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Board Diversity and Shareholder Voting

Finance Working Paper N° 716/2020
September 2023

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Abstract

The lack of diversity across gender and race of corporate boards has been one of the most significant issues in corporate board governance in recent years. Given the critical role that shareholders have in approving director appointments, we analyze voting patterns in director elections to investigate whether and how shareholders value board diversity. Using a broad sample of director elections from 2008 through 2018, we find evidence that shareholders provide greater voting support for diversity on boards, particularly gender diversity. Our findings also indicate greater additional support for diverse boards rather than for individual candidates. However, the magnitude of incremental voting support for diversity is small, and we find little evidence that the additional support is sufficient to affect voting outcomes. These findings persist over time and across key institutional shareholders who have been some of the most outspoken proponents of board diversity (i.e., SRI funds), questioning shareholders' commitment to promoting board diversity.

Keywords: Board of directors; Diversity; Shareholder voting; Environmental, Social, and Governance (ESG)

JEL Classifications: G30, G34, G23, M14, J71

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Abstract

The lack of diversity across gender and race of corporate boards has been one of the most significant issues in corporate board governance in recent years. Given the critical role that shareholders have in approving director appointments, we analyze voting patterns in director elections to investigate whether and how shareholders value board diversity. Using a broad sample of director elections from 2008 through 2018, we find evidence that shareholders provide greater voting support for diversity on boards, particularly gender diversity. Our findings also indicate greater additional support for diverse boards rather than for individual candidates. However, the magnitude of incremental voting support for diversity is small, and we find little evidence that the additional support is sufficient to affect voting outcomes. These findings persist over time and across key institutional shareholders who have been some of the most outspoken proponents of board diversity (i.e., SRI funds), questioning shareholders' commitment to promoting board diversity.

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"We think the director vote is the most powerful mechanism to hold directors accountable . . . "
— Ben Colton, Global Co-Head of Asset Stewardship at State Street Global Advisors (Financial Times Agenda, 2021)

1. Introduction

According to Deloitte (2023), recent years have seen "stakeholders and shareholders increase demands for gender, racial, and ethnic diversity in the boardrooms of America's companies." Yet, recent studies of U.S. corporate boards find that only 19% of corporate directors are women and only 10% are racially or ethnically diverse (Papadopoulos, 2019), suggesting a significant gap between aspirations and reality.

In this paper, we study the extent to which shareholders value board diversity as evidenced by their voting behavior in director elections.[1] While directors rarely receive less than 50% of votes, director elections are nonetheless critical in shaping corporate boards and governance in the U.S. (e.g., Cai, Garner, and Walkling, 2009; Fos, Li, and Tsoutsoura, 2018; Aggarwal, Dahiya, and Prabhala, 2019), and investors have reportedly increasingly used their votes to address board diversity (e.g., Gerut, 2021). Moreover, as prior studies have shown that shareholder voting is a measure of shareholder preferences (e.g., Fischer, Gramlich, Miller, and White, 2009; Chen and Guay, 2019; Bolton, Li, Ravina, and Rosenthal, 2020), an analysis of voting behavior provides direct evidence on the value shareholders place on board diversity for either financial or non-pecuniary objectives.[2]

Ex ante, it is unclear how shareholders value board diversity in director elections. Many large shareholders have been outspoken in their commitment to board diversity and might therefore be expected to provide significantly higher voting support to diverse

[1] In the U.S., corporations form their boards through a two-step process at annual meetings. Typically, the nomination committee made up of current directors nominates a slate of directors and, for each candidate, shareholders either vote for, or withhold their vote from (essentially voting against), the candidate.

[2] Although we cannot test this explicitly, our findings may also speak to shareholder views on the importance of diversity more generally. For instance, some studies find evidence that diverse directors can advance diversity among organizations more broadly (e.g., Cai, Dey, Grennan, Pacelli, and Qiu, 2023), although this evidence appears mixed (e.g., Bertrand, Black, Jensen, and Lleras-Muney, 2019).

directors and boards (e.g., Krouse, 2018; Kerber, 2019). However, it is possible that public support of diversity is "cheap talk" and simply an attempt to increase assets under management or fees by marketing to new investors that have progressive objectives (e.g., Wursthorn, 2021). Additionally, shareholders may prioritize a candidate's skills and experience over diversity, given their binding fiduciary responsibilities or because of concerns of anti-ESG backlash from their investors. They may also simply be unwilling to invest the resources needed to become informed about candidate diversity.[3] Given mixed findings in related settings (e.g., Dikolli, Frank, Guo, and Lynch, 2022; Kim and Yoon, 2023; Raghunandan and Rajgopal, 2022; Gibson Brandon, Glossner, Krueger, Matos, and Steffen, 2022), the extent to which shareholders back their commitments to board diversity through voting remains an empirical question.[4]

Our initial analysis examines how shareholders value diverse (i.e., non-White or female) directors in director elections. We find that shareholder voting support for diverse directors is 0.30 to 0.57 percentage points higher than for other non-diverse directors when controlling for important director-level and firm-level characteristics. For institutional investors specifically, we find that the percentage of funds supporting diverse directors is, on average, 0.47 to 1.83 percentage points higher than for other directors. Thus, the estimated positive differential voting differences are very modest in magnitude, which raises the important question of whether shareholders are genuinely committed to promoting diversity.

We also find that (small) voting premiums exist for both gender and racial diversity

[3] In other words, these shareholders may be uninformed about the directors' diversity characteristics or, potentially, more generally (e.g., Gantchev and Giannetti, 2021).

[4] More concerning, is there are reasons we might expect lower votes for diverse candidates relative to non-diverse candidates in director elections as extensive prior research finds overt discrimination in director labor markets (e.g., Geiler and Renneboog, 2015; Friedman, 2019; Field, Souther, and Yore, 2020).

considered separately.[5] However, we also find empirical support for concerns that attention to gender diversity has overshadowed racial diversity in boardrooms (e.g., Barrett and Rodriguez, 2020).[6] Specifically, the estimated effects on votes of gender diversity are 68% to 96% larger than those of racial diversity. In addition, we find that the increased voting support based on race is generally restricted to Black or African American directors as the effects for these directors are significantly larger than those of other non-White board members. These results are consistent with the allegations that directors of some races, such as Hispanic or Latino directors, have been "left behind" in the push for greater diversity (e.g., Green, 2020a).

An alternative approach uses the board—rather than the individual director—as the unit of analysis. This approach allows for the possibility that shareholders express preferences for diversity by supporting all directors on boards with greater diversity, as opposed to only the individual diverse directors. Such an alternative perspective is consistent with several key market participants adopting internal policies penalizing directors (e.g., members of the nominating committee) for a board's lack of diversity (e.g., Huber and Simpkins, 2019; Lublin and Krouse, 2017). Considering this possibility is important because our initial tests examine support for diverse candidates relative to all other candidates, potentially missing variation related to voting support for the entire board.

We find that having one diverse director is associated with an additional 0.62 percentage points of support for the entire board; a second diverse director effectively doubles this to 1.19 percentage points. Similarly, the first diverse director is associated with 2.65

[5]For brevity, we use "race" to refer to both race and ethnicity. According to survey evidence from the Pew Research Center (Parker, Menasce Horowitz, Morin, and Hugo Lopez, 2015), this is consistent with how most Hispanic or Latino individuals identify. In assigning directors to a racial category, we follow the race and ethnicity standards determined by the U.S. Office of Management and Budget (OMB). For gender, we use data from Equilar (i.e., male or female), recognizing this may be inconsistent with director self-assignment in some cases.

[6]One potential explanation for this is that investors perceive gender diversity as a more severe problem than ethnic and racial diversity. We find descriptive evidence of this in Panel (b) of Figure 1, where we find significantly more attention given to gender equality versus racial equality, as measured by Google search trends (e.g., Giannetti and Wang, 2022). In further support of this, Green and Hand (2021) find some ethnically or racially diverse minorities are overrepresented if the benchmark used is instead the supply of candidates graduating from top U.S. colleges and universities.

percentage points additional support from institutional investors, and a second diverse director increases this to 4.65 percentage points. While these results are additional evidence that shareholders value a diverse board, these associations are arguably economically small.

An important question is whether the relatively limited additional voting support we document might still meaningfully influence voting outcomes that determine the composition of the board. In particular, sufficiently low voting support could change the ultimate outcomes on whether directors are elected or whether they are renominated in the future. To this end, we investigate whether individual or board diversity is associated with the achievement of two threshold voting outcomes: (i) not meeting 50% support which determines whether a director is elected, and (ii) having at least 80% of votes which determines director renomination in future years (e.g., Del Guercio, Seery, and Woidtke, 2008; Ertimur, Ferri, and Oesch, 2018). We find no evidence of shareholder voting support for diverse boards having a meaningful impact on either of these outcomes, further highlighting that the voting differences we document are economically meaningful.[7]

Our analyses also indicate that support for board diversity—both aggregate voting and institutional investor support—has increased over time, consistent with a growing focus on board diversity by shareholders. In the early years of our sample, the estimated diversity voting effects are generally statistically indistinguishable from zero but become positive in later years. Nonetheless, these effects have been economically marginal even in recent years.

We also examine heterogeneity in shareholder preferences for diversity across institutional shareholders. First, we find considerable heterogeneity in voting support for candidate or board diversity across major fund families, consistent with prior findings in

[7]To put our findings into further context, Broadridge (2013) conducted a large-scale survey of directors eliciting the voting outcomes which would concern directors about renomination. Per this survey, only 32% of directors are concerned about failing to meet the 80% hurdle we study. Moreover, the implied outcomes that we find over the full sample period indicate that directors, on average, obtain greater than 90% voting even without any board diversity. Per Broadridge (2013), at most, 3% of directors would be concerned about this outcome.

other settings (e.g., Matvos and Ostrovsky, 2010; Bolton et al., 2020), These voting differences, however, suggest relatively modest levels of additional voting support to diverse directors.

Second, we analyze the voting patterns of two important subgroups of investors with respect to diversity: socially response investment (SRI) funds and the "Big Three" asset managers (BlackRock, Vanguard, and State Street). Many of these funds have been extremely outspoken in their support and commitment to increasing board diversity (e.g., Lublin and Krouse, 2017; Krouse, 2018; Kerber, 2019), with some funds designed explicitly with diversity mandates (e.g., the MSCI USA Gender Diversity ETF). Overall, despite this aggressive public activism, we find little evidence of this activism being associated with higher levels of voting support for board diversity. For instance, we find that despite showing a greater tendency towards board-level diversity in early years, SRI funds (including those funds with specific diversity mandates) provide only economically insignificant additional voting support for diverse boards and directors in recent years. Similarly, we show that BlackRock supports diverse boards less than the average fund, and BlackRock and Vanguard support diverse individuals less than the average fund, particularly so during the later part of our sample. Collectively, our findings highlight that many socially conscious funds support board diversity more than the average fund, but perhaps not as much as they claim. This seems consistent with regulators' concerns that some funds may be falsely advertising their commitment to sustainability (e.g., SEC, 2020b; Arvedlund, 2019).

In our final analyses, we explore how the largest proxy advisory firm, Institutional Shareholder Services (ISS), views director and board-level diversity. Our findings are consistent with ISS putting increasing emphasis on director and board-level diversity in their recommendations. Critically, these findings suggest that ISS considers diverse candidates at least as qualified as non-diverse candidates. This helps to rule out the explanation that the weak additional support from shareholders is due to candidate skill sets and

qualifications.[8]

Our paper provides new insights how shareholders value board diversity. The small voting differential for diverse board candidates and diverse boards we document does not support the notion that shareholders believe that board diversity leads to improved future performance. These findings also raise questions about how committed shareholders are to addressing board diversity in the U.S. Our evidence raises concerns that recent public statements in support of board diversity by many shareholders may be "cheap talk" that is not matched by actual behavior.

2. Prior research and motivation

This paper is related to several strands of prior literature. Most directly, our paper relates to extant literature which shows differences in labor market outcomes for many groups across both race and ethnicity (e.g., Bertrand and Mullainathan, 2004; Arceo-Gomez and Campos-Vazquez, 2014) and gender (e.g., Neumark, Bank, and Van Nort, 1996; Blau and Kahn, 2000).[9] While much of the academic literature has focused on the labor market outcomes of lower-level workers, there has been an increased focus on these issues among practitioners and regulators as it relates to corporate boards and executive leadership. This increased focus is evidenced by: the public calls for board diversity quotas (e.g., Lublin and Krouse, 2017; Krouse, 2018); major institutional asset managers actively supporting board diversity and committed to increasing board diversity (e.g., Lublin and Krouse, 2017; Krouse, 2018; Kerber, 2019); investment banks either encouraging or requiring board diversity for IPO firms (Green, 2020b); diversity requirements from proxy advisors (Huber and Simpkins, 2019); state legislation requiring gender or racial diversity for companies headquartered or operating in their states (Landefeld, Sroufe,

[8] In Table IA-1 of the Internet Appendix, we follow Giannetti and Wang (2022) and explore whether there are differential market reactions for diverse directors around key dates in the director election process. We find no significant differences in how shareholders view diverse candidates.

[9] For broad reviews on the topic of discrimination in labor markets, see: Darity and Mason (1998); Arrow (1998); Altonji and Blank (1999); Hersch (2006); Charles and Guryan (2011); Blau and Kahn (2017); Neumark (2018); Lang and Lehmann (2012).

Handy, and Coffin, 2020; Steele, 2020); and the fact that many directors now recognize board diversity as a primary concern (e.g., Akin Gump Strauss Hauer & Feld LLP, 2020).

