Do Investors Value Corporate Workforce Equality?

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Abstract
Using a unique workforce equality measure constructed from big data on online job postings, I show that investors started to tilt their holdings towards firms with better workforce equality profiles after the unexpected 2020 Black Lives Matter movement. The effects are unlikely to be driven by short-term investors that ride on the sentiment of the massive BLM protests. Instead, I find empirical support for three channels underlying the changes in investors’ decisions. First, investors revise their beliefs about equality and diversity risks following the massive BLM movement. Second, investors’ tastes for corporate equality strengthen after the 2020 BLM movement. Third, institutional investors cater to their clients’ prosocial preferences. I document that high equality firms outperform their peers when public attention towards racial equality is high. My findings show that shifts in investors’ tastes for corporate equality cause the outperformance of high equality stocks.

Keywords: Workforce Equality, Big Data, ESG Preference, Investment Decisions, Institutional Investors

JEL Codes: G11, G23, G41, M14

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Several months into the year, the pandemic collided with a wave of historic protests for racial justice in the United States and around the world. [...] We are at a historic crossroads on the path to racial justice – one that cannot be solved without leadership from companies. A company that does not seek to benefit from the full spectrum of human talent is weaker for it – less likely to hire the best talent, less likely to reflect the needs of its customers and the communities where it operates, and less likely to outperform.

Larry Fink, the CEO of BlackRock, 2021 letter to CEOs

1 Introduction

The 2020 Black Lives Matter (hereafter, BLM) movement reveals the huge social chasm of inequality. The U.S. experienced a historic upheaval against racial injustice in 2020, ignited by national outrage over the death of George Floyd, a black man who died in police custody. Millions of people joined the Black Lives Matter (hereafter, BLM) protests on the street, triggering unrest at a scale not seen since the murder of Martin Luther King. However, anecdotal evidence is contradictory on whether investors value social equality and diversity. On the one hand, despite the turmoil on the street, Wall Street seems to behave no differently: S&P 500 even rose slightly amid the unrest. 1 However, on the other hand, anecdotal evidence in the months following the 2020 BLM movement tells a different story. Many financial institutions, including BlackRock and Vanguard, pledge to incorporate corporate equality screening into their investment processes. 2 These seemingly contradictory observations call for academic research to empirically examine whether investors value corporate equality and diversity and how investors respond to the unexpected and unprecedented spike in public attention towards social inequality. While much of the literature on socially responsible

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1According to articles in the Wall Street Journal, the stock market has a long history of ignoring social movements. (https://www.wsj.com/articles/stocks-are-rallying-despite-nationwide-protests-thats-typical-11591349405)

2https://www.wsj.com/articles/sustainability-investors-shift-their-focus-to-social-issues-11602342000
investment focuses on general CSR profiles and environmental aspects, less attention is
given to the question of how corporate workforce equality practices affect investors’ portfolio
decisions, despite the salience of equality and diversity for the overall society and the financial
markets. My paper fills this gap by exploring whether and why investors value corporate
workforce equality, and the subsequent economic implications for firms with different workforce
equality levels.

To begin with, I test whether investors tilt their holdings towards firms with better
workforce equality profiles after the unexpected and unprecedented 2020 BLM movement
with a difference-in-differences setting. Polls suggest that approximately 15 million to 26
million people joined the protests, making the 2020 BLM movement the largest movement in
U.S. history. Since the tragic death of Mr. Floyd cannot be predicted ahead of time, the
unexpected shock provides an ideal setting to examine whether investors’ attitudes towards
corporate equality are altered after the spike in public attention to social equality.

The primary corporate workforce equality measure in this paper is the EEO Score
from Cen, Han, Liu, and Wu (2021), which measures corporate workforce equality using the
information in equal employment opportunity statements (hereafter, EEO statements) from
millions of online job postings. Instead of the diversity in the boardroom and C-suite, the
EEO Score measures corporate workforce equality practices that are of great interest for
addressing the tension of inequality in U.S. society. Cen et al. (2021) find that EEO Score
better predicts future employment discrimination lawsuits and negative news against the
firms than ESG scores from data vendors. They also show that it is costly for other firms to
mimic high equality firms by making enthusiastic EEO statements in their job postings.

Using the difference-in-differences setting, I find that institutional investors tilt towards
high workforce equality stocks after the 2020 BLM movement. Compared to their peers, high
equality firms experience a relative increase in total institutional ownership in the post-event

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3See, for example, Bollen (2007); Bialkowski and Starks (2016); Hartzmark and Sussman (2019); Bonnefon,
Landier, Sastry, and Thesmar (2019); Anderson and Robinson (2019); Bauer, Ruof, and Smeets (2021);
Ceccarelli, Ramelli, and Wagner (2021)

period, which is equivalent to 1.5% of firm value. The results hold for the alternative measures of corporate workforce equality, including the Thomson Reuters Asset4 workforce diversity and opportunity scores and employment discrimination lawsuits against the firms.

Next, I examine what types of investors adjust their holdings the most in response to the 2020 BLM movement. I investigate whether long-term investors alter their holdings more towards high equality firms than short term investors. On the one hand, ESG risks, including risks related to workforce equality, could be perceived as long-term risks (Bansal, Kiku, and Ochoa, 2016; Dunn, Fitzgibbons, and Pomorski, 2018). Starks, Venkat, and Zhu (2017) document that long-term investors prefer firms with better ESG profiles. On the other hand, it is also possible that the effect is driven by short-term investors that buy high equality stocks to ride on the sentiment of the massive BLM protests. Following the classification from Bushee (1998), I define long-term institutional ownership as the percentage of shares held by dedicated and quasi-indexer institutional investors. The empirical results show that the relative increase in institutional ownership for high equality firms is concentrated in long-term institutional ownership. Therefore, the changes in investors behaviors around the BLM movement are unlikely to be driven by the short-term riding on sentiment.

Further, I conjecture that investors with ex ante prosocial preference respond the most to the 2020 BLM movement. Using 13F investors’ ex ante portfolio composition and mutual funds’ home-state political voting patterns as the proxies for investors’ ex ante prosocial preferences, I show that investors with ex ante prosocial preferences tilt their holdings more towards high equality firms than other investors.

Next, I provide empirical supports for three underlying channels for the changes in investors’ decisions: investors’ risk beliefs updating, investors’ equality tastes shifting, and catering to clients’ preferences.

First, I conjecture that investors revise their beliefs about equality and diversity risks following the large-scale BLM movement. Investors exposed to large-scale social
unrest are more sufficiently aware of the risks associated with social equality and diversity. Moreover, the perceived risks associated with equality and diversity are likely to be higher for investors exposed to massive local BLM protests due to the availability heuristic (Tversky and Kahneman, 1974). Investors that live through the massive BLM protests are more likely to have the vivid examples in their minds when assessing the probability of future equality and diversity movements, which raises the perceived risks associated with equality and diversity. The empirical results confirm the conjecture: the mutual funds located in cities with large-scale local BLM protests tilt their portfolio towards high equality firms more than other mutual funds.

I further provide more empirical evidence to support the risk updating hypothesis. As consumers exhibit a growing interest in ESG footprints of goods in their shopping bags, firms’ revenue is increasingly tied to ESG profiles. The relationship is stronger when individual consumers are the majority customers of the firms (Lev, Petrovits, and Radhakrishnan, 2010). I show that the relative increases in institutional ownership for high equality firms are more pronounced for the subsample of consumer-oriented firms. The empirical results confirm the hypothesis, which coincides with the consumers’ tastes shifting channel in the model of Pastor, Stambaugh, and Taylor (2021). I also examine whether workforce equality is more crucial for the investment decisions regarding firms headquartered in counties with a large African American population. Previous literature shows that corporate managers are under pressure to respond to local social factors. Following the argument, firms in African American neighborhoods are now under greater pressure to embrace equality and diversity because stakeholders in these regions are likely to have a stronger preference for racial equality and diversity than those in other regions. Using the cross-sectional partition based on the African American population in headquarter counties, I show that the effects I find are more pronounced in firms located in counties with a large African American population.

Next, I turn to examine the next channel, exploiting whether investors’ equality tastes

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6For example, Kim, Wan, Wang, and Yang (2019) find that firms reduce their toxic releases in response to local investors’ prosocial preferences.
shift after the event. Investors may derive non-pecuniary utility from holding high equality stocks (Benabou and Tirole, 2010). Pastor et al. (2021) show that investors with stronger preferences for ESG tilt their portfolios more towards high ESG firms. As such, investors adjust their portfolios towards high equality firms since their preferences for equality and diversity strengthen during the unprecedented equality movement. I find that holding sensitivity to past returns is attenuated for high equality firms after the 2020 BLM movement. The results indicate that investors are more willing to scarify returns for holding high equality stocks as their equality preferences strengthen so that they derive more non-pecuniary utility from holding high equality stocks.

I have already shown that 13F investors and mutual funds exhibit increasing demand for high equality firms after the 2020 BLM movement. It is still unclear whether the relative increases in holdings in high equality firms partially reflect the social preferences of asset managers’ clientele. Thus, I examine whether mutual funds with better equality footprints experience a relative increase in inflows after the 2020 BLM protests. The EEO footprints of the mutual funds’ portfolios are calculated using the top 10 (top 5) holdings. Results suggest that mutual fund clients prefer funds that hold high equality firms as their top holdings amid the 2020 BLM movement. Since a large fraction of mutual fund clients are retail investors, the results also suggest that the social constraints imposed on institutions cannot be the only reason investors value corporate equality.

Finally, I examine how the changes in investors behavior affect the stock returns of firms with different workforce equality levels. Particularly, I examine whether high equality firms outperform their peers after the shock of BLM movement. I find that the increases in raw quarterly returns and the DGTW adjusted returns (Daniel, Grinblatt, Titman, and Wermers, 1997) are 3.2% and 2.9% higher for high equality firms than other firms in the post-event period, respectively. Consistent with the model in Pastor et al. (2021), high equality firms

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7An essential prerequisite for mutual fund clients to react to the equality profiles of fund holdings is that the portfolio composition is salient to these clients. Agarwal, Jiang, and Wen (2021) point out that the top 10 (top 5) holdings of mutual funds are salient to investors as this information is typically displayed on Morningstar.
outperform other firms when there are shifts in investors’ tastes for corporate equality due to the nationwide spike in attention towards equality and diversity. 8

To the best of my knowledge, this paper is the first to investigate whether investors value corporate workforce equality and diversity. A growing body of research on socially responsible investment focuses on general CSR profiles and environmental aspects (e.g., Hartzmark and Sussman, 2019; Anderson and Robinson, 2019; Ceccarelli et al., 2021). For example, survey evidence from Krueger, Sautner, and Starks (2020) suggests that investors are aware of climate risks when they make investment decisions. In terms of social dimensions of ESG profiles, Hong and Kacperczyk (2009) find that investors dislike sin industries that produce socially controversial products and services. However, the study focuses on the vice of products across industries and does not discuss the firm-level heterogeneity of social profiles. One exception is the study by Pan, Pikulina, Siegel, and Wang (2020), which find that the stock market reacts negatively to the disclosure of high pay ratios, providing evidence that capital markets care about income inequality between CEO pay and employee pay. I extend the research to capture the broader unfair treatments underrepresented groups face, investigating the inequality among rank-and-file employees. Despite the salience of equality and diversity for the overall society and the financial market, little is known about how investors’ investment decisions are related to corporate workforce equality profiles. My study fills the gap and finds that investors tilt their holdings towards firms with high workforce equality, especially after the spike in public attention towards social inequality.

My paper also contributes to the literature that helps to understand how social preferences enter investment decisions. Empirical results in my paper suggest that corporate equality does not receive much investors’ attention prior to the outbreak of national equality protests, coinciding with the observation in Gibson, Krueger, and Mitali (2021). They find that, while investors clearly tilt towards stocks with high environmental scores over time, investors do not seem to consistently favor stocks with high social scores. My paper

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8I also show that the time-varying public attention to BLM movements explains the monthly returns of the high-minus-low corporate workforce equality portfolio in Appendix Table A.11.
helps to reconcile the seemingly contradictory patterns for investment decisions regarding environmental and social aspects by introducing a catalyst that pushes investors to take corporate equality into their decision-making processes. I show that corporate equality starts to influence investment decisions after the spike in public attention to inequality, which alters the beliefs of investors and possibly leads to a more stringent law that enforces workforce equality. My findings complement the previous literature that underscores the role of various stimuli in the effects of climate preferences on investment decisions. Choi, Gao, and Jiang (2020) document that higher than normal local temperatures are “wake-up calls” that alter investors’ beliefs and stimulate investors’ trading on carbon-intensive firms. Analogous to climate preferences, my study suggests that the effects of equality preferences on investment decisions are augmented by the spike in public attention towards inequality.

My paper also provides empirical supports for Pastor et al. (2021). The model in their paper suggests that green assets outperform brown assets when investors shift their tastes for ESG, leading to a positive realization of the ESG factor. I show that high equality firms outperform other firms following an exogenous shock that raises the preferences for social equality for investors.

Finally, my paper is related to the debate of the economic implications of equality and diversity for firms. Bernile, Bhagwat, and Yonker (2018) establish that board diversity brings lower volatility and better firm performance. In terms of employees, Cen et al. (2021) show the trade-off between innovation efficiency and investment efficiency brought by workforce equality and diversity. My findings extend the implications of corporate equality and diversity by investigating the effect of corporate equality on institutional ownership around the spike in public attention towards equality.
2 Data and Methodology

2.1 Measures of Corporate Equality

The primary measure for corporate workforce equality in this paper is the sentiment-weighted equal employment opportunity score (EEO Score) from Cen et al. (2021). The EEO Score is constructed based on online job postings obtained from Burning Glass Technologies (hereafter, BGT). As a for-profit labor market analytics firm, BGT crawls job postings from approximately 50,000 job boards, capturing a near-universe of 54 million online job postings from 2010 to 2020.

Firms include equal employment opportunity statements (hereafter, EEO statements) in their job postings to publicize their supportive attitudes towards employment equality and workforce diversity. However, firms are not truly equal and diverse by simply delivering lip service. To infer whether the firms genuinely embrace equality and diversity, they derive the true attitudes underlying each EEO statement. The examples in Cen et al. (2021) underscore the importance of sentiment analysis of EEO statements. Some EEO statements are cold and indifferent: many firms simply lay out “EEO is law” at the footnotes of their job postings. In fact, this is the most prevalent EEO statement used by U.S. firms. Clearly, the perfunctory EEO statements should not be taken as a credit for showing corporate equality. In contrast, some firms have enthusiastic and impassioned EEO statements. Apart from the example of sincere EEO statement of Google in Cen et al. (2021), I show here the example of the warm EEO statement of Visa, the global electronic payment company:

“Universal acceptance for everyone, everywhere is at the heart of our company. We promote diversity of thought, culture, and background, which connects the entire Visa family. As such, Visa is proud to be an Equal Opportunity Employer. We do not discriminate on the basis of race, color, ancestry, national origin…”

Since the sentiment behind EEO statements points to the underlying corporate equality attitudes, Cen et al. (2021) tag each of the EEO statements extracted from job postings with...
a sentiment score ranging from -1 (very negative) to 1 (very positive). by applying natural language processing (NLP) algorithm Valence Aware Dictionary and Sentiment Reasoner (VADER). EEO statements that receive higher sentiment scores are those that demonstrate enthusiastic and impassioned attitudes in the text. The NLP approach effectively detects the true sentiment: the perfunctory EEO statements are tagged as neutral, receiving sentiment scores of zero. In contrast, enthusiastic EEO statements such as the one for Visa receive high sentiment score of 0.889.

Firm-level EEO Score is the normalized rank of the average EEO sentiment score of all job postings the firm posts in the year:

$$EEO\ Score_{i,t} = \frac{\sum_{j \in i,t} Job\ Posting\ EEO\ Sentiment\ Score_j}{Number\ of\ Job\ Postings_{i,t}}$$  \hspace{1cm} (1)$$

where \textit{Job Posting EEO Sentiment Score}_j is the sentiment score for the EEO statement of job posting \textit{j}, and \textit{Number of Job Postings}_{i,t} is the total number of job postings issued by firm \textit{i} in year \textit{t}.

EEO Score ranges from zero to one. Intuitively, a firm that have a large fraction of job postings with genuine EEO statements are likely to have positive attitudes towards workforce equality and diversity. Thus, the EEO Score is higher for such a firm. It is shown in Cen et al. (2021) that the EEO Score is strongly correlated with other measures of diversity, such as board diversity, confirming that the EEO Score indeed captures company equality and diversity profiles. In this paper, I defined a firm to be a high equality firm if the EEO Score of the firm ranks in the top 30% among all firms in the year. In other words, a dummy variable \textit{High EEO} equals one for firms with EEO Score higher than the 70th percentile of EEO Score of all firms in the year.

The EEO measure enjoys a coverage advantage over conventional ESG scores from data vendors. Technically, EEO Score can be calculated for any firm with job postings. Indeed, as shown in Table 1, sample size shrinks substantially if I also require non-missing MSCI ESG scores. As discussed by previous literature, the coverage of ESG ratings and scores
tilts towards large firms, especially at the beginning of the sample period. The limitation vanishes for the EEO Score. The average firm size for the sample of non-missing EEO Score is smaller than that of the sample of non-missing MSCI ESG scores. In addition, as workforce demographics are largely missing for U.S. firms, most of the ESG data relies heavily on diversity in the boardroom and C-suite. Though previous literature shows that diverse leaders improve CSR practices of firms, the effects are indirect for ordinary people. The EEO measure precisely captures corporate workforce equality practices that are of great interest for addressing the tension of inequality in U.S. society. Besides, the EEO measure points directly to workforce equality of firms, which disentangles from diversity scores by ESG data vendors that encompass many dimensions of diversity, including the boardroom and C-suite diversity as well as work-life benefits. Empirical evidence in Cen et al. (2021) suggests that the EEO Score better predicts future EEO lawsuits and negative news against the firm than MSCI diversity scores. They also show that it is costly for other firms to mimic high equality firms by making enthusiastic EEO statements in their job postings: the stock market reacts more negatively to the negative news related to employment discrimination against the firms with enthusiastic EEO statements.

In this paper, I show that the empirical results also hold for two alternative measures of corporate workforce equality: Thomson Reuters Asset4 workforce diversity and opportunity category score (hereafter, SODO Score) and EEO lawsuits against the firms. Asset4 is an international ESG rating dataset, which provides eighteen category scores for four pillars of ESG performance of firms. The SODO Score is the category scores that measures a company’s commitment and practices in maintaining equal employment opportunity and diversity in its workforce.

