The Impact of a Principles-Based Approach to Director Gender Diversity[*]

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Abstract

We study the impact of a principles-based regulatory approach to female board representation, requiring firms to disclose a gender diversity policy or explain its absence. Post-regulation, firms respond with more female-friendly disclosures. However, those with less access to female directors often justify their lack of diversity. Although the regulation does not mandate increasing female board representation, the fraction of female directors increases by 38% relative to control groups after the regulation. Investors respond to the disclosures, increasingly engaging firms and voting against boards with low female representation. Firms most likely impacted by the regulation exhibit positive abnormal announcement returns.

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I. Introduction

A corporate governance issue that has recently drawn broad attention is the underrepresentation of females on corporate boards. Many attempts to address this issue follow a rules-based approach, in which a mandated quota for female representation in boards is imposed. For example, countries such as France, Italy, Belgium, the Netherlands, and Norway have mandated quotas for women on boards (Winters and Jacobs-Sharma, 2016), and California recently became the first state in the United States to have instituted such a mandate. Additionally, in June 2022, the European Union agreed to mandatory quotas of 40% females on corporate boards that will come into effect in mid-2026.[1]

Critics argue that such one-size-fits-all approaches to governance are not optimal, as the costs and benefits of compliance can differ across companies. Although policies mandating female board representation such as those in Norway and California have clearly led to an increase in female board representation, amid mixed evidence on how beneficial and costly such mandates are for shareholders (Ahern and Dittmar, 2012; Eckbo, Nygaard and Thorburn, 2022; Hwang, Shivdasani and Simintzi, 2020; Greene, Intintoli and Kahle, 2020; Allen and Wahid, 2023), there is political opposition to mandates, with courts questioning their legal validity in the United States.[2]

An alternative to a prescriptive regulatory approach is a principles-based one, in which firms publicly disclose their compliance with suggested "best practice" guidelines, and, if their practices depart from the guidelines, firms must explain their non-compliance. The intent of a principles-based approach is to provide firms with flexibility to tailor their governance practices to their own circumstances while providing investors and other stakeholders with information relevant to evaluate the firm's choices. A principles-based approach is thus often referred to as "comply or explain", in which firms either comply with the regulation or explain why compliance is not best for them.

We study an alternative regulatory approach implemented in Canada in 2014, which requires mandatory disclosure of gender diversity policies in the form of a "comply-or-explain" regulation. Specifically, the Ontario Securities Commission (OSC) introduced female representation policy

[1] See *The Guardian* (June 7, 2022) "EU agrees 'landmark' 40% quota for women on corporate boards" and The European Parliament (November 22, 2022) "Parliament approves landmark rules to boost gender equality on corporate boards".

[2] On May 16, 2022, a California court ruled that California's gender mandate violates the right of equal treatment under the California constitution. See Public Broadcasting Service (May 16, 2022) "Judge says California law requiring women on corporate boards is unconstitutional" (retrieved from pbs.org).

disclosure requirements which came into effect on December 2014.[3] Under the OSC policy regarding board gender diversity, firms are required to disclose details of any policies concerning the identification and nomination of women directors, the board's consideration of the representation of women in the director identification and selection process, and whether the firm has adopted a target for the representation of women on the board. Like much of Canadian securities law, which adopts a principles-based approach, the amendment requires listed firms to disclose these policies or to provide an explanation for their absence. Notably, OSC's comply-or-explain regulation is laxer than traditional comply-or-explain regulations as it does not include best practice guidelines that would constitute compliance. For example, the amendment does not recommend a female director target but only requires firms to disclose *whether* they have adopted targets for women on the board or explain if they have not. Using this regulatory amendment in Canada, we study the effects of principles-based regulation on board diversity.

A priori, it is not clear what effect a comply-or-explain regulatory approach to diversity policy disclosure would have on board diversity. On the one hand, by requiring firms to disclose their compliance and, where applicable, the reasons for non-compliance, a principles-based approach enables the capital markets to assess the effectiveness of a firm's policies regarding female representation. This increased transparency may also lead to increased pressure from stakeholders for firms to comply. On the other hand, a principles-based approach may be too weak to resolve the under-representation of females on corporate boards because it allows firms the option to not comply with articulated best practices. Ultimately, under this approach, the onus is on investors to determine the appropriateness of a firm's policies regarding social issues such as female board representation (see e.g., Hart and Zingales, 2017).

Our goal is to shed light on the effectiveness of a principles-based approach to regulate director gender diversity. We begin our analysis by conducting a detailed review of proxy statement disclosures in the years surrounding the OSC ruling to ascertain how diversity policies evolve. Specifically, the OSC amendment includes three comply-or-explain disclosures relating to board diversity: (i) disclosure of a diversity policy (or explain the absence of such a policy), (ii) the board's or nominating committee's consideration of women in the director identification or selection process (or explain the absence of such consideration), and (iii) disclosure of whether the firm has adopted a target for the

[3] See the Amendment to the National Instrument 58-101 Disclosure of Corporate Governance Practices on the Ontario Securities Commission (OSC) website.

representation of women on the board (or explain the absence of such a target). In the two years prior to the OSC amendment, a mere 12% of firms disclosed a diversity policy in their proxy statements. Remarkably, within two years following the amendment, fully 100% of firms disclose a diversity policy. However, it's important to note there is wide variation in the tone of these diversity policies, ranging from firms that express a robust commitment to board gender diversity to those that assert board appointments are made solely on merit, without regard to gender.

Having established that all firms disclose a diversity policy within two years of the OSC amendment, we next classify firms based on their compliance level: "Explainers" are those that disclose a board gender diversity policy that does not incorporate considerations of gender in the director identification or selection process; "Partial Compliers" do incorporate considerations of gender in the director identification or selection process; and "Full Compliers" further commit to specific targets for women's representation on the board. Over our sample period, we note a significant rise in full compliance: from a mere 3% of firms just before the OSC amendment, to 15% in its enactment year, surging to nearly 41% by 2018. Partial compliance also saw a remarkable increase, from 21% in the year before the amendment, to 90% in the year after the amendment, reaching 93% by 2018. By 2018, fewer than 7% of firms remained as explainers, by having a diversity policy but neither incorporating women into the director identification and selection process nor setting a gender diversity target.

Generally, the primary benefit of a principles-based regulatory approach is that it allows firms to optimally choose to comply or explain, taking economic frictions into account that may affect the firm's cost of compliance. However, the principles-based approach also allows firms to avoid compliance due to, for example, agency costs. We distinguish between these two contrasting views on principles-based governance by examining cross-sectional differences in the types of firms that choose to comply versus explain.

We find evidence that firms are more likely to explain their lack of compliance when they face higher costs to increasing female representation in their boardroom. For example, firms located in areas with fewer female directors are less likely to be Full or Partial Compliers. These firms are more likely to indicate that they do not consider gender in the nomination process and that they nominate directors based solely on skills, experience and/or merit. We also find that firms with less geographic proximity or fewer network connections to female directors employ less favorable language regarding gender diversity in their proxy statements. On the other hand, we also find evidence consistent with some firms opportunistically avoiding compliance, with controlled firms (i.e., closely held firms or firms

with dual class voting shares) being less likely to be Full Compliers and more likely to use language less favorable towards board diversity.

Although the OSC aimed to enhance board diversity, its amendment does not mandate it. Instead, the amendment emphasizes greater transparency about board diversity practices rather than imposing direct diversity mandates. In line with the amendment's emphasis on improved disclosure, we find a noticeable increase in board diversity disclosures post-amendment. In addition, although there is no explicit directive for firms to use language favoring diversity, we observe a discernible trend towards more supportive language about board gender diversity after the amendment. Nonetheless, it is unclear whether this more supportive language will translate to increased board diversity. By requiring firms to disclose board diversity rather than enforce it, the OSC amendment may maintain the status quo, potentially limiting increases in board diversity. Conversely, the transparency from disclosing board diversity policies could pressure firms towards diversification similar to a direct mandate, as Fried (2021) suggests, with the potential for a 'naming and shaming' effect inherent in comply-or-explain regulations. Thus, we next examine whether the OSC amendment has had a meaningful impact on the board composition of Canadian firms.

Despite the absence of a mandate on board diversity, we find a meaningful increase in board diversity among firms affected by the amendment. For example, the percentage of firms adding a female director to their boards doubled in the years following the amendment (increasing from 20% in 2011-2013 to 40% of firms in 2015-2017). Estimates from difference-in-differences (DiD) regressions indicate that, compared to U.S. listed firms of similar size and industry which experienced no gender diversity regulation during our sample period, the average proportion of female directors on Canadian firms' boards increased by 3.8-4.2 percentage points more in the two years following the amendment (2015-2017) than before (2011-2013). Prior to the amendment, female directors made up 10% of directors in Canadian firms on average, so our estimates suggest the amendment is associated with a 38% to 42% increase in female director representation. This is of a similar magnitude to the 40% increase in female directors in California after the SB 826 diversity mandate (Greene, Intinoli and Kahle, 2020).

Several aspects of our results point to a causal explanation that the amendment led to a meaningful increase in female director ratios. First, our matched U.S. control group offers a plausible counterfactual. U.S. firms are geographically proximate and more closely linked to Canadian firms in terms of board connections, culture and business relationships relative to firms in other countries. To mitigate concerns that different trends in governance may drive our results, our results also hold when

we restrict our sample to cross-listed Canadian firms who are subject to U.S. governance regulation by the SEC. Second, our matched U.S. control firms are similar to our Canadian treated firms pre-regulation. Third, the treated and control firms show parallel trends in female director ratio and the rate of change in female director ratio prior to the introduction of the amendment. Fourth, to mitigate potential concerns that our results could be due to contemporaneous trends that may have influenced institutional investors' attitudes towards board diversity, we use Google Search Trends to construct an index of public attention to gender diversity. We find a high correlation (0.91) between societal attention to gender diversity between the two countries during our sample period. This high correlation suggests that both the US control firms and Canadian treated firms in our study are subject to similar societal trends. Therefore, our DiD specifications isolate the impact of the OSC regulation from broader societal trends and bolster our confidence that the observed increases in female director ratios are attributable to the regulation.

To ensure our results are not an artifact of our choice of using matched U.S.-based firms as a control group, we also examine year-on-year changes in female director ratios within Canada. We find a statistically significant increase in the year-on-year change in female director ratios for Canadian firms after 2014, confirming the existence of a kink in the trajectory of female director ratios following the amendment. Moreover, firms with all-male boards before the amendment – those most likely to be impacted by the OSC's announcement – exhibited a significantly larger increase. These findings are further evidence that the pronounced increase in female director ratios is a result of the OSC amendment.

These findings are notable given that the OSC amendment did not mandate increased gender diversity on boards but instead required firms to disclose their policies regarding board representation. So, what precipitated these changes? In its consultation paper proposing the amendment, the OSC stated that such disclosures provide investors and stakeholders with information on advancing women's representation on boards, which may in turn impact investment and voting decisions.[4] This suggests that the increase in board diversity post-amendment may result from shareholder pressure. We examine institutional investor engagements and voting outcomes surrounding the regulation to gain insights into how shareholders respond to the enhanced disclosures. We find that institutional investor engagements on board diversity increase after the amendment, followed by increased board

[4] See Section 4.2 (page 18) of the OSC Staff Consultation Paper 58-401 (July 30, 2013). https://www.osc.ca/en/securities-law/instruments-rules-policies/5/58-401/osc-staff-consultation-paper-58-401-disclosure-requirements-regarding-women-boards-and-senior

diversity and use of gender targets. Additionally, shareholders are increasingly likely to vote against nominating chairs (and committees) of firms with non-diverse boards post-amendment. Overall, the evidence suggests that the required disclosure of diversity policies led to an increase in board diversity, at least partly via investor engagement and voting.

To shed light on the relative costs of this principles-based regulation for shareholders, we run an event study around the OSC's first announcement that it would be introducing comply-or-explain requirements for board diversity. Firms most likely affected by the amendment – those without a voluntary female representation policy and those with an all-male board – exhibit positive and statistically significant cumulative abnormal returns around the announcement, with two-day abnormal returns of 1.4% and 2.0% respectively. In multivariate regressions, we find that these firms exhibit 1.2% higher announcement returns than other firms, and returns increase with the proportion of male directors on the board. Given that the market was previously made aware of potential board diversity regulation via an announcement from the Ontario government, our results indicate that the market reacted favorably to the news that the regulation would be principles-based rather than prescriptive. With some studies suggesting that board gender diversity mandates have significant compliance costs (Ahern and Dittmar, 2012; Hwang, Shivdasani and Simintzi, 2020); Greene, Intintoli and Kahle, 2020), our event study results are consistent with a principles-based approach mitigating some of the compliance costs associated with prescriptive board diversity mandates.

In addition to board gender diversity policies, the OSC amendment also included an executive gender diversity policy and the disclosure of director term limits. Our analysis indicates that it is unlikely that our results are driven by these components of the amendment. First, we find that there are no significant CARs around the announcement of the amendment for firms with all-male executives. Second, director term limits – a late January 16, 2014 addition to the amendment – does not induce statistically significant CARs for (i) all firms in our sample, (ii) for firms with all-male boards, (iii) firms without a disclosed voluntary diversity policy, nor for (iv) firms without a disclosed director term limit policy. Collectively these results suggest that the market reaction to the July 30th amendment was driven by the board gender diversity provisions rather than the executive gender diversity or board term limit provisions.

Our findings collectively suggest that a principles-based approach to director diversity regulation provides a viable alternative to rules-based governance when one prescription does not fit all. The choice between these two approaches ultimately depends upon a regulators' priorities. For a regulator that prioritizes increasing board diversity at any cost, a rules-based approach will

undoubtedly be most effective, as it allows a regulator to prescribe and enforce a board diversity target quickly. Our results suggest a principles-based disclosure regulation can still have the desired effect of increasing board diversity, albeit to a lesser extent and at a slower pace. For a regulator that also prioritizes limiting compliance costs, a principles-based approach may thus be a compelling option, and key similarities between Canada and other markets such as the U.S. and the U.K. are likely to make our results generalizable to such markets. In the next section, we discuss how our study fits into the existing literature.

II. Related Literature

There is inconclusive evidence on the impact of board and management gender diversity on firm performance (Dezso and Ross, 2012; Liu, Wei and Xie, 2014; Adams and Ferreira, 2009; Matsa and Miller, 2013). Consequently, studies have hypothesized that regulation aimed at increasing female board representation can have both positive and negative effects on shareholder value.