Despite its importance for public policy, relatively little is known about the source of the persistent lack of diversity among corporate boards. One potential explanation for its source is related to the possible bias against (or lack of support for) diverse directors by historically non-diverse investment professionals (e.g., Adams, de Haan, Terjesen, and van Ees, 2015; Hillman, 2015). This conjecture is supported by the persistent criticism of financial institutions regarding their internal lack of diversity (e.g., Reynolds, 2020; Raben, 2020) and pervasive allegations of sexism and racism in the financial industry (e.g., Jaekel and St-Onge, 2016; King and Liversidge, 2018; Flitter, 2019; SEC, 2020b). This idea is also supported by many academic studies which find evidence of discriminatory practices among financial market professionals (e.g., de Andrés, Gimeno, and Mateos de Cabo, 2021; García Lara, García Osma, Mora, and Scapin, 2017), including in director labor markets (e.g., Geiler and Renneboog, 2015; Field et al., 2020).

We extend this prior research by examining shareholder voting behavior on diverse and non-diverse directors and boards. By studying the voting patterns of shareholders, which are primarily institutional investors (e.g., Yermack, 2010), we provide insight into whether these investors are a catalyst or constraint for the social objective of increasing board diversity. While other studies have presented several explanations for this problem, such as the importance of director connections (e.g., Agarwal, Qian, Reeb, and Sing, 2016; Matsa and Miller, 2011) and supply-side explanations (e.g., Lemayian, Pownall, and Short, 2020), the role that shareholders play in either advancing or impeding board diversity is largely unknown. Consistent with a growing number of studies in other ESG-related contexts (e.g., Raghunandan and Rajgopal, 2022; Kim and Yoon, 2023; Baker, Larcker, Mcclure, Saraph, and Watts, 2023), our findings question the stated commitments of

shareholders towards promoting the important social issue of board diversity.[10]

Finally, since shareholder voting is a measure of shareholder preferences (e.g., Bolton et al., 2020; Chen and Guay, 2019; Fischer et al., 2009), we also provide new insights into the contentious debate on whether board diversity affects firm value. Many studies conclude that diversity adds value in corporate settings (e.g., Greene, Intintoli, and Kahle, 2020; Bernile, Bhagwat, and Yonker, 2018; Kim and Starks, 2016; Liu, Wei, and Xie, 2014; Adams and Ferreira, 2009), whereas other studies present evidence to the contrary (e.g., Sila, Gonzalez, and Hagendorff, 2016; Ahern and Dittmar, 2012). If board diversity increases firm value, we would expect shareholders interested in the value of their equity holdings (e.g., institutional investors due to their fiduciary duties) to vote in favor of diversity. However, if shareholders do not vote in this manner, this indicates that shareholders perceive little economic benefit associated with a diverse board of directors.

3. Data

3.1. Sample creation

We outline the steps taken in our primary sample of director elections for analyses in Table 1. We begin by obtaining shareholder voting data on U.S. companies from the ISS voting analytics data downloaded from Wharton Research Data Services (WRDS). These data include voting outcomes for all proposals listed on proxy statements for the Russell 3000 and all firms covered in ISS recommendations, beginning in 2003 through 2018. As shown, the data include 532,664 ballot items over 73,270 meetings and 11,043 companies. Filtering out observations related to non-director election votes eliminates approximately 31% of the sample.

We then apply two data cleaning steps necessary for later data merges. First, we re-

[10]Our findings suggest that a "market solution," driven by shareholders, for moving boards to a structure that resembles the gender and race in the U.S. population is likely to be problematic. If this is the case and board diversity is deemed a serious issue by society, regulation-based solutions such as state legislation requiring diversity for companies headquartered or operating in their states (Landefeld et al., 2020; Steele, 2020), increased disclosure on board diversity (SEC, 2020a; Bakke, Field, Mahmudi, and Virani, 2023), or listing requirements by exchanges (McEnery, 2020) may be necessary.

quire that we can successfully extract director names from the ballot item description in the ISS data for later merges. Second, we exclude all observations with missing data for aggregate voting or where all voting-related variables are zero.

We match our cleaned voting data to the Equilar board of directors and executive data. Equilar provides director characteristics on all directors in the Russell 3000 and provides a broad sample of directors for our study.[11] From this, we match these data to diversity data on directors' race and ethnicity, described in Appendix B.[12] In our final step, we match to firm-level data from Compustat. The primary sample used for our analyses contains 119,508 observations covering 32,844 meetings, 13,790 directors, and 4,670 companies.

Our merged data provides a comprehensive sample of director elections comparable with other recent papers that study director elections over a similar period (e.g., Agarwal et al., 2016; Field et al., 2020). Panel B of Table 1 presents our sample over time by race and gender. We see that our data are more expansive in recent years, which is the result of a combination of coverage in ISS and Equilar, and because of our data collection process outlined in Section B.[13]

Panel B of Table 1 also highlights the growth in board diversity over time, which we further show in Panel (a) of Figure 1. While 14% (10%) of directors were female (non-White) in 2008, this number grew to approximately 20% (14%) as of 2018. Along with our empirical evidence provided in Section 4, this highlights that growth in racial minority

[11] We match these data by company, director name, and to the closest recorded annual meeting date between the two databases. To reduce errors, we require that matched meeting dates are no more than 30 days apart.

[12] As discussed in Appendix B, we decided to engage in primary data collection of directors' race and ethnicity because we were concerned about the accuracy of alternative data sources. To illustrate this, in Appendix B.2, we conduct a comparative classification accuracy assessment for non-White directors for two popular race classifications, RiskMetrics data, and surname-based race assignment algorithms. Furthermore, in Table IA-2 of the Internet Appendix, we show that using these alternative classifications of race/ethnicity can impact inferences derived from empirical analyses. For instance, when re-estimating the analyses presented in Section 4.1 using names-based classifications to identify non-White directors, we find significantly smaller and statistically insignificant coefficient estimates on Racially Diverse for all specifications. These findings are consistent with attenuation bias due to additional noise in the classification of non-White directors.

[13] For instance, the number of director elections in the ISS voting data more than doubles from 2003 to 2018, and the number of unique companies covered increases over 90% in the same period.

board membership has lagged in the movement towards more diverse boards. Panel (b) of Figure 1 highlights one potential reason for these differences, highlighting public attention to gender versus racial equality as measured by Google search trends in the U.S. (e.g., Giannetti and Wang, 2022). The descriptives in Panel B of Table 1 also highlight the extent of the under-representation of females and racial minorities on corporate boards.

3.2. Descriptives

In Table 2, we present descriptive statistics on the various characteristics and outcome variables used in this study. In Panel A of Table 2, we see that approximately 87% of director observations are from companies that have a diverse board, of which 82% have at least one female on their board. Further highlighting that racial board diversity has lagged behind gender board diversity, only 56% of observations have one underrepresented minority on the board. Like findings in prior studies (e.g., Cai et al., 2009; Aggarwal et al., 2019), aggregate voting support, institutional voting support, and average ISS support for directors are extremely high at 95.93%, 92.78%, and 92.03%, respectively. These statistics confirm that directors are generally approved by a wide margin.

In Panel B of Table 2, we present these mean characteristics grouped by non-diverse candidates and diverse candidates. Diverse candidates are, on average, younger, less tenured, less likely to be an insider and serve on more boards. Previewing our subsequent results, we see statistically significant differences in the support for directors across market participant support. For instance, diverse candidates experience modestly higher voting support, on average, with differences of approximately 0.71 percentage points in aggregate voting support and 2.15 percentage points in the percentage of funds supporting the candidate. Similarly, diverse candidates are 2.92 percentage points more likely to have ISS support.

4. Main analyses

4.1. Shareholder voting and diversity support

We begin by investigating the effect of director candidate diversity on voting support by shareholders. To do so, we explore the relationship between directors' race and gender on two commonly used voting outcomes in the literature. Our main measure of shareholder voting support, Voting Support, measures the number of aggregate votes (all retail and institutional votes) in favor of a candidate as a percentage of its voting base. This measure is the primary determinant of whether the proposal is passed and is the main measure used in most prior studies on shareholder voting (e.g., Duan, Jiao, and Tam, 2021; Malenko and Shen, 2016; Cai, Garner, and Walkling, 2013).

In addition to aggregate shareholder voting, we measure institutional voting support following Matvos and Ostrovsky (2010) and calculate the percentage of funds that cast "For" votes in director elections using the ISS N-PX data. While not all-encompassing, these data capture the voting support for a large portion of institutional ownership in the U.S. This measure allows us to explore the extent to which institutional investor preferences vary from the overall population of shareholders as it relates to supporting diverse candidates in director elections.[14]

Using the above shareholder voting measures and the sample described in Section 3, we estimate the effect of candidate diversity in director elections on shareholder voting. Specifically, we regress our shareholder voting proxies on indicators of whether a candidate is diverse, using several definitions of candidate diversity. To control for heterogeneity across individual directors, we include in all specifications the following director-level

[14]Retail shareholder voting data are not widely accessible to researchers and have only been used in prior studies on a limited basis using proprietary voting data (e.g., Brav, Cain, and Zytnick, 2022). While understanding how candidate diversity impacts individual investor voting is an interesting extension, institutions are the largest shareholders and primary activists during the time period of our study (e.g., Yermack, 2010).

characteristics: Age, Attendance Issues, # Boards, Insider, and Tenure.[15] Construction of these measures is described in Appendix A, and these variables are commonly used in studies on director elections (e.g., Cai et al., 2009; Aggarwal et al., 2019). To address time-varying firm-level heterogeneity, we control for several firm-level characteristics, defined in Appendix B, namely Asset Growth, Debt-Assets, Mkt. Cap., and ROA. We also include, depending on the specific specification, industry and year, or meeting-level industry effects to control for across industry and time or across meeting heterogeneity.

We present our primary findings in Table 3. In Panel A, we see that the estimated relationship between whether a candidate is diverse and aggregate shareholder voting is positive and statistically significant across all specifications.[16] For instance, in Column 1, our estimates indicate that diverse directors (either female or non-White) experience 0.57 percentage points greater aggregate shareholder support than non-diverse directors. As we see in Columns 2 through 3, all estimates are positive and statistically significant at the 1% level of significance when including both firm and year and meeting-level fixed effects. As the latter of these specifications relies on variation within a particular firm across directors in the specific election, this gives strong support that this finding is not related to unobserved heterogeneity across firms or elections.

In Columns 4 through 6, we re-estimate our primary result breaking out diversity into racial diversity and gender diversity. This allows us to compare the relative importance of different types of diversity and separately estimate their effects on voting. Interest-

[15]We do not control for ISS recommendations in our primary analyses for two reasons. First, we are not necessarily concerned about whether investors support board diversity in and above ISS recommendations (i.e., some funds may outsource all decision-making to ISS). Second, as noted in Malenko and Shen (2016), it is difficult to disentangle the votes attributable to ISS recommendations as many funds may vote the same given similar views on corporate governance practices. We note all of our findings are qualitatively unchanged when including ISS recommendations as a control. For instance, in Tables IA-3 and IA-4 of the Internet Appendix, we replicate Tables 3 and 5 and show that the primary impact this has is attenuating our estimates towards zero. This finding reinforces our main findings of shareholders' economically limited voting support toward diverse boards.

[16]Coefficient estimates for all control variables are generally in line with expectations. For instance, directors with attendance problems (Attendance) receive significantly fewer "For" votes, and there is a similar negative association between directors being busy (# Boards) and investor voting support. We also find that directors with longer tenure receive significantly greater voting support.

ingly, we see that gender diversity is significantly more important to shareholders than racial diversity. While all empirical estimates show a positive coefficient and are statistically significant for racial diversity, the estimated effects of being female are approximately 68% to 96% larger, depending on specification. These differences are statistically significant across all specifications at the 5% level of significance at least, which gives empirical support to the conjectures that racial diversity has historically been less important to shareholders than gender diversity (e.g., Creary, McDonnell, Ghai, and Scruggs, 2019; Barrett and Rodriguez, 2020).

In Panel B of Table 3, we present our empirical evidence on institutional shareholder voting support, which confirms our results generated with aggregate voting. Diverse candidates experience approximately 1.83 percentage points more funds voting in favor of diverse candidates relative to non-diverse candidates. These estimates are statistically significant at the 1% level across all three specifications in Columns 1 through 3, and support the notion that institutional investors reward diverse candidates with voting support. Like our results in Panel A, the additional support for females is significantly larger than that of racial minorities. For instance, in Column 4, our estimates show an effect of 2.04 percentage points of additional funds voting for female candidates (relative to non-diverse candidates), which is significantly larger than our measured estimates of 1.03 percentage points for racial minorities. As before, these differences are statistically significant at conventional levels and support the notion that females experience more support, relative to non-diverse candidates, than racial minorities.

4.2. Heterogeneity in effects across candidate ethnic/racial diversity

At this point, we show that shareholders provide modest additional support to diverse candidates in director elections. In this section, we explore whether there exists heterogeneity in the estimated effects of racial diversity across different races. Understanding these issues is important for two reasons. First, in light of recent events (e.g., Black Lives Matter), there has been an increased focus on discrimination toward Black or

African American directors, specifically (e.g., Sully, 2020; Needleman, 2020). Therefore, it is important to explore whether these allegations present themselves in shareholder voting toward Black or African American directors. Second, increasingly, there have also been allegations that specific racial groups have been "left behind." For instance, as described in Barrett and Rodriguez (2020), while Latinos make up approximately 18% of the U.S. population, only 2.7% of board seats are filled by Latinos in the Fortune 1000. Similarly, Barrett (2020) notes that it is a "misperception that Asians are well represented in the corporate boardroom" and that only 38% of Fortune 1000 boards contain Asian representation.