Besides the workforce equality scores rated by ESG data vendor, I use the employment discrimination lawsuits against the firms as a negative signal of the firms’ workforce equality. Specifically, I retrieve civil lawsuit cases related to the violation of EEO laws from the Federal

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10 The four pillars covered by Asset4 are corporate governance, economic, environmental, and social pillars.
Judicial Center’s (FJC) Integrated Database, which contains all U.S. federal court cases from 1970 to the present. FJC data classify the cases by nature of suit code (NOS). The litigation cases related to the violation of EEO laws are classified under NOS of 442 and 445.

2.2 Measurement of Institutional Ownership

Noticing the issues of stale institutional reports and missing holdings of Thomson Reuters 13F data in more recent years, I obtain institutional ownership data from WRDS SEC Analytics Suite-13F holdings. Starting from June 2013, the SEC requires XML format of holding disclosure, making it easier to completely crawl and organize the data. The WRDS SEC Analytics Suite-13F holdings data is thus complete for the period after June 2013. Although using WRDS SEC Analytics Suite-13F holdings data limits my sample period to June 2013 onward, the shock of BLM movement erupts lately in 2020, leaving me enough pre-event period for the analysis.

Institutional ownership is measured as the fraction of the firm’s shares outstanding held by 13F institutional investors. I also compute long-term institutional ownership to measure investor horizon. Following the definition from Bushee (1998), long-term institutional ownership is the percentage of shares held by dedicated and quasi-indexer institutional investors.

2.3 Mutual Fund Fraction of Holding, Fund Flows and Fund Characteristics

I rely on CRSP Mutual Fund database for the analysis of the changes in mutual fund’s holdings and the fund flows because CRSP Mutual Fund Holdings database has a larger coverage of newly founded mutual funds than Thomson Reuters S12 database from the year of 2008 (Zhu, 2020).

11For the detailed information on missing data of Thomson Reuters 13F, see https://wrds-www.wharton.upenn.edu/documents/752/Research_Note_Thomson534DataIssues_mldAsdi.pdf
The mutual fund fraction of holding of firm $i$ is the fraction of firm $i$’s shares outstanding held by mutual fund $j$ in quarter $t$, which are then multiplied by 100.

Following Barber, Huang, and Odean (2016), monthly fund flows are measured as:

$$Fund\ Flow_{j,t} = \frac{TNA_{j,t} - TNA_{j,t-1}(1 + Ret_{j,t})}{TNA_{j,t-1}}$$

where $TNA_{j,t}$ is the total net asset of fund $j$ in month $t$ and $Ret_{j,t}$ is the monthly fund returns of fund $jj$ in month $t$.

Fund characteristics and location are retrieved from the CRSP Mutual Fund Database. Fund-level control variables include the natural logarithm of TNA ($LogTNA$), fund expense ratio ($ExpRatio$), fund returns in excess of market returns over the previous month ($FundRetMkt$), square of $FundRetMkt$ ($FundRetMktSq$), standard deviation of fund daily returns over the previous month ($FundVolatility$), annual fund turnover ($Turnover$), and natural logarithm of the months since the first occurrence in CRSP Mutual Fund database ($LogAge$).

### 2.4 Control Variables

I control for firm characteristics including natural logarithm of 1 plus total assets ($LnAsset$), capital expenditure scaled by total assets ($Capex$), total debt scaled by total assets ($Leverage$), net income scaled by total assets ($ROA$), property, plant, and equipment scaled by total assets ($Tangibility$), market value of equity to book value of equity ($TobinQ$), dividend scaled by total assets ($Dividend$), returns of the previous year ($PastRet$), and standard deviation of daily returns ($RetVol$). I obtain stock returns and accounting information from CRSP and Compustat, respectively.
2.5 Summary Statistics

I combine the previously described data sources to construct the primary sample. Since the EEO Score is measured from job postings, I restrict the primary sample with EEO Score to include firms that have job postings in the previous year. Finally, I exclude firms in regulated industries (SIC code 4900-4999) and financial industries (SIC code 6000-6999). The sample selection criterion yields the primary sample of 56,855 firm-quarter observations, spanning the period 2013Q3-2020Q4.

Table 1 presents summary statistics for the primary sample of this paper. Panel A of Table 1 provides summary statistics for my main sample. The average institutional ownership for the sample is 0.47, which is comparable to previous literature that uses the universe of Compustat firms (e.g., He and Huang, 2017). However, this number is lower than the number reported in the literature that studies the interplay of institutional investors and firms’ ESG profiles (e.g., Starks et al., 2017). Indeed, MSCI ESG scores tend to cover large firms. The bias is especially pronounced at the beginning of the sample period during which only a few hundred U.S. firms have MSCI ESG scores. I report the sample of firms with non-missing ESG scores in Panel B of Table 1. The average firm with non-missing ESG scores is substantially larger than that in my main sample. The mean $\log\text{Asset}$ of the sample in Panel B is 7.541, whereas the mean $\log\text{Asset}$ of the sample in Panel A is lower, at 6.731. The average institutional ownership is larger for the sample in Panel B as well. This observation also supports the notion that the EEO Score enjoys a coverage advantage compared to diversity scores from ESG data vendors. The EEO Score covers not only large firms but also small firms of which information regarding social responsibility performance is more limited and needed. The EEO Score is the normalized rank of the average EEO sentiment score of all job postings the firm posts in the year. Therefore, the EEO Score ranges from zero to one with the sample average of 0.5 by construction.

[Insert Table 1 here.]
I present Pearson correlation between the EEO Score and firm characteristics in Panel C of Table 1. In line with the expectations, EEO Score is positively correlated with various firm characteristics, including size and investor horizon. EEO Score is positively correlated with various ESG ratings including MSCI ESG scores and Asset4 SODO Score. However, the correlations are low, ranging from 0.075 to 0.117.

For the sample of mutual fund holdings, I focuses on actively managed domestic equity funds, which are selected based on their Lipper classification code. Further, I exclude index funds based on index fund flag available in CRSP Mutual Fund database. I eliminate small funds by requiring the minimum total net asset (TNA) of $10 million and the minimum holdings of 10 stocks. Share classes of the same funds are aggregated by crsp-clg, the fund identifier in CRSP Mutual Fund Database.

3 Corporate Equality and Institutional Holdings

3.1 Empirical Methodology

In the baseline specification, I examine how institutional investors respond to the 2020 BLM movement revolving around the tragic death of George Floyd. The 2020 BLM movement draws national attention to equality and diversity, which plausibly triggers investors’ attention to their portfolio firms’ equality and diversity profiles. Figure 1 presents time-series Google Search Volume Index (SVI) around the death of Mr. Floyd, which clearly depicts a spike in public attention to racial equality. The volume of Google searches for “racial inequality” surges in the event month of May 2020, indicating an exogenous jump of attention to racial equality. I conjecture that this attention spike pushes institutional investors to recognize the importance of equality and diversity in corporate America, which alters their investment

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12 The Lipper Classification Code must be one of the following: EIEI, G, LCCE, LCGE, LCVE, MCCE, MCGE, MCVE, MLCE, MLGE, MLVE, SCCE, SCGE, or SCVE.

13 In unreported figures, the time-series patterns of SVI for “racial injustice”, and “Black Lives Matter” are similar to the term “racial inequality”.
behavior after the 2020 BLM movement.

I plot the time-series trend of institutional ownership for high equality firms and controls firms in Figure 2. There are no significant pre-trends of institutional ownership for the high equality firms and the control firms prior to the 2020 BLM movement in 2020Q2, which indicates that the parallel trend assumption is not violated. Figure 2 suggests that the divergence in institutional ownership between the high equality firms and the control firms occurs around the outbreak of the 2020 BLM movement.

I formally test whether investors respond to the 2020 BLM movement in the difference-in-differences setting. Specifically, I estimate the following regression:

\[
\text{Investors Response}_{i,t} = \beta_0 + \beta_1 \text{Post}_t \times \text{High EEO}_{i,t-1} + \beta_2 \text{High EEO}_{i,t-1} \\
+ \text{Controls}_{i,t-1} + \text{Firm FE} + \text{YearQtr FE} + \epsilon_{i,t}
\] (3)

where \( i \) denotes firms and \( t \) denotes time. \( \text{Investors Response}_{i,t} \) is the investor responses of interest, including institutional ownership, investor horizon, and stock returns. \( \text{High EEO}_{i,t-1} \) measures whether the firm is a high equality firm, which is a dummy variable equal to one if the EEO Score of the firm \( i \) ranks in the top percentile according to certain percentile cut-offs in the previous year. Months of massive BLM protests erupted in the U.S. ever since the killing of Mr. Floyd on May 25th, 2020. Therefore, I define the dummy variable \( \text{Post}_t \) to take the value of one for the quarters after 2020Q2 and zero otherwise. \( \text{Controls}_{i,t-1} \) are the firm-level control variables in the previous year, which include natural logarithm of 1 plus total assets (\( \text{LnAsset} \)), capital expenditure scaled by total assets (\( \text{Capex} \)), total debt scaled by total assets (\( \text{Leverage} \)), net income scaled by total assets (\( \text{ROA} \)), property, plant, and equipment scaled by total assets (\( \text{Tangibility} \)), market value of equity to book value of equity (\( \text{TobinQ} \)), dividend scaled by total assets (\( \text{Dividend} \)), returns of the previous year (\( \text{PastRet} \)), and standard deviation of daily returns (\( \text{RetVol} \)). I incorporate firm fixed effects and year-quarter fixed effects in each test specification. Standard errors are clustered at the firm levels.
The DID setting in Equation 3 examines the differences in investor responses to firms with different corporate equality levels around the 2020 BLM movement. When institutional ownership is the dependent variable, the first difference compares the institutional ownership before and after the 2020 BLM movement for high equality firms and other firms separately, resulting in two differences for each group. The second difference in this DID setting takes the difference between the two first-layer differences of high equality firms and other firms. The coefficient $\beta_1$ captures the second difference, measuring whether institutional ownership changes differently for firms with and without genuine workforce equality attitudes around the 2020 BLM movement.

3.2 Corporate Equality and Institutional Ownership around the 2020 BLM Movement

In this subsection, I report the estimation results of Equation 3, taking institutional ownership as the dependent variable. The coefficient $\beta_1$ is expected to be positive and statistically significant if institutional investors value corporate workforce equality of their portfolio firms and aggregately tilt their holdings towards the high equality firms after the 2020 BLM movement.

[Insert Table 2 here.]

Regression estimates are presented in Table 2. The coefficient for High EEO is insignificant, indicating that corporate equality plays second fiddle if there were no outbreak of the national BLM movement. The insignificant coefficient coincides with the observation in Gibson et al. (2021), in which they find that, while investors clearly tilt towards stocks with high environmental scores over time, there is no clear trend that investors consistently favor stocks with high social scores. My results suggest that the situation has changed after the 2020 BLM movement. The coefficient $\beta_1$ is positive and significant in Table 2 regardless of the cut-offs for the High EEO indicator, indicating that the increases in institutional
ownership are higher for the high equality firms than other firms around the 2020 BLM movement. The economic magnitude of the effect is sizable. For example, high equality firms experience a larger increase in total institutional ownership equivalent to 1.5% of the firm value after the 2020 BLM movement in column (2) of Table 2, where the dummy variable $High\ EEO$ equals one if the EEO Score of the firm is higher than the 70th percentile in the year. The results remain statistically and economically significant for other alternative cut-offs. Therefore, I use the 70th percentile as the cut-off for the rest of the paper.

I show in Appendix Table A.4 that the baseline results hold robust for the alternative measures of corporate workforce equality, including the Thomson Reuters Asset4 workforce diversity and opportunity scores and employment discrimination lawsuits against the firms.

Corporate equality is a dimension of corporate social responsibility, which is highly correlated with other pillars of firms’ ESG performance. Some may worry that the effect I find is driven by other ESG profiles of the firms, including management diversity, environmental profile, and general ESG performance. To alleviate the concern, I estimate the baseline regression, controlling for the effect of management diversity, environmental profile, and overall ESG scores. I use the dummy variable $High\ DIV$ to measure the management diversity of the firm, which equals one if the firm’s net score of MSCI diversity dimension ranks above 70th percentile of the year. Similarly, I use the dummy variable $High\ ENV$ to measure the environmental performance of the firm, which equals one if the firm’s net score of MSCI environmental dimension ranks above 70th percentile of the year. The high ESG dummy variable, $High\ ESG$, equals one if the MSCI ESG score of the firm is positive.

[Insert Table 3 here.]

The results in Table 3 assure that the effect I find in Table 2 pertains to workforce equality rather than other ESG aspects of the firms. As shown in column (1), The coefficient for $Post \times High\ EEO$ remains positive and significant after controlling for the effect of management diversity. Likewise, the positive and significant coefficients for $Post \times High\ EEO$ remain unchanged after controlling for overall ESG profiles and environmental performance
of the firms. I also show that the baseline results are robust to control for the alternative measures of corporate workforce equality.

Although the 2020 BLM movement is the first nationwide BLM movement that attracts the attention of investors across the U.S, there are several regional BLM movements before 2020 that possibly raise the attention of investors located in these regions. I show in Table A.6 and Table A.7 that high equality firms experience a relative increase in institutional ownership during the period of heightened public attention to BLM movement over 2013-2020 and that investors respond to local BLM movements before 2020.

### 3.3 Corporate Equality and Investor Horizon around the 2020 BLM Movement

Having established that institutional ownership increases more for high equality firms than other firms, I turn to examine whether long-term investors respond more strongly to the spike in public attention towards equality. On the one hand, ESG risks, including workforce equality, are perceived as long-term risks in previous literature (Bansal et al., 2016; Dunn et al., 2018). It follows that the investment horizon of long-term investors is better aligned with the horizon of the risks and the payoffs. Indeed, the survey results in Krueger et al. (2020) show that long-term investors are more readily prepared for ESG risks. Moreover, Starks et al. (2017) document that long-term institutional investors prefer firms with better ESG profiles. On the other hand, it is possible that the relative increase in institutional holdings is driven by short-term investors who buy high equality stocks to ride on the sentiment of the massive BLM protests.

I estimate Equation 3 with long-term institutional ownership and investor horizon as the dependent variables. Specifically, long-term institutional ownership is the fraction of shares outstanding held by dedicated and quasi-indexer institutional investors following the investor classification in Bushee (1998). Investor horizon is measured as firm-level churn ratio following Starks et al. (2017). First, I calculate investor-level churn ratio that captures the
extent to which investors change their portfolios each quarter as follow:

\[
Investor\ Churn\ Ratio_{j,t} = \frac{\sum |Shares_{i,j,t} \times Prc_{i,t} - Shares_{i,j,t-1} \times Prc_{i,t}|}{\sum (Shares_{i,j,t} \times Prc_{i,t} + Shares_{i,j,t-1} \times Prc_{i,t-1})/2}
\] (4)

The investor-level churn ratio is aggregated at the firm level over all the 13F investors that invest in the firm, weighted by the shares held by each investor:

\[
Churn\ Ratio_{i,t} = \frac{\sum (Shares_{i,j,t} \times Investor\ Churn\ Ratio_{j,t})}{\sum Shares_{i,j,t}}
\] (5)

[Insert Table 4 here.]

Column (1) of Table 4 shows that the increase in long-term institutional ownership is significantly higher for high equality firms than other firms after the 2020 BLM movement. The coefficient for \(Post \times High\ EEO\) is positive and significant, at 0.012, indicating that being a high equality firm brings 1.2% more long-term institutional ownership than its peers in the post-event period. The economic magnitude is comparable to that of total institutional ownership. I also examine the changes in short-term institutional ownership in column (2). I measure short-term institutional ownership as the percentage of shares outstanding held by transient 13F investors following Bushee (1998). The insignificant coefficient of \(Post \times High\ EEO\) indicates that short-term investors do not invest differently for firms with different corporate equality levels around the 2020 BLM movement. Therefore, the changes in investors behaviors around the BLM movement are unlikely to be driven by the short-term riding on sentiment.

A higher level of firm-level churn ratio indicates that the firm’s investors base are more impatient. As long-term investors prefer high equality firms after the 2020 BLM movement, I expect the firm-level weighted-average churn ratio to decrease more for high equality firms. I report the results for investor horizon in columns (3) and (4) of Table 4. Consistent with the hypothesis, the coefficient for \(Post \times High\ EEO\) in column (3) is negative and significant,
indicating that the average investor increases patience more for high equality firms than other firms in the post-event period. The additional decrease in the churn ratio for high equality firms is about 6.6% of the sample average. I also estimate the regression with the set of fixed effects from Starks et al. (2017). In column (4) of Table 4, I replace the firm fixed effects with industry fixed effects, and the coefficient for Post × High EEO is even more negative.

3.4 Investors’ Ex Ante Prosocial Preferences and Their Reactions around the 2020 BLM Movement

In this subsection, I examine whether investors with ex ante prosocial preferences tilt their holdings more towards high equality stocks than other investors for both 13F investors and mutual funds.

For 13F investors, I use their portfolio composition to measure their diversity agendas. In each quarter, I calculate the value-weighted MSCI diversity scores of 13F investors’ portfolios and sort 13F investors into terciles based on their portfolio diversity scores in the previous quarter. I define socially responsible investors as those in the top tercile. The total institutional ownership is thus divided into two components: socially responsible investors’ ownership and non-socially responsible investors’ ownership. To examine whether socially responsible investors react more strongly than other investors, I estimate Equation 3 using socially responsible investors’ ownership and non-socially responsible investors’ ownership as the dependent variables separately.

[Insert Table 5 here.]

Results in Panel A of Table 5 support my hypothesis. The coefficient for Post × High EEO is positive and significant in column (1), showing that the changes in socially responsible investors’ ownership are about 1% higher for high equality firms than other firms around the 2020 BLM movement. However, the coefficient for the interaction term in column
(2) is insignificant, showing that investors without diversity agendas do not favor high equality firms significantly over other firms in the post-event period.

Apart from inferring prosocial preferences from portfolio composition, I also examine whether Democratic-leaning investors adjust their holdings more than other investors. Previous literature shows that Democratic-leaning mutual funds are more likely to have ex ante prosocial preferences (Hong and Kostovetsky, 2012). Therefore, I examine whether mutual funds headquartered in states that support the Democratic candidate in the latest presidential election adjust their portfolios more towards high equality firms.