Existing evidence on director gender diversity regulation largely focuses on prescriptive regulation enforcing director gender quotas. Our study differs in that we focus on the introduction of board gender diversity rules under a principles-based/comply-or-explain mandatory-disclosure approach that is far less prescriptive than a mandatory quota. Consequently, whereas an enforced mandatory quota may be assumed to result in increased female presence on boards, the effectiveness of a principles-based approach cannot be taken for granted. How effective principles-based regulation is at increasing director gender diversity, particularly relative to mandatory quotas, is thus an important and interesting question that is yet to be fully answered. Our paper fills this gap providing evidence showing that even principles-based regulation that only mandates disclosure of gender diversity policies is followed by measurable increases in female board representation and the use of female director targets. Our findings thus indicate that the lower bound for the effectiveness of principles-based director gender diversity regulation is quite high.

Much of the existing evidence on the impact of mandatory director gender quotas is event-study based. Event studies of mandatory quotas in Norway (Ahern and Dittmar, 2012) and California (Hwang, Shivdasani and Simintzi, 2020; Greene, Intintoli and Kahle, 2020) point to a negative impact on shareholder value and are suggestive of high compliance costs. In contrast, Eckbo, Nygaard and Thorburn (2022) find that the effect of the Norwegian director gender law on shareholder value is statistically insignificant. Their findings are echoed by Allen and Wahid (2023) who show that the market reaction to the introduction of the California rules is also statistically insignificant and is, if

anything, positive. Still, Matsa and Miller (2013) report that the rules introduced in Norway are associated with a reduction in firm profitability. Overall, the evidence on the value effect of prescriptive regulatory approaches to gender diversity may be viewed as mixed. Our event study evidence points to an unambiguously positive market reaction for firms most affected by the principles-based regulation we study. Our evidence therefore suggests that principles-based regulation is perceived to be less costly for shareholders than more prescriptive regulation.

Our paper is broadly related to studies that contrast an agency cost view of governance reform (e.g. Bebchuk and Fried, 2003; Schoar and Washington, 2011), which contends that regulation is needed to override powerful managers to implement optimal governance practices, with a private ordering view (e.g., Demsetz and Lehn, 1985; Hermalin and Weisbach, 1998; Larcker, Ormazabal and Taylor, 2011), which purports that firms' chosen governance practices are optimal. Our findings suggest that a principles-based approach, which may be viewed as a hybrid between prescriptive regulation and private ordering, is likely to retain benefits of both approaches, such as broad compliance and flexibility, while mitigating many of their costs.

Our paper contributes to the literature on the impact of a principles-based approach to governance reform more generally (see Ford, 2008; Broshko and Li, 2006; Dahya, McConnell, and Travlos, 2002; Dahya and McConnell, 2007; Dahya, Golubov, Petmezas, and Travlos, 2019; and Arcot and Bruno, 2018). Consistent with Arcot, Bruno and Faure-Grimaud (2010) who focus on the UK, we find an increasing trend of compliance following the adoption of principles-based regulation (for director gender diversity in Canada) and that ownership structure is associated with the degree of compliance. In the context of principles-based regulation, we are the first to examine the effect of economic frictions on firms' compliance. Our findings indicate that economic frictions that vary across firms (e.g., access to qualified female directors due to geographical proximity or board connections) are the main determinants of firms' compliance. We are also the first to study the mechanism by which principles-based regulation affects corporate policies. Specifically, we find evidence that principles-based regulation enables institutional investors to engage with firms to promote board gender diversity and thus shed light on a mechanism behind compliance with principles-based regulation.

Finally, our study also speaks to the issue of mandatory enhanced disclosure, in the specific context of director diversity. In mandating firms to disclose a gender diversity policy or explain its absence, the form of the principles-based regulation we study resembles enhanced disclosure regulation, particularly given the absence of a best practice guideline. There is broad evidence on the benefits (Dye, 1990; Healy and Palepu, 2001; Leuz and Wysocki, 2008; Khurana, Pereira, and Martin,

2006; and Hope and Thomas, 2008), costs (Bushee and Leuz, 2005; Harris, 1998), and effectiveness (Perry and Zenner, 2001; Faulkender and Yang, 2013; Bakke, Mahmudi and Newton, 2020) of mandatory enhanced disclosure. We present evidence showing that requiring Canadian listed firms to disclose their director diversity policies created the benefit of increased female directorships while mitigating compliance costs associated with mandatory quotas. In the next section, we discuss the specifics of the OSC gender diversity policy that we study.

III. The Ontario Securities Commission's Gender Diversity Policy

Government support for regulatory action on board gender diversity in Canada, both federally and in Ontario, led the Ontario Government to signal its intention to introduce such regulation in May 2013.[5] This occurred when the government included the following statement in its annual budget: "the government strongly supports gender diversity on boards… the government will consider the best way for firms to disclose their approaches to gender diversity, with a view to increasing the participation of women on boards and in senior management." Subsequently, in a move not initially made public, the Ontario Securities Commission (OSC) was asked to begin a consultative process about the disclosure norms pertaining to gender diversity on June 14, 2013.

In response, the OSC issued a consultation paper on July 30, 2013. The paper proposed revisions to National Instrument 58-101 (Disclosure of Governance Practices) to incorporate the disclosure of gender diversity in a proposed "comply or explain" framework. Companies listed on the Toronto Stock Exchange (TSX) would be required to annually disclose policies—or their absence—pertaining to the representation of women on their boards and among executive officers. The OSC indicated that the proposed amendment was intended to bolster board effectiveness and corporate decision-making by requiring greater transparency for investors and other stakeholders regarding the representation of women on boards and in senior management positions of firms listed on the TSX. Notably, rather than compelling companies to diversify their boards and executive suites, the OSC's proposed changes would drive diversity improvements within corporate leadership through the public

[5] Based on government pronouncements and media reports, the forces driving the regulation stemmed from increased societal support for more female representations in leadership (e.g., politics, corporations etc.) and from the underrepresentation of females on Canadian boards and in executive officer positions relative to peer countries (i.e., the sense that Canada was a laggard and changing more slowly than other countries). Although there was broad governmental and societal support for regulatory action aiming to increase gender diversity on boards and in senior management, there was less agreement on how regulation should be enacted or regarding the strength and nature of any regulation. Additionally, business and investor groups seemed relatively receptive (or at least not strongly opposed) to regulatory action on gender diversity in corporate leadership, but more skeptical about prescriptive regulation.

disclosure of each firm's diversity practices.

After the period for initial comments concluded, a revised version of the proposal was published on January 16, 2014. This iteration included an additional requirement to disclose policies regarding director term limits—a feature not present in the original draft. This amendment received approval on November 28, and the OSC made a declaration on December 11, 2014 that the final amendment would come into force on December 31, 2014.[6] The final amendment, which has been in place since December 31, 2014, requires TSX-listed and certain other non-venture issuers in Ontario to include the following disclosure annually in their proxy circulars or annual information forms, as applicable:

1) whether there are any director term limits or an explanation for the absence of such limits;
2) the details of any policies regarding the identification and nomination of women directors or an explanation for the absence of such policies;
3) the board's or nominating committee's consideration of the representation of women in the director identification and selection process or an explanation for the absence of such consideration;
4) the consideration given to the representation of women in executive officer positions when making executive officer appointments or an explanation for the absence of such consideration;
5) targets (number or percentage) adopted regarding the representation of women on the board and in executive officer positions or an explanation for the absence of such targets; and
6) the number and proportion of women on the board and in executive officer positions.

Although the OSC amendment requires disclosure of items 1 – 6 above, the amendment is notable in that it does not require – or even recommend – a gender target quota. In fact, the amendment only requires firms to disclose *whether* they have adopted targets for women on the board or in executive officer positions. This is in sharp contrast to the quota mandates increasingly implemented in other jurisdictions. Even Nasdaq's Board Diversity Rule, which also takes a comply-or-explain approach, requires firms to have at least two diverse directors, or explain why they do not. The OSC takes a subtler stance by neither recommending a particular gender balance nor compelling firms to establish targets or quotas. Rather, the OSC amendment relies on the power of transparency: the belief

[6] For a complete timeline of events related to the Amendment to National Instrument 58-101 (Disclosure of Governance Practices), see Table B.1 in the Appendix.

that through the open reporting of a firm's diversity practices, stakeholders and investors are better equipped to assess and influence the diversity profile of corporate boards.

IV. Evolution of Compliance: How Does Disclosure Change Over Time?

A. Disclosures Around Board Diversity

To analyze firms' choices of whether to comply or explain with disclosures on board diversity, we manually collect data annually of firms' disclosed policies regarding female representation on boards from proxy statements for 2011-2018. For each firm, we record whether it has a diversity policy (item 2), whether it considers women in the director identification or selection process (item 3), and whether it has implemented a target for the number or percentage of women directors (item 5). We categorize firms into three distinct groups based on their adherence to these three aspects of the OSC amendment. "Full Compliers" meet all three criteria, complying with items 2, 3, and 5.[7] "Partial Compliers" adhere to items 2 and 3 but fall short of implementing a female director target (i.e., they do not comply with 5). "Explainers" comply with item 2 by disclosing a diversity policy but do not comply with items 3 and 5. It is important to note that disclosure of a diversity policy does not necessarily mean that the firm views board gender diversity in a positive light – some "Explainers" state that their board appointments are made based solely on merit or skill and do not take gender into account.

B. Levels of Compliance

Table 1 illustrates the evolution in compliance with the OSC's board diversity disclosure requirements. Prior to the OSC's initial public call for commentary on board diversity in July 2013, only about 12% of firms disclosed a diversity policy. However, in the wake of the OSC's announcement, there was a notable upswing, with 23% of firms reporting the existence of a diversity policy by the end of 2013, sharply increasing to 95% by 2014. Compliance became nearly universal after the official effective date of the amendment at the end of 2014, with all but two firms disclosing a diversity policy. By 2017, all firms disclose a diversity policy, with compliance of item 2 at 100%. Notably, though all firms disclosed a diversity policy, not all firms embraced board diversity. While some show a clear commitment to board gender diversity in their diversity policies, others are vocal in their reluctance to consider gender in board appointments, stating that they give precedence to the role

[7] Firms that comply with item 5 also comply with items 2 and 3. That is, all firms with a female director target also disclose a diversity policy and state that they consider women in the director identification or selection process.

of skills and experience in selecting board members. Such firms often maintain that they make board appointments based on merit without considering gender or racial attributes.

The trend for firms disclosing their consideration of women in the director identification or selection process (item 3) displays a similar trajectory. Prior to the OSC's announcement, only about 11% of companies take gender into account when identifying or selecting directors. Following the 2013 announcement this figure rose to 21%, indicating a growing awareness and response to the upcoming implementation of the amendment. With the OSC's policy implementation in 2014, compliance increased significantly to 89%. This high level of compliance persists through the end of the sample period, with 93% of firms disclosing their consideration of gender in the director identification or selection process in 2018.

Item 5 calls for companies to disclose whether they have set targets for female board representation. While the amendment did not mandate the form of these targets—whether as a percentage or a specific number—most firms that implement a target utilize a percentage. Common benchmarks include female director targets of 25%, 30%, and 33%. Before 2014, it was rare for firms to have gender targets in place. However, concomitant with and following the amendment's introduction in 2014, target adoption rose from 3% in 2013 to 15% in 2014, to 30% by 2017, and to 41% by 2018. This indicates a notable escalation in the embrace of quantifiable goals for the inclusion of women on corporate boards.

Figure 1 shows the proportions of firms that fall into one of three compliance categories. The solid line illustrates the full sample, with the long-dashed line representing firms with female directors in 2013, and the short-dashed line representing firms with all-male boards in 2013. Panel A shows the proportion of firms with a gender diversity policy (item 2). Panel B indicates a significant surge in the proportion of firms classified as Partial Compliers around the amendment, from 19% in 2013 to 74% in 2014. Firms with all-male boards in 2013 are more likely than firms with a female director in 2013 to fall into the Partial Complier category after the OSC amendment. However, the percentage of Partial Compliers diminishes for both groups after 2014 as firms advance to full compliance status. Indeed, over the sample period, Panel C shows a notable increase in Full Compliers: with just 6% in 2014, this figure rises to 30% by 2017, and then to 41% in 2018. Notably, the proportion of Full Compliers increases more substantially for firms that had all-male boards in 2013, exhibiting a nine-fold increase from 2014-2018, compared to a two-fold increase for firms that had at least one female director in 2013.

Panel D shows that the proportion of Explainers, firms with only a diversity policy (item 2), increases from 6% in 2014 to 8% between 2015 and 2017, then declines to 7% by 2018. After adopting a diversity policy, many firms begin to add items 3 and 5 (considering women in the director identification or selection process and setting targets for female board representation), moving from Explainers to Partial or Full Compliers. This progression underscores a shift towards increased adoption of structured gender diversity policies in board governance over time, even among firms that initially had no women directors. We find similar trends towards more supportive language regarding board gender diversity used in the proxy statements post-amendment (see Internet Appendix Table D.1 and Figure D.1).

B.1. Multivariate Analyses of Determinants of Compliance

We next study cross-sectional differences that explain varying levels of compliance with the OSC amendment. We posit that firms facing greater frictions in identifying and appointing female directors are less likely to adopt more female friendly diversity policies. We measure these frictions using two proxies capturing a firm's access to female directors: (1) the fraction of female directors on corporate boards in the province where the firm is headquartered, and (2) the average number of interlocks between the board's directors and female directors on other firms' boards. We expect higher values for both proxies to predict a greater likelihood of adopting more friendly gender diversity policies post-amendment.

Building on the idea that a firm's culture can be influenced by its connections with other firms, we posit that firms with directors who are interlocked with directors of other firms that have already implemented board diversity practices will be more likely to adopt such practices themselves. Specifically, we use the following network variables to measure the influence of director networks on board diversity policy: (1) the number of board interlocks with directors at firms that consider gender diversity in board nominations, and (2) the number of board interlocks with directors at firms with female director targets.

Finally, we posit that firms whose management is insulated from market pressures are more likely to eschew board diversity practices, opting to explain rather than comply. To capture whether management is shielded from market pressures, we consider whether the firm is a controlled corporation, measured by dual-class voting shares or closely-held shares exceeding 30% of shares outstanding, and we also control for board independence. In the same vein, we posit that firms with greater media coverage are more likely to comply, as they are likely subject to more external scrutiny.

