panel A: Standardized coefficients for Panel A of Table 4

	CAR(0,1)								
Friction proxy:	-	Shortfall (%)	# missing female directors	# missing female directors (2019)	# missing female directors (2021)	# missing female directors (exp)	2021 requ. failed (d)	Female directors (%)	# female directors
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
CA HQ (d)	-0.042	0.091*	0.077	-0.020	0.081	0.091*	0.203***	-0.115**	-0.126***
	(-1.33)	(1.84)	(1.41)	(-0.59)	(1.34)	(1.67)	(2.68)	(-2.28)	(-2.58)
CA HQ (d) × Policy sensitive firm (d)	-0.092***	-0.088***	-0.090***	-0.090***	-0.091***	-0.088***	-0.088***	-0.089***	-0.089***
	(-2.79)	(-2.70)	(-2.74)	(-2.75)	(-2.78)	(-2.69)	(-2.70)	(-2.70)	(-2.71)
Policy sensitive firm (d)	0.027	0.023	0.025	0.025	0.027	0.025	0.026	0.024	0.025
	(0.79)	(0.67)	(0.73)	(0.74)	(0.78)	(0.72)	(0.76)	(0.71)	(0.72)
CA HQ (d) × Friction proxy		-1.015***	-0.128**	-0.142	-0.159**	-0.133***	-0.503***	0.872**	0.122***
		(-2.85)	(-2.33)	(-1.20)	(-2.20)	(-2.62)	(-3.46)	(2.15)	(2.75)
Friction proxy		0.432	0.024	0.145	-0.007	0.055	0.165	-0.463	-0.058
		(1.43)	(0.56)	(1.49)	(-0.13)	(1.31)	(1.47)	(-1.40)	(-1.51)
Controls	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
R^2	0.03	0.04	0.04	0.03	0.04	0.04	0.04	0.03	0.04
Observations	1,225	1,225	1,225	1,225	1,225	1,225	1,225	1,225	1,225

Panel B: Standardized coefficients for Panel A of Table 5

	CAR(0,1)									
Friction proxy:	-		Shortfall (%)	# missing female directors	# missing female directors (2019)	# missing female directors (2021)	# missing female directors (exp)	2021 requ. failed (d)	Female directors (%)	# female directors
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
CA HQ (d)	-0.087**	-0.063*	0.015	0.011	-0.083*	0.055	0.009	0.086	-0.141**	-0.159**
	(-2.13)	(-1.86)	(0.21)	(0.13)	(-1.70)	(0.60)	(0.11)	(0.83)	(-2.02)	(-2.38)
CA HQ (d) × Sustainability index	0.064*		0.070*	0.072*	0.083**	0.069*	0.073*	0.072*	0.077**	0.067*
	(1.95)		(1.77)	(1.84)	(2.13)	(1.76)	(1.87)	(1.84)	(2.01)	(1.70)
Sustainability index	0.031		0.002	0.001	-0.003	0.000	0.001	0.001	-0.001	0.005
	(0.98)		(0.07)	(0.02)	(-0.10)	(0.00)	(0.03)	(0.03)	(-0.02)	(0.15)
CA HQ (d) × SRI fund holdings (%)		-0.000	-0.061	-0.057	-0.042	-0.060	-0.059	-0.057	-0.056	-0.067*
		(-0.01)	(-1.57)	(-1.46)	(-1.12)	(-1.52)	(-1.50)	(-1.45)	(-1.45)	(-1.71)
SRI fund holdings (%)		0.133***	0.136***	0.133***	0.125***	0.134***	0.135***	0.133***	0.133***	0.139***
		(3.81)	(4.22)	(4.12)	(4.05)	(4.12)	(4.17)	(4.04)	(4.17)	(4.26)
CA HQ (d) × Friction proxy			-0.770	-0.099	0.068	-0.176	-0.096	-0.355*	0.836	0.128*
			(-1.39)	(-1.19)	(0.35)	(-1.63)	(-1.19)	(-1.78)	(1.30)	(1.85)
Friction proxy			0.318	0.033	0.021	0.043	0.065	0.208	-0.520	-0.077
			(0.73)	(0.52)	(0.15)	(0.53)	(1.06)	(1.36)	(-0.99)	(-1.39)
Controls	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
R^2	0.05	0.04	0.06	0.06	0.06	0.06	0.06	0.06	0.06	0.06
Observations	769	1,207	766	766	766	766	766	766	766	766

Table OA.12: Increases in R^2

This table reports results of the following ordinary least squares regression:

$$\begin{aligned} CAR(0,1)_i = &\beta CA\ HQ\ (d)_i + \\ &\gamma CA\ HQ\ (d)_i \times Shortfall\ (\%)_i + \delta Shortfall\ (\%)_i + \\ &\zeta CA\ HQ\ (d)_i \times Policy\ sensitive\ firm\ (d)_i + \eta Policy\ sensitive\ firm\ (d)_i + Controls_i + \alpha + \epsilon_i. \end{aligned}$$

i indexes firms. The event window comprises October 1st and October 2nd, the first two trading dates following the adoption of the gender quota on September 30th (a non-trading day). Control variables are the same as in Table 2 of the paper (ln(total assets), return on assets, market-to-book-ratio, leverage, and cash flow volatility). The caption of Table 1 of the paper describes the construction of the matched samples. t-statistics based on heteroscedasticity-consistent standard errors are reported in parentheses. *, **, and ***, indicate statistical significance at the 10%, 5%, and 1% level, respectively. Variable definitions are provided in Table A.1 of the paper.

	CAR(0,1)			
	(1)	(2)	(3)	(4)
CA HQ (d)	-0.627**	0.652	-0.391	0.851*
	(-2.26)	(1.42)	(-1.33)	(1.84)
CA HQ (d) × Shortfall (%)		-5.422***		-5.302***
		(-2.90)		(-2.85)
Shortfall (%)		1.903		1.777
		(1.53)		(1.43)
CA HQ (d) × Policy sensitive firm (d)			-2.081***	-1.991***
			(-2.79)	(-2.70)
Policy sensitive firm (d)			0.392	0.327
			(0.79)	(0.67)
Constant	-1.828***	-2.281***	-1.830***	-2.226***
	(-3.58)	(-3.14)	(-3.51)	(-3.03)
Controls	Yes	Yes	Yes	Yes
R^2	0.0255	0.0326	0.0311	0.0379
Increase in R^2 relative to Column 1:		27.84%	25.88%	
Reduction in R^2 relative to Column 4:		13.98%	17.94%	
Observations	1,225	1,225	1,225	1,225

Table OA.13: Regulatory uncertainty aversion and returns to gender quotas with different measures for regulatory uncertainty

This table reports results of the following ordinary least squares regression:

$$CAR(0,1)_i = \beta CA\ HQ\ (d)_i + \gamma CA\ HQ\ (d)_i \times Policy\ sensitivity_i + \delta Policy\ sensitivity_i + \zeta CA\ HQ\ (d)_i \times Friction\ proxy_i + \eta Friction\ proxy_i + Controls_i + \alpha + \epsilon_i.$$

i indexes firms. The event window comprises October 1st and October 2nd, the first two trading dates following the adoption of the gender quota on September 30th (a non-trading day). Control variables are the same as in Table 2 (ln(total assets), return on assets, market-to-book-ratio, leverage, and cash flow volatility). Across panels, we vary the measure capturing a firm's policy sensitivity. In Panel A, policy sensitivity is the winsorized absolute value of the coefficient obtained from a regression of a firm's stock returns in the 250-day estimation window on changes (in percent) of the daily Economic Policy Uncertainty (EPU) index of Baker et al. (2016) and daily value-weighted market returns. In Panel B, we use the measure from Panel A but set insignificant coefficients to zero. In Panel C (D), we use a dummy variable equal to one if the coefficient of the first stage has a p-value of 0.05 (0.15) or lower, and zero otherwise. The caption of Table 2 of the paper describes the construction of the matched sample. t-statistics based on heteroscedasticity-consistent standard errors are reported in parentheses. *, **, and ***, indicate statistical significance at the 10%, 5%, and 1% level, respectively. Variable definitions are provided in Table A.1 of the paper.