The sample for this analysis includes firm-fund-quarter level observations for each firm in the mutual funds’ portfolios in the quarter. The sample consists of actively managed domestic equity funds with the minimum total net asset (TNA) of $10 million and the minimum holdings of 10 stocks. I apply the similar sample selection criteria as in Section 2.5. Specifically, I only retain the firm-fund-quarter observations when the firm meets the following criteria: (1) the firm has job postings in the previous year and (2) the firm is not in regulated industries or financial industries.

I define the states with more voters for the Democratic candidate than other candidates in the latest presidential election as the Democrat-leaning states. I partition the firm-fund-year level sample based on the political leanings of their home-states and estimate the following regression for both subsamples:

\[
\text{Fraction}_{i,j,t} = \beta_0 + \beta_1 Post_t \times \text{High EEO}_{i,t-1} + \beta_2 \text{High EEO}_{i,t-1} + \text{Firm Controls}_{i,t-1} \\
+ \text{Fund Controls}_{j,t-1} + \text{Firm FE} + \text{Fund FE} + \text{YearQtr FE} + \epsilon_{i,j,t}
\] (6)

where \( i \) denotes firm, \( j \) denotes mutual fund, and \( t \) denotes time. The dependent variable \( \text{Fraction}_{i,j,t} \) is the fraction of firm \( i \)'s shares outstanding held by mutual fund \( j \) in quarter \( t \), which are then multiplied by 100. \( \text{High EEO}_{i,t-1} \) is a dummy variable that is equal to one
if EEO Ratio of firm \(i\) ranks above the 70th percentile among all the firms in the previous year. \(Post_t\) is a dummy variable that is equal to one the quarters after 2020Q2 and zero otherwise. Firm, fund, and year-quarter fixed effects are included in each test specification. I include the same set of firm-level control variables as in Equation 3. The fund level control variables include the natural logarithm of TNA (\(LogTNA\)), fund expense ratio (\(ExpRatio\)), fund returns in excess of market returns over the previous month (\(FundRet.Mkt\)), square of \(FundRet.Mkt\) (\(FundRet.MktSq\)), standard deviation of fund daily returns over the previous month (\(FundVolatility\)), annual fund turnover (\(Turnover\)), and natural logarithm of the months since the first occurrence in CRSP Mutual Fund database (\(LogAge\)).

Results in column (1) of Panel B, Table 5 show that the Democratic-leaning mutual funds significantly adjust their holdings towards high equality stocks around the 2020 BLM movement. However, the portfolio adjustments are insignificant for the non-Democratic-leaning mutual funds. The difference between coefficients for \(Post \times High\ EEO\) for the two subsamples is statistically and economically significant.

Overall, the results in Table 5 indicate that the investors’ responses to the 2020 BLM movement vary with their prosocial preferences. Investors with ex ante prosocial preferences react more strongly to the social equality movement by tilting their holdings more towards high equality firms, compared to other investors.

4 The Channels

In the previous section, I show that investors tilt their holdings towards high equality firms after the spike in public attention towards social inequality. I show that the changes in investors behaviors are unlikely to be driven by the short-term riding on sentiment. In this section, I propose three explanations for the changes in investors’ decisions: investors’ risk beliefs updating, investors’ equality tastes shifting, and catering to clients’ preferences. I empirically examine these channels and uncover the underlying mechanisms at work.
4.1 Investors’ Risk Beliefs Updating: Mutual Fund Fraction of Holdings and The Scale of Local BLM Protests

Investors may update their beliefs about equality and diversity risks following the massive BLM movement and hence change their investment decisions related to corporate equality. During the 2020 BLM movement, investors are exposed to the massive social unrest and became aware of the risks associated with social equality and diversity. It follows that the investors who experience large-scale local protests revise their beliefs about equality and diversity risks more sufficiently and react more strongly than other investors who do not experience massive local protests.

Moreover, the perceived equality and diversity risks are likely to be higher for investors exposed to massive BLM protests due to the availability heuristic. Tversky and Kahneman (1974) document that the availability heuristic exists when people assess the probability of an incident. In particular, investors may rely on immediate examples that come to mind when they assess the probability of future equality movements. Investors that live through the intensive protests are more likely to have these vivid examples in their minds, which raises the perceived risks associated with social equality and diversity. Echoing psychological studies, previous literature in finance also documents that risk exposure adjustment of mutual fund portfolios depends on the level of risks perceived by the fund managers, which may vary by funds’ location. For instance, fund managers underweight climate disaster zone firms if the funds are also located in hit areas (Alok, Kumar, and Wermers, 2020). Moreover, Huynh, Li, and Xia (2021) find that the fund managers that experience local air pollution cut their portfolio weights of firms with high carbon emissions.

Therefore, I hypothesize that mutual fund managers react more strongly when they experience large-scale local protests. To test my hypothesis, I measure the scale of the BLM protests in the mutual funds headquarter cities. To measure the number of local news related to the BLM movement, I use data from the GDELT event database which collects over 250 million news records on political events all over the world. The GDELT data provides the
time and location of the events as well as the news URLs. Since the news URLs often contain the title of the news, I extract the news related to BLM movements by searching for the strings “black-lives-matter” or “blacklivesmatter” in the URLs from 2013 to 2020. Using the GDELT database, I identify cities that belong to the states with over 300 local news related to the BLM movement in the second quarter of 2020. I complement the information of the scale of protests using the turnout of protesters on the streets during the event month of 26th May 2020 to 26th June 2020. The number of participants in the protests is estimated by the Crowd Counting Consortium, a political crowd dataset that collects data of protests crowd from public information sources. I estimate the total number of protest participants in each city by summing up the average size of the crowd of each protest in the city during the one-month period. I then defined the cities with large-scale BLM protests as those with a large number of local BLM news and have the most protest participants. I list the cities with large-scale protests in Appendix A.3. The mutual fund headquarter location is obtained from CRSP mutual fund database. Fund managers are defined to experience large-scale local protests if the funds are headquartered in the cities with large-scale BLM protests during the one-month period.

The sample for this subsection is the same as Section 4.1. I estimate Equation 6 for the subsamples partitioned based on the scale of the BLM protests in the mutual funds headquarter cities.

[Insert Table 6 here.]

The results are reported in Table 6. Column (1) of Table 6 presents the regression estimates for the subsample of the mutual funds headquartered in cities with large-scale BLM protests, whereas column (2) presents the results for the mutual funds headquartered elsewhere. The coefficient for Post \times High EEO is positive and significant at 0.011 in column (1), indicating that the mutual funds that experience large-scale local BLM protests increase their portfolio holdings in high equality firms after the BLM protests relative to other firms in the mutual funds’ portfolios. The magnitude of the relative increase is equivalent to a
5.5% jump from the average fraction of holdings of the stocks in mutual funds’ portfolios. The coefficient for the interaction term is not significant in column (2). The difference in the magnitude of coefficients in the two subsamples is statistically significant, indicating that investors who live through massive local BLM protests revise their beliefs about equality and diversity risks more sufficiently than other investors.

The empirical results in this subsection are consistent with the channel that investors revise their beliefs about equality and diversity risks. I further provide empirical evidence supporting the hypothesis that investors become aware of the risks associated with corporate equality and diversity in the following subsections.

4.2 Investors’ Risk Beliefs Updating: Consumer Industries

In this subsection, I examine whether investors respond more strongly for firms in consumer industries. The revenues become closely related to the ESG performance of the firms as consumers exhibit a growing interest in ESG footprints of goods in their shopping bags. Indeed, Lev, Petrovits, and Radhakrishnan (2010) find that future revenue is positively correlated with corporate philanthropy. The relationship is particularly pronounced when individual consumers are the majority customers of the firms. Investors surely notice the importance of ESG profiles to firms in consumer industries: Invesco, a global asset manager, explicitly states that it applies ESG analysis more than ever for investing in consumer-oriented firms amid the emergence of conscious consumers. In light of the critical role ESG profiles play in consumer industries, I hypothesize that the investors respond more strongly to the difference in corporate equality profiles of consumer-oriented firms than firms that mainly serve corporate customers. To test the hypothesis, I partition the sample based on the industry consumer orientation of firms. I estimate Equation 3 within subsamples

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14The average fraction of holdings of the stocks in mutual funds’ portfolios is approximately 0.20%.
16Firms are classified as consumer-oriented firms if they are in the Food (FF49 industry code: 2), Soda (FF49 industry code: 3), Beer (FF49 industry code: 4), Smoke (FF49 industry code: 5), Toys (FF49 industry code: 6), Fun (FF49 industry code: 7), Books (FF49 industry code: 8), Hshld (FF49 industry code: 9),
of consumer-oriented and other industries using dependent variables of total institutional
ownership and long-term institutional ownership.

[Insert Table 7 here.]

Table 7 presents the results for the partition based on industry consumer orientation. Estimates for the subsample of consumer-oriented firms are reported in columns (1) and (3). Columns (2) and (4) of Table 7 summarize the results for firms in other industries. Though high equality firms experience larger increases in institutional holdings after the 2020 BLM movement regardless of their industry attributes, the effect is significantly stronger for firms in consumer industries. The economic magnitude is more than tripled for consumer-oriented firms: the coefficient for the interaction term in column (2) is 0.009, whereas its counterpart is 0.035 in column (1). The difference between these coefficients is statistically significant. Similarly, the relative increases in long-term institutional ownership for high equality firms are more pronounced in consumer industries. The empirical results are consistent with the consumers’ tastes shifting channel in Pastor et al. (2021).

4.3 Investors’ Risk Beliefs Updating: Racial Demographics in Companies’ Headquarter Counties

In this subsection, I examine whether corporate equality matters more for investment decisions regarding firms located in African American neighborhoods. Corporate equality is a business imperative, especially for firms located in regions with a large African American population. Previous literature shows that corporate managers are under pressure to respond to local social factors. For example, Kim et al. (2019) find that firms reduce their toxic releases in response to local investors’ prosocial preferences. Following the argument, firms in African American neighborhoods are now under greater pressure to embrace equality and diversity.
because stakeholders in these regions are likely to have a stronger preference for racial equality and diversity compared to those in other regions.

Another pressure faced by firms in African American neighborhoods comes from the increasing public scrutiny of workforce demographics. The media is constantly benchmarking corporate workforce diversity against the racial demographic distribution of the population. For example, a recent report by Bloomberg benchmarks the percentage of African American managers in large U.S. companies against the percentage of the African American population in the U.S. and criticizes that African Americans are underrepresented among corporate managers. As the public increasingly criticizes that workforce racial distribution does not reflect the demographics of the population, corporate America is expected to bridge the gap in the future. Thus, firms located in regions with a larger African American population have a higher benchmark to live up to. Therefore, these firms are subject to a tougher workforce diversity transition in the future if they do not genuinely value equality and diversity today, as they have a larger shortfall to fill than those located in regions with a homogeneous ethnicity.

Hence, as the differences between high equality firms and their peers are exacerbated in the demographically diverse regions, investors aware of corporate equality risks respond more strongly to firms headquartered in these regions. Therefore, I expect the effects in the baseline specification to be stronger in counties with a large African American population.

With the population data from the U.S. Census 2017 American Community Survey (ACS), I partition the sample into two groups based on whether a firm is headquartered in a county with more than 180,000 African American population. Equation 3 is estimated for both subsamples.

Table 8 summarizes the results from the cross-sectional partition. Columns (1) and (3) provide results for the firms located in counties with a large African American population, whereas columns (2) and (4) provide results for the firms located elsewhere. The empirical

---

evidence confirms my hypothesis: the difference in the changes of institutional ownership after the 2020 BLM movement is largely attributed to firms located in counties with a large African American population. The coefficient for the interaction term is statistically and economically significant in columns (1). High equality firms in regions with a large African American population experience a larger increase in institutional ownership than their peers after the 2020 BLM movement, the economic magnitude of which is equivalent to 2.4% of the firm value. However, the coefficient is insignificant for the subsample of firms located outside these regions. The difference between coefficients for the two subsamples is significant at 0.014, indicating that a genuine equality attitude is especially important for firms located in demographically diverse regions. A similar pattern is also found for long-term institutional ownership.

4.4 Investors Equality Tastes Strengthen: Corporate Equality Profiles and Investors Sensitivity to Poor Returns

Results in previous subsections support the channel that investors revise their beliefs about equality and diversity risks after the 2020 BLM movement. I now examine another channel: investors tilt investment towards high equality firms after the 2020 BLM movement because investors’ equality tastes shift after the event. Investors may derive non-pecuniary utility from holding high equality stocks (Benabou and Tirole, 2010). Pastor et al. (2021) show that investors with stronger preferences for equality and diversity tilt their portfolios more towards high equality firms. As such, investors adjust their portfolios towards high equality firms since their preferences for equality and diversity strengthen during the unprecedented equality movement. To empirically test the channel, I examine whether investors increase their tolerance of poor past performance more for high equality firms relative to other firms after the 2020 BLM movement.

Specifically, I run the following regression to examine the sensitivity of institutional
ownership towards past twelve-month returns:

\[
IO_{i,t} = \beta_0 + \beta_1 PastRet_{i,t} + \beta_2 PastRet_{i,t} \times Post_t \times High\ EEO_{i,t-1} + \beta_3 Post_t \times High\ EEO_{i,t-1} \\
+ \beta_4 High\ EEO_{i,t-1} \times PastRet_{i,t} + \beta_5 Post_t \times PastRet_{i,t} + \beta_6 High\ EEO_{i,t-1} \\
+ Firm\ Controls_{i,t-1} + Fund\ Controls_{j,t-1} + Firm\ FE + Fund\ FE + YearQtr\ FE + \epsilon_{i,j,t}
\]

(7)

where \(i\) denotes firm and \(t\) denotes time. The dependent variable \(IO_{i,t}\) is total institutional ownership for firm \(i\) in quarter \(t\). The independent variable \(PastRet\) is the past twelve-month raw and excess returns for firm \(i\). The coefficient \(\beta_1\) captures the unconditional investor sensitivity to past performance, which is expected to be positive and significant as investors favor stocks with better performance. The coefficient of interest is the triple interaction term \(\beta_2\), capturing the extent to which good corporate equality profiles attenuate investors’ eagerness for financial performance. I hypothesize the coefficient \(\beta_2\) to be negative and significant, attenuating the effect of \(\beta_1\). Control variables are the same as the baseline specification. Following the previous settings, firm fixed effects and year-quarter fixed effects are included. Standard errors are clustered at the firm level.

[Insert Table 9 here.]

Table 9 presents the regression estimates for Equation 7. The results in column (1) suggest that a 10% drop in past twelve-month raw returns is associated with a 0.11% decline in institutional ownership. However, the association is attenuated if the firm is a high equality firm in the post-event period. The coefficient \(\beta_2\) is -0.012, which is negative and statistically significant. The economic magnitude is also significant: institutional investors barely decrease their holdings in high equality firms for poor past performance after the 2020 BLM movement. The results are similar for the past twelve-month returns in excess of market returns. The coefficient for \(PastRet\) in column (2) of Table 9 is positive and significant, which is consistent with the expectation.

In sum, the results indicate that investors are more willing to forgo financial returns for holding high equality stocks as their equality preferences strengthen so that they derive more non-pecuniary utility from holding high equality stocks.
4.5 Mutual Fund Clients’ Preference for High Equality Firms

Previous subsections show that 13F institutional investors and mutual funds exhibit an increasing demand for high equality firms after the 2020 BLM movement. In this section, I examine whether the relative increase in holdings in high equality firms partially reflects the social preferences of mutual fund clientele. Mutual fund clients respond positively to prosocial profiles of mutual fund portfolios. Hartzmark and Sussman (2019) show that mutual funds labeled as high sustainability based on their portfolio holdings receive a significant net inflow. Catering to the social preferences of their clients, mutual funds adjust their holdings to attract fund inflows. Borgers, Derwall, Koedijk, and ter Horst (2015) find that mutual funds that serve socially conscious investor clientele hold less of their portfolios in socially controversial stocks. Moreover, Ceccarelli et al. (2021) show that mutual funds without the low-carbon label adjust their carbon exposure to compete for the label and fund flows.

Thus, I examine whether mutual fund clients react to the shock of the BLM protests. Specifically, I estimate the following fund-month level regression:

\[
Fund\ Flow_{j,t} = \beta_0 + \beta_1 Post_t \times Fund\ EEO_{j,t-1} + \beta_4 Fund\ EEO_{i,t-1} + Firm\ Controls_{j,t-1} + ObjMonth\ FE + \epsilon_{i,j,t}
\]

(8)

where \(j\) denotes fund and \(t\) denotes time. The dependent variable \(Fund\ Flow_{j,t}\) is the monthly mutual fund flow calculated as \(\frac{TNA_{j,t} - TNA_{j,t-1}(1 + Ret_{j,t})}{TNA_{j,t-1}}\), where \(TNA_{j,t}\) is the total net assets of the fund \(j\) in month \(t\) and \(Ret_{j,t}\) is returns of the fund \(j\) in month \(t\). \(Post_t\) is a dummy variable equal to one for the months after May 2020 and zero otherwise. I construct \(Fund\ EEO_{j,t-1}\) to capture the equality footprints of mutual funds, which is the value-weighted EEO profiles of top 10 (top 5) holdings of the mutual funds’ portfolios. An essential prerequisite for mutual fund clients to react to the equality profiles of mutual fund holdings is that the portfolio composition is salient to these clients. Agarwal et al. (2021) point out that the top
10 (top 5) holdings of mutual funds are salient to investors as this information is typically displayed on Morningstar. Therefore, to circumvent the concern that mutual fund clients do not pay sufficient attention to every stock in the mutual funds’ portfolios, I calculate the EEO footprints of the portfolios using only top 10 (top 5) holdings instead of the overall portfolios. Control variables in Equation 8 include the natural logarithm of TNA (LogTNA), fund expense ratio (ExpRatio), fund returns in excess of market returns over the previous month (FundRetMkt), square of FundRetMkt (FundRetMktSq), standard deviation of fund daily returns over the previous month (FundVolatility), annual fund turnover (Turnover), and natural logarithm of the months since the first occurrence in CRSP Mutual Fund database (LogAge). I include fund objective-month fixed effects in each test specification. The fund objective is the CRSP fund objective code from the CRSP Mutual Fund Database. Standard errors are clustered at the fund and year-month level.

[Insert Table 10 here.]

