Contemporary Accounting Research

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RESEARCH ARTICLE OPEN ACCESS

The Impact of Disclosure on Diversity: Evidence From the *Canada Business Corporations Act*

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Received: 11 February 2024 | **Revised:** 30 August 2025 | **Accepted:** 6 September 2025

Funding: This work was supported by the TD Management Data Analytics Lab, the CPA Canada–CAAA Research Grant, and the Bertram Scholarship from the Canadian Foundation for Governance Research.

Keywords: board diversity | disclosure regulation | shareholder monitoring

Mots-clés : diversité au sein des conseils d'administration | réglementation en matière de divulgation | surveillance exercée par les actionnaires

ABSTRACT

We examine the impact of a 2020 "comply-or-explain" disclosure mandate implemented in Canada. This regulation imposed the first disclosure mandate extending beyond gender diversity to include racial diversity. Using federally registered public firms as a treatment group and provincially registered public firms as a control group, we establish two main findings. First, racial diversity increased among directors of firms subject to the disclosure mandate. Gender diversity also increased, but only for firms not subject to an earlier rule pertaining only to gender diversity. Second, the impact of the disclosure mandate is plausibly driven by shareholder monitoring, notably through director elections. Overall, our findings contribute to the policy debate on the effects of disclosure mandates on social dimensions.
JEL Classification: J15, G34, M14, M51

L'effet de la divulgation sur la diversité : une analyse fondée sur la *Loi canadienne sur les sociétés par actions*

RÉSUMÉ

Cette étude examine les effets d'une obligation de divulgation fondée sur le principe « appliquer ou expliquer », introduite au Canada en 2020. Cette réglementation a imposé la première obligation de divulgation relative à la diversité raciale, en complément de celles concernant la diversité de genres. En mobilisant les entreprises publiques fédérales comme groupe expérimental et les entreprises publiques provinciales comme groupe témoin, les auteurs obtiennent deux résultats principaux. Premièrement, un accroissement de la diversité raciale est observé parmi les administrateurs des entreprises soumises à l'obligation de divulgation. Un accroissement de la diversité

Accepted by Jennifer Wu Tucker.

de genres est aussi observé, mais uniquement dans les entreprises qui n'étaient pas déjà soumises à une règle portant exclusivement sur la diversité de genres. Deuxièmement, l'effet de l'obligation de divulgation est surtout attribuable à la surveillance exercée par les actionnaires, en particulier par le biais des processus électoraux des administrateurs. Dans l'ensemble, ces conclusions contribuent au débat d'orientation de politique entourant les effets des obligations de divulgation sur les dimensions sociales.

1 | Introduction

Women and racial minorities remain underrepresented among corporate leadership (e.g., Field et al. 2020).[1] This diversity gap has prompted regulators around the world to launch various initiatives to increase diversity, including quotas and disclosure mandates. In this study, we evaluate the impact of the most recent regulatory intervention in Canada, which introduced the first disclosure mandate extending beyond gender diversity on boards and among senior management. Our study has three broad research objectives: (1) to provide stylized facts about trends in corporate leadership diversity in Canada using a newly assembled data set, (2) to evaluate the impact of the disclosure mandate on racial and gender diversity among corporate leadership, and (3) to shed light on the potential *mechanisms* behind the role of the newly disclosed information in promoting diversity.

In 2018, Canada amended its federal corporate statute to foster diversity in the leadership of public companies. The amendments applied to public firms established under the *Canada Business Corporations Act* (CBCA).[2] Starting in 2020, CBCA firms must disclose information in their proxy statements about their internal policies and practices related to various groups defined by gender and race for both the board of directors and senior management positions.[3] Firms need to report on three levels—consideration, written policies, and explicit targets for diversity, with each level being more accountable—when electing directors and appointing senior managers. This disclosure requirement departs from traditional disclosure mandates and follows a “comply-or-explain” approach. Firms are required either to comply by disclosing their diversity-related internal practices for the representation of the designated groups or to explain why they chose not to communicate this information publicly.

The amendment of corporate law under the CBCA in 2018 follows the implementation of a similar rule enacted in 2014 by the Ontario Securities Commission for (OSC) non-venture firms listed on the Toronto Stock Exchange (TSX). The most notable difference is that the TSX rule focuses exclusively on gender diversity.[4] We leverage this previous regulation to classify the CBCA firms in our sample into two groups receiving different incremental “treatments.” CBCA/TSX firms were already required to provide information about their gender-related human resources (HR) practices, so the only new information that they provide is about racial diversity. In contrast, CBCA/non-TSX firms are newly subject to both gender and racial disclosure mandates. This distinction provides a valuable opportunity to analyze the differential impact of disclosure mandates based on the incremental information being disclosed by different subgroups of treated firms.[5]

An important aspect of our setting is that the 2018 disclosure mandate applies only to firms established federally under the CBCA. This federal corporate statute, introduced in 1975, has been closely imitated by provinces and does not prevent firms established under provincial statutes from issuing securities in public capital markets. Canadian firms trade off the relative costs and benefits between federal and provincial statutes when they initially establish their company. This allows us to classify firms as corporations established federally under the CBCA (our treatment group) and corporations established using provincial statutes (our control group) using data from business registries. Leveraging the 2014 TSX rule, we can further break down these groups into TSX and non-TSX firms. This procedure leaves us with a sample of 810 firms and 6370 firm-year observations, comprised of 218 unique CBCA firms (including 143 TSX firms and 75 non-TSX firms) and 592 unique non-CBCA firms (including 255 TSX firms and 337 non-TSX firms), for the 2015–2022 time period.

Our first research objective is to provide detailed evidence on diversity dynamics among public Canadian firms using our newly compiled data. In 2015, minorities (women) held 6.1% (10.7%) of board positions in CBCA firms and 8.0% (6.9%) in non-CBCA firms. By comparison, women make up 48.2% of Canada's workforce, and visible minorities make up 21.3%. Both CBCA and non-CBCA firms have seen steady increases in diversity over time. While CBCA firms initially had fewer minorities on boards, by 2022 they had surpassed non-CBCA firms in the representation of both minorities

(10.4% vs. 9.2%) and women (22.2% vs. 15.6%). Turning to senior management, we find that minorities (women) represented 10.0% (15.3%) in CBCA firms and 11.3% (14.8%) in non-CBCA firms in 2015. By 2022, these figures had increased to 11.3% (16.8%) in CBCA firms and 12.4% (14.8%) in non-CBCA firms. Overall, both groups saw growth in leadership diversity, with CBCA firms showing more progress for minorities and women on boards and among senior management over our sample period.

Our second research objective examines the impact of the disclosure mandate, starting with how CBCA firms comply. Over 67% (73%) of firms consider race (gender) when nominating board directors, and the numbers for senior management roles are similar. Firms that do not consider these factors most often cite merit-based assessments. A few offer no explanation or cite business nature/size. Initially, only 29% (39%) of firms had written policies for race (gender) in board nominations, but this percentage had grown to 78% (84%) by 2022. Explanations for policies vary, with merit assessment being the most common, but some firms are considering or using informal procedures. We also analyze the proportion of firms setting diversity targets. Only 6% of CBCA firms set race-based targets, but the share of CBCA firms with gender targets for boards increased from 40% to 50% between 2020 and 2022. This pattern is similar for senior management. Among firms without targets, half cite merit, while the rest provide reasons such as firm size/type, having informal procedures in place, or lack of candidate supply.

We next formally investigate the impact of the CBCA mandate on racial diversity. Recall that for CBCA firms, this mandate is the first one to impose disclosure (or explanations) about racial diversity. We employ a canonical difference-in-differences (DiD) design, combined with entropy balancing to account for differences in observable characteristics between firms in our treatment and control groups. Our within-firm estimates reveal that CBCA firms significantly increase their number of racial minorities on boards post-regulation. The effects are economically meaningful. For example, our estimates suggest that the number of minorities on boards increased by 0.138 relative to control firms, representing 33.7% of the CBCA firms' pre-regulation level. The increase in racial minorities on boards translates into a significant increase in this group as a percentage of the overall board. However, we do not find similar results for senior management positions. We document a statistically and economically weaker average treatment effect for CBCA firms relative to non-CBCA firms, along with no significant change in the proportion of senior management. Turning to gender, we find an average increase of 0.111 in the number of women on the boards of CBCA firms relative to those of non-CBCA firms. This represents a 9.5% increase relative to the pre-regulation level. We also find that the incremental increase in diversity is already detectable in 2018 and 2019, but it gets stronger post-2020. This suggests that our results are plausibly driven by (1) firms anticipating pressure from stakeholders and changing their behavior before the rule becomes effective and (2) firms responding to the increased monitoring by investors once the disclosure is made public (we later provide evidence for this).

As noted above, CBCA/TSX firms were already subject to a comply-or-explain disclosure mandate pertaining to gender diversity. Accordingly, we further exploit variation within our treatment group. Specifically, we decompose our treatment group into TSX and non-TSX firms. We find that our baseline effect on gender diversity is concentrated in the CBCA/non-TSX subsample. In contrast, we find that racial diversity on boards increases in both TSX and non-TSX firms registered as CBCA firms. Overall, these findings suggest that the impact of the disclosure mandate on leadership diversity is conditional on investors receiving new information about firms' internal practices. This underscores the broader applicability of a diversity-disclosure mandate and suggests that even firms with fewer resources are feeling the pressure to improve diversity.

In our third set of analyses, we examine potential mechanisms behind the change in diversity induced by the disclosure mandate. As the Canadian regulator emphasized, the objective of the CBCA mandate is to "increase shareholder democracy and participation ... [and] improve corporate transparency.[6] Given this regulatory intent, we hypothesize that diversity information contained in proxy statements (filings designed for investors) primarily empowers shareholders to influence the diversity on boards through director elections and their voting behavior. Anecdotally, an increasing number of investors, along with proxy advisory firms such as Institutional Shareholder Services (ISS) and Glass Lewis, include diversity and disclosure compliance as criteria in their proxy voting guidelines in Canada. Using detailed shareholder voting data at the proposal level from ISS Global, we identify all management proposals related to director elections. We find that the number of failed/withdrawn director candidates and the percentage of shareholder voting dissent in director elections increased for CBCA firms relative to non-CBCA firms post-regulation. This effect is concentrated in firms with low diversity pre-regulation, suggesting that investors are holding CBCA firms with no minority directors more accountable post-regulation. Next, we zoom in on the election of individual directors for the subsample of firms that hold separate voting for each director election. We document that minority directors receive significantly more voting support (i.e., less voting dissent) in CBCA firms than in non-CBCA firms after the implementation of the CBCA rule. Our findings are consistent with investors responding to the new disclosures provided by the CBCA mandate, which includes both explicit diversity metrics and previously unobservable information on internal HR practices.

Our study makes several contributions. First, it contributes to the growing literature on disclosures about firms' social footprint, in particular about the diversity of firms' workforce. A recent set of papers has focused on incentives and the value implications of voluntary disclosure about firms' overall workforce diversity (e.g., Bourveau et al. 2023; Bratek et al. 2024; Bourveau et al., forthcoming; Liang et al. 2025). In contrast, other studies examine what can be learned from disclosure about diversity in the boardroom (e.g., Ben-Amar et al. 2021). Looking at regulatory interventions, prior studies have examined the impact of disclosure about the gender pay gap (e.g., Huang and Lu 2025) and disclosure about forced labor (She 2022). Our study complements the recent findings by Hu et al. (2025) and Bakke et al. (2024) examining the impact of disclosure about firms' internal practices related to their diversity policies at the top.