Panel A: Winsorized absolute value of coefficient from first stage

	CAR(0,1)								
Friction proxy:	-	Shortfall (%)	# missing female directors	# missing female directors (2019)	# missing female directors (2021)	# missing female directors (exp)	2021 requ. failed (d)	Female directors (%)	# female directors
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
CA HQ (d)	0.167	1.118**	1.068**	0.280	1.176**	1.147**	2.217***	-0.482	-0.592
	(0.48)	(2.29)	(2.02)	(0.76)	(2.06)	(2.20)	(3.11)	(-0.94)	(-1.15)
CA HQ (d) × Policy sensitivity	-3.429**	-2.863**	-3.118**	-3.273**	-3.244**	-2.985**	-3.064**	-3.147**	-2.973**
	(-2.43)	(-2.01)	(-2.19)	(-2.32)	(-2.28)	(-2.09)	(-2.16)	(-2.23)	(-2.08)
Policy sensitivity	0.269	0.010	0.129	0.199	0.204	0.069	0.158	0.146	0.088
	(0.26)	(0.01)	(0.13)	(0.20)	(0.20)	(0.07)	(0.15)	(0.14)	(0.09)
CA HQ (d) × Friction proxy		-4.563**	-0.578**	-0.534	-0.753**	-0.601**	-2.426***	3.934*	0.534**
		(-2.45)	(-2.02)	(-0.87)	(-2.00)	(-2.25)	(-3.18)	(1.88)	(2.30)
Friction proxy		1.546	0.071	0.530	-0.057	0.190	0.605	-1.695	-0.204
		(1.25)	(0.40)	(1.33)	(-0.24)	(1.11)	(1.31)	(-1.26)	(-1.30)
Constant	-1.704***	-1.984**	-1.643**	-2.024***	-1.447*	-1.964**	-2.202***	-1.470**	-1.447**
	(-2.70)	(-2.43)	(-2.10)	(-2.87)	(-1.92)	(-2.33)	(-2.68)	(-2.28)	(-2.21)
Controls	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
R^2	0.04	0.04	0.04	0.04	0.04	0.04	0.04	0.04	0.04
Observations	1,225	1,225	1,225	1,225	1,225	1,225	1,225	1,225	1,225

Panel B: Winsorized absolute value of coefficient from first stage, set to zero when insignificant

	CAR(0,1)								
Friction proxy:	-	Shortfall (%)	# missing female directors	# missing female directors (2019)	# missing female directors (2021)	# missing female directors (exp)	2021 requ. failed (d)	Female directors (%)	# female directors
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
CA HQ (d)	-0.336	0.817*	0.698	-0.162	0.756	0.821	1.882***	-0.982**	-1.088**
	(-1.17)	(1.78)	(1.37)	(-0.52)	(1.34)	(1.63)	(2.66)	(-2.09)	(-2.38)
CA HQ (d) × Policy sensitivity	-4.496***	-4.186***	-4.330***	-4.359***	-4.395***	-4.238***	-4.261***	-4.303***	-4.250***
	(-2.92)	(-2.71)	(-2.79)	(-2.83)	(-2.86)	(-2.74)	(-2.78)	(-2.78)	(-2.74)
Policy sensitivity	1.373	1.196	1.285	1.287	1.344	1.248	1.301	1.261	1.242
	(1.18)	(1.03)	(1.10)	(1.11)	(1.15)	(1.07)	(1.12)	(1.08)	(1.07)
CA HQ (d) × Friction proxy		-4.960***	-0.622**	-0.651	-0.788**	-0.653**	-2.541***	4.268**	0.600**
		(-2.67)	(-2.17)	(-1.05)	(-2.09)	(-2.46)	(-3.34)	(2.01)	(2.57)
Friction proxy		1.613	0.079	0.554	-0.049	0.207	0.648	-1.751	-0.218
		(1.30)	(0.44)	(1.39)	(-0.21)	(1.19)	(1.40)	(-1.29)	(-1.39)
Constant	-1.863***	-2.204***	-1.840***	-2.193***	-1.630**	-2.202***	-2.424***	-1.639***	-1.613***
	(-3.51)	(-2.97)	(-2.61)	(-3.65)	(-2.38)	(-2.90)	(-3.25)	(-3.00)	(-2.93)
Controls	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
R^2	0.04	0.04	0.04	0.04	0.04	0.04	0.04	0.04	0.04
Observations	1,225	1,225	1,225	1,225	1,225	1,225	1,225	1,225	1,225

Panel C: Dummy variable equal to one when p-value in first stage is lower than 0.05

	CAR(0,1)								
Friction proxy:	-	Shortfall (%)	# missing female directors	# missing female directors (2019)	# missing female directors (2021)	# missing female directors (exp)	2021 requ. failed (d)	Female directors (%)	# female directors
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
CA HQ (d)	-0.499*	0.743	0.624	-0.310	0.692	0.747	1.836***	-1.184**	-1.292***
	(-1.79)	(1.62)	(1.23)	(-1.01)	(1.23)	(1.48)	(2.59)	(-2.57)	(-2.89)
CA HQ (d) × Policy sensitive firm (d; 5%)	-2.680**	-2.512**	-2.630**	-2.582**	-2.757**	-2.534**	-2.588**	-2.552**	-2.546**
	(-2.11)	(-1.99)	(-2.07)	(-2.04)	(-2.18)	(-1.99)	(-2.06)	(-2.00)	(-2.00)
Policy sensitive firm (d; 5%)	0.459	0.341	0.398	0.404	0.448	0.374	0.393	0.380	0.371
	(0.59)	(0.45)	(0.51)	(0.53)	(0.57)	(0.49)	(0.50)	(0.49)	(0.48)
CA HQ (d) × Friction proxy		-5.294***	-0.671**	-0.697	-0.853**	-0.698***	-2.662***	4.556**	0.640***
		(-2.85)	(-2.35)	(-1.13)	(-2.25)	(-2.63)	(-3.50)	(2.15)	(2.75)
Friction proxy		1.771	0.098	0.596	-0.033	0.225	0.667	-1.898	-0.234
		(1.44)	(0.55)	(1.50)	(-0.14)	(1.30)	(1.45)	(-1.40)	(-1.50)
Constant	-1.823***	-2.215***	-1.836***	-2.183***	-1.606**	-2.198***	-2.394***	-1.587***	-1.561***
	(-3.53)	(-3.02)	(-2.64)	(-3.70)	(-2.38)	(-2.94)	(-3.27)	(-2.99)	(-2.91)
Controls	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
R^2	0.03	0.04	0.03	0.03	0.04	0.04	0.04	0.03	0.04
Observations	1,225	1,225	1,225	1,225	1,225	1,225	1,225	1,225	1,225

Panel D: Dummy variable equal to one when p-value in first stage is lower than 0.15

Friction proxy:	CAR(0,1)								
	-	Shortfall (%)	# missing female directors	# missing female directors (2019)	# missing female directors (2021)	# missing female directors (exp)	2021 requ. failed (d)	Female directors (%)	# female directors
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
CA HQ (d)	-0.533*	0.731	0.616	-0.335	0.683	0.731	1.813**	-1.221***	-1.328***
	(-1.91)	(1.60)	(1.22)	(-1.10)	(1.21)	(1.45)	(2.56)	(-2.65)	(-2.97)
CA HQ (d) × Policy sensitive firm (d; 15%)	-2.068**	-1.996*	-2.061*	-2.027*	-2.149**	-2.002*	-2.070**	-2.013*	-2.019*
	(-1.97)	(-1.90)	(-1.96)	(-1.93)	(-2.07)	(-1.89)	(-2.01)	(-1.90)	(-1.91)
Policy sensitive firm (d; 15%)	-0.180	-0.202	-0.199	-0.176	-0.187	-0.183	-0.147	-0.184	-0.182
	(-0.52)	(-0.58)	(-0.58)	(-0.51)	(-0.53)	(-0.53)	(-0.42)	(-0.53)	(-0.52)
CA HQ (d) × Friction proxy		-5.367***	-0.686**	-0.712	-0.871**	-0.705***	-2.668***	4.614**	0.645***
		(-2.88)	(-2.40)	(-1.15)	(-2.31)	(-2.65)	(-3.51)	(2.17)	(2.77)
Friction proxy		1.830	0.110	0.604	-0.017	0.230	0.678	-1.947	-0.238
		(1.47)	(0.61)	(1.50)	(-0.07)	(1.32)	(1.47)	(-1.43)	(-1.51)
Constant	-1.731***	-2.151***	-1.771**	-2.100***	-1.540**	-2.128***	-2.329***	-1.498***	-1.475***
	(-3.31)	(-2.92)	(-2.52)	(-3.51)	(-2.27)	(-2.82)	(-3.17)	(-2.78)	(-2.72)
Controls	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
R^2	0.03	0.04	0.03	0.03	0.04	0.04	0.04	0.03	0.04
Observations	1,225	1,225	1,225	1,225	1,225	1,225	1,225	1,225	1,225