Results in Table 10 confirm that clients of mutual funds value corporate equality after the 2020 BLM movement. The coefficient for Post×Fund EEO is 0.007, which is positive and significant, suggesting that mutual funds with better equality footprints experience a larger increase in inflows after the 2020 BLM movement than other funds. The economic magnitude of the additional inflow is sizeable: the additional inflow is equivalent to 18% standard deviation of fund flow if the top 10 holdings of the mutual fund are all high equality firms. Interestingly, the coefficient for Fund EEO is insignificant, which is similar to the coefficient for High EEO in the firm-level regressions that investigate 13F investors’ responses to corporate equality profiles, indicating that both 13F investors and mutual fund clients (mostly retail investors) pay insufficient attention to corporate equality before the 2020 BLM movement. The flipped sign for corporate equality after the 2020 BLM movement underscores the fact that the massive BLM protests in 2020 indeed altered the view on corporate equality for both institutional investors and retail investors. The results also suggest that the social constraints imposed on institutions cannot fully explain the increasing investors’ appetite for
corporate equality. I find similar results for the test specification in which the Fund EEO is calculated using only the top 5 holdings of the mutual funds. The coefficient of interest in column (2) of Table 10 is 0.006, which is statistically and economically significant.

Overall, I find empirical support for the notion that mutual fund clients start to value corporate equality after the national outbreak of the BLM protests. The relative increase in institutional ownership in high equality firms partially reflects the social preferences of their clientele.

5 Economic Implications: Changes in Stock Returns

Following the 2020 BLM movement

In this section, I analyze whether the changes in investors behavior after BLM movements affect asset prices differently for firms with different corporate equality levels around BLM movements. In the previous sections, I show that investors tilt their holdings towards high equality firms, which indicates that investors strengthen their preferences for equality after the 2020 BLM movement. My empirical findings coincide with the channels in Pastor, Stambaugh, and Taylor (2020). The theory in Pastor, Stambaugh, and Taylor (2020) predicts that green assets outperform brown assets when investors shift their preferences for ESG, which leads to a positive realization of the ESG factor in stock returns. Following their theory, I expect high equality firms to experience a larger increase in returns following the 2020 BLM movement.

To test the hypothesis, I run the regression in Equation 3 with quarterly raw and risk-adjusted returns as the dependent variable.

[Insert Table 11 here.]

Empirical results Table 11 supports the hypothesis. The increases in quarterly returns of high equality firms are 3.2% higher than other firms. I also report the results for DGTW-adjusted returns (Daniel et al., 1997). The DGTW adjusted returns are calculated as the
of raw returns and the returns of the corresponding DGTW benchmark portfolios, which are formed by $5 \times 5 \times 5$ portfolio sorted based on size, book-to-market, and momentum. Apart from raw returns, the changes in risk-adjusted returns are also higher for high equality firms in the post-event period, as shown in the coefficient for the interaction term in column (2) of Panel A, Table 11. The increases in DGTW adjusted returns are 2.9% higher per quarter, respectively, for high equality firms in the quarters following the 2020 BLM movement. The coefficients for unconditional High EEO are insignificant for both raw and risk-adjusted returns, indicating that corporate equality levels are not correlated with returns without the outbreak of the large-scale BLM movement. The insignificant coefficients are consistent with my hypothesis that investors start to value high equality firms following the largest national strike of racial equality protests in decades.

I show in Section 4.2 and Section 4.3 that the relative increases in institutional ownership for high equality firms are concentrated in consumer industries and firms headquartered in demographically diverse regions. It follows that the outperformance of high equality firms is expected to be stronger for these subsamples. Apart from the price pressure resulting from the heightened investors’ demand in this subsample, risks and future revenues of consumer-oriented firms and firms located in demographically diverse regions are expected to be increasingly correlated with their workforce equality profiles. Therefore, I hypothesize that the different changes in returns for high equality firms and their peers in the post-event period are pronounced for these subsamples. Results in Panel B and Panel C of Table 11 show that this is indeed the case. The increases in DGTW-adjusted returns are 7.9% higher per quarter for high equality firms than other firms in the post-event period for consumer-oriented firms. The difference in the changes in DGTW-adjusted returns between high equality firms and their peers is insignificant for firms in other industries. The differences in coefficients for the two subsamples are statistically and economically significant. Similarly, the increases in DGTW-adjusted returns are concentrated in firms that are headquartered in counties with a large African American population.
Additionally, I show in Appendix Table A.10 that the high equality firms outperform when there is a higher public attention towards BLM movements in the previous three months. In Appendix Table A.11 I show that time-varying public attention to BLM movements explains the monthly returns of the high-minus-low corporate workforce equality portfolio.

6 Conclusion

In this paper, I find that investors value corporate workforce equality after the spike in attention towards social inequality. Exploiting the unexpected and unprecedented 2020 BLM movement, I show that institutional ownership increases more for high equality firms than other firms after the shock. Consistent with previous literature, I find that long-term investors and investors with ex ante prosocial preference adjust their holdings towards high equality firms more than other investors.

I examine the channels through which investors value corporate workforce equality. I offer empirical support for three channels underlying the changes in investors’ decisions. First, investors revise their beliefs about equality and diversity risks following the massive BLM movement. Second, investors’ tastes for corporate equality strengthen after the 2020 BLM movement. Third, institutions cater to their clients’ prosocial preferences.

In terms of the economic implications, I show that high equality firms outperform their peers following the spike in public attention towards equality.

This paper contributes to the literature in several ways. To the best of my knowledge, this paper is the first to investigate whether and why investors value corporate workforce equality. Investors do value corporate equality after the spike in public attention towards equality. The study also underscores the role of public attention as a stimulus to the effects of social preferences on investment decisions.
References


Figure 1: Google Search Volume Index: A Spike in Attention to Racial Equality

Notes: These figures depict time-series patterns of the Google Search Volume Index of “Racial Inequality” from July 2018 to December 2020.
Figure 2: Parallel Trend: Institutional Ownership of High Equality Firms and Control Firms

Notes: This figure depicts time-series patterns of institutional ownership of high equality firms and control firms from January 2013 to December 2020. The control firms are those that in the same SIC4 industry as the high equality firms with the closest firm size.
Table 1: Summary Statistics

This table provides summary statistics of key variables in this study. Panel A and B present summary statistics for the main sample and the restricted sample that additionally requires non-missing MSCI KLD ESG scores, respectively. Observations are organized at the firm-quarter level. Panel C presents Pearson correlation between EEO Score and firm characteristics (p-value is reported in parentheses). All variables are defined in Appendix I. The sample period is from 2013Q2 to 2020Q4.

### Panel A: Main Sample

<table>
<thead>
<tr>
<th>Variable</th>
<th>Mean</th>
<th>SD</th>
<th>P25</th>
<th>Median</th>
<th>P75</th>
<th>N</th>
</tr>
</thead>
<tbody>
<tr>
<td>IO</td>
<td>0.472</td>
<td>0.198</td>
<td>0.359</td>
<td>0.500</td>
<td>0.607</td>
<td>56855</td>
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<tr>
<td>LongTermIO</td>
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<td>0.019</td>
<td>0.151</td>
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<tr>
<td>DGTWRet</td>
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<td>-0.014</td>
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<td>6.746</td>
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<td>High Black</td>
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### Panel B: Sample with Non-missing MSCI KLD Scores

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<th>Median</th>
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<td>0.542</td>
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<td>0.154</td>
<td>0.329</td>
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<td>Dividend</td>
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<td>0.000</td>
<td>0.021</td>
<td>38865</td>
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<td>0.021</td>
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<td>38865</td>
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### Panel C: Pearson Correlation between EEO Ratio and firm characteristics

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<td></td>
<td>(0.000)</td>
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<tr>
<td>MSCI Div Score</td>
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<tr>
<td></td>
<td>(0.000)</td>
</tr>
<tr>
<td>SODO Score</td>
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</tr>
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<td></td>
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<td></td>
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<td>(0.000)</td>
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<td>(0.036)</td>
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<tr>
<td>LogAsset</td>
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<tr>
<td></td>
<td>(0.000)</td>
</tr>
<tr>
<td>TobinQ</td>
<td>0.021</td>
</tr>
<tr>
<td></td>
<td>(0.000)</td>
</tr>
<tr>
<td>Leverage</td>
<td>0.097</td>
</tr>
<tr>
<td></td>
<td>(0.000)</td>
</tr>
<tr>
<td>Capex</td>
<td>-0.017</td>
</tr>
<tr>
<td></td>
<td>(0.000)</td>
</tr>
<tr>
<td>ROA</td>
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<td></td>
<td>(0.000)</td>
</tr>
<tr>
<td>Tangibility</td>
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</tr>
<tr>
<td></td>
<td>(0.465)</td>
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<tr>
<td>Dividend</td>
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</tr>
<tr>
<td></td>
<td>(0.000)</td>
</tr>
<tr>
<td>PastRet</td>
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</tr>
<tr>
<td></td>
<td>(0.826)</td>
</tr>
<tr>
<td>RetVol</td>
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</tr>
<tr>
<td></td>
<td>(0.000)</td>
</tr>
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</table>
Table 2: the Changes of Institutional Holdings in Firms with Different Corporate Equality Levels after the 2020 BLM Movement

This table presents the estimates from the difference-in-differences specification examining whether the 2020 BLM movement has different effects on the institutional ownership of firms with different corporate equality profiles. The dependent variable is institutional ownership (IO), measured as the percentage of shares outstanding held by 13F investors. High EEO is a dummy variable that is equal to one if the EEO Score of a firm ranks above certain cut-offs in the previous year (60th percentile for column (1), 70th percentile for column (2), and 75th percentile for column (3), respectively) and zero otherwise. EEO Score is the sentiment-weighted equal employment opportunity score following Cen, Han, Liu, and Wu (2021), which measures the firm's attitude towards workforce equality and diversity from its job postings. Post is a dummy variable that is equal to one for the periods after 2020Q2 and zero otherwise. Other control variables are defined in Appendix I. Firm and year-quarter fixed effects are included in all test specifications. Standard errors, reported in parentheses, are clustered at the firm level. ***, **, and * indicate the 1%, 5%, and 10% levels of significance, respectively.

<table>
<thead>
<tr>
<th>Cut-off</th>
<th>(1)</th>
<th>(2)</th>
<th>(3)</th>
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<tr>
<td>VARIABLES</td>
<td>IO</td>
<td>IO</td>
<td>IO</td>
</tr>
<tr>
<td>Post × High EEO</td>
<td>0.009** (0.005)</td>
<td>0.015*** (0.005)</td>
<td>0.015*** (0.006)</td>
</tr>
<tr>
<td>High EEO</td>
<td>-0.001 (0.002)</td>
<td>-0.001 (0.002)</td>
<td>-0.001 (0.002)</td>
</tr>
<tr>
<td>LogAsset</td>
<td>0.030*** (0.005)</td>
<td>0.030*** (0.005)</td>
<td>0.030*** (0.005)</td>
</tr>
<tr>
<td>TobinQ</td>
<td>0.004*** (0.001)</td>
<td>0.004*** (0.001)</td>
<td>0.004*** (0.001)</td>
</tr>
<tr>
<td>Leverage</td>
<td>-0.018* (0.010)</td>
<td>-0.018* (0.010)</td>
<td>-0.018* (0.009)</td>
</tr>
<tr>
<td>Capex</td>
<td>0.120*** (0.037)</td>
<td>0.120*** (0.037)</td>
<td>0.120*** (0.037)</td>
</tr>
<tr>
<td>ROA</td>
<td>0.001 (0.007)</td>
<td>0.001 (0.007)</td>
<td>0.001 (0.007)</td>
</tr>
<tr>
<td>Tangibility</td>
<td>-0.039*** (0.012)</td>
<td>-0.039*** (0.012)</td>
<td>-0.039*** (0.012)</td>
</tr>
<tr>
<td>Dividend</td>
<td>-0.017 (0.037)</td>
<td>-0.017 (0.037)</td>
<td>-0.017 (0.037)</td>
</tr>
<tr>
<td>PastRet</td>
<td>0.010*** (0.002)</td>
<td>0.010*** (0.002)</td>
<td>0.010*** (0.002)</td>
</tr>
<tr>
<td>RetVol</td>
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<td>-0.403*** (0.108)</td>
<td>-0.401*** (0.109)</td>
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<tr>
<td>Firm FE</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Year-Quarter FE</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Cluster at Firm</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Observations</td>
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<td>56,844</td>
<td>56,844</td>
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<tr>
<td>R-squared</td>
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<td>0.855</td>
<td>0.855</td>
</tr>
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</table>
Table 3: Corporate Workforce Equality, ESG Score, and Institutional Ownership around the 2020 BLM Movement

This table reports the different effects of the 2020 BLM movement on institutional ownership of firms with different corporate equality profiles, controlling for other ESG dimensions of the firms. The dependent variable is institutional ownership (IO), measured as the percentage of shares outstanding held by 13F investors. High EEO is a dummy variable that is equal to one if the EEO Score of the firm ranks above 70th percentile in the previous year and zero otherwise. Post is a dummy variable that is equal to one for the time after 2020Q2 and zero otherwise. High ESG (High ENV, High DIV, High SODO) is a dummy variable that is equal to one if the MSCI ESG score (MSCI environmental score, MSCI diversity score, Asset4 workforce diversity and opportunity score) of the firm ranks above 70th percentile in the previous year and zero otherwise. High Lawsuit is a dummy variable that is equal to one if the number of EEO lawsuits against the firm is above zero. Control variables in all test specifications are the same as in Table 2. Firm and year-quarter fixed effects are included in all test specifications. Standard errors, reported in parentheses, are clustered at the firm level. ***, **, and * indicate the 1%, 5%, and 10% levels of significance, respectively.

<table>
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<th>VARIABLES</th>
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<th>(2)</th>
<th>(3)</th>
<th>(4)</th>
<th>(5)</th>
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<tr>
<td>Post × High EEO</td>
<td>0.013*** (0.004)</td>
<td>0.013*** (0.004)</td>
<td>0.013*** (0.004)</td>
<td>0.011** (0.005)</td>
<td>0.014*** (0.005)</td>
</tr>
<tr>
<td>High EEO</td>
<td>-0.001 (0.002)</td>
<td>-0.001 (0.002)</td>
<td>-0.001 (0.002)</td>
<td>-0.003 (0.002)</td>
<td>-0.001 (0.002)</td>
</tr>
<tr>
<td>Post × High Div</td>
<td>0.000 (0.006)</td>
<td>0.004 (0.003)</td>
<td>0.002 (0.005)</td>
<td>-0.000 (0.003)</td>
<td>-0.001 (0.003)</td>
</tr>
<tr>
<td>High Div</td>
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<td></td>
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<td></td>
<td>0.000 (0.003)</td>
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<tr>
<td>Post × High ESG</td>
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<td></td>
<td></td>
<td></td>
<td>0.010** (0.005)</td>
</tr>
<tr>
<td>High ESG</td>
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<td></td>
<td></td>
<td></td>
<td>0.000 (0.003)</td>
</tr>
<tr>
<td>Post × High Env</td>
<td></td>
<td></td>
<td></td>
<td>-0.000 (0.005)</td>
<td></td>
</tr>
<tr>
<td>High Env</td>
<td></td>
<td></td>
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<td>0.000 (0.003)</td>
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</tr>
<tr>
<td>Post × High SODO</td>
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<td></td>
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<td>0.010** (0.005)</td>
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<td>0.000 (0.004)</td>
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<td></td>
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<td>Yes</td>
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<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
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<tr>
<td>Year-Quarter FE</td>
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<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
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<td>Cluster at Firm</td>
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<td>0.808</td>
<td>0.808</td>
<td>0.821</td>
<td>0.855</td>
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Table 4: Corporate Equality and Institutional Investment Horizon around the 2020 BLM Movement

This table examines whether investment horizon changes differently for firms with different corporate equality levels around the 2020 BLM movement. The dependent variable for column (1) is long-term institutional ownership (Long Term IO), measured as the percentage of shares outstanding held by dedicated and quasi-indexer 13F investors (Bushee 1998). The dependent variable for column (2) is short-term institutional ownership (Short Term IO), measured as the percentage of shares outstanding held by transient 13F investors (Bushee 1998). The dependent variable for column (3) and (4) is the value-weighted Churn ratio of the firm’s institution investors following Starks, Venkat, and Zhu (2017). High EEO is a dummy variable that is equal to one if the EEO Score of the firm ranks above 70th percentile in the previous year and zero otherwise. Post is a dummy variable that is equal to one for the time after 2020Q2 and zero otherwise. Control variables in all test specifications are the same as in Table 2. Firm and year-quarter fixed effects are included in columns (1), (2), and (3). In column (4), I include industry and year-quarter fixed effects following the specification in Starks, Venkat, and Zhu (2017). Standard errors, reported in parentheses, are clustered at the firm level. ***, **, and * indicate the 1%, 5%, and 10% levels of significance, respectively.

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<td>0.003</td>
<td>-0.020***</td>
<td>-0.028***</td>
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<td></td>
<td>(0.004)</td>
<td>(0.003)</td>
<td>(0.005)</td>
<td>(0.006)</td>
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<td>High EEO</td>
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<td>Yes</td>
<td>Yes</td>
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<td>Yes</td>
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<td>56,844</td>
<td>54,940</td>
<td>55,052</td>
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<td>0.824</td>
<td>0.716</td>
<td>0.625</td>
<td>0.368</td>
</tr>
</tbody>
</table>
Table 5: Investors’ Ex Ante Prosocial Preferences and Their Change of Fraction of Holdings around the 2020 BLM Movement

This table examines whether the different effects of the 2020 BLM movement for firms with different corporate equality levels vary with investors’ ex ante prosocial preferences. Panel A presents the results for 13F institutional investors’ ownership. The dependent variable in column (1) of Panel A is socially responsible investors’ ownership (Div IO), measured as the percentage of shares outstanding held by socially responsible investors. I define socially responsible investors as those in the top tercile of portfolio MSCI diversity scores in the previous quarter. The dependent variable in column (2) of Panel A is non-socially responsible investors’ ownership (NonDiv IO), measured as the percentage of shares outstanding held by investors in the middle and bottom terciles of portfolio MSCI diversity scores in the previous quarter. Panel B examines whether mutual funds whose home-states support the Democratic candidate in the latest presidential election tilt their portfolio towards high equality firms more than other mutual funds. The states with more voters for the Democratic candidate than other candidates in the latest presidential election are defined as the states that support the Democratic candidate. The dependent variable is $fraction_{i,j,t}$, which is the fraction of firm $i$’s shares outstanding held by mutual fund $j$ in quarter $t$ multiplied by 100. High EEO is a dummy variable that is equal to one if the EEO Score of the firm ranks above 70th percentile in the previous year and zero otherwise. Post is a dummy variable that is equal to one for the time after 2020Q2 and zero otherwise. Firm level control variables in all test specifications of both panels are the same as in Table 2. Fund controls in Panel B include LogTNA, Exp Ratio, FundRetMkt, FundRetMktSq, FundVolatility, Turnover, and LogAge. Firm and year-quarter fixed effects are included in all test specifications of Panel A. Firm, fund, and year-quarter fixed effects are included in all test specifications of Panel B. Standard errors, reported in parentheses, are clustered at the firm and year-quarter level for Panel A. Firm, fund, and year-quarter fixed effects are included in all test specifications of Panel B. Standard errors, reported in parentheses, are clustered at the fund and year-quarter level for Panel B. ***, **, and * indicate the 1%, 5%, and 10% levels of significance, respectively.