Second, we add to the growing literature on board diversity and regulatory interventions. Our manually assembled data allow us to paint a comprehensive picture of Canadian public firms' corporate leadership diversity in recent years. Like studies focusing on the United States (Adams and Kirchmaier 2016; Field et al. 2020), our study reveals that women and minorities are underrepresented on Canadian boards and among senior leadership. The lasting lack of diversity on boards has prompted regulatory interventions to foster diversity. In Canada, regulators imposed a series of comply-or-explain disclosure mandates.[7] Building on the results of Hu et al. (2025) and Bakke et al. (2024) about the 2014 TSX rule, we show that a principle-based disclosure mandate can improve the diversity of corporate leadership beyond gender. Firms newly subject to both gender and racial diversity-related disclosures increase the presence of women and racially diverse directors on their boards. In contrast, firms already subject to the gender disclosure mandate of the TSX rule improve only racial minority representation on their boards.

Third, our results speak to the broader literature on the real effects of disclosure mandates (e.g., Leuz and Wysocki 2016). We document that a disclosure mandate contributes to an increase in diversity among corporate leadership. This indicates that in the presence of a potential "market failure," a disclosure mandate that reveals firms' internal diversity practices can help alleviate some market frictions to induce more diversity (Christensen et al. 2021). Importantly, we shed light on a plausible mechanism. When empowered by the newly disclosed information regarding diversity practices, shareholders actively advocate for more diverse corporate leadership and use their voice (i.e., their votes) to induce change. Our findings complement recent studies on the impact of disclosure mandates of nonfinancial information on various "social" dimensions of firms' operations, including human rights (She 2022), gender pay gap (Huang and Lu 2025), and employees' safety (Christensen et al. 2017).

Finally, our findings help us understand the conditions under which a disclosure mandate is most effective, and they inform the design and implementation of nonfinancial disclosure regulations. Our results suggest that a disclosure mandate is more successful when the members of the target audience of the disclosed information can directly voice their opinions on the matter. We find that the effect of the disclosure mandate is stronger for directors than for senior managers, presumably because shareholders have a direct say in the election of directors but not in the appointment of senior managers. We also provide direct evidence that shareholders incorporate diversity in their voting behavior. This suggests that regulators who design disclosure mandates should consider the ability of the target audience to act on the information.

2 | Institutional Background

2.1 | Early Regulatory Background on Promoting Corporate Diversity

Diversity on boards of directors and among senior management has gained substantial public attention in recent years.[8] Yet a significant diversity gap still exists in corporate leadership positions, possibly due to implicit and/or overt bias and discrimination in the labor markets (e.g., Westphal and Stern 2007; Adams and Kirchmaier 2016; Carter et al. 2017; Field et al. 2020; Friedman 2020).[9] This suggests that, so far, a market solution has not emerged to reach an equilibrium where women and minorities are represented proportionally to their share of the workforce (Gow et al. 2023; He et al. 2023).

In response, many jurisdictions have enacted diversity reforms. These initiatives include diversity quota mandates and principle-based approaches such as amendments of corporate governance codes and improved disclosures (Lu 2019;

Fauver et al. 2024). Critics often argue that quotas entail significant costs and distortions and that such a "one-size-fits-all" regulatory intervention may not be optimal across firms, leading to economic inefficiencies (Ahern and Dittmar 2012; Greene et al. 2020). Academic evidence on the impact of quotas is not conclusive. While quotas mechanically increase diversity, studies document mixed evidence on their impact.[10]

Canada has one of the most diverse workforces in the world but faces similar underrepresentation of minorities in corporate leadership. In contrast to earlier regulatory interventions in other jurisdictions, Canada's mandate involves a unique "comply-or-explain" disclosure approach. In 2014, the OSC issued a gender diversity disclosure rule for certain firms listed on the TSX, requiring firms to disclose their gender diversity metrics and "comply or explain" whether they consider, have written policies for, or set targets for women's representation in board and executive appointments (OSC 2014). This mandate has recently been evaluated by Hu et al. (2025) and Bakke et al. (2024). Comparing TSX firms with similar US firms, Hu et al. (2025) find that the disclosure mandate leads to a 53% increase in women on boards. In the next subsection, we introduce the regulatory intervention that we focus on in this paper.

2.2 | The Amendments to the CBCA

Despite the progress achieved under the TSX rule, significant diversity gaps persist in Canada due to its limited scope. The TSX rule covers only the largest public firms in one stock exchange. It also focuses exclusively on gender diversity, leaving other dimensions of diversity and the leadership of smaller firms unaddressed (Hu et al. 2025). According to the Treasury Board of Canada Secretariat (2022), 53.3% of the Canadian population with work availability are women, and 17.2% are visible minorities. However, women represent only 20% of the board positions in 2021, and only 7% of directors are visible minorities. As the regulator points out, this underrepresentation of different segments of the population not only is a question of fairness but also may affect board quality and corporate performance.[11]

To address these issues, the amendments to the CBCA (Bill C-25) were introduced and received Royal Assent on May 1, 2018. The amendments aim to increase shareholder democracy and participation through better transparency and support the push for increased diversity at the highest levels of corporate leadership in Canada.[12] Effective January 1, 2020, all distributing corporations established under the CBCA are subject to a new disclosure mandate.[13] Under this mandate, CBCA firms are required to disclose to their shareholders and to Corporations Canada information regarding their internal policies and practices related to each designated group on the board of directors and among senior management. These four groups include women, visible minorities, Indigenous peoples, and persons with disabilities as defined by the *Employment Equity Act*.[14] As a result of its implementation, Canada has become the first jurisdiction worldwide to mandate diversity disclosures *beyond gender* (Osler, Hoskin, & Harcourt LLP 2019).

The CBCA mandate follows a novel comply-or-explain approach (similar to the TSX rule) (Bourveau et al. 2025). The mandate requires CBCA corporations to either disclose their internal diversity policies and targets for the representation of the designated groups or explain why they have not done so.[15] Specifically, the rules include three distinct layers: (1) whether the corporation considers the representation of designated groups when electing directors and appointing senior management; (2) whether the corporation has adopted a written policy on the identification and nomination of directors from designated groups; and (3) whether the corporation has set targets for the representation of designated groups on the board of directors and among senior management. The mandate also requires disclosure of the current representation of designated groups and the disclosure of director term limits and/or other mechanisms of board renewal.

The Canadian regulator strives to enforce compliance. Under the CBCA requirements, companies must provide this information to shareholders as part of the annual meeting package typically included in the proxy circular. At the same time, companies must also file the diversity disclosure with Corporations Canada. Failing to file may expose the firm and directors personally to a fine of up to $5000 or to imprisonment for up to 6 months.[16] Corporations Canada provides detailed disclosure guidelines to help corporations comply with the mandate and improve the accountability, comparability, and consistency of information disclosed by various corporations. Detailed disclosure rules, guidelines, and examples are presented in Supporting Information: Section OA.1.[17]

The CBCA mandate differs from other diversity reforms in several ways. First, the mandate does not dictate or recommend specific quotas or targets. Instead, it focuses on improving the transparency of corporate diversity practices and promotes conversations between firms and shareholders to foster progress toward more diverse corporate leadership. Second, unlike the tentative NASDAQ rule, which focuses solely on leadership diversity metrics, the CBCA mandate also requires firms to disclose internal policies and practices that are typically not observable by outsiders. Third, the mandate is enforced with the Canadian corporate statute (as opposed to corporate governance codes or exchange rules), exposing non-complying firms to litigation risks. The detailed disclosure rules and guidelines ensure the accountability, comparability, and consistency of information disclosed by various firms. Thus, they facilitate the monitoring and disciplining role of investors and other stakeholders.

2.3 | Conceptual Underpinnings

The CBCA mandate offers a unique opportunity to examine the real effects of a comply-or-explain disclosure regulation on corporate diversity. Even with proper enforcement and a high level of compliance, whether and by how much a transparency regime can help with corporate diversity remains an empirical question.

Unlike command-and-control rules that directly impose a change in behavior or set quantitative targets, disclosure regulation is meant to increase the transparency of the firm on some dimension (here, diversity). Improved transparency, in turn, allows stakeholders to monitor and scrutinize firms, making undesirable behavior more costly and ultimately leading to change (e.g., Leuz and Wysocki 2016). However, numerous pitfalls may cause the necessary feedback loop to break. For example, the information disclosed may already be publicly available. Next, stakeholders may not care about the information, or the regulation may target the wrong group of stakeholders to influence the firm. The information disclosed may be too complex or too aggregated to allow stakeholders to process and act on it. Additionally, stakeholders might find it too costly to act on the information, and even if they do act, they may lack the tools to hold firms accountable.

In our setting, information about firms' internal HR practices (e.g., the existence of policies supporting specific designated groups) is distributed to shareholders in the proxy statements. Recent studies show that (1) investors increasingly vote to reflect their nonfinancial preferences, including diversity (Gormley et al. 2023; Michaely et al. 2024; Aggarwal et al. 2024) and that (2) placing nonfinancial information into filings geared toward shareholders could help achieve the desired social objective (Christensen et al. 2017). In addition, by requiring diversity metrics to be presented in a more explicit manner, the CBCA rule reduced investors' information processing or elevated the importance of these metrics in the minds of investors. The detailed disclosure format ensures that the disclosures are comparable and easy to monitor across firms. As the objective of the regulation is to foster shareholder democracy and participation, it seems well-designed to inform investors and enable action should this information match with their (nonfinancial) preferences. However, we note one potential caveat to the potential success of the regulation. While investors directly vote on directors, they have only an indirect effect on the composition of the executive team (through the choice of the CEO). Thus, we may see different effects for directors than for senior management.

Second, tensions arise from the institutional background itself. Figure 1 presents the timeline of diversity disclosure regulations in Canada. Given that the earlier TSX rule largely overlaps with CBCA requirements but only in terms of gender diversity for large TSX firms (as discussed in Section 2.1), the CBCA mandate may not add relevant *incremental* information to shareholders. This creates multiple layers of variations in our setting that we can exploit. Specifically, CBCA/TSX firms receive their first disclosure treatment for racial diversity but their second treatment for gender diversity, while CBCA/non-TSX firms receive their first disclosure treatment for racial and gender diversity. It is unclear whether moving from an exchange-level rule to a federal mandate will further empower shareholders of CBCA/TSX firms on the gender side or if the effects are only to be expected on the racial minority dimension of firms' leadership. It is also an empirical question whether CBCA/non-TSX firms will respond to the disclosure mandate, as these firms are smaller, more resource-constrained, and subject to less market scrutiny.

3 | Sample and Data

3.1 | Sample Construction

Our sample starts with the universe of public companies incorporated in Canada for the period 2015–2022 (i.e., 3 years before the passage of the CBCA mandate to 3 years after its implementation). Panel A of Table 1 details the sample construction procedure. We exclude (1) income funds or trusts, (2) firms without at least 6 years of consecutive observations around the mandate (i.e., 2017–2022), and (3) firm-year observations that are missing necessary data for our basic control variables. This leaves us with a sample of 851 unique public Canadian companies.