Table OA.14: ESG orientation and returns to gender quotas with board size and industry fixed effects as controls

This table reports results of the following ordinary least squares regression:

$$CAR(0,1)_i = \beta CA\ HQ\ (d)_i + \gamma CA\ HQ\ (d)_i \times Sustainability\ index\ (d)_i + \delta Sustainability\ index\ (d)_i + \zeta CA\ HQ\ (d)_i \times SRI\ fund\ holdings\ (\%)_i + \eta SRI\ fund\ holdings\ (\%)_i + \theta CA\ HQ\ (d)_i \times Friction\ proxy_i + \iota Friction\ proxy_i + Controls_i + \alpha_k + \epsilon_i.$$

i indexes firms and k one-digit SIC industries. Panel A reports results for the adoption of the gender quota in California. The event window comprises October 1st and October 2nd, the first two trading dates following the adoption of the gender quota on September 30th (a non-trading day). Panel B reports results for the repeal of the quota. The event window comprises May 16th and 17th, the two trading days around the repeal of the quota on May 16th. Control variables are the same as in Table 2 of the paper (ln(total assets), return on assets, market-to-book-ratio, leverage, and cash flow volatility) as well as the logarithm of board size. Across columns, we vary the proxy for director labor market frictions. The caption of Table 1 of the paper describes the construction of the matched samples. t-statistics based on heteroscedasticity-consistent standard errors are reported in parentheses. *, **, and ***, indicate statistical significance at the 10%, 5%, and 1% level, respectively. Variable definitions are provided in Table A.1 of the paper.

Panel A: Adoption

	CAR(0,1)									
Friction proxy:	-		Shortfall (%)	# missing female directors	# missing female directors (2019)	# missing female directors (2021)	# missing female directors (exp)	2021 requ. failed (d)	Female directors (%)	# female directors
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
CA HQ (d)	-0.690**	-0.624**	0.082	0.047	-0.653*	0.383	0.001	0.669	-1.028*	-1.177**
	(-2.26)	(-1.99)	(0.15)	(0.08)	(-1.80)	(0.56)	(0.00)	(0.89)	(-1.96)	(-2.35)
CA HQ (d) × Sustainability index	1.226*		1.285	1.336	1.598*	1.260	1.367*	1.337	1.473*	1.258
	(1.76)		(1.55)	(1.62)	(1.94)	(1.55)	(1.66)	(1.63)	(1.82)	(1.53)
Sustainability index	0.425		-0.012	-0.053	-0.120	-0.065	-0.046	-0.039	-0.069	0.000
	(0.84)		(-0.02)	(-0.10)	(-0.22)	(-0.12)	(-0.09)	(-0.07)	(-0.13)	(0.00)
CA HQ (d) × SRI fund holdings (%)		-1.239	-8.586	-7.974	-5.763	-8.396	-8.125	-7.897	-7.655	-9.280
		(-0.21)	(-1.50)	(-1.37)	(-1.04)	(-1.43)	(-1.39)	(-1.37)	(-1.35)	(-1.60)
SRI fund holdings (%)		17.120***	13.397***	13.194***	12.550***	13.270***	13.353***	13.321***	13.208***	13.669***
		(4.05)	(4.14)	(4.05)	(4.00)	(4.05)	(4.10)	(4.06)	(4.11)	(4.19)
CA HQ (d) × Friction proxy			-2.906	-0.375	0.274	-0.672*	-0.338	-1.417*	2.813	0.459*
			(-1.39)	(-1.20)	(0.36)	(-1.65)	(-1.11)	(-1.90)	(1.15)	(1.74)
Friction proxy			0.097	0.013	-0.087	0.051	0.105	0.427	-1.027	-0.141
			(0.06)	(0.06)	(-0.17)	(0.20)	(0.47)	(0.85)	(-0.59)	(-0.70)
Controls	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
One-digit SIC industry fixed effects	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
R^2	0.05	0.04	0.06	0.06	0.06	0.06	0.06	0.06	0.06	0.06
Observations	769	1,207	766	766	766	766	766	766	766	766

Panel B: Repeal

Friction proxy:	CAR(0,1)									
	-		Shortfall (%)	# missing female directors	# missing female directors (2019)	# missing female directors (2021)	# missing female directors (exp)	2021 requ. failed (d)	Female directors (%)	# female directors
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
CA HQ (d)	-0.530	-0.439	-0.602	-0.543	-0.525	-0.510	-0.564	-0.657	-1.523	-1.590
	(-1.42)	(-1.07)	(-1.17)	(-1.06)	(-1.25)	(-0.99)	(-1.10)	(-1.23)	(-1.21)	(-1.58)
CA HQ (d) × Sustainability index	0.037		0.254	0.232	0.209	0.220	0.251	0.268	0.273	0.074
	(0.05)		(0.31)	(0.28)	(0.25)	(0.26)	(0.30)	(0.32)	(0.33)	(0.09)
Sustainability index	0.037		-0.043	-0.055	-0.022	-0.053	-0.048	-0.082	-0.082	-0.019
	(0.06)		(-0.07)	(-0.09)	(-0.03)	(-0.08)	(-0.08)	(-0.13)	(-0.13)	(-0.03)
CA HQ (d) × SRI fund holdings (%)		-2.381	-0.819	-1.049	-1.031	-1.193	-1.126	-0.446	-2.465	-3.994
		(-0.45)	(-0.14)	(-0.18)	(-0.18)	(-0.20)	(-0.19)	(-0.08)	(-0.43)	(-0.67)
SRI fund holdings (%)		3.417	-0.324	-0.149	-0.053	-0.073	-0.256	-0.242	-0.193	0.141
		(0.96)	(-0.11)	(-0.05)	(-0.02)	(-0.02)	(-0.09)	(-0.08)	(-0.07)	(0.05)
CA HQ (d) × Friction proxy			0.374	0.048		0.013	-0.064	0.469	3.116	0.393
			(0.08)	(0.07)		(0.02)	(-0.10)	(0.60)	(0.81)	(1.21)
Friction proxy			-1.446	-0.066	-0.655	-0.021	-0.171	-0.151	0.388	-0.007
			(-0.48)	(-0.18)	(-0.36)	(-0.05)	(-0.45)	(-0.30)	(0.16)	(-0.03)
Controls	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
One-digit SIC industry fixed effects	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
R^2	0.04	0.07	0.04	0.04	0.04	0.04	0.04	0.04	0.04	0.04
Observations	661	1,023	655	655	655	655	655	655	655	655

Table OA.15: Policy sensitivity of non-California firms and returns to gender quotas with HQ state fixed effects

This table reports results of the following ordinary least squares regression:

$$CAR(0,1)_i = \beta CA\ follower\ proxy_j + \gamma CA\ follower\ proxy_j \times Policy\ sensitive\ firm\ (d)_i + \delta Policy\ sensitive\ firm\ (d)_i + \zeta CA\ follower\ proxy_j \times Shortfall\ (\%)_i + \eta Shortfall\ (\%)_i + Controls_i + \alpha_j + \epsilon_i.$$

i indexes firms and j states. The event window comprises October 1st and October 2nd, the first two trading dates following the adoption of the gender quota on September 30th (a non-trading day). Control variables are the same as in Table 2 of the paper (ln(total assets), return on assets, market-to-book-ratio, leverage, and cash flow volatility). Across columns, we vary the proxy for the propensity that a state in which a firm is headquartered follows California's legislative lead. The sample comprises only non-California-headquartered firms. The caption of Table 1 of the paper describes the construction of the matched sample. t-statistics based on heteroscedasticity-consistent standard errors are reported in parentheses. *, **, and ***, indicate statistical significance at the 10%, 5%, and 1% level, respectively. Variable definitions are provided in Table A.1 of the paper.