### Panel A: Diversity Preference of 13F Investors

<table>
<thead>
<tr>
<th>VARIABLES</th>
<th>(1) Div IO</th>
<th>(2) Non Div IO</th>
</tr>
</thead>
<tbody>
<tr>
<td>Post × High EEO</td>
<td>0.010**</td>
<td>0.004</td>
</tr>
<tr>
<td></td>
<td>(0.004)</td>
<td>(0.005)</td>
</tr>
<tr>
<td>High EEO</td>
<td>-0.005**</td>
<td>0.003</td>
</tr>
<tr>
<td></td>
<td>(0.002)</td>
<td>(0.003)</td>
</tr>
<tr>
<td>Firm Controls</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Firm FE</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Year-Quarter FE</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Cluster at Firm</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Observations</td>
<td>56,082</td>
<td>56,082</td>
</tr>
<tr>
<td>R-squared</td>
<td>0.717</td>
<td>0.720</td>
</tr>
</tbody>
</table>
### Panel B: Mutual Fund Political Leaning

<table>
<thead>
<tr>
<th>VARIABLES</th>
<th>(1) Democrat=1 Fraction</th>
<th>(2) Democrat=0 Fraction</th>
</tr>
</thead>
<tbody>
<tr>
<td>Post × High EEO</td>
<td>0.005**</td>
<td>-0.004</td>
</tr>
<tr>
<td></td>
<td>(0.002)</td>
<td>(0.003)</td>
</tr>
<tr>
<td>High EEO</td>
<td>-0.001</td>
<td>0.002</td>
</tr>
<tr>
<td></td>
<td>(0.001)</td>
<td>(0.001)</td>
</tr>
<tr>
<td>LogAsset</td>
<td>-0.061***</td>
<td>-0.034***</td>
</tr>
<tr>
<td></td>
<td>(0.008)</td>
<td>(0.007)</td>
</tr>
<tr>
<td>TobinQ</td>
<td>-0.001***</td>
<td>-0.000***</td>
</tr>
<tr>
<td></td>
<td>(0.000)</td>
<td>(0.000)</td>
</tr>
<tr>
<td>Leverage</td>
<td>0.047****</td>
<td>0.008</td>
</tr>
<tr>
<td></td>
<td>(0.010)</td>
<td>(0.010)</td>
</tr>
<tr>
<td>Capex</td>
<td>-0.203***</td>
<td>-0.036</td>
</tr>
<tr>
<td></td>
<td>(0.045)</td>
<td>(0.028)</td>
</tr>
<tr>
<td>ROA</td>
<td>-0.150***</td>
<td>-0.047**</td>
</tr>
<tr>
<td></td>
<td>(0.018)</td>
<td>(0.018)</td>
</tr>
<tr>
<td>Tangibility</td>
<td>0.072****</td>
<td>0.006</td>
</tr>
<tr>
<td></td>
<td>(0.015)</td>
<td>(0.012)</td>
</tr>
<tr>
<td>Dividend</td>
<td>-0.032</td>
<td>-0.096*</td>
</tr>
<tr>
<td></td>
<td>(0.056)</td>
<td>(0.048)</td>
</tr>
<tr>
<td>PastRet</td>
<td>-0.000***</td>
<td>-0.000***</td>
</tr>
<tr>
<td></td>
<td>(0.000)</td>
<td>(0.000)</td>
</tr>
<tr>
<td>RetVol</td>
<td>0.909***</td>
<td>0.234*</td>
</tr>
<tr>
<td></td>
<td>(0.197)</td>
<td>(0.118)</td>
</tr>
<tr>
<td>LogTNA</td>
<td>0.114***</td>
<td>0.084***</td>
</tr>
<tr>
<td></td>
<td>(0.013)</td>
<td>(0.016)</td>
</tr>
<tr>
<td>ExpRatio</td>
<td>-2.754</td>
<td>-3.012</td>
</tr>
<tr>
<td></td>
<td>(2.835)</td>
<td>(2.350)</td>
</tr>
<tr>
<td>Turnover</td>
<td>-0.005</td>
<td>-0.005</td>
</tr>
<tr>
<td></td>
<td>(0.014)</td>
<td>(0.007)</td>
</tr>
<tr>
<td>LogAge</td>
<td>0.010</td>
<td>0.009</td>
</tr>
<tr>
<td></td>
<td>(0.015)</td>
<td>(0.018)</td>
</tr>
<tr>
<td>FundRetMkt</td>
<td>-1.436***</td>
<td>-0.048</td>
</tr>
<tr>
<td></td>
<td>(0.487)</td>
<td>(0.485)</td>
</tr>
<tr>
<td>FundRetMktSq</td>
<td>-41.696</td>
<td>55.570*</td>
</tr>
<tr>
<td></td>
<td>(34.700)</td>
<td>(27.903)</td>
</tr>
<tr>
<td>FundVolatility</td>
<td>0.774</td>
<td>0.242</td>
</tr>
<tr>
<td></td>
<td>(1.283)</td>
<td>(0.815)</td>
</tr>
<tr>
<td>Difference</td>
<td>0.009***</td>
<td></td>
</tr>
<tr>
<td>Firm FE</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Fund FE</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Year-Quarter FE</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Cluster at Firm and Year-Qtr</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Observations</td>
<td>3,188,594</td>
<td>1,112,466</td>
</tr>
<tr>
<td>R-squared</td>
<td>0.499</td>
<td>0.486</td>
</tr>
</tbody>
</table>
Table 6: Mutual Fund’s Change of Fraction of Holdings around the 2020 BLM Movement: A Cross-Sectional Partition Based on Fund Location

This table examines whether mutual funds located in cities with large-scale BLM protests tilt their portfolio towards high equality firms more than mutual funds located elsewhere. I use the GDELT database and the Crowd Counting Consortium dataset to measure the scale of protests in U.S. cities. Cities with large-scale protests are those that have a large amount of local protest-related news (over 300 local news) and have the highest number of protest participants during the event month of 26th May 2020 to 26th June 2020. The dependent variable is $\text{fraction}_{i,j,t}$, which is the fraction of firm $i$’s shares outstanding held by mutual fund $j$ in quarter $t$ multiplied by 100. High EEO is a dummy variable that is equal to one if the EEO Score of the firm ranks above 70th percentile in the previous year and zero otherwise. Post is a dummy variable that is equal to one for the time after 2020Q2 and zero otherwise. Control variables in all test specifications are the same as in Panel B, Table 5. Firm, fund, and year-quarter fixed effects are included in all test specifications. Standard errors, reported in parentheses, are clustered at the fund and year-quarter level. ***, **, and * indicate the 1%, 5%, and 10% levels of significance, respectively.

<table>
<thead>
<tr>
<th>VARIABLES</th>
<th>(1) Protest City=1</th>
<th>(2) Protest City=0</th>
</tr>
</thead>
<tbody>
<tr>
<td>Post × High EEO</td>
<td>0.011***</td>
<td>-0.001</td>
</tr>
<tr>
<td></td>
<td>(0.003)</td>
<td>(0.002)</td>
</tr>
<tr>
<td>High EEO</td>
<td>0.000</td>
<td>-0.002</td>
</tr>
<tr>
<td></td>
<td>(0.003)</td>
<td>(0.001)</td>
</tr>
<tr>
<td>Difference</td>
<td>0.012***</td>
<td></td>
</tr>
<tr>
<td>Firm Controls</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Fund Controls</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Firm FE</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Fund FE</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Year-Quarter FE</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Cluster at Firm and Year-Qtr</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Observations</td>
<td>997,143</td>
<td>3,303,910</td>
</tr>
<tr>
<td>R-squared</td>
<td>0.560</td>
<td>0.467</td>
</tr>
</tbody>
</table>
Table 7: Institutional Ownership Responses to the 2020 BLM Movement: Consumer Industries

This table presents institutional ownership responses to firms with different levels of corporate equality amid the 2020 BLM movement for consumer industries and other industries. Consumer industries are those industries that are related to consumer categories using Fama-French 49 industry classification. Specifically, these industries include Food (FF49 industry code: 2), Soda (FF49 industry code: 3), Beer (FF49 industry code: 4), Smoke (FF49 industry code: 5), Toys (FF49 industry code: 6), Fun (FF49 industry code: 7), Books (FF49 industry code: 8), Hshld (FF49 industry code: 9), Clths (FF49 industry code: 10), Hlth (FF49 industry code: 11), PerSv (FF49 industry code:33), Whlsl (FF49 industry code: 42), Rtail (FF49 industry code: 43), and Meals (FF49 industry code: 44). The dependent variable is institutional ownership (IO) for columns (1) and (2), and dedicated and quasi-indexer institutional ownership (Long Term IO) for columns (3) and (4). The subsample for column (1) and (3) contains firms in consumer industries, and the subsample for the other columns are those in non-consumer industries. High EEO is a dummy variable that is equal to one if the EEO Score of the firm ranks above 70% in the previous year and zero otherwise. Post is a dummy variable that is equal to one for the time after 2020Q2 and zero otherwise. Control variables in all test specifications are the same as in Table 2. Firm and year-quarter fixed effects are included in all test specifications. Standard errors, reported in parentheses, are clustered at the firm level.

<table>
<thead>
<tr>
<th>VARIABLES</th>
<th>(1) Consumer Ind=1 IO</th>
<th>(2) Consumer Ind=0 IO</th>
<th>(3) Consumer Ind=1 LongTermIO</th>
<th>(4) Consumer Ind=0 LongTermIO</th>
</tr>
</thead>
<tbody>
<tr>
<td>Post × High EEO</td>
<td>0.035***</td>
<td>0.009*</td>
<td>0.024***</td>
<td>0.008*</td>
</tr>
<tr>
<td></td>
<td>(0.011)</td>
<td>(0.005)</td>
<td>(0.008)</td>
<td>(0.004)</td>
</tr>
<tr>
<td>High EEO</td>
<td>-0.001</td>
<td>-0.002</td>
<td>0.001</td>
<td>-0.000</td>
</tr>
<tr>
<td></td>
<td>(0.004)</td>
<td>(0.003)</td>
<td>(0.004)</td>
<td>(0.002)</td>
</tr>
<tr>
<td>Difference</td>
<td>0.026***</td>
<td>0.016***</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Firm Controls</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Firm FE</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Year-Quarter FE</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Cluster at Firm</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Observations</td>
<td>13,297</td>
<td>43,547</td>
<td>13,297</td>
<td>43,547</td>
</tr>
<tr>
<td>R-squared</td>
<td>0.847</td>
<td>0.857</td>
<td>0.792</td>
<td>0.834</td>
</tr>
</tbody>
</table>
Table 8: Institutional Ownership Responses to the 2020 BLM Movement: African American Population of Firm Headquarter County

This table presents institutional ownership responses to firms with different levels of corporate equality amid the 2020 BLM movement for subsamples partitioned by the African American population of the headquarter counties of the firms. Counties with a large African American population are those that have more than 180,000 population being African American according to U.S. Census 2017 American Community Survey (ACS). The dependent variables are institutional ownership for columns (1) and (2) and dedicated and quasi-indexer ownership for columns (3) and (4). The subsample for columns (1) and (3) contains firms headquartered in counties with a large African American population, and the subsample for the other columns are those located elsewhere. High EEO is a dummy variable that is equal to one if the EEO Score of the firm ranks above 70th percentile in the previous year and zero otherwise. Post is a dummy variable that is equal to one for the time after 2020Q2 and zero otherwise. Control variables in all test specifications are the same as in Table 2. Firm and year-quarter fixed effects are included in all test specifications. Standard errors, reported in parentheses, are clustered at the firm level.

<table>
<thead>
<tr>
<th>VARIABLES</th>
<th>(1) African American Neighborhood=1</th>
<th>(2) African American Neighborhood=0</th>
<th>(3) African American Neighborhood=1 LongTermIO</th>
<th>(4) African American Neighborhood=0 LongTermIO</th>
</tr>
</thead>
<tbody>
<tr>
<td>Post × High EEO</td>
<td>0.024*** (0.008)</td>
<td>0.010 (0.006)</td>
<td>0.021*** (0.006)</td>
<td>0.007 (0.005)</td>
</tr>
<tr>
<td>High EEO</td>
<td>0.001 (0.004)</td>
<td>-0.003 (0.003)</td>
<td>0.002 (0.003)</td>
<td>-0.002 (0.002)</td>
</tr>
<tr>
<td>Difference</td>
<td>0.014*** (0.004)</td>
<td>0.014*** (0.004)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Firm Controls</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Firm FE</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Year-Quarter FE</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Cluster at Firm</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Observations</td>
<td>19,032</td>
<td>37,810</td>
<td>19,032</td>
<td>37,810</td>
</tr>
<tr>
<td>R-squared</td>
<td>0.862</td>
<td>0.856</td>
<td>0.834</td>
<td>0.825</td>
</tr>
</tbody>
</table>
Table 9: Corporate Equality and Holding Sensitivity to Past Performance around the 2020 BLM Movement

This table presents the effect of the 2020 BLM movement on the sensitivity of institutional holdings to past stock returns of firms with different levels of corporate workforce equality. The dependent variable is institutional ownership (IO). PastRet is the past 12-month raw returns and past 12-month returns in excess of market returns for column (1) and column (2), respectively. High EEO is a dummy variable that is equal to one if the EEO Score of the firm ranks above 70th percentile in the previous year and zero otherwise. Post is a dummy variable that is equal to one for the time after 2020Q2 and zero otherwise. Control variables in all test specifications are the same as in Table 2. Firm and year-quarter fixed effects are included for all test specifications. Standard errors, reported in parentheses, are clustered at the firm level. ***, **, and * indicate the 1%, 5%, and 10% levels of significance, respectively.

<table>
<thead>
<tr>
<th>VARIABLES</th>
<th>(1) Past 12-Month Returns</th>
<th>(2) Past 12-Month Excess Returns</th>
</tr>
</thead>
<tbody>
<tr>
<td>PastRet</td>
<td>0.011***</td>
<td>0.012***</td>
</tr>
<tr>
<td></td>
<td>(0.002)</td>
<td>(0.002)</td>
</tr>
<tr>
<td>Post × High EEO × PastRet</td>
<td>-0.012**</td>
<td>-0.018***</td>
</tr>
<tr>
<td></td>
<td>(0.006)</td>
<td>(0.007)</td>
</tr>
<tr>
<td>Post × High EEO</td>
<td>0.016***</td>
<td>0.014***</td>
</tr>
<tr>
<td></td>
<td>(0.005)</td>
<td>(0.005)</td>
</tr>
<tr>
<td>High EEO × PastRet</td>
<td>0.003</td>
<td>0.005*</td>
</tr>
<tr>
<td></td>
<td>(0.003)</td>
<td>(0.003)</td>
</tr>
<tr>
<td>Post × PastRet</td>
<td>0.006</td>
<td>0.009*</td>
</tr>
<tr>
<td></td>
<td>(0.005)</td>
<td>(0.005)</td>
</tr>
<tr>
<td>High EEO</td>
<td>-0.001</td>
<td>-0.001</td>
</tr>
<tr>
<td></td>
<td>(0.002)</td>
<td>(0.002)</td>
</tr>
<tr>
<td>Firm Controls</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Firm FE</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Year-Quarter FE</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Cluster at Firm</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Observations</td>
<td>57,232</td>
<td>55,635</td>
</tr>
<tr>
<td>R-squared</td>
<td>0.855</td>
<td>0.860</td>
</tr>
</tbody>
</table>
Table 10: Equality Footprints and Mutual Fund Flows around the 2020 BLM Movement

This table estimates the different changes in monthly fund flows for mutual funds with different levels of portfolio workforce equality footprints around the 2020 BLM movement. The sample in this table is organized at the firm-fund-month level. The dependent variable is flow, which is the monthly mutual fund flow measured as \( \frac{TNA_{i,t} - TNA_{i,t-1}(1 + Ret_{i,t})}{TNA_{i,t-1}} \). Fund EEO is the equality footprint of the mutual fund, calculated as the value-weighted High EEO of top 10 (top 5) holdings of the mutual fund for column (1) (column (2)). Post is a dummy variable that is equal to one for the months after May 2020 and zero otherwise. Other fund level control variables are defined in Appendix I. Investment objective \( \times \) year-month fixed effects are included in all test specifications. Standard errors, reported in parentheses, are clustered at the fund and year-month level. ***, **, and * indicate the 1%, 5%, and 10% levels of significance, respectively.

