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Beyond shareholder value?

Why firms voluntarily disclose support for Black Lives Matter

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ABSTRACT

We investigate why firms voluntarily disclose support for the Black Lives Matter movement (BLM firms) even though these disclosures have little impact on shareholder value. We examine two competing explanations: that managers are acting in the interests of a broad set of stakeholders, or that they are engaging in “woke-washing.” Our evidence supports the stakeholder perspective since we find that BLM firms have more inclusive cultures on multiple dimensions – from their board members, to employees, to the rights of shareholders, and to the compensation structure of top executives. Furthermore, BLM firms face less risk in speaking out since they are part of stakeholder networks that are more supportive of BLM. BLM firms have competitors that spoke out, share directors with other firms that spoke out, and are headquartered in communities that supported BLM. We develop an “inclusivity index” that classifies 68 percent of BLM firms as “authentic” and 18 percent as “woke-washing.” Out of sample tests verify that the inclusivity index is useful for predicting which firms speak out on other social causes.

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“Amid the woke-washing and posturing, it can be difficult to see what is authentic and what isn’t.” (Davies, 2020, The Guardian)

I. INTRODUCTION

The killing of George Floyd by Minneapolis police on May 25, 2020 triggered one of the largest social movements in United States history, with up to 15 to 26 million people participating in Black Lives Matter (BLM) protests across the country within a month of Floyd’s death (see Buchanan, Bui, and Patel, 2020). Protesters’ goals included the overhauling of policing locally and nationally, improving educational and economic opportunities for all Americans, and simply to express the “hurt and fury” from hundreds of years of racial inequality in the United States (Foroohar, 2020; Godfrey, 2020). When asked why he joined BLM protesters in a march to the White House on June 8, Republican senator Mitt Romney said “to end violence and brutality, and to make sure that people understand that Black Lives Matter” (Nathanson, 2020).

Support for the Black Lives Matter movement in the wake of George Floyd’s death was widespread: in a poll conducted in early June 2020, the Pew Research Center found that two-thirds of adult Americans, and at least a majority of adults of every racial group, supported BLM (Parker, Horowitz, and Anderson, 2020). However, the support was polarized along party lines: the same poll found that Democrat or Democrat-leaning adults were far more likely to support BLM than Republican or Republican-leaning adults. Then-President Donald Trump vacillated between support and opposition, for example calling BLM protesters “THUGS” on Twitter, and then writing that he understood the community’s “hurt and pain” within the same day (Calamur, Rascoe, and Wise, 2020). He later mocked Romney for participating in a BLM protest (Villarreal, 2020). The U.S. Department of Homeland Security also assessed that “white supremacists were working online to increase tensions between protesters and law enforcement” (Hesson, Hosenball, Rosenberg, and Heath, 2020).

Also notable about the BLM movement was the large number of companies that came out in support of the movement, particularly in the period after George Floyd's death. This phenomenon was widely commented upon by journalists, academics, and politicians, with some seeing it as simply a form of marketing by firms attempting to align their "corporate values with what customers care about" (Hsu, 2020). In this paper we investigate what motivated corporations to voluntarily disclose their support for the Black Lives Matter (BLM) movement. We investigate two competing explanations. The first is that firms spoke out in support of BLM and Black Americans because they had corporate cultures that genuinely embraced the idea of social equality. The second is that firms spoke out because it was viewed as a good marketing decision: speaking out would attract positive attention from current and potential customers and investors.

Should corporations speak out in support of social movements? How one responds to this question boils down to one's beliefs about the role of the corporation. Milton Friedman's view of the world, one embraced by many economists, politicians, and business leaders, is that the single and most important goal of the corporation is to maximize shareholder value. In fact, he wrote that profit-maximization is the sole *social* responsibility of business:

"there is one and only one social responsibility of business—to use its resources and engage in activities designed to increase its profits so long as it stays within the rules of the game" (Friedman, 1970).

This view suggests that top executives should focus on profit maximization and seek only to invest in activities that offer a positive return to investors. Under this perspective, a corporation should avoid involvement in social issues unless there is some way to turn the issue into a wealth-maximization advantage. Consistent with this perspective, Senate Minority Leader Mitchell McConnell recently said, "My advice to the corporate CEOs of America is to stay out of politics. Don't pick sides in these big fights." (Cowan, 2021)

This view stands in contrast to the broader “stakeholder” view of the corporation, which sees a wide range of groups as having stakes in the corporation, including shareholders, employees, local communities, and arguably even the natural environment (see Donaldson and Preston, 1995; Freeman et al. 2010). Stakeholder theory contends that the firm has a duty to serve the interests of these stakeholders, all of whom derive benefits from the corporation so that there is “no prima facie priority of one set of interests” (e.g., the interest of shareholders only) over other sets of interests (Donaldson and Preston, 1995, 68). Under this view, the corporation should take a stance on social issues if it is in the interest of stakeholders to do so, even if doing so has little impact on the bottom line and shareholder value. Shareholders are only one stakeholder, and measuring success purely as the degree to which their interests are served would neglect the many groups that may be affected by the action or inaction of a corporation.

The view that corporations should respond to social issues does not come only from an academic perspective that takes a broader view on the role of the corporation. Another source of pressure comes from the increasing power of individual investors (see, for example, SEC, 2021), who have turned their attention to environmentally-conscious, socially-conscious, and better-governed firms. This demand has created funds that seek to invest in socially-conscious firms, and led to the creation of indices that rank firm based on how well they have performed on various environmental, social, and governance (ESG) metrics. This investor-driven movement stems partly from the awareness that government structures and the legal system are too inflexible or lack the global reach or motivation to make the necessary changes. Therefore, these type of investors are voting with their money to help the causes they believe in, whether or not such investments offer the best return available. The motivation is not to invest in the firm that offers to maximize return; the motivation is to support the firm that acts responsibly based on broader sets of stakeholder values.

We find that about 29 percent of firms in the S&P 1500 voluntarily disclosed support for BLM or Black Americans via either their websites or main Twitter accounts during the month following the death of George Floyd (henceforth “BLM firms”). Our first tests investigate whether managers provided these disclosures in order to improve shareholder value, consistent with Friedman’s view of the role of the corporation. We find no statistical evidence that BLM firms had abnormal returns relative to other firms in the month following George Floyd’s death, and little evidence of short-window returns around Tweets in support of BLM. We find that only the Tweets that go viral, defined as Tweets with at least 100 likes, elicit a positive stock market response. While it is difficult to predict whether a Tweet will go viral (see, for example, Jenders, Kasneci, and Naumann, 2013), the finding for viral Tweets suggests that Twitter attention does transfer to some degree to investor attention and that Tweets can have a positive valuation impact. However, this result is not necessarily incrementally important for BLM and is not readily predictable by management. Therefore we find little or no evidence that BLM support is driven by the objective of increasing shareholder value.

We next investigate whether corporate support for BLM is motivated by a corporate culture that seeks to represent the views and serve the interests of a broader set of stakeholders, including but not exclusively the interest of shareholders. We report evidence that BLM firms have more inclusive corporate cultures along three dimensions. First, we find that the leadership of BLM firms is more diverse than that of other firms, as evidenced by greater gender and racial diversity of their board members. Second, we find that BLM firms have had better track records serving the interests of a broader set of stakeholders. Specifically, they have stronger shareholder rights, ESG performance, and workforce scores. BLM firms’ stronger ESG performance is driven particularly by the *social* (“S”) component of ESG, which takes into account the firm’s relationship with its employees, customers, and community, and their higher workforce scores are driven by commitments towards maintaining workforce

diversity and equal opportunity, and at providing training and development. Third, we find that BLM firms' executives are more likely to have "skin in the game", because the Compensation, Discussion and Analysis sections (CD&A) of their proxy statements discuss equity and inclusion and the importance of diversity to a greater extent than that of firms that did not speak out in support of BLM or Black Americans.

Next, we investigate the role of external pressure by stakeholder networks in influencing firms' decisions to support the BLM movement. First, it is likely to be easier to support a social cause when peers also do so: ESG practices, for example, have been shown to spread via peer firms (e.g. Cao, Liang, and Zhan, 2019).¹ Consistent with peers playing an important role, we find that a firm is more likely to speak out in support of BLM when it is interlocked via its board to other firms that also do so, or when it has product market competitors that also do so. Second, firms supporting a social cause also risk backlash if public opinion of the cause is polarised. For example, former President Trump called for boycotts against organizations, or the firing of executives, aligned with policies or practices he did not agree with (see Dale, 2020). Consistent with the risk of backlash playing an important role, we find that firms are more likely to support BLM if they are headquartered in communities that are more supportive of BLM. Specifically, in Democrat states or in cities with more frequent violent BLM protests. We also find that larger firms are more likely to support BLM, suggesting that firms are more likely to do so if they can bear the risk of public backlash. We also find that support for BLM varies by industry, with firms in the consumer sector being the most likely to support BLM, underscoring that the opinion of a firm's individual customers is likely to influence firms' decisions to speak out.² Taken together, these results suggest that

¹ Practitioners have also emphasized the role of peer effects in ESG. For example, the CEO of the Global Reporting Initiative said that firms that do not provide certain ESG information due to proprietary costs or the costs of compliance are "on thin ice" if their competitors all do so (see PwC, 2021, from about 30:32).

² These findings also provide support for the SASB's industry-specific approach to identify the subset of environmental, social, and governance (ESG) issues most relevant to each industry (SASB, 2021).

external pressure from stakeholder networks, particularly the risk of backlash, influences the decision to speak out in support of BLM.

Although we find evidence that firms supported the BLM movement in order to serve the interest of stakeholders, it does not rule out the possibility that firms may also have done so out of self-interest. The media, industry leaders, social media users, and academics have frequently raised the concern that corporations that support social movements are simply woke-washing, that is “using the trappings of social justice for commercial gain” (see Jones, 2019, and Davies, 2020). While we find little evidence that speaking out about BLM had a positive stock price impact *ex post*, there may be other self-serving motivations for supporting BLM. In particular, we hypothesize that firms may have supported BLM to justify prior stock price underperformance. Because Trump and Republicans in general were less than supportive of BLM, the movement provided a means by which firms could distance themselves from Trump in a very prominent way. Companies that underperformed during Trump’s presidency could therefore support BLM and indirectly blame the underperformance on a misalignment with Trump’s policies. We find evidence consistent with this: BLM firms have more negative buy-and-hold abnormal returns during Trump’s presidential term and more negative returns in the month immediately prior to the death of George Floyd.

Our results therefore suggest a pooling equilibrium in which firms disclosing support for BLM are of multiple types, including those driven by an authentic desire for social change, and woke-washers. Our final tests aim to distinguish these types. We construct an *inclusivity index* that captures the extent to which firms represent the views and serve the interests of a broad set of stakeholders. Specifically, the index is an equally-weighted composite of whether firms’ shareholder rights, ESG performance, workforce diversity, workforce training and development, board racial diversity, and board gender diversity are greater than or equal to their medians. Using the midpoint of the index as the cut-off for firms with high or low

inclusivity, we find that 68 percent of BLM firms are “authentic” (high inclusivity), and 18 percent are “woke-washing” (low inclusivity).³ We also predict that high-inclusivity firms are more likely to speak out about other social movements. Consistent with this prediction, we show that high-inclusivity firms are more likely to speak out about the storming of the U.S. Capitol (January 6, 2021), the Atlanta spa shootings (March 16, 2021), and the passage of SB 202 in Georgia (March 25, 2021). In addition, high-inclusivity BLM firms were more likely to sign open letters in support of social causes, specifically the 2017 Dreamers letter, the 2021 Business Statement on Anti-LGBT State Legislation, or the 2021 We Stand for Democracy statement.

Our findings provide new insights for ESG standard setting and reporting. First, our findings call into question the use of “financial materiality” by the SASB (now named the Value Reporting Foundation) as a criterion by which issues are included in the SASB Standards. The SASB defines financially material information, in short, as information that is expected to influence investment or lending decisions (see SASB, 2020, 7). However, we find that disclosing support for BLM had little stock price impact despite the fact that it was one of the largest social movements in the United States, suggesting that disclosures that may be highly relevant to many stakeholders may have little influence on investment decisions. Furthermore, our results suggest that most disclosing companies acted out of an authentic desire for social change. Requiring the issues in SASB standards to influence investment or lending decisions perhaps misses the point that many socially-responsible firms may be “authentic”. Our findings therefore also support the Global Reporting Initiative’s (GRI) call for “transparency that meets the needs of all stakeholders” rather than the disclosure only of financially material information (GRI, 2021).

³ In other words, high-inclusivity (low-inclusivity) firms are those that are at least at the median for strictly more than half (strictly less than half) of the components of the inclusivity index.

Second, our results show that a firm's ESG performance and the inclusivity of its corporate culture in general are predictive of subsequent firm actions that are relevant to stakeholders, underscoring the importance of encouraging sustainability and ESG disclosures. Specifically, we show that board diversity, shareholder rights, ESG performance, and workforce inclusivity can predict speaking out in support of BLM, and that our inclusivity index predicts speaking out about BLM and subsequent social justice events. Better access to sustainability reports can therefore help stakeholders better identify and predict the firms that will support or participate in social causes. Finally, our results suggest that even in a voluntary disclosure environment, firms provide useful information with respect to equity and inclusion, a particularly important insight in the current rapidly-evolving semi-mandatory and mandatory ESG reporting landscape (see PwC, 2021).

II. PRIOR LITERATURE

Our study builds on and contributes to several streams of literature in accounting, finance, marketing, and management. First, our initial tests on the impact of speaking out on stock market valuation contributes to the recently-emerging literature on the consequences of firm and CEO social and political activism. Several studies in this line have focused on the impact of such activism on firms' financial performance and stock valuations, with mixed findings. Bhagwat, Warren, Beck, and Watson (2020) study the impact of speaking out about partisan socio-political issues using a dictionary search for relevant topics in firm announcements, including announcements by CEOs. In their sample of 293 announcements by 149 firms, they find that short-window stock reactions to speaking out are *negative* on average, but positive when the speaking out has greater alignment with stakeholders' values. They also find that speaking out results in more positive (negative) sales growth when the alignment is greater (lower). In contrast, Mkrtchyan, Sandvik, and Zhu (2021) find in a sample of S&P 500 firms that CEOs speaking out about socio-political issues results in a *positive* short-window

stock reaction on average. They find that firm-years in which CEOs speak out more have better financial performance and CEO outcomes by various metrics including equity valuation, employee productivity, innovation, and CEO outside board seats. The mixed findings above is consistent with the relationship between speaking out and firm financial and stock performance being complex and moderated by other firm characteristics and circumstances.⁴ Our study contributes to this line of research by focusing specifically on the BLM protests after May 25, 2020. The protests were one of the largest social movements in the United States and would have been a salient issue to investors across the country, providing an opportunity to examine the extent to which firms use disclosures about social issues to influence firm value.