To provide insight into this issue, we refine our analyses presented in the previous section by exploring heterogeneity in the estimated effects of racial diversity split between the most represented racial minority on boards, Black or African American directors, and directors of other racial classifications. We consider this split to ensure there are sufficient directors in each group to measure their differential effects accurately, and the recent focus on discrimination against Black or African American directors in particular. However, we note that our overall inferences are identical when including a more refined split (e.g., separating between Latino or Hispanic, Asian, etc.).[17] Following the methodology outlined in the previous section, we explore the effect of different racial diversity types on voting support in director elections.

We present these analyses in Table 4 for both aggregate voting and institutional support for funds. A striking finding emerges – the positive effects of racial diversity on director voting support seem to be entirely driven by Black or African American directors. Specifically, while we estimate a statistically significant effect of Black or African American directors receiving approximately 0.62 percentage points (1.95 percentage points) additional voting support (percentage of funds supporting a candidate), we find no such

[17]Specifically, while we find a positive and statistically significant voting premium occasionally for some non-Black or African American minority directors, these relationships are statistically unreliable across most specifications. Moreover, like what we observe in Table 4, in nearly every specification, the estimated coefficient for Black and African American directors is significantly larger.

effect among other racially diverse directors overall. Moreover, the difference in coefficients between Black or African American directors and those of other races is both positive and statistically significant, indicating that voters have historically allocated more of a voting premium to Black or African American directors. Interestingly, when comparing the effects of gender to racial diversity, our previous findings that gender diversity is more important to voting shareholders seems to be driven by non-Black or African American minorities. Specifically, as we see in Table 4, the difference between the measured effects of Female and Black or African American is both small and statistically insignificant.

4.3. Board diversity versus candidate diversity

Our next set of tests explores how investors view the importance of individual candidate diversity versus the diversity of the board as a whole. One possibility is that shareholders express their support for diverse directors by being more likely to support individual diverse directors. Another possibility is that directors instead express support for diverse boards by being more likely to support all directors on boards that have greater diversity. To explore this issue, we add board-level diversity indicators to the specifications described in our main analyses in Section 4.1.[18] We present these results in Table 5.

Our estimates indicate that board diversity is more important than individual diversity to shareholders. For instance, in Column 1 of Panel A, while diverse directors are allocated 0.37 percentage points in additional votes in director elections, all candidates receive 1.16 percentage points in additional votes when there is at least one diverse board member on the slate. This difference of 0.79 percentage points is statistically significant at the 1% level of significance and indicates that overall board diversity has a significantly more important effect on voting behavior than individual diversity. However, like our

[18]Specifically, we add indicators of whether a candidate is on a board that contains *any* diversity, using various diversity definitions. We note that in doing so, we generally have the complete gender makeup of boards from Equilar. The overall racial makeup of the board is subject to the limitations of our data coverage. However, we have little reason to believe this would significantly impact our inferences made in this section.

findings in prior sections, the estimated additional support for diverse boards appears economically limited.

It appears the importance of board diversity relative to individual diversity is more pronounced for institutional voting support. For instance, in Column 1 of Panel B, the economic magnitude of the measured effect of board diversity versus candidate diversity is more than four times larger. While the economic magnitudes of these differences vary across specifications and definitions of candidate diversity, all differences are statistically significant at the 1% level of significance.

In Table 5, we characterize a board as diverse in a simple manner – whether or not they have at least one diverse director on the board. However, it is of interest to see if including additional diverse directors leads to incrementally more favorable voting. To estimate these effects, we replace our board-level diversity indicator with indicators on whether the board of directors contains a certain number of diverse members (e.g., two diverse board members). As before, we include director-level and firm characteristics to control for across-director heterogeneity and estimate these effects using varying definitions of diversity as before. We present these coefficient estimates for board director fixed effects up to five diverse members, along with 95% confidence intervals, in Figure 2.

These figures support the notion that investors value additional board members. While the first diverse board member results in approximately 0.62 percentage points more in aggregate voting (2.65 percentage points in the percentage of funds supporting the candidate), each additional diverse candidate results in incremental votes for the entire board. For instance, based on these estimates, the next diverse director results in an additional 0.57 percentage points in aggregate votes (2.01 percentage points in the percentage of funds supporting a candidate) for all candidates on the board, holding all else constant. These differences are statistically significant at the 1% level of significance. These results suggest that shareholders provide additional support to boards when they are more balanced in terms of gender and race.

Consistent with our findings in the previous section, these results also support the notion that gender diversity is more important than race to shareholders for director voting. Across aggregate voting support and institutional fund support, the economic magnitudes of having female candidates are significantly larger across all levels of diversity. Moreover, we see the incremental effects increase substantially more for gender board diversity relative to racial board diversity.

4.4. Board diversity and voting outcomes

Our findings thus far indicate economically limited differences in voting by shareholders for either diverse board members or diverse boards. An important consideration is how this limited voting support maps into meaningful outcomes that might influence whether a director is elected or renominated the future. In other words, are the differences in voting outcomes we document "economically meaningful." To explore these issues, in Table 6 we consider the relationship between individual and board-level diversity on two critical outcomes for board members: whether the director received enough votes to be elected and whether they obtained at least 80% of votes. The latter of these cutoffs is a critical hurdle of investor dissatisfaction with a director, which would influence whether a director is renominated (e.g., Del Guercio et al., 2008; Ertimur et al., 2018).[19]

In Panel A, we estimate a linear probability model of whether a director was elected and indicators of individual and board-level diversity. Across all specifications, we find individual and board-level diversity is not a meaningful determinant of the outcome of director elections. Virtually all coefficient estimates are not statistically different from zero, and those that are are limited in economic magnitude (less than or equal to 0.05%) and are not robust to the inclusion of fixed effects.

In Panel B, we repeat the same analyses for the probability of whether a director ob-

[19]Some sources suggest a more conservative 70% cutoff as the hurdle that would indicate a critical level of dissatisfaction from investors (e.g., Broadridge, 2022, 2023). In support of this, survey evidence shows that 68% of directors would not be worried about renomination with 80% voting support (Broadridge, 2013). Our inferences are identical when using the alternative threshold of 70% of director support. We present these analyses in Table IA-5 of the Internet Appendix.

tains at least 80% of votes for (Highly Support Director). Our estimates here largely mirror those described in Section 4.3. Specifically, although we find statistically significant relationships between whether a director obtains at least 80% of votes and board and candidate diversity, these relationships are economically small (less than 2.32% for all diversity metrics considered). As before, we also find that both gender diversity and board-level diversity garner the most voting support. Overall, these analyses support the notion that there is little relationship between board-level and candidate diversity and meaningful voting outcomes for directors, on average.

4.5. Time-series heterogeneity in estimated effects

Given the growth in board diversity over time and the increased focus by market participants on board diversity, we might expect our measured voting effects to also grow over time. Such a finding is important to document for three reasons. First, it is plausible that additional voting support in later periods offsets evidence of discrimination in earlier periods. Second, if we find increasing effects over time, it suggests market participants have recognized issues related to board underrepresentation and have taken the initiative to drive social change through their votes.[20] Third, to the extent we find significant increases in measured effects over time, it suggests the relatively modest average economic effects of some of our estimates in Section 4 may be significantly more important in more recent time periods.

To explore these possibilities, we estimate our main specifications related to individual and board-level diversity described in Section 4.3 for four equal time-periods in our sample (we have data for 16 years). For presentation purposes, we plot our primary coefficients of interest in Figures 3 and 4, along with their 95% confidence intervals.

Focusing on candidate diversity in Figure 3, we see there has been significant growth in support for diverse board members over time. While the measured effects in early sam-

[20]One channel through which this could be occurring is easier access to diversity-related information on boards. For instance, Baker et al. (2023) highlights the growing prevalence of firms discussing their diversity in their financial disclosures, such as proxy statements.

ple years are statistically indistinguishable from zero and economically small, they grow exponentially over the sample period. For instance, from the earliest sample period to the latest, the measured effects for aggregate voting increase over 300% (from 0.14 percentage points to 0.64 percentage points). Similarly, the estimated effects for institutional voting support increase over 100% (from 0.63 percentage points to 1.37 percentage points of additional fund support). While additional support granted to diverse directors relative to non-diverse directors remains economically small, we see definite time trends upward in the propensity for voters to support diverse candidates.

In Figure 4, we examine the temporal voting effects for board-level diversity. As before, these coefficient estimates tell us the additional support experienced by all members of the board if there is a diverse candidate on the board, holding constant director characteristics. Our estimate for aggregate voting is 0.26 percentage points at the beginning of the sample period. However, by the end of our sample period, the comparable estimate is more than seven times larger by approximately 2.02 percentage points. Similar results are observed for institutional voting support, where our estimated effects are 2.77 percentage points of additional fund support in the early sample years, but this effect grows to 6.61 percentage points by the end of the sample period.

5. Additional Analyses

5.1. Investor heterogeneity in support of diversity on boards

We know from prior studies that there is significant heterogeneity in investors' voting patterns (e.g., Matvos and Ostrovsky, 2010; Bolton et al., 2020). In this section, we explore the extent of heterogeneity in investor preferences for diversity in shareholder voting across major institutional investors. To do so, we merge ISS N-PX data with our director characteristic data described in Section 3.

In terms of analysis, we estimate a linear probability model of whether a fund votes for a candidate on whether the director is diverse interacted with a fund-family fixed effects,

their lower-order effects, and the director-level and firm controls. Each fund fixed effect can be interpreted as the additional probability (in percentage terms) that a fund will vote "For" a diverse director (relative to a non-diverse director). Within our sample, there are 683 fund families for which there is sufficient data to obtain estimates of the fund-family level diversity fixed effect.

Across all 683 fund families, the average diversity effect is 0.80% with a standard deviation of 5.02%. While this indicates fairly significant heterogeneity across funds (e.g., a high relative standard deviation), we note much of this is driven by some outlier funds, many of which are smaller. For the largest 100 fund families, the average effect for additional support to diverse candidates is significantly higher, at 1.24%, with a lower standard deviation of 1.96%. A more reasonable metric to consider might be a metric based on the upper and lower quantiles of firms, such as the interquartile range of 1.51 percentage points across all funds.[21] Thus, there is some evidence of funding voting heterogeneity, but significantly less so for the largest funds in our sample.

To further illustrate the above, we present rankings of the largest 100 fund families by size in Table 7, along with their base voting percentages (for non-diverse candidates).[22] Unsurprisingly, given our primary findings, nearly all large funds allocate additional voting support toward diverse directors. With a few exceptions, as shown, we find modest heterogeneity across top-fund families in their propensity to provide additional voting support for candidates. As might be expected, some of the top funds with large diversity effects appear in line with their stated commitments. For instance, Calvert Group (#1) specializes in ESG investing, and State Street (#3) has been particularly outspoken on these issues. However, as we also show, these appear to be the exception. We explore these ideas further in Sections 5.1.1 and 5.1.2.

[21] The 75% quartile diversity voting coefficient is 1.50 percentage points, while the 25% quartile is -0.005 percentage points.

[22] We retain the naming conventions found in ISS N-PX data for presentation purposes.

5.1.1. *Socially responsible invest (SRI) funds*

An important consideration is the extent that socially responsible funds are more likely to support board diversity with their votes. As discussed in Edmans (2014), shareholders can exert influence on governance via their voting behavior ("voice") and/or trading their shares ("exit"). Similarly, socially responsible funds should be expected to support their stated investment objectives through both their underlying holdings (for example, by refraining from purchasing shares in certain companies) and/or their voting patterns. Given many of their pro-diversity objectives, we expect socially responsible funds to vote aggressively for diverse boards and directors. However, if we do not observe this behavior, it would provide relevant evidence to the SEC's recent concerns that some funds may falsely advertise their commitment to sustainability (e.g., SEC, 2020b; Arvedlund, 2019).

We begin by identifying socially responsible funds using name-based identification. Specifically, we tag firms as SRI funds if they market themselves as such in their fund names. Among these, we also separate funds with specific diversity mandates, catering to their investors' specific intrinsic preferences towards diversity from generalist SRI funds.[23] Using these fund designations and the fund-level voting data described in Section 5.1, we then explore whether more SRI funds are associated with a higher propensity to support diversity in director elections.

Overall, our evidence is mixed and largely depends on the period considered. In Panel A of Table 8, we find that SRI funds are more likely to vote for diverse boards and directors, and these differences are statistically significant at the 1% level of significance across all specifications. Related to earlier findings, SRI funds mainly provide additional

[23]Specifically, we identify SRI funds if they include the following terms in the name: Sustain, ESG, Social, Impact, Gender, Diversity, Diverse. Among these, we identify funds with a specific diversity mandate if they include the following in their names: Gender, Diversity, Diverse. Identified SRI funds without these diversity-related search terms are considered non-diversity SRI funds.

support to all members on diverse boards rather than just diverse candidates.[24] Economically, the additional voting support SRI funds provide to diverse boards is approximately 9.31 to 9.61% higher than non-SRI funds historically, a non-trivial amount. In contrast, the amount of additional voting support to diverse directors that SRI funds provide relative to non-SRI funds is significantly smaller, at approximately 2.15%.

While we find some evidence that SRI funds provide additional voting support to diverse boards historically, in Panel B, we see that this additional support has waned dramatically in recent years. Across all columns, we see that SRI funds no longer provide any additional voting support to diverse boards relative to non-SRI funds. The coefficients on additional support for individual directors have also shrunk significantly. This finding is also the case for SRI funds with a diversity mandate, who presumably are among the most vocal about promoting diverse directors. This highlights that SRI funds in recent years may falsely advertise their commitment to sustainability (e.g., SEC, 2020b; Arvedlund, 2019). Specifically, while these funds market themselves as socially responsible, they do appear to be actively supporting diversity in their voting any more than the average fund. Overall, these findings question SRI fund commitments to propagating diverse boardrooms.