We measure media coverage by the number of times a firm is cited in the *Financial Times, Financial Post*, and *Toronto Star* during the year. Additionally, we control for board characteristics such as size, average age and tenure of directors, average degree centrality of a board's directors based on the number of other directorships ever held, and firm characteristics such as total assets, market-to-book assets, return-on-assets, institutional ownership, and debt/assets. All specifications include year and one-digit-SIC industry fixed effects.

We report the results of multivariate linear probability regressions in Table 2.[8] Model 1 examines the determinants for full compliance for the entire sample, with the dependent variable indicating whether the firm is a Full Complier (i.e., complies with items 2, 3 and 5). We find that firms headquartered in provinces with a higher female director ratio are more likely to be Full Compliers, as are those with more connections to firms with female directors and to other firms that are also Full Compliers. These results are statistically significant at the 5% and 1% levels, respectively. Firms with greater media coverage are also more likely to be Full Compliers, while controlled corporations are less likely to be Full Compliers.

The economic significance of these results is substantial. A one standard deviation increase in the female director ratio for firms headquartered in the same province increases the probability of full compliance by 8.1 percentage points, indicating that access to qualified female directors is a key determinant of full compliance. Similarly, a one standard deviation increase in the average number of interlocks with female directors is associated with 7.3% higher likelihood of full compliance. Connections through the director's network also are important, as a one standard deviation increase in the average number of director interlocks with fully complying firms increases the probability of full compliance by 10.5 percentage points. By contrast, controlled corporations have an 11.2 percentage point lower probability of full compliance, suggesting that agency problems may partly explain why some firms avoid full compliance.

Model 2 examines the determinants of full compliance by comparing Full Compliers with Partial Compliers (excluding Explainers). The determinants of full compliance in model 2, where we compare Full Compliers to Partial Compliers, are similar to those in model 1, where we compare Full Compliers to both Partial Compliers and Explainers.

In Model 3, we examine the determinants of a firm's choice to partially comply versus explain, focusing on Partial Compliers and Explainers (neither category utilizes female director targets). The

[8] Results are similar using logistic regressions.

dependent variable equals one for Partial Compliers and zero for Explainers. A one standard deviation increase in the ratio of female directors in the firm's home province is associated with a 3.9 percentage point increase in the likelihood of partial compliance, significant at the 10% level. This suggests that constraints in the supply of qualified female directors negatively impact a firm's decision to consider gender diversity in its director nominations. We do not find that differences in corporate governance characteristics, such as board size, board independence or controlled corporations, influence the decision to partially comply. Notably, results are similar when using an indicator for whether a firm is headquartered in Calgary (where energy and mining firms, which have fewer female directors, are prevalent) as an alternative proxy for the geographical supply of female directors (see Internet Appendix Table D.2). However, these results may be influenced by an omitted variable, such as corporate culture, that negatively affects both the prevalence of female directors and the choice to partially comply.[9]

In model 4, among the subgroups of firms that do not have a target for female director representation (Partial Compliers and Explainers), we explore the determinants of firms that indicate they select directors based on skills and experience, or that director appointments are based only on merit. We find that firms headquartered in provinces with a lower ratio of female directors and those with fewer interlocks with female directors are more likely to indicate that skills and experience are the key factors in director nominations (statistically significant at the 10% and 1% level, respectively). Firms with a greater percentage of independent directors are also more likely to indicate skills and experience (and not gender) as criteria used to nominate their directors (statistically significant at 10% level).

Overall, the findings in Table 2 indicate that frictions, such as geographical proximity to female directors and connections to female directors within the existing directors' professional networks, significantly influence a firm's compliance with the OSC amendment's gender diversity policies. Additionally, there is some evidence suggesting a negative relationship between corporate governance quality and the level of compliance.

V. The Effects of the Policy: Did Canadian Firms Add Women to Their Boards?

Unlike mandates that enforce increased diversity, it is uncertain whether the OSC's principles-based approach will have a meaningful effect on board diversity. On the one hand, by requiring firms

[9] Including firm fixed effects could potentially help rule out the effect of corporate culture. However, variables such as the ratio of female directors in the province and controlled corporation indicator are largely time invariant.

to disclose their compliance or explain non-compliance, the OSC amendment enables capital markets to evaluate the effectiveness of a firm's diversity policies, potentially increasing stakeholder pressure to improve board diversity.[10] On the other hand, the amendment may be too weak to address the under-representation of women on corporate boards, as it permits firms to choose whether to comply with the disclosure requirements. Ultimately, the onus is on investors to judge the adequacy of a firm's policies on social issues like female representation in the boardroom (see e.g., Hart and Zingales, 2017). In this section, we assess the impact of the OSC amendment on board gender diversity by analyzing changes in the gender composition of Canadian boards before and after the amendment's introduction. Our sample consists of Canadian-listed firms in the S&P TSX Composite Index at any point during our sample period, with directorship data in BoardEx and financial data in Compustat, resulting in 296 unique firms.

A. Changes in Board Composition

During the three-years prior to the OSC amendment (2011-2013), only 20% of firms appointed a female director. In contrast, more than half of all firms (51%) appointed a female director in the three years after the amendment (2015-2018). The response was particularly strong among firms with all-male boards in 2013: ~59% added a female director within four years post-amendment, compared to 48% of firms that already had at least one female director in 2013 (see Internet Appendix Figure D.2).

These data demonstrate that Canadian firms increasingly added women to the boards post-amendment. However, it remains unclear whether this increase is directly attributable to the OSC amendment or part of a broader trend. To address this, Figure 2 shows the annual trend in the average proportion of female directors on Canadian boards from 2011-2018, compared with various samples of U.S. firms as controls. For Canadian-listed firms, the solid line in Panel A reveals a noticeable kink – a steepening of the upward trend – after 2013, suggesting that the amendment prompted firms to accelerate the appointment of female directors, raising the average rate at which women are added to boards. This increased rate persists for the remainder of our sample period. For comparison, Panel A also tracks U.S. firms in the S&P 500 at any point between 2010 and 2016. The U.S. firms, which are not subject to any such regulation during our sample period, do not exhibit the same trend after 2014, reassuring us that this phenomenon is unique to Canadian firms and is thus plausibly a consequence of

[10] Under this regulation, firms are required to disclose details of any policies concerning the identification and nomination of women directors and whether the firm has adopted a target for the representation of women on the board. Therefore, the newly disclosed information would not otherwise be easily available to investors and thus the enhanced disclosure in the amendment may plausibly influence investor behavior.

the OSC's amendment.

In Panel B, we compare Canadian firms to U.S. firms matched on total assets and one-digit SIC industry.[11] U.S. firms are geographically proximate and more closely linked to Canadian firms in terms of board connections, culture and business relationships relative to firms in other countries and thus present a plausible control group. Interestingly, prior to the amendment, the average female director ratio is similar for both groups, but after the OSC amendment, an upward kink appears only for the Canadian sample. In Panel C, we compare Canadian firms cross-listed on a U.S. stock exchange (and thus subject to both Canadian and U.S. exchange regulations) to matched U.S. firms (subject only to U.S. regulations). Despite being governed by SEC regulations, cross-listed Canadian firms display an upward kink and an increased trajectory post-amendment, a pattern not observed in their U.S.-based counterparts. These findings further support the conclusion that the kink in the female director ratio on Canadian boards is driven by the OSC amendment.

Next, we compare pre-treatment firm characteristics of the treated and control firms used in the analyses in Panels B (full sample) and C (Canadian cross-listed firms) to make sure that the two groups are similar prior to OSC's rule. As shown in Table D.3, the Canadian treated and matched U.S. control groups are similar, as we find only a couple of statistically significant differences between the means of observable characteristics of the two groups (ROA and institutional ownership are higher for the matched U.S. control group). Prior literature suggests that higher institutional ownership may lead to increases in board gender diversity, but we observe higher institutional ownership in the U.S. matched control firms, suggesting that differences in institutional ownership are unlikely to explain our findings. Importantly, the two groups are similar in female director ratio and the rate of change in this ratio, suggesting parallel trends in the outcome variable prior to the amendment. The overall similarity in observable firm characteristics is reassuring because it makes it less likely that unobserved differences between the groups are driving our results.

The regressions reported in Table 3 confirm the statistical significance of the patterns shown in Figure 2. The unit of observation is firm-year, with the dependent variable being the proportion of a firm's board consisting of female directors. The sample period is 2011-2018. Control variables include the level of compliance in the prior year, institutional ownership, media coverage, total assets, market-to-book assets, return-on-assets, and debt/assets. All specifications include firm fixed effects and focus exclusively on Canadian-listed firms. In model 1, the coefficient on the post-2014 indicator

[11] Only Canadian firms with an available match are included.

is significantly positive, indicating that the representation of female directors increased by about 7.4 percentage points, on average, following the 2014 OSC amendment.

In model 2, we include independent variables for partial and full compliance and find that the post-2014 indicator remains statistically significant, though the magnitude of the effect is slightly reduced compared to model 1. Model 2 shows that partial compliance is associated with a 2.8 percentage point increase in the female director ratio the following year,[12] while full compliance, which includes disclosing a director gender diversity target, is associated with a 6.1 percentage point increase. Given that female directors accounted for an average of 10% of directors in Canadian firms before the amendment, these results imply that partial compliance leads to a 28% increase in female director representation, with full compliance leading to a 61% increase. In model 3, these findings remain statistically significant when we replace the post-2014 indicator variable with year dummies.

A.1. DiD with U.S. Control Sample

The increase in board gender diversity observed in the previous section may reflect a broader positive trend in female representation rather than a direct response to the OSC amendment. To better isolate the effect of the OSC amendment, we employ a DiD approach in Table 4.[13] In model 1, we compare Canadian firms with all U.S. listed firms in the S&P 500 (similar to Panel A of Figure 2). The coefficient on "Canadian Firm×Post-2014" in model 1 suggests that following the amendment, Canadian firms increased female director representation by about 3.3 percentage points more, on average, than U.S. firms during the same period. In model 2, we match U.S. firms to Canadian firms based on total assets and one-digit SIC industry, and in model 3, we match Canadian firms cross-listed on a U.S. exchange with firms listed only in the U.S. In both cases, we find a similar relative increase in female director representation for Canadian firms (4.2 and 3.8 percentage points, respectively). Since female directors accounted for an average 10% of directors in Canadian firms before 2014, the coefficients imply that the OSC amendment is associated with a 38% to 42% increase in female director representation.

A.2. Societal Trends

Are the observed changes in board gender diversity attributable to the OSC amendment or

[12] It is important to point out that no firms regress in terms of compliance. For example, no firm that is fully complying with the regulation switches to mixed compliance in later years.

[13] Unlike the tests in Table 3, we are unable to study the effect of the level of compliance on female director representation in the DiD specifications in Table 4 as the control group consists of matched U.S. firms and compliance with OSC's regulation is not well-defined for such firms.

could they be attributable to other contemporaneous trends? For example, societal trends that led to the OSC regulation may have also influenced institutional investors' attitudes towards board diversity. Consistent with this conjecture, studies such as Giannetti and Wang (2023) show that U.S. firms are more likely to appoint women to their boards during periods of heightened public attention to gender equality. For societal trends to explain the increase in female board representation, these trends would need to affect our treatment group (Canadian firms) differently from our control group (matched U.S. firms). To better assess this, we construct a measure of societal trends using Google Search Trends to construct an index of public attention to gender diversity.[14]

We argue that Search Volume Indices (SVI) are a strong indicator of societal trends for several reasons. First, as Da, Engelberg, and Gao (2011) argue, SVIs capture millions of users' collective interest in an issue better than news coverage. Second, SVIs have proven useful in various contexts. For example, Google searches accurately estimate influenza epidemics across different countries (Ginsberg et al., 2009) and can forecast useful economic indicators like home sales and automotive sales, etc. (Choi and Varian, 2012). Additionally, Google searches for specific firms are reliable proxies for investors' demand for information about them (Drake, Roulstone and Thornock, 2015). Finally, directly related to our purpose, Giannetti and Wang (2023) use SVI data to measure public attention to gender equality and show that firms are more likely to appoint women directors during periods of heightened public focus on gender issues.

We plot the 12-month moving average of the monthly Google SVI for the term "Gender Diversity" from January 2011 to December 2018 in Canada and the U.S. (see Internet Appendix Figure D.3). Public attention to gender diversity rises sharply in the latter part of our sample, with a similar pattern in both countries. The correlation between the SVI time series for the U.S. and Canada is 0.91, indicating that societal attention to gender diversity was highly correlated between the two countries during this period. This high correlation suggests that both the U.S. control firms and Canadian treated firms in our study are subject to similar societal trends. Therefore, as previously argued, the DiD specification in Table 4 effectively isolates the impact of the OSC regulation from broader societal trends, bolstering our confidence that the observed effects are attributable to the regulation.

[14] Google Search Trends constructs the Google Search Volume Index (SVI) starting from January 2004 as the ratio of the monthly total queries for a specific search term or topic in a given geographical region relative to the total number of queries in the same month and region. Google rescales the monthly ratios in a given time period so that the month with the highest (lowest) search intensity for the given search term or topic gets a value of 100 (0). Google Search trends provide the time series SVI for the U.S. as well as for Canada.

A.3. Changes within the Canadian Sample

To ensure that our results are not an artifact of our choice to use U.S. firms as control groups, we next examine changes in the female director ratio within Canada alone. Specifically, we focus on the trajectory of female director ratios of Canadian firms as shown in Figure 2, where there is a visible kink in 2014 when the new OSC rules were passed, indicating an increased rate of change in female director ratios post-regulation. To verify the statistical significance of this kink, we examine the year-on-year change in the female director ratios of Canadian firms over the 2011-2018 sample period by estimating the following regression specification:

$$\Delta\, Female\ Director\ Ratio_{i,t} = \alpha + \sum_{j=2012}^{2018} \theta_j \cdot \times\, \mathbb{1}[Year = j] + \varphi_{i,t} \cdot Controls + \gamma_i + \varepsilon_{i,t}\ .$$

Observations are at the firm-year level, with *i* indexing firms and *t* indexing calendar years. The dependent variable is the percentage point change in the proportion of a firm's board consisting of female directors between the current year, *t,* and the previous year, *t-1*. Control variables include Log(Assets), Market-to-Book Assets, ROA and Debt/Assets. Firm fixed effects (γ_i) are included, and $\varepsilon_{i,t}$ is an error term. The variables of interest are year indicator variables, with the omitted year being 2011 (the benchmark year). Results are presented in Panel A of Figure 3, which plots the coefficient estimates, θ_j, of the percentage point change in the female director ratio in each year, relative to 2011, with error bars that indicate 95% confidence intervals for the coefficient estimates.