	CAR(0,1)							
CA follower proxy:	Impending quota (d)	U.S. Climate Alliance (d)	GhG reduction policies (d)	Excess minimum wage ($)	Cannabis legalization score	Regulatory score (JL)	Regulatory score (Cato)	% Democratic votes
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
CA follower proxy × Policy sensitive firm (d)	-1.819*	-1.765*	-2.028**	-0.559**	-0.811*	-0.207	-0.807**	-15.394**
	(-1.85)	(-1.71)	(-2.03)	(-2.29)	(-1.92)	(-0.49)	(-2.14)	(-2.57)
Policy sensitive firm (d)	1.007	1.285	1.349	1.488**	2.419**	0.995	3.274**	8.127**
	(1.44)	(1.64)	(1.64)	(2.14)	(1.96)	(0.66)	(2.15)	(2.58)
CA follower proxy × Shortfall (%)	-0.875	0.371	-2.750	0.495	1.060	-0.512	-0.470	-0.902
	(-0.36)	(0.16)	(-1.17)	(0.81)	(1.05)	(-0.57)	(-0.47)	(-0.07)
Shortfall (%)	1.873	1.239	2.861*	0.505	-1.424	3.250	3.294	2.015
	(1.14)	(0.67)	(1.65)	(0.25)	(-0.43)	(0.96)	(0.84)	(0.29)
Controls	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
HQ state fixed effects	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
R^2	0.06	0.06	0.06	0.06	0.06	0.06	0.06	0.06
Observations	772	772	772	748	772	770	770	772

Table OA.16: Changes of board characteristics post-quota adoption and the propensity to follow California

This table reports coefficients of the following ordinary least squares regression:

$$Board\ characteristic_{i,t} = \beta CA\ follower\ proxy_j \times December\ 31,\ 2021\ (d)_t + \alpha_i + \alpha_t + \epsilon_{i,t}.$$

i indexes firms, j states, and t either the quota adoption date (September 30$^{\text{th}}$, 2018) or the last quota compliance date (December 31$^{\text{st}}$, 2021). $Board\ characteristic_{i,t}$ are different board characteristics. $CA\ follower\ proxy$ is a proxy for the propensity that a state in which a firm is headquartered follows California's legislative lead. $December\ 31,\ 2021\ (d)$ is a dummy variable set to one for the last quota compliance date (December 31$^{\text{st}}$, 2021) and equal to zero for the quota adoption date (September 30$^{\text{th}}$, 2018). Across rows, we vary the board characteristic. Across columns, we vary the proxy for the propensity to follow California. The sample comprises only non-California firms. The construction of this sample is described in the caption of Table 1 of the paper. t-statistics are based on standard errors clustered by firm, are corrected for multiple hypothesis testing (Romano and Wolf (2005a,b, 2016)), and are not reported for brevity. *, **, and ***, indicate statistical significance at the 10%, 5%, and 1% level, respectively. Variable definitions are provided in Table A.1 of the paper.

CA follower proxy → Board characteristic ↓	Impending quota (d)	U.S. Climate Alliance (d)	GhG reduction policies (d)	Excess minimum wage ($)	Cannabis legalization score	Regulatory score (JL)	Regulatory score (Cato)	% Democratic votes
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
i. Female board representation								
Shortfall (%)	-0.413	-1.329	-0.303	-0.383	-0.500	-0.266	-0.338	-7.706
# missing female directors	-0.048	-0.104	-0.032	-0.017	-0.017	-0.014	-0.017	-0.512
2021 requ. failed (d)	-0.066	-0.043	-0.039	-0.008	-0.008	0.003	-0.014	-0.405
Female directors (%)	0.309	0.908	-0.637	0.123	0.016	-0.208	-0.058	0.549
# female directors	0.081	0.117	0.014	0.018	0.005	0.006	0.009	0.420
ii. Board size								
Board size	0.055	0.063	0.109	0.040	0.051	0.062	0.045	1.005
# male directors	-0.026	-0.054	0.095	0.023	0.046	0.056	0.035	0.585
iii. Board skills and experience								
Generalist index	-1.101	-0.935	-0.565	-0.079	-0.274	0.216	-0.365	-7.414*
CEO experience	0.042	0.067	0.071	0.034	0.024	0.065**	0.025	0.062
Financial experience	-0.046	-0.134	-0.084	-0.013	-0.018	-0.017	0.000	-0.267
Industry experience	-0.011	-0.097	-0.023	0.018	0.033	0.024	0.004	0.009
Law experience	-0.030	-0.063	-0.050	-0.004	0.002	0.003	-0.003	-0.085
Military experience	-0.034	-0.021	-0.021	-0.002	-0.008	-0.004	-0.023	-0.199
Education (score)	0.404	0.206	0.414	0.135	0.108	0.246	0.158	3.563
iv. Other board characteristics								
Age	0.194	-0.032	0.240	0.023	-0.050	0.034	0.133	1.649
Independent outside directors (%)	-0.608	-0.621	0.449	-0.209	-0.315	0.157	-0.368	-3.852
Connection to CEO (%)	0.021	0.016	0.023	0.005	0.010	0.012**	0.015**	0.119
# outs. board seats	0.007	0.019	0.008	0.003	0.002	-0.002	0.005	0.083
# outs. board seats female	-0.131	-0.065	-0.032	-0.005	-0.024	-0.007	-0.036	-0.383
v. Board compensation								
log(Cash fee)	-0.013	0.000	0.014	-0.005	-0.005	-0.016	0.006	0.060
log(Total compensation)	-0.083	-0.006	0.013	-0.008	-0.013	-0.016	-0.016	-0.132

Table OA.17: Policy sensitivity of non-California firms and returns to gender quotas with alternative labor market frictions measures

This table reports results of the following ordinary least squares regression:

$$CAR(0,1)_i = \beta CA\ follower\ proxy_j + \gamma CA\ follower\ proxy_j \times Policy\ sensitive\ firm\ (d)_i + \delta Policy\ sensitive\ firm\ (d)_i + \zeta CA\ follower\ proxy_j \times Friction\ proxy_i + \eta Friction\ proxy_i + Controls_i + \alpha + \epsilon_i.$$

i indexes firms and j states. The event window comprises October 1st and October 2nd, the first two trading dates following the adoption of the gender quota on September 30th (a non-trading day). Control variables are the same as in Table 2 (ln(total assets), return on assets, market-to-book-ratio, leverage, and cash flow volatility). Across columns, we vary the proxy for the propensity that a state in which a firm is headquartered follows California's legislative lead. Across panels, we vary the measure for labor market frictions. The sample comprises only non-California-headquartered firms. The caption of Table 1 of the paper describes the construction of the matched sample. t-statistics based on heteroscedasticity-consistent standard errors are reported in parentheses. *, **, and ***, indicate statistical significance at the 10%, 5%, and 1% level, respectively. Variable definitions are provided in Table A.1 of the paper.