5.1.2. "Big Three" asset managers

We next focus on different voting patterns of the so-called "Big Three" asset managers (i.e., BlackRock, Vanguard, and State Street). Understanding how these funds vote is essential because they collectively hold more than $7.5 trillion in assets under management, and therefore they have a significant influence on corporate governance (Bebchuk, Cohen, and Hirst, 2017). Moreover, these funds have also been some of the most outspoken proponents for board diversity in recent years (e.g., Lublin and Krouse, 2017; Krouse, 2018; Kerber, 2019). Thus, it is important to assess whether these funds have historically been

[24] As SRI-funds with diversity mandates typically only invest in firms with diverse boards (e.g., the SPDR MSCI USA Gender Diversity ETF), we cannot estimate a board-level interaction for these funds, given the lack of variation.

committed to board diversity and how their voting behavior has shifted with their more recent diversity activism.[25]

In Table 9, we present evidence on how each of the Big Three asset managers supports diversity relative to all other funds. Our evidence suggests that the Big Three firms generally support diversity less than the average fund, with the exception of State Street. As seen in Panel A of Table 9, despite its reported commitment towards ESG issues (Fink, 2018), BlackRock has historically shown a 2.19 percentage point (0.59 percentage point) lower likelihood of voting for diverse boards (diverse candidates) than other fund families. Vanguard has historically shown approximately a 0.48 percentage point lower probability of voting for diverse candidates (relative to the average fund). Notably, in the most recent years of our sample, when these funds have been the most outspoken, both BlackRock and Vanguard lag other funds as it relates to supporting diversity with their votes in director elections (Panel B).

In contrast, State Street has shown a higher propensity to vote for diverse candidates than other funds over our entire sample period, with measured effects of approximately a 1.50 percentage point higher tendency to vote for individual candidates in the full sample (Panel A of Table 9). We also see (in Panel B) that State Street supports both diverse candidates and diverse boards significantly more than the average fund in more recent years. Specifically, from 2014 through 2018, State Street was 7.98 to 8.14 percentage points more likely to vote for directors on diverse boards and 1.82 to 1.86 percentage points more likely to support diverse candidates than the average fund.

5.2. Proxy advisory support

Proxy advisory firms, which make recommendations to investors on how to vote their shares in director elections and other major corporate decisions, are essential players in the shareholder voting process. These firms have become strong proponents of board

[25]Media sources have also highlighted concerns about this possibility (e.g., Arvedlund, 2019).

gender diversity (Huber and Simpkins, 2019) and racial diversity (Floyd, 2020).[26] Moreover, because their recommendations reflect independent assessments of whether directors maximize shareholder value (e.g., Malenko and Malenko, 2019), their recommendations provide evidence on whether the lack of diversity support we document is a reflection of candidate skill sets. Thus, it is important to understand how director diversity influences ISS recommendations.

We focus on ISS because it is the largest proxy advisor, ISS recommendations for directors are available, and they are the most studied in prior literature (e.g., Iliev and Lowry, 2015; Larcker, McCall, and Ormazabal, 2013). We merge all ISS proxy advisory recommendations to our primary sample of director elections, described in Section 3, and implement analyses similar to our earlier results, but where the outcome variable is now whether ISS provides a "For" recommendation for a director candidate. We present these results in Table 10 and Figure 5.

In Panel A, we see that the probability of observing ISS support for a candidate is larger when a candidate is diverse, albeit moderate in economic magnitude. For instance, in Column 1, we estimate ISS support is approximately 2.11 percentage points larger when the candidate is diverse. Related to our findings in Section 4, we also see that ISS has a higher propensity to support female candidates than racially diverse directors. In Panel B, we also find that ISS is significantly more concerned with board diversity rather than individual diversity. The estimated effects of board diversity are, in general, three to five times larger than individual diversity, depending on specification. Like our findings in Figure 3, we see that support for both diverse candidates and diverse boards has grown substantially over time. Overall, these results largely mirror our main findings for shareholder voting outcomes. Our findings also suggest that ISS considers the diverse candidates in our sample at least as qualified as non-diverse candidates.

[26]Somewhat strangely, the largest of these proxy advisory firms, ISS, has also recently come under scrutiny for its own lack of racial diversity among top management (Aston, 2020).

6. Conclusion

This paper explores shareholders' voting patterns for board diversity based on their voting behavior during the director election process. Using primary data collection to develop a comprehensive database of gender and race measures for individual corporate directors, we show that shareholders place a slight voting premium on board diversity. Specifically, diverse candidates and all candidates on diverse boards experience economically modest additional shareholder support during director elections at the annual shareholder meeting. In our empirical extensions, we provide evidence that this additional voting support from shareholders varies across both diversity and shareholder types, as well as across time.

Overall, our evidence strongly supports the notion that shareholders have historically done little to advance board diversity with their voting in director elections. Encouragingly, we find no evidence of overt discrimination despite the prevalence of this concern within the financial services sector. At the same time, our findings question the veracity of shareholders' outspoken commitments to promoting the important social objective of corporate diversity, a topic of significant concern among regulators recently. Our findings also highlight the limited economic benefit of diverse boards perceived by shareholders historically, adding new evidence to a contentious debate in the academic literature. Finally, although we cannot *directly* address whether the lack of shareholder voting support for diverse boards is responsible for the historically low levels of board diversity, it is quite conceivable that it is a critical explanation of this pervasive problem.

As with virtually all corporate governance studies, it is important to acknowledge important limitations to the analyses. Our study is descriptive in nature, and we cannot randomly assign race or gender to a particular candidate, which confounds any causal interpretation of our results. While we control for various director and firm characteristics and rely on within-meeting variation in estimating many of our effects, we cannot entirely

rule out alternative explanations. Subject to this important concern, our findings provide novel evidence of shareholders' true perceptions of board diversity's economic benefit to firm value and the existence of overt discrimination in the financial service sector.

Appendix A. Variable definitions

This table contains descriptions of the variables used throughout this paper. These include director's characteristics and diversity data, and director voting data. Each entry includes the variable name, a description of the variable, and sources used in its calculation included in parentheses. Sources include: Equilar (EQ), our diversity data for director race or ethnicity (DIV), Compustat (COMP), and Institutional Shareholder Services voting analytics data (ISS).

Variable	Description
	Board and Director characteristics
Age	Director age. (EQ)
Attendance Issues	An indicator that takes a value of one if the director had attendance issues. (EQ)
# Boards	Number of boards the director served on in the meeting year. (EQ)
Board Diversity	An indicator that takes a value of one if there was any diverse member (i.e., a female or non-White director) present on the proposed board. The definition depends on the regression (i.e., racially diverse vs. gender diversity), and is explicitly stated in the table. (EQ, DIV)
Diverse	An indicator that takes a value of one if the director is either a racial minority (i.e., non-White) or female. (EQ, DIV)
Female	An indicator that takes a value of one if the director is female. (EQ)
Individual Diversity	An indicator that takes a value of one if the director is considered diverse. The definition depends on the regression (i.e., racial vs. gender diversity), and is explicitly stated in the table. (EQ, DIV)
Insider	An indicator that takes a value of one if the director is an insider. (EQ)
Racially Diverse	An indicator that takes a value of one if the director is a minority (i.e., non-White). (DIV)
Tenure	Director tenure. (EQ)
	Firm characteristics
Asset Growth	Total asset growth over last fiscal year. (COMP)
Debt-Assets	Total debt as a fraction of total assets. (COMP)
Mkt. Cap.	The market value of the firm. (COMP)
ROA	Return on assets. (COMP)
	Fund characteristics
Fund	An indicator that takes a value of one for a specific fund family. The definition depends on the regression (i.e., BlackRock vs. State Street, SRI vs. non-SRI funds, etc.), and is explicitly stated in the table. (ISS)
	Voting outcomes
Director Elected	An indicator that takes a value of one that takes a value of one if the director is elected. (ISS)
Fund Support	An indicator that takes a value of one if majority of the votes for each fund family are in favor of the director. (ISS)
Highly Supported Directors	An indicator that takes a value of one if the director obtains at least 80% votes in favor of electing the director. (ISS)
Institutional Voting Support	Percentage of funds (in the NPX database) voting "For" a candidate. (ISS)
ISS Support	An indicator that takes a value of one if ISS provides a "For" recommendation. (ISS)
Voting Support	Total aggregate votes in favor of the director as a fraction of the voting base. (ISS)

Appendix B. Racial diversity data

B.1. Data description

Our individual director diversity data is constructed using a multistep process and includes 19,367 unique directors over the period from 2003 to 2018. The initial data collection step was to create a comprehensive database of director photographs for race assignment. We construct this from two sample sources. First, we scraped all EDGAR proxy statements (SEC Form DEF14A) for director photographs. It has become increasingly common through the years for corporations to include profiles, with portraits, of their corporate boards in the proxy statements preceding director elections at the annual shareholder meeting. We supplement this photo database with director photographs available from Equilar, one of the leading providers of data on corporate executives, and heavily subscribed by institutional clients involved in the voting process. These photos allow us to build a broad database for the assignment of directors' race.

For each photograph, we asked a minimum of two respondents from MTurk to evaluate the director's race.[27] In cases where there was a split assignment (e.g., assigned as White/Caucasian by one respondent and Asian by another), a research assistant (RA) or one of the authors corrected the assignment based on a detailed web search. These were typically assigned based on mentions of race in the media (e.g., *Latino Leaders Magazine* or *Black Enterprise*) or online bios (e.g., Bloomberg or the Notable Names Database). Of the 13,951 individual directors who were assigned a race using the above steps, approximately 7.3% fell into this category.[28]

[27] MTurk is an online platform increasingly used in economics and finance in various data collection settings (e.g., Huang, Vismara, and Wei, 2021; Choi and Robertson, 2020; Dellavigna, Berkeley, and Pope, 2018; Hartzmark and Sussman, 2019).

[28] We acknowledge that shareholders might be uncertain about directors' race based on either their names or pictures. While we believe this might introduce some measurement error into our analyses and be one source of the lack of voting support for diverse directors that we document, we believe this is likely only a marginal concern. As noted above, RAs typically agreed in over 90% of cases. Moreover, in Table IA-6 of the Internet Appendix, we find that aggregate voting behaviors of shareholders towards these directors with "uncertain" race are no different than directors where RAs both agreed.

Finally, to ensure we have sufficient coverage over the largest U.S. firms, we supplement the above sample selection process with two data sources. First, we use hand-collected data on the Standard & Poor's 500 and MidCap 400, which were otherwise uncovered by our initial data collection. An RA was assigned to collect data on these missing directors by searching for information from various web sources (e.g., corporate websites, Crunchbase, and diversity networks) to classify these directors by race. A total of 3,388 directors were classified in this manner, and in most cases, sufficient data existed to make the classification with a high degree of confidence. Second, we include 929 directors from the Equilar diversity database who were otherwise uncovered by the above sources.

A final note on our measurement approach is that we decided to engage in primary data collection of directors' race and ethnicity because we were concerned about the accuracy of alternative data sources as it relates to how shareholders may perceive ethnicity and race. To illustrate this, in Appendix B.2, we conduct a comparative classification accuracy assessment for non-White directors for two popular race classifications, RiskMetrics data, and surname-based race assignment algorithms. Accuracy rates for non-White directors compared to our confirmed validation data based on difficult-to-assign directors are 54.26% and 69.95% for surname-based race assignment algorithms and RiskMetrics data, respectively. Thus, we believe our data are considerably more suited to study the impact of race and ethnicity on shareholder support for directors. Moreover, in studying potential prejudice or bias in director voting, it is crucial to understand how shareholders may classify each directors' race based on their appearance. As we generate most of our director race classifications from survey responses of how respondents viewed particular candidates based on photographs available to voters at the time of voting, we can be reasonably confident this is closer to a directors' perceived race by shareholders.

B.2. Comparative assessment of our diversity data

In Table B-1, we compare our data on director race with two commonly used alternative approaches: RiskMetrics data (e.g., Bernile et al., 2018; Field et al., 2020) and surname-

based assignment (e.g., Ellahie, Tahoun, and Tuna, 2017; Giannetti and Zhao, 2019).[29] Panel A of Table B-1 presents the overall distribution of the 11,135 individual directors we can match across all datasets. Panels B and C of Table B-1 compare RiskMetrics and surname-based assignment to our dataset of directors who we were able to match across databases. Panels D and E of Table B-1 compare RiskMetrics and surname-based assignment to a validation dataset of directors who were particularly challenging to categorize in our data collection process. Specifically, our validation data cover the hand-classified directors described in Section B who were assigned race based on in-depth web search because they were assigned more than one race by respondents. As described before, RAs typically assigned race for these directors based on media mentions (e.g., *Latino Leaders Magazine* or *Black Enterprise*) or online bios (e.g., Bloomberg or the Notable Names Database). Therefore, we have high confidence in the quality of these assignments.

While the overall distributions of race and ethnicity are similar across approaches, substantial inconsistencies are observed. In Panels B through Panel E of Table B-1, we show error rates for these alternative data may be quite high for non-White race assignments. Using our data as the benchmark, accuracy rates for non-White directors range from 45.76% to 79.82% for surname-based race assignment algorithms and RiskMetrics data. These inaccuracies are also particularly severe for surname-based algorithms, highlighting the shortcomings of this method and for difficult-to-assign directors (as shown in Panels D and E).

[29]While surname-based algorithms vary from study to study we follow Imai and Khanna (2016), which assigns race based on Bayes' rule applied to U.S. Census data. We choose this method given its easy implementation through the *wru* R package. Other studies, such as Law and Mills (2019), use a similar approach.

