Picturing Diversity: The Use of Photographs in Annual Reports

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Abstract

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I examine firms' depictions of diversity using photographs in annual reports. I investigate how the determinants of diverse pictorial content varies from those of actual firm diversity practices and whether these vary with pressure from various firm stakeholders, such as customers, employees, communities, and investors. I classify scraped faces by gender and race to determine the diversity of annual report pictorial content and compare this to firms' actual performance on diversity practices such as strong policies that facilitate workforce diversity. I find evidence consistent with firms catering these photographs to stakeholders of the firm. In particular, I find that firms strategically portray more diversity in the pictorial content of their annual reports when they operate in industries that are more visible to the general public (in addition to more diversity practices), and when they exhibit ownership by socially conscious investors (in lieu of diversity

practices). I also find evidence of changes in both pictorial diversity and diversity practices following the #MeToo movement, consistent with a shift in diversity strategy.

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Dedication

To Mayra and Milan, may you be so blessed as to find joy in your purpose and purpose in your joy.

1. Introduction

Firms face pressures from various stakeholders to promote diversity in the face of persisting discrimination and systemic inequities because of their roles as employers and as bearers of significant capital power. They vary in their capacity or inclination, however, to foster diversity, equity, and inclusion (hereafter diversity practices), such as the diversity of a firm's workforce, the existence and strength of firm programs that facilitate workforce inclusion and belonging, including employee trainings, and oversight of these programs by senior executives. In this paper, I investigate whether and how firms strategically portray diversity in the photographs (hereafter pictorial content) within a firm's annual report.[1] Unlike traditional disclosure content, firms are not held explicitly accountable for the implicit messages they impart via pictorial content (e.g., pictorial content is unlikely to be discussed or analyzed by intermediaries and monitors, and therefore unlikely to be explicitly scrutinized in the manner by which management forecasts are subject to examination). Accordingly, firms can choose to create an *impression* of (or, alternatively, to imply a commitment to) the firm's diversity practices via photographs that is not necessarily reflective of a firm's underlying diversity practices. Specifically, I examine the determinants of diversity in pictorial content as well as a firm's actual diversity practices (collectively, a firm's "diversity strategy"), and how both are associated with pressure from firm stakeholders.

Pressures to promote diversity and equity can be focused internally, centering on the hiring and promotion practices of firms' workforces or boards of directors, or externally, extending to attracting customers or to supporting groups fighting systemic racism and sexism.[2] For example,

[1] The annual report includes the financial statement information included in the 10-K filing, as well as incremental content that can include photographs.

[2] Systemic racism and sexism refer to the systems or processes that disadvantage underrepresented racial minorities and females.

the NASDAQ recently implemented a Board Diversity Rule, under which listed firms must publicly disclose board-level diversity statistics, retain at least two diverse directors, or explain why they do not.[3] Similarly, shareholder proposals increasingly call for greater insight into firms' diversity practices (Proxy Preview, 2021); the 2021 proxy voting season saw a marked increase in shareholder proposals related to workplace DEI, second only to those related to climate change (Cook and Solberg, 2022). Moreover, demand for firms to promote diversity and equity originate not only from investors, but also from other stakeholder groups. For example, results from Glassdoor's 2020 Diversity Hiring Survey indicate that more than three-quarters of current and prospective employees consider workforce diversity to be a significant factor when weighing job offers and companies, and that almost one-third of jobseekers would not consider a role at a firm lacking diversity. Customers, too, demand diversity efforts; approximately 80% of Generation Z respondents to a McKinsey & Company survey indicate they would cease purchasing from firms they perceive as sexist or racist, indicative of customers who are willing to adapt their purchasing behavior to align with their social preferences.

In addition to addressing explicit calls for diversity practices, firms stand to benefit from better performance on diversity measures by way of inclusion in funds that invest based on environmental, social, and governance (ESG) goals; as these funds grow in demand, included firms have greater access to capital. Notably, ESG claims—including diversity practices—are not subject to uniform verification; unlike the European Union, U.S. regulators have yet to implement regulation by which they require standardized claims that are subject to verification (Christensen, Hail and Leuz, 2021). While diverse pictorial content seems unlikely to garner higher ESG scores

[3] The NASDAQ Board Diversity Rule requires at least one director who self-identifies as a female and at least one director who self-identifies as an underrepresented minority or LGBTQ+. I acknowledge that self-identification differs from my empirical approach, which relies on the physical appearance of faces in photographs.

from ratings providers, it is possible that firms displaying these also engage in other exaggerations of ESG performance.

Firms' diversity practices can range from inaction to variation in how they adopt diversity initiatives.[4] Distinct from the decision regarding investment in diversity practices, firms also face a decision in how to *portray* diversity. One potential medium for this depiction is in pictorial content across multiple disclosure and communication channels, such as corporate websites, annual reports, internal and external presentation or marketing materials that can be used to target different stakeholder groups. Alternative ways a firm can depict a commitment to diversity include "Black Lives Matter" ("BLM") statements on corporate websites or on social media or discussion of the firm's commitment on conference calls or in media interviews. I choose annual reports as one setting in which firms can indicate such a commitment and pictorial content as one means by which they do so. However, it is likely that firms who indicate a commitment to diversity within annual report pictorial content do so in other channels and with other methods. I collectively refer to a firm's diversity practices and diversity portrayals as its "diversity strategy."