Panel A: # missing female directors

	CAR(0,1)							
CA follower proxy:	Impending quota (d)	U.S. Climate Alliance (d)	GhG reduction policies (d)	Excess minimum wage ($)	Cannabis legalization score	Regulatory score (JL)	Regulatory score (Cato)	% Democratic votes
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
CA follower proxy	-0.203	-0.612	0.640	-0.238	-0.486*	-0.063	0.071	-0.641
	(-0.33)	(-1.02)	(1.06)	(-1.64)	(-1.92)	(-0.28)	(0.32)	(-0.17)
CA follower proxy × Policy sensitive firm (d)	-1.619*	-1.436	-1.643*	-0.487**	-0.713*	-0.194	-0.675*	-12.340**
	(-1.73)	(-1.46)	(-1.72)	(-2.03)	(-1.70)	(-0.49)	(-1.81)	(-2.17)
Policy sensitive firm (d)	0.955	1.207	1.255	1.421**	2.230*	1.001	2.841*	6.654**
	(1.49)	(1.61)	(1.57)	(2.14)	(1.86)	(0.73)	(1.89)	(2.20)
CA follower proxy × # missing female	-0.209	0.002	-0.595*	0.057	0.181	-0.136	-0.086	-0.978
directors	(-0.59)	(0.01)	(-1.74)	(0.66)	(1.28)	(-1.06)	(-0.65)	(-0.49)
# missing female directors	0.129	0.036	0.338	-0.079	-0.469	0.507	0.370	0.543
	(0.57)	(0.15)	(1.41)	(-0.31)	(-1.08)	(1.09)	(0.74)	(0.54)
Constant	-1.416	-1.121	-1.790**	-1.041	-0.113	-1.205	-1.722	-1.212
	(-1.60)	(-1.23)	(-2.01)	(-1.11)	(-0.10)	(-1.10)	(-1.58)	(-0.62)
Controls	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
R^2	0.03	0.03	0.03	0.03	0.03	0.03	0.02	0.02
Observations	772	772	772	748	772	770	770	772

Panel B: # missing female directors (2019)

CA follower proxy:	CAR(0,1)							
	Impending quota (d)	U.S. Climate Alliance (d)	GhG reduction policies (d)	Excess minimum wage ($)	Cannabis legalization score	Regulatory score (JL)	Regulatory score (Cato)	% Democratic votes
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
CA follower proxy	-0.459	-0.610	-0.213	-0.155	-0.232	-0.230	-0.038	-2.443
	(-1.13)	(-1.57)	(-0.56)	(-1.55)	(-1.44)	(-1.57)	(-0.26)	(-1.05)
CA follower proxy × Policy sensitive firm (d)	-1.676*	-1.423	-1.798*	-0.471**	-0.684*	-0.213	-0.705*	-12.538**
	(-1.81)	(-1.46)	(-1.89)	(-2.00)	(-1.65)	(-0.54)	(-1.92)	(-2.18)
Policy sensitive firm (d)	0.966	1.193	1.324*	1.370**	2.129*	1.063	2.943**	6.740**
	(1.52)	(1.62)	(1.65)	(2.13)	(1.80)	(0.78)	(1.97)	(2.22)
CA follower proxy × # missing female directors (2019)	-0.195	0.063	-0.223	0.040	0.182	-0.172	-0.066	1.217
	(-0.25)	(0.08)	(-0.30)	(0.21)	(0.60)	(-0.59)	(-0.22)	(0.31)
# missing female directors (2019)	0.478	0.352	0.519	0.347	-0.065	1.042	0.703	-0.191
	(0.96)	(0.67)	(0.97)	(0.63)	(-0.07)	(0.99)	(0.61)	(-0.09)
Constant	-1.542**	-1.354*	-1.592**	-1.490*	-1.133	-0.891	-1.571*	-0.540
	(-2.08)	(-1.82)	(-2.14)	(-1.92)	(-1.35)	(-1.07)	(-1.85)	(-0.41)
Controls	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
R^2	0.03	0.03	0.03	0.03	0.03	0.03	0.02	0.03
Observations	772	772	772	748	772	770	770	772

Panel C: # missing female directors (2021)

CA follower proxy:	CAR(0,1)							
	Impending quota (d)	U.S. Climate Alliance (d)	GhG reduction policies (d)	Excess minimum wage ($)	Cannabis legalization score	Regulatory score (JL)	Regulatory score (Cato)	% Democratic votes
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
CA follower proxy	-0.192	-0.589	0.813	-0.247	-0.499*	-0.083	0.076	0.349
	(-0.28)	(-0.90)	(1.23)	(-1.63)	(-1.86)	(-0.34)	(0.31)	(0.09)
CA follower proxy × Policy sensitive firm (d)	-1.606*	-1.432	-1.621*	-0.488**	-0.717*	-0.200	-0.668*	-12.338**
	(-1.70)	(-1.45)	(-1.68)	(-2.04)	(-1.72)	(-0.51)	(-1.79)	(-2.15)
Policy sensitive firm (d)	0.965	1.220	1.255	1.438**	2.262*	1.035	2.830*	6.673**
	(1.50)	(1.63)	(1.56)	(2.17)	(1.89)	(0.75)	(1.87)	(2.20)
CA follower proxy × # missing female directors (2021)	-0.264	-0.017	-0.861*	0.073	0.225	-0.152	-0.110	-2.019
	(-0.56)	(-0.04)	(-1.91)	(0.66)	(1.23)	(-0.90)	(-0.64)	(-0.77)
# missing female directors (2021)	0.029	-0.066	0.364	-0.230	-0.712	0.430	0.328	0.946
	(0.10)	(-0.21)	(1.18)	(-0.74)	(-1.30)	(0.73)	(0.52)	(0.73)
Constant	-1.140	-0.887	-1.645*	-0.765	0.186	-0.873	-1.445	-1.432
	(-1.33)	(-1.01)	(-1.91)	(-0.86)	(0.16)	(-0.79)	(-1.31)	(-0.72)
Controls	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
R^2	0.03	0.03	0.03	0.03	0.03	0.03	0.02	0.03
Observations	772	772	772	748	772	770	770	772

Panel D: # missing female directors (exp)

CA follower proxy:	CAR(0,1)							
	Impending quota (d)	U.S. Climate Alliance (d)	GhG reduction policies (d)	Excess minimum wage ($)	Cannabis legalization score	Regulatory score (JL)	Regulatory score (Cato)	% Democratic votes
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
CA follower proxy	-0.234	-0.714	0.410	-0.231	-0.459*	-0.160	0.072	-0.801
	(-0.38)	(-1.20)	(0.70)	(-1.60)	(-1.83)	(-0.71)	(0.33)	(-0.23)
CA follower proxy × Policy sensitive firm (d)	-1.654*	-1.426	-1.727*	-0.474**	-0.688*	-0.201	-0.680*	-12.285**
	(-1.78)	(-1.46)	(-1.81)	(-1.99)	(-1.66)	(-0.51)	(-1.84)	(-2.18)
Policy sensitive firm (d)	0.963	1.202	1.281	1.395**	2.161*	1.019	2.854*	6.619**
	(1.51)	(1.62)	(1.61)	(2.13)	(1.81)	(0.74)	(1.91)	(2.22)
CA follower proxy × # missing female	-0.163	0.066	-0.399	0.050	0.157	-0.068	-0.075	-0.721
directors (exp)	(-0.49)	(0.21)	(-1.26)	(0.65)	(1.21)	(-0.56)	(-0.62)	(-0.42)
# missing female directors (exp)	0.226	0.121	0.365	0.059	-0.277	0.405	0.453	0.529
	(1.06)	(0.51)	(1.62)	(0.24)	(-0.68)	(0.94)	(0.99)	(0.62)
Constant	-1.827*	-1.491	-2.108**	-1.490	-0.619	-1.349	-2.174**	-1.553
	(-1.94)	(-1.53)	(-2.27)	(-1.47)	(-0.51)	(-1.20)	(-2.01)	(-0.85)
Controls	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
R^2	0.03	0.03	0.03	0.03	0.03	0.03	0.02	0.03
Observations	772	772	772	748	772	770	770	772

Panel E: 2021 requ. failed (d)

CA follower proxy:	CAR(0,1)							
	Impending quota (d)	U.S. Climate Alliance (d)	GhG reduction policies (d)	Excess minimum wage ($)	Cannabis legalization score	Regulatory score (JL)	Regulatory score (Cato)	% Democratic votes
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
CA follower proxy	-0.350	-0.979	0.430	-0.240	-0.478	-0.345	-0.024	-1.466
	(-0.41)	(-1.19)	(0.53)	(-1.25)	(-1.40)	(-1.14)	(-0.08)	(-0.30)
CA follower proxy × Policy sensitive firm (d)	-1.667*	-1.402	-1.764*	-0.452*	-0.653	-0.206	-0.671*	-12.294**
	(-1.79)	(-1.43)	(-1.84)	(-1.91)	(-1.58)	(-0.52)	(-1.80)	(-2.17)
Policy sensitive firm (d)	0.975	1.207	1.312	1.367**	2.090*	1.047	2.828*	6.633**
	(1.52)	(1.61)	(1.62)	(2.07)	(1.76)	(0.75)	(1.87)	(2.21)
CA follower proxy × 2021 requ. failed (d)	-0.203	0.436	-0.853	0.109	0.341	0.073	-0.045	-0.845
	(-0.22)	(0.49)	(-0.96)	(0.52)	(0.92)	(0.22)	(-0.14)	(-0.16)
2021 requ. failed (d)	0.642	0.294	1.021*	0.354	-0.456	0.321	0.717	1.000
	(1.18)	(0.45)	(1.79)	(0.54)	(-0.39)	(0.28)	(0.61)	(0.38)
Constant	-1.925**	-1.458	-2.283**	-1.633*	-0.661	-0.841	-1.908	-1.368
	(-2.15)	(-1.47)	(-2.54)	(-1.67)	(-0.49)	(-0.65)	(-1.58)	(-0.55)
Controls	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
R^2	0.03	0.03	0.03	0.03	0.03	0.03	0.02	0.03
Observations	772	772	772	748	772	770	770	772