Table B-1
Comparison of race and ethnicity data

Panel A: Comparison of race distributions

Race	Our sample	RiskMetrics	Surname-based algorithm
Asian	3.83	3.66	3.54
Black or African American	5.45	4.91	1.91
Hispanic or Latino	2.81	1.81	2.68
Other	0.07	0.03	0.03
White	87.83	86.96	91.85
Missing	0.00	1.12	0.00
Multiple Ethnic Classifications	0.00	1.52	0.00

Panel B: RiskMetrics vs. our sample confusion matrix

	Data used in this study					
	Asian	Black	Latino	Multiple	Other	White
Asian	3.42	0.00	0.02	0.00	0.04	0.22
Black	0.03	4.79	0.00	0.00	0.00	0.15
Latino	0.02	0.00	1.55	0.00	0.00	0.25
Multiple	0.20	0.37	0.36	0.00	0.00	0.60
Other	0.00	0.01	0.00	0.00	0.01	0.01
White	0.20	0.31	0.89	0.00	0.03	86.52
Overall Accuracy: 96.29% (**non-White Accuracy:** 79.82%)						

Panel C: Surname-based algorithm vs. our sample confusion matrix

	Data used in this study					
	Asian	Black	Latino	Multiple	Other	White
Asian	2.82	0.03	0.05	0.00	0.02	0.62
Black	0.05	0.75	0.02	0.00	0.01	1.09
Latino	0.02	0.03	2.00	0.00	0.00	0.63
Multiple	0.00	0.00	0.00	0.00	0.00	0.00
Other	0.00	0.00	0.02	0.00	0.00	0.01
White	0.94	4.65	0.72	0.00	0.04	85.49
Overall Accuracy: 91.06% (**non-White Accuracy:** 45.76%)						

Panel D: RiskMetrics vs. validation data confusion matrix

	Validation data					
	Asian	Black	Latino	Multiple	Other	White
Asian	16.62	0.00	0.15	0.00	0.30	1.34
Black	0.15	10.53	0.00	0.00	0.00	0.15
Latino	0.15	0.00	11.87	0.00	0.00	0.45
Multiple	2.23	3.41	3.56	0.00	0.00	1.63
Other	0.00	0.15	0.00	0.00	0.00	0.15
White	1.19	1.34	3.71	0.00	0.45	40.50
Overall Accuracy: 79.53% (**non-White Accuracy:** 69.95%)						

Panel E: Surname-based algorithm vs. validation data confusion matrix

	Validation data					
	Asian	Black	Latino	Multiple	Other	White
Asian	13.61	0.00	0.15	0.00	0.15	1.18
Black	0.30	1.92	0.30	0.00	0.00	0.00
Latino	0.15	0.15	14.64	0.00	0.00	0.89
Multiple	0.00	0.00	0.00	0.00	0.00	0.00
Other	0.00	0.00	0.15	0.00	0.00	0.00
White	6.21	13.31	3.99	0.00	0.59	42.31
Overall Accuracy: 72.49% (**non-White Accuracy:** 54.26%)						

This table reports summary statistics on our directors' sample of race versus two popular alternative data sources for director race. In Panel A, we present sample distributions for all data sets across 11,135 directors matched across all data sets. Panel B (Panel C) presents a confusion matrix for the RiskMetrics (Surname-based algorithm) race data versus our full sample of matched data. Panel D (Panel E) presents a confusion matrix for the RiskMetrics (Surname-based algorithm) race data versus a validated dataset of 651 directors difficult to categorize directors described in Section B. All tables are presented in percentages.

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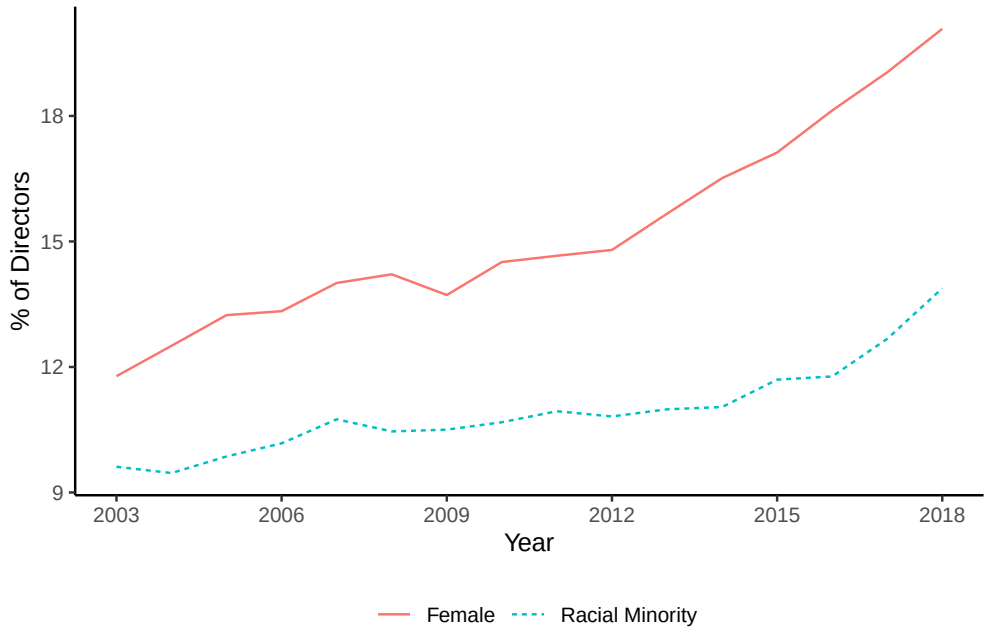
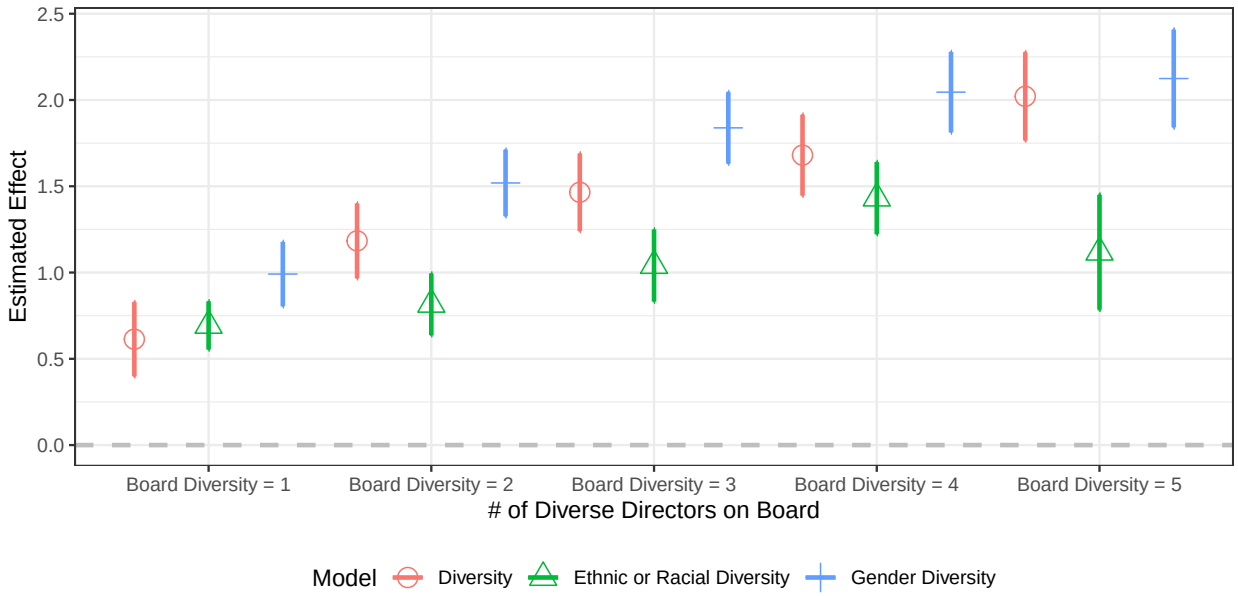


(a) Director diversity

(b) Attention to gender and racial equality

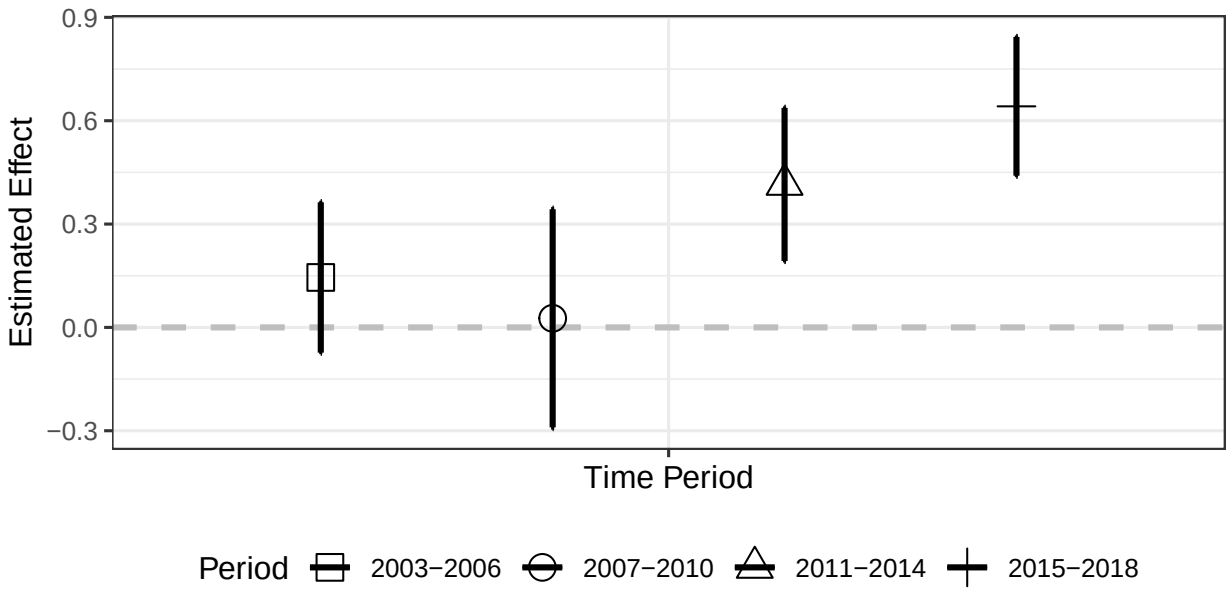
Fig. 1 Director diversity and attention to gender and racial equality over time. This figure presents a time-series on director diversity and attention to equality by year. Panel (a) presents the percentage of directors, by year, who are diverse as a total of total directors. The solid red (dashed blue) line presents the percentage of directors who are female (non-White). Panel (b) presents the average Google search volume, by year, in the U.S. for gender and racial equality. The solid red (dashed blue) line presents the average Google search volume of "gender equality" ("racial equality") in the U.S.



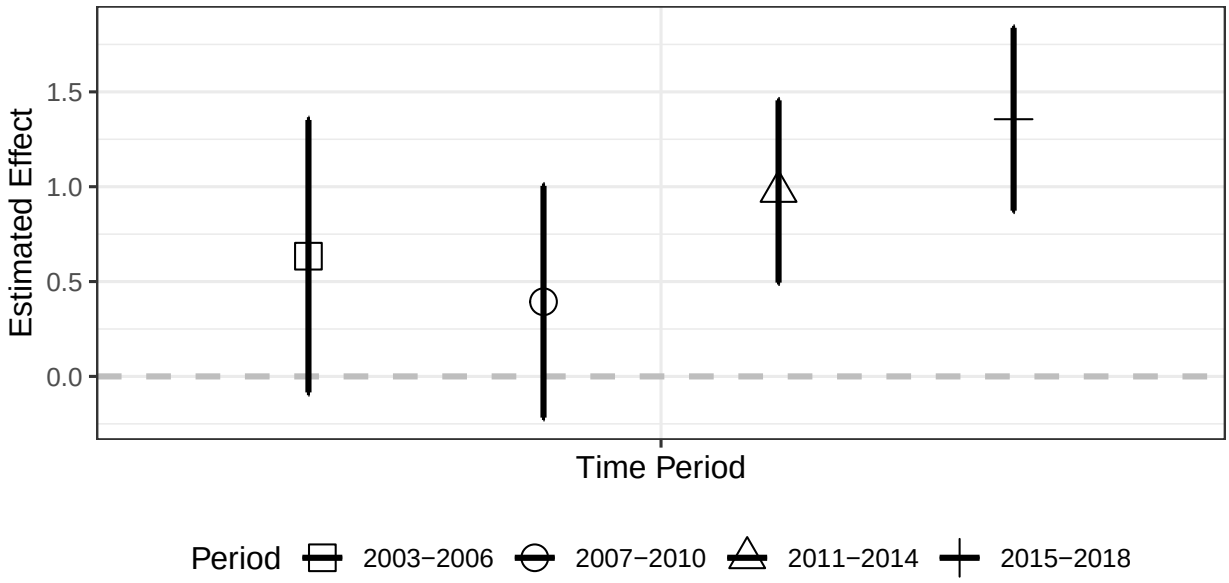
(a) Voting Support

(b) Institutional Voting Support

Fig. 2 The effect of incremental diverse board members on director voting support. Panel (a) presents estimates of the incremental effect of an additional diverse board member on aggregate voting percentages for candidates. Panel (b) presents estimates of the incremental effect of an additional diverse board member on the percentage of funds voting in favor of a candidate. Coefficient estimates (dots) and 95% confidence intervals (lines) are presented for overall diversity, ethnic or racial diversity, and gender diversity. All regressions are run on the full sample of observations as described in Section 3.