Second, our study is also related to the broader stream of literature on corporate CSR disclosures. Huang and Watson (2015) classifies CSR research in accounting into several categories: (1) determinants and consequences of CSR; (2) the relation between CSR and financial performance; and (3) the role of CSR disclosure and assurance. Our study is most closely related to the CSR disclosure literature (see, e.g., Christensen et al., 2018 for a comprehensive review). What determines voluntary CSR disclosures? Previous studies have documented that CSR reporting decisions are associated with firm size (Hahn and Kühnen, 2013; Thorne et al., 2014), ownership structure (Teoh and Thong, 1984; Höllerer, 2013), corporate governance structures (Mallin, Michelon, and Raggi, 2013; Dalla Via and Perego, 2017), managerial traits (e.g. Lewis, Walls, and Dowell 2014), and industry (e.g. Byrd et al, 2017). We contribute to understanding the motives for CSR disclosures by examining whether firms are acting in the interest of stakeholders or in their own self-interest (“woke-washing”),

⁴ Ovtchinnikov, Reza, and Wu (2020), for example, argue that corporate political activism facilitates firm innovation because it reduces political uncertainty. Billings, Klein, and Shi (2021), find that market reactions to the #MeToo Movement depends on the existing culture of the firm, specifically, the firms’ historical board gender diversity. Speaking out may also have a long-term impact on financial performance via increased access to the policy-making process (see Werner, 2015). Other research on the consequences of firm or CEO activism have found that it has an impact on other stakeholders including customers (Bhattacharya and Sen, 2003; Chatterji and Toffel, 2019; Korschun, Rafieian, Aggarwal, and Swain, 2019; Durney, Johnson, and Sinha, 2020), employees (Weber Shandwick & KRC Research, 2018), and suppliers (Dai et al., 2020).

a question that has frequently been raised due to increasing socio-political disclosures by corporations (e.g. Davies 2019, 2020; Jones, 2019). Furthermore, using the BLM setting allows us to examine a form of CSR disclosure that is unrelated to the firm’s underlying CSR activities, allowing us to examine the determinants of the disclosure without confounding due to CSR performance.⁵

Finally, our study also contributes to the literature on the use of Twitter as a tool for information dissemination (e.g. Jung, Naughton, Tahoun, and Wang, 2018, and Chen, Hwang and Liu, 2019), and our study is also related to the recent stream of research on corporate social responsibility and socially responsible investing (e.g., Di Giuli and Kostovetsky, 2014; Hartzmark and Sussman, 2019; Krueger, Sautner, and Starks, 2019; and Pan, Pikulina, Siegel, and Wang, 2019). For example, Naughton, Wang, and Yeung (2019) find that investor sentiment affects both the stock price response to announcements of CSR activities, and firms’ CSR performance. As mentioned previously, CSR disclosures are unrelated to underlying CSR activities in our setting, allowing us to examine the premium on CSR disclosures independent of CSR performance. Our finding that there is little stock return to speaking out about BLM after May 25, 2020 could reflect either that social justice is not an investment criterion for socially-responsible investors, or that they find it difficult to distinguish authentic firms from “woke-washers”, underscoring the need for a method for readily distinguish the two.

III. EMPIRICAL PREDICTIONS

3.1 Background

During the month after the killing of George Floyd, almost 30 percent of our sample of S&P 1500 firms, and over 60 percent of the largest firms in our sample, spoke out in support

⁵ In concurrent research, Brownen-Trinh and Orujov (2020) examine several determinants of corporate support for BLM. They find in a sample of S&P 500 firms that firm size, board diversity, and ESG performance is associated with support for BLM. Using the S&P 1500, we examine a large set of determinants corresponding to a broad range of stakeholders; predict and find evidence of woke-washing using prior returns; and construct an inclusivity index that is predictive of speaking out on BLM, and also on other social justice events.

of the Black Lives Matter (BLM) movement and Black Americans on their websites or Twitter accounts. The most-“favorited” Tweet in our sample, with over one million likes at the time of writing, stated that speaking out was a matter of duty to Black stakeholders:

“To be silent is to be complicit. Black lives matter. We have a platform, and we have a duty to our Black members, employees, creators and talent to speak up.” (Netflix, 2020a)

In addition to simply expressing the need to speak out, during the month after George Floyd’s death, companies used their platforms to highlight the experience and voices of Black Americans (e.g. Microsoft, 2020; Netflix, 2020b), discuss efforts to combat racism (e.g. Google, 2020; State Street, 2020), come out strongly against alleged incidents of racism (e.g. Franklin Templeton, 2020; Harley-Davidson, 2020), and even announce the shutting down of services in memory of George Floyd (e.g. Rockstar Games, 2020). Appendix A provides examples of firms speaking out after George Floyd’s death via their websites or main Twitter accounts.

The deluge of support for BLM and Black Americans by many of the largest firms in the United States was widely commented upon by journalists, academics, and politicians. Many questioned the firms’ motives. Some saw corporate speaking out as a form of marketing by firms attempting to align their “corporate values with what customers care about” (Hsu, 2020). Then-President Donald Trump criticized firms that support BLM as “weak”, saying that “they just do what’s the easiest path” (Sink, 2020).

How, then, can stakeholders distinguish authentic corporate support for social justice from woke-washing? Advocates for authentic corporate efforts for combating racial inequality often emphasize the importance of long-term structural and cultural changes to facilitate real change, beyond simply expressing opposition to racial injustice. For example, Opie and Roberts (2017) note the importance of tone at the top, structures within the firm to address

racial inequality, and the development of relationships with Black organizations. More recently, Dowell and Jackson (2020) advocate for corporate action plans to meet social justice goals, and structural changes in the firm's leadership and in its relationships with both its stakeholders and employees. Relatedly, the media often suggests that companies' track records are important for assessing the authenticity of corporate speaking out. The actions that constitute a "good" track record are varied: examples include the level of diversity in leadership positions, racial disparities in hiring and pay, how the firm responds to racial controversies, and investing in social and environmental initiatives (see Davies, 2020; Duarte, 2020; Jan, McGregor, Merle, and Tiku, 2020).

3.2 Predictions

Our overall research objective is to investigate whether firms that spoke out in support of Black Lives Matter and Black Americans did so out of an authentic desire for a more equitable society, or whether they did so for less authentic reasons. Our preliminary test is to determine whether this voluntary disclosure was done for the commonly-assumed motive for managerial action, which is to increase shareholder value:

Prediction 1: Firms voluntarily disclose support for Black Lives Matter to increase shareholder value.

We note that finding little or no stock reaction to speaking out does not rule out that managers' intention is to maximize shareholder value. Investors could have anticipated the disclosure based on the firm's corporate culture or other characteristics, or could rationally assume that speaking out is "woke-washing" and of no consequence.

Irrespective of the stock price reaction, our next set of predictions seeks to better understand what motivates a firm to disclose support for BLM and Black Americans. If a firm's support for BLM is due to an authentic desire for inclusivity and equity, then we expect

the firm to have a better track record of representing the views and serving the interests of a wide range of stakeholders. Specifically, we examine board gender and racial diversity, shareholder rights, ESG performance, workforce inclusivity, and the extent to which firms consider equity and inclusion in executive compensation. Our null is that firms that speak out will not vary from other firms along these dimensions.

Prediction 2: Firms voluntarily disclose support for Black Lives Matter when they have past track records of greater inclusivity.

We next consider the role of stakeholder networks, including peer firms, the local community, and customers, in influencing the decision to speak out. First, prior literature suggests that a variety of corporate behaviours and decisions can spread between firms, including misconduct (e.g. Khanna, Kim, and Lu, 2015; Dechow and Tan, 2021), disclosure choices (e.g. Cai, Dhaliwal, Kim, and Pan, 2014), and ESG practices (e.g. Cao, Liang, and Zhan, 2019). We predict that it is easier for a firm to support a social cause when its peers also do so; for example, a firm that chose to speak out about a controversial or polarizing cause may face a lower risk of criticism or stigma if its peer firms also do so. We examine two types of peer firms: firms interlocked via their boards, and firms that are product market competitors.

Prediction 3: Firms voluntarily disclose support for Black Lives Matter when their peer firms do so.

Next, if support for Black Lives Matter is believed to purely be “cheap talk” that is irrelevant to all stakeholders, then we would not expect firms to fear a risk of backlash from customers, politicians, or other stakeholders. On the other hand, if firms face the possibility of a backlash for speaking out, then we expect cross-sectional variation in support for BLM based on the potential costs of such disclosure. We predict that firms headquartered in Democrat states or in cities most supportive of BLM, and firms in high tech industries, are likely to face

lower costs of speaking out in support of BLM because their customers, employees and local communities are more likely to support their decision.

Prediction 4: Firms voluntarily disclose support for Black Lives Matter when customers, employees and the local community support the movement.

Finally, we examine whether there is evidence that firms are “woke-washing” when they spoke out in support of BLM, that is, they did so out of self-interest and not because they were genuinely concerned with social change. One self-serving motivation for supporting BLM is to justify stock price underperformance. By supporting a social movement that Trump and Republicans in general were less than supportive of, firms that underperformed during the Trump administration could indirectly blame the underperformance on a misalignment with Trump’s policies.

Prediction 5: Firms voluntarily disclose support for Black Lives Matter when their stock price performed poorly during President Trump’s administration.

In summary, support for Predictions 2 through 4, is consistent with managers having a broader “stakeholder” perspective of the objective of the firm. Support for Prediction 1, is consistent with managers having a shareholder value-maximization objective, and support for Prediction 5 is consistent with woke-washing.

IV. SAMPLE

Panel A of Table 1 documents our sample selection procedure. Our sample is based on S&P 1500 firms to allow a reasonable sample size for collection of firm disclosures, and in order to match our sample with the coverage of Institutional Shareholder Services (ISS, formerly RiskMetrics). We begin with all 1,526 S&P 1500 firms with an annual meeting in 2019 recorded by ISS. After requiring CRSP coverage as of May 25, 2020, the date of George

Floyd’s death, and Compustat coverage within a year before May 25, 2020, there are 1,478 unique firms in our sample. One firm drops from the sample after we require availability of our main variable of interest and main control variables used in all of our regressions. Finally, we omit Fox Corp and the New York Times Co because their main Twitter accounts primarily report the news, and it would be unreliable to attempt to infer support for causes from the nature of their reporting about the causes. Our full sample therefore comprises 1,475 unique firms.

[Please insert Table 1 about here]

Our main variable of interest is *spekout_blm*, which equals one if a firm spoke out in support of BLM or Black Americans in the 30 days following George Floyd’s death on May 25, 2020 inclusive, via its website or main Twitter account, and zero otherwise. We focus on voluntarily disclosures via websites and Twitter since these platforms can be updated in a timely manner and have wide outreach. We explain the construction of *spekout_blm* below, and list all variable definitions in Appendix B.

Disclosures via Homepages and Newsroom Pages

We identify firms in our S&P1500 sample that expressed their support for BLM and Black Americans by posting their support on their website homepages and newsroom pages.⁶ To systematically capture firms’ speaking out via their websites, we rely on a combination of (1) contemporaneous searches of company webpages and (2) the Internet Archive’s Wayback Machine, which allows users to search for archived historical versions of webpages.

First, we extract the contents of firms’ homepage and newsroom URLs in the one-month period after May 25, 2020, in order to archive each firm’s contemporaneous online disclosures in the time period of interest. We were able to contemporaneously archive the homepages and newsroom pages for most firm in our sample. Next, we use the Wayback

⁶ Our study is related to the emerging literature on corporate website disclosures. Please see Boulland, Bourveau, and Breuer (2021) and Lynch and Taylor (2021).

Machine to retrieve the webpages of firms we were not able to collect contemporaneously, and also in order to retrieve archived versions of webpages as of different dates, since firms may post announcements to their webpages only temporarily. Specifically, we searched the Wayback Machine for archived versions of the webpages as of May 25, May 26, June 1, June 5, June 8, June 12, June 15, and June 19, 2020.⁷ The stored webpages are then parsed against wordlists to identify whether firms spoke out about BLM (e.g., “Black people”, “Black Lives Matter”, “George Floyd”, and “racism”), and we check the results by hand for accuracy. Appendix A provides several examples.

Disclosures via Corporate Twitter accounts

We identify Tweets related to BLM by first identifying each firm’s main Twitter account, and then retrieving relevant Tweets using a combination of text-searching, manual checking, and hand-collection. We identify the main Twitter accounts by hand: we use the Twitter account stated on the firm’s website if available, otherwise we identify the account by searching for the firm’s name on Twitter. Rarely, the search may identify multiple accounts linked to the company: we identify the main account based on the degree to which it is populated with Tweets, whether it represents the firm as a whole rather than specific segments, or whether it is linked to the firm’s main product, brand, or subsidiary.⁸

Next, we retrieve as many Tweets as possible from each account’s timeline using the *rtweet* package in R (Kearney, 2019). Due to technical limitations at Twitter, we are able to

⁷ We use Mondays and Fridays of the week for the one-month period. We also used May 25 to have a version of the website on the date of the event. Perl code was used to extract the Wayback Machine’s company URLs for the specific dates. We use the Wayback Machine’s API URL to get the Company URLs, and we download and store the versions of the webpages as of each date. The webpages were stored using Python’s “BeautifulSoup from bs4” and “Webdriver from Selenium” modules. The frequency with which the Internet Archive captures snapshots of webpages varies per website, with the site archived once per crawl. How often a site is crawled varies widely in the Wayback Machine. If the Wayback Machine does not have an entry for the specific date, we search between the dates in order to cover the entire time period.

⁸ For example, Energizer Holdings operates a careers account, @EnergizerJobs, and an account linked to a brand, @Energizer. We select the latter as the main account since it was substantially more populated at the time of data collection, and is also linked to the company’s namesake brand.

retrieve only the most recent 3,200 Tweets using this method (see Twitter, 2021), so we may not be able to retrieve Tweets during certain one-month periods for very populated accounts. For such accounts, we retrieve candidate Tweets manually using Twitter’s search tool. Finally, we use regex search patterns to identify Tweets published in the one-month period following George Floyd’s death that spoke out in support of BLM and Black Americans. The search patterns include words and phrases related to Black people, Black Lives Matter, George Floyd, and racism. Please see Appendix A for several examples.

Panel B of Table 1 documents the number and percentage of firms in our sample that spoke out in support of BLM or Black Americans via either their websites or Twitter. We identified 169 firms that spoke out via their websites, 372 that spoke out via Twitter, and 110 firms that spoke out on both platforms. In total, 431 firms, or over 29% of our sample of S&P 1500 firms, spoke out via either platform.

Panel C of Table 1 provides descriptive statistics of *speakout_blm* and the key control variables used throughout our analyses, including the differences in the means of the variables between firms that spoke out (BLM firms) and firms that did not (non-BLM firms). At the univariate level, the most statistically significant differences between BLM and non-BLM firms are in firm size and social media activity. Specifically, BLM firms are about four times as large as non-BLM firms ($e^{1.345} = 3.84$), have about 46 times as many followers on Twitter ($e^{3.835} = 46.29$), and have about ten times as many Tweets ($e^{2.257} = 9.55$). In untabulated tests we find that the number of Twitter followers and Tweets are highly positively correlated with firm size (Pearson correlations of 44.8 and 31.8 percent respectively). At the univariate level, BLM firms are slightly older, have slightly higher leverage, and have slightly higher return on assets than non-BLM firms, and there is no significant difference in sales growth between BLM and non-BLM firms. We include industry fixed effects throughout our analyses, and all

continuous variables other than returns-related variables are winsorized at the first and 99th percentile.⁹

V. EMPIRICAL RESULTS

We present our results from testing the empirical predictions in four sections. We first examine the stock price response to disclosing support for BLM or Black Americans in the 30 days following May 25, 2020. We then examine whether the disclosures are motivated by firms that have adopted a stakeholder perspective as indicated by various aspects of their corporate cultures. Next, we examine whether stakeholder networks influence the decision to disclose support, including the influence of peer firms and the local community. Finally, we examine a possible woke-washing motivation for speaking out. We then conclude this section by constructing an “inclusivity index” to distinguish authentic firms from “work-washing” firms, and show that the index also predicts whether firms speak out about other social issues.