Panel F: Female directors (%)

CA follower proxy:	CAR(0,1)							
	Impending quota (d)	U.S. Climate Alliance (d)	GhG reduction policies (d)	Excess minimum wage ($)	Cannabis legalization score	Regulatory score (JL)	Regulatory score (Cato)	% Democratic votes
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
CA follower proxy	-0.610	-0.301	-0.572	-0.068	0.013	-0.248	-0.037	-1.424
	(-1.04)	(-0.53)	(-1.00)	(-0.48)	(0.06)	(-1.16)	(-0.16)	(-0.48)
CA follower proxy × Policy sensitive firm (d)	-1.675*	-1.457	-1.749*	-0.479**	-0.691*	-0.224	-0.694*	-12.441**
	(-1.80)	(-1.49)	(-1.83)	(-2.02)	(-1.67)	(-0.57)	(-1.87)	(-2.17)
Policy sensitive firm (d)	0.960	1.219	1.287	1.395**	2.156*	1.084	2.892*	6.687**
	(1.50)	(1.64)	(1.60)	(2.13)	(1.81)	(0.78)	(1.92)	(2.20)
CA follower proxy × Female directors (%)	0.645	-1.977	1.879	-0.480	-1.299	-0.220	-0.131	-4.414
	(0.24)	(-0.76)	(0.72)	(-0.76)	(-1.22)	(-0.23)	(-0.13)	(-0.32)
Female directors (%)	-1.654	-0.338	-2.368	-0.270	2.298	-0.782	-1.019	0.815
	(-0.97)	(-0.18)	(-1.36)	(-0.13)	(0.68)	(-0.22)	(-0.28)	(0.11)
Constant	-1.129*	-1.167*	-1.059	-1.271*	-1.392	-0.469	-1.176	-0.677
	(-1.67)	(-1.74)	(-1.54)	(-1.83)	(-1.63)	(-0.50)	(-1.19)	(-0.44)
Controls	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
R^2	0.03	0.03	0.03	0.03	0.03	0.03	0.02	0.03
Observations	772	772	772	748	772	770	770	772

Panel G: # female directors

CA follower proxy:	CAR(0,1)							
	Impending quota (d)	U.S. Climate Alliance (d)	GhG reduction policies (d)	Excess minimum wage ($)	Cannabis legalization score	Regulatory score (JL)	Regulatory score (Cato)	% Democratic votes
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
CA follower proxy	-0.585	-0.255	-0.492	-0.061	-0.021	-0.230	-0.037	-1.393
	(-1.01)	(-0.46)	(-0.88)	(-0.43)	(-0.09)	(-1.09)	(-0.17)	(-0.46)
CA follower proxy × Policy sensitive firm (d)	-1.675*	-1.444	-1.751*	-0.473**	-0.678	-0.215	-0.686*	-12.306**
	(-1.79)	(-1.47)	(-1.83)	(-1.99)	(-1.63)	(-0.55)	(-1.84)	(-2.14)
Policy sensitive firm (d)	0.971	1.233	1.296	1.402**	2.137*	1.069	2.879*	6.632**
	(1.52)	(1.64)	(1.61)	(2.13)	(1.80)	(0.77)	(1.91)	(2.17)
CA follower proxy × # female directors	0.058	-0.270	0.160	-0.065	-0.128	-0.040	-0.014	-0.575
	(0.19)	(-0.95)	(0.55)	(-0.87)	(-1.05)	(-0.37)	(-0.13)	(-0.36)
# female directors	-0.204	-0.042	-0.262	-0.052	0.184	-0.058	-0.136	0.107
	(-1.08)	(-0.20)	(-1.38)	(-0.22)	(0.47)	(-0.15)	(-0.33)	(0.13)
Constant	-1.258*	-1.323*	-1.211*	-1.404**	-1.428*	-0.668	-1.308	-0.820
	(-1.82)	(-1.94)	(-1.72)	(-2.00)	(-1.66)	(-0.72)	(-1.28)	(-0.52)
Controls	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
R^2	0.03	0.03	0.03	0.03	0.03	0.03	0.02	0.03
Observations	772	772	772	748	772	770	770	772

Table OA.18: ESG orientation of non-California firms and returns to gender quotas with alternative labor market frictions measures

This table reports results of the following ordinary least squares regression:

$$CAR(0,1)_i = \beta CA\ follower\ proxy_j + \gamma CA\ follower\ proxy_j \times Sustainability\ index\ (d)_i + \delta Sustainability\ index\ (d)_i + \zeta CA\ follower\ proxy_j \times SRI\ fund\ holdings\ (\%)_i + \eta SRI\ fund\ holdings\ (\%)_i + \theta CA\ follower\ proxy_j \times Friction\ proxy_i + \iota Friction\ proxy_i + Controls_i + \alpha + \epsilon_i.$$

i indexes firms and j states. The event window comprises October 1st and October 2nd, the first two trading dates following the adoption of the gender quota on September 30th (a non-trading day). Control variables are the same as in Table 2 of the paper (ln(total assets), return on assets, market-to-book-ratio, leverage, and cash flow volatility). Across columns, we vary the proxy for the propensity that a state in which a firm is headquartered follows California's legislative lead. Across panels, we vary the measure for labor market frictions. The sample comprises only non-California-headquartered firms. The caption of Table 1 of the paper describes the construction of the matched sample. t-statistics based on heteroscedasticity-consistent standard errors are reported in parentheses. *, **, and ***, indicate statistical significance at the 10%, 5%, and 1% level, respectively. Variable definitions are provided in Table A.1 of the paper.

Panel A: # missing female directors

	CAR(0,1)							
CA follower proxy:	Impending quota (d)	U.S. Climate Alliance (d)	GhG reduction policies (d)	Excess minimum wage ($)	Cannabis legalization score	Regulatory score (JL)	Regulatory score (Cato)	% Democratic votes
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
CA follower proxy	-0.791	-1.947***	-0.549	-0.390**	-0.709**	-0.596**	-0.358	-7.277**
	(-1.03)	(-2.72)	(-0.74)	(-2.15)	(-2.37)	(-2.15)	(-1.46)	(-2.02)
CA follower proxy × Sustainability index	2.203**	2.654**	2.415*	0.451	0.893**	1.196***	0.855**	12.712*
	(2.06)	(2.26)	(1.90)	(1.38)	(2.04)	(3.15)	(2.08)	(1.96)
Sustainability index	-0.751	-1.269	-1.298	-0.543	-2.188	-4.123**	-3.223*	-6.273*
	(-0.88)	(-1.19)	(-1.10)	(-0.51)	(-1.46)	(-2.43)	(-1.67)	(-1.77)
CA follower proxy × # missing female	-0.098	0.540	0.004	0.067	0.273*	0.103	0.078	2.312
directors	(-0.23)	(1.44)	(0.01)	(0.71)	(1.79)	(0.67)	(0.54)	(1.13)
# missing female directors	-0.004	-0.270	-0.015	-0.125	-0.745	-0.365	-0.302	-1.166
	(-0.02)	(-1.01)	(-0.06)	(-0.42)	(-1.54)	(-0.74)	(-0.61)	(-1.17)
CA follower proxy × SRI fund holdings (%)	1.363	9.707*	2.028	2.454	3.267	2.717	1.770	15.046
	(0.22)	(1.66)	(0.31)	(1.43)	(1.21)	(1.09)	(0.84)	(0.35)
SRI fund holdings (%)	14.275***	10.421**	13.718**	10.566**	6.118	5.899	7.879	7.319
	(3.26)	(2.43)	(2.50)	(2.43)	(0.84)	(0.65)	(0.91)	(0.32)
Constant	-1.494	-0.745	-1.631	-1.106	0.029	0.206	-0.625	1.705
	(-1.37)	(-0.64)	(-1.53)	(-0.88)	(0.02)	(0.15)	(-0.50)	(0.86)
Controls	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
R^2	0.06	0.07	0.05	0.06	0.06	0.07	0.05	0.05
Observations	473	473	473	453	473	471	471	473