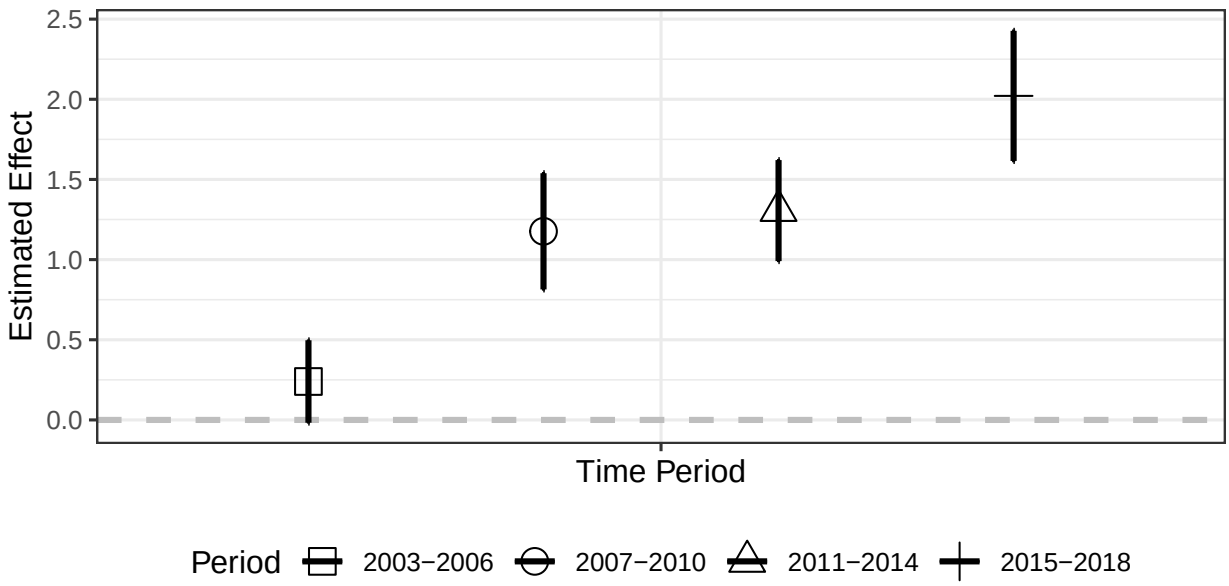


(a) Voting Support

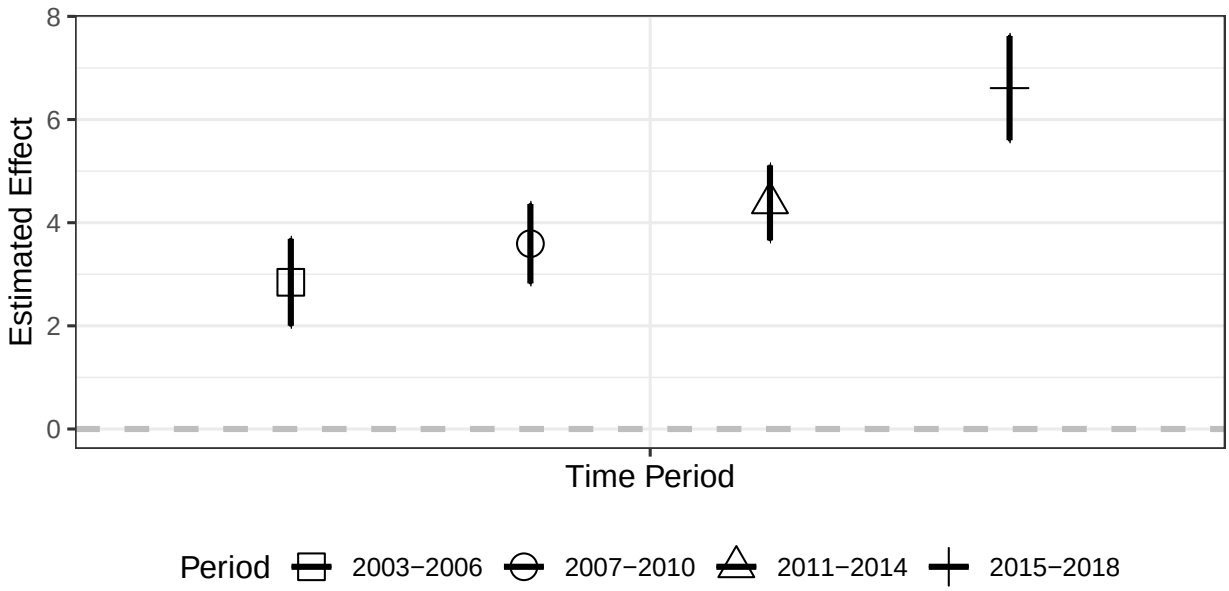


(b) Institutional Voting Support

Fig. 3 The estimated effect of individual director diversity over time. This figure presents the estimated effect of individual candidate diversity (Individual Diversity) over different calculation periods. Panel (a) and (b) present these estimates effects of candidate diversity on aggregate voting and institutional voting support, respectively. Coefficient estimates (shapes) and 95% confidence intervals (lines) for each estimate. All regressions are run on the full sample of observations as described in Sections 3.

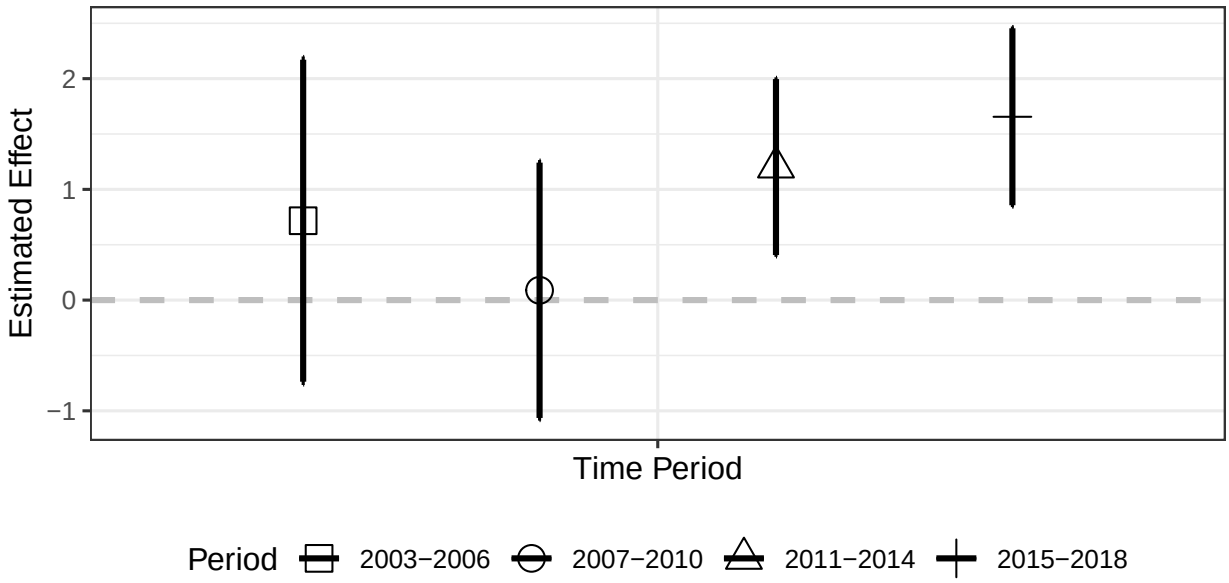


(a) Voting Support

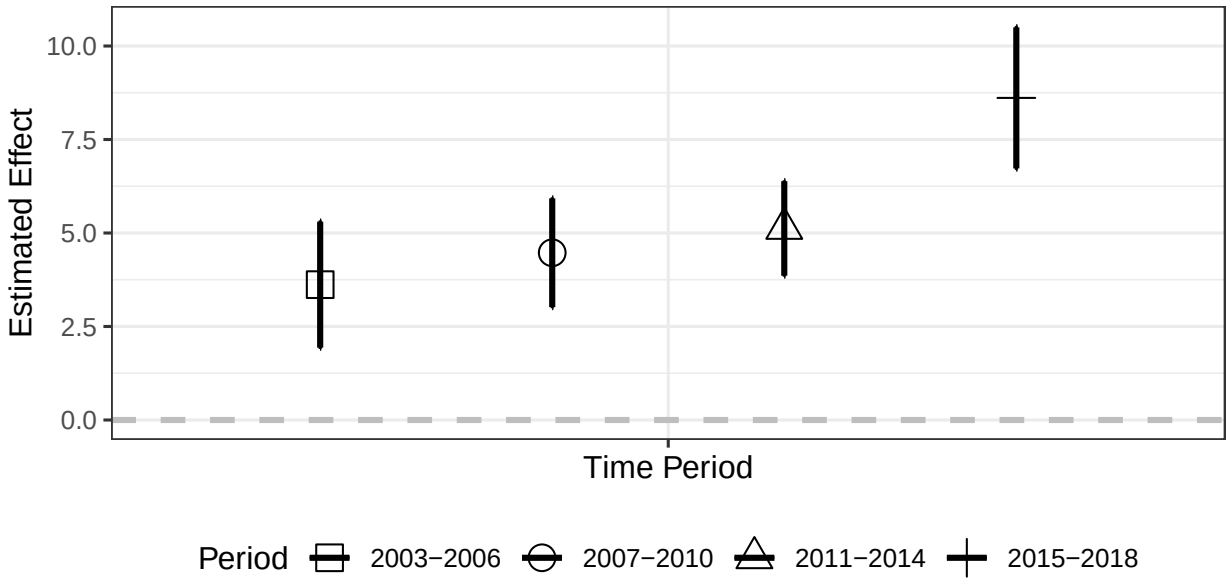


(b) Institutional Voting Support

Fig. 4 The estimated effect of board-level diversity over time. This figure presents the estimated effect of board-level diversity (Board Diversity) over different calculation periods. Panel (a) and (b) present these estimates effects of candidate diversity on aggregate voting and institutional voting support, respectively. Coefficient estimates (shapes) and 95% confidence intervals (lines) are presented for each estimate. All regressions are run on the full sample of observations as described in Section 3.



(a) Individual Diversity



(b) Board Diversity

Fig. 5 The estimated effect of director diversity on ISS support over time. This figure presents the estimated effect of individual candidate diversity and board diversity over different calculation periods in Panels (a) and (b), respectively. Coefficient estimates (shapes) and 95% confidence intervals (lines) are presented for each estimate. All regressions are run on the full sample of observations as described in Section 3.

Table 1
Sample selection and composition over time

Panel A: Sample construction

	Observations	Meetings	Directors	Companies
All ISS voting analytics data	532,664	73,270	-	11,043
Include only director elections	365,274	65,160	-	9,925
Extract director names	363,341	64,961	-	9,915
Remove missing voting data	307,095	54,723	-	7,876
Equilar match	244,993	47,561	46,742	6,269
Race data match	120,342	33,168	13,831	4,699
Compustat match	119,508	32,844	13,790	4,670

Panel B: Sample over time

Year	Obs.	White	Black	Asian	Latino	Other	M	F
2003	3,973	3,591	249	67	65	1	3,505	468
2004	4,106	3,717	239	64	86	0	3,592	514
2005	4,764	4,294	288	80	101	1	4,133	631
2006	5,132	4,610	319	99	102	2	4,448	684
2007	5,554	4,957	345	124	126	2	4,776	778
2008	6,074	5,439	365	140	128	2	5,211	863
2009	6,617	5,922	386	166	141	2	5,709	908
2010	7,214	6,444	402	198	168	2	6,168	1,046
2011	7,748	6,900	431	220	195	2	6,612	1,136
2012	8,671	7,733	453	263	218	4	7,388	1,283
2013	9,282	8,262	490	295	230	5	7,828	1,454
2014	9,888	8,796	513	330	243	6	8,255	1,633
2015	10,354	9,143	562	363	278	8	8,581	1,773
2016	10,508	9,271	579	353	296	9	8,603	1,905
2017	10,076	8,799	595	362	313	7	8,157	1,919
2018	9,546	8,221	619	387	311	8	7,629	1,917

Panel A describes the sample construction process. We begin with the comprehensive ISS voting analytics data set on proxy voting outcomes, and then eliminate all observations related proxy votes outside of director elections. Next, we extract director names using Perl and remove any observations with missing voting data. The Equilar match step matches our voting data with a comprehensive sample of director characteristics. We then match these data with our comprehensive data on director race. Finally, we merge our compiled data of director voting and characteristics with Compustat data on firm fundamentals. A discussion of the details of our sample creation, and data, can be found in Section 3.1. Panel B presents the coverage of our final sample coverage over time, by race and gender (M/F). Race categorizations include: White (White), Black or African American (Black), Hispanic or Latino (Latino), Asian, Native Hawaiian/Pacific Islander or American Indian/Alaska Native (Other).