5.1 Expressing support for BLM to increase shareholder value

Our first test examines whether speaking out in support of BLM or Black Americans during the month after May 25, 2020 affected firm returns during the month. Specifically, we examine the market-adjusted buy-and-hold returns for the 20 trading days starting the second trading day after May 25, 2020 (*post_event_ret*). We omit the event date and one trading day to avoid capturing any short-window market reactions to the death of George Floyd. In addition to the main control variables used across our analyses, we include controls for the firm’s recent market-adjusted returns (*event_ret* and *pre_event_ret*). Our results are presented at Table 2. Column (1) uses the full sample, and we find no statistically significant relationship between market-adjusted returns and speaking out during the month after May 25, 2020. Columns (2)

⁹ We use the Fama-French sectors as industry fixed effects in our regression analyses further in the paper. We use a relatively lower-granularity industry definition for industry fixed effects to reduce the problem of perfect separation when we run the analyses using events in which speaking out is comparatively rare (for example speaking out about SB 202).

through (4) examine the stock market reaction to speaking out for firms located in Democrat (“Blue”), Battleground, or Republican (“Red”) states. We find no statistically significant results within these subsamples.

[Please insert Table 2 about here]

Next, we examine the short-window stock price reaction to Tweets in support of BLM or Black Americans during the month after May 25, 2020, since we have the date of each Tweet. We document the results in Figure 1, which plots the average daily market-adjusted buy-and-hold return starting the tenth trading day before the Tweet date, for all Tweets (dotted line) and viral Tweets (solid line). We define viral Tweets as those with at least 100 likes, about 16.6 percent of the Tweets. We find no market reaction to the Tweets on average, but a large market reaction following viral Tweets starting on the date of the Tweet. Note that it is difficult for management to predict the virality of Tweets *ex ante*. Jenders, Kasneci, and Naumann (2013), for example, find that the most important feature for predicting Tweet virality is simply the number of followers the Twitter account has. With the exception of the number of URLs linked, textual features of Tweets such as sentiment, length, and number of hashtags have little weight in predicting virality (see their Table 4). Our results therefore suggest that speaking out has little to no impact on shareholder value; or that any impact on shareholder value appears to be unpredictable *ex ante*.

[Please insert Figure 1 about here]

5.2 A corporate culture of equity and inclusion driving the willingness to speak out

Tables 3 to 5 document our results from examining Prediction 2, that firms voluntarily disclose support for BLM when they have past track records of greater inclusivity. In other words, we examine whether there is evidence that BLM firms seek to represent the views and serve the interests of a wide range of stakeholders, including but not exclusively shareholders. We estimate the following regression model:

$$\text{logit}(\text{speakout_blm}) = \beta_0 + \beta_1 \text{Determinant} + \gamma \text{Control variables} + \varepsilon \quad (1)$$

where the determinants include board diversity, shareholder rights, ESG performance, workforce equity, and inclusive language in the Compensation Discussion and Analysis section of the proxy statement. The control variables are as listed in Panel C of Table 1, and we include industry fixed effects. Please see Appendix B for full variable definitions.

5.2.1 Board racial and gender diversity

Table 3 documents our results from examining whether BLM firms have greater board racial and gender diversity than non-BLM firms. We construct measures of board gender and racial diversity using ISS data as of the most recent annual meeting before May 25, 2020. Director gender is as coded by ISS. We code each director's race starting with the ethnicity variable in ISS, but due to directors with missing ethnicity, we supplement it with each director's predicted race based on his or her last name. Specifically, we use the *predictrace* package in R that maps last names to races based on U.S. Census data; we use the race (American Indian, Asian, Black, Hispanic, or White) with the highest matching probability (see Kaplan, 2019). Next, we manually map the ethnicity categories coded by ISS to the races in *predictrace*; for directors with missing ethnicities in ISS, we use the predicted race constructed using *predictrace*. If a director's ISS-coded ethnicity cannot be mapped cleanly to a race in *predictrace*, or if their race still cannot be assigned after the full procedure above, we code their race as "other".

Our proxies for board diversity include a dummy for whether there are any non-white board members (*any_nonwhite*), and the proportion of directors that are non-white or female (*prop_nonwhite* and *prop_female*). We do not include a dummy for whether there are any female board members because almost every firm in our sample has at least one female board member. We also include alternative measures of racial and gender diversity based on the Herfindahl–Hirschman Index (HHI) (*racial_conc* and *gender_conc*). These HHI-based proxies

capture diversity independent of which the most-represented race or gender are. For example, a firm with nine male and one female board member will have the same *gender_conc* (0.82) as a firm with nine female and one male board member.

Columns (1) to (3) of Table 3 document the results for board racial diversity, and Columns (4) and (5) document the results for board gender diversity. From Column (1), the presence of a non-white director on the firm's board is associated with about 60 percent ($= e^{0.467} - 1$) greater odds of speaking out after George Floyd's death. From Column (2), a ten percentage point increase in the proportion of non-white directors, for example one additional non-white director in a board of 10 directors, is associated with about 14 percent ($= e^{1.353 \times 0.1} - 1$) greater odds of speaking out. From Column (4), a ten percentage point increase in the proportion of female directors is associated with about 53 percent ($= e^{4.244 \times 0.1} - 1$) greater odds of speaking out. Columns (3) and (5) documents that racial and gender concentration are both negatively associated with speaking out on average, independent of which race or gender was the most represented on the board. Our results suggest that BLM firms have significantly greater board racial and gender diversity.¹⁰

[Please insert Table 3 about here]

5.2.2 Shareholder rights and ESG performance

Column (1) of Table 4 documents our results from examining whether BLM firms have greater shareholder rights than non-BLM firms. We use data from ISS Governance to construct a shareholder rights index (*rights_index*) as of each firm's most recent annual meeting date before May 25, 2020. Firms are scored based on the number of the following components that

¹⁰ In untabulated analyses, we examine the impact of board diversity on speaking out after George Floyd's death at the director level and find consistent findings with the firm-level regressions at Table 3. We find that a director's firm or firms is significantly more likely to speak out after George Floyd's death if they are female or non-white, after controlling for the director's age, the number of firms the director is on the board of, the director's tenure, and firm controls averaged for directors on the boards of multiple firms. Specifically, the odds of being on the board of a speaking-out firm is about 23 percent and 15 percent greater if the director is female or non-white, respectively, significant at the one percent and five percent levels respectively.

are true: (1) the firm's board is not classified; (2) a supermajority is not required to amend bylaws; (3) a supermajority is not required to amend the charter; and (4) a supermajority is not required to approve of mergers. Classified boards reduce shareholder rights by reducing the frequency with which shareholders can replace directors, and by entrenching management (Faleye, 2007). From Column (1), shareholder rights are significantly positively related to speaking out in support of BLM or Black Americans after George Floyd's death: each additional shareholder right is associated with about a 10 percent increase ($= e^{0.095} - 1$) in the odds of speaking out.

Columns (2) to (5) of Table 4 document our results from examining whether BLM firms have greater ESG performance than non-BLM firms. To measure firm ESG performance, we retrieve each firm's most recent ESG score (*esg_score*) from Sustainalytics' Historical Weighted Scores before May 25, 2020. Sustainalytics assesses firms' ESG based on their preparedness for ESG risks, ESG disclosure transparency and compliance with international standards, and quantitative and qualitative ESG performance metrics (Sustainalytics, 2017).¹¹ We also retrieve the environmental, social, and governance components of the ESG score (*env_score*, *social_score*, and *gov_score*) from the same database; each of which has a large number of sub-components. For example, the social component (*social_score*) includes the firm's programs to increase workforce diversity, employee turnover rate, policy on conflict minerals, and customer-related controversies or incidents. From Columns (2) of Table 4, a company's *ex ante* ESG score is substantially related to speaking out after George Floyd's death: a one standard deviation increase in the ESG score (0.081) is related to about a 26 percent increase ($= e^{2.859 \times 0.081} - 1$) in the odds of speaking out. It is important to note that the result is driven largely by firms' social and governance scores (Columns 4 and 5).

¹¹ Sustainalytics is one of the most popular ESG data and ratings providers. It has been used by major asset managers such as BlackRock and Vanguard (Hirai and Brady, 2021).

[Please insert Table 4 about here]

5.2.3 Workforce equity and executive compensation

Columns (1) to (5) of Table 5 document our results from examining whether BLM firms have greater workforce equity than non-BLM firms. To measure workforce equity, we retrieve each firm's workforce score (*wf_score*) from Refinitiv ESG as of the most recent fiscal year ended before May 25, 2020. We also retrieve the components of the workforce score: (1) the diversity and opportunity component (*wf_diversity_eq*) measures "management commitment and effectiveness towards maintaining diversity and equal opportunities in its workforce"; the employment quality component (*wf_fin_benefits*) measures "management commitment and effectiveness towards providing high-quality employment benefits and job conditions", the health and safety component (*wf_hlth_safety*) measures "management commitment and effectiveness towards providing a healthy and safe workplace", and the training and development component (*wf_train_dev*) "management commitment and effectiveness towards providing training and development (education) for its workforce" (Refinitiv ESG, n.d.). From Column (1) of Table 5, a company's *ex ante* workforce equity is significantly associated with speaking out after George Floyd's death: a one standard deviation increase in the workforce score (0.258) is associated with about a 17 percent increase ($= e^{0.616 \times 0.258} - 1$) in the odds of speaking out. From Columns (2) to (5), the result is driven largely by firms' workforce diversity (Column 2) and training opportunity scores (Column 5).

Column (6) and (7) of Table 5 document our results from examining whether BLM firms discuss equity and inclusion and the importance of diversity to a greater extent in the Compensation, Discussion and Analysis sections (CD&A) of their proxy statements than non-BLM firms. The CD&A focuses on how and why a company arrives at specific executive compensation decisions and policies, and provides explanations for the different types and amounts of executive compensation at the firm (see Robinson, Xue, and Yu, 2011). We collect

the firms' proxy statements, extract the CD&A section, and search for keywords related to BLM, racial diversity, inclusivity, and equality.¹² Using the most recent proxy statement before May 25, 2020, we construct two measures: *inclusive_cdna* is one if the firm is in the highest quintile of the number of such keywords, and *inclusive_cdna_pct* is one if the firm is in the highest quintile after scaling by the total number of words. For these analyses we also add an additional control for the length of the CD&A (*cdna_length*). Column (6) and (7) of Table 5 document that BLM firms are more likely to discuss equity and inclusion in their CD&As. Specifically, a firm in the highest quintiles of the extent of such discussions has about 38 percent ($= e^{0.323} - 1$) or 43 percent ($= e^{0.359} - 1$) greater odds of speaking out. These results suggest that BLM firms are more likely than other firms to include diversity and inclusion as factors in executive compensation.

[Please insert Table 5 about here]

In summary, Tables 3, 4, and 5 provide consistent evidence in support of Prediction 2, that firms with a track record of equity and inclusion are more likely to disclose support for BLM or Black Americans in the 30 days following May 25, 2020.

5.3 The role of stakeholder networks in the willingness to speak out on BLM

Tables 6 and 7 document the results from examining Predictions 3 and 4 respectively, that firms voluntarily disclose support for BLM when their peer firms do so, and when their customers, employees, and the local community support BLM. In other words, we examine the role of stakeholder networks and “risk” in influencing the decision to speak out.

5.3.1 Peer firms

¹² We use a customized web crawling algorithm to collect all the proxy statements from the S&P1500 firms that include executive compensation disclosures. Following previous literature, we exclude JPG, GIF, and other image files. We then machine-read the proxy statements to identify and extract the Compensation, Discussion and Analysis (CD&A) section. We drop CD&A below the 10th percentile of the total number of words in the CD&A to mitigate any errors in the machine-reading of the proxy statements.

Table 6 documents our results from examining whether BLM firms are more likely to have peers that also spoke out in support of BLM or Black Americans. We examine two types of peer firms: firms that share the same director, and product-market competitors. We construct board interlocks between firms using ISS Directors data as of the most recent annual meeting before May 25, 2020. We construct competitor networks using Hoberg and Phillips' (2010, 2016) product-market competitor data, which is based on the similarity of firms' 10-K product descriptions. For director and product-market competitor networks, we construct variables indicating whether the focal firm is linked to another firm that also spoke out about BLM (*board_link* and *compete_link*), and the number of such firms it is linked to (*board_link_num* and *compete_link_num*). Finally, we construct network centrality measures based on degree centrality, the total number of other firms the focal firm is linked to, whether or not the other firms spoke out about BLM (*board_centrality* and *compete_centrality*). Degree centrality is a proxy for the number of channels of communication or contagion a firm has with other firms (e.g. see Larcker, So, and Wang, 2013, 226).

Columns (1) and (2) of Table 6 document that speaking out in support of BLM or Black Americans after George Floyd's death is economically and statistically associated with whether the firm is linked via board interlocks with another firm that does so. From Column (2), each additional board interlock to a speaking-out firm is associated with about 59 percent ($= e^{0.463} - 1$) greater odds of the focal firm speaking out. Columns (3) and (4) document that speaking out is economically and statistically associated with whether the firm has a product-market competitor that also spoke out. From Column (4), each additional product-market competitor that speaks out is associated with about 32 percent ($= e^{0.279} - 1$) greater odds of the focal firm speaking out. Columns (5) and (6) document that spreading out is positively associated with the firm's centrality in the board and product-market network. The results in Table 6, therefore, support Prediction 3.

[Please insert Table 6 about here]

5.3.1 Customers, employees, and the local community

Table 7 explores whether firms are more likely to speak out in support of BLM when their customers, employees, and the local community support the movement. First, Panel A examines the proportion of firms that spoke out in each industry sector. We document that firms in the consumer sector are the most likely to speak out after George Floyd’s death, underscoring that the opinions of individual customers may influence firms’ decisions to speak out. The sector with the second-highest prevalence of speaking out (32 percent) is the high-tech sector, which is consistent with a “politically awaked” tech sector, and technology entrepreneurs’ policy preferences for redistributive and social policies (Manjoo, 2017; Broockman, Ferenstein, and Malhotra, 2017). Panel B documents that speaking out is highly correlated with market capitalization, with 61 percent of firms in the largest size quintile and only 13 percent of firms in the smallest size quintile speaking out.¹³

In Panel C, we partition firms by the political lean of the state in which their headquarters are located. We proxy for state political lean using the results of the 2020 presidential election, retrieved from the MIT Election Data and Science Lab, a clearinghouse for election datasets (MIT Election Lab, 2021). We define Democrat states as those Joe Biden won by a greater than five-point margin over Donald Trump, Republican states as those Donald Trump won by a greater than five-point margin over Joe Biden, and battleground states as those for which either margin was five points or less. We find that firms in Democrat states are more likely to speak out in support of BLM than firms in battleground or Republican states (32 percent versus 27 and 25 percent respectively), consistent with firms being less likely to speak out about polarized social issues when they face a higher risk of backlash. However this results

¹³ The p-values for χ^2 -tests for differences in proportion here and elsewhere in the paper are computed using Monte Carlo test with 10,000 replicates (Hope, 1968).

also shows that speaking out is not fully explained by state political lean, as about a quarter of sample firms in Republican states also spoke out.