Panel B: # missing female directors (2019)

CA follower proxy:	CAR(0,1)							
	Impending quota (d)	U.S. Climate Alliance (d)	GhG reduction policies (d)	Excess minimum wage ($)	Cannabis legalization score	Regulatory score (JL)	Regulatory score (Cato)	% Democratic votes
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
CA follower proxy	-0.866*	-1.295***	-0.506	-0.308***	-0.364**	-0.403**	-0.232	-4.307*
	(-1.84)	(-2.82)	(-1.16)	(-2.59)	(-2.00)	(-2.52)	(-1.46)	(-1.77)
CA follower proxy × Sustainability index	2.188**	2.615**	2.391*	0.440	0.911**	1.135***	0.821*	13.008*
	(2.06)	(2.17)	(1.87)	(1.33)	(2.01)	(2.95)	(1.94)	(1.89)
Sustainability index	-0.751	-1.349	-1.291	-0.558	-2.328	-3.935**	-3.104	-6.474*
	(-0.87)	(-1.23)	(-1.08)	(-0.52)	(-1.49)	(-2.27)	(-1.56)	(-1.71)
CA follower proxy × # missing female directors (2019)	-0.374	0.864	-0.211	0.120	0.423	-0.242	-0.047	1.997
	(-0.36)	(0.94)	(-0.22)	(0.56)	(1.24)	(-0.66)	(-0.12)	(0.48)
# missing female directors (2019)	0.009	-0.510	-0.012	-0.289	-1.169	0.700	0.090	-1.096
	(0.02)	(-0.91)	(-0.02)	(-0.46)	(-1.11)	(0.62)	(0.07)	(-0.53)
CA follower proxy × SRI fund holdings (%)	1.494	7.896	1.802	2.228	2.022	1.939	1.308	6.513
	(0.26)	(1.42)	(0.30)	(1.32)	(0.80)	(0.84)	(0.65)	(0.15)
SRI fund holdings (%)	14.263***	11.091**	13.839**	10.952**	9.562	8.554	9.659	11.554
	(3.31)	(2.53)	(2.54)	(2.51)	(1.41)	(0.98)	(1.13)	(0.50)
Constant	-1.511*	-1.157	-1.629*	-1.284	-1.000	-0.471	-1.091	0.208
	(-1.70)	(-1.32)	(-1.85)	(-1.36)	(-1.01)	(-0.46)	(-1.07)	(0.15)
Controls	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
R^2	0.06	0.07	0.05	0.06	0.05	0.07	0.05	0.05
Observations	473	473	473	453	473	471	471	473

Panel C: # missing female directors (2021)

CA follower proxy:	CAR(0,1)							
	Impending quota (d)	U.S. Climate Alliance (d)	GhG reduction policies (d)	Excess minimum wage ($)	Cannabis legalization score	Regulatory score (JL)	Regulatory score (Cato)	% Democratic votes
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
CA follower proxy	-0.856	-1.881**	-0.609	-0.379**	-0.669**	-0.703**	-0.399	-7.326**
	(-1.06)	(-2.47)	(-0.78)	(-1.99)	(-2.11)	(-2.41)	(-1.58)	(-2.08)
CA follower proxy × Sustainability index	2.222**	2.564**	2.424*	0.448	0.857*	1.189***	0.838**	12.016*
	(2.10)	(2.19)	(1.93)	(1.37)	(1.96)	(3.15)	(2.04)	(1.85)
Sustainability index	-0.755	-1.210	-1.300	-0.545	-2.085	-4.072**	-3.143	-5.894*
	(-0.89)	(-1.13)	(-1.11)	(-0.51)	(-1.39)	(-2.42)	(-1.63)	(-1.66)
CA follower proxy × # missing female directors (2021)	-0.060	0.567	0.052	0.069	0.283	0.198	0.120	2.851
	(-0.12)	(1.20)	(0.10)	(0.57)	(1.46)	(1.08)	(0.71)	(1.13)
# missing female directors (2021)	-0.005	-0.282	-0.017	-0.113	-0.762	-0.679	-0.450	-1.426
	(-0.02)	(-0.78)	(-0.05)	(-0.29)	(-1.23)	(-1.06)	(-0.73)	(-1.14)
CA follower proxy × SRI fund holdings (%)	1.604	9.286	2.237	2.370	2.985	3.098	1.884	13.531
	(0.26)	(1.58)	(0.35)	(1.40)	(1.10)	(1.22)	(0.90)	(0.32)
SRI fund holdings (%)	14.183***	10.690**	13.661**	10.732**	6.926	4.715	7.464	8.121
	(3.24)	(2.47)	(2.50)	(2.46)	(0.94)	(0.52)	(0.86)	(0.36)
Constant	-1.515	-0.765	-1.647	-1.154	-0.073	0.599	-0.487	1.714
	(-1.35)	(-0.63)	(-1.47)	(-0.88)	(-0.05)	(0.39)	(-0.37)	(0.85)
Controls	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
R^2	0.06	0.07	0.05	0.06	0.06	0.07	0.05	0.05
Observations	473	473	473	453	473	471	471	473

Panel D: # missing female directors (exp)

CA follower proxy:	CAR(0,1)							
	Impending quota (d)	U.S. Climate Alliance (d)	GhG reduction policies (d)	Excess minimum wage ($)	Cannabis legalization score	Regulatory score (JL)	Regulatory score (Cato)	% Democratic votes
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
CA follower proxy	-0.501	-1.829**	-0.361	-0.371**	-0.649**	-0.475*	-0.235	-5.324
	(-0.65)	(-2.53)	(-0.50)	(-2.04)	(-2.20)	(-1.72)	(-0.96)	(-1.49)
CA follower proxy × Sustainability index	2.082*	2.665**	2.379*	0.457	0.909**	1.172***	0.829**	12.617*
	(1.94)	(2.26)	(1.86)	(1.39)	(2.07)	(3.05)	(2.01)	(1.89)
Sustainability index	-0.709	-1.270	-1.295	-0.573	-2.235	-4.049**	-3.133	-6.244*
	(-0.83)	(-1.18)	(-1.09)	(-0.54)	(-1.48)	(-2.36)	(-1.61)	(-1.70)
CA follower proxy × # missing female directors (exp)	-0.269	0.442	-0.107	0.054	0.227	0.022	-0.000	0.959
	(-0.67)	(1.21)	(-0.28)	(0.60)	(1.54)	(0.15)	(-0.00)	(0.55)
# missing female directors (exp)	0.160	-0.122	0.142	-0.003	-0.526	0.007	0.090	-0.395
	(0.71)	(-0.46)	(0.63)	(-0.01)	(-1.10)	(0.01)	(0.19)	(-0.45)
CA follower proxy × SRI fund holdings (%)	0.431	9.300	1.590	2.416	3.048	2.204	1.373	10.737
	(0.07)	(1.58)	(0.25)	(1.40)	(1.14)	(0.89)	(0.66)	(0.24)
SRI fund holdings (%)	14.864***	10.632**	13.956**	10.695**	6.763	7.714	9.494	9.488
	(3.35)	(2.46)	(2.52)	(2.44)	(0.93)	(0.84)	(1.09)	(0.41)
Constant	-1.927*	-1.141	-2.057*	-1.457	-0.439	-0.543	-1.403	0.416
	(-1.75)	(-0.97)	(-1.91)	(-1.14)	(-0.30)	(-0.38)	(-1.15)	(0.21)
Controls	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
R^2	0.06	0.07	0.05	0.06	0.06	0.07	0.05	0.05
Observations	473	473	473	453	473	471	471	473

Panel E: 2021 requ. failed (d)