Table 2
Full sample descriptives

Panel A: Sample descriptives

	Mean	StDev	$p^{25\%}$	$p^{50\%}$	$p^{75\%}$	Obs.
# Boards	2.01	1.16	1.00	2.00	3.00	119,508
Age	60.59	8.20	55.00	61.00	66.00	119,384
Attendance Issues	0.00	0.05	0.00	0.00	0.00	119,330
Diverse Board	0.87	0.34	1.00	1.00	1.00	119,508
Gender Diverse Board	0.82	0.38	1.00	1.00	1.00	119,508
Insider	0.17	0.37	0.00	0.00	0.00	119,508
Institutional Voting Support	92.78	14.48	94.59	98.12	99.29	113,286
ISS Support	92.03	27.08	100.00	100.00	100.00	119,496
Racially Diverse Board	0.56	0.50	0.00	1.00	1.00	119,508
Tenure	9.63	7.90	3.60	7.90	13.40	117,785
Voting Support	95.93	6.96	95.97	98.31	99.35	119,475

Panel B: Descriptives by director diversity

	Non-Diverse	Diverse	Racially Diverse	Gender Diverse
# Boards	1.98	2.10***	2.18***	2.08***
Age	61.24	58.57***	58.69***	58.26***
Attendance Issues	0.00	0.00	0.00*	0.00
Director Elected	99.95	99.97*	99.97	99.97
Diverse Board	0.82	1.00***	1.00***	1.00***
Gender Diverse Board	0.78	0.95***	0.90***	1.00***
Highly Supported	95.63	96.65***	96.61***	96.89***
Insider	0.20	0.07***	0.09***	0.05***
Institutional Voting Support	92.25	94.40***	94.10***	94.81***
ISS Support	91.33	94.24***	93.88***	94.79***
Racially Diverse Board	0.50	0.78***	1.00***	0.66***
Tenure	10.13	8.09***	8.09***	7.96***
Voting Support	95.76	96.47***	96.39***	96.61***

This table reports summary statistics on our sample of director elections. In Panel A, we present aggregate statistics across all directors in our entire constructed sample described in Section 3. In Panel B, we present mean sample characteristics across Non-Diverse (White and Male), Diverse (non-White or Female), Racially Diverse (non-White), and Gender Diverse (Female) candidates. All variables as defined in Appendix A. Statistical tests of differences in sample means between our Non-Diverse subsample and our respective subsamples of diverse directors were performed using a standard two-sided t-test. Levels of significance are presented as follows: $p<0.1^{*}$; $p<0.05^{**}$; $p<0.01^{***}$.

Table 3
Candidate diversity and shareholder voting support

Panel A: Aggregate voting support

	Dependent variable:					
	Voting Support					
	(1)	(2)	(3)	(4)	(5)	(6)
Diverse	0.57***	0.55***	0.30***			
	(7.53)	(7.35)	(5.27)			
Racially Diverse (A)				0.33***	0.32***	0.19**
				(3.27)	(3.22)	(2.38)
Female (B)				0.65***	0.64***	0.32***
				(8.00)	(7.85)	(5.17)
Coef. Diff. (A) - (B)	-	-	-	-0.32***	-0.32***	-0.13**
Controls	Yes	Yes	Yes	Yes	Yes	Yes
Industry, year fixed effects	No	Yes	No	No	Yes	No
Meeting fixed effects	No	No	Yes	No	No	Yes
Observations	116,829	116,829	118,278	116,829	116,829	118,278
R^2	0.02	0.06	0.71	0.02	0.06	0.71

Panel B: Institutional investor voting support

	Dependent variable:					
	Institutional Voting Support					
	(1)	(2)	(3)	(4)	(5)	(6)
Diverse	1.83***	1.63***	0.47***			
	(10.05)	(8.95)	(3.71)			
Racially Diverse (A)				1.03***	0.96***	0.27
				(4.31)	(4.10)	(1.59)
Female (B)				2.04***	1.81***	0.59***
				(10.50)	(9.33)	(4.52)
Coef. Diff. (A) - (B)	-	-	-	-1.02***	-0.85***	-0.32**
Controls	Yes	Yes	Yes	Yes	Yes	Yes
Industry, year fixed effects	No	Yes	No	No	Yes	No
Meeting fixed effects	No	No	Yes	No	No	Yes
Observations	110,853	110,853	112,129	110,853	110,853	112,129
R^2	0.03	0.06	0.71	0.03	0.06	0.71

This table examines the effect of director diversity on shareholder support for directors. Panel A presents regressions of aggregate voting (as a percentage of the voting base) for directors on director diversity characteristics. Panel B presents regressions of average fund support for directors on director diversity characteristics. The independent variables Racially Diverse, Female, and Diverse are indicators of whether the director is non-White, female, or either categorization. Director and firm time-varying controls, as described in Section 4.1 and the Appendix, include: Age, Attendance Issues, # Boards, Insider, Tenure, Asset Growth, Debt-Assets, Mkt. Cap., and ROA. All regressions are estimated using the full sample observations described in Section 3, subject to data availability. Cluster robust t-statistics, by director, are included in parentheses. Tests of differences in coefficients between Racially Diverse and Female are presented with p-values based on F-tests using a cluster robust covariance matrix (by director). Levels of significance are presented as follows: *p<0.1; **p<0.05; ***p<0.01.

Table 4
Candidate diversity and shareholder voting support: Breakdown by race

	Dependent variable:					
	Voting Support			Inst. Voting Support		
	(1)	(2)	(3)	(4)	(5)	(6)
Female (A)	0.64***	0.63***	0.32***	2.02***	1.79***	0.59***
	(7.93)	(7.79)	(5.17)	(10.41)	(9.24)	(4.50)
Black or African American (B)	0.62***	0.54***	0.21**	1.95***	1.83***	0.42**
	(4.86)	(4.32)	(2.11)	(7.59)	(7.33)	(2.15)
Other (C)	0.04	0.09	0.16	0.09	0.08	0.09
	(0.25)	(0.63)	(1.37)	(0.23)	(0.21)	(0.34)
Coef. Diff. (A) - (B)	0.03	0.09	0.11	0.07	-0.04	0.16
Coef. Diff. (B) - (C)	0.58***	0.45***	0.05	1.87***	1.75***	0.33*
Controls	Yes	Yes	Yes	Yes	Yes	Yes
Industry, year fixed effects	No	Yes	No	No	Yes	No
Meeting fixed effects	No	No	Yes	No	No	Yes
Observations	116,829	116,829	118,278	110,853	110,853	112,129
R^2	0.02	0.06	0.71	0.03	0.06	0.71

This table examines the effect of director diversity on director voting support. Columns 1 through 3 present regressions of aggregate voting (as a percentage of the voting base) for directors on director diversity characteristics. Columns 4 through 6 present regressions of the percentage of funds supporting a director on director diversity characteristics. Female is an indicator that takes a value of one if the director is female, and Black or African American takes a value of one if the director is characterized as Black or African American. Other is an indicator of whether the director is a non-Black or African American racial minority. Director and firm time-varying controls, as described in Section 4.1 and the Appendix, include: Age, Attendance Issues, # Boards, Insider, Tenure, Asset Growth, Debt-Assets, Mkt. Cap., and ROA. All regressions are estimated using the full sample observations described in Section 3, subject to data availability. Cluster robust t-statistics, by director, are included in parentheses. Tests of differences in coefficients between candidate diversity coefficients are presented with p-values based on F-tests using a cluster robust covariance matrix (by director). Levels of significance are presented as follows: *p<0.1; **p<0.05; ***p<0.01.

Table 5
Shareholder support: Individual versus board-level diversity

Panel A: Aggregate voting support

	Dependent variable:					
	Voting Support					
	Diversity		Racial Diversity		Gender Diversity	
	(1)	(2)	(3)	(4)	(5)	(6)
Board Diversity (A)	1.16***	1.09***	0.84***	0.81***	1.34***	1.26***
	(11.57)	(10.75)	(12.61)	(12.26)	(14.85)	(13.65)
Individual Diversity (B)	0.37***	0.40***	−0.02	0.01	0.39***	0.43***
	(4.90)	(5.27)	(−0.18)	(0.07)	(4.83)	(5.37)
Coef. Diff. (A) - (B)	0.79***	0.70***	0.86***	0.81***	0.95***	0.82***
Controls	Yes	Yes	Yes	Yes	Yes	Yes
Industry, year fixed effects	No	Yes	No	Yes	No	Yes
Observations	116,829	116,829	116,829	116,829	116,829	116,829
R^2	0.02	0.06	0.02	0.06	0.03	0.07

Panel B: Institutional investor voting support

	Dependent variable:					
	Institutional Voting Support					
	Diversity		Racial Diversity		Gender Diversity	
	(1)	(2)	(3)	(4)	(5)	(6)
Board Diversity (A)	4.60***	4.37***	3.40***	3.30***	4.91***	4.66***
	(17.51)	(16.43)	(21.25)	(19.65)	(20.46)	(18.97)
Individual Diversity (B)	1.04***	1.00***	−0.43*	−0.35	1.09***	1.05***
	(5.67)	(5.49)	(−1.76)	(−1.46)	(5.60)	(5.45)
Coef. Diff. (A) - (B)	3.56***	3.37***	3.83***	3.65***	3.82***	3.61***
Controls	Yes	Yes	Yes	Yes	Yes	Yes
Industry, year fixed effects	No	Yes	No	Yes	No	Yes
Observations	110,853	110,853	110,853	110,853	110,853	110,853
R^2	0.04	0.07	0.04	0.06	0.05	0.07

This table examines the effect of overall board diversity and individual director diversity on shareholder support for directors. Panel A (Panel B) presents regressions of aggregate voting percentage (percentage of funds voting) for directors on board-level and director-level diversity. The independent variables Board Diversity and Individual Diversity indicate whether there was at least one diverse director on the board and whether the individual director is diverse, respectively. Columns (1) and (2) explore the importance of board vs. individual level diversity across both gender and race. Columns (3) and (4) explore the importance of board vs. individual level racial diversity. Columns (5) and (6) explore the importance of board vs. individual level gender diversity. Director and firm time-varying controls, as described in Section 4.1 and the Appendix, include: Age, Attendance Issues, # Boards, Insider, Tenure, Asset Growth, Debt-Assets, Mkt. Cap., and ROA. All regressions are estimated using the full sample observations described in Section 3, subject to data availability. Cluster robust t-statistics, by director, are included in parentheses. Tests of differences in coefficients between Board Diversity and Individual Diversity are presented with p-values based on F-tests using a cluster robust covariance matrix (by director). Levels of significance are presented as follows: *p<0.1; **p<0.05; ***p<0.01.

Table 6
Board diversity and voting outcomes

Panel A: Director elected

	Dependent variable:					
	Director Elected					
	Diversity		Racial Diversity		Gender Diversity	
	(1)	(2)	(3)	(4)	(5)	(6)
Board Diversity (A)	0.03	−0.01	0.003	−0.02	0.05**	0.03
	(1.16)	(−0.30)	(0.18)	(−1.23)	(2.45)	(1.30)
Individual Diversity (B)	0.02*	0.02	0.02	0.02	0.01	0.004
	(1.66)	(1.28)	(1.02)	(1.17)	(0.50)	(0.24)
Coef. Diff. (A) - (B)	0.00	-0.02	-0.02	-0.04	0.04*	0.03
Controls	Yes	Yes	Yes	Yes	Yes	Yes
Industry, year fixed effects	No	Yes	No	Yes	No	Yes
Observations	116,780	116,780	116,780	116,780	116,780	116,780
R^2	0.001	0.01	0.001	0.01	0.001	0.01

Panel B: 80% support threshold

	Dependent variable:					
	Highly Supported Director					
	Diversity		Racial Diversity		Gender Diversity	
	(1)	(2)	(3)	(4)	(5)	(6)
Board Diversity (A)	2.00***	1.86***	1.52***	1.38***	2.32***	2.18***
	(7.48)	(6.79)	(8.90)	(7.98)	(9.71)	(8.89)
Individual Diversity (B)	0.66***	0.68***	0.04	0.09	0.73***	0.79***
	(3.47)	(3.55)	(0.16)	(0.34)	(3.60)	(3.89)
Coef. Diff. (A) - (B)	1.34***	1.18***	1.48***	1.29***	1.59***	1.38***
Controls	Yes	Yes	Yes	Yes	Yes	Yes
Industry, year fixed effects	No	Yes	No	Yes	No	Yes
Observations	116,823	116,823	116,823	116,823	116,823	116,823
R^2	0.01	0.02	0.01	0.02	0.01	0.02

This table examines the effect of overall board diversity and individual director diversity on voting outcomes for directors. Panel A (Panel B) presents regressions of whether a director is elected (received at least 80% of votes) for directors on board-level and director-level diversity. The independent variables Board Diversity and Individual Diversity indicate whether there was at least one diverse director on the board and whether the individual director is diverse, respectively. Columns (1) and (2) explore the importance of board vs. individual level diversity across both gender and race. Columns (3) and (4) explore the importance of board vs. individual level racial diversity. Columns (5) and (6) explore the importance of board vs. individual level gender diversity. Director and firm time-varying controls, as described in Section 4.1 and the Appendix, include: Age, Attendance Issues, # Boards, Insider, Tenure, Asset Growth, Debt-Assets, Mkt. Cap., and ROA. All regressions are estimated using the full sample observations described in Section 3, subject to data availability. Cluster robust t-statistics, by director, are included in parentheses. Tests of differences in coefficients between Board Diversity and Individual Diversity are presented with p-values based on F-tests using a cluster robust covariance matrix (by director). Levels of significance are presented as follows: *p<0.1; **p<0.05; ***p<0.01.