In Panel D, we partition firms by the nature of protests in the city in which their headquarters are located. We retrieve protest data from Armed Conflict Location & Event Data Project (ACLED), which “collects the dates, actors, locations, fatalities, and types of all reported political violence and protest events” around the world (ACLED, 2021). We restrict our attention to protests in the United States related to BLM during the month after George Floyd’s death, and partition cities into four subsets: cities that did not see any protests, saw only peaceful protests, saw up to one violent protest a week on average, and saw more than one violent protest a week on average. One violent protest a week on average (that is, a total of four violent protests during the month) is a natural cut-off since it is also the firm-level median frequency of violent protests among firms headquartered in cities with violent protests. We assume that violent protests are indicative of communities more involved in the BLM movement. However, we note that violence could also indicate greater differences in opinion among community members. We find that firms headquartered in cities with more than one violent protest a week are the most likely to speak out after the killing of George Floyd, with 37 percent of firms speaking out. However, we note that firms in other cities also spoke out in large numbers, for example 29 percent of firms in cities with no protests also spoke out. Taken together, the results in Table 7 are consistent with firms being more likely to speak out in support of BLM when their local communities also support the movement.

[Please insert Table 7 about here]

5.4 “Woke-washing” as a motivation for firms to speak out on BLM

Table 8 examines whether firms are more likely to speak out in support of BLM if their stock prices performed poorly during President Trump’s administration. We use two measures of the stock performance: market-adjusted buy-and-hold returns from the month after the start

of Trump’s presidential term to the month before George Floyd’s death (*trump_tenure_ret*), and market-adjusted buy-and-hold returns for the 20 trading days up to the second trading day before Floyd’s death (*pre_event_ret*). In other words, *trump_tenure_ret* is based on Trump’s entire presidency so far, while *pre_event_ret* is based on a period of Trump’s presidency that is closer to Floyd’s death. Columns (1) and (2) of Table 8 indicate that the stock returns during Donald Trump’s presidential term are significantly negatively related to the likelihood of speaking out. For example, Column (1) documents that a firm with one standard deviation lower abnormal returns during the Trump presidency (0.861) has about 23 percent ($= e^{-0.245 \times -0.861} - 1$) greater odds of speaking out, consistent with a possible “woke-washing” motivation for speaking out. These results are consistent with Prediction 5.

5.5. Distinguishing authentic firms from “woke-washing” firms

The results reported in Tables 3 to 7 suggest that both a corporate culture of that seeks to represent the views and serve the interests of a broader set of stakeholders, and firms’ stakeholder networks, influenced the decision to speak out in support of BLM. However, Table 8 provides evidence that woke-washing could play a role in the decision to speak out. Our objective in this section is to better distinguish BLM firms that were driven by an authentic desire for social change from woke-washing BLM firms.

5.5.1 The inclusivity index and distinguishing authentic firms from “woke-washers”

To distinguish authentic firms from woke-washing firms, we construct an *inclusivity index* that captures the level of shareholder rights, ESG, workforce equity, and board diversity in a firm. Specifically, we give firms a score of one for each of the following components being greater than or equal to their medians: shareholder rights (*rights_index*), the overall ESG score (*esg_score*), workforce diversity and opportunity (*wf_diversity*), workforce training and development (*wf_train_dev*), the proportion of non-white board members (*prop_nonwhite*),

and the proportion of female directors (*prop_female*). Panel A of Table 9 documents the correlations between the components. The Pearson correlations vary between about 5.7 and about 47.5 percent. The highest correlations (over 40 percent) are between the ESG and the workforce equity variables, while the lowest correlations (below 10 percent) are between the shareholder rights and board diversity variables. We estimate model (1) using the inclusivity index as a determinant, and document the results at Panel B of Table 9. From Column (1), the inclusivity index is economically and significantly related to speaking out in support of BLM. A unit increase in the index (that is, an additional component greater than or equal to the median) is associated with about 48 percent ($= e^{0.275} - 1$) greater odds of speaking out.

[Please insert Table 9 about here]

We document the relationship between the inclusivity index and speaking out after George Floyd’s death in a second way in Figure 2. Figure 2 documents the distribution of the index in our sample, partitioned by firms that spoke out in support of BLM (dark grey rectangles) and firms that did not (light grey rectangles). The figure documents that firms with higher inclusivity scores are more likely to speak out than firms with lower scores. For example, 66 percent of firms with inclusivity scores of six (the maximum) spoke out in support of BLM, while only five percent of firms with inclusivity scores of zero (the minimum) did so. A χ^2 -test of the hypothesis that the percentages are equal across all levels of the inclusivity index has a p-value less than one percent. We define firms with high inclusivity as those with scores greater than three, and those with low inclusivity those with scores lower than three. We use three components as an intuitive cut-off since it is half the number of components in the index. Among firms that spoke out after George Floyd’s death, about 68 percent have high inclusivity, and about 18 percent have low inclusivity, suggesting that 68 percent of the firms that spoke out were “authentic”, while 18 percent were “woke-washers”.

[Please insert Figure 2 about here]

5.5.2 The inclusivity index and predicting speaking out about other social justice events

In Columns (2) to (4) of Table 9, we examine whether the inclusivity index can also predict speaking out about other social justice events. Specifically, we examine the storming of the U.S. Capitol (January 6, 2021), the Atlanta spa shootings (March 16, 2021), and the passage of SB 202 in Georgia (March 25, 2021). Using similar procedures as for *speakout_blm*, we construct dummy variables that capture whether the firm spoke out about each of the three events following the 30 days after they occurred, on either their websites or Twitter (*speakout_capitol*, *speakout_asian*, *speakout_voting*). Figure 3 provides Venn diagrams showing the overlap in speaking out after each of the four events at the firm level, and the overlap between the disclosure platforms across all of the events.¹⁴ Panel A, for example, shows that speaking out about subsequent events overlap substantially with speaking out after George Floyd's death, driven in particular by firms that spoke out via Twitter (Panel D). The relatively high consistency in speaking out across events further suggests that speaking out is likely to be driven by a firm's long-term corporate culture.

[Please insert Figure 3 about here]

Columns 2 to 4 of Table 9 examine whether the inclusivity index can predict whether firms speak out after subsequent social justice events, and not only George Floyd's death.¹⁵ The coefficients on the inclusivity index are all significantly positive, suggesting that the inclusivity index does predict speaking out about subsequent social justice events. The effect sizes for the storming of the U.S. Capitol and the Atlanta spa shootings is similar to that for George Floyd's death, and almost double that for the passage of SB 202.

¹⁴ The diagrams are drawn using the *eulerr* package in R (Larsson, 2020). The package attempts to solve a numerical optimization problem to draw the overlapping areas in the same proportion as the underlying data, but we note that for complex diagrams that algorithm may not be able to draw all possible areas. For example, in Panel A several areas with few observations were not drawn, such as the overlap of the Capitol Riots, Atlanta Spa Shootings, and Georgia Voting Law events, which has two observations.

¹⁵ All variables in these columns are constructed relative to the respective social justice events under analysis. For example, in column (4), *age* is the natural logarithm of the company's CRSP age as of the passage of SB 202 (March 25, 2021), and not as of George Floyd's death (May 25, 2020).

5.5.3 The inclusivity index and open letters in support of social causes

We provide further validation of the inclusivity index by examining its relationship with a different means of speaking out: signing of open letters in support of social causes. We identify three recent open letters that received signatures from a wide range of companies and industries in the United States: the 2017 Dreamer letter, which called on Congress to pass legislation for Dreamers (Business Leaders Dream Letter, 2017); the 2021 Business Statement on Anti-LGBTQ State Legislation, which opposed “harmful legislation aimed at restricting the access of LGBTQ people in society” (Human Rights Campaign, 2021); and the We Stand for Democracy statement, which called on readers “to defend the right to vote and to oppose any discriminatory legislation or measures that restrict or prevent any eligible voter from having an equal and fair opportunity to cast a ballot” (New York Times, 2021).

We collect the signatories of the three letters and match them manually to our sample. As of the time of writing, 4.1 percent, 4.6 percent, and 3.1 percent of the firms in our sample with inclusivity index data ($N = 1,343$) had signed each of the three letters respectively. Since the inclusivity index in this sample is constructed based on variables prior to May 25, 2020, the latter two letters do not suffer from reverse causality since they were initiated in 2021.

In Figure 4, we examine the extent to which the inclusivity index predicts signing of the letters among firms that spoke out after George Floyd’s death. For each level of the index, we plot the proportion of firms that signed the letter. Panel A examines the proportions of firms that signed any of the letters, while Panels B to D examine the proportion of firms that signed the Dreamer letter, the Business Statement, and the Democracy statement, respectively. We observe from the figure that firms with high inclusivity are substantially more likely to sign the letters. For example, 37 percent of BLM-supporting firms with inclusivity index of six (the highest level) signed at least one of the letters, while the percentages are about 10 percent or less for firms with inclusivity index of three or lower. We find using a χ^2 -test that the proportion

of firms that sign at least one letter (Panel A) is significantly different across levels of the inclusivity index at the one percent significance level. Thus, our evidence suggests that the inclusivity index is useful in predicting whether a firm will sign open letters of support for social causes.

[Please insert Figure 4 about here]

VI CONCLUSIONS

Almost a third of our sample of S&P 1500 firms, and over 60 percent of the largest S&P 1500 firms, spoke out in support for Black Lives Matter (BLM) and Black Americans after the death of George Floyd. The authenticity of corporate support for BLM was widely questioned in the media and by politicians, with some seeing the support as woke-washing or a form of marketing. In this paper we ask the question: was corporate support for Black Lives Matter and Black Americans after the death of George simply a marketing tactic, or did it represent an authentic desire for a more equitable society?

We investigate whether firms that spoke out in support of BLM and Black Americans after George Floyd's death did so to increase shareholder value. We find only weak evidence that the disclosure itself impacts shareholder value. However, we do find that BLM firms have stronger ESG scores, suggesting that BLM firms may attract investors who care about social issues to their stock. Therefore, one possible explanation for a lack of reaction to the disclosure is that investors had anticipated that BLM firms would support the movement.

Next, we examine several motivations for speaking out. We predict and find that speaking out about BLM is motivated by a corporate culture that seeks to represent the views and serve the interests of a broader set of stakeholders, including but not exclusively the interest of shareholders. We document that BLM firms have greater board diversity, stronger shareholder rights, stronger ESG performance, higher workforce inclusivity, and mention equity and inclusion to a greater extent when discussing executive compensation in their proxy

statements. We also examine the role of stakeholder networks, including peer firms, customers, employees, and the local community, in the decision to speak out. We find that firms are more likely to speak out if their peers also do so; if they are in the consumer or high-tech sectors, which are likely to have more individual customers and employees who care about social issues; or if they have higher market capitalization and are therefore better able to bear the risk of any social or political backlash from speaking out. We also find that speaking out is more likely among firms headquartered in Democrat states, and in cities that saw more frequent violent BLM protests, which suggest that firms are more likely to speak out when doing so better aligns with the values and concerns of their local communities.

Even though the evidence suggests that speaking out is motivated by an inclusive corporate culture, we do find some evidence for woke-washing. Specifically, we find that BLM firms' stocks performed poorly during Trump's presidency and in the month prior to the death of George Floyd. We argue that this evidence suggests that firms could be justifying poor stock price performance by supporting a cause that was not supported by President Trump.

Finally, in order to better distinguish authentic firms from woke-washers, we develop an "inclusivity index" that is a composite of firms' shareholder rights, ESG performance, workforce diversity, workforce training and development, board racial diversity, and board gender diversity. Using the midpoint of our inclusivity index as the cut-off for firms with high and low inclusivity, we find that about 68 percent of BLM firms have high inclusivity and therefore appear to be authentic in their speaking out, while about 18 percent have low inclusivity and therefore are likely to be engaging in marketing or "woke-washing".

We validate our inclusivity index by showing that high-inclusivity firms are more likely to speak out about other social movements. Specifically, the inclusivity index is significantly positively related to the likelihood of speaking out about the storming of the U.S. Capitol (January 6, 2021), the Atlanta spa shootings (March 16, 2021), and the passage of SB 202 in

Georgia (March 25, 2021). In addition, high-inclusivity BLM firms are more likely to speak out about social causes in a different way: we find that they were more likely to sign open letters in support of social causes, specifically the 2017 Dreamers letter, the 2021 Business Statement on Anti-LGBT State Legislation, or the 2021 We Stand for Democracy statement. Thus, our inclusivity index is useful to ESG standard-setters and other stakeholders in predicting the likelihood that a firm will become involved and support social issues as they rise to the attention of society.

Our research is relevant to Sustainability Standard Setters such as the Value Reporting Foundation, the newly formed International Sustainability Standards Board (ISSB), and the GRI, as well as to asset managers wishing to identify stocks that are supportive of social equity. We show that the disclosure of support did not generally generate a positive stock price response. This is relevant when the goal of sustainability reporting and ESG investing is “financial materiality.” A lack of stock price response does not necessarily mean that investors do not care about the issue because of two confounding problems: investors may be able to anticipate which firms speak out based on corporate culture, or investors may assume that firms are woke-washing. Therefore, proving financial materiality to justify investing and disclosures is likely to face considerable difficulties. The objective of “financial materiality” also misses the point that disclosures about workforce equity and corporate responsibility is relevant to stakeholders beyond investors, and to investors who wish to invest in firms that support certain social issues, irrespective of whether these firms earn higher returns than other firms.

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TABLE 1
Sample selection and descriptive statistics

						Firms			
Panel A: Sample selection									
S&P 1500 firms with an annual meeting in 2019 recorded by ISS						1,526			
Require CRSP and Compustat coverage as of May 25, 2020						1,478			
Require availability of speaking out and main control variables						1,477			
After omitting Fox Corp and New York Times Co						1,475			
Panel B: Disclosure platform for Black Lives Matter						Firms		Percent	
Firm that spoke out via their websites						169		11.46%	
Firms that spoke out via Twitter						372		25.22%	
Firms that spoke out via either website or Twitter (BLM Firms)						431		29.22%	
Total number of firms						1,475		100.00%	
Panel C: Descriptive statistics for key variables									
Variable	Overall sample			BLM firms		Non-BLM firms		Difference in means	
	N	Mean	Median	Mean	Median	Mean	Median	Difference	t-stat.
<i>speakout_blm</i>	1,475	0.292	0.000	1.000	1.000	0.000	0.000	1.000	-
<i>age</i>	1,475	3.150	3.269	3.293	3.337	3.091	3.257	0.202	4.48
<i>followers</i>	1,475	7.332	8.066	10.047	10.150	6.212	7.270	3.835	21.27
<i>growth</i>	1,475	0.057	0.038	0.058	0.039	0.057	0.038	0.001	0.12
<i>leverage</i>	1,475	0.318	0.315	0.337	0.322	0.309	0.313	0.028	2.29
<i>roa</i>	1,475	0.044	0.038	0.058	0.045	0.038	0.035	0.020	5.11
<i>size</i>	1,475	8.423	8.245	9.375	9.470	8.030	7.873	1.345	14.93
<i>tweets</i>	1,475	5.985	7.704	7.582	8.070	5.325	6.970	2.257	18.61

Panel A documents the sample selection for our study. Panel B provides the percentage of firms in our sample that spoke out in support of Black Lives Matter or Black Americans in the 30 days following May 25, 2020 inclusive (BLM firms) via either their websites or Twitter. Panel C provides descriptive statistics for our main dependent variable and key control variables, for BLM and non-BLM firms. Continuous variables other than returns-related variables are Winsorized at 1% and 99%. Formal variable definitions are at Appendix A.