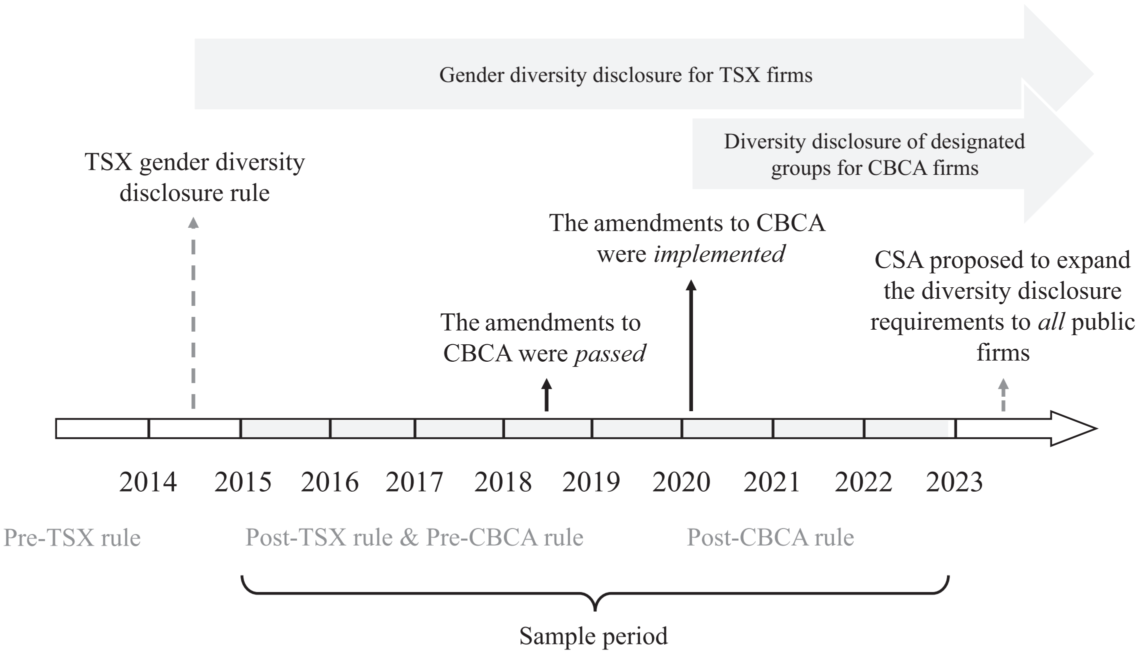

FIGURE 1 | Timeline of regulations. This figure plots the timeline of diversity-related disclosure regulations in Canada between 2014 and 2023. CSA, Canadian Securities Administrators.

We obtain firm financial data from Compustat and data on boards of directors and senior management from Refinitiv (now LSEG) through its Eikon terminal. To the best of our knowledge, Refinitiv maintains the most comprehensive corporate leadership profiles for Canadian public companies. We extract the historical datasheets on boards of directors and senior management separately for each company in our initial sample and merge them with the main panel. For each profile, we identify gender based on name prefixes (Mr. or Ms.) and ethnicity based on last and first names using the "ethnicolr" algorithm (e.g., Sutherland et al. 2024).[18] Then, we drop firm-year observations without Refinitiv coverage for the profiles of board directors. Our sample drops from 851 to 816 unique public Canadian companies with this procedure.

We download all the proxy statements of our sample firms in the post-regulation period (i.e., 2020–2022) to collect information pertaining to firms' diversity disclosures. We then manually parse each company's proxy statement to identify and code each disclosure item following the disclosure rules. Our final sample consists of 810 unique firms corresponding to a panel of 6370 firm-year observations.

3.2 | Treatment and Control Firms

In Canada, each province and territory and the federal government have enacted their own statutes governing corporations. The federal corporate statute, the CBCA, was initially enacted in 1975 and has been imitated closely by a majority of provinces (Chung and Wynn 2008).[19] We exploit the fact that the CBCA mandate applies only to Canadian public companies established under the CBCA. Our identification strategy involves comparing changes between CBCA corporations and non-CBCA corporations around the mandate using a canonical DiD research design. Figure 2 illustrates our treatment and control groups. We identify companies' incorporation statutes (CBCA or non-CBCA) based on the information provided by Canada's Business Registries.[20] We further split CBCA and non-CBCA firms based on their listing exchanges into TSX and non-TSX firms.

3.3 | Entropy Balancing

Given the increased trends toward more diversity in leadership (see Section 4 below), we need to find a convincing counterfactual. We chose to use untreated provincially registered Canadian firms as our control group. We believe our within-Canada design allows for better identification than a cross-country identification strategy to control for country-level confounding factors or concurrent events. However, it remains possible that concurrent events (e.g., the #MeToo

TABLE 1 | Sample statistics.

Panel A: Sample construction

Selection criteria	Number of firms	Number of obs.
All public firms incorporated in Canada from 2015 to 2022 on Compustat	3306	18,212
Remove income funds or trusts	−440	−3291
Remove firms without six consecutive observations around the mandate	−1626	−4405
Remove firms that are missing necessary data for matching variables	−389	−3834
Remove firms without Refinitiv coverage for historical directors data	−35	−272
Remove firms that are dropped in entropy balancing	−6	−40
Main sample (entropy-balanced)	810	6370
Including:		
CBCA firms (treatment)	218	1719
CBCA/TSX firms	143	1129
CBCA/non-TSX firms	75	590
Non-CBCA firms (control)	592	4651
Non-CBCA/TSX firms	255	2002
Non-CBCA/non-TSX firms	337	2649

Panel B: Pre-treatment covariate balance—Entropy balancing

	Before entropy balancing			After entropy balancing		
	Treatment	**Control**	**Diff.**	**Treatment**	**Control**	**Diff.**
Size	5.662	4.175	1.487***	5.662	5.655	0.007
Leverage	0.227	0.422	−0.195*	0.227	0.235	−0.008
ROA	−0.115	−0.208	0.093***	−0.115	−0.116	0.001
Growth	0.334	0.497	−0.163	0.334	0.335	−0.001

Note: This table reports the sample selection procedure and the covariate balance for entropy balancing matching. Panel A presents the sample selection procedure of the CBCA firms versus non-CBCA firms. Panel B presents the averages of pre-treatment firm covariates for the CBCA firms (treated) and non-CBCA firms (control) and their differences before and after entropy balancing. All continuous variables are winsorized at the 1% and 99% levels. *, **, and *** indicate statistical significance at the 10%, 5%, and 1% levels, respectively. The detailed matching procedure is discussed in Section 3.3.

movement or the murder of George Floyd in the United States) affect corporate diversity differently for CBCA versus non-CBCA firms. Specifically, differences in firm characteristics may lead CBCA and non-CBCA firms to respond differently to external factors or to the diversity disclosure mandate itself (Christensen et al. 2021). To minimize this concern, we employ entropy balancing to improve the comparability between CBCA and non-CBCA firms rather than directly comparing the two groups pre/post regulation.

Panel B of Table 1 presents the pre-treatment covariate balance for the matching variables before and after entropy balancing. As we have a larger control sample of non-CBCA firms, we can achieve a good balance between treatment and control firms. As long as external factors are correlated with observable economic characteristics, our DiD estimates should not be driven by those events. After we merge the registration data and entropy balancing, our sample includes 810 firms with 6370 firm-year observations. This sample is split between 218 CBCA firms (including 143 TSX firms and 75 non-TSX firms) and 592 non-CBCA corporations (including 255 TSX firms and 337 non-TSX firms).

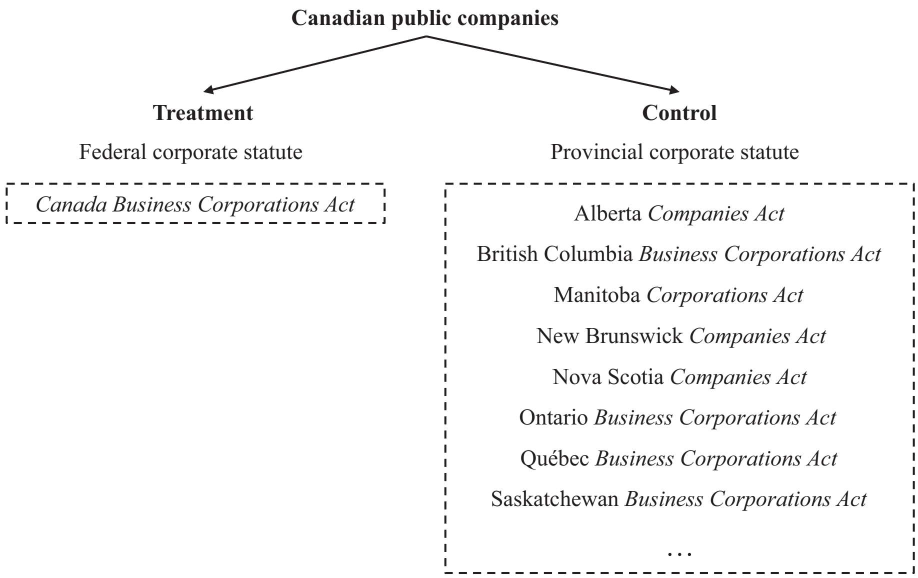

FIGURE 2 | Research design illustration. This figure illustrates the research design of our DiD analyses. All public companies incorporated in Canada are classified into treated and control groups based on their incorporation statutes. Treated firms are incorporated under the federal act (CBCA). Control firms are incorporated under provincial acts and others. We obtain their incorporation statute from Canada's Business Registries.

3.4 | Variable Measurements

Our primary dependent variables capture diversity among directors and senior management. For each firm-year observation, we compute racial and gender diversity both in absolute numbers and percentage terms. We construct firms' compliance choices (with regard to consideration, written policies, targets, or explanation for each designated group and each leadership position) based on hand-collected diversity disclosures from proxy circulars. We follow the disclosure rules and guidelines (discussed in Section 2.2) to code each disclosure item and manually classify firms' explanations into different categories. We also compute firm characteristics with data obtained from Compustat, including *Size* (the natural logarithm of total assets), *Leverage* (total liabilities divided by total assets), *ROA* (net income divided by total assets), and *Growth* (total assets growth over the last fiscal year). The Appendix presents detailed definitions of these variables.

Table 2 reports the summary statistics for the main variables used in the regression analyses. We report additional statistics for CBCA and non-CBCA firms, including their geographic distribution and industry distribution, in Supporting Information: Table OA.1.

4 | Dynamics of the Diversity Landscape

Our first research objective is to provide descriptive evidence on the dynamics of corporate leadership diversity among public Canadian firms. Following the call for descriptive research by Gow et al. (2016), we present detailed univariate statistics for both CBCA firms and non-CBCA firms using our newly assembled data set.[21] In Table 3, we present the descriptive statistics for firms' leadership diversity around the mandate (2015–2022). We further plot this information for boards in Figure 3.

Our data reveal that minorities (women) represent 6.1% (10.7%) of the board positions in CBCA firms and 8.0% (6.9%) in non-CBCA firms in 2015. These numbers are quite low, as 48.2% of the Canadian population with workforce availability are women and 21.3% are visible minorities (Employment and Social Development Canada 2016). While CBCA firms displayed a lower number and a lower fraction of minorities on boards prior to the regulation relative to non-CBCA firms, this situation "flipped" during our sample period. Turning to women on boards, we find that the initial number and fraction were higher for CBCA firms than for non-CBCA firms, and they are steadily increasing for both groups over time. In 2022, minorities (women) constitute 10.4% (22.2%) of the board positions in CBCA firms and 9.2% (15.6%) in non-CBCA firms.

TABLE 2 | Summary statistics.