<table>
<thead>
<tr>
<th>VARIABLES</th>
<th>(1) Top 10 holding</th>
<th>(2) Top 5 holding</th>
</tr>
</thead>
<tbody>
<tr>
<td>Post ( \times ) Fund EEO</td>
<td>0.007***</td>
<td>0.006***</td>
</tr>
<tr>
<td></td>
<td>(0.003)</td>
<td>(0.002)</td>
</tr>
<tr>
<td>Fund EEO</td>
<td>-0.001</td>
<td>-0.001</td>
</tr>
<tr>
<td></td>
<td>(0.001)</td>
<td>(0.001)</td>
</tr>
<tr>
<td>LogTNA</td>
<td>-0.000***</td>
<td>-0.000***</td>
</tr>
<tr>
<td></td>
<td>(0.000)</td>
<td>(0.000)</td>
</tr>
<tr>
<td>ExpRatio</td>
<td>0.382***</td>
<td>0.380***</td>
</tr>
<tr>
<td></td>
<td>(0.056)</td>
<td>(0.057)</td>
</tr>
<tr>
<td>FundRetMkt</td>
<td>1.128***</td>
<td>1.119***</td>
</tr>
<tr>
<td></td>
<td>(0.098)</td>
<td>(0.099)</td>
</tr>
<tr>
<td>FundRetMktSq</td>
<td>6.195*</td>
<td>4.761</td>
</tr>
<tr>
<td></td>
<td>(3.224)</td>
<td>(3.408)</td>
</tr>
<tr>
<td>FundVolatility</td>
<td>-0.125</td>
<td>-0.117</td>
</tr>
<tr>
<td></td>
<td>(0.101)</td>
<td>(0.096)</td>
</tr>
<tr>
<td>Turnover</td>
<td>-0.001**</td>
<td>-0.001**</td>
</tr>
<tr>
<td></td>
<td>(0.000)</td>
<td>(0.000)</td>
</tr>
<tr>
<td>LogAge</td>
<td>-0.005***</td>
<td>-0.005***</td>
</tr>
<tr>
<td></td>
<td>(0.000)</td>
<td>(0.000)</td>
</tr>
<tr>
<td>Obj( \times )Year-Month FE</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Cluster at Fund and Year-Month</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Observations</td>
<td>248,362</td>
<td>242,417</td>
</tr>
<tr>
<td>R-squared</td>
<td>0.054</td>
<td>0.053</td>
</tr>
</tbody>
</table>
Table 11: Corporate Equality and Stock Returns around the 2020 BLM Movement

This table analyzes the differences in changes of returns of firms with different corporate equality levels around the 2020 BLM movement. The dependent variables for column (1) and column (2) of Panel A are quarterly returns and quarterly DGTW adjusted returns, respectively. Panel B presents the different changes in returns for subsamples partitioned by the consumer industries as in Table 7. Panel C presents the different changes in returns for subsamples partitioned by the African American population of the headquarter counties of the firms as in Table 8. High EEO is a dummy variable that is equal to one if the EEO Score of the firm ranks above 70th percentile in the previous year and zero otherwise. Post is a dummy variable that is equal to one for the time after 2020Q2 and zero otherwise. Control variables in all test specifications are the same as in Table 2. Firm and year-quarter fixed effects are included in all test specifications. Standard errors, reported in parentheses, are clustered at the firm level. ***, **, and * indicate the 1%, 5%, and 10% levels of significance, respectively.

### Panel A: Stock Returns

<table>
<thead>
<tr>
<th>VARIABLES</th>
<th>(1) Ret</th>
<th>(2) Ret</th>
</tr>
</thead>
<tbody>
<tr>
<td>Post × High EEO</td>
<td>0.032*</td>
<td>0.029*</td>
</tr>
<tr>
<td></td>
<td>(0.017)</td>
<td>(0.015)</td>
</tr>
<tr>
<td>High EEO</td>
<td>-0.001</td>
<td>-0.000</td>
</tr>
<tr>
<td></td>
<td>(0.003)</td>
<td>(0.003)</td>
</tr>
<tr>
<td>Firm Controls</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Firm FE</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Year-Quarter FE</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Cluster at Firm</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Observations</td>
<td>55,607</td>
<td>55,607</td>
</tr>
<tr>
<td>R-squared</td>
<td>0.262</td>
<td>0.109</td>
</tr>
</tbody>
</table>

### Panel B: Cross-sectional Partition: Consumer Industries

<table>
<thead>
<tr>
<th>VARIABLES</th>
<th>Consumer Ind=1</th>
<th>Consumer Ind=0</th>
<th>Consumer Ind=1</th>
<th>Consumer Ind=0</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Ret</td>
<td>Ret</td>
<td>DGTW Ret</td>
<td>DGTW Ret</td>
</tr>
<tr>
<td>Post × High EEO</td>
<td>0.079***</td>
<td>0.021</td>
<td>0.076***</td>
<td>0.018</td>
</tr>
<tr>
<td></td>
<td>(0.027)</td>
<td>(0.020)</td>
<td>(0.023)</td>
<td>(0.018)</td>
</tr>
<tr>
<td>High EEO</td>
<td>-0.003</td>
<td>-0.001</td>
<td>-0.001</td>
<td>-0.001</td>
</tr>
<tr>
<td></td>
<td>(0.006)</td>
<td>(0.004)</td>
<td>(0.005)</td>
<td>(0.004)</td>
</tr>
<tr>
<td>Difference</td>
<td>0.058***</td>
<td></td>
<td></td>
<td>0.058***</td>
</tr>
<tr>
<td>Firm Controls</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Firm FE</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Year-Quarter FE</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Cluster at Firm</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Observations</td>
<td>13,086</td>
<td>42.521</td>
<td>13,086</td>
<td>42.521</td>
</tr>
<tr>
<td>R-squared</td>
<td>0.289</td>
<td>0.260</td>
<td>0.107</td>
<td>0.114</td>
</tr>
<tr>
<td>VARIABLES</td>
<td>(1) African American Neighborhood=1 Ret</td>
<td>(2) African American Neighborhood=0 Ret</td>
<td>(3) African American Neighborhood=1 DGTW Ret</td>
<td>(4) African American Neighborhood=0 DGTW Ret</td>
</tr>
<tr>
<td>----------------------------</td>
<td>----------------------------------------</td>
<td>----------------------------------------</td>
<td>---------------------------------------------</td>
<td>---------------------------------------------</td>
</tr>
<tr>
<td>Post × High EEO</td>
<td>0.042* (0.023)</td>
<td>0.025 (0.023)</td>
<td>0.036* (0.020)</td>
<td>0.025 (0.021)</td>
</tr>
<tr>
<td>High EEO</td>
<td>-0.008* (0.005)</td>
<td>0.002 (0.004)</td>
<td>-0.007 (0.005)</td>
<td>0.003 (0.004)</td>
</tr>
<tr>
<td>Difference</td>
<td>0.017</td>
<td></td>
<td>0.011</td>
<td></td>
</tr>
<tr>
<td>Firm Controls</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Firm FE</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Year-Quarter FE</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Cluster at Firm</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Observations</td>
<td>18,513</td>
<td>37,091</td>
<td>18,513</td>
<td>37,091</td>
</tr>
<tr>
<td>R-squared</td>
<td>0.280</td>
<td>0.257</td>
<td>0.119</td>
<td>0.110</td>
</tr>
</tbody>
</table>
## Appendix

### Table A.1: Variable Definitions

<table>
<thead>
<tr>
<th>Variable</th>
<th>Definition</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Dependent variables</strong></td>
<td></td>
</tr>
<tr>
<td><em>IO</em></td>
<td>Institutional ownership as measured by the percentage of shares outstanding held by 13F institutional investors.</td>
</tr>
<tr>
<td><em>LongTermIO</em></td>
<td>Long-term institutional ownership, which is measured by the percentage of shares outstanding held by dedicated and quasi-indexer institutional investors (Bushee, 1998).</td>
</tr>
<tr>
<td><em>DivIO</em></td>
<td>Socially responsible investors’ ownership, which is measured as the percentage of shares outstanding held by socially responsible investors. Socially responsible investors as those in the top tercile of portfolio MSCI diversity scores in the previous quarter.</td>
</tr>
<tr>
<td><em>ChurnRatio</em></td>
<td>Value-weighted Churn ratio of the firm’s institution investors following Starks et al. (2017).</td>
</tr>
<tr>
<td><em>Ret</em></td>
<td>Quarterly returns.</td>
</tr>
<tr>
<td><em>DGTWRet</em></td>
<td>Quarterly DGTW adjusted returns.</td>
</tr>
<tr>
<td><em>DGTWRet</em></td>
<td>Quarterly DGTW adjusted returns.</td>
</tr>
<tr>
<td><em>Fraction</em></td>
<td>The fraction of the firm’s shares outstanding held by the mutual fund in the quarter, which are then multiplied by 100.</td>
</tr>
<tr>
<td><em>Flow</em></td>
<td>Monthly mutual fund flow measured by $\frac{TNA_{i,t} - TNA_{i,t-1}}{TNA_{i,t-1}} (1 + Ret_{i,t})$.</td>
</tr>
<tr>
<td><strong>Independent variables</strong></td>
<td></td>
</tr>
<tr>
<td><em>HighEEO</em></td>
<td>A dummy variable equal to one if EEO Ratio is above 70% percentile of the year and zero otherwise.</td>
</tr>
<tr>
<td><em>EEORatio</em></td>
<td>Sentiment weighted EEO posting count, scaled by total job posting count of the firm in the year.</td>
</tr>
<tr>
<td>*HighESG(<em>ENV, DIV)</em></td>
<td>A dummy variable equal to one if MSCI ESG score (environmental score, diversity score) is positive and zero otherwise.</td>
</tr>
<tr>
<td><em>Dividend</em></td>
<td>Dividend scaled by sales.</td>
</tr>
</tbody>
</table>
... continued

<table>
<thead>
<tr>
<th>Variable</th>
<th>Definition</th>
</tr>
</thead>
<tbody>
<tr>
<td>LnAsset</td>
<td>The natural logarithm of total assets of the firm.</td>
</tr>
<tr>
<td>Capex</td>
<td>Capital expenditure divided by total assets.</td>
</tr>
<tr>
<td>Leverage</td>
<td>Total liability divided by total assets.</td>
</tr>
<tr>
<td>ROA</td>
<td>Returns on assets.</td>
</tr>
<tr>
<td>Cash</td>
<td>Cash divided by total assets.</td>
</tr>
<tr>
<td>Leverage</td>
<td>Property, Plant, and Equipment divided by total assets.</td>
</tr>
<tr>
<td>TobinQ</td>
<td>Market value of equity divided by book value of equity.</td>
</tr>
<tr>
<td>RetVol</td>
<td>Standard deviation of daily returns of the previous year.</td>
</tr>
<tr>
<td>LogTNA</td>
<td>The natural logarithm of total net assets of the mutual fund.</td>
</tr>
<tr>
<td>ExpRatio</td>
<td>Mutual fund expense ratio.</td>
</tr>
<tr>
<td>FundRetMkt</td>
<td>Mutual fund returns in excess of market returns over the previous month.</td>
</tr>
<tr>
<td>FundRetMktSq</td>
<td>Square of FundRetMkt.</td>
</tr>
<tr>
<td>FundVolatility</td>
<td>Standard deviation of fund daily returns over the previous month.</td>
</tr>
<tr>
<td>Turnover</td>
<td>Annual fund turnover.</td>
</tr>
<tr>
<td>LogAge</td>
<td>The natural logarithm of the months since the first occurrence in CRSP Mutual Fund database.</td>
</tr>
</tbody>
</table>

Sample Partition Variables

<table>
<thead>
<tr>
<th>Protest City</th>
<th>A dummy variable equal to one for the cities with large-scale protests are those that have a large amount of local protest-related news (over 300 local news) and have the highest number of protest participants during the event month of 26th May 2020 to 26th June 2020. (Data source: GDELT dataset and Crowd Counting Consortium dataset)</th>
</tr>
</thead>
<tbody>
<tr>
<td>African American Neighborhood</td>
<td>A dummy variable equal to one for counties that have more than 180,000 or over 10% of population being African American according to U.S. Census 2017 American Community Survey (ACS).</td>
</tr>
</tbody>
</table>
Table A.2: States with the Most and the Least EEOC Charges

This appendix presents the states with the most and the least EEOC employment discrimination charges per 10,000 population, according to EEOC statistics in FY 2019.

Panel A: The Most EEOC Charges

<table>
<thead>
<tr>
<th>State</th>
<th>Cases per 10,000 population</th>
</tr>
</thead>
<tbody>
<tr>
<td>District of Columbia</td>
<td>14.1</td>
</tr>
<tr>
<td>Georgia</td>
<td>9.6</td>
</tr>
<tr>
<td>Alabama</td>
<td>9.5</td>
</tr>
<tr>
<td>Mississippi</td>
<td>9.5</td>
</tr>
<tr>
<td>Arkansas</td>
<td>8.8</td>
</tr>
</tbody>
</table>

Panel B: The Least EEOC Charges

<table>
<thead>
<tr>
<th>State</th>
<th>Cases per 10,000 population</th>
</tr>
</thead>
<tbody>
<tr>
<td>Maine</td>
<td>0.5</td>
</tr>
<tr>
<td>Idaho</td>
<td>0.5</td>
</tr>
<tr>
<td>New Hampshire</td>
<td>0.7</td>
</tr>
<tr>
<td>Montana</td>
<td>0.7</td>
</tr>
<tr>
<td>Oregon</td>
<td>0.9</td>
</tr>
</tbody>
</table>

Table A.3: List of Cities with Large-scale Protests

This appendix reports the cities that are mentioned the most in related news containing the term “Floyd” and “curfew” and have the most protest participants in a one-month window (26th May 2020 to 26th June 2020) following the death of Mr. Floyd. The number of participants in the protests is estimated by the Crowd Counting Consortium.

<table>
<thead>
<tr>
<th>City</th>
<th>City</th>
<th>City</th>
<th>City</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chicago</td>
<td>Washington DC</td>
<td>New York City</td>
<td>Los Angeles</td>
</tr>
<tr>
<td>San Diego</td>
<td>San Jose</td>
<td>San Francisco</td>
<td></td>
</tr>
</tbody>
</table>
Table A.4: the Changes of Institutional Holdings in Firms with Different Corporate Equality Levels after the 2020 BLM Movement: Alternative Corporate Workforce Equality Measures

This table presents the estimates from the difference-in-differences specification examining whether the 2020 BLM movement has different effects on the institutional ownership of firms with different corporate equality profiles. The dependent variable is institutional ownership (IO), measured as the percentage of shares outstanding held by 13F investors. High SODO is a dummy variable that is equal to one if the Asset4 diversity and opportunity score (SODO Score) of a firm ranks above certain cut-offs in the previous year (70th percentile for column (1), 75th percentile for column (2), and 80th percentile for column (3) of Panel A, respectively) and zero otherwise. High Lawsuit is a dummy variable that is equal to one if the number of EEO lawsuits against the firm is above zero (95th percentile) for column (1) (columns (2)) of Panel B. Post is a dummy variable that is equal to one for the periods after 2020Q2 and zero otherwise. Other control variables are defined in Appendix I. Firm and year-quarter fixed effects are included in all test specifications. Standard errors, reported in parentheses, are clustered at the firm level. ***, **, and * indicate the 1%, 5%, and 10% levels of significance, respectively.

### Panel A: Asset4 Workforce Diversity and Opportunity Score

<table>
<thead>
<tr>
<th>Variables</th>
<th>(1)</th>
<th>(2)</th>
<th>(3)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Post × High SODO</td>
<td>0.011**</td>
<td>0.011**</td>
<td>0.015***</td>
</tr>
<tr>
<td></td>
<td>(0.005)</td>
<td>(0.005)</td>
<td>(0.005)</td>
</tr>
<tr>
<td>High SODO</td>
<td>-0.003</td>
<td>0.001</td>
<td>-0.002</td>
</tr>
<tr>
<td></td>
<td>(0.004)</td>
<td>(0.004)</td>
<td>(0.004)</td>
</tr>
<tr>
<td>LogAsset</td>
<td>0.011*</td>
<td>0.011*</td>
<td>0.011*</td>
</tr>
<tr>
<td></td>
<td>(0.006)</td>
<td>(0.006)</td>
<td>(0.006)</td>
</tr>
<tr>
<td>TobinQ</td>
<td>-0.002*</td>
<td>-0.002*</td>
<td>-0.002*</td>
</tr>
<tr>
<td></td>
<td>(0.001)</td>
<td>(0.001)</td>
<td>(0.001)</td>
</tr>
<tr>
<td>Leverage</td>
<td>-0.011</td>
<td>-0.011</td>
<td>-0.011</td>
</tr>
<tr>
<td></td>
<td>(0.014)</td>
<td>(0.014)</td>
<td>(0.014)</td>
</tr>
<tr>
<td>Capex</td>
<td>0.094</td>
<td>0.095</td>
<td>0.095</td>
</tr>
<tr>
<td></td>
<td>(0.063)</td>
<td>(0.063)</td>
<td>(0.063)</td>
</tr>
<tr>
<td>ROA</td>
<td>0.010</td>
<td>0.011</td>
<td>0.011</td>
</tr>
<tr>
<td></td>
<td>(0.011)</td>
<td>(0.011)</td>
<td>(0.011)</td>
</tr>
<tr>
<td>Tangibility</td>
<td>-0.024</td>
<td>-0.024</td>
<td>-0.024</td>
</tr>
<tr>
<td></td>
<td>(0.015)</td>
<td>(0.015)</td>
<td>(0.015)</td>
</tr>
<tr>
<td>Dividend</td>
<td>0.017</td>
<td>0.018</td>
<td>0.018</td>
</tr>
<tr>
<td></td>
<td>(0.045)</td>
<td>(0.045)</td>
<td>(0.045)</td>
</tr>
<tr>
<td>PastRet</td>
<td>0.006***</td>
<td>0.006***</td>
<td>0.006***</td>
</tr>
<tr>
<td></td>
<td>(0.002)</td>
<td>(0.002)</td>
<td>(0.002)</td>
</tr>
<tr>
<td>RetVol</td>
<td>-0.545***</td>
<td>-0.545***</td>
<td>-0.544***</td>
</tr>
<tr>
<td></td>
<td>(0.210)</td>
<td>(0.210)</td>
<td>(0.211)</td>
</tr>
<tr>
<td>Firm FE</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Year-Quarter FE</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Cluster at Firm</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>R-squared</td>
<td>0.823</td>
<td>0.823</td>
<td>0.823</td>
</tr>
</tbody>
</table>
Panel B: EEO Lawsuits against the firms

<table>
<thead>
<tr>
<th>VARIABLES</th>
<th>(1)</th>
<th>(2)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cut-off</td>
<td>NSuit&gt;0</td>
<td>95%</td>
</tr>
<tr>
<td>Post × High Lawsuit</td>
<td>-0.025***</td>
<td>-0.025***</td>
</tr>
<tr>
<td>High Lawsuit</td>
<td>0.003</td>
<td>0.003</td>
</tr>
<tr>
<td>LogAsset</td>
<td>0.028***</td>
<td>0.028***</td>
</tr>
<tr>
<td>TobinQ</td>
<td>0.003***</td>
<td>0.003***</td>
</tr>
<tr>
<td>Leverage</td>
<td>-0.017**</td>
<td>-0.017**</td>
</tr>
<tr>
<td>Capex</td>
<td>0.119***</td>
<td>0.119***</td>
</tr>
<tr>
<td>ROA</td>
<td>0.004</td>
<td>0.004</td>
</tr>
<tr>
<td>Tangibility</td>
<td>-0.028***</td>
<td>-0.028***</td>
</tr>
<tr>
<td>Dividend</td>
<td>0.001</td>
<td>0.001</td>
</tr>
<tr>
<td>PastRet</td>
<td>0.011***</td>
<td>0.011***</td>
</tr>
<tr>
<td>RetVol</td>
<td>-0.371***</td>
<td>-0.371***</td>
</tr>
<tr>
<td>Firm FE</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Year-Quarter FE</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Cluster at Firm</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Observations</td>
<td>73,780</td>
<td>73,780</td>
</tr>
<tr>
<td>R-squared</td>
<td>0.866</td>
<td>0.866</td>
</tr>
</tbody>
</table>
Table A.5: Corporate Workforce Equality, ESG Score, and Institutional Ownership around the 2020 BLM Movement: Alternative Corporate Workforce Equality Measures

This table reports the different effects of the 2020 BLM movement on institutional ownership of firms with different corporate equality profiles, controlling for MSCI ESG scores and environmental profiles of the firms. The dependent variable is institutional ownership (IO), measured as the percentage of shares outstanding held by 13F investors. High SODO is a dummy variable that is equal to one if the Asset4 SODO ratio of the firm ranks above 70th percentile in the previous year and zero otherwise. High Lawsuit is a dummy variable that is equal to one if the firm is sued for the violation of EEO laws in the previous year. Post is a dummy variable that is equal to one for the time after 2020Q2 and zero otherwise. High ESG is a dummy variable that is equal to one if the MSCI ESG score of the firm ranks above 70th percentile in the previous year and zero otherwise. Similarly, High ENV (High DIV) is a dummy variable that is equal to one if the MSCI environmental (diversity) score in the previous year is positive. Other control variables are defined in Appendix A.1. Control variables in all test specifications are the same as control variables in Table 2. Firm and year-quarter fixed effects are included in all test specifications. Standard errors, reported in parentheses, are clustered at the firm level. ***, **, and * indicate the 1%, 5%, and 10% levels of significance, respectively.