CA follower proxy:	CAR(0,1)							
	Impending quota (d)	U.S. Climate Alliance (d)	GhG reduction policies (d)	Excess minimum wage ($)	Cannabis legalization score	Regulatory score (JL)	Regulatory score (Cato)	% Democratic votes
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
CA follower proxy	-0.801	-2.035**	-0.348	-0.413*	-0.648*	-0.594	-0.270	-6.874
	(-0.84)	(-2.18)	(-0.38)	(-1.76)	(-1.70)	(-1.62)	(-0.90)	(-1.43)
CA follower proxy × Sustainability index	2.205**	2.686**	2.456*	0.479	0.916**	1.202***	0.856**	12.835*
	(2.07)	(2.26)	(1.92)	(1.44)	(2.05)	(3.09)	(2.07)	(1.93)
Sustainability index	-0.758	-1.275	-1.357	-0.636	-2.267	-4.143**	-3.242*	-6.351*
	(-0.89)	(-1.16)	(-1.13)	(-0.59)	(-1.46)	(-2.41)	(-1.66)	(-1.73)
CA follower proxy × 2021 requ. failed (d)	-0.130	1.079	-0.216	0.149	0.437	0.179	0.045	3.632
	(-0.14)	(1.18)	(-0.23)	(0.65)	(1.14)	(0.50)	(0.15)	(0.75)
2021 requ. failed (d)	0.485	-0.079	0.610	0.271	-0.731	-0.141	0.305	-1.364
	(0.81)	(-0.11)	(1.00)	(0.35)	(-0.56)	(-0.11)	(0.27)	(-0.55)
CA follower proxy × SRI fund holdings (%)	1.669	8.707	2.308	2.520	2.621	2.342	1.459	14.681
	(0.27)	(1.46)	(0.36)	(1.41)	(0.95)	(0.92)	(0.69)	(0.33)
SRI fund holdings (%)	14.143***	11.093**	13.339**	10.551**	7.974	7.214	8.997	7.390
	(3.18)	(2.56)	(2.38)	(2.39)	(1.09)	(0.78)	(1.02)	(0.31)
Constant	-2.219*	-1.327	-2.496**	-1.816	-0.783	-0.511	-1.656	0.839
	(-1.82)	(-0.97)	(-2.11)	(-1.26)	(-0.44)	(-0.30)	(-1.18)	(0.32)
Controls	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
R^2	0.06	0.07	0.05	0.06	0.06	0.07	0.05	0.05
Observations	473	473	473	453	473	471	471	473

Panel F: Female directors (%)

CA follower proxy:	CAR(0,1)							
	Impending quota (d)	U.S. Climate Alliance (d)	GhG reduction policies (d)	Excess minimum wage ($)	Cannabis legalization score	Regulatory score (JL)	Regulatory score (Cato)	% Democratic votes
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
CA follower proxy	-1.011	-0.097	-0.571	-0.143	0.123	-0.332	-0.157	-1.959
	(-1.46)	(-0.15)	(-0.85)	(-0.89)	(0.48)	(-1.36)	(-0.62)	(-0.61)
CA follower proxy × Sustainability index	2.158**	2.639**	2.398*	0.439	0.850*	1.159***	0.827**	12.258*
	(2.01)	(2.27)	(1.89)	(1.35)	(1.96)	(3.03)	(2.01)	(1.82)
Sustainability index	-0.722	-1.251	-1.301	-0.539	-2.083	-4.013**	-3.124	-6.075
	(-0.84)	(-1.17)	(-1.09)	(-0.51)	(-1.40)	(-2.34)	(-1.61)	(-1.64)
CA follower proxy × Female directors (%)	0.569	-6.069**	0.241	-0.842	-2.426*	-0.623	-0.446	-10.670
	(0.17)	(-1.98)	(0.07)	(-1.05)	(-1.91)	(-0.52)	(-0.40)	(-0.71)
Female directors (%)	-0.904	1.945	-1.130	0.802	5.742	1.155	0.664	4.457
	(-0.44)	(0.87)	(-0.62)	(0.29)	(1.34)	(0.29)	(0.17)	(0.59)
CA follower proxy × SRI fund holdings (%)	1.573	9.616*	2.175	2.619	2.974	2.382	1.562	11.345
	(0.26)	(1.67)	(0.34)	(1.51)	(1.13)	(0.99)	(0.76)	(0.26)
SRI fund holdings (%)	14.301***	10.542**	13.670**	10.410**	7.107	7.138	8.781	9.212
	(3.30)	(2.48)	(2.50)	(2.40)	(1.01)	(0.81)	(1.02)	(0.39)
Constant	-1.492*	-1.599*	-1.606*	-1.513	-2.181**	-0.711	-1.349	-0.941
	(-1.73)	(-1.90)	(-1.86)	(-1.65)	(-2.01)	(-0.64)	(-1.08)	(-0.53)
Controls	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
R^2	0.06	0.07	0.05	0.06	0.06	0.07	0.05	0.05
Observations	473	473	473	453	473	471	471	473

Panel G: # female directors

CA follower proxy:	CAR(0,1)							
	Impending quota (d)	U.S. Climate Alliance (d)	GhG reduction policies (d)	Excess minimum wage ($)	Cannabis legalization score	Regulatory score (JL)	Regulatory score (Cato)	% Democratic votes
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
CA follower proxy	-0.867	-0.229	-0.412	-0.183	-0.005	-0.276	-0.125	-1.782
	(-1.29)	(-0.37)	(-0.65)	(-1.20)	(-0.02)	(-1.18)	(-0.50)	(-0.58)
CA follower proxy × Sustainability index	2.158**	2.919**	2.473*	0.472	0.926**	1.202***	0.860**	12.839*
	(1.97)	(2.47)	(1.92)	(1.42)	(2.09)	(3.05)	(2.12)	(1.95)
Sustainability index	-0.703	-1.341	-1.306	-0.572	-2.282	-4.135**	-3.218*	-6.331*
	(-0.81)	(-1.26)	(-1.10)	(-0.54)	(-1.50)	(-2.37)	(-1.68)	(-1.75)
CA follower proxy × # female directors	-0.024	-0.617*	-0.076	-0.072	-0.195	-0.110	-0.073	-1.400
	(-0.07)	(-1.92)	(-0.22)	(-0.89)	(-1.40)	(-0.86)	(-0.58)	(-0.86)
# female directors	-0.117	0.134	-0.122	-0.036	0.386	0.229	0.118	0.551
	(-0.55)	(0.57)	(-0.66)	(-0.13)	(0.81)	(0.55)	(0.27)	(0.67)
CA follower proxy × SRI fund holdings (%)	1.945	10.575*	2.670	2.630	3.103	2.841	1.805	15.486
	(0.32)	(1.79)	(0.41)	(1.52)	(1.14)	(1.11)	(0.86)	(0.35)
SRI fund holdings (%)	14.179***	10.003**	13.512**	10.377**	6.695	5.550	7.809	7.113
	(3.25)	(2.41)	(2.46)	(2.39)	(0.91)	(0.61)	(0.90)	(0.30)
Constant	-1.628*	-1.674**	-1.795**	-1.575*	-1.979*	-0.997	-1.608	-1.156
	(-1.87)	(-1.99)	(-2.05)	(-1.72)	(-1.84)	(-0.90)	(-1.27)	(-0.67)
Controls	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
R^2	0.06	0.07	0.05	0.06	0.06	0.07	0.05	0.05
Observations	473	473	473	453	473	471	471	473

about ECGI

The European Corporate Governance Institute has been established to improve *corporate governance through fostering independent scientific research and related activities.*

The ECGI will produce and disseminate high quality research while remaining close to the concerns and interests of corporate, financial and public policy makers. It will draw on the expertise of scholars from numerous countries and bring together a critical mass of expertise and interest to bear on this important subject.

The views expressed in this working paper are those of the authors, not those of the ECGI or its members.

Electronic Access to the Working Paper Series

The full set of ECGI working papers can be accessed through the Institute's Web-site (www.ecgi.global/content/working-papers) or SSRN:

Finance Paper Series	http://www.ssrn.com/link/ECGI-Fin.html
Law Paper Series	http://www.ssrn.com/link/ECGI-Law.html