Table 7
Fund family level effects: Top and bottom diversity performers

Top 50 funds			Bottom 50 funds		
Fund family	Base	Diversity	Fund family	Base	Diversity
Calvert Research and Management	46.82	17.98	Ohio National Investments, Inc.	49.22	-5.97
Allianz Global Investors Fund	74.78	3.75	Federated Equity Management Comp	80.28	-0.25
State Street Global Advisors	80.83	2.84	CI Mutual Funds Inc.*	72.91	-0.19
Natixis Asset Management Advisor	78.94	2.59	Rydex Investments	87.28	-0.12
WisdomTree Asset Management	75.93	2.50	Mutual of America Capital Manage	86.78	-0.05
Dimensional Fund Advisors	79.65	2.41	RiverSource Investments LLC	84.33	0.04
Independence Capital Management	80.76	2.26	GAMCO Investors	86.89	0.05
Optique Capital Management	82.11	2.17	Calamos Asset Management, Inc.	86.18	0.13
Cambiar Investors	78.08	2.07	AIM Management Group, Inc.	80.77	0.14
ProShare Advisors	81.65	2.03	Dreyfus Investment Advisors, Inc	82.56	0.17
Neuberger Berman	80.38	2.01	Deutsche Asset Management	86.52	0.20
Rafferty Asset Management	81.56	1.98	Capital Research & Management Co	85.94	0.20
Prudential Financial	81.67	1.92	RS Investment Management Co. LLC	83.52	0.37
Jackson National Asset Management	78.78	1.88	Evergreen Investment Management	79.53	0.40
AIG SunAmerica Asset Management	80.02	1.83	Leader Capital Corporation	74.23	0.45
SEI Investments Management Corp.	82.19	1.76	Morgan Stanley Investment Manage	82.83	0.46
AXA Equitable Funds Management	82.84	1.76	Hartford Investment Financial Se	85.31	0.49
John Hancock Funds	81.44	1.67	Massachusetts Financial Services	83.24	0.60
Thrivent Investment Management	82.73	1.64	Exchange Traded Concepts, LLC	78.20	0.61
OppenheimerFunds	78.74	1.61	Pacific Life Fund Advisors	83.15	0.62
Principal Management Corporation	82.79	1.60	T. Rowe Price Associates, Inc.	82.67	0.63
The Dreyfus Corporation	80.76	1.58	Legg Mason Capital Management, I	84.62	0.64
Russell Investment Group	81.19	1.54	GuideStone Capital Management, I	84.18	0.64
Fidelity	82.33	1.53	AXA Rosenberg Investment Managem	82.51	0.65
Managers Investment Group	81.40	1.52	Goldman Sachs Asset Management L	84.12	0.65
TIAA-CREF Asset Management	83.82	1.51	Barclays Global Investors NA	81.43	0.65
Variable Annuity Life Insurance	82.24	1.50	Victory Capital Management, Inc.	84.21	0.66
First Trust Advisors	83.04	1.47	BlackRock Advisors, Inc.	83.97	0.68
PowerShares Capital Management	83.65	1.46	MassMutual Financial Group	83.64	0.74
Claymore Advisors	78.85	1.43	Janus Capital Management LLC	80.87	0.81
Nuveen Asset Management	83.54	1.43	Eaton Vance Management, Inc.	79.80	0.82
USAA Investment Management Company	83.01	1.38	AllianceBernstein LP	83.75	0.84
Security Investors	83.29	1.38	Grantham, Mayo, Van Otterloo LLC	84.09	0.85
Franklin Advisers	78.84	1.37	Northern Trust Global Investment	84.37	0.86
Columbia Management Advisors	81.33	1.37	Lord Abbett & Co. LLC	85.62	0.88
ProFund Advisors	82.29	1.37	General Electric Asset Managemen	84.55	0.90
Prudential Investments	82.50	1.33	Voya Investment Management, LLC	84.61	0.91
CIBC Asset Management	82.95	1.33	AIG Global Investment Group	82.62	0.93
Delaware Investment Advisers	82.04	1.32	VTL Associates, LLC	84.28	0.94
Putnam Investment Management	78.84	1.30	Morgan Stanley Investment Adviso	83.33	0.98
Charles Schwab Investment Management	80.66	1.30	Northwestern Mutual Funds	83.07	0.99
AST Investment Services	80.85	1.29	EQ ADVISORS TRUST	82.38	1.01
Virtus Investment Advisers	83.31	1.26	Phoenix Funds	79.58	1.05
INVESCO Institutional (N.A.)	83.93	1.24	Allianz Funds	82.03	1.06
New York Life Investment Management	82.58	1.24	Nationwide Fund Advisors	81.79	1.10
MTB Investment Advisors	81.94	1.21	Pioneer Investments	84.27	1.10
Compass Efficient Model Portfolio	82.44	1.19	American Century Investment Mana	84.05	1.11
Transamerica Funds	83.00	1.18	Boston Management and Research	82.22	1.12
Vanguard Group	84.44	1.17	JPMorgan Asset Management, Inc.	82.66	1.13
Wells Fargo Funds Management	83.68	1.17	Delaware Management Company	83.21	1.17

This table examines heterogeneity in fund voting patterns for diverse directors by fund family. As described in Section 5.1, we regress whether a fund family voted for a director in each election on fund family level indicators, an indicator of whether the candidate is diverse, their interactions, and a vector of director and firm controls. The coefficients for the fund family-level fixed effect for diverse directors and base coefficients for non-diverse director voting are presented for the top 100 funds in terms of size in the NPX universe as described in Section 5.1. From these we organize and present the fund families most (top 50) and least (bottom 50) likely to given diverse candidates additional voting support.

Table 8
Fund cross-sectional heterogeneity: Socially responsible investment funds

Panel A: Full sample

	Dependent variable:					
	Fund Support					
	SRI Fund		SRI Fund (Non-Diversity)		SRI Fund (Diversity)	
	(1)	(2)	(3)	(4)	(5)	(6)
Board Diversity × Fund	9.61***	9.31***	9.61***	9.31***		
	(16.22)	(16.03)	(16.21)	(16.02)		
Individual Diversity × Fund	2.16***	2.14***	2.15***	2.15***	1.74**	1.60**
	(11.88)	(12.93)	(11.79)	(12.52)	(2.33)	(2.41)
Controls	Yes	Yes	Yes	Yes	Yes	Yes
Lower-order effects	Yes	Yes	Yes	Yes	Yes	Yes
Meeting fixed effects	No	Yes	No	Yes	No	Yes
Observations	32,604,225	32,603,568	32,604,225	32,604,225	32,604,225	32,604,225
R^2	0.01	0.24	0.01	0.17	0.01	0.17

Panel B: Late sample (2015 – 2018)

	Dependent variable:					
	Fund Support					
	SRI Fund		SRI Fund (Non-Diversity)		SRI Fund (Diversity)	
	(1)	(2)	(3)	(4)	(5)	(6)
Board Diversity × Fund	1.18	0.81	0.31	0.83		
	(1.47)	(1.05)	(0.35)	(1.07)		
Individual Diversity × Fund	1.25***	1.28***	1.16***	1.27***	1.64**	1.58**
	(6.26)	(6.57)	(5.35)	(6.20)	(2.19)	(2.35)
Controls	Yes	Yes	Yes	Yes	Yes	Yes
Lower-order effects	Yes	Yes	Yes	Yes	Yes	Yes
Meeting fixed effects	No	Yes	No	Yes	No	Yes
Observations	14,578,808	14,578,808	14,578,808	14,578,808	14,578,808	14,578,808
R^2	0.21	0.23	0.01	0.16	0.01	0.16

This table examines heterogeneity in fund voting patterns for socially responsible investment (SRI) funds. The dependent variable, Fund Support, is an indicator variable that takes the value of one if the fund votes in favor of the director. The independent variables Board Diversity and Individual Diversity indicate whether there was at least one diverse director on the board and whether the individual director is diverse, respectively. Fund is an indicator variable that takes a value of one if the observation is voting on a director by SRI funds, SRI funds with a diversity-specific mandate, and SRI funds with a non-diversity specific mandate. Director and firm time-varying controls, as described in Section 4.1 and the Appendix, include: Age, Attendance Issues, # Boards, Insider, Tenure, Asset Growth, Debt-Assets, Mkt. Cap., and ROA. In Panel A, all regressions are estimated using the full sample observations described in Section 3, subject to data availability. In Panel B, we limit the sample to just those observations in meeting years 2015 through 2018. Cluster robust t-statistics, by director, are included in parentheses. Levels of significance are presented as follows: *p<0.1; **p<0.05; ***p<0.01.

Table 9
Fund family cross-sectional heterogeneity: Big Three asset managers

Panel A: Full sample

	Dependent variable:					
	Fund Support					
	BlackRock		Vanguard		State Street	
	(1)	(2)	(3)	(4)	(5)	(6)
Board Diversity × Fund	−1.89***	−2.19***	0.58*	0.28	0.49	0.27
	(−5.13)	(−5.74)	(1.69)	(0.86)	(0.94)	(0.52)
Individual Diversity × Fund	−0.51**	−0.59***	−0.36**	−0.48***	1.50***	1.46***
	(−2.20)	(−2.59)	(−2.28)	(−3.25)	(6.21)	(6.13)
Controls	Yes	Yes	Yes	Yes	Yes	Yes
Lower-order effects	Yes	Yes	Yes	Yes	Yes	Yes
Meeting fixed effects	No	Yes	No	Yes	No	Yes
Observations	32,604,225	32,603,568	32,604,225	32,604,225	32,604,225	32,604,225
R^2	0.01	0.24	0.01	0.17	0.01	0.17

Panel B: Late sample (2015 – 2018)

	Dependent variable:					
	Fund Support					
	BlackRock		Vanguard		State Street	
	(1)	(2)	(3)	(4)	(5)	(6)
Board Diversity × Fund	−3.99***	−4.05***	−2.57***	−2.96***	7.98***	8.14***
	(−6.22)	(−6.33)	(−4.33)	(−5.20)	(7.20)	(7.44)
Individual Diversity × Fund	−0.46*	−0.46*	−0.84***	−0.97***	1.86***	1.82***
	(−1.87)	(−1.89)	(−4.62)	(−5.61)	(5.98)	(5.89)
Controls	Yes	Yes	Yes	Yes	Yes	Yes
Lower-order effects	Yes	Yes	Yes	Yes	Yes	Yes
Meeting fixed effects	No	Yes	No	Yes	No	Yes
Observations	14,578,808	14,578,808	14,578,808	14,578,808	14,578,808	14,578,808
R^2	0.21	0.24	0.01	0.16	0.01	0.16

This table examines heterogeneity in fund voting patterns for the Big Three asset managers. The dependent variable, Fund Support, is an indicator variable that takes the value of one if the fund votes in favor of the director. The independent variables Board Diversity and Individual Diversity indicate whether there was at least one diverse director on the board and whether the individual director is diverse, respectively. Fund is an indicator variable that takes a value of one if the observation is voting on a director by BlackRock, Vanguard, or State Street as specified by the column headers. Director and firm time-varying controls, as described in Section 4.1 and the Appendix, include: Age, Attendance Issues, # Boards, Insider, Tenure, Asset Growth, Debt-Assets, Mkt. Cap., and ROA. In Panel A, all regressions are estimated using the full sample observations described in Section 3, subject to data availability. In Panel B, we limit the sample to just those observations in meeting years 2015 through 2018. Cluster robust t-statistics, by director, are included in parentheses. Levels of significance are presented as follows: *p<0.1; **p<0.05; ***p<0.01.

Table 10
Proxy advisor support for candidate and board diversity

Panel A: Individual candidate diversity support

	Dependent variable:					
	ISS Support					
	(1)	(2)	(3)	(4)	(5)	(6)
Diverse	2.11***	1.86***	0.45*			
	(6.69)	(5.86)	(1.94)			
Racially Diverse (A)				1.24***	1.12***	0.46
				(3.11)	(2.82)	(1.54)
Female (B)				2.38***	2.10***	0.51**
				(6.84)	(6.11)	(2.07)
Coef. Diff. (A) - (B)	-	-	-	-1.14***	-0.99***	-0.05
Controls	Yes	Yes	Yes	Yes	Yes	Yes
Industry, year fixed effects	No	Yes	No	No	Yes	No
Meeting fixed effects	No	No	Yes	No	No	Yes
Observations	116,850	116,850	118,299	116,850	116,850	118,299
R^2	0.02	0.04	0.67	0.02	0.04	0.67

Panel B: Board vs. individual diverse candidate support

	Dependent variable:					
	ISS Support					
	Diversity		Racial Diversity		Gender Diversity	
	(1)	(2)	(3)	(4)	(5)	(6)
Board Diversity (A)	5.59***	5.27***	4.27***	4.07***	6.20***	5.88***
	(11.66)	(10.85)	(14.81)	(13.41)	(14.06)	(13.04)
Individual Diversity (B)	1.16***	1.10***	−0.61	−0.50	1.17***	1.14***
	(3.62)	(3.46)	(−1.48)	(−1.25)	(3.36)	(3.32)
Coef. Diff. (A) - (B)	4.44***	4.17***	4.87***	4.57***	5.03***	4.74***
Controls	Yes	Yes	Yes	Yes	Yes	Yes
Industry, year fixed effects	No	Yes	No	Yes	No	Yes
Observations	116,850	116,850	116,850	116,850	116,850	116,850
R^2	0.03	0.04	0.03	0.04	0.03	0.05

This table examines the effect of overall board diversity and individual director diversity on director support from proxy advisory firms. Panel A presents regressions of ISS voting recommendations for directors on director diversity characteristics. Panel B presents regressions of ISS voting recommendations for directors on board-level and director-level diversity. Columns (1) and (2) of Panel B explore the importance of board vs. individual level diversity across both gender and race. Columns (3) and (4) of Panel B explore the importance of board vs. individual level racial diversity. Columns (5) and (6) of Panel B explore the importance of board vs. individual level gender diversity. Director and firm time-varying controls, as described in Section 4.1 and the Appendix, include: Age, Attendance Issues, # Boards, Insider, Tenure, Asset Growth, Debt-Assets, Mkt. Cap., and ROA. All regressions are estimated using the full sample observations described in Section 3, subject to data availability. Cluster robust t-statistics, by director, are included in parentheses. Tests of differences in coefficients between Board Diversity and Individual Diversity are presented with p-values based on F-tests using a cluster robust covariance matrix (by director). Levels of significance are presented as follows: *p<0.1; **p<0.05; ***p<0.01.

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