Variables	(1) Obs.	(2) Mean	(3) SD	(4) 25th	(5) 50th	(6) 75th
# B. Minorities	6370	0.51	0.88	0	0	1
% B. Minorities	6370	8.58	16.25	0	0	14.29
# M. Minorities	6133	0.51	0.78	0	0	1
% M. Minorities	6133	11.90	20.92	0	0	16.67
# B. Women	6370	1.04	1.37	0	1	2
% B. Women	6370	12.60	14.61	0	10.00	22.22
# M. Women	6133	0.85	1.39	0	0	1
% M. Women	6133	15.48	21.28	0	0	25.00
Failed Candidate	4419	0.01	0.12	0	0	0
Voting Dissent	3031	3.05	2.88	0.74	1.98	4.55
Size	6370	4.69	2.98	2.30	4.31	6.87
Leverage	6370	0.40	1.32	0	0.12	0.34
ROA	6370	−0.18	0.37	−0.27	−0.04	0.03
Growth	6370	0.30	1.36	−0.08	0.03	0.21

Note: This table reports the summary statistics of the main dependent and independent variables used in our empirical analyses, including mean, standard deviation, and percentile values for the entropy-balanced sample. Variables are defined in the Appendix. All continuous variables are winsorized at the 1% and 99% levels.

Turning to senior management positions, minorities (women) represent 10.0% (15.3%) among the senior management in CBCA firms and 11.3% (14.8%) in non-CBCA firms in 2015. These numbers are still low compared to the percentages of minorities and women in Canada's working population. In terms of dynamics, both groups had a similar number of minority managers in 2015, but the number increased more for CBCA firms by the end of our sample period. Additionally, while the fraction of minority managers was lower for CBCA firms prior to the regulation, this gap gradually narrowed. While the number of women in senior management was higher for CBCA firms than for non-CBCA firms in 2015 and grew concurrently, the percentage became slightly higher for CBCA firms by 2022. In 2022, minorities (women) constitute 11.3% (16.8%) of senior management in CBCA firms and 12.4% (14.8%) in non-CBCA firms.

While minorities and women appear to be underrepresented among the leadership of Canadian public firms, both CBCA firms and non-CBCA firms increased their number and fraction of minorities and women on boards and among senior management over our sample period. The general trend toward increased diversity requires us to use a control group to build a credible counterfactual and evaluate the impact of the regulation (if any).

5 | Impact of the Disclosure Mandate on Diversity

5.1 | CBCA Firms' Compliance

Our second research objective is to evaluate the impact (if any) of the disclosure mandate. We begin by investigating how CBCA firms comply with the regulation. The CBCA mandate follows a comply-or-explain approach. Companies can either set and disclose diversity policies and targets for the representation of the designated groups or explain why they have not done so. Panel A of Table 4 presents the descriptive statistics for CBCA firms' compliance status regarding racial and gender diversity on three levels: (1) consideration, (2) written policies, and (3) explicit targets. Each level is more accountable and challenging.[22] The overall compliance rate (i.e., *Comply* + *Explain*) was 85% in the first year and increased to 93% after 3 years of implementation.

TABLE 3 | Corporate diversity around the mandate.

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
	Racial diversity				Gender diversity			
Year	*# B. Minorities*	*% B. Minorities*	*# M. Minorities*	*% M. Minorities*	*# B. Women*	*% B. Women*	*# M. Women*	*% M. Women*
CBCA corporations								
2015	0.37	6.19	0.40	10.08	0.95	10.65	0.99	15.26
2016	0.38	6.27	0.39	9.58	1.08	12.02	0.94	15.37
2017	0.41	6.58	0.44	9.70	1.17	13.06	0.99	15.37
2018	0.48	7.72	0.52	10.45	1.32	14.62	1.10	16.38
2019	0.54	8.34	0.59	11.26	1.50	17.16	1.14	16.10
2020	0.61	9.08	0.62	10.53	1.72	18.88	1.22	16.30
2021	0.75	9.91	0.69	10.81	1.89	20.56	1.39	16.86
2022	0.84	10.47	0.82	11.29	2.17	22.18	1.59	16.84
Non-CBCA corporations								
2015	0.46	8.01	0.39	11.27	0.55	6.94	0.61	14.81
2016	0.45	8.34	0.43	12.22	0.62	8.26	0.62	15.91
2017	0.47	8.52	0.47	12.80	0.70	9.24	0.62	15.70
2018	0.48	8.82	0.47	13.01	0.79	10.59	0.62	14.96
2019	0.51	9.22	0.50	12.70	0.87	11.51	0.68	15.54
2020	0.51	9.25	0.53	13.05	0.96	12.84	0.74	15.16
2021	0.58	9.34	0.57	13.08	1.15	14.53	0.87	15.20
2022	0.59	9.17	0.61	12.39	1.29	15.59	0.97	14.77

Note: This table reports the descriptive statistics for firms' leadership diversity over the sample period of 2015–2022. We report the mean statistics for each diversity measure on boards and among senior management, including both CBCA firms and non-CBCA firms. Variables are defined in the Appendix.

Panel B of Table 4 details the reasons CBCA firms give for not complying with the three best practices. Examples for each category are included in Supporting Information: Section OA.2. First, out of the 218 CBCA firms in our sample, 146 (67.0%) considered race and 161 (73.9%) considered gender when nominating a director to the board in 2020. By 2022, these numbers had increased to 169 (77.5%) and 183 (83.9%), respectively. We see similar patterns for senior management. Firms that do not consider race and gender give similar explanations across both groups and levels of leadership. The most common explanation is that they perform a comprehensive assessment of candidates based solely on merit. A handful of firms do not provide detailed reasons or attribute their stance to the nature of their business and/or their small size.

Second, 63 (28.9%) of the 218 CBCA firms had adopted a written policy about minorities on boards and 86 (39.4%) had adopted a policy about women on boards in 2020. By 2022, these numbers had grown to 82 (37.6%) and 106 (48.6%), respectively. Explanations for the lack of written policies vary more than explanations for the lack of diversity considerations. While performing a comprehensive merit-based assessment remained the most frequent explanation, some firms noted that written policies were under consideration or that informal procedures and good progress made formal policies unnecessary.

Finally, as the most challenging and accountable level of compliance, only 2 (0.9%) firms and 3 (1.4%) firms had set race-based targets for boards and senior management, respectively, in 2020. These numbers had grown to 12 (5.5%) and 11 (5.0%) by 2022, remaining low. In contrast, 52 (23.9%) firms had set gender-based targets for boards and 25 (11.5%) for senior management in 2020, increasing to 85 (39.0%) and 40 (18.3%) by 2022. This higher adoption rate for women is likely due to the earlier TSX rule that had been in effect for 5 more years (as discussed in Section 2.1). Among the majority of firms without diversity targets, approximately half attributed their position to a comprehensive evaluation based on merit. Others cited

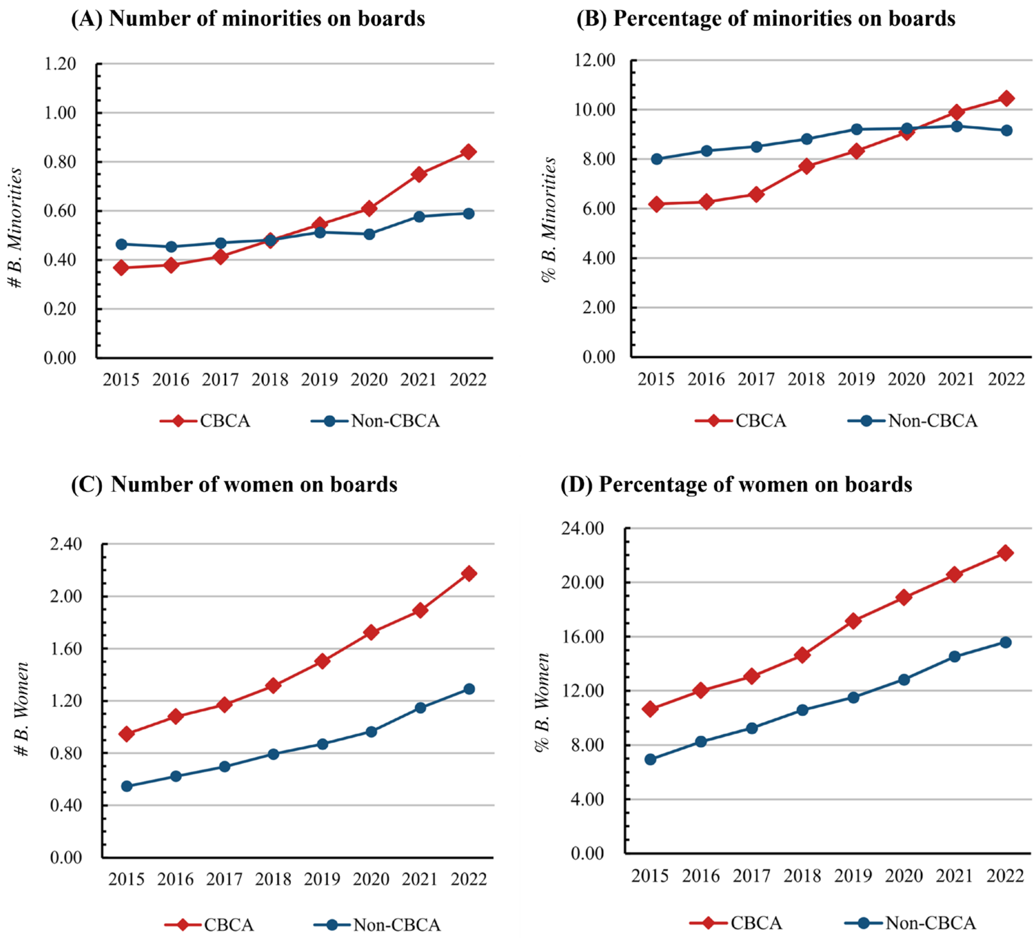

FIGURE 3 | Descriptive trends of corporate diversity. This figure plots the descriptive trends of corporate diversity for both CBCA corporations and non-CBCA corporations over the sample period of 2015–2022. (A) Number of minorities on boards. (B) Percentage of minorities on boards. (C) Number of women on boards. (D) Percentage of women on boards. In each panel, the graph shows the average number/fraction of minorities/women on boards over time. For example, (A) plots the average number of minorities on boards, and (B) plots the average percentage of minorities on boards.

reasons such as the nature or small size of their business, the presence of informal procedures or good progress, supply shortages of suitable candidates, or policies currently under consideration, or did not provide detailed explanation. Overall, firms transition from explaining and noncompliance to complying with the three best practices during our sample period.

5.2 | Results on Racial Diversity

Having documented trends in firms' compliance with the mandate, we now formally examine its impact on diversity. Our primary analyses focus on racial diversity as it is not examined by prior studies and all CBCA firms receive this disclosure treatment for the first time. We then provide additional results on gender diversity (Section 5.4) and lean into the information gap between the TSX and CBCA rules to exploit the variation in the intensity of treatment (Section 5.5).

Our primary regression model is

$$Y_{i,t} = \alpha_i + \alpha_t + \beta Treated_i \times Post_t + \gamma \boldsymbol{X}_{i,t} + \varepsilon_{i,t}, \tag{1}$$

where $Y_{i,t}$ is either the number or fraction of minorities on boards/in senior management, $Treated_i$ is an indicator variable for CBCA firms, and $Post_t$ marks the post-regulation period. We choose the passage year of the regulation (i.e., 2018) as the treatment year, as our descriptive evidence suggests that firms started to adjust their leadership after the regulation was passed but before its formal implementation. This approach is similar to that of Fiechter et al. (2022). $\boldsymbol{X}_{i,t}$ is a

TABLE 4 | CBCA firms' compliance with the mandate.