Panel A of Figure 3 shows that in the pre-regulation period (2012 and 2013), changes in Canadian firms' female director ratios are not statistically different from the benchmark year, 2011. However, in 2014, there is a distinct and statistically significant increase of about 2 percentage points in the annual change in female director ratios relative to 2011. The elevated rate of change persists at a similar magnitude of between 1.5 to 2 percentage points and remains statistically significant through 2018. These findings confirm a statistically significant increase in the rate of change in female director ratios for Canadian firms following the OSC amendment, validating the kink observed in Figure 2.

We next examine variations within the sample of Canadian firms to investigate whether the rate of change in female director ratios differs for firms with all-male boards. We augment the regression from Panel A by adding an interaction between the year indicator and an indicator for firms with all-male boards as of 2013 as follows:

$$\Delta\, Female\ Director\ Ratio_{i,t} = \alpha + \sum_{j=2012}^{2018} \beta_j \cdot All\ Male\ Board_{i,2013} \times \mathbb{1}[Year = j] + \sum_{j=2012}^{2018} \theta_j \times \mathbb{1}[Year = j] + \varphi_{i,t} \cdot Controls + \gamma_i + \varepsilon_{i,t}\ .$$

Panel B of Figure 3 displays the coefficient estimates, β_j, of the difference between the change in the female director ratio for firms with all-male boards and firms with female directors, relative to 2011.[15] The figure indicates that following the amendment in 2014, firms with all-male boards in 2013 increased their female director ratios by about 1.5 percentage points more than firms with female directors in 2013 (the difference is statistically significant at the 10% level). The increase persists with similar magnitudes (of between 1 to 3 percentage points) through 2018 and is statistically significant (at the 5% level) in all subsequent years except 2016. The results indicate that, between the pre- and post-regulation periods, firms with all-male boards exhibited a larger increase in the rate of change in female director ratios than did firms with female directors. This pattern is consistent with Panel B of Figure D.2, which showed that firms with all-male boards were more likely to add female directors in the post-regulation period. These results, which are akin to examining how a difference-in-differences coefficient changes dynamically over time, help address our concerns that our findings in Table 4 are driven by another Canada specific event that also affects female ratios. That is, the results shown in Figure 3 make it less likely that the results in Table 4 are an artifact of the choice of using U.S. firms as a control group.

In addition to board representation, the OSC amendment requires listed firms to disclose policies regarding female representation in the top executive team. Although the focus of our study is board representation, we also examine changes in the composition of the top named executives (from annual proxy circulars) in the years surrounding the OSC amendment. The increase in the annual average proportion of female top executives at Canadian firms between the pre- and post-regulation periods is much smaller than for female directors, increasing from 6% to 8.9% between 2011 and 2018 (vs 10% to 22% for directors). Moreover, similar analyses to those in Table 4 do not show substantial evidence of an increase in female executive ratios among Canadian firms relative to U.S. firms (see Internet Appendix Table D.4). We suggest the reason the OSC regulation impacted board gender diversity but not executive gender diversity is due to the higher costs associated with replacing top executives. Directors are up for election annually and can be added without displacing an existing

[15] This methodology is similar to the dynamic leads-and-lags model – also utilized in studies such as Autor (2003), Atanasov and Black (2016), Jeffers (2019) and Xu and Kim (2021) – that allows for inference in regard to whether differences in the dependent variable between the treatment and control firms each year are statistically different relative to the difference in the omitted benchmark year in the pre-shock period (2011 in our analysis).

board member. Furthermore, institutional investors who acted upon the regulation appear to have been focused on improving female board representation (see Section V below), and media coverage of the regulation's initial announcement appears to be more focused on board composition rather than that for executives.[16]

VI. Mechanisms

Our analysis thus far shows that firms increasingly implement gender diversity policies following the OSC amendment. Moreover, even though the amendment contained no explicit requirement to increase board gender diversity nor did the OSC propose "best practices" guidelines for board gender diversity, female board representation significantly increased post-amendment (an economically significant 38% increase relative to U.S. firms). Additionally, we observe a positive association between a firm's diversity disclosures and its female director ratio in subsequent years, suggesting a link between disclosure and board diversity. These findings are thus somewhat surprising, given that the only *requirements* of the amendment are with regard to disclosure of the firm's gender diversity policy and female ratios. In fact, this was a point of contention among some institutional investors who felt the OSC amendment should have gone further. In its 2014 response to the amended OSC Consultation Paper, the Canadian Coalition for Good Governance (CCGG), an association comprised of large Canadian institutional investors, argued that the amendment should include "best practices" guidelines rather than just disclosure requirements: "We believe establishing positive guidelines with which companies can comply or explain why they chose not to comply, which is a true "comply or explain" regime, is more likely to promote change than simple disclosure requirements."[17] CCGG's position was that the OSC policy fell short by not providing clear guidelines for good gender diversity practices.

Given that the OSC amendment neither required firms to diversify their boards nor provided explicit guidance on "best practices" for board diversity, what prompted Canadian firms to increase board diversity after the amendment? The OSC's initial consultation paper offers insights: "These types of disclosures are intended to provide investors and other stakeholders with information on the issuer's approach to advancing the representation of women on boards and in senior management,

[16] See e.g. *The Global and Mail*, Janet McFarland (July 30, 2013), "OSC proposes gender equity policy for boards." and *CBC News* (July 30, 2013), "OSC pitches gender equality on corporate boards."

[17] See April 16, 2014 letter from CCGG to the OSC providing commentary to the amendments proposed by the OSC in January 2014 (page 6): https://ccgg.ca/wp-content/uploads/2019/03/submission_to_osc_april_16_2014__re_disclosur_gading_women_on_boards_and_in_senior_mgmt.-1-1-1.pdf

which in turn may impact investment and voting decisions."[18] This suggests that shareholder pressure, particularly from institutional investors, may have been a key channel driving the increase in board diversity after the OSC amendment. Indeed, Gormley, Gupta, Matsa, Mortal and Yang (2023) find that campaigns launched in 2017 by "The Big Three" institutional investors in the U.S., aimed at increasing gender diversity on corporate boards, led to a significant rise in the number of female directors.

To gain insight into how enhanced disclosure required by the OSC amendment may have empowered shareholders to influence board diversity in Canada, we examine engagements by a major coalitions of institutional investors in Canada: the Canadian Coalition for Good Governance (CCGG). We also analyze voting outcomes for nominating committee chairs to determine whether shareholders became more likely to express dissatisfaction with a lack of board diversity through their votes after the amendment.

A. Institutional Investor Engagement

The Canadian Coalition for Good Governance (CCGG) was established in 2003 by institutional investors to promote improved corporate governance practices among Canadian public companies. CCGG currently represents 51 major institutional investors in Canada, accounting for approximately 22% of the total institutional ownership of Canadian firms in our sample, with $5.5 trillion in assets under management. Since 2008, CCGG has engaged directly Canadian public company boards on various governance issues. These board engagement meetings offer a private forum for dialogue and exchange of views between independent directors and institutional investors.[19] The CEO of CCGG stated, "Board engagements are the appropriate forum to discuss a company's governance practices, including shareholder rights, board composition, executive compensation, and board oversight of corporate strategy and material business risks…."[20]

We obtained proprietary data from CCGG on all its engagement meetings with Canadian companies from 2008-2018. Panel A of Table 5 summarizes these engagements. On average, CCGG engages about 40 companies on any subject annually. We received a summary report for each engagement, allowing us to categorize what was discussed, and particularly whether board gender diversity was among the issues raised. Notably, as shown in columns 3, 4 and 5, there was no discussion of board gender diversity in any engagement meeting before 2012. While the topic began to surface in

[18] See Section 4.2 (page 18) of the OSC Staff Consultation Paper 58-401 (July 30, 2013).
[19] https://ccgg.ca/engagement-program/
[20] See CCGG's Annual Report on 2023 Engagement Season: https://ccgg.ca/engagement-program/

2012 and 2013, there was a marked increase after 2013 in how often board gender diversity was among the issues discussed. For example, of the 36 engagements in 2014, 27 (75%) included discussions on board gender diversity. Gender diversity continued to be a popular topic representing 59% of all engagements in 2015, and about 40% in 2016 and 2017. Interestingly, many discussions on board gender diversity during engagement meetings were not initiated by CCGG; instead, firms themselves often used these meetings to inform CCGG of their actions regarding board diversity. In 2014, 42% (15 out of 27) of gender diversity discussions were proactively initiated by firms' updating CCGG on their progress toward board diversity, followed by 37% in 2015. By 2018, 25% proactively mention board diversity. These statistics suggest that OSC amendment's disclosures requirements may have heighted boards' focus on diversity, particularly in the years immediately following the amendment. The last column of Panel A shows the percentage of all engagements in which CCGG questions the firm on its board gender diversity. Examples include CCGG asking whether the board has considered the issue of gender diversity, whether the board is considering gender when adding new directors, whether directors believe it makes sense to have one or more females on the board, CCGG asking what the board is doing to find appropriate female candidates, or asking directors to comment on the lack of gender diversity on their board.

Panel B estimates the impact of CCGG's activism on female corporate board representation. The dependent variable is the proportion of a firm's board made up of female directors. *CCGG Engagement Fixed Effect* is an indicator equal to 1 if CCGG questioned the firm on director gender diversity in any year in our sample (between 2011 and 2018). *CCGG Post-Engagement* is an indicator variable that equals 1 if CCGG questioned the firm on director gender diversity in a prior year (i.e., equals 1 in year *t* and all subsequent years if a firm was engaged in year *t-1*). All models are linear probability models and include year fixed effects. Models 1 and 2 include one-digit-SIC industry fixed effects while models 3 and 4 include firm-fixed effects. Models 2 and 4 also include observable firm characteristics and governance controls.

The coefficient of our main explanatory variable (*CCGG Post-Engagement*) indicates the change in the female director ratio following CCGG's engagement, relative to firms not engaged on gender diversity during this period. The coefficient is positive and statistically significant in three of the four models, demonstrating that CCGG engagements on gender diversity lead to a higher subsequent female director ratio. In terms of economic significance, the coefficient in model 2 suggests an increase of about 3 percentage points in the female director ratio following CCGG's engagement. The negative and statistically significant coefficient on *CCGG Engagement Fixed Effect* indicates that

firms targeted by CCGG have a female director ratio that is, on average, 3 percentage points lower. This suggests that CCGG targets firms with lower female board representation and that these engagements result in an increase in female board representation. Our findings are consistent with Doidge, Dyck, Mahmudi and Virani (2019), who study CCGG engagements related to the adoption of majority voting, say on pay, and specific compensation policies – but not diversity policies – and find that firms engaged by CCGG are more likely than non-engaged firms to adopt CCGG's specific governance proposals.

We acknowledge potential caveats to these findings. First, firms engaged by CCGG are not randomly selected, raising concerns about causal interpretation. Engaged firms might have improved board gender diversity even without these engagements. However, consistent with a causal interpretation, CCGG are unlikely to expend scarce resources to engage firms that already plan to make these governance changes. Moreover, we show that CCGG targets firms with lower female board representation (without a gender diversity target), and we find that these engagements are followed by increases in female board representation. Second, it's possible that an omitted variable (e.g., the same societal trends that spurred the OSC regulation) affected institutional investors' attitudes towards board diversity around 2014 and led to their engagements. While we acknowledge this possibility, our discussions with CCGG suggest enhanced disclosure of the OSC amendment facilitated their engagement efforts. Catherine McCall, CEO of CCGG noted that the OSC amendment provided their institutional investors members "meaningful information and disclosure, allowing them to express their disapproval of a lack of diversity by voting against one or more directors."[21]

B. Voting Outcomes

The OSC stated that its gender disclosure regulation aimed to provide investors and stakeholders with information on a company's efforts to advance women's representation on boards and in senior management, suggesting these disclosures might influence investment and voting

[21] A related initiative is the 30% Club, which is a global initiative led by Chairs and CEOs committed to increasing gender diversity at the board and executive levels, advocating for a minimum 30% women on boards and in C-suites worldwide. The Canadian Chapter, which includes the 30% Club Canada Investor Group, was launched in 2015. The Investor Group, which began engagements in 2017 (3 years post-amendment), specifically engages companies to implement gender targets. This is in contrast to CCGG, which began engaging firms on board diversity prior to the amendment. Notably, in its initial statement of intent, the 30% Club Investor Group refers to the OSC amendment and calls on companies to disclose their diversity policies (see http://30percentclub.org/wp-content/uploads/2021/10/30-Club-Canadian-Investor-Group-Statement-of-Intent.pdf). Jennifer Coulson, the current Chair of the Investor Group, emphasized to us that the OSC regulation is crucial because "it becomes hard to implement [engagements] if we don't have data [on board gender diversity]" and highlighted that the regulation's greatest benefit was in making data on board composition widely available, allowing them to assess firms' efforts to increase female representation.

decisions. Notably, CCGG indicates that their members may withhold votes based on diversity considerations. CCGG's Gender Diversity Policy notes, "Investors are looking to see the extent of diversity when evaluating a company and boards are increasingly facing investors' higher expectations in this area," and also mentions that "several of CCGG's members have proxy voting guidelines that recommend voting to withhold from some directors in certain circumstances where gender diversity is considered to be inadequate."

The OSC amendment requires firms to disclose their stance on board diversity, giving investors additional data upon which to act. This increased post-amendment disclosure provides investors with information which may allow them to express dissatisfaction with board diversity. We posit that investors will be more likely to express such dissatisfaction via votes against the chair of the nominating committee post-amendment when firms must disclose their stance on board diversity. To analyze whether the OSC regulation impacted voting decisions in director elections, we obtain shareholder voting data from ISS and from the Johnston Centre for Corporate Governance Innovation at the University of Toronto.[22] Since the ISS data for Canadian firms starts in 2013, our analysis in Table 6 covers 2013-2018 (two years pre- and four years post-regulation). The dependent variable is the percentage of votes withheld and against, reflecting the lack of support for the chair of the nominating committee. The main explanatory variables are the interaction of female director ratio and a post regulation dummy (*Post-2014×Female Director Ratio)* in models 1 and 3, and the interaction between gender diversity target dummy and post regulation (*Post-2014×Female Director Target*) in models 2 and 4. All specifications are OLS regressions with year fixed effects. Models 2 and 4 also include firm characteristics and governance controls. Models 1-4 include one-digit-SIC industry fixed effects, while models 5 and 6 include firm fixed effects.