<table>
<thead>
<tr>
<th>VARIABLES</th>
<th>(1)</th>
<th>(2)</th>
<th>(3)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Post × High SODO</td>
<td>0.010**</td>
<td>0.009*</td>
<td>0.009*</td>
</tr>
<tr>
<td></td>
<td>(0.005)</td>
<td>(0.005)</td>
<td>(0.005)</td>
</tr>
<tr>
<td>High SODO</td>
<td>0.001</td>
<td>0.001</td>
<td>0.001</td>
</tr>
<tr>
<td></td>
<td>(0.004)</td>
<td>(0.004)</td>
<td>(0.004)</td>
</tr>
<tr>
<td>Post × High Div</td>
<td>0.000</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>(0.007)</td>
<td></td>
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</tr>
<tr>
<td>High Div</td>
<td>0.000</td>
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<td></td>
</tr>
<tr>
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</tr>
<tr>
<td>Post × High ESG</td>
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<tr>
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</tr>
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</tr>
<tr>
<td>Post × High Env</td>
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</tr>
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<tr>
<td>High Env</td>
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<td></td>
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</tr>
<tr>
<td>Firm Controls</td>
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<td>Yes</td>
</tr>
<tr>
<td>Firm FE</td>
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<td>Yes</td>
<td>Yes</td>
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<tr>
<td>Year-Quarter FE</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Cluster at Firm</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
</tr>
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<td>28,424</td>
<td>28,424</td>
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<td>R-squared</td>
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Panel B: EEO Lawsuits against the firms

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<td>Post × High Lawsuit</td>
<td>-0.009*</td>
<td>-0.010*</td>
<td>-0.009*</td>
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<tr>
<td></td>
<td>(0.005)</td>
<td>(0.005)</td>
<td>(0.005)</td>
</tr>
<tr>
<td>High Lawsuit</td>
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<td>0.003</td>
<td>0.002</td>
</tr>
<tr>
<td></td>
<td>(0.002)</td>
<td>(0.002)</td>
<td>(0.002)</td>
</tr>
<tr>
<td>Post × High Div</td>
<td>0.001</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>(0.006)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>High Div</td>
<td>0.004</td>
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</tr>
<tr>
<td></td>
<td>(0.003)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Post × High ESG</td>
<td></td>
<td>0.003</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>(0.005)</td>
<td></td>
</tr>
<tr>
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<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>(0.003)</td>
<td></td>
</tr>
<tr>
<td>Post × High Env</td>
<td></td>
<td></td>
<td>0.001</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>(0.005)</td>
</tr>
<tr>
<td>High Env</td>
<td></td>
<td></td>
<td>-0.000</td>
</tr>
<tr>
<td></td>
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<td>Yes</td>
</tr>
<tr>
<td>Firm FE</td>
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<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Year-Quarter FE</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Cluster at Firm</td>
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<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Observations</td>
<td>38,857</td>
<td>38,857</td>
<td>38,857</td>
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<tr>
<td>R-squared</td>
<td>0.808</td>
<td>0.808</td>
<td>0.808</td>
</tr>
</tbody>
</table>
Table A.6: Workforce Equality Levels, Public Attention to Equality, and Institutional Ownership

This table presents the relation between institutional ownership, workforce equality levels of the firms, and the time-varying public attention towards racial equality. The dependent variable is institutional ownership (IO), measured as the percentage of shares outstanding held by 13F investors. High EEO is a dummy variable that is equal to one if the EEO ratio of the firm ranks above 70% in the previous year and zero otherwise. High SODO is a dummy variable that is equal to one if the Asset4 SODO Score of the firm ranks above 70% in the previous year and zero otherwise. High Lawsuit is a dummy variable that is equal to one if the firm is sued for the violation of EEO laws in the previous year. Count News is the number of news related to BLM movements in the previous three months measured in thousands, which is obtained from GDELT database by searching for the strings “black-lives-matter” or “blacklivesmatter” in the news URLs from 2013 to 2020. Control variables in all test specifications are the same as control variables in Table 2. Firm and year-month fixed effects are included in all test specifications. Standard errors, reported in parentheses, are clustered at the year-month level. ***, **, and * indicate the 1%, 5%, and 10% levels of significance, respectively.

<table>
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<th>VARIABLES</th>
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<th>(2)</th>
<th>(3)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Count News × High EEO</td>
<td>0.138***</td>
<td>-0.002</td>
<td>-0.244***</td>
</tr>
<tr>
<td></td>
<td>(0.051)</td>
<td>(0.004)</td>
<td>(0.059)</td>
</tr>
<tr>
<td>High EEO</td>
<td>-0.002</td>
<td></td>
<td>0.004</td>
</tr>
<tr>
<td></td>
<td>(0.002)</td>
<td></td>
<td>(0.002)</td>
</tr>
<tr>
<td>Count News × High SODO</td>
<td></td>
<td>0.131**</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>(0.052)</td>
<td></td>
</tr>
<tr>
<td>High SODO</td>
<td></td>
<td>-0.000</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>(0.004)</td>
<td></td>
</tr>
<tr>
<td>Count News × High Lawsuit</td>
<td></td>
<td></td>
<td>-0.244***</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>(0.059)</td>
</tr>
<tr>
<td>High Lawsuit</td>
<td></td>
<td></td>
<td>0.004</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>(0.002)</td>
</tr>
<tr>
<td>Firm Controls</td>
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<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Firm FE</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Year-Quarter FE</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Cluster at Firm</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Observations</td>
<td>56,844</td>
<td>30,755</td>
<td>73,780</td>
</tr>
<tr>
<td>R-squared</td>
<td>0.855</td>
<td>0.823</td>
<td>0.866</td>
</tr>
</tbody>
</table>

viii
Table A.7: Regional BLM Movement before 2020: Mutual Funds’ Change of Holdings around Regional BLM Movement

This table examines whether mutual funds that experience regional BLM movements before 2020 tilt their holdings towards high equality firms, compared to other mutual funds. I define states that experience regional BLM movements as those that have more than 250, 300, and 400 local news related to BLM movements in any quarter before 2020 for columns (1), (2), and (3) for both panels, respectively. News related to BLM movements are from GDELT database by searching for the strings “black-lives-matter” or “blacklivesmatter” in the news URLs from 2013 to 2020. The sample only includes observations before 2020. The dependent variable \( \text{Fraction}_{i,j,t} \) is the fraction of firm i’s shares outstanding held by mutual fund j in quarter t, which are then multiplied by 100. High EEO and High SODO are similarly defined as previous tables. \( \text{Post}_{j,t} \) is a dummy variable that is equal to one if the home-state of mutual fund j experience regional BLM movements in the previous two quarters, and zero otherwise. Other control variables are defined in Appendix I. Firm and fund-quarter fixed effects are included in all test specifications. Standard errors, reported in parentheses, are clustered at the fund and year-quarter level. ***, **, and * indicate the 1%, 5%, and 10% levels of significance, respectively.

### Panel A: EEO Score

<table>
<thead>
<tr>
<th>VARIABLES</th>
<th>(1) News Count &gt;300</th>
<th>(2) News Count &gt;350</th>
<th>(3) News Count &gt;400</th>
</tr>
</thead>
<tbody>
<tr>
<td>Post × High EEO</td>
<td>0.007** (0.003)</td>
<td>0.007** (0.003)</td>
<td>0.003* (0.002)</td>
</tr>
<tr>
<td>High EEO</td>
<td>-0.001 (0.001)</td>
<td>-0.001 (0.001)</td>
<td>-0.000 (0.001)</td>
</tr>
<tr>
<td>Firm Controls</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Firm FE</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Fund × Year-Quarter FE</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Cluster at Firm</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Observations</td>
<td>4,087,154</td>
<td>4,087,154</td>
<td>4,087,154</td>
</tr>
<tr>
<td>R-squared</td>
<td>0.531</td>
<td>0.531</td>
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</tbody>
</table>

### Panel B: Asset4 SODO Score

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<tr>
<th>VARIABLES</th>
<th>(1) News Count &gt;300</th>
<th>(2) News Count &gt;350</th>
<th>(3) News Count &gt;400</th>
</tr>
</thead>
<tbody>
<tr>
<td>Post × High SODO</td>
<td>0.024** (0.009)</td>
<td>0.024** (0.009)</td>
<td>0.018** (0.007)</td>
</tr>
<tr>
<td>High SODO</td>
<td>-0.001 (0.001)</td>
<td>-0.001 (0.001)</td>
<td>-0.001 (0.001)</td>
</tr>
<tr>
<td>Firm Controls</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Firm FE</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Fund × Year-Quarter FE</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Cluster at Firm</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Observations</td>
<td>2,775,299</td>
<td>2,775,299</td>
<td>2,775,299</td>
</tr>
<tr>
<td>R-squared</td>
<td>0.537</td>
<td>0.537</td>
<td>0.537</td>
</tr>
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</table>
Table A.8: Political Leanings of Home-States and Mutual Fund’s Change of Fraction of Holdings around the 2020 BLM Movement Using Asset4 SODO Score

This table examines whether mutual funds whose home-states support the Democratic candidate in the latest presidential election tilt their portfolio weights towards high equality firms more than other mutual funds. The states with more voters for the Democratic candidate than other candidates in the latest presidential election are defined as the states that support the Democratic candidate. The dependent variable is $Fraction_{i,j,t}$, which is the fraction of firm i’s shares outstanding held by mutual fund j in quarter t multiplied by 100. High SODO is a dummy variable that is equal to one if the SODO Score of the firm ranks above 70th percentile in the previous year and zero otherwise. Post is a dummy variable that is equal to one for the time after 2020Q2 and zero otherwise. Other control variables are defined in Appendix A.1. Firm and fund-quarter fixed effects are included in all test specifications. Standard errors, reported in parentheses, are clustered at the fund and year-quarter level. ***, **, and * indicate the 1%, 5%, and 10% levels of significance, respectively.

<table>
<thead>
<tr>
<th>VARIABLES</th>
<th>(1) Democrat=1 Fraction</th>
<th>(2) Democrat=0 Fraction</th>
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</thead>
<tbody>
<tr>
<td>Post × High SODO</td>
<td>0.19***</td>
<td>0.011</td>
</tr>
<tr>
<td></td>
<td>(0.003)</td>
<td>(0.007)</td>
</tr>
<tr>
<td>High SODO</td>
<td>-0.001</td>
<td>-0.001</td>
</tr>
<tr>
<td></td>
<td>(0.002)</td>
<td>(0.002)</td>
</tr>
<tr>
<td>LogAsset</td>
<td>-0.046***</td>
<td>-0.031***</td>
</tr>
<tr>
<td></td>
<td>(0.007)</td>
<td>(0.005)</td>
</tr>
<tr>
<td>TobinQ</td>
<td>-0.000***</td>
<td>-0.000***</td>
</tr>
<tr>
<td></td>
<td>(0.000)</td>
<td>(0.000)</td>
</tr>
<tr>
<td>Leverage</td>
<td>0.033***</td>
<td>-0.001</td>
</tr>
<tr>
<td></td>
<td>(0.008)</td>
<td>(0.009)</td>
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<tr>
<td>Capex</td>
<td>-0.225***</td>
<td>-0.088**</td>
</tr>
<tr>
<td></td>
<td>(0.036)</td>
<td>(0.037)</td>
</tr>
<tr>
<td>ROA</td>
<td>-0.081***</td>
<td>-0.030**</td>
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<tr>
<td></td>
<td>(0.015)</td>
<td>(0.012)</td>
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<tr>
<td>Tangibility</td>
<td>0.060***</td>
<td>0.017**</td>
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<tr>
<td></td>
<td>(0.013)</td>
<td>(0.008)</td>
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<tr>
<td>Dividend</td>
<td>-0.078</td>
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<td></td>
<td>(0.056)</td>
<td>(0.049)</td>
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<tr>
<td>PastRet</td>
<td>-0.030***</td>
<td>-0.013***</td>
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<td>(0.003)</td>
<td>(0.003)</td>
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<td>RetVol</td>
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<td>0.377**</td>
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<td>(0.009)</td>
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<td>-4.816**</td>
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<td>-0.002</td>
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<td>(0.007)</td>
<td>(0.006)</td>
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<tr>
<td>LogAge</td>
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<td>-0.000</td>
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<td>(0.009)</td>
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<td>(0.397)</td>
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<td>FundRetMktSq</td>
<td>0.239</td>
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<td>FundVolatility</td>
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<td>(0.783)</td>
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<tr>
<td>Difference</td>
<td>0.008*</td>
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</tr>
</tbody>
</table>

Firm FE: Yes, Fund FE: Yes, Year-Quarter FE: Yes, Cluster at Firm and Year-Quarter: Yes, Observations: 2,199,603, 741,993, R-squared: 0.491, 0.488
This table examines whether mutual funds located in cities with large-scale BLM protests tilt their portfolio weights towards high equality firms more than mutual funds located elsewhere. I use the Factiva database and the Crowd Counting Consortium dataset to measure the scale of protests in U.S. cities. During the event month of 26th May 2020 to 26th June 2020, cities with large-scale protests are those that are mentioned the most in protest-related news and have the highest number of protest participants. The dependent variable is $Fraction_{i,j,t}$, which is the fraction of firm i’s shares outstanding held by mutual fund j in quarter t multiplied by 100. High SODO is a dummy variable that is equal to one if the SODO Score of the firm ranks above 70% in the previous year and zero otherwise. Post is a dummy variable that is equal to one for the time after 2020Q2 and zero otherwise. Other control variables are defined in Appendix I. Firm and fund-quarter fixed effects are included in all test specifications. Standard errors, reported in parentheses, are clustered at the fund and year-quarter level. ***, **, and * indicate the 1%, 5%, and 10% levels of significance, respectively.

<table>
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<th>(1) Protest City=1</th>
<th>(2) Protest City=0</th>
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<tr>
<td>Post x High SODO</td>
<td>0.020***</td>
<td>0.012***</td>
</tr>
<tr>
<td></td>
<td>(0.005)</td>
<td>(0.003)</td>
</tr>
<tr>
<td>High SODO</td>
<td>-0.003</td>
<td>-0.000</td>
</tr>
<tr>
<td></td>
<td>(0.004)</td>
<td>(0.002)</td>
</tr>
<tr>
<td>LogAsset</td>
<td>-0.044***</td>
<td>-0.041***</td>
</tr>
<tr>
<td></td>
<td>(0.008)</td>
<td>(0.007)</td>
</tr>
<tr>
<td>TobinQ</td>
<td>-0.000**</td>
<td>-0.000***</td>
</tr>
<tr>
<td></td>
<td>(0.000)</td>
<td>(0.000)</td>
</tr>
<tr>
<td>LeverLogAge</td>
<td>0.032***</td>
<td>0.026***</td>
</tr>
<tr>
<td></td>
<td>(0.012)</td>
<td>(0.009)</td>
</tr>
<tr>
<td>Capex</td>
<td>-0.294***</td>
<td>-0.149***</td>
</tr>
<tr>
<td></td>
<td>(0.065)</td>
<td>(0.030)</td>
</tr>
<tr>
<td>ROA</td>
<td>-0.084***</td>
<td>-0.055***</td>
</tr>
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<td>(0.020)</td>
<td>(0.013)</td>
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<td>Tangibility</td>
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<td>0.046***</td>
</tr>
<tr>
<td></td>
<td>(0.017)</td>
<td>(0.012)</td>
</tr>
<tr>
<td>Dividend</td>
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<td>-0.035</td>
</tr>
<tr>
<td></td>
<td>(0.110)</td>
<td>(0.041)</td>
</tr>
<tr>
<td>PastRet</td>
<td>-0.030***</td>
<td>-0.024***</td>
</tr>
<tr>
<td></td>
<td>(0.005)</td>
<td>(0.003)</td>
</tr>
<tr>
<td>RetVol</td>
<td>0.952***</td>
<td>1.255***</td>
</tr>
<tr>
<td></td>
<td>(0.251)</td>
<td>(0.205)</td>
</tr>
<tr>
<td>LogTNA</td>
<td>0.089***</td>
<td>0.077***</td>
</tr>
<tr>
<td></td>
<td>(0.014)</td>
<td>(0.010)</td>
</tr>
<tr>
<td>ExpRatio</td>
<td>-1.382</td>
<td>-4.933***</td>
</tr>
<tr>
<td></td>
<td>(2.234)</td>
<td>(1.965)</td>
</tr>
<tr>
<td>Turnover</td>
<td>-0.013*</td>
<td>0.000</td>
</tr>
<tr>
<td></td>
<td>(0.006)</td>
<td>(0.008)</td>
</tr>
<tr>
<td>LogAge</td>
<td>0.003</td>
<td>-0.015</td>
</tr>
<tr>
<td></td>
<td>(0.011)</td>
<td>(0.023)</td>
</tr>
<tr>
<td>FundRetMkt</td>
<td>-1.253**</td>
<td>-0.522</td>
</tr>
<tr>
<td></td>
<td>(0.560)</td>
<td>(0.355)</td>
</tr>
<tr>
<td>FundRetMktSq</td>
<td>51.626</td>
<td>1.872</td>
</tr>
<tr>
<td></td>
<td>(35.058)</td>
<td>(23.337)</td>
</tr>
<tr>
<td>FundVolatility</td>
<td>0.672</td>
<td>0.152</td>
</tr>
<tr>
<td></td>
<td>(0.744)</td>
<td>(0.758)</td>
</tr>
<tr>
<td>Difference</td>
<td>0.008*</td>
<td></td>
</tr>
<tr>
<td>Firm FE</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Fund FE</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Year-Quarter FE</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Cluster at Firm and Year-Qtr</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Observations</td>
<td>705,922</td>
<td>2,235,673</td>
</tr>
<tr>
<td>R-squared</td>
<td>0.558</td>
<td>0.461</td>
</tr>
</tbody>
</table>
Table A.10: Workforce Equality Levels, Public Attention to Equality, and Stock Returns

This table presents the relation between monthly stock returns (and risk-adjusted returns), workforce equality levels of the firms, and the time-varying public attention towards racial equality. The dependent variable is monthly returns, DGTW adjusted returns, and Fama-French-Carhart four-factor alpha, in percentage point. High EEO is a dummy variable that is equal to one if the EEO ratio of the firm ranks above 70% in the previous year and zero otherwise. Count News is the number of news related to BLM movements in the previous three months obtained from GDELT database, which is measured in thousands. Firm and year-month fixed effects are included in all test specifications. Standard errors, reported in parentheses, are clustered at the year-month level. ***, **, and * indicate the 1%, 5%, and 10% levels of significance, respectively.