Panel A: Compliance with three best practices

Consideration for diversity

		Minorities on boards			Women on boards		
Year	**Firms**	***Consideration***	***Explain***	**% compliance**	***Consideration***	***Explain***	**% compliance**
2020	218	146	41	85.78	161	25	85.32
2021	218	161	38	91.28	175	26	92.20
2022	218	169	37	94.50	183	25	95.41

		Minorities in management			Women in management		
Year	**Firms**	***Consideration***	***Explain***	**% compliance**	***Consideration***	***Explain***	**% compliance**
2020	218	137	48	84.86	152	36	86.24
2021	218	151	46	90.37	164	37	92.20
2022	218	160	44	93.58	166	36	92.66

Written policy for diversity

		Minorities on boards			Women on boards		
Year	**Firms**	***Written Policy***	***Explain***	**% compliance**	***Written Policy***	***Explain***	**% compliance**
2020	218	63	122	84.86	86	100	85.32
2021	218	77	118	89.45	98	101	91.28
2022	218	82	120	92.66	106	101	94.95

Targets for diversity

		Minorities on boards			Women on boards		
Year	**Firms**	***Targets***	***Explain***	**% compliance**	***Targets***	***Explain***	**% compliance**
2020	218	2	184	85.32	52	134	85.32
2021	218	10	189	91.28	70	130	91.74
2022	218	12	194	94.50	85	122	94.95

		Minorities in management			Women in management		
Year	**Firms**	***Targets***	***Explain***	**% compliance**	***Targets***	***Explain***	**% compliance**
2020	218	3	183	85.32	25	162	85.78
2021	218	8	191	91.28	31	169	91.74
2022	218	11	195	94.50	40	168	95.41

Panel B: CBCA firms' explanations

Categories of explanations	**% of 2020**	**% of 2021**	**% of 2022**
Consideration for diversity:			
1. Comprehensive assessment based on merit	74.48	74.48	71.03
2. No valid reasons	17.48	17.48	17.48
3. Nature of the business or small size	8.70	7.25	7.25

(Continues)

TABLE 4 | (Continued)

Panel B: CBCA firms' explanations			
Categories of explanations	**% of 2020**	**% of 2021**	**% of 2022**
Written policy for diversity:			
1. Comprehensive assessment based on merit	42.40	42.65	41.51
2. No valid reasons	23.50	23.22	22.64
3. Nature of the business or small size	13.82	13.27	14.15
4. Currently under consideration	9.22	11.37	11.32
5. Informal procedure or good progress already in place	11.06	9.48	10.38
Targets for diversity:			
1. Comprehensive assessment based on merit	47.36	49.53	49.38
2. No valid reasons	17.24	16.93	17.55
3. Nature of the business or small size	12.58	13.04	12.42
4. Informal procedure or good progress already in place	11.34	10.87	10.40
5. Best candidate not selected due to supply shortage	6.83	6.99	7.45
6. Currently under consideration	4.66	4.35	4.35

Note: This table reports the descriptive statistics for CBCA firms' compliance status with regard to each disclosure item following the implementation of the mandate (i.e., 2020–2022). In Panel A, we report the three best practices including consideration, written policy, and targets for minorities/women on boards/in senior management separately. "% compliance" refers to the percentage of CBCA firms that comply either by adopting the three best practices or by explaining in their disclosures, while noncompliance refers to firms that did not disclose following the rule. Detailed rules are presented in Supporting Information: Section OA.1. In Panel B, we further present the percentage of each category of explanations for CBCA firms that opt to explain. To further illustrate the classifications, we present one example for each category in Supporting Information: Section OA.2.

vector of time-varying economic controls, including *Size*, *Leverage*, *ROA*, and *Growth*. α_i and α_t stand for firm fixed effects (controlling for any time-invariant firm characteristics) and year fixed effects, respectively. $\varepsilon_{i,t}$ is the error term. Our coefficient of interest is β, which captures the change in $Y_{i,t}$ following the regulation for CBCA firms, relative to that for non-CBCA firms.

Panel A of Table 5 reports the results on racial diversity. In Columns 1–2, we examine the changes for minorities on boards. The coefficient on *Treated*×*Post* is positive and statistically significant at the 1% level, suggesting that the number of minorities on boards increased more for CBCA firms than for non-CBCA firms following the regulation. This effect is also economically meaningful. Our within-firm estimate suggests that the number of minorities on boards increased by 0.138 relative to control firms, representing about 33.7% of the CBCA firms' pre-regulation level. Among the 218 CBCA firms, 89 director positions were held by minorities prior to the regulation. This implies that the regulation increased the raw number of board seats held by minorities by 30.

The increased number of minorities on boards also translates into a significant increase in percentage terms, a measure of "voice" in the board. In Column 2, the coefficient on *Treated*×*Post* remains positive and statistically significant at the 5% level. Specifically, the fraction of minorities on boards increased by 1.582 percentage points relative to control firms, representing 24.0% of the CBCA firms' pre-regulation level. These differences in magnitudes observed between numbers and percentages also suggest that, on average, firms improve their leadership diversity by adding new diverse members rather than simply replacing existing members.[23] Importantly, the newly added directors come from expanding the overall director pool rather than assigning more board positions to the existing directors, suggesting that the regulation is bringing new talent from underrepresented groups to corporate leadership positions.[24]

Turning to senior management positions, we document statistically and economically weaker results in Columns 3–4. In Column 3, the number of minorities on boards increased by 0.105 relative to control firms, representing about 23.9% of the CBCA firms' pre-regulation level. This increase fails to translate into a significant increase for minorities in the composition of senior management. This reflects that we fail to find a differential trend for CBCA firms relative to non-CBCA

TABLE 5 | The effect of the mandate on diversity.

Panel A: Main results on racial diversity

Variables	(1) *# B. Minorities*	(2) *% B. Minorities*	(3) *# M. Minorities*	(4) *% M. Minorities*
Treated×Post	0.138***	1.582**	0.105**	0.564
	(0.043)	(0.748)	(0.051)	(0.952)
Size	0.033	−0.622	0.020	−0.687
	(0.022)	(0.479)	(0.024)	(0.555)
Leverage	−0.031**	−0.641***	0.007	−0.015
	(0.013)	(0.232)	(0.019)	(0.379)
ROA	−0.086**	−1.124	−0.052	1.081
	(0.043)	(0.868)	(0.033)	(0.862)
Growth	0.001	0.099	−0.006	−0.065
	(0.008)	(0.129)	(0.006)	(0.154)
Observations	6370	6370	6132	6132
Controls	Yes	Yes	Yes	Yes
Firm FE	Yes	Yes	Yes	Yes
Year FE	Yes	Yes	Yes	Yes
Adj. R^2	0.754	0.777	0.655	0.724

Panel B: Additional results on gender diversity

Variables	(1) *# B. Women*	(2) *% B. Women*	(3) *# M. Women*	(4) *% M. Women*
Treated×Post	0.111***	0.628*	0.072	0.822
	(0.021)	(0.337)	(0.041)	(0.558)
Size	0.169***	1.670**	0.139**	0.452
	(0.050)	(0.538)	(0.054)	(0.600)
Leverage	−0.010	−0.008	0.004	−0.114
	(0.016)	(0.248)	(0.018)	(0.189)
ROA	−0.115*	−0.994	−0.162*	−0.108
	(0.056)	(0.989)	(0.078)	(1.189)
Growth	−0.022**	−0.267**	−0.009	−0.448***
	(0.008)	(0.093)	(0.007)	(0.081)
Observations	6370	6370	6132	6132
Controls	Yes	Yes	Yes	Yes
Firm FE	Yes	Yes	Yes	Yes
Year FE	Yes	Yes	Yes	Yes
Adj. R^2	0.853	0.762	0.810	0.643

Note: This table reports the results from the DiD regressions relating the diversity disclosure mandate to corporate leadership diversity. Panel A reports the main effects on racial diversity on boards and among senior management, using the regression model outlined in Equation (1). Panel B reports the additional effects on gender diversity on boards and among senior management. Variables are defined in the Appendix. All continuous variables are winsorized at the 1% and 99% levels. All specifications include controls, firm fixed effects, and year fixed effects. Standard errors are clustered at the firm level and are displayed in parentheses. *, **, and *** indicate statistical significance at the 10%, 5%, and 1% levels, respectively.

firms, although the overall trend is positive for both groups. Overall, we conjecture that our weaker results for senior management positions are due to the lack of effective shareholder monitoring mechanisms. While shareholders have a direct say in the election of directors, they do not legally opine on the appointment of senior managers (see discussions in Section 6). Collectively, these findings suggest that the regulation leads to higher increases in racial diversity for CBCA firms relative to non-CBCA firms, and the effects are concentrated in boards of directors.

5.3 | Dynamic Analyses

The key identification assumption of the DiD design is the parallel trends assumption, which requires that the outcome variable of the treatment and control groups would have evolved similarly in the absence of the regulation. To evaluate whether the assumption is violated and provide further insights into the dynamic changes, we estimate the following dynamic DiD regressions:

$$Y_{i,t} = \alpha_i + \alpha_t + \sum_{\tau \neq 2017} \beta_\tau Treated_i \times 1_{t=\tau} + \gamma \boldsymbol{X}_{i,t} + \varepsilon_{i,t}, \tag{2}$$

where $1_{t=\tau}$ is an indicator variable that equals one for each of the 8 years around the regulation, excluding the year prior to the passage of the regulation (i.e., 2017), which is used as a benchmark. Figure 4 plots the coefficients of β_τ in black dots, with the vertical segments below and above the dots denoting the 95% confidence intervals. Among the four panels, we fail to detect a differential trend for CBCA firms relative to non-CBCA firms in the period prior to the adoption of the regulation, and we start to detect statistically significant differences between the two groups after the regulation was implemented.[25]

5.4 | Results on Gender Diversity

While we focus primarily on racial diversity, we also examine the impact on gender diversity. Panel B of Table 5 reports the results on gender diversity. Consistent with the findings in Panel A, we observe statistically significant results for women on boards but not for women in senior management. However, the economic magnitude is smaller for gender diversity than for racial diversity. Specifically, the number of women on boards increased by 0.111 relative to control firms, representing about 9.5% of the CBCA firms' pre-regulation level. This could be because the effect of the regulation is muted for some CBCA firms (i.e., CBCA/TSX firms) that have already complied with the TSX rule that mandated the disclosure for their gender diversity policies and practices since 2014. Consequently, the CBCA mandate introduces less incremental information for gender diversity for CBCA firms, resulting in weaker treatment intensity along this dimension. Nonetheless, our evaluation so far suggests that there is an incremental increase in both racial and gender diversity in boards but not among executives.

5.5 | Incremental Information Provided to Investors

As discussed in Section 2.3, the 2014 TSX rule largely overlaps with CBCA requirements, but only with respect to gender diversity for large TSX firms. This creates cross-sectional variations in treatment intensity that we can exploit. Specifically, the CBCA rule incrementally introduces (1) minority disclosures only for CBCA/TSX firms and (2) both gender and minority disclosures for CBCA/non-TSX firms. While subject to different disclosure mandates pre-CBCA rules, neither non-CBCA/TSX firms nor non-CBCA/non-TSX firms are subject to additional disclosure mandates about gender.