In Table 6, the coefficient on *Post-2014×Female Director Ratio* is negative and statistically significant in models 1 and 3, indicating that after the OSC amendment, firms with lower female director ratios receive less voting support for the chair of their nominating committee than they did before the amendment. Similarly, the negative and statistically significant coefficient on *Post-2014×Female Director Target* in models 2 and 4 suggests that after the amendment, not having a director gender target is associated with less voting support for the nominating chair than it was before the amendment.[23] These results are consistent in models 5 and 6 with firm-fixed effects. In terms of

[22] We use data from the Johnston Centre when data are not available in ISS for our sample firms.

[23] Notably, we find no relation between having a gender target and voting support and mixed evidence between the female director ratio and voting support in the pre-regulation period. Thus, female representation in the boardroom

economic significance, the coefficient in model 5 implies that after the OSC amendment, a one standard deviation lower female director ratio results in 3.7% lower voting support for the nominating committee chair, while the coefficient in model 6 suggests that not having a gender target results in 5.2% lower voting support relative to the pre-amendment period. In untabulated regressions, we find similar results using the average votes withheld and against the nominating committee as the dependent variable (as opposed to the nominating chair).[24]

C. Summary of Mechanisms

Although the amendment did not explicitly provide "best practices" guidelines, it was designed to give investors insights into firms' board diversity practices, potentially influencing investment and voting decisions. Following the regulation, the OSC facilitated access to this information by mandating the disclosure of firms' board diversity practices. The evidence suggests that the OSC's reasoning was correct: board diversity increased even without an explicit mandate. This increase appears to be driven at least in part by investor pressure: post-amendment, institutional investor engagements on board diversity increase, and investors are more likely to vote against nominating chairs and committees of firms with non-diverse boards. Overall, the disclosure of diversity policies required by the amendment contributed to increased board diversity through investor engagement and voting.

VII. How Did the Market React to the Policy Announcement?

In this section, we study market reaction to the OSC policy to understand how the principles-based policy was perceived by shareholders.

A. Identifying the Event Date

In studying the market reaction to the OSC amendment, we primarily focus on the announcement of the policy released on July 30, 2013. Although the Ontario Government publicly announced its intention to consider regulating gender diversity on boards in May 2013, it provided no details, leaving the market uncertain about key issues such as the prescriptiveness of the regulation and whether targets for female directorships would be required. This uncertainty was compounded by the

and the use of gender diversity targets become of paramount importance to nominating committees voting support after the OSC gender diversity regulation.

[24] In 2018, ISS adopted a gender diversity policy for S&P/TSX composite index companies suggesting to withhold votes for the Chair of the Nominating Committee where (1) the company has not disclosed a formal written gender diversity policy and (2) there are zero female directors on the board. Given that the change in ISS's proxy voting guidelines for TSX listed companies happened after our sample period ends (2018), it is unlikely that this change would be contaminating our results that are obtained around OSC's proposed amendment in 2014.

OSC's shift from a "comply or explain" policy on majority voting for director elections to a mandatory policy in June 2013. This shift in the policy for majority voting is likely to have contributed to uncertainty over whether the OSC's board gender diversity regulation would be principles- or rules-based. The July 30 announcement was pivotal as it confirmed that the gender diversity regulation would follow a "comply or explain" format, resolving uncertainty. The final rules adopted on December 31, 2014 were largely consistent with the July 30 consultation paper, with the only addition being requirements for director term limits. The July 30 announcement was also covered by the *Globe and Mail* (a prominent Canadian news outlet), underscoring the significance and interest in the proposed policy.[25] We conduct an event study around the OSC's release of its proposed rules on July 30, 2013. We compute cumulative abnormal returns (CARs) around the announcement following standard event study methodology (see e.g., Campbell, Lo and Mackinlay, 2012). The data requirements for computing the CARs result in a sample of 274 firms.[26]

B. Identifying Firms Most Affected by the OSC Amendment

We posit that firms with all-male boards and those that did not disclose gender diversity policies before the OSC's July 2013 announcement are likely to be most impacted by the amendment. In contrast, firms that had already disclosed a gender diversity policy or had at least one female director may have been seen as being already compliant with the diversity disclosure requirement and thus less impacted. Using BoardEx, we identify 127 firms with all-male boards in 2013, while the remaining 147 firms had at least one female director. We determine which firms had a voluntary gender diversity policy by reviewing proxy circulars for the 2013 fiscal year. Given the lack of guidelines before the amendment, we classify firms that explicitly state that they have a board gender diversity policy or express a commitment to board gender diversity as having such a policy. In 2013, 61 firms disclose having a gender diversity policy or consider gender diversity in director nominations, while the remaining 213 firms do not.

C. Announcement Returns

Table 7 reports the average CARs in the (0,0), (0,+1) and (-1,+1) announcement windows, along with t-statistics and p-values for testing whether the average CARs are statistically different from

[25] *The Global and Mail,* Janet McFarland (July 30, 2013), "OSC proposes gender equity policy for boards."

[26] We use a 4-factor return model (Fama and French, 1993, Carhart, 1997) and a 250-day estimation window ending on day -30, with at least 60 observations. We obtain stock return data from Datastream.

zero, following Kolari and Pynnonen (2010).[27] While the average CAR during these windows is positive but not statistically significant, firms without a disclosed voluntary female representation policy and those with all-male boards exhibit positive and mostly statistically significant announcement CARs (at the 5% and 1% level, respectively). Specifically, the two day (0,+1) CAR is 1.4% for firms without a female director policy and 2.0% for firms with all-male boards.[28] Other firms do not exhibit significant announcement CARs. Table 8 presents OLS regressions of the CARs, focusing on the (0,+1) window following MacKinlay (1997).[29] We include an indicator for firms without a disclosed voluntary female representation policy (models 1 and 2), an indicator for firms with all-male boards (models 3 and 4), and the proportion of male directors on the board (models 5 and 6). All specifications control for total assets and one-digit SIC industry, with models 2, 4 and 6 also controlling for market-to-book assets, return-on-assets and debt/assets. The coefficients on our key explanatory variables of interest align with the univariate analysis in Table 7. In models 1 and 2, firms without a disclosed female representation policy have CARs that are 1.2 percentage points higher than those that disclose such a policy. Similarly, in models 3 and 4, firms with all-male boards have CARs that are 1.2 percentage points higher than for those with female directors.[30]

Despite the insignificant CARs for firms with some female directors in Tables 7 and 8, models 5 and 6 show that the CARs are increasing in the proportion of male directors on firms' boards. Combined with the fact that firms with female directors added more women post-regulation, albeit at a lower rate than firms with all-male boards (see Internet Appendix Figure D.2.), these results suggest the following: having female directors at the time of the event announcement may signal a firm's willingness to add more women to its board, even without regulation. In contrast, all-male boards may be perceived as less likely to do so. This does not imply that the regulation has no effect on firms with female directors, but rather that the behavioral shift expected of them is smaller compared to firms with all-male boards.

The results in Tables 7 and 8 contrast sharply with the negative abnormal returns documented for firms subject to California's SB-826 law mandating gender diversity, as shown by Hwang,

[27] The Kolari and Pynnonen (2010) correction to standard errors addresses the biases from cross-sectional correlation between firm returns and event-induced variance in event study tests.

[28] Note that although the mean (0,+1) CAR for firms with at least one female director is positive, the reported t-statistic is negative because our t-statistics are computed using scaled abnormal returns following Kolari and Pynnönen (2010).

[29] We find similar results using the (-1,+1) window.

[30] In untabulated tests (see Internet Appendix Table D.5) we employ methodology following Sefcik and Thompson (1986) that accounts for the potential bias introduced by cross-correlation and obtain similar results. We thank the authors of Stanfield and Tumarkin (2018) for sharing code for this methodology.

Shivdasani, and Simintzi (2020) and Greene, Intintoli and Kahle (2020), though these findings been challenged by Allen and Wahid (2023). One might hypothesize, based on these prior studies, that the positive returns we observe reflect relief that the regulation would not force changes on firms. If this were true, we would expect the positive abnormal returns to be concentrated among firms that continued to have all-male boards post-regulation. In models 7 and 8, we re-estimate models 3 and 4, adding an indicator for firms with all-male boards in 2013 that still had an all-male boards in 2017. The coefficient on this indicator is negative and not statistically significant, contradicting this hypothesis. Coupled with our Section A findings that the regulation led to an increase in female director representation, these results suggest it is highly unlikely that the positive CARs for firms with all-male boards reflect an expectation that the principles-based regulation would not lead to real change.

A potential concern is that the non-random assignment of firms to treated and control groups (e.g., all-male vs. non-all-male boards) might be correlated with our event returns. We address this issue by using two approaches suggested by Roberts and Whited (2013). First, we compare observable characteristics between firms with all-male boards and firms with female directors (see Internet Appendix Table D.6). Both groups have similar proportions of female top five executives (6.6% versus 6.8%), confirming that our results in Tables 7 and 8 are related to OSC rules on female directors, but not executives. We find similar patterns when we compare firms with and without a voluntary director gender diversity policy. Second, we conduct a placebo test using 500 "placebo" event dates around the actual event (see Internet Appendix Figure D.4 and Table D.7). This test shows that the regression coefficients in Table 8 fall far in the right tail of the distribution of the placebo distribution, indicating that results are not driven by persistent differences between treatment and control groups and are unlikely to be due to chance.

C.1. Interpreting the Market Reaction to the OSC's Announcement

Given that the Ontario government had already signaled its intent to regulate board and executive gender diversity in May 2013, coupled with a broader societal focus on board diversity (see Internet Appendix Figure D.3), the market likely anticipated some form of regulation before the July 30 announcement. As noted, the July 30 announcement clarified the nature of the regulation rather than its existence. Our event study analysis shows that, amidst uncertainty about the prescriptiveness of the new rules, the market responded positively to the news that compliance would not be prescriptive, instead allowing firms to define and implement their own diversity policies. Given the spectrum of potential regulation, ranging from relatively weaker forms of comply or explain to stringent gender

mandates, the OSC's rules were relatively mild –compared to more stringent regulations in other jurisdictions such as Norway and California, with no requirements to increase board gender diversity nor to adopt "best practices" guidelines or diversity targets. Even Nasdaq's later comply-or-explain board diversity rules were more prescriptive, defining compliance as having at least two diverse directors.

Therefore, combined with existing studies that highlight the significant compliance costs associated with board gender diversity mandates (Ahern and Dittmar, 2012; Hwang, Shivdasani and Simintzi, 2020; Greene, Intintoli and Kahle, 2020), our results suggest that a principles-based approach may be relatively better for shareholder value than mandates, though not necessarily value-enhancing relative to no regulation. In other words, even if markets view gender diversity regulation as value-destroying, our findings indicate that the OSC's principles-based approach is perceived to be less costly than more prescriptive rules.

C.2. Market Reactions to Other Relevant Announcements

In this section, we examine key events preceding the July 30, 2013 announcement (see Internet Appendix Table B.1 for a timeline): the Canadian government's April 5, 2013 announcement of a committee to advise the government on board gender diversity; the Ontario budget statement released on May 2, 2013, which expressed support for gender diversity on corporate boards and senior management; remarks by the Ontario's Minister Responsible for Women's Issues, Laurel Broten on May 28, 2013, indicating the province's cooperation with the OSC on this issue; and a request on June 14, 2013 (not publicly disclosed at the time) by the Minister of Finance, Charles Sousa, and then Minister Responsible for Women's Issues, Laurel Broten for the OSC to undertake a public consultation on gender diversity disclosure requirements. We examine the two-day (0,+1) CARs around these four events and find no statistically significant CARs overall, nor for firms without a disclosed voluntary female representation policy in 2013 or for firms with all-male boards in 2013 (see Internet Appendix Table D.8). This suggests that the events preceding the July 30, 2013 announcement did not significantly reduce uncertainty regarding the OSC's subsequent diversity regulation.

On January 16, 2014, the OSC added the disclosure of director term limits to the requirements of the proposed regulation, not originally included in the July 30, 2013 consultation paper. We do not find statistically significant CARs around this news (see Internet Appendix Table D.8) for all firms in our sample, for firms with all-male boards, firms without a disclosed voluntary diversity policy, nor for firms without a disclosed director term limit policy. Similarly, there are no significant CARs around the final adoption of the new rules by the OSC on October 15, 2014. These findings suggest that

subsequent announcements did not provide additional value-relevant information beyond the July 30, 2013 announcement.

Allen and Wahid (2023) find that several events leading up to the final adoption of California's board gender diversity mandate elicited statistically significant market reactions, highlighting the need to evaluate these events collectively. In contrast, the only event in our study with a significant market reaction is the unveiling of the proposed OSC rules on July 30, 2013.

In addition to board gender diversity policies, the OSC amendment on July 30, 2013 also included an executive gender diversity policy (see Section III for details). We analyze the market reaction for firms with all-male top five named executives (i.e., the CEO and the next four executives ranked according to their compensation per firms' proxy circulars) using univariate and multivariate analyses (see Internet Appendix Tables D.9 and D.10). We do not find statistically significant abnormal returns around any of the release dates mentioned above. This aligns with our findings of no statistically significant increase in the prevalence of female top executives (see Section V.A.3). The results suggest that the market reaction to the July 30th amendment was driven by the board gender diversity provisions rather than the executive gender diversity provisions.

VIII. Conclusion

This paper suggests that firms responded to the OSC amendment by increasing board gender diversity. Despite the amendment's flexibility, which does not mandate board diversification, 94% of firms included female directors on their boards in 2018, up from 56% before the OSC announcement. Additionally, the ratio of female directors in Canada increased significantly more than for similar U.S. firms during the same period. Our findings also show that firms which have not increased board diversity are those most likely facing economic constraints in finding qualified female directors. The fact that firms appear to be responding to the OSC amendment is striking, given that it is not prescriptive and does not require firms to increase board diversity but, instead, relies on firms' disclosures of diversity policies.