TABLE 2
Abnormal stock returns to firms speaking out in
support of Black Lives Matter following May 25, 2020

	OLS Regressions (Dependent Variable: <i>post_event_ret</i>)			
	All	Blue States	Battleground	Red States
	(1)	(2)	(3)	(4)
<i>speakout_blm</i>	-0.0001 (0.008)	-0.006 (0.008)	-0.004 (0.014)	0.018 (0.019)
<i>event_ret</i>	0.048 (0.084)	0.257*** (0.087)	0.496*** (0.144)	-0.197 (0.175)
<i>pre_event_ret</i>	0.074*** (0.019)	0.100*** (0.021)	0.134*** (0.034)	0.036 (0.042)
<i>age</i>	-0.014*** (0.004)	-0.012** (0.005)	-0.01 (0.008)	-0.015 (0.010)
<i>followers</i>	0.010*** (0.002)	0.006*** (0.002)	0.005 (0.004)	0.015*** (0.006)
<i>growth</i>	0.029 (0.020)	0.017 (0.020)	0.035 (0.042)	0.029 (0.045)
<i>leverage</i>	0.060*** (0.016)	0.061*** (0.016)	0.045* (0.027)	0.072** (0.035)
<i>roa</i>	-0.066 (0.049)	-0.011 (0.047)	-0.075 (0.102)	-0.183 (0.117)
<i>size</i>	-0.006** (0.003)	0.0005 (0.003)	0.010* (0.005)	-0.016*** (0.006)
<i>tweets</i>	-0.012*** (0.003)	-0.007*** (0.003)	-0.008 (0.005)	-0.018*** (0.007)
Industry FEs	Yes	Yes	Yes	Yes
Adjusted R ²	0.068	0.081	0.128	0.063
Observations	1,475	943	287	486

This table examines the relationship between speaking out in support of Black Lives Matter or Black Americans in the 30 days following May 25, 2020 inclusive and market-adjusted buy-and-hold returns during the month after May 25, 2020. Standard errors are in parentheses. Columns (2), (3), and (4) are restricted to firms headquartered in blue, battleground, and red states respectively. Blue states are those in which Joe Biden's vote share in the 2020 presidential election was greater than Donald Trump's, based on MIT Election Lab data, and other states are red states. Battleground states are those in which the absolute difference between Biden's and Trump's 2020 vote shares was less than or equal to five percentage points. Please see Appendix B for variable definitions. The p-values are labelled as follows: * if $p < 0.1$; ** if $p < 0.05$; and *** if $p < 0.01$.

TABLE 3
Likelihood that firms with greater board racial and gender diversity
will speak out in support of Black Lives Matter following May 25, 2020

	Logistic Regressions (Dependent Variable: <i>spekout_blm</i>)				
	Racial Diversity			Gender Diversity	
	(1)	(2)	(3)	(4)	(5)
<i>any_nonwhite</i> (+)	0.467*** (0.175)				
<i>prop_nonwhite</i> (+)		1.353** (0.590)			
<i>racial_conc</i> (-)			-1.319*** (0.434)		
<i>prop_female</i> (+)				4.244*** (0.716)	
<i>gender_conc</i> (-)					-4.846*** (0.821)
<i>board_size</i>	0.126*** (0.041)	0.142*** (0.040)	0.136*** (0.040)	0.146*** (0.041)	0.144*** (0.041)
<i>age</i>	0.054 (0.094)	0.050 (0.094)	0.050 (0.094)	0.002 (0.095)	0.001 (0.095)
<i>followers</i>	0.305*** (0.045)	0.302*** (0.045)	0.300*** (0.045)	0.295*** (0.046)	0.299*** (0.046)
<i>growth</i>	0.242 (0.448)	0.284 (0.448)	0.291 (0.449)	0.273 (0.450)	0.273 (0.447)
<i>leverage</i>	0.580* (0.335)	0.607* (0.335)	0.590* (0.336)	0.412 (0.342)	0.427 (0.342)
<i>roa</i>	0.360 (1.070)	0.298 (1.068)	0.379 (1.072)	0.014 (1.086)	-0.045 (1.085)
<i>size</i>	0.208*** (0.060)	0.210*** (0.061)	0.199*** (0.061)	0.211*** (0.061)	0.196*** (0.061)
<i>tweets</i>	-0.001 (0.065)	0.004 (0.065)	0.003 (0.065)	-0.003 (0.066)	-0.007 (0.066)
Industry FEs	Yes	Yes	Yes	Yes	Yes
McFadden R2	0.247	0.246	0.248	0.264	0.265
Observations	1,475	1,475	1,475	1,475	1,475

This table examines the relationship between speaking out in support of Black Lives Matter or Black Americans in the 30 days following May 25, 2020 inclusive and the firm's prior board racial and gender diversity. Standard errors are in parentheses. Please see Appendix B for variable definitions. The p-values are labelled as follows: * if $p < 0.1$; ** if $p < 0.05$; and *** if $p < 0.01$.

TABLE 4					
Likelihood that firms with stronger shareholder rights and high ESG scores will speak out in support of Black Lives Matter following May 25, 2020					
	Logistic Regressions (Dependent Variable: <i>speakout_blm</i>)				
	(1)	(2)	(3)	(4)	(5)
<i>rights_index</i> (+)	0.095* (0.057)				
<i>esg_score</i> (+)		2.859*** (1.048)			
<i>env_score</i>			0.878 (0.725)		
<i>social_score</i>				2.816*** (0.906)	
<i>gov_score</i>					2.114* (1.156)
<i>age</i>	0.085 (0.094)	0.039 (0.104)	0.106 (0.119)	0.082 (0.120)	0.106 (0.119)
<i>followers</i>	0.309*** (0.045)	0.306*** (0.046)	0.341*** (0.055)	0.332*** (0.055)	0.346*** (0.055)
<i>growth</i>	0.278 (0.439)	0.294 (0.527)	0.094 (0.765)	0.280 (0.772)	0.085 (0.764)
<i>leverage</i>	0.524 (0.332)	0.461 (0.347)	0.486 (0.424)	0.665 (0.425)	0.428 (0.426)
<i>roa</i>	-0.673 (1.016)	0.117 (1.069)	0.217 (1.285)	0.561 (1.305)	0.207 (1.284)
<i>size</i>	0.308*** (0.055)	0.243*** (0.063)	0.221*** (0.082)	0.209*** (0.078)	0.249*** (0.076)
<i>tweets</i>	0.013 (0.065)	0.014 (0.069)	-0.016 (0.084)	-0.012 (0.085)	-0.023 (0.085)
Industry FEs	Yes	Yes	Yes	Yes	Yes
McFadden R ²	0.237	0.238	0.206	0.213	0.207
Observations	1,473	1,359	818	818	818

This table examines the relationship between speaking out in support of Black Lives Matter or Black Americans in the 30 days following May 25, 2020 inclusive and the firm's prior shareholder rights and ESG performance. Standard errors are in parentheses. Please see Appendix B for variable definitions. The p-values are labelled as follows: * if $p < 0.1$; ** if $p < 0.05$; and *** if $p < 0.01$.

TABLE 5

Likelihood that a firm with higher scores on workforce diversity, benefits, safety, and development, and more inclusive CD&A disclosures analysis will speak out in support of Black Lives Matter following May 25, 2020

Logistic Regressions (Dependent Variable: *spekout_blm*)

	Workforce Score	Individual Workforce Score Categories				Equity and inclusivity in the CD&A	
	(1)	(2)	(3)	(4)	(5)	(6)	(7)
<i>wf_score</i> (+)	0.616** (0.314)						
<i>wf_diversity_eq</i>		0.820*** (0.276)					
<i>wf_fin_benefits</i>			0.120 (0.242)				
<i>wf_hlth_safety</i>				0.236 (0.277)			
<i>wf_train_dev</i>					0.491* (0.253)		
<i>inclusive_cdna</i> (+)						0.323* (0.175)	
<i>inclusive_cdna_pct</i> (+)							0.359** (0.167)
<i>cdna_length</i>						0.191* (0.106)	0.229** (0.105)
<i>age</i>	0.098 (0.094)	0.092 (0.094)	0.107 (0.094)	0.103 (0.094)	0.102 (0.094)	0.062 (0.098)	0.066 (0.098)
<i>followers</i>	0.306*** (0.045)	0.302*** (0.045)	0.312*** (0.045)	0.312*** (0.045)	0.311*** (0.045)	0.307*** (0.046)	0.307*** (0.046)
<i>growth</i>	0.315 (0.441)	0.342 (0.445)	0.246 (0.440)	0.313 (0.443)	0.374 (0.442)	0.261 (0.461)	0.292 (0.462)
<i>leverage</i>	0.511 (0.333)	0.518 (0.334)	0.561* (0.332)	0.536 (0.332)	0.499 (0.334)	0.440 (0.343)	0.419 (0.343)
<i>roa</i>	-0.719 (1.027)	-0.611 (1.033)	-0.838 (1.021)	-0.855 (1.022)	-0.730 (1.029)	-1.084 (1.065)	-1.162 (1.065)
<i>size</i>	0.266*** (0.061)	0.269*** (0.057)	0.320*** (0.055)	0.306*** (0.057)	0.280*** (0.058)	0.327*** (0.057)	0.326*** (0.057)
<i>tweets</i>	0.007 (0.065)	0.007 (0.065)	0.008 (0.065)	0.008 (0.065)	0.002 (0.065)	0.005 (0.066)	0.005 (0.066)
Industry FEs	Yes	Yes	Yes	Yes	Yes	Yes	Yes
McFadden R2	0.235	0.238	0.233	0.233	0.235	0.240	0.241
Observations	1,456	1,456	1,456	1,456	1,456	1,389	1,389

This table examines the relationship between speaking out in support of Black Lives Matter or Black Americans in the 30 days following May 25, 2020 inclusive and the firm's prior workforce scores (Columns 1 to 5), and the extent to which equity and inclusivity is emphasized in the Compensation Discussion and Analysis (CD&A) section of its prior proxy statement (Columns 6 and 7). Standard errors are in parentheses. Please see Appendix B for variable definitions. The p-values are labelled as follows: * if $p < 0.1$; ** if $p < 0.05$; and *** if $p < 0.01$.

TABLE 6
Analysis of the “risks” of speaking out in support of Black Lives Matter following May 25, 2020:
Speaking out by peers based on board interlocks and product market competition

	Logistic Regressions (Dependent Variable: <i>speakout_blm</i>)					
	Board Interlocks		Competitors		Network Centrality	
	(1)	(2)	(3)	(4)	(5)	(6)
<i>board_link</i> (+)	0.574*** (0.164)					
<i>board_link_num</i> (+)		0.463*** (0.123)				
<i>compete_link</i> (+)			0.578*** (0.173)			
<i>compete_link_num</i> (+)				0.279*** (0.064)		
<i>board_centrality</i> (+)					0.406*** (0.121)	
<i>compete_centrality</i> (+)						0.090* (0.055)
<i>board_size</i>	0.129*** (0.041)	0.119*** (0.041)			0.122*** (0.041)	
<i>age</i>	0.057 (0.094)	0.043 (0.094)	0.124 (0.094)	0.114 (0.094)	0.042 (0.094)	0.114 (0.093)
<i>followers</i>	0.294*** (0.045)	0.279*** (0.046)	0.293*** (0.045)	0.297*** (0.045)	0.299*** (0.045)	0.306*** (0.045)
<i>growth</i>	0.323 (0.451)	0.366 (0.448)	0.264 (0.441)	0.171 (0.446)	0.446 (0.451)	0.243 (0.441)
<i>leverage</i>	0.527 (0.338)	0.488 (0.339)	0.624* (0.334)	0.842** (0.342)	0.420 (0.341)	0.640* (0.336)
<i>roa</i>	0.291 (1.079)	0.413 (1.082)	-0.585 (1.020)	-0.156 (1.035)	0.367 (1.076)	-0.499 (1.029)
<i>size</i>	0.188*** (0.061)	0.157** (0.063)	0.326*** (0.054)	0.321*** (0.055)	0.162** (0.063)	0.323*** (0.054)
<i>tweets</i>	0.006 (0.065)	0.018 (0.065)	0.025 (0.065)	0.016 (0.065)	0.001 (0.065)	0.017 (0.065)
Event FEs	Yes	Yes	Yes	Yes	Yes	Yes
Industry FEs	Yes	Yes	Yes	Yes	Yes	Yes
McFadden R ²	0.250	0.251	0.242	0.246	0.250	0.237
Observations	1,475	1,475	1,475	1,475	1,475	1,475

This table examines the relationship between speaking out in support of Black Lives Matter or Black Americans in the 30 days following May 25, 2020 inclusive and contagion via board interlocks and product-market competitors. Standard errors are in parentheses. Please see Appendix B for variable definitions. The p-values are labelled as follows: * if $p < 0.1$; ** if $p < 0.05$; and *** if $p < 0.01$.

TABLE 7
Analysis of the “risks” of speaking out in support of Black Lives Matter following May 25, 2020:
Industry, size, customers, and the community

	Total firms	#	BLM Firms %	Non-BLM Firms #	%	Difference in %
Panel A: Fama-French industry sector						
Consumer (Cnsmr)	263	92	35.0%	171	65.0%	-30.0%
High-Tech (HiTec)	250	81	32.4%	169	67.6%	-35.2%
Other (Other)	510	149	29.2%	361	70.8%	-41.6%
Manufacturing (Manuf)	327	80	24.5%	247	75.5%	-51.1%
Healthcare (Hlth)	125	29	23.2%	96	76.8%	-53.6%
χ^2 -test for difference in proportions:			$\chi^2 = 11.2^{**}$			
Panel B: Quintiles of the firm's market capitalization						
1 (median size = 6.56)	295	39	13.2%	256	86.8%	-73.6%
2 (median size = 7.48)	295	42	14.2%	253	85.8%	-71.5%
3 (median size = 8.25)	295	72	24.4%	223	75.6%	-51.2%
4 (median size = 9.20)	295	98	33.2%	197	66.8%	-33.6%
5 (median size = 10.70)	295	180	61.0%	115	39.0%	22.0%
χ^2 -test for difference in proportions:			$\chi^2 = 218.3^{***}$			
Panel C: Political lean of the firm's headquarters state						
Democrat (Biden's margin > 5 points)	748	241	32.2%	507	67.8%	-35.6%
Battleground (winning margin ≤ 5 points)	287	77	26.8%	210	73.2%	-46.3%
Republican (Trump's margin > 5 points)	394	99	25.1%	295	74.9%	-49.7%
χ^2 -test for difference in proportions:			$\chi^2 = 7.2^{**}$			
Panel D: Protests in the firm's headquarters city						
No protests	320	92	28.8%	228	71.3%	-42.5%
Only peaceful protests	445	114	25.6%	331	74.4%	-48.8%
Occasional (≤ 4) violent protests	380	104	27.4%	276	72.6%	-45.3%
Frequent (> 4) violent protests	288	107	37.2%	181	62.8%	-25.7%
χ^2 -test for difference in proportions:			$\chi^2 = 12.2^{***}$			

This table examine the number and proportion of firms in each partition of the sample that spoke out in support of Black Lives Matter or Black Americans in the 30 days following May 25, 2020 inclusive. Panel A partitions firms based on their Fama-French five-industry sector. Panel B partitions firms based on their market capitalization; *size* is the logged market capitalization at the end of the most recent fiscal year before May 25, 2020. Panel C partitions firms based on the political lean of the firm's headquarters state, proxied by Joe Biden's or Donald Trump's winning margin in the state over the other in the 2020 presidential election. Panel D partitions firms based on the nature of BLM protests in their headquarters city during the month following May 25, 2020; four is the median number of violent protests per city at the firm level, for firms whose cities saw violent protests during the month. The χ^2 -tests examine whether the proportion of BLM firms are equal across each subsample. The p-values of the tests are computed using Monte Carlo test with 10,000 replicates (Hope, 1968), and are indicated as follows: * if $p < 0.1$; ** if $p < 0.05$; and *** if $p < 0.01$.