We examine the effect of the CBCA mandate on board diversity (both racial and gender) for TSX and non-TSX firms separately in Panel A and Panel B of Table 6. These analyses reveal two key patterns. First, we find that the CBCA mandate significantly increased the representation of minority directors for both TSX and non-TSX firms that are subject to the CBCA rule, as reported in Columns 1 and 2 of both panels. The effect is stronger among TSX firms, possibly because larger firms are more subject to pressure by investors (Christensen et al. 2021) or because smaller firms have more limited resources. Second, we document an increase in women's representation on boards, but only for non-TSX firms subject to the CBCA rule, as reported in Columns 3 and 4 of both panels. This indicates that the CBCA rule helps promote diversity on boards, but only for firms that were not already subject to a similar rule.

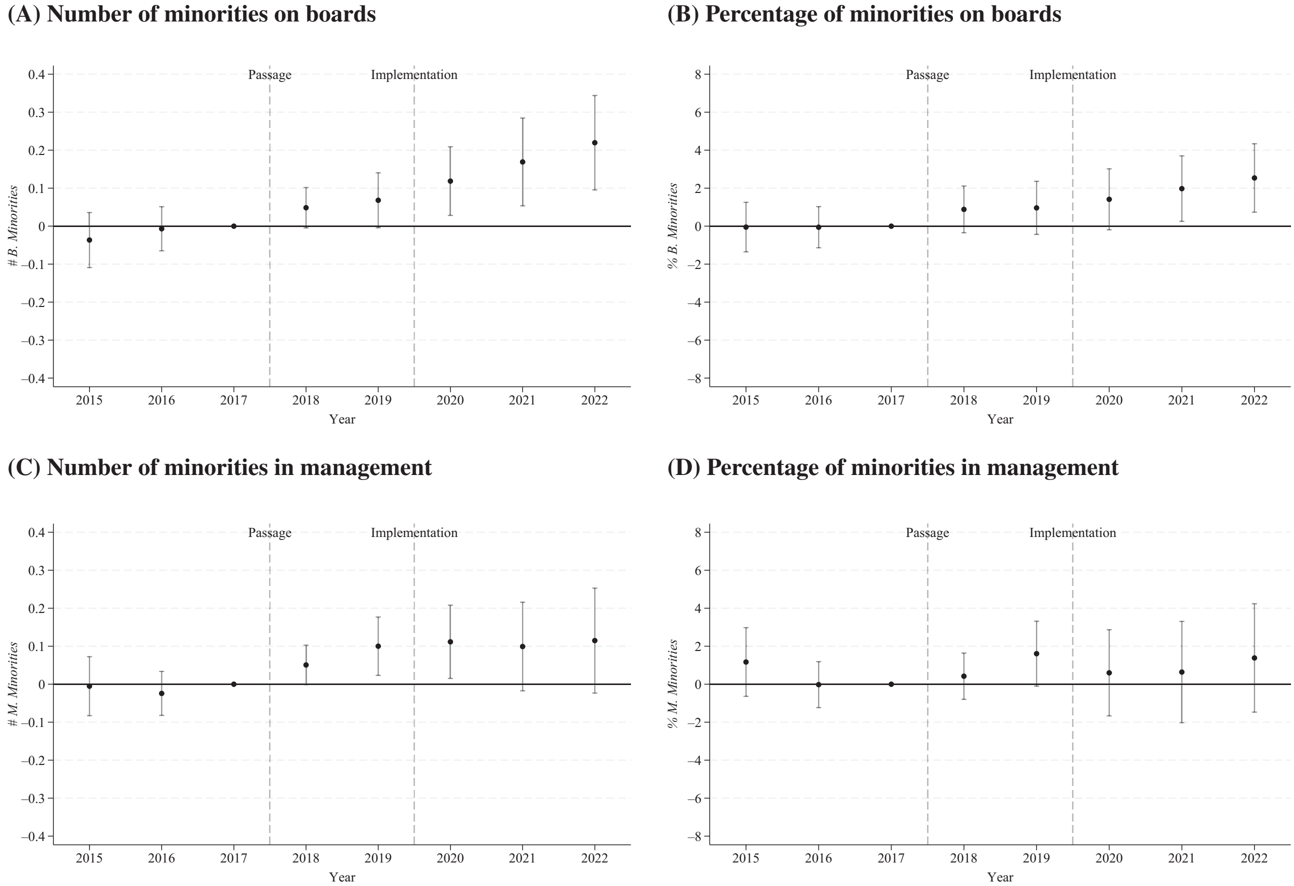

FIGURE 4 | Dynamic treatment effects. This figure plots the dynamic treatment effects on racial diversity over the sample period of 2015–2022. (A) Number of minorities on boards. (B) Percentage of minorities on boards. (C) Number of minorities in management. (D) Percentage of minorities in management. In each panel, we estimate the regression model outlined in Equation (2) and plot coefficient estimates β_τ of each year in black dots, with the vertical segments below and above the dots denoting the 95% confidence intervals. We set 2017 as the benchmark. The dependent variable is the number of women/minorities on board/in senior management. For example, (A) plots the yearly treatment effects on the number of minorities on boards.

In sum, these findings suggest that the main effects on diversity are conditional on the incremental information disclosed to investors. Indeed, minority diversity improves across all CBCA firms, while gender diversity gains are concentrated among firms not previously subject to similar disclosure mandates.

5.6 | Heterogeneous Effects

We next explore two sets of potential heterogeneous treatment effects: provincial heterogeneity and firm heterogeneity. We start with provincial heterogeneity and exploit two sources of provincial variation. First, we conjecture that regions with stronger pro-diversity social norms may exhibit greater investor demand for diversity. We proxy for provincial social norms about diversity preferences using federal election results. Among Canada's largest political parties, the Liberal Party and the New Democratic Party (NDP) are generally more supportive of diversity than the Conservative Party and the Bloc Québécois tend to be. Indeed, the Liberal Party and the NDP have more diverse candidates than the conservative parties. We partition the provinces based on the 2021 Canadian federal election results, classifying provinces where the Liberal Party and NDP won the majority of seats as having high social norms in favor of diversity.[26] Second, we consider the supply of diverse workers and conjecture that demand for diversity is lower when the supply of diverse candidates is limited. We use workforce diversity statistics published by Corporations Canada (2017) to partition provinces based on whether their workforce minority population prior to the regulation is above the median, in which case we classify them as having a high-diversity labor pool.

In Panel A of Table 7, we find that the effects of the CBCA rule on racial diversity appear stronger in provinces with higher pro-diversity social norms and provinces with greater workforce diversity. Although the effects are weaker in

TABLE 6 | Incremental information provided to investors.

Panel A: TSX firms (only minorities)

	(1)	(2)	(3)	(4)
Variables	***# B. Minorities***	***% B. Minorities***	***# B. Women***	***% B. Women***
Treated×Post	0.155***	1.747*	0.085	0.111
	(0.059)	(0.922)	(0.087)	(1.002)
Observations	3131	3131	3131	3131
Controls	Yes	Yes	Yes	Yes
Firm FE	Yes	Yes	Yes	Yes
Year FE	Yes	Yes	Yes	Yes
Adj. R^2	0.744	0.770	0.845	0.757

Panel B: Non-TSX firms (both minorities and women)

	(1)	(2)	(3)	(4)
Variables	***# B. Minorities***	***% B. Minorities***	***# B. Women***	***% B. Women***
Treated×Post	0.091**	0.874	0.173***	1.777***
	(0.030)	(1.926)	(0.030)	(0.454)
Observations	3239	3239	3239	3239
Controls	Yes	Yes	Yes	Yes
Firm FE	Yes	Yes	Yes	Yes
Year FE	Yes	Yes	Yes	Yes
Adj. R^2	0.755	0.759	0.670	0.651

Note: This table reports the results from the DiD regressions relating the diversity disclosure mandate to corporate leadership diversity conditional on the incremental information provided to investors. In Panel A, we examine the effect on TSX firms, where the CBCA rule added minority disclosures for CBCA/TSX firms. In Panel B, we examine the effect on TSX firms, where the CBCA rule added minority plus gender disclosures for CBCA/non-TSX firms. Variables are defined in the Appendix. All continuous variables are winsorized at the 1% and 99% levels. All specifications include controls, firm fixed effects, and year fixed effects. Standard errors are clustered at the firm level and are displayed in parentheses. *, **, and *** indicate statistical significance at the 10%, 5%, and 1% levels, respectively.

provinces with less favorable social norms and lower workforce diversity, we still observe positive coefficients in these regions, and the differences are not statistically significant at conventional levels (p-value = 0.46, 0.92, 0.62, and 0.55 in the four columns). Overall, the findings suggest that the CBCA mandate is effective, and the strength of its impact cannot conclusively be associated with local social preferences or labor force availability.

We next investigate the heterogeneity across firms based on their pre-regulation diversity practices and endogenous post-treatment compliance choices. First, we partition CBCA (treated) firms based on their diversity prior to the mandate (i.e., 2017). The objective is to gauge whether the increase in diversity is driven primarily by the extensive margin (switching from having zero women or minorities to having one) or by the intensive margin (adding more women or minorities conditional on already having one). Second, we partition treated firms based on their compliance choices after the implementation of the mandate. Given that firms changed and strengthened their compliance over time (as discussed in Section 5.1), we allocate firms into subsamples using data from their compliance choices in 2020, the first year after the implementation of the mandate.

In Panel B of Table 7, we find that the effects on racial diversity are statistically driven by the extensive margin (i.e., firms that did not have minority representation prior to the mandate; Columns 1 and 2). In Columns 3 and 4, we find that our coefficients are positive and statistically significant for the subgroup of CBCA firms that comply by disclosing their internal HR practices. However, the difference is not statistically significant for the group that complied by explaining (p-value = 0.89) in Column 3.[27] These findings are consistent with the change in the desired behavior being concentrated among low-diversity firms that "buy in" to the comply-or-explain disclosure mandate, but the form of compliance had a limited effect on the impact of the rule on the change in diversity at the top.

TABLE 7 | Heterogeneous effects on corporate diversity.