It is reasonable to question the generalizability of our results and their relevance for policymakers. 'Comply or explain' regulation varies in its approach. Typically, it requires that firms either follow 'best practices' or explain why they do not – such as Nasdaq's Board Diversity Rule, which mandates at least two diverse directors (i.e., best practice) or explain why they do not. The OSC regulation we study is less stringent than Nasdaq's or the more prescriptive gender diversity regulations in countries like Australia and the UK, but it still falls under the "comply or explain" umbrella. For

example, while the OSC regulation requires firms to disclose whether they have a target for female board representation, it does not prescribe a "best practice" target. Instead, it encourages the use of any target and requires an explanation if none is set. This leads to enhanced disclosure, where firms must reveal their target or explain the absence of one. Thus, our analysis is applicable to "comply or explain" regulations that focus on disclosure rather than mandating adherence to specific "best practices."

These types of "comply or explain" policies are present in other various settings and can be valuable to regulators. A 2014 EU directive aimed at boosting female representation on corporate boards through enhanced disclosure illustrates this well. Similar to the OSC regulation, the EU directives requires larger EU firms have to either disclose their gender diversity policies or explain why they do not have one. Interestingly, this directive emerged after the EU failed to pass mandatory target quotes in 2013. In contexts where legal or political barriers prevent mandatory quotas, as in the U.S. or the EU in 2013, "comply or explain" regulations like the OSC's offer a viable alternative.[31]

The fact that the OSC regulation boosted female board representation is encouraging for the use of "comply or explain" regulatory approaches more generally. It helps address skepticism about the effectiveness of the OSC's relatively mild approach and provides evidence to policymakers that enhanced disclosure combined with "comply or explain" regulation – even without specific "best practice" guidelines – can encourage desirable changes at potentially lower costs to firms. This approach offers a valuable tool for achieving regulatory objectives when legal or political barriers prevent more stringent measures. Given the leniency of the OSC amendment, our findings may represent a lower bound on the effectiveness of principles-based approaches to increasing gender diversity on corporate boards. However, these findings may not apply to all regulatory goals; for instance, the OSC regulation did not impact executive diversity, suggesting that when the costs of change are high, the OSC-type "comply or explain" regulation may not be sufficient to quickly achieve regulatory objectives.

[31] It is worth noting that the gender diversity regulation passed in Canada came through the OSC (the de facto national securities regulator). In contrast, the EU directive and the regulations in Norway and California were passed by the continental, national and state legislatures, respectively. The new NASDAQ rules are more similar, in that they are exchange-listing requirements that were vetted by the SEC.

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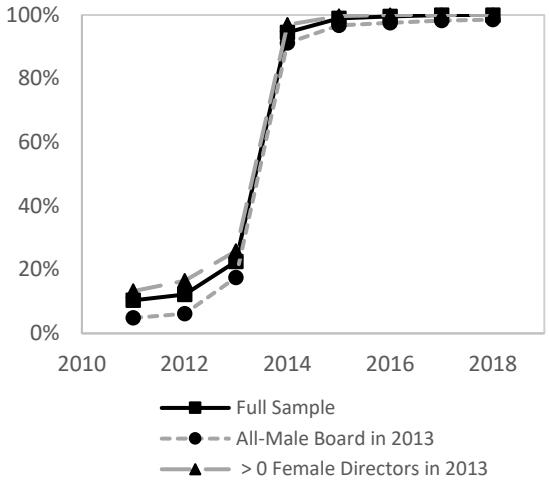
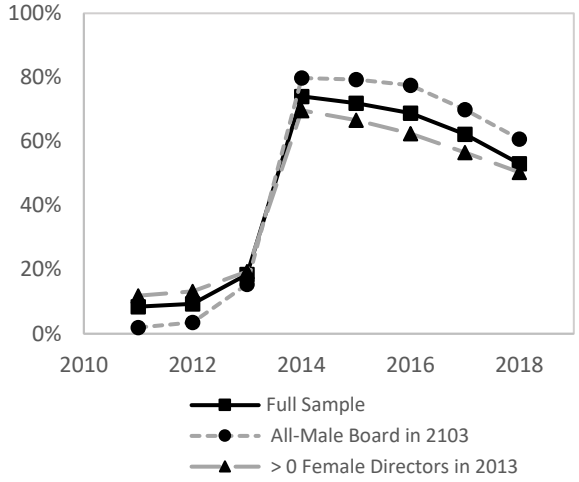
Figure 1 – Gender Diversity Policy in Canada Following OSC's Amendment, by Whether Firm had Female Directors in 2013

This figure presents data on Gender Diversity Policy for Canadian firms included in S&P TSX Composite Index, with directorship data in BoardEx and financial data in Compustat, over the 2011-2018 period. The sample is split by whether firm had female directors in 2013. In Panel A the graph plots the average fraction of firms with gender diversity policy each year (complying with item 2 in OSC's regulation). In Panel B the graph plots the average fraction of Partial Compliers – firms which consider gender diversity in their director nomination process but do not disclose a targeted number of women directors (complying with items 2 and 3 but not 5 in OSC's regulation). In Panel C the graph plots the average fraction of Full Compliers – firms which consider gender diversity in their director nomination process and disclose targeted number of women directors each year (complying with items 2, 3 and 5 of OSC's regulation). In Panel D the graph plots the average fraction of Explainers – firms which comply with 2 by disclosing a gender diversity policy but do not comply with 3 and 5. The solid lines represent the full sample, the short dashed line represents firms with all-male boards in 2013 and the long dashed lines represent firms with at least one female director in 2013.

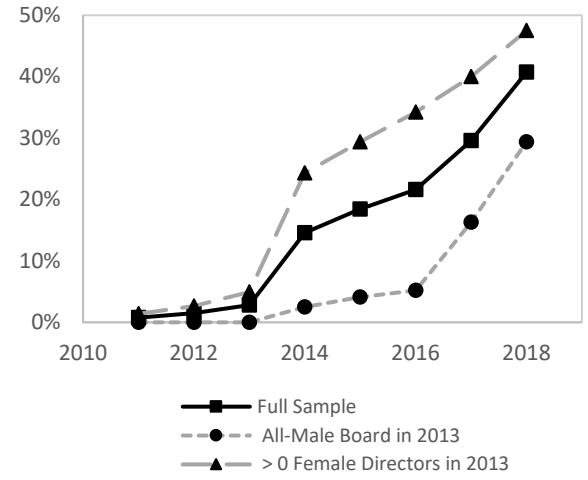
Panel A. Percent with a Gender Diversity Policy (Item 2)



Panel B. Percent with Partial Compliance (Items 2 and 3)



Panel C. Percent with Full Compliance (Items 2, 3, and 5)



Panel D. Percent with Explanation (Item 2, but not 3 or 5)

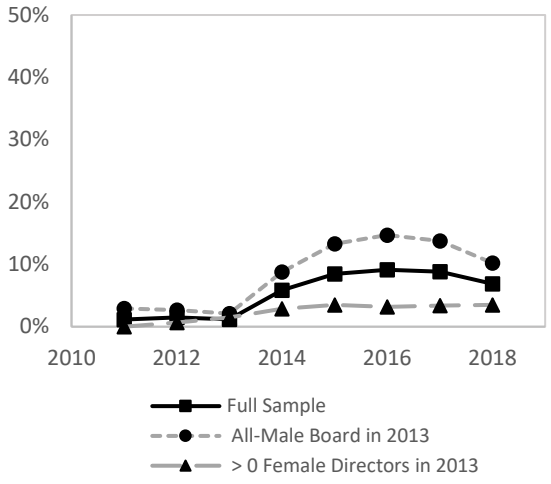
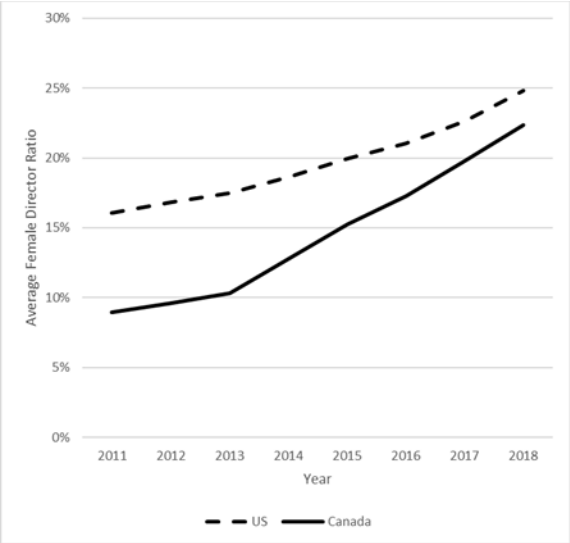


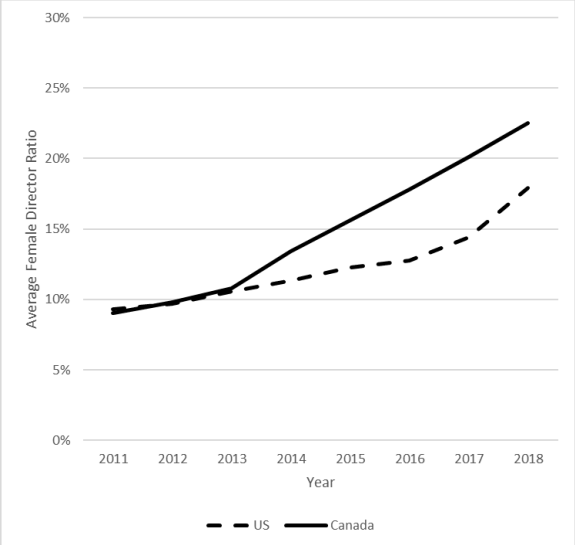
Figure 2 – Comparison of Changes in Female Director Ratios in Canada and the U.S.

This figure presents data on female directorships for Canadian firms included in S&P TSX Composite Index and a comparison group of U.S. firms, with directorship data in BoardEx and financial data in Compustat, over the 2011-2018 period. The graphs plot the average fraction of firms' boards consisting of female directors each year. Panel A reports data for Canadian firms and U.S. firms that were included in the S&P 500 index. Panel B reports data for Canadian firms and a matched sample of U.S. firms, each selected from within the same 1-digit SIC industry as and are closest in total assets to the corresponding Canadian firm in 2013 (only Canadian firms with a match available are included). Panel C reports data for Canadian firms that are cross-listed on a U.S stock exchange and a matched sample of U.S. firms, each selected from within the same 1-digit SIC industry as and are closest in total assets to the corresponding Canadian firm in 2013 (only Canadian firms with a match available are included).

Panel A. Comparison of Canadian S&P TSX Firms and U.S. S&P 500



Panel B. Comparison of Canadian S&P TSX and U.S. Matched Firms



Panel C. Comparison of Canadian S&P TSX ADRs and U.S. Matched Firms

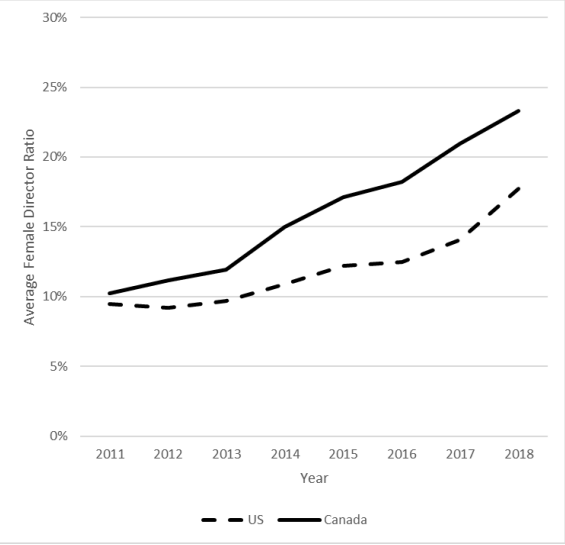


Figure 3 – Dynamic Model of Year-on-Year Changes in the Female Director Ratios of Canadian Firms

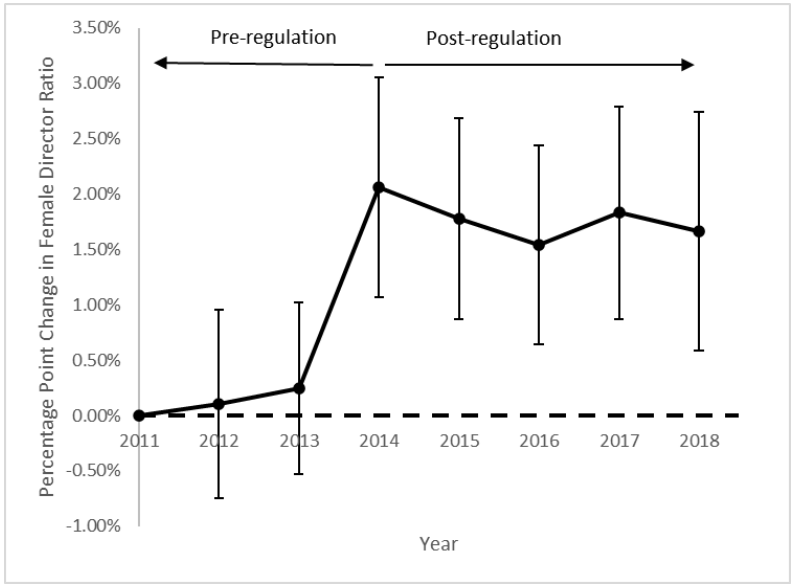
This figure plots coefficient estimates and the 95% confidence intervals from the following regression specifications:

$$\text{Panel A: } \Delta Female\ Director\ Ratio_{i,t} = \alpha + \sum_{j=2012}^{2018} \theta_j \cdot \times \mathbb{1}[Year = j] + \varphi_{i,t} \cdot Controls + \gamma_i + \varepsilon_{i,t}$$

$$\text{Panel B: } \Delta Female\ Director\ Ratio_{i,t} = \alpha + \sum_{j=2012}^{2018} \beta_j \cdot All\ Male\ Board_{i,2013} \times \mathbb{1}[Year = j] + \sum_{j=2012}^{2018} \theta_j \cdot \times \mathbb{1}[Year = j] + \varphi_{i,t} \cdot Controls + \gamma_i + \varepsilon_{i,t}$$

The sample consists of firms that are included in S&P TSX Composite Index, with directorship data in BoardEx and financial data in Compustat, over the 2011-2018 period. The observations are at the firm-year level with *i* indexing firms and *t* indexing calendar years. The dependent variable is the percentage point change in the fraction of a firm's board consisting of female directors between the current year, *t,* and the previous year, *t-1*. "All-Male Board$_{2013}$" is an indicator equal to 1 if a firm has no female directors in 2013. Control Variables consist of Log(Assets), Market-to-Book Assets, ROA and Debt/Assets. All variables are defined in Table A.1. Firm fixed effects (γ_i) are included. The omitted year in the specifications, and thus the benchmark year, is 2011. The graph in Panel A displays the coefficient estimates θ_j of the percentage point change in the female director ratio in each year, relative to 2011. The graph in Panel B displays the coefficient estimates β_j of the difference between the change in the female director ratio for firms with all-male boards and firms with female directors, relative to 2011. The post-regulation period is years 2015 onward. The error bars indicate 95% confidence intervals for the coefficient estimates.