<table>
<thead>
<tr>
<th>VARIABLES</th>
<th>(1) Ret</th>
<th>(2) DGTW Ret</th>
<th>(3) FF4 Alpha</th>
</tr>
</thead>
<tbody>
<tr>
<td>Count News × High EEO</td>
<td>0.059**</td>
<td>0.045</td>
<td>0.008**</td>
</tr>
<tr>
<td></td>
<td>(0.028)</td>
<td>(0.038)</td>
<td>(0.004)</td>
</tr>
<tr>
<td>High EEO</td>
<td>-0.001</td>
<td>-0.000</td>
<td>-0.001***</td>
</tr>
<tr>
<td></td>
<td>(0.001)</td>
<td>(0.001)</td>
<td>(0.000)</td>
</tr>
<tr>
<td>LogAsset</td>
<td>-0.022***</td>
<td>-0.019***</td>
<td>-0.008***</td>
</tr>
<tr>
<td></td>
<td>(0.003)</td>
<td>(0.002)</td>
<td>(0.001)</td>
</tr>
<tr>
<td>TobinQ</td>
<td>-0.000*</td>
<td>-0.000*</td>
<td>0.000***</td>
</tr>
<tr>
<td></td>
<td>(0.000)</td>
<td>(0.000)</td>
<td>(0.000)</td>
</tr>
<tr>
<td>Leverage</td>
<td>0.029***</td>
<td>0.023***</td>
<td>0.004***</td>
</tr>
<tr>
<td></td>
<td>(0.008)</td>
<td>(0.007)</td>
<td>(0.001)</td>
</tr>
<tr>
<td>Capex</td>
<td>-0.079***</td>
<td>-0.065***</td>
<td>-0.018***</td>
</tr>
<tr>
<td></td>
<td>(0.028)</td>
<td>(0.024)</td>
<td>(0.004)</td>
</tr>
<tr>
<td>ROA</td>
<td>0.002</td>
<td>-0.001</td>
<td>0.019***</td>
</tr>
<tr>
<td></td>
<td>(0.007)</td>
<td>(0.007)</td>
<td>(0.001)</td>
</tr>
<tr>
<td>Tangibility</td>
<td>0.004</td>
<td>0.002</td>
<td>-0.003***</td>
</tr>
<tr>
<td></td>
<td>(0.009)</td>
<td>(0.007)</td>
<td>(0.001)</td>
</tr>
<tr>
<td>Dividend</td>
<td>-0.044**</td>
<td>-0.045***</td>
<td>-0.020***</td>
</tr>
<tr>
<td></td>
<td>(0.017)</td>
<td>(0.015)</td>
<td>(0.002)</td>
</tr>
<tr>
<td>PastRet</td>
<td>-0.012***</td>
<td>-0.011***</td>
<td>0.018***</td>
</tr>
<tr>
<td></td>
<td>(0.002)</td>
<td>(0.001)</td>
<td>(0.001)</td>
</tr>
<tr>
<td>RetVol</td>
<td>0.163**</td>
<td>0.089</td>
<td>0.087***</td>
</tr>
<tr>
<td></td>
<td>(0.082)</td>
<td>(0.079)</td>
<td>(0.017)</td>
</tr>
<tr>
<td>Firm FE</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Year-Month FE</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Cluster at Year-Month</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Observations</td>
<td>184,815</td>
<td>178,621</td>
<td>182,288</td>
</tr>
<tr>
<td>R-squared</td>
<td>0.158</td>
<td>0.031</td>
<td>0.468</td>
</tr>
</tbody>
</table>
Table A.11: High-equality-minus-low-equality Portfolio Returns and Public Attention to Equality

This table presents the relation between the high-minus-low corporate workforce equality portfolio returns sorted based on the firms’ EEO Score and the time-varying public attention towards racial equality. The dependent variable is high-minus-low corporate workforce equality portfolio returns sorted based on the firms’ EEO Score in the previous year. At the beginning of each year, the high equality and low equality portfolios are formed based on the EEO Score of the firms in the previous year. Specifically, the high equality portfolio consists of firms that rank above top 30% among all firms. The rest of the firms are in the low equality portfolio. H-L Returns are the monthly difference of the equal-weighted portfolio returns of high equality portfolio and low equality portfolio. Count News is the number of news related to BLM movements in the previous three months obtained from GDELT database, which is measured in thousands. Standard errors, reported in parentheses, are clustered at the year-month level. ***, **, and * indicate the 1%, 5%, and 10% levels of significance, respectively.

<table>
<thead>
<tr>
<th>VARIABLES</th>
<th>(1) H-L Returns (%)</th>
<th>(2) H-L Returns (%)</th>
<th>(3) H-L Returns (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Count News</td>
<td>0.080**</td>
<td>0.080**</td>
<td>0.082****</td>
</tr>
<tr>
<td></td>
<td>(0.031)</td>
<td>(0.031)</td>
<td>(0.029)</td>
</tr>
<tr>
<td>Mkt - RF</td>
<td>0.004</td>
<td></td>
<td>0.012</td>
</tr>
<tr>
<td></td>
<td>(0.019)</td>
<td></td>
<td>(0.020)</td>
</tr>
<tr>
<td>SMB</td>
<td>-0.036</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>(0.028)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>HML</td>
<td>-0.005</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>(0.024)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Observations</td>
<td>96</td>
<td>96</td>
<td>96</td>
</tr>
<tr>
<td>R-squared</td>
<td>0.061</td>
<td>0.061</td>
<td>0.076</td>
</tr>
</tbody>
</table>

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Online Appendix

OA.I Propensity Score Matching

In this section, I conduct propensity score matching to alleviate the concerns that the high equality firms and other firms are different in observable firm attributes. To get propensity score for each firm, I estimate logit model in which the dependent variable is the High EEO, a dummy variable that is equal to one if the EEO Score of a firm ranks above 70th percentile. Independent variables for the logit regression include all firm characteristics in the baseline regression. For each high equality firms, I match the control firm with the closest propensity score from the firms with EEO Scores that are lower than 70th percentile of the year without replacement.

[Insert Table OA.1 here.]

Table OA.1 presents the summary statistics of the covariates for the treatment firms and control firms before and after the matching. Panel A of Table OA.1 shows that high equality firms are larger in firm size, more profitable, and less volatile than other firms before matching. Panel B of Table OA.1 presents the post-matching summary statistics for treatment firms and control firms. The difference of means between treatment and control firms are largely alleviated. After matching, treatment and control firms are similar in covariates including firm size, leverage, capital expenditure, and volatility.

[Insert Table OA.2 here.]

I re-estimate the baseline regression in Equation (5) in the matched sample. Column (1) of Table OA.2 shows that the baseline result holds after propensity score matching. The economic magnitude of the relative increase in institutional ownership nearly doubled compared to the coefficient estimates in the unmatched sample. Moreover, the results remain unchanged for long-term institutional ownership and returns using the propensity-score-matched sample.

---

1Specifically, the independent variables include natural logarithm of 1 plus total assets (LnAsset), capital expenditure scaled by total assets (Capex), total debt scaled by total assets (Leverage), net income scaled by total assets (ROA), property, plant, and equipment scaled by total assets (Tangibility), market value of equity to book value of equity (Tobin Q), dividend scaled by total assets (Dividend), returns of the previous year (PastRet), and standard deviation of daily returns (RetVol).
Table OA.1: Characteristics of the Propensity-Score-Matched Sample

This table reports the results of the propensity score matching (PSM) based on covariates in the baseline regression. Panel A reports the summary statistics of firm characteristics for high equality firms (High EEO equals to one) and other firms. High EEO is a dummy variable that is equal to one if the EEO Score of a firm ranks above 70th percentile in the previous year and zero otherwise. The Diff column presents the difference between the means of firm characteristics of the two groups. The t-statistic comes from the hypothesis testing that the difference is zero. Panel B reports the firm characteristics for high equality firms and control firms from the PSM. The propensity score is estimated with all the firm characteristics in the baseline regression using logit model. The control firms are the nearest neighbor (with replacement) for high equality firms based on the propensity score.

<table>
<thead>
<tr>
<th>Panel A: Pre-matched Sample</th>
<th>High EEO Firms</th>
<th>Other Firms</th>
<th>Diff</th>
<th>t-statistic</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Mean</td>
<td>SD</td>
<td>Mean</td>
<td>SD</td>
</tr>
<tr>
<td>LogAsset</td>
<td>6.966</td>
<td>1.876</td>
<td>6.614</td>
<td>2.028</td>
</tr>
<tr>
<td>Tobin Q</td>
<td>4.091</td>
<td>8.304</td>
<td>3.801</td>
<td>7.759</td>
</tr>
<tr>
<td>Leverage</td>
<td>0.550</td>
<td>0.274</td>
<td>0.527</td>
<td>0.282</td>
</tr>
<tr>
<td>Capex</td>
<td>0.043</td>
<td>0.046</td>
<td>0.044</td>
<td>0.051</td>
</tr>
<tr>
<td>ROA</td>
<td>-0.048</td>
<td>0.256</td>
<td>-0.072</td>
<td>0.303</td>
</tr>
<tr>
<td>Tangibility</td>
<td>0.458</td>
<td>0.413</td>
<td>0.468</td>
<td>0.437</td>
</tr>
<tr>
<td>Dividend</td>
<td>0.016</td>
<td>0.039</td>
<td>0.016</td>
<td>0.042</td>
</tr>
<tr>
<td>PastRet</td>
<td>0.145</td>
<td>0.613</td>
<td>0.144</td>
<td>0.777</td>
</tr>
<tr>
<td>RetVol</td>
<td>0.028</td>
<td>0.017</td>
<td>0.030</td>
<td>0.024</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Panel B: Post-matched Sample</th>
<th>High EEO Firms</th>
<th>Other Firms</th>
<th>Diff</th>
<th>t-statistic</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Mean</td>
<td>SD</td>
<td>Mean</td>
<td>SD</td>
</tr>
<tr>
<td>LogAsset</td>
<td>6.974</td>
<td>1.877</td>
<td>6.969</td>
<td>1.928</td>
</tr>
<tr>
<td>Tobin Q</td>
<td>2.435</td>
<td>1.887</td>
<td>2.428</td>
<td>1.942</td>
</tr>
<tr>
<td>Leverage</td>
<td>0.550</td>
<td>0.274</td>
<td>0.544</td>
<td>0.275</td>
</tr>
<tr>
<td>Capex</td>
<td>0.043</td>
<td>0.046</td>
<td>0.042</td>
<td>0.047</td>
</tr>
<tr>
<td>ROA</td>
<td>0.047</td>
<td>0.256</td>
<td>0.045</td>
<td>0.269</td>
</tr>
<tr>
<td>Tangibility</td>
<td>0.460</td>
<td>0.413</td>
<td>0.459</td>
<td>0.418</td>
</tr>
<tr>
<td>Dividend</td>
<td>0.016</td>
<td>0.039</td>
<td>0.015</td>
<td>0.035</td>
</tr>
<tr>
<td>PastRet</td>
<td>0.145</td>
<td>0.613</td>
<td>0.144</td>
<td>0.630</td>
</tr>
<tr>
<td>RetVol</td>
<td>0.028</td>
<td>0.015</td>
<td>0.027</td>
<td>0.016</td>
</tr>
</tbody>
</table>
Table OA.2: Institutional Investors’ Responses to Firms with Different Corporate Equality Levels after the 2020 BLM Movement in the Matched Sample

This table reports the estimates from the baseline regression in the matched sample using propensity score matching (PSM). The dependent variables are institutional ownership (IO), long-term institutional ownership (Long Term IO), quarterly returns (Ret), and quarterly DGTW adjusted returns (DGTW Ret) in columns (1), (2), (3), and (4), respectively. High EEO is a dummy variable that is equal to one if the EEO Score of a firm ranks above 70th percentile in the previous year and zero otherwise. Post is a dummy variable that is equal to one for the periods after 2020Q2 and zero otherwise. Other control variables are defined in Appendix A.1. Firm and year-quarter fixed effects are included in all test specifications. Standard errors, reported in parentheses, are clustered at the firm level. ***, **, and * indicate the 1%, 5%, and 10% levels of significance, respectively.

<table>
<thead>
<tr>
<th>VARIABLES</th>
<th>(1)</th>
<th>(2)</th>
<th>(3)</th>
<th>(4)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Post × High EEO</td>
<td>0.016***</td>
<td>0.012***</td>
<td>0.031*</td>
<td>0.027</td>
</tr>
<tr>
<td></td>
<td>(0.006)</td>
<td>(0.005)</td>
<td>(0.019)</td>
<td>(0.017)</td>
</tr>
<tr>
<td>EEOHigh</td>
<td>-0.002</td>
<td>-0.000</td>
<td>-0.004</td>
<td>-0.003</td>
</tr>
<tr>
<td></td>
<td>(0.003)</td>
<td>(0.002)</td>
<td>(0.004)</td>
<td>(0.003)</td>
</tr>
<tr>
<td>LogAsset</td>
<td>0.028***</td>
<td>0.037***</td>
<td>-0.039***</td>
<td>-0.037***</td>
</tr>
<tr>
<td></td>
<td>(0.006)</td>
<td>(0.005)</td>
<td>(0.008)</td>
<td>(0.007)</td>
</tr>
<tr>
<td>TobinQ</td>
<td>0.003*</td>
<td>0.001</td>
<td>0.054***</td>
<td>0.048***</td>
</tr>
<tr>
<td></td>
<td>(0.001)</td>
<td>(0.001)</td>
<td>(0.003)</td>
<td>(0.003)</td>
</tr>
<tr>
<td>Leverage</td>
<td>-0.025*</td>
<td>-0.029***</td>
<td>0.051**</td>
<td>0.031</td>
</tr>
<tr>
<td></td>
<td>(0.013)</td>
<td>(0.011)</td>
<td>(0.025)</td>
<td>(0.024)</td>
</tr>
<tr>
<td>Capex</td>
<td>0.027</td>
<td>0.065</td>
<td>-0.383***</td>
<td>-0.297***</td>
</tr>
<tr>
<td></td>
<td>(0.050)</td>
<td>(0.045)</td>
<td>(0.097)</td>
<td>(0.096)</td>
</tr>
<tr>
<td>ROA</td>
<td>0.006</td>
<td>-0.002</td>
<td>-0.030</td>
<td>-0.032</td>
</tr>
<tr>
<td></td>
<td>(0.009)</td>
<td>(0.008)</td>
<td>(0.026)</td>
<td>(0.024)</td>
</tr>
<tr>
<td>Tangibility</td>
<td>-0.042**</td>
<td>-0.016</td>
<td>0.035</td>
<td>0.007</td>
</tr>
<tr>
<td></td>
<td>(0.016)</td>
<td>(0.013)</td>
<td>(0.024)</td>
<td>(0.022)</td>
</tr>
<tr>
<td>Dividend</td>
<td>-0.007</td>
<td>0.026</td>
<td>-0.222***</td>
<td>-0.190***</td>
</tr>
<tr>
<td></td>
<td>(0.060)</td>
<td>(0.050)</td>
<td>(0.057)</td>
<td>(0.056)</td>
</tr>
<tr>
<td>PastRet</td>
<td>0.011***</td>
<td>-0.003**</td>
<td>-0.063***</td>
<td>-0.059***</td>
</tr>
<tr>
<td></td>
<td>(0.002)</td>
<td>(0.001)</td>
<td>(0.009)</td>
<td>(0.008)</td>
</tr>
<tr>
<td>RetVol</td>
<td>-0.585***</td>
<td>-0.461***</td>
<td>1.083***</td>
<td>0.721**</td>
</tr>
<tr>
<td></td>
<td>(0.164)</td>
<td>(0.126)</td>
<td>(0.360)</td>
<td>(0.339)</td>
</tr>
<tr>
<td>Firm FE</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Year-Quarter FE</td>
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<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Cluster at Firm</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Observations</td>
<td>34,178</td>
<td>34,178</td>
<td>33,460</td>
<td>33,460</td>
</tr>
<tr>
<td>R-squared</td>
<td>0.857</td>
<td>0.830</td>
<td>0.297</td>
<td>0.135</td>
</tr>
</tbody>
</table>