Panel A: Provincial heterogeneity

Variables	(1) # B. Minorities	(2) % B. Minorities	(3) # B. Minorities	(4) % B. Minorities
Treated×Post×High Social Norm	0.157***	1.633**		
	(0.054)	(0.780)		
Treated×Post×Low Social Norm	0.108**	1.504		
	(0.054)	(1.336)		
Treated×Post×High Minority Pool			0.149***	1.255*
			(0.053)	(0.716)
Treated×Post×Low Minority Pool			0.116**	2.239
			(0.058)	(1.571)
Observations	6370	6370	6370	6370
Controls	Yes	Yes	Yes	Yes
Firm FE	Yes	Yes	Yes	Yes
Year FE	Yes	Yes	Yes	Yes
Adj. R^2	0.754	0.777	0.754	0.777

Panel B: Firm heterogeneity

Variables	(1) # B. Minorities	(2) % B. Minorities	(3) # B. Minorities	(4) % B. Minorities
Treated×Post×Low Diversity	0.175***	2.773***		
	(0.043)	(0.770)		
Treated×Post×High Diversity	0.053	−1.156		
	(0.084)	(1.547)		
Treated×Post×Comply			0.135***	1.872**
			(0.049)	(0.824)
Treated×Post×Explain			0.127*	0.480
			(0.047)	(0.826)
Observations	6370	6370	6370	6370
Controls	Yes	Yes	Yes	Yes
Firm FE	Yes	Yes	Yes	Yes
Year FE	Yes	Yes	Yes	Yes
Adj. R^2	0.755	0.779	0.754	0.777

Note: This table examines the heterogeneous effects of the disclosure mandate on board racial diversity. Treated firms are partitioned into two subsamples, and we use nonoverlapping indicators to assess the Cross-sectional variations in the treatment effect. Panel A reports the heterogeneous effects on provincial social norms and labor pool availability. In Columns 1–2, *High Social Norm* indicates that the CBCA firm is headquartered in a province that supports the Liberal Party or NDP in federal elections, and *Low Social Norm* contains the rest. In Columns 3–4, *High Minority Pool* indicates that the CBCA firm is headquartered in a province with local workforce diversity above the median, and *Low Minority Pool* contains the rest. Panel B reports the heterogeneous effect on firms' pre-regulation diversity practices and post-regulation compliance choices. In Columns 1–2, *Low Diversity* indicates that the CBCA firm does not have any minorities on board prior to the mandate. *High Diversity* contains the rest. In Columns 3–4, *Comply* indicates that the CBCA firm complies by disclosing the existence of either considerations, written policies, or quantitative targets for minorities on board in the first year after the implementation of the mandate. *Explain* contains the rest. Variable definitions are detailed in the Appendix. All continuous variables are winsorized at the 1% and 99% levels. All specifications include controls, firm fixed effects, and year fixed effects. Standard errors are clustered at the firm level and are displayed in parentheses. *, **, and *** indicate statistical significance at the 10%, 5%, and 1% levels, respectively.

6 | Shareholder Monitoring and Board Renewal

As the Canadian regulator emphasized, the objective of the CBCA amendments is to "increase shareholder democracy and participation … [and] improve corporate transparency."[28] Firms are mandated to disclose explicit diversity metrics and their internal diversity practices in their proxy statements, filings designed for investors. Therefore, we conjecture that such disclosure primarily empowers shareholders to influence board diversity through director elections and their voting behavior.

Recent studies show that investors increasingly use their votes to address diversity issues on boards (Gormley et al. 2023; Michaely et al. 2024; Aggarwal et al. 2024). In Canada, an increasing number of investors, along with proxy advisory firms such as ISS and Glass Lewis, have included diversity and disclosure compliance as key criteria in their proxy voting guidelines.[29] For example, BMO Global Asset Management (hereafter, BMO), one of the leading asset managers in Canada, withheld support for 108 chairs of nominating committees due to their voting guidelines of a minimum of 30% women and at least one racially diverse member on the board during the 2022 proxy season (BMO 2022). Notably, in 2022, BMO supported nearly 51% of the 55 companies that it had voted against in 2021, suggesting increased alignment between shareholders and management on the benefits of achieving board diversity (BMO 2022).[30]

We formally examine the role of shareholder monitoring through shareholder voting as a plausible mechanism. To do so, we rerun the DiD regressions comparing the changes in director elections and shareholder voting between CBCA and non-CBCA firms and then partition CBCA firms based on their board diversity prior to the disclosure mandate. In these specifications, *Post* takes a value of one only after 2020, when the newly disclosed metrics become available to investors. *Failed Candidate* is an indicator variable that equals one if a management proposal on a director election is failed or withdrawn. We include withdrawn proposals as they usually stem from private negotiations before actual voting and constitute an effective governance mechanism. *Voting Dissent* is the average fraction of shareholder votes against the director candidates.[31]

We obtain detailed shareholder voting data at the proposal level from ISS Global and identify all management proposals related to director elections. The two dependent variables are constructed for each firm-year observation and merged with our main panel. Panel A of Table 8 presents the results at the board level. Columns 1 and 3 report the baseline DiD results. Our estimates suggest that the number of failed/withdrawn director candidates and the percentage of shareholder voting dissent in director elections significantly increased for CBCA firms relative to non-CBCA firms post 2020. Columns 2 and 4 further partition CBCA firms based on their pre-regulation level of board racial diversity. Specifically, *Low Diversity* indicates that the CBCA firm does not have any minority on the board in 2019, and *High Diversity* contains the rest of the CBCA firms. The effects of increased failed/withdrawn candidates and shareholder voting dissent are statistically significant at conventional levels only in the group of firms with low pre-regulation diversity. Overall, we interpret the results in Panel A of Table 8 as the disclosure mandate revealing CBCA firms' diversity practices may have facilitated shareholders actively engaging in monitoring and disciplining firms' board diversity and pushing for more diverse corporate leadership.

To provide more direct evidence on this mechanism, in Panel B of Table 8 we examine voting results at the individual director level. Specifically, we test the relation between shareholder dissent and director diversity before and after the CBCA mandate. We obtain detailed voting data for 26,121 director elections in our sample, corresponding to 521 unique firms and 3327 annual shareholder meetings. Some firms in our sample did not adopt separate voting for each director up for election, which limits the sample size for this test. We find that minority directors receive significantly more voting support (i.e., less voting dissent) in CBCA firms after the implementation of the CBCA rule, relative to non-CBCA firms. This finding is consistent with shareholders reacting to newly disclosed diversity information by increasing their support for minority directors in their voting behavior.

7 | Additional Analyses

This section provides supplementary analyses to ensure the robustness of our findings and provide some context to gauge the impact of the regulation. For brevity, these results are tabulated in the Supporting Information.

First, we examine changes in board size. Our baseline results document larger increases in numbers than in percentage terms, suggesting that part of the increase in diversity comes from expanding leadership teams. Using our DiD design,

TABLE 8 | Shareholder monitoring and board renewal.

Panel A: Board-level results				
	(1)	**(2)**	**(3)**	**(4)**
Variables	***Failed Candidate***	***Failed Candidate***	***Voting Dissent***	***Voting Dissent***
Treated×Post	0.018**		0.160	
	(0.009)		(0.213)	
Treated×Post×Low Diversity		0.022*		0.926**
		(0.014)		(0.452)
Treated×Post×High Diversity		0.018		0.058
		(0.013)		(0.218)
Observations	4443	4443	4443	4443
Controls	Yes	Yes	Yes	Yes
Firm FE	Yes	Yes	Yes	Yes
Year FE	Yes	Yes	Yes	Yes
Adj. R^2	0.006	0.006	0.477	0.478

Panel B: Individual-level results	
Variables	***Voting Dissent***
Treated×Post×Minority	−4.326***
	(1.520)
Treated×Minority	1.333**
	(0.637)
Post×Minority	0.371
	(0.493)
Minority	−0.465*
	(0.250)
Observations	26,121
Controls	Yes
Meeting FE	Yes
Adj. R^2	0.522

Note: This table reports the results from the DiD regressions relating the diversity disclosure mandate to shareholder monitoring and board renewal. Panel A presents the board-level director election results. *Failed Candidate* is an indicator variable that equals one if a management proposal on director elections is failed or withdrawn. *Voting Dissent* is the average fraction of shareholder votes against director candidates. Columns 1 and 3 report the baseline results. Columns 2 and 4 examine the heterogeneous effect based on firms' diversity practices prior to the mandate. Treated firms are partitioned into two subsamples, and we use nonoverlapping indicators to assess the cross-sectional variations in the treatment effect. *Low Diversity* indicates that the CBCA firm does not have any minority members on the board prior to the disclosure (i.e., 2019), and *High Diversity* contains the remaining CBCA firms. Panel B presents the individual-level director election results. When data availability permits, we test the relation between shareholder dissent and director diversity before and after the CBCA mandate. Variables are defined in the Appendix. All continuous variables are winsorized at the 1% and 99% levels. Standard errors are clustered at the firm level and are displayed in parentheses. *, **, and *** indicate statistical significance at the 10%, 5%, and 1% levels, respectively.

we find that CBCA firms added about 0.47 more directors post-regulation relative to control firms (Panel A of Supporting Information: Table OA.5), implying that roughly every other firm created a new board seat. Given that larger boards may reduce monitoring efficiency (Yermack 1996; Raheja 2005; Jenter et al. 2023) and dilute diverse members' influence, this could reflect virtue signaling rather than substantive governance change. To investigate further, Supporting Information: Figure OA.3 shows that board expansions are temporary: board size increases in the year a diverse director is added but gradually declines over 4 years, consistent with natural attrition replacing existing members over time. This pattern suggests initial expansions accommodate diversity goals while avoiding premature board turnover (Cziraki and Robertson 2025).

Second, while studies suggest that improved board diversity has real implications for firms' investing and financing choices (e.g., Bernile et al. 2018; Baik et al. 2024), a change in the composition of the board can simply reflect virtue signaling if changes happen only at the board level without trickling down through the organization. To provide some initial evidence, we examine whether the regulation and the associated improvements in diversity lead to higher employee satisfaction. Specifically, we parse Glassdoor ratings data for available Canadian firms in our sample and then assess the impact of the CBCA mandate using the same canonical DiD design. In Panel B of Supporting Information: Table OA.5, we provide evidence consistent with improved employee ratings for CBCA firms relative to non-CBCA firms after the CBCA mandate. This correlation suggests that improved board diversity is associated with improvements in firms' employee satisfaction. This evidence also indicates that changes in board diversity could extend beyond symbolic measures. We acknowledge that the response to the regulation reflects the company's choice, and that a potential omitted variable could drive this association.[32]

Finally, we run a series of robustness checks. First, we replicate our main results using Poisson and negative binomial regressions, which are well-suited for count outcomes such as the number of diverse directors (Cohn et al. 2022). Results remain robust (Supporting Information: Table OA.7). Next, we replace year fixed effects with province-year and industry-year fixed effects to address cross-sectional heterogeneity. Results are consistent (Supporting Information: Table OA.8). To further address the possibility that our inferences are driven by firms in a specific province or industry, we reestimate our baseline specification after dropping each province and industry (Supporting Information: Figure OA.4). Overall, our inferences are robust to alternative specifications, alternative fixed effects, and alternative samples.

8 | Conclusion

We investigate the effects of a 2020 diversity disclosure mandate implemented under the CBCA. Unlike quotas that mechanically increase diversity through quantities, this mandate follows a flexible comply-or-explain approach, requiring firms registered federally under the CBCA either to comply by disclosing various internal practices related to diversity or to explain why they have not adopted such practices. We investigate how CBCA firms comply with the regulation and whether the regulation leads to improved corporate leadership diversity, especially for racial diversity.

Using firms registered provincially as a control group, our DiD estimations reveal that the mandate is associated with increased racial diversity, especially on boards. We find that gender diversity also increased, but only for the subset of CBCA firms not subject to the 2014 TSX disclosure mandate pertaining exclusively to gender diversity (Hu et al. 2025; Bakke et al. 2024). We find that shareholders actively engage in monitoring and disciplining firms' board diversity and push for more diverse corporate leadership when provided information about it. This result highlights the importance of providing investors with information in dedicated filings to meet the regulator's social objectives (Christensen et al. 2017).