Panel A. Year-on-Year Change in Female Director Ratio



Panel B. Difference in Year-on-Year Change in Female Director Ratio between Firms with All-Male Boards and Firms with Female Directors

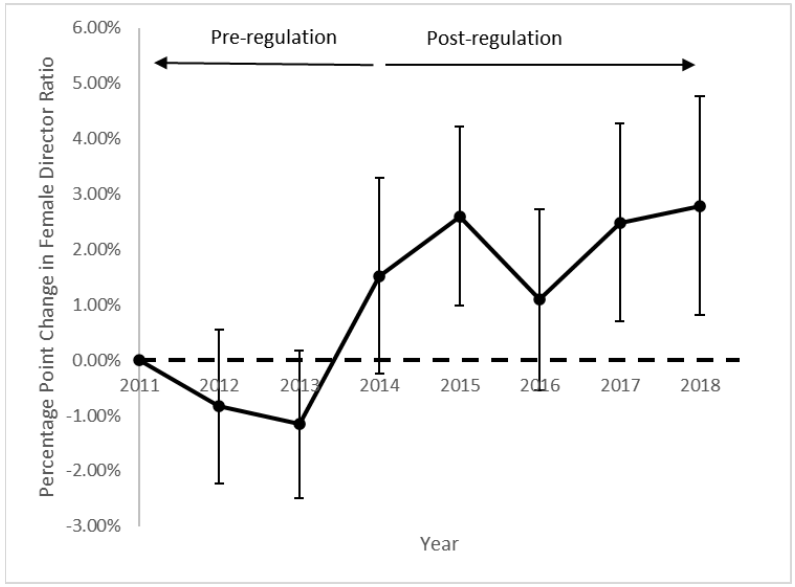


Table 1 – Compliance with OSC's Director Gender Diversity Amendment (2011-2018)

This table reports compliance with OSC's Director Gender Diversity Amendment. The sample consists of firms that are included in S&P TSX Composite Index, with directorship data in BoardEx and financial data in Compustat. The table reports the annual average of firms' compliance with the three key items of OSC's amendment that relate to director gender diversity. In the pre-regulation period, compliance with each item is defined as firms that voluntarily comply with the future amendment.

Compliance of Key Items								
Items of OSC's Amendment	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**
Item 2: the details of any policies regarding the identification and nomination of women directors	10.3%	12.3%	22.6%	94.5%	98.9%	99.6%	100%	100%
Item 3: the board's or nominating committee's consideration of the representation of women in the director identification and selection process	9.2%	10.8%	21.4%	88.7%	90.4%	90.4%	91.5%	93.1%
Item 5: targets (number or percentage) adopted regarding the representation of women on the board	0.7%	1.4%	2.8%	14.6%	18.4%	21.6%	29.6%	40.7%

Table 2 – Regression Analysis of Gender Diversity Polices

This table reports estimates examining cross-sectional differences in gender diversity policies following the implementation of the Ontario Securities Commission rules requiring the disclosure of policies promoting the representation of females on boards of directors. The sample consists of Canadian S&P TSX Composite Index firms at any point in our sample period, with directorship data in BoardEx and financial data in Compustat and ownership data in Factset. The sample period is 2014 to 2018. Observations are at the firm-year level. The dependent variable in models 1 and 2 equals one if a firm fully complies with the OSC regulation (in the board representation context being fully compliant is defined as complying with items 2, 3 and 5 of the OSC regulation); the dependent variable in model 3 equals one if a firm indicates partial compliance with the OSC regulation (partial compliance is if the firm considers gender diversity in its director nomination but does not adopt a female director target – i.e., complies with items 2 and 3 but not item 5 of the OSC regulation). In model 4, the dependent variable is whether a firm indicates that it nominates directors based solely on skill and experience or that director appointments are based only on merit. Models 1-4 are linear probability models. In model 1, the sample includes all firms. In model 2, the sample is restricted to only firms that fully comply and those with partial compliance. In models 3 and 4, the sample is restricted to only firms that partially comply or explain their lack of compliance. (i.e., only firms that do not have a female director target). Year and one-digit-SIC industry fixed effects are included in all specifications. Other Firm Controls include log(assets), market-to-book assets, return on assets, debt/assets, board size, board degree centrality, board tenure, and board age. Variables are defined in Table A.1. Standard errors are reported in parentheses and are clustered at the firm-level. ***, ** and * indicate statistical significance at the 1%, 5% and 10% levels.

Dependent Variable:	**Full Compliance**	**Full Compliance**	**Partial Compliance**	**Selects Directors Based Only on Skill, Experience or Merit**
	(1)	(2)	(3)	(4)
Province Female Director Ratio	1.507***	1.523***	0.784*	-1.451*
	(0.512)	(0.538)	(0.422)	(0.796)
Interlock with Female Directors	0.049**	0.054**	0.011	-0.055***
	(0.020)	(0.022)	(0.019)	(0.018)
Interlock with Partial Compliance	0.052	0.067	-0.075	
	(0.085)	(0.099)	(0.101)	
Interlock with Full Compliance	0.617***	0.651***	0.092	
	(0.114)	(0.116)	(0.159)	
Controlled Corporation	-0.112***	-0.114***	-0.039	0.031
	(0.041)	(0.042)	(0.041)	(0.060)
Independent Board	0.054	0.082	0.095	0.556*
	(0.225)	(0.243)	(0.204)	(0.330)
Institutional Ownership	0.061	0.072	0.083	0.061
	(0.110)	(0.131)	(0.132)	(0.120)
Media Coverage	0.064**	0.061**	0.011	0.021
	(0.023)	(0.020)	(0.023)	(0.072)
Other Firm Controls	Yes	Yes	Yes	Yes
Constant	-0.623	-0.524	0.428	-0.160
	(0.515)	(0.578)	(0.665)	(0.812)
Year Fixed Effects	Yes	Yes	Yes	Yes
Industry Fixed Effects	Yes	Yes	Yes	Yes
Observations	1276	1152	959	959
Adj. R^2	0.317	0.322	0.081	0.162

Table 3 – Regression Analysis of Changes in Female Directorships in Canada

This figure reports estimates from OLS regressions examining changes in female directorships for firms that are included in S&P TSX Composite Index at any point in our sample period, with directorship data in BoardEx and financial data in Compustat. The sample period is 2011 to 2018. The observations are at the firm-year level. The dependent variable is the fraction of a firm's board consisting of female directors. The sample consists only of Canadian firms. Post-2014 is an indicator equal to 1 in years 2015 onward. Partial Compliance and Full compliance are lagged variables – all other variables are contemporaneous. Year fixed effects are included only in model 3. Firm fixed effects are included in all specifications. All other variables are defined in Table A.1. Standard errors are reported in parentheses and are clustered at the firm-level. ***, ** and * indicate statistical significance at the 1%, 5% and 10% levels.

Dependent Variable:	**Female Director Ratio**		
	(1)	(2)	(3)
Post-2014	0.074***	0.047***	
	(0.004)	(0.007)	
Partial Compliance$_{t-1}$		0.028***	0.020**
		(0.008)	(0.008)
Full Compliance$_{t-1}$		0.061***	0.038***
		(0.012)	(0.013)
Institutional Ownership		0.021	0.030
		(0.023)	(0.021)
Media Coverage		-0.001	-0.002
		(0.022)	(0.041)
Log(Assets)	0.017**	0.014**	0.0001
	(0.007)	(0.007)	(0.007)
Market-to-Book Assets	0.0005	0.0001	0.0002
	(0.002)	(0.0001)	(0.0005)
Return-on-Assets	0.009	0.009	0.006
	(0.006)	(0.006)	(0.004)
Debt/Assets	0.034**	0.033**	0.012
	(0.012)	(0.013)	(0.015)
Constant	-0.042	-0.030	-0.008
	(0.055)	(0.58)	(0.062)
Year Fixed Effects	No	No	Yes
Firm Fixed Effects	Yes	Yes	Yes
Observations	2254	2030	2030
Adjusted R-squared	0.747	0.767	0.798

Table 4 – Difference-in Differences Analysis of Changes in Female Directorships

This figure reports estimates from OLS regressions examining changes in female directorships for firms that are included in S&P TSX Composite Index at any point in our sample period, with directorship data in BoardEx and financial data in Compustat. The sample period is 2011 to 2018. The observations are at the firm-year level. The dependent variable is the fraction of a firm's board consisting of female directors. In model 1, the sample consists of Canadian firms and U.S. firms that were included in the S&P 500 index at any point in our sample period. In model 2, the sample consists of Canadian firms and a matched sample of U.S. firms, each selected from within the same 1-digit SIC industry as and are closest in total assets to the corresponding Canadian firm in 2013 (only Canadian firms with a match available are included). In model 3, the sample consists of Canadian firms that are cross-listed on a U.S. stock exchange and a matched sample of U.S. firms, each selected from within the same 1-digit SIC industry as and are closest in total assets to the corresponding Canadian firm in 2013 (only Canadian firms with a match available are included). Post-2014 is an indicator equal to 1 in years 2015 onward. Year and firm fixed effects are included in all specifications. All other variables are defined in Table A.1. Standard errors are reported in parentheses and are clustered at the firm-level. ***, ** and * indicate statistical significance at the 1%, 5% and 10% levels.

Dependent Variable:	**Female Director Ratio**		
Sample:	**Canada & U.S. S&P 500**	**Canada & U.S. Matched**	**Canada ADR & U.S. Matched**
	(1)	(2)	(3)
Canadian Firm × Post-2014	0.033***	0.042***	0.038***
	(0.006)	(0.008)	(0.012)
Institutional Ownership	0.031**	0.027*	0.034
	(0.013)	(0.015)	(0.021)
Log(Assets)	0.002	0.004	0.004
	(0.005)	(0.005)	(0.007)
Market-to-Book Assets	0.001	0.003**	0.002
	(0.002)	(0.001)	(0.002)
Return-on-Assets	0.001**	0.001**	0.001
	(0.001)	(0.001)	(0.005)
Debt/Assets	0.002	-0.011	0.045
	(0.011)	(0.014)	(0.031)
Constant	0.033***	0.042***	0.038***
	(0.006)	(0.008)	(0.012)
Year Fixed Effects	Yes	Yes	Yes
Firm Fixed Effects	Yes	Yes	Yes
Observations	5819	3524	1270
Adjusted R-squared	0.756	0.810	0.813

Table 5 – Engagements by Canadian Coalition for Good Governance (CCGG)

This table utilizes proprietary engagement data obtained from CCGG. Panel A of this table reports a summary of CCGG's private engagements related to gender diversity. Column 2 shows the total number of annual CCGG engagements on any subject. Column 3 shows engagements where the firm initiates discussion of gender diversity during engagement. Column 4 shows engagements where CCGG commends the firm for actions related to board gender diversity. Column 5 shows engagements where CCGG critiques or questions board gender diversity. Column 6 shows the percentage of engagements where CCGG initiates a discussion around board gender diversity. Panel B reports linear probability model (LPM) estimates of changes in female director ratio following CCGG engagements on gender. The dependent variable is the ratio of female directors. "CCGG Post-Engagement" is an indicator that equals 1 if the firm has been engaged previously by CCGG on board gender diversity by CCGG. "CCGG Engagement Fixed Effect" is an indicator equal to 1 if a firm is engaged by CCGG on director gender diversity in any year of the sample. "Other Controls" include institutional ownership, media coverage, controlled corporation, independent board, log(assets), market-to-book assets, return on assets, board size, board degree centrality, board tenure and board age. Standard errors are reported in parentheses and are clustered at the firm-level. ***, ** and * indicate statistical significance at the 1%, 5% and 10% levels.

Panel A: Private Engagements with CCGG

Year	Total number of CCGG engagements on any subject	Number of gender diversity engagements in which:			Percentage of all engagements in which CCGG questions the firm about board gender diversity
		Firm initiates discussion of board gender diversity	CCGG commends firm on board gender diversity	CCGG questions firm about board gender diversity	
2008	5	0	0	0	0%
2009	19	0	0	0	0%
2010	26	0	0	0	0%
2011	41	0	0	0	0%
2012	40	1	0	1	3%
2013	48	6	0	8	17%
2014	36	15	5	7	19%
2015	41	15	3	6	15%
2016	45	11	5	2	4%
2017	44	8	6	4	9%
2018	36	9	0	2	6%

Panel B: LPM Regressions of Changes in Female Directorships Following CCGG Engagements

	Dependent Variable: **Female Director Ratio**			
CCGG Post-Engagement	0.051***	0.033*	0.032*	0.025
	(0.019)	(0.18)	(0.018)	(0.105)
CCGG Engagement Fixed Effect	-0.0385*	-0.033**		
	(0.019)	(0.015)		
CCGG Ownership		0.083		0.021
		(0.051)		(0.050)
Other Controls		0.006		0.014
		(0.009)		(0.009)
Constant	0.008**	-0.385**	0.086***	-1.506
	(0.003)	(0.116)	(0.004)	(1.482)
Year Fixed Effects	Yes	Yes	Yes	Yes
Industry Fixed Effects	Yes	Yes	No	No
Firm Fixed Effect	No	No	Yes	Yes
Observations	2324	2155	2324	2155
Adj. R^2	0.313	0.455	0.779	0.784

Table 6 – Gender Diversity and Changes in Chair of Nominating Committee Voting Support

This table reports estimates of linear probability models examining the changes in the effect of gender diversity in the boardroom on voting support for the chair of nominating committee following the implementation of the Ontario Securities Commission rules requiring the disclosure of policies promoting the representation of females on boards of directors. The sample covers 2013-2018 and consists of Canadian firms that are included in S&P TSX Composite Index, with directorship data in BoardEx and financial data in Compustat and ownership data in Factset and shareholder voting data from the ISS voting analytics data and from Johnston Centre for Corporate Governance Innovation at the University of Toronto. "Post-2014"is an indicator variable that equals 1 if the observation is after 2014 and zero if the observation is in 2013 or 2014. The dependent variable is one minus the voting support as a percentage of the voting base for the chair of the nominating committee. Variables defined in Table A.1. Standard errors are reported in parentheses and are clustered at the firm-level. ***, ** and * indicate statistical significance at the 1%, 5% and 10% levels.