TABLE 8		
Woke-washing incentives: analysis of whether firms that spoke out in support of Black Lives Matter following May 25, 2020 had poor prior stock price performance		
Returns during:	Logistic Regressions (Dependent Variable: <i>speakout_blm</i>)	
	Trump's presidential term (1)	The month before May 25, 2020 (2)
<i>trump_tenure_ret</i>	-0.245** (0.116)	
<i>pre_event_ret</i>		-0.934** (0.455)
<i>age</i>	0.077 (0.094)	0.076 (0.094)
<i>followers</i>	0.304*** (0.045)	0.312*** (0.045)
<i>growth</i>	0.503 (0.455)	0.322 (0.440)
<i>leverage</i>	0.535 (0.332)	0.653* (0.335)
<i>roa</i>	0.134 (1.105)	-0.614 (1.026)
<i>size</i>	0.352*** (0.056)	0.309*** (0.055)
<i>tweets</i>	0.023 (0.065)	0.014 (0.065)
Industry FEs	Yes	Yes
McFadden R2	0.239	0.238
Observations	1,474	1,475

This table examines the relationship between speaking out in support of Black Lives Matter or Black Americans in the 30 days following May 25, 2020 inclusive, and firm returns during Donald Trump's term as president and during the month before May 25, 2020. Standard errors are in parentheses. Please see Appendix B for variable definitions. The p-values are labelled as follows: * if $p < 0.1$; ** if $p < 0.05$; and *** if $p < 0.01$.

TABLE 9

The inclusivity index and the likelihood of speaking out after social justice events

Panel A: Descriptive statistics of the components of the inclusivity index (N = 1,343)

Correlations between components, Pearson above and Spearman below:

	Median	<i>rights_index</i>	<i>esg_score</i>	<i>wf_diversity</i>	<i>wf_train_dev</i>	<i>prop_nonwhite</i>	<i>prop_female</i>
<i>rights_index</i>	3.000	-	0.209	0.147	0.130	0.091	0.057
<i>esg_score</i>	0.504	0.202	-	0.465	0.475	0.249	0.248
<i>wf_diversity</i>	0.408	0.132	0.446	-	0.465	0.187	0.276
<i>wf_train_dev</i>	0.561	0.143	0.483	0.455	-	0.228	0.248
<i>prop_nonwhite</i>	0.111	0.113	0.269	0.212	0.248	-	0.156
<i>prop_female</i>	0.250	0.080	0.263	0.269	0.260	0.213	-

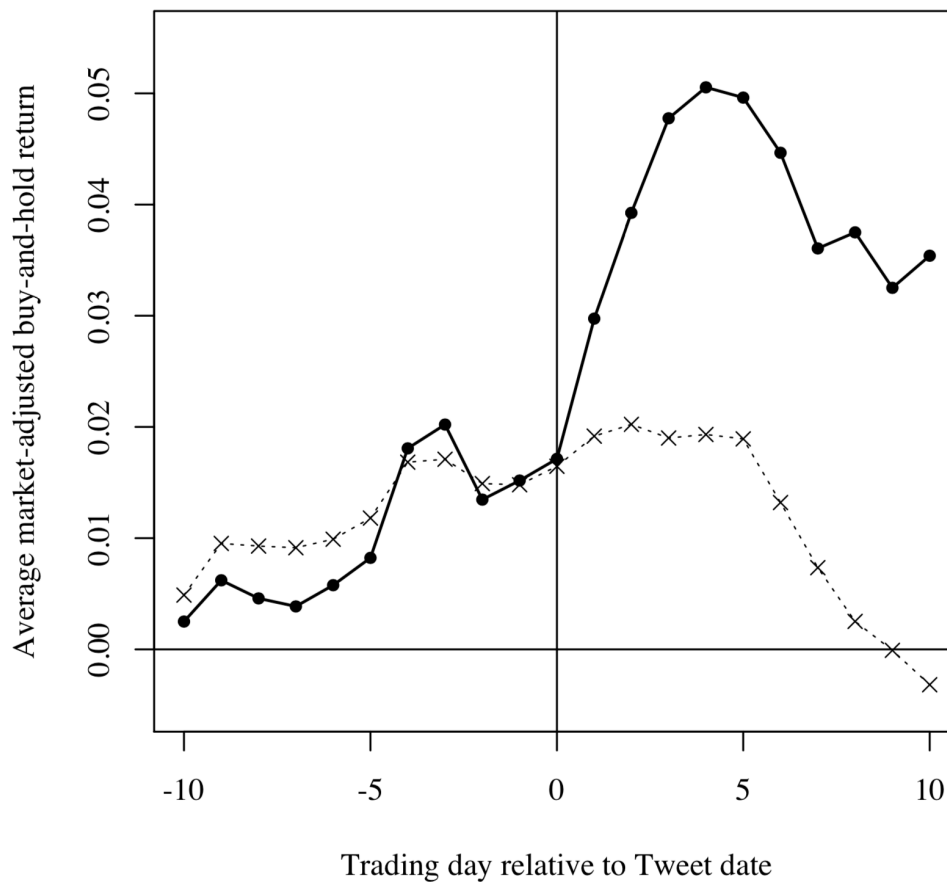
Panel B: the Inclusivity Index and the likelihood of speaking out about BLM and other social justice events

Logistic Regressions

Dependent variable	<i>spekout_blm</i> (1)	<i>spekout_capitol</i> (2)	<i>spekout_asian</i> (3)	<i>spekout_voting</i> (4)
<i>inclusivity_index</i> (+)	0.275*** (0.055)	0.248* (0.135)	0.242*** (0.066)	0.531*** (0.182)
<i>age</i>	0.012 (0.106)	0.114 (0.254)	-0.043 (0.128)	-0.195 (0.284)
<i>followers</i>	0.313*** (0.047)	0.144 (0.103)	0.307*** (0.053)	0.076 (0.118)
<i>growth</i>	0.429 (0.530)	0.232 (1.020)	1.320** (0.515)	0.158 (1.186)
<i>leverage</i>	0.306 (0.351)	-2.258** (0.927)	-0.089 (0.424)	-1.864* (1.054)
<i>roa</i>	0.433 (1.095)	-5.088** (2.496)	-2.082* (1.134)	-3.261 (2.700)
<i>size</i>	0.173*** (0.063)	0.403*** (0.149)	0.115 (0.072)	0.393** (0.175)
<i>tweets</i>	-0.016 (0.069)	1.334* (0.722)	0.166 (0.117)	0.927 (0.621)
Industry FEs	Yes	Yes	Yes	Yes
McFadden R ²	0.247	0.263	0.223	0.256
Observations	1,343	1,343	1,343	1,343

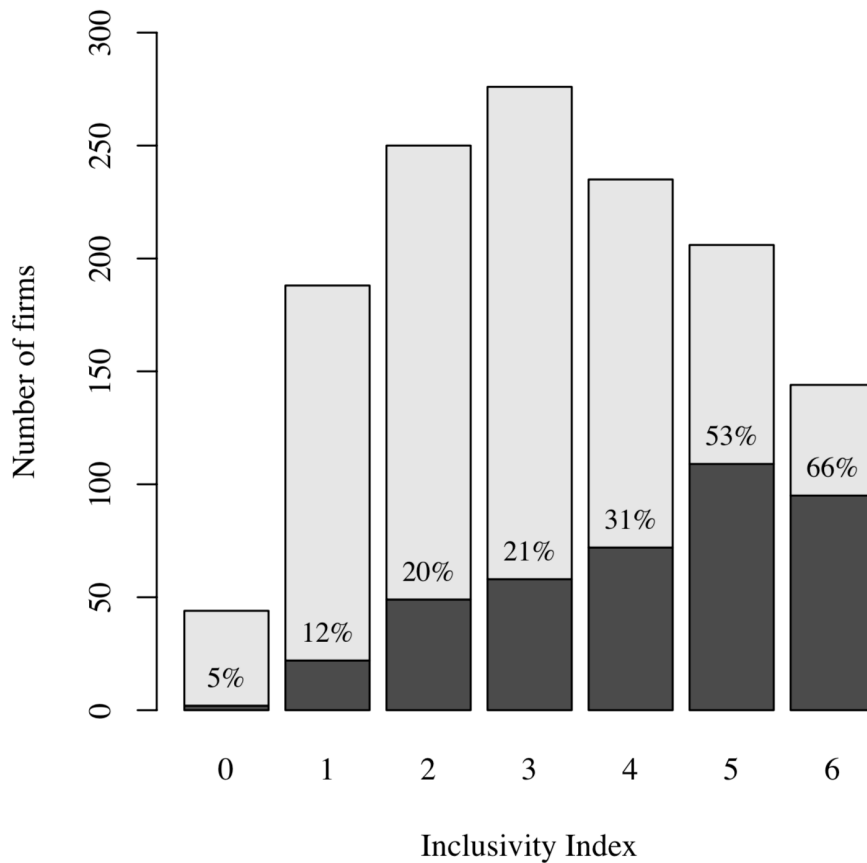
Panel A provides descriptive statistics for the inclusivity index based on data prior to May 25, 2020. Panel B examines the relationship between speaking out in support of Black Lives Matter or Black Americans in the 30 days following May 25, 2020 inclusive (Column 1) and speaking out about subsequent social justice events (Columns 2 to 4). In each Column the inclusivity index is constructed based on data prior to the date each event occurred. Please see Appendix B for variable definitions. Standard errors are in parentheses. The p-values are labelled as follows: * if $p < 0.1$; ** if $p < 0.05$; and *** if $p < 0.01$.

Figure 1
Market reaction to all (dotted line) and viral (solid line) BLM-supporting Tweets



This figure documents the market reaction to company Tweets that expressed support for Black Lives Matter or Black Americans in the 30 days following May 25, 2020 inclusive. There are a total of 1,608 such Tweets from 372 unique firms in our sample. Each point is the market-adjusted buy-and-hold return, accumulated starting the tenth trading day before the Tweet date, averaged each trading day relative to the Tweet date. The solid lines with circular dots are based on viral Tweets, defined as Tweets with at least 100 likes (about 16.6% of the Tweets); the dashed lines with crosses are based on all Tweets.

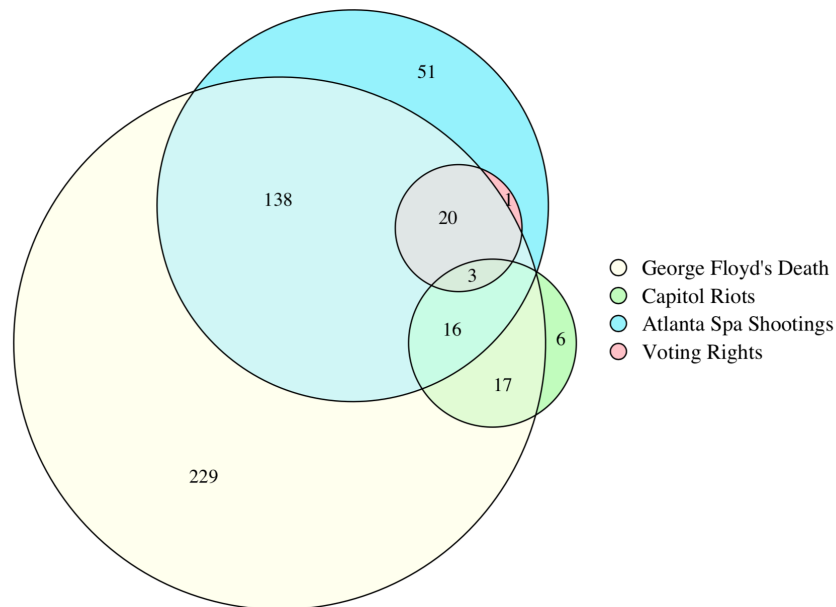
Figure 2
Distribution of the Inclusivity Index for S&P1500 firms, partitioned by whether firms spoke out in support of BLM (dark grey) and firms that did not (light grey)



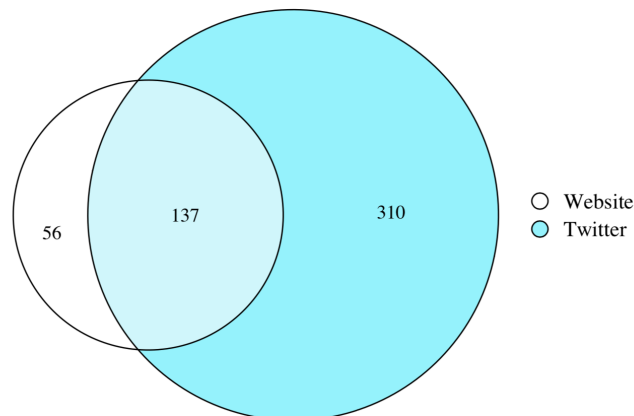
This histogram documents the distribution of the inclusivity index constructed based on data prior to May 25, 2020 with firms that spoke out in support of Black Lives Matter or Black Americans in the 30 days following May 25, 2020 inclusive in the dark grey rectangles, and firms that did not do so in the light grey rectangles. The percentage of firms with each level of the inclusivity index that spoke out are labelled on the respective bars. For example, 66 percent of firms that had an inclusivity index of six spoke out after May 25, 2020. The inclusivity index is the sum of whether the following components are greater than or equal to their medians: shareholder rights (*rights_index*), ESG performance (*esg_score*), workforce diversity and opportunity score (*wf_diversity*), workforce training and development score (*wf_train_dev*), proportion of non-white board members (*prop_nonwhite*), and proportion of female board members (*prop_female*). An inclusivity index of three, for example, would therefore correspond to a company that scores greater than or equal to the median for three of the six components of the index. Please see Appendix B for details on the construction of the inclusivity index and its components. A χ^2 -test of the hypothesis that the percentages are equal across all levels of the inclusivity index has a p-value less than one percent.