Our findings have potential policy implications for promoting corporate diversity worldwide. While critics argue that setting diversity quotas entails significant costs and distortions, we show that a flexible comply-or-explain form of diversity disclosure mandate can promote shareholder conversations and ultimately improve corporate diversity. While we do not examine the value implications of the rule, we note that the regulation is motivated by two factors: (1) more diversity may improve firm value and (2) more diversity might be better for society at large (Page 2008).[33] Even if this regulation does not create value for shareholders, society might still benefit from a better representation of minority groups in leadership positions by potentially diminishing tensions among groups and reducing the feeling that a glass ceiling prevents fair access to higher positions in business, thereby strengthening social cohesion and institutional trust among diverse groups living in Canada (Rousseau 1762).

Acknowledgments

We are grateful to Jennifer Tucker (editor) and two anonymous reviewers for their helpful guidance and feedback. We are indebted to Phil Berger, Jeremy Bertomeu, Francois Brochet, Jeff Callen, Andreas Charitou, Stacey Choy, Jenelle Conaway (discussant), Bryce Cross (discussant), Emmanuel De George, Raphael Duguay, Fabrizio Ferri, Xavier Giroud, Stephen Glaeser (discussant), Jody Grewal, John Kepler, Junhao Liu, Lisa Liu, Hai Lu, Sara Malik, Partha Mohanram, Anya Nakhmurina, Gord Richardson, Adriana Robertson, Jonah Rockoff, Giulia Sargiacomo, Jee-Eun Shin, Clark Shu, Jake Thomas, Rimmy Tomy, Emmanuel Yimfor, Aida Wahid, Emma Wang (discussant), Eddie Watts, Frank Zhang, audiences at Yale University (SOM), University of Oxford (Saïd), University of Toronto (Rotman), Dartmouth College (Tuck), Rutgers University (RBS), Pennsylvania State University (Smeal), University of Connecticut, George Mason University (Costello), Lehigh University, University of Rochester (Simon), Singapore Management University, Hong Kong Polytechnic University, and TD MDAL Research Roundtable, conference participants at the 2023 Annual Accounting Research Conference in Memory of Nicholas Dopuch at Washington University in Saint Louis, the IAS Midyear Meeting in Atlanta, the

Sustainability, ESG, and Accounting conference in Washington D.C., the 34th ALEA Annual Meeting at the University of Michigan, and the CAAA Annual Conference in Halifax, and practitioners from CPA Canada for their helpful comments and suggestions. We thank Mingjie Cao and Yitian Zhang for their excellent research assistance. We are grateful for the financial support from our respective institutions, the TD Management Data Analytics Lab, and the CPA Canada–CAAA Research Grant. Xingchao Gao acknowledges the financial support from the Bertram Scholarship by the Canadian Foundation for Governance Research.

Data Availability Statement

Data are available from public sources.

Endnotes

[1] Despite the recent interest in and demand for gender and racial/ethnic diversity in the leadership of public companies, this underrepresentation suggests that to date, there has been no "market solution" to reach a diverse leadership (Gow et al. 2023).

[2] *Canada Business Corporations Act*, RSC 1985, c 44, as amended by *An Act to amend the Canada Business Corporations Act, the Canada Cooperatives Act, the Canada Not-for-profit Corporations Act and the Competition Act*, SC 2018 [CBCA].

[3] *Regulations Amending the Canada Business Corporations Regulations, 2001*, SOR/2019-258 [CBCA Regulations].

[4] Using various control groups, research has documented that it led to an increase in women on boards (Bakke et al. 2024; Hu et al. 2025).

[5] In addition, there is uncertainty about the response to the disclosure mandate per se. Disclosure mandates are a form of indirect regulation under which stakeholders (here investors) need to process, price, and act on the newly disclosed information to steer change (Christensen et al. 2021). It is possible that the CBCA disclosure mandate will have no effect because (1) there may not be demand for additional information pertaining to racial diversity and (2) CBCA/non-TSX firms may be more resource constrained and unable to further adjust their racial and gender diversity in the short term.

[6] CBCA Regulations, Regulatory Impact Analysis Statement.

[7] Focusing on board gender diversity, studies document that reforms can take the form of quota laws (e.g., Ahern and Dittmar 2012; Matsa and Miller 2013) or amendments to governance codes (e.g., Mensi-Klarbach et al. 2021).

[8] A large literature documents how diversity in corporate leadership affects firms' monitoring and decision-making processes, leading to differences in corporate policies (e.g., Adams and Ferreira 2009; Bernile et al. 2018; Baik et al. 2024). Some studies find that these differences translate into better performance and higher firm value (e.g., Kim and Starks 2016; Adams et al. 2018).

[9] For example, in the United States, women represent only 24% of the Russell 3000 boards in 2021. For the selected group of firms that voluntarily disclosed racial information (27%), 21% of directors identified as racial/ethnic minorities compared to 24% of the available workforce (Tonello 2021).

[10] While early research suggests that gender quotas can be detrimental to firm value, presumably through the reshuffling to younger and less experienced board members because of the limited supply of diverse candidates in the short run (e.g., Matsa and Miller 2013), more recent studies do not find negative capital market implications (e.g., Eckbo et al. 2022; Allen and Wahid 2024).

[11] CBCA Regulations, Regulatory Impact Analysis Statement.

[12] CBCA Regulations, Regulatory Impact Analysis Statement.

[13] A distributing corporation is a company incorporated under the CBCA that is a reporting issuer under securities laws or has filed a prospectus or similar document to permit its shares to be publicly traded in Canada or any foreign jurisdiction, or the shares of which are listed on a stock exchange inside or outside of Canada. In this paper, we use the terms distributing corporation, CBCA corporation, and CBCA firm interchangeably.

[14] We focus our analyses on women and visible minorities due to data limitations and the small sample of the other two designated groups. Among the CBCA firms in our sample, only 10 firms have Indigenous directors on boards, and only 8 firms have directors with disabilities.

[15] CBCA Regulations, s 4.

[16] While a "stick" approach allows the regulators to penalize firms that do not comply with the regulation, the McInnes Cooper Report reveals that the regulator also adopted a proactive engagement strategy by reaching out to companies to encourage compliance. This is important, as the success of transparency regulation in securities markets hinges on enforcement (Christensen et al. 2016).

[17] In Supporting Information: Section OA.1.1, we present the detailed disclosure rules in the 2020 amendments to the CBCA. Supporting Information: Section OA.1.2 presents the disclosure guidelines provided by Corporations Canada. Supporting Information: Section OA.1.3 presents an example of the mandated diversity disclosure from Finning International Inc.'s 2022 proxy statement.

[18] When the name has a prefix other than Mr. or Ms. (e.g., Dr.), we identify gender using the "Gender Guesser" algorithm (for fewer than 10% of observations). For ethnicity identification, we manually search the profile when the algorithm's confidence level

falls below 80% in identifying visible minorities. While this approach may introduce noise to our measurement (as noted in Gow et al. 2023), our research design reduces this concern as we employ a DiD approach and compare changes *within* firms.

[19] Canadian firms trade off the relative costs and benefits between federal and provincial statutes when they initially establish their company. The federal statute is typically seen as more complex and costly (i.e., it has more onerous registration procedures and ongoing filing requirements). However, the federal statute offers enhanced name protection throughout the country and provides increased global recognition of the federal charter. Under both statutes, companies need to obtain extra-provincial registration to conduct business in each province. Overall, these two corporate statutes are very similar.

[20] In Supporting Information: Figure OA.1, we present the excepts from Canada's Business Registries.

[21] We rely on a newly assembled data set because the coverage of public Canadian companies in existing commercial databases (e.g., BoardEx) is very limited.

[22] The regulation does not dictate the disclosure of written policies for senior management; thus, the diversity matrix includes 10 (4 + 2 + 4) disclosure items.

[23] We further explore this argument by looking at board size and board dynamics in Section 7.

[24] In Supporting Information: Table OA.2, we show that the number of unique directors in our sample firms increased over time. The increase was driven by new women directors and minority directors. However, the number of board positions held by each director did not significantly change over the sample period.

[25] In Supporting Information: Figure OA.2, we further conduct sensitivity analysis for the parallel trends assumption, using the "honest DiD" method provided by Rambachan and Roth (2023). The causal effect on corporate diversity post-2020 remains statistically significant when we restrict the post-treatment violation of parallel trends to be no larger than the maximal pre-treatment violation of parallel trends.

[26] We obtain the same partition if we use data from the 2019 Canadian federal election, which indicates that these social norms are stable over time.

[27] In Supporting Information: Table OA.4, we further examine whether the impact of the CBCA rule differs between firms moving from at least one diverse director to two and firms moving from at least two diverse directors to more. Consistent with non-linearity, we find weaker results for firms moving from two to more than two than for firms moving from one to two.

[28] CBCA Regulations, Regulatory Impact Analysis Statement.

[29] For example, ISS has recommended that investors withhold their votes for the chair of the nominating committee or others designated with the responsibility in firms where women comprise less than 30% of the board for S&P/TSX Composite Index companies (ISS 2022). Starting in 2024, ISS also recommends a withhold vote where the board has no racially or ethnically diverse members.

[30] As noted by BMO (2022), some companies agreed to set diversity targets for designated groups after discussing their expectations regarding diversity beyond gender with BMO during the proxy season.

[31] Because shareholders at some meetings in our sample do not cast ballots (e.g., they use a show of hands), the second dependent variable covers fewer firm-year observations than the first one.

[32] We examine employee pressure as one possible mechanism for our main results. If employees have significant power to improve diversity, we would expect to observe stronger effects of diversity improvements for firms that receive low employee ratings. However, in Supporting Information: Table OA.6, we do not find such results, suggesting that employee pressure is unlikely to be the primary mechanism.

[33] CBCA Regulations, Regulatory Impact Analysis Statement.

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Supporting Information

Additional supporting information can be found online in the Supporting Information section. **Data S1:** care70018-sup-0001-Appendix.pdf.

Appendix: Variable Definitions

Variable	Definition	Data source
Treated	Indicator variable that equals one if the firm is registered under the CBCA, and zero otherwise	Canada's Business Registries
Post	Indicator variable that equals one if the firm-year observation falls in the post-period, and zero otherwise	
# B. Minorities	Number of minority directors on boards	Refinitiv
% B. Minorities	Fraction of minority directors on boards	Refinitiv
# M. Minorities	Number of minority officers in senior management	Refinitiv
% M. Minorities	Fraction of minority officers in senior management	Refinitiv
# B. Women	Number of female directors on boards	Refinitiv
% B. Women	Fraction of female directors on boards	Refinitiv
# M. Women	Number of female officers in senior management	Refinitiv
% M. Women	Fraction of female officers in senior management	Refinitiv
Targets	Indicator variable that equals one if the firm has set targets for women/minority representation for the board of directors/senior management, and zero otherwise	Proxy circulars
Written Policy	Indicator variable that equals one if the firm has a written policy on women/minorities representation for the board of directors/senior management, and zero otherwise	Proxy circulars
Consideration	Indicator variable that equals one if the firm has considered women/minorities representation for the board of directors/senior management, and zero otherwise	Proxy circulars
Explain	Indicator variable that equals one if the firm explains why it has not considered or adopted any women/minorities representation policies for the board of directors/senior management, and zero otherwise	Proxy circulars
Failed Candidate	Indicator variable that equals one if a management proposal on director elections is failed or withdrawn	ISS Global
Voting Dissent	Average fraction of shareholder votes against the director candidates	ISS Global
Size	Natural logarithm of total assets at the end of the fiscal year	Compustat
Leverage	Total liabilities divided by total assets	Compustat
ROA	Net income divided by total assets truncated at −1 and 1	Compustat
Growth	Total assets growth over the last fiscal year	Compustat