Dependent Variable:	**Chair of Nominating Committee Voting: Withheld and Against**					
	(1)	(2)	(3)	(4)	(5)	(6)
Female Director Ratio	-16.580***		-8.591	-12.817**	5.689	-1.742
	(4.195)		(5.419)	(5.879)	(10.110)	(8.879)
Female Director Target		-1.560	-0.607	0.025	-0.0989	0.057
		(1.019)	(1.067)	(1.154)	(1.840)	(1.928)
Post-2014 × Female Director Ratio	-19.420**		-19.61**		-30.128***	
	(9.115)		(9.681)		(10.208)	
Post-2014 × Female Director Target		-5.586***		-4.469**		-5.163***
		(1.992)		(1.920)		(1.895)
Institutional Ownership			-2.310	-2.304	18.205*	18.211*
			(2.903)	(2.833)	(8.911)	(9.421)
Media Coverage			0.813	0.911	1.212	1.041
			(0.510)	(0.621)	(1.133)	(1.062)
Controlled Corporation			0.435	0.436	1.110	1.198
			(1.222)	(1.223)	(1.516)	(1.473)
Independent Board			12.030	11.875	19.264	17.740
			(6.942)	(6.988)	(12.043)	(10.954)
Log(Assets)			-0.902*	-0.891*	-4.049**	-3.524*
			(0.500)	(0.497)	(1.941)	(1.879)
Market-to-Book Assets			-0.004	-0.003	-0.009	-0.008
			(0.007)	(0.007)	(0.009)	(0.009)
Return-on-Assets			7.056*	-7.173*	-2.695	-3.141
			(4.222)	(4.223)	(3.428)	(3.524)
Debt/Assets			2.589	2.357	5.393	4.563
			(4.126)	(4.142)	(12.814)	(12.805)
Board Size			-0.313	-0.330	-0.681	-0.817*
			(0.244)	(0.246)	(0.431)	(0.421)
Board Degree Centrality			0.099	0.093	-0.189	-0.239
			(0.174)	(0.174)	(0.660)	(0.670)
Board Tenure			-0.0313	-0.045	-0.788	-0.786
			(0.283)	(0.281)	(0.537)	(0.544)
Board Age			-0.164	-0.172	-0.778	-0.732
			(0.296)	(0.296)	(0.472)	(0.472)
Constant	-94.481***	-94.035***	-82.264***	-79.122***	-15.707	-19.264
	(2.115)	(1.559)	(24.533)	(24.537)	(44.921)	(45.430)
Year Fixed Effects	Yes	Yes	Yes	Yes	Yes	Yes
Industry Fixed Effects	Yes	Yes	Yes	Yes	No	No
Firm Fixed Effects	No	No	No	No	Yes	Yes
Observations	1187	1187	1120	1120	1120	1120
Adj. R^2	0.072	0.050	0.099	0.096	0.318	0.308

Table 7 – Univariate Analysis of CARs around the OSC's Announcement

This table reports summary statistics for cumulative abnormal returns (CARs) around July 30, 2013, when the Ontario Securities Commission announced proposed rules requiring the disclosure of policies promoting the representation of females on boards of directors. The sample consists of firms that are included in S&P TSX Composite Index at any point in our sample period, with directorship data in BoardEx and financial data in Compustat. CARs are computed using standard event study methodology with a 4-factor return model (Fama and French, 1993, Carhart, 1997) and a 250-day estimation window ending on day -30, with at least 60 observations. Data on firms' daily stock returns are obtained from Datastream. Data on Canadian factor returns are obtained from AQR Capital Management. "[No] Female Director Policy in 2013" indicates firms that do [not] disclose that they have a policy regarding the representation of females on the board in 2013. "All-Male Board in 2013" ["›0 Female Directors in 2013]" indicates firms that have no [›0] female directors in 2013. *t*-statistics for CARs are computed following Kolari and Pynnönen (2010).

Window	**Mean CAR**	***t*-stat**	***p*-value**
All Firms (N=274)			
(0,0)	0.688%	1.194	0.233
(0,+1)	1.016%	0.923	0.357
(-1,+1)	0.543%	0.634	0.527
No Female Director Policy in 2013 (N=213)			
(0,0)	0.786%	2.020	0.045
(0,+1)	1.387%	2.092	0.038
(-1,+1)	0.813%	1.345	0.180
Female Director Policy in 2013 (N=61)			
(0,0)	0.346%	0.078	0.938
(0,+1)	-0.277%	-0.607	0.546
(-1,+1)	-0.401%	-0.517	0.607
All-Male Board in 2013 (N=127)			
(0,0)	1.115%	2.792	0.006
(0,+1)	2.001%	3.021	0.003
(-1,+1)	1.290%	2.188	0.031
›0 Female Directors in 2013 (N=147)			
(0,0)	0.319%	0.227	0.821
(0,+1)	0.165%	-0.325	0.745
(-1,+1)	-0.103%	-0.381	0.704

Table 8 – Regression Analysis of CARs around the OSC's Announcement

This table reports estimates examining cross-sectional differences in the cumulative abnormal returns (CARs) around July 30, 2013, when the Ontario Securities Commission announced proposed rules requiring the disclosure of policies promoting the representation of females on boards. The dependent variable is the (0,+1) window CAR. CARs are computed using standard event study methodology with a 4-factor return model (Fama and French, 1993, Carhart, 1997) and a 250-day estimation window ending on day -30, with at least 60 observations. "No Female Director Policy$_{2013}$" is an indicator equal to 1 if a firm does not disclose that they have a policy regarding the representation of females on the board in 2013. "All-Male Board$_{2013}$" is an indicator equal to 1 if a firm has no female directors in 2013. "Male Director Ratio$_{2013}$" is the fraction of the board consisting of male directors in 2013. "All-Male Board through 2017" is an indicator equal to 1 if a firm has no female directors at any point between 2013 and 2017. Industry FE at the 1-digit SIC level are included. Variables defined in Table A.1. Heteroscedasticity-consistent SEs reported in parentheses. ***, ** and * are significant at the 1%, 5% and 10% levels.

Dependent Variable:	**CAR(0,+1)**							
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
No Female Director Policy$_{2013}$	0.012**	0.013***						
	(0.005)	(0.005)						
All-Male Board$_{2013}$			0.012**	0.015***			0.014***	0.014***
			(0.005)	(0.005)			(0.005)	(0.005)
Male Director Ratio$_{2013}$					0.055**	0.065***		
					(0.022)	(0.024)		
All-Male Board through 2017							-0.011	-0.007
							(0.008)	(0.008)
Institutional Ownership		0.031*		0.033*		0.032*		0.026**
		(0.018)		(0.018)		(0.018)		(0.013)
Media Coverage		-0.002		-0.002		-0.002		-0.002
		(0.002)		(0.002)		(0.002)		(0.002)
Log(Assets)	-0.002	-0.002	-0.001	-0.001	-0.001	-0.001	-0.001	-0.000
	(0.001)	(0.002)	(0.001)	(0.002)	(0.001)	(0.002)	(0.001)	(0.001)
Market-to-Book Assets		-0.001		-0.003		-0.002		-0.001
		(0.004)		(0.004)		(0.004)		(0.003)
ROA		-0.011		-0.023		-0.022		-0.015
		(0.019)		(0.020)		(0.020)		(0.019)
Debt/Assets		-0.013		-0.007		-0.010		-0.001
		(0.011)		(0.011)		(0.011)		(0.012)
Constant	-0.000	-0.017	-0.003	-0.019	-0.045*	-0.069**	-0.009	-0.023
	(0.010)	(0.016)	(0.011)	(0.016)	(0.023)	(0.028)	(0.012)	(0.017)
Industry Fixed Effects	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Observations	274	268	274	268	274	268	238	234
Adjusted R-squared	0.078	0.099	0.079	0.106	0.078	0.105	0.122	0.127

Appendix A – Variable Definitions

Table A.1 – Variable Definitions.

This table lists the definitions of the variables used in the paper (in alphabetical order).

Variable	Definition
All-Male Board$_{2013}$	Equals 1 if a firm has no female directors on its board in 2013, and zero otherwise (source: BoardEx).
Board Age	The mean age of the directors on a firm's board (source: BoardEx).
Board Degree Centrality	The number of other directorships ever held by the firm's directors until and including the current year (source: BoardEx).
Board Size	The number of directors on a firm's board (source: BoardEx).
Board Tenure	The mean tenure of the directors on a firm's board (source: BoardEx).
Canadian Firm	Equals 1 if firm is listed on the Toronto Stock Exchange (source: Worldscope).
CAR(i,j)	The cumulative abnormal return from day i to j around to the Ontario Security Commission's announcement on July 30, 2013 of a proposed rule amendment regarding a policy relating to the representation of women in boards and in executive officer positions. The cumulative abnormal returns are computed using a 4-factor return model (Fama and French, 1993, Carhart, 1997) with a 250-day estimation window ending 30 days before the announcement with at least 60 observations (Source: Datastream).
CCGG Engagement Fixed Effect	Equals 1 if a firm is engaged by Canadian Coalition for Good Governance (CCGG) on director gender diversity in any year in our sample (between 2011 and 2018) (Source: Canadian Coalition for Good Governance)
CCGG Ownership	The percentage of a firms shares owned by institutional investors who are members of the CCGG (source: CCGG, Factset).
CCGG Post-Engagement	Equals 1 if a firm is engaged on director gender diversity by CCGG in the previous year(s) in our sample (Source: Canadian Coalition for Good Governance)
Chair of Nominating Committee Voting Withheld and Against	Equals 1 minus the voting support as a percentage of the voting base for the chair of the nominating committee (Source: ISS voting analytics data and Johnston Centre for Corporate Governance Innovation).
Controlled Corporation	Equals 1 if a firm has multiple voting share classes and/or it has closely held shares exceeding 30% of its shares outstanding and zero otherwise (source: SEDAR, Worldscope).
Debt/Assets	Long term debt plus debt in current liabilities divided by total assets (source: Compustat).
Female CEO Indicator	Equals 1 if the firm has a female CEO (source: SEDAR).
Female Executive Ratio	The fraction of a firm's top five named executive officers disclosed in their proxy circular who are female (source: SEDAR).
Full Compliance	Equals 1 if a firm meets all three criteria of OSC's board gender diversity regulation, complying with items 2, 3, and 5 (source: SEDAR).

Independent Board	The fraction of a firm's board consisting of Non-executive directors (source: BoardEx).
Interlock with Partial Compliance	The mean number of board interlocks that directors of a firm that is a Partial Complier. Partial Compliers adhere to items 2 and 3 of the regulation but fall short of implementing a female director target (i.e., they do not comply with 5). (source: BoardEx, SEDAR).
Institutional Ownership	The percentage of a firms shares owned by institutional investors (source: Factset).
Interlock with Female Directors	The mean number of board interlocks that directors of a firm have with female directors, excluding the female directors of the firm itself (source: SEDAR).
Interlock with Full Compliance	The mean number of board interlocks that directors of a firm that is a Full Complier. Full Compliers meet all three criteria of the regulation, complying with items 2, 3, and 5 (source: BoardEx, SEDAR).
Log(Assets)	Natural logarithm of total assets (source: Compustat).
Male Director Ratio	The fraction of the firm's directors consisting of male directors (source: BoardEx) in 2018.
Market-to-Book Assets	Fiscal year-end market capitalization plus book value of preferred stock (liquidation value or redemption value if liquidation value is missing) plus deferred taxes and investment tax credit plus long term debt plus debt in current liabilities all divided by total assets (source: Compustat).
Media Coverage	Number of times a firm is cited in Financial Times, Financial Post and Toronto Star divided by 100 (source: Nexis).
No Female Director Policy$_{2013}$	Equals 1 if a firm does not voluntarily include a gender diversity policy in its proxy circular in 2013, and zero otherwise (source: SEDAR).
No Term Limit	Equals 1 if a firm does not impose a limit on the duration a director may serve on the board, and zero otherwise (source: SEDAR).
Partial Compliance	Equals 1 if a firm adheres to items 2 and 3 of OSC's board gender diversity regulation but falls short of implementing a female director target (i.e., they do not comply with 5). (source: SEDAR).
Province Female Director Ratio	The mean fraction of female directors on corporate boards for all firms in the province in which the firm is headquartered (source: BoardEx, Worldscope).
Return-on-Assets	Operating income before depreciation divided by total assets (source: Compustat).

Appendix B – Timeline of Events

Table B.1 – Timeline of Events Related to the Amendment for National Instrument 58-101: Disclosure of Corporate Governance Practices

Date	Action
April 5, 2013	The Canadian government names a new committee to offer advice on gender diversity on Canada's corporate boards.
May 2, 2013	Ontario budget document released, including the following statement: *"the government strongly supports broad gender diversity on boards…. the government will consider the best way for firms to disclose their approaches to gender diversity, with a view to increasing the participation of women on boards and in senior management*."
May 28, 2013	The then Ontario's Minister responsible for Women's Issues, Laurel Broten, provides some remarks that foreshadow the regulation.
June 14, 2013	Minister of Finance and Minister responsible for Women's Issues requests that the Ontario Securities Commission (OSC) undertake a consultation process regarding disclosure requirements for gender diversity. *(Not publicly announced)*
July 30, 2013	**OSC proposal released detailing proposed amendment to National Instrument Form 58-101, Disclosure of Corporate Governance Practices, to include disclosure of gender diversity on the Board and in Executive Officer positions. Comments invited. Proposal release covered by news media.**
Jan 16, 2014	Modified proposal released, with addition of term limit disclosure. Comments invited.
Oct 15, 2014	Notice of Implementation of Amendment to Form 58-101 released.
Dec 11, 2014	OSC announces approval of amendment by Minister of Finance on Nov 28 and that amendment will come into effect on Dec 31, 2014
Dec 31, 2014	National Instrument 58-101, Disclosure of Corporate Governance Practices, is amended.