Figure 3
Venn diagrams showing the overlap between the four
social justice events and between the disclosure platforms

Panel A: Number of Firms Speaking Out on Various Events



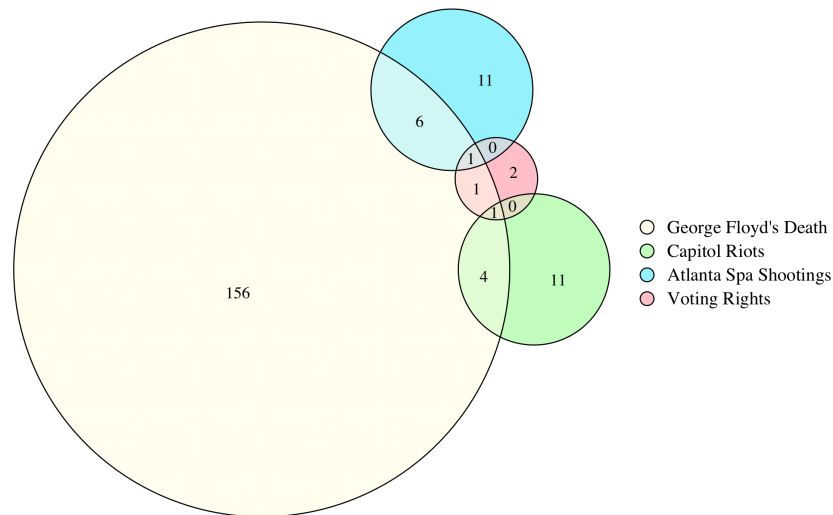
Panel B: Number of Firms that Spoke out via their Website or Twitter (All Events)



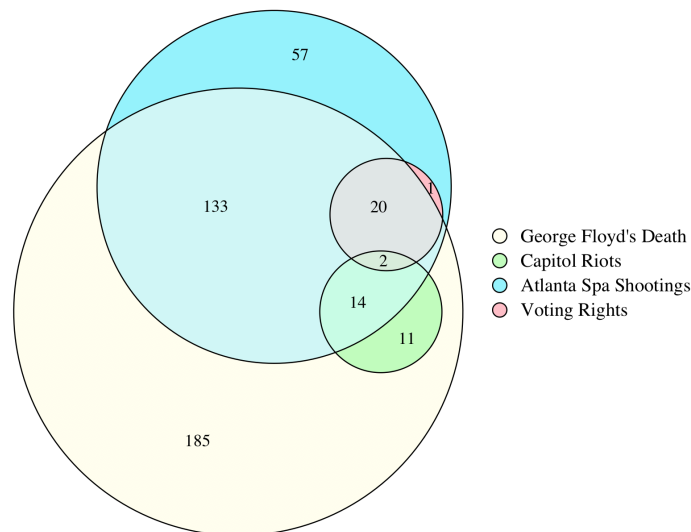
These Venn diagrams document the number of unique firms that spoke out following each of the four events (Panel A) and by each mode of support (Panel B). The total number of unique firms that expressed support is 503. The figures are plotted using the *eulerr* package in R, which attempts to solve a numerical optimization problem to draw the overlapping areas in the same proportion as the underlying data (see Larsson, 2020). The algorithm may not always be able to draw all areas for complex diagrams. In Panel A, several areas with few observations were not drawn, for example the algorithm was not able to draw the overlap of the Capitol Riots, Atlanta Spa Shootings, and Georgia Voting Law events which has two observations.

Figure 3 (Continued)
Venn diagrams showing the overlap between the four social justice events and between the disclosure platforms

Panel C: Website Disclosures – Overlap of Firms that Spoke out on Events

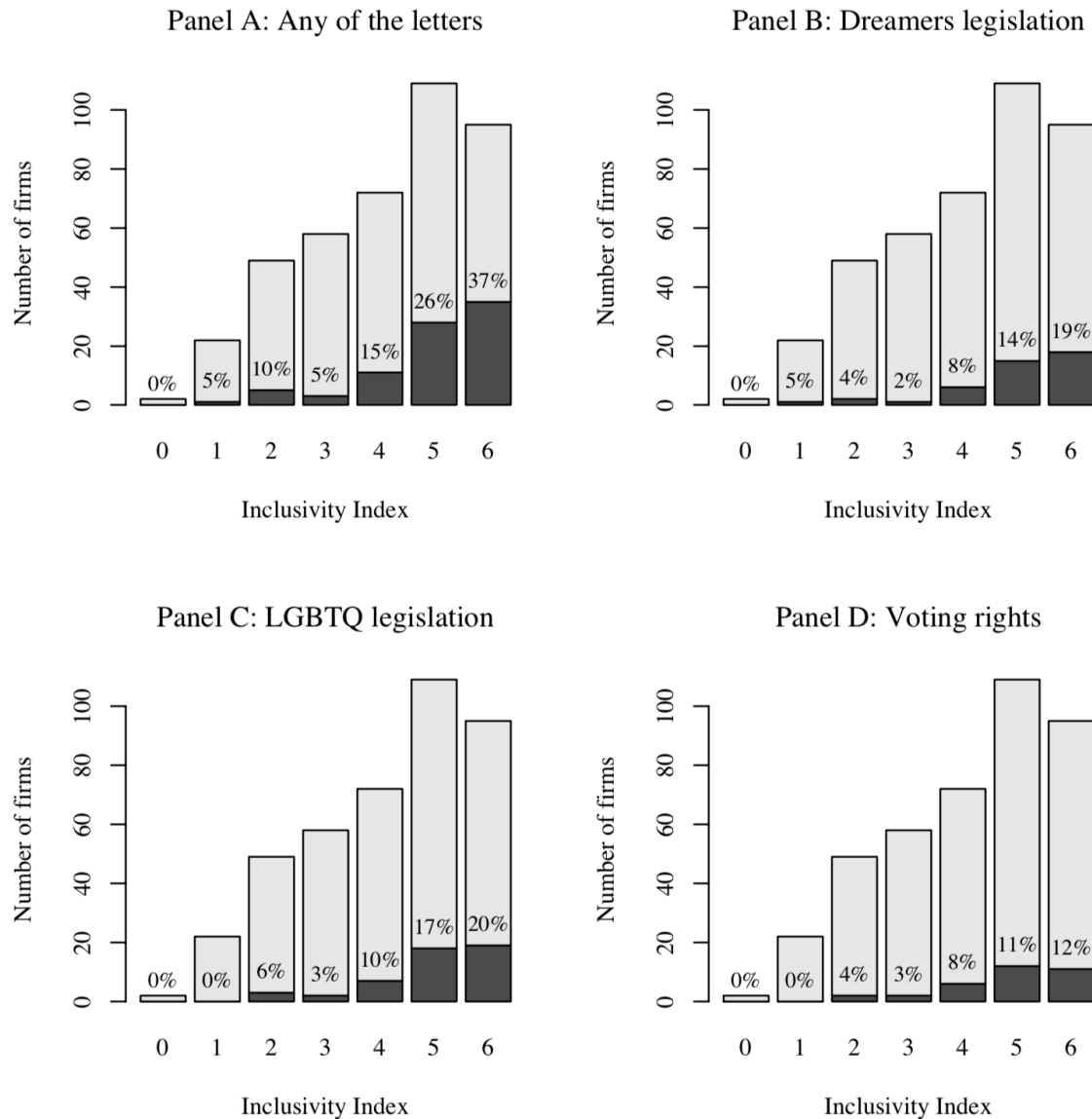


Panel D: Twitter Disclosures – Overlap of Firms that Spoke out on Events



Continued from the previous page. Panels C and D document the number of unique firms that expressed support via their websites (Panel C) and via Twitter (Panel D) following each of the four events. Please see our explanation about the *eulerr* package on the previous page.

Figure 4
Distribution of the Inclusivity Index for BLM firms, partitioned by whether the firm signed open letters in support of social causes (dark grey) or did not (light grey)



These histograms document the proportion of firms that spoke out in support of Black Lives Matter or Black Americans in the 30 days following May 25, 2020 inclusive that also signed the open letter in support of Dreamers legislation (Panel B), the Business Statement on Anti-LGBTQ State Legislation (Panel C), the We Stand for Democracy statement (Panel D), or any of the three letters (Panel A), for each level of the inclusivity index. The percentage of firms in each bar that signed the letters are labelled on the bar. For example, in Panel A, 37 percent of firms that spoke out in support of BLM and that had an inclusivity index of six also signed any of the three open letters. χ^2 -tests of the hypothesis that the percentages are equal across all levels of the inclusivity index have p-values of less than five percent in all panels except Panel D.

APPENDIX A: Examples of Speaking Out

Tables A.1 to A.4 document examples of our sample firms speaking out in the 30 days following May 25, 2020 (Table A.1) and following the three subsequent social justice events (Tables A.2 to A.4). In each table, Panel A documents the most-favorited Tweets, including their date of posting and the accounts that posted them, with line breaks, URLs, and emojis removed. Panel B documents examples of the website disclosures and the firm that made the disclosure. We do not include the full disclosures in some cases for brevity.

TABLE A.1**Examples of support for BLM and Black Americans in the 30 days after May 25, 2020****Panel A: Most-favorited Tweets**

Account	Text	Date	Favorites
netflix	To be silent is to be complicit. Black lives matter. We have a platform, and we have a duty to our Black members, employees, creators and talent to speak up.	May 30, 2020	1,058,297
fti_us	Following our internal review of the incident in Central Park yesterday, we have made the decision to terminate the employee involved, effective immediately. We do not tolerate racism of any kind at Franklin Templeton.	May 26, 2020	278,282
rockstargames	Black Lives Matter. To honor the legacy of George Floyd, today, 6/4/20, from 2:00-4:00 p.m. ET, we will be shutting down access to our online games, Grand Theft Auto Online and Red Dead Online.	Jun 04, 2020	77,683
wendys	Our voice would be nothing without Black culture. Right now, a lot of people are hurting because of blatant racism against Black people. Their voices need to be heard. Period. #BlackLivesMatter	Jun 03, 2020	41,711
netflix	When we say “Black Lives Matter,” we also mean “Black storytelling matters.” With an understanding that our commitment to true, systemic change will take time – we’re starting by highlighting powerful and complex narratives about the Black experience.	Jun 10, 2020	25,641

Panel B: Examples of website disclosures

Firm Name	Text
Biogen Inc.	Diversity is an essential asset of complementary strengths and perspectives from which all benefit, and which must unite us, not divide us.
Brown-Forman Corp.	To live our value of respect, educate ourselves more fully on what it means to be anti-racist, identify and eliminate barriers to inclusion, and continually create an environment where all employees can bring their best selves to work, the Executive Leadership Team developed commitments to be better, to do better.
Welltower Inc.	As a company, and as individuals who came here to build helpful products for everyone, Google commits to translating the energy of this moment into lasting, meaningful change. Today we are announcing a set of concrete commitments to move that work forward: internally, to build sustainable equity for Google’s Black+ community, and externally, to make our products and programs helpful in the moments that matter most to Black users.

TABLE A.2

Examples of speaking out against the storming of the U.S. Capitol in the 30 days following Jan 6, 2021

Panel A: Most-favorited Tweets

Account	Text	Date	Favorites
chevron	We call for the peaceful transition of the U.S. government. The violence in Washington, D.C. tarnishes a two-century tradition of respect for the rule of law. We look forward to engaging with President-Elect Biden and his administration to move the nation forward.	Jan 06, 2021	2,773
boeing	Boeing strongly condemns the violence, lawlessness and destruction that took place in the U.S. Capitol on January 6, 2021. Given the current environment, we are not making political contributions at this time.	Jan 13, 2021	2,215
oracle	Oracle Political Action Committee (OPAC) has decided to pause contributions to anyone who voted against certifying the November 2020 election results.	Jan 17, 2021	1,730
cisco	We will continue to look carefully at our political contributions to members of Congress to ensure they align with our values and purpose to power an inclusive future for all.	Jan 13, 2021	309
cigna	There is never justification for violence or destruction like we saw at the U.S. Capitol. The CignaPAC will discontinue support of elected officials who encouraged or supported violence, or hindered the peaceful transition of power. Read our full statement below.	Jan 12, 2021	71

Panel B: Examples of website disclosures

Firm Name	Text
Assurant	<p>The events of January 6 at the US Capitol serve as an important reminder that no matter the question, regardless of the opinion, violence is never the answer. Healthy debate and disagreement, peaceful protests and discourse – whether in government or in the corporate arena – have always allowed for voices to be heard and new ideas to emerge. Voices, not violence, are how we affect change. At Assurant we have always supported an environment of inclusion that encourages people to speak up and have their voices heard, if they have an idea or if they see something that needs to change.</p> <p>We condemn the use of violence in any form that seeks to forward an opinion or objective through force. As a global organization that champions common decency, we must lead by example and promote open dialogue and debate, even at times when the result is not ours, and we have to agree to disagree. Voices not violence is always the way to succeed.</p>
Caterpillar Inc.	<p>Yesterday we watched in disbelief as protestors broke through security barricades in the U.S. Capitol in Washington D.C. and interrupted an important step in the electoral process of transferring power between administrations.</p> <p>The resulting chaos, destruction and loss of life violate the very foundation of democracy and must be strongly condemned.</p> <p>Congress eventually re-convened last night to complete its important work, collectively standing up for democracy, the Constitution and the peaceful transfer of power, which is the hallmark of American democracy.</p> <p>Caterpillar's Values are our guidepost and I am confident in our ability to live the Values, respect the opinions of others and continue working together.</p> <p>Please continue to live our Caterpillar Values every day. They have shaped our company for almost 100 years and will see us through any future challenges.</p>

Chubb
Limited

As citizens of our great nation, all of us have a responsibility to speak out against and condemn in the strongest terms the violence and display of demagoguery we witnessed in our nation's capital yesterday. This is not who we are as a nation and our democracy must be protected. Whether one likes the results of our election or not, the citizens of our country have spoken. Our election process as reaffirmed by our courts and government agencies was fair and lawful. We look to all of our elected leaders from both parties to set an example by their respect and active support for the orderly transfer of power and their condemnation of false claims of election fraud. The confirmation of the electoral results last night by Congress was a powerful affirmation of our democracy. We should all hope for a new era of respect and decency as we meet the many common challenges facing our nation.

TABLE A.3
Examples of speaking out in support of Asians, Asian-Americans, or Pacific Islanders
in the 30 days following the Atlanta spa shootings on March 16, 2021

Panel A: Most-favorited Tweets

Account	Text	Date	Favorites
twitter	#StopAsianHate #StopAsianHate #StopAsianHate #StopAsianHate #StopAsianHate #StopAsianHate #StopAsianHate #StopAsianHate	Mar 17, 2021	216,369
ea	#StopAsianHate	Mar 18, 2021	14,664
netflix	We stand united against racism, hatred, and violence #StopAsianHate Please take a moment and listen to this powerful message from @ashleyparklady	Mar 17, 2021	9,799
atvi_ab	#StopAsianHate #StopAAPIHate	Mar 17, 2021	9,229
rockstargames	#StopAsianHate Join us in the fight against racism by supporting these organizations:	Mar 18, 2021	5,021

Panel B: Examples of website disclosures

Firm Name	Text
Amgen Inc.	While there are signs of hope at the end of a long pandemic tunnel, the senseless killings in Atlanta and the rising tide in hate crimes against Asian Americans are a sad reminder that the journey to end racism in our society is far from complete. For all who oppose racism in America, it is time to say, once more: “an injustice against any one of us is an injustice against all of us.”
	We stand in solidarity with our Asian American and Pacific Islander staff. We recognize that incidents such as this – be they in international headlines or microaggressions in our communities – can cause fear, concern and anxiety for many.
	Amgen is committed to ensuring a sense of not only belonging, but also of health and safety. Through leadership of our Amgen Asian Association (AAA) Employee Resource Group, a session with Lori Johnston, executive vice president of Human Resources and our vice president of Security Chris Davis was already scheduled focusing on safety and well-being and how our colleagues can utilize the expertise of our Amgen Security team to ensure that reported incidents and concerns of our staff are fully investigated. We have also been working with the AAA leadership to create tailored listening sessions for members of this group and other staff to receive the care and attention they seek and deserve.
	Incidents like these remind us of the importance of standing up for the rights of all of us when we see any of us being demeaned or threatened. We all have a critical role to play to continue to support the well-being and dignity of all Amgen staff.
Autodesk Inc.	We continue to see violence against the Asian community, both in the U.S. and globally, and I again want to express my support for those who have been impacted. Hate has no place in any of our communities and runs counter to Autodesk’s vision of a better world, designed and made for all.
	In addition to the resources that have already been announced and shared via the Autodesk Asian Network (AAN), we are increasing our commitment to the Asian community through a set of Autodesk Foundation grants totaling \$75,000. These grants will be distributed across three organizations: Advancing Justice-Asian Law Caucus, the National Asian Pacific American Women’s Forum, and the Center for Asian American

Media (CAAM). The last of these, CAAM, is North America-based but has an international mandate. Beyond this initial response, Autodesk will be donating another \$75,000 to support additional programs within the Asian community.

I want to acknowledge the added anxiety being felt by many of you during an already anxious time. I have seen and heard your expressions of concern. Please know that you are all in our thoughts.

I hope all of you will join me, as One Autodesk, in standing up against hate wherever it rears its ugly head.

Condemning violence against Asian Americans, while notable, isn't enough, experts say. The stereotype that Asian Americans are the so-called model minority—a group that is smart, industrious, and quiet—is a trope many Asian American professionals bristle at. “Because of that broad stereotype, we don't get to have our voices heard,” says Jaya Pathak, an associate principal in Korn Ferry's Assessment and Succession practice. Indeed, that perception often works against them in their careers, becoming synonymous with “fine to have them, but just in technical roles, not in a management role,” points out Andrés Tapia, Korn Ferry's global diversity and inclusion strategist.

While Asian Americans may work in healthcare, engineering, and technology, few are in the leadership spots. Only 2.5% of Fortune 500 CEOs are of Asian descent, slightly more than the number of Black CEOs and slightly less than the number of Latinx top leaders. Asian Americans make up about 5.6% of the US population. A 2017 study covered in Harvard Business Review found that Asian American white-collar professionals were the least likely group to be promoted from individual contributor roles into management. White professionals, according to the same study, are about twice as likely to be promoted into management as their Asian American counterparts.

There's also a gap between different Asian ethnicities. East Asians (those of Chinese or Japanese descent) are less likely than South Asians (those of Indian or Pakistani descent) and Whites to attain leadership roles in US organizations, according to a 2020 study published by the Massachusetts Institute of Technology. The gap could not be explained by the fact that more English is spoken in South Asia, either.

Listening to the concerns of Asian American employees is a good place to start, Saunders says. Leaders could also adapt strategies they may have started adopting to address inequities among Black and Latinx employees, including recognizing biases, educating employees about anti-Asian racism, and making managers responsible for promoting and developing Asian American talent. “If you haven't gone out to your employees to show your commitment and support to them, you need to do it today,” says Korn Ferry's Wang.

Korn/Ferry
International

TABLE A.4

Examples of speaking out against SB 202 in Georgia in the 30 days following March 25, 2021

Panel A: Most-favorited Tweets

Account	Text	Date	Favorites
GM	We're calling on lawmakers in Michigan, and across the nation, to ensure any changes to voting laws result in protecting and enhancing the most precious element of democracy. Learn more:	Apr 13, 2021	323
Coca Cola	We believe voting is a foundational right in America and access should be broad-based and inclusive. Learn More:	Mar 26, 2021	300
Coca Cola	Today, we shared our concerns about recently passed voting legislation in Georgia	Mar 29, 2021	240
Merck	This morning our Chairman & CEO Kenneth C. Frazier appeared on @CNBC taking a stand on Georgia's restrictive new voting law.	Mar 31, 2021	230
Salesforce	A person's right to cast their ballot is the foundation of our democracy. Unfortunately, Georgia legislators passed SB 202, unnecessarily limiting provisional ballots, limiting trustworthy, safe, & equal access to voting. @GovKemp should not sign SB 202. #gapol	Mar 25, 2021	172

Panel B: Examples of website disclosures

Firm Name	Text
Cummins Inc.	<p>Cummins supports the Business Roundtable's recent statement on the importance of voting and we agree "the right to vote is the essence of a democratic society."</p> <p>We are active in, and support, efforts to advance voter accessibility and to make this fundamental right more broadly available. We are stronger as a nation when more people vote and are engaged in the civic process. We believe efforts to restrict voting access are discriminatory, largely aimed at our Black and brown citizens, and have no place in the inclusive communities we are committed to building.</p> <p>We stand today as advocates for inclusion and equity, as we did in 1963 when our then CEO J. Irwin Miller supported Martin Luther King Jr.'s March on Washington.</p> <p>We have a proud and long history of advocacy for those who are marginalized and oppressed, and we will continue to speak out on their behalf. Diversity, equity and inclusion make our communities stronger and more vibrant. We call on elected officials – at the federal, state and local levels – to advance efforts to provide greater voting access. We also call on leaders of companies and communities in every state around the country to do their part to make it clear that we will not tolerate discriminatory voting practices.</p> <p>Voting is a core civil rights issue, and we have been engaged in this battle far too long. We will not stop until voting is accessible to all people in our country. Anything less diminishes our democracy.</p>
MetLife Inc.	The right to vote in America is absolutely fundamental. It's what gives people the power of self-determination and the ability to have their voices heard. MetLife believes any effort to limit the ability of Black Americans to exercise this hard-won civil right undermines democracy. We believe America is a better place when every voice is heard and every vote counts.
Interpublic Group	In its continued commitment to voting rights, IPG has signed on to the Civic Alliance statement on protecting voter access. Joining with other leading companies, IPG is part of this pledge to ensure that voting is safe and accessible to all, and that every eligible American has the freedom to easily cast their ballot and participate fully in our democracy.

APPENDIX B: Variable Definitions

The definitions of the variables used in the paper are listed at Table B. The variables are constructed relative to the respective social justice events under analysis; *event date* refers to the date the event occurred. For the majority of our analyses the event is the death of George Floyd on May 25, 2020, but in additional analyses we also examine the storming of the U.S Capitol (January 6, 2021), the Atlanta spa shootings (March 16, 2021), and the passage of SB 202 in Georgia (March 25, 2021). Therefore, unless otherwise stated, variables are constructed as of the most recent Compustat fiscal year before the respective event date. The industry fixed effects used in our regressions are based on the Fama-French five industry classification, and non-dummy and non-returns variables are Winsorized at the 1st and 99th percentile.

TABLE B
Variable Definitions

Variable	Definition
<u>Speaking out about social justice events</u>	
<i>speakout_blm</i>	One if the company spoke out in support of Black Lives Matter or Black Americans in the 30 days following after George Floyd's death on May 25, 2020 inclusive, on either its website's homepage or press release webpage, or its main Twitter account, and zero otherwise.
<i>speakout_capitol</i>	One if the company spoke out against the storming of the U.S. Capitol in the 30 days following the storming on January 6, 2021 inclusive, on either its website's homepage or press release webpage, or its main Twitter account, and zero otherwise.
<i>speakout_asian</i>	One if the company spoke out in support of Asians, Asian-Americans, or Pacific Islanders in the 30 days following the Atlanta spa shootings on March 16, 2021 inclusive, on either its website's homepage or press release webpage, or its main Twitter account, and zero otherwise.
<i>speakout_voting</i>	One if the company spoke out against SB 202 in Georgia in the 30 days following its passing on March 25, 2021 inclusive, on either its website's homepage or press release webpage, or its main Twitter account, and zero otherwise.
<u>Main control variables</u>	
<i>age</i>	Natural logarithm of the company's CRSP age as of each event date in years.
<i>followers</i>	Natural logarithm of one plus the number of followers on the company's main Twitter account as of the time of data collection. Zero if it does not have a Twitter account.
<i>growth</i>	Increase in total revenue (<i>revt</i>) scaled by the previous years' total revenue.
<i>leverage</i>	Ending long-term debt (<i>dlc + dlbt</i>) scaled by ending total assets (<i>at</i>).
<i>roa</i>	Income before extraordinary items (<i>ib</i>) scaled by the average of starting and ending total assets (average <i>at</i>).
<i>size</i>	Natural logarithm of ending market capitalization ($prcc_f \times csho$).
<i>tweets</i>	Natural logarithm of one plus the number of Tweets the company's main Twitter account has made as of the time of data collection. The number is truncated at the top at about 3,200 due to technical limitations at Twitter. Zero if it does not have a Twitter account.
<u>Prior and disclosure returns</u>	
<i>pre_event_ret</i>	Daily market-adjusted buy-and-hold return from the 21st trading day to the 2nd trading day before George Floyd's death (May 25, 2020).
<i>event_ret</i>	Daily market-adjusted buy-and-hold return for the three trading days centred on May 25, 2020 (May 22, 25, and 26, 2020).

<i>post_event_ret</i>	Daily market-adjusted buy-and-hold return from the 2nd to the 21st trading day after May 25, 2020.
<i>trump_tenure_ret</i>	Monthly market-adjusted buy-and-hold-returns from after the start of Donald Trump's presidential term (i.e. starting in February 2017) to the month before May 25, 2020 (i.e. ending in April 2020), requiring at least 12 months' of returns available.

Board diversity variables

<i>any_nonwhite</i>	1 if the company had any non-white directors on its board as of the most recent ISS meeting date before the event date. In <i>any_nonwhite</i> , <i>prop_nonwhite</i> , and <i>racial_conc</i> , the directors' ethnicities are coded based on a combination of ISS data (ISS: <i>Ethnicity</i>) and <i>predictrace</i> in R (Kaplan, 2019). Please see Section V for details on construction of the three variables.
<i>prop_nonwhite</i>	The proportion of directors and are non-white as of the most recent ISS meeting date (ISS: <i>MeetingDate</i>) before the event date.
<i>racial_conc</i>	The Herfindahl–Hirschman Index of directors' ethnicities as of the most recent ISS meeting date before the event date.
<i>prop_female</i>	The proportion of directors that are female as coded by ISS (ISS: <i>Female</i>) as of the most recent ISS meeting date before the event date.
<i>gender_conc</i>	The Herfindahl–Hirschman Index of directors' genders as coded by ISS (ISS: <i>Female</i>) of the most recent ISS meeting date before the event date.
<i>board_size</i>	The number of directors on the company's board, based on ISS data, as of the most recent ISS meeting date before the event date.

Shareholder rights and ESG scores

<i>rights_index</i>	The sum of the following: one if the company does not have a classified board (Institutional Shareholder Services, henceforth ISS: <i>CBOARD</i> ≠ "YES") and zero otherwise; one if a supermajority is not required to amend bylaws (ISS: <i>LABYLW</i> ≠ "NO" or "NULL" and <i>LAW_AMEND_VOTEPCNT</i> is missing or ≤ 51) and zero otherwise; one if a supermajority is not required to amend the charter (ISS: <i>LACHTR</i> ≠ "NO" or "NULL" and <i>CHARTER_AMEND_VOTEPCNT</i> is missing or ≤ 51) and zero otherwise; and one if a supermajority is not required to approve of mergers (ISS: <i>SUPERMAJOR_PCNT</i> is missing or ≤ 51) and zero otherwise. Variables are as of the most recent meeting date (ISS: <i>MeetingDate</i>) before the event date.
<i>esg_score</i>	Sustainalytics' most recent total ESG score for the company before the event date, scaled to between 0 and 1 (Sustainalytics: <i>total_esg_score</i> / 100).
<i>env_score</i>	Sustainalytics' most recent environment score for the company before the event date, scaled to between 0 and 1 (Sustainalytics: <i>environment_score</i> / 100).
<i>social_score</i>	Sustainalytics' most recent social score for the company before the event date, scaled to between 0 and 1 (Sustainalytics: <i>social_score</i> / 100).
<i>gov_score</i>	Sustainalytics' most recent governance score for the company before the event date, scaled to between 0 and 1 (Sustainalytics: <i>governance_score</i> / 100).

Workforce diversity, satisfaction, safety, and development

<i>wf_score</i>	Refinitiv ESG's workforce score (Refinitiv: <i>WorkforceScore</i>).
<i>wf_diversity_eq</i>	Refinitiv ESG's workforce diversity and opportunity score (Refinitiv: <i>So_Wo_DO</i>).
<i>wf_fin_benefits</i>	Refinitiv ESG's workforce employment quality score (Refinitiv: <i>So_Wo_EQ</i>).
<i>wf_hlth_safety</i>	Refinitiv ESG's workforce health and safety score (Refinitiv: <i>So_Wo_HS</i>).
<i>wf_train_dev</i>	Refinitiv ESG's workforce training and development score (Refinitiv: <i>So_Wo_TD</i>).

Compensation discussion and analysis (CD&A) variables

<i>inclusive_cdna</i>	One if the compensation discussion and analysis section of the firm's most recent proxy statement before the event date is in the highest quintile of the number of keywords related to BLM, racial diversity, inclusivity, and equality, and zero otherwise.
<i>inclusive_cnda_pct</i>	One if the compensation discussion and analysis section of the firm's most recent proxy statement before the event date is in the highest quintile of the number of keywords related to BLM, racial diversity, inclusivity, and equality, scaled by the total number of words, and zero otherwise.
<i>cdna_length</i>	The natural logarithm of one plus the number of words in the compensation discussion and analysis section of the firm's most recent proxy statement before the event date.

Board and competitor networks

<i>board_link</i>	One if the focal company's board is interlocked to the board of another company in the sample that expressed support after the same event, and zero otherwise, based on ISS data.
<i>board_link_num</i>	Natural logarithm of one plus the total number of other companies in the sample the focal company's board is interlocked to that expressed support after the same event, based on ISS data.
<i>board_centrality</i>	Natural logarithm of one plus the total number of other companies in the specific-event subsample the focal company's board is interlocked to, based on ISS data.
<i>compete_link</i>	One if the focal company has a product-market competitor in the sample that expressed support after the same event, and zero otherwise. In <i>compete_link</i> , <i>compete_link_num</i> , and <i>compete_centrality</i> , product-market competitors are defined based on the baseline 10-K Text-based Network Industry Classifications data provided by Hoberg and Phillips (2010, 2016).
<i>compete_link_num</i>	Natural logarithm of one plus the total number of other companies in the sample that are product-market competitors to the focal company that expressed support after the same event.
<i>compete_centrality</i>	Natural logarithm of one plus the total number of other companies in the specific-event subsample that are product-market competitors to the focal company.

Inclusivity index

<i>inclusivity_index</i>	The sum of the following: one if <i>rights_index</i> is greater than or equal to its median and zero otherwise; one if <i>esg_score</i> is greater than or equal to its median and zero otherwise; one if <i>wf_diversity</i> is greater than or equal to its median and zero otherwise; one if <i>wf_train_dev</i> is greater than or equal to its median and zero otherwise; one if <i>prop_nonwhite</i> is greater than or equal to its median and zero otherwise; and one if <i>prop_female</i> is greater than or equal to its median and zero otherwise. The median of each component is computed after requiring availability of all components, and is computed within each event group.
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