One choice a firm has is to use pictorial content to faithfully (i.e., accurately) represent a firm's diversity practices. For example, for a firm that invests in greater diversity practices, highly diverse photographs can be an accurate depiction of the firm's underlying activities. A firm that does not invest in diversity practices and does not display diverse photographs also acts credibly. In contrast, a firm can engage in a strategic portrayal of diversity that exceeds what would be

[4] For example, firms that have initiatives promoting workforce diversity arguably exert more effort than firms that lack these, and firms with senior management sponsors of these programs arguably exert even more effort. Inevitably, these choices are subject to cost constraints, and are also restricted by the time needed to implement initiatives that produce measurable results. Anecdotally, firm DEI annual budgets can exhibit significant variation (Cordivano, 2021).

dictated by the underlying diversity practices of the firm.[5] A third possibility is that a firm's pictorial depiction of diversity is aspirational; that is, such diversity is a yet unattained objective of the firm. This could mean that the firm plans to institute programs to foster workplace diversity, even if those initiatives are not yet in place.

The idea that certain behaviors that imply diversity and inclusion efforts are in fact "empty gestures" lacking substantive execution is not novel. In fact, anecdotal criticism often calls out firms for exaggerated commitments to diversity—or "performative allyship"—during periods of heightened attention on inequities (Jan, McGregor, Merle, and Tiku, 2020). In empirical work, Chen, Dechow, and Tan (2021) find that most firms who speak out in support of the BLM movement appear to be "authentic," as reflected by firms' shareholder rights, ESG performance, workforce diversity, etc., but that some firms appear to be "woke-washing."

A firm's response to demands for diversity-promoting behaviors is important because of potential implications to the firm's long-term relationships with important stakeholders. Investors seeking commitment to ESG goals may divest of (or never invest in) firms that do not indicate some commitment aligned with those objectives (Pawliczek, Skinner, and Wellman, 2021). Employees may seek out other employers over the long term if they feel the firm does not value diversity. Firms can also face backlash from customers who perceive them as not sufficiently engaging in diversity-promoting behaviors. Dissatisfaction from any of a number of important stakeholder groups can create negative implications for a firm's long-term performance.[6]

[5] It is also possible that firms may appear to "downplay" their efforts promoting diversity. For example, firms lacking incentives to project diversity may not purposefully curate the photographs on this medium and may inadvertently look like they use pictorial content less than what would be indicated by their diversity practices. For these firms, it is possible pictorial diversity is not a significant component of their diversity strategy.

[6] It is possible some stakeholders do not support diversity efforts or portrayals of diversity. Firms with these stakeholders likely face pressures to maintain a balance in addressing this point of view with how they meet demands for diversity. As I am primarily interested in firms' strategic use of diverse pictures controlling for their diversity efforts, I consider this a source of tension of why firms may not curate pictorial content to meet demands for diversity.

Before examining my primary question of how a firm manages its diversity strategy to address pressures from stakeholders, I first consider the determinants of a firm's diversity *portrayals* as well as the determinants of firms' diversity *practices*. To measure firms' portrayals of diversity, I focus on the usage of diverse photographs within annual reports. Annual report pictorial content is a relatively straightforward setting in which to portray diversity to at least one stakeholder group (i.e., investors). Moreover, I expect that a firm's propensity to portray diverse pictorial content in the annual report is possibly correlated with the propensity to do so in other settings such as the firm's website, sustainability report, or other marketing materials. However, because the annual report includes audited financial information, firms may expect that readers of the reports are likely to be in an information collection mindset, which may make them more susceptible to the message firms want to impart. Additionally, a firm that already issues an annual report faces relatively low costs to curate its pictorial content.[7] This stands in contrast with a sustainability report, which may be more costly to start to issue and from which readers may expect inflated claims (of both diversity and climate-related action), and thus may be less effective in affecting readers' impressions. Accordingly, I address the possibility that a firm's propensity to pictorialize diversity in the annual report may vary from other content that a firm uses in employee- or public-facing platforms; in additional tests I examine the diversity of pictures included in the sustainability report. I find that sustainability reports include more faces of individuals, as well as higher percentages of females and racial minorities than annual reports, consistent with the idea that sustainability reports may be characterized by more inflated portrayals (and expectations of

Another source of tension is that firms that egregiously misrepresent their diversity practices may be subject to backlash from stakeholders who suspect opportunistic behavior.

[7] From a researcher perspective, the structure and availability of annual reports both across firms and over time also allow for relatively low-cost collection and processing.

inflated portrayals). Therefore, annual reports may be a particularly effective setting in which firms can exercise a diversity strategy which incorporates portrayals of diversity.

I study a sample of 3,102 firm annual reports scraped for photographs of faces. For each annual report, I calculate its pictorial diversity, based both on the gender and race of photographed faces (see Appendix A for an example). Within the 81 percent of annual reports with photos of at least two faces, I find that 22 (13) percent of photographs in these annual reports are female (underrepresented racial minorities; Black, Latino, or Native American) on average. I then form three measures of relative ranks by year of pictorial diversity based on the percentage of faces in the annual report that are 1) female, 2) underrepresented racial minorities, or 3) *either* female or underrepresented racial minorities. To measure a firm's diversity practices, I also generate annual ranks based on its Human Capital Development rating from MSCI, which captures a firm's ability to manage and develop its human capital and includes how well the firm addresses gender and racial/ethnic diversity.[8] I find that the size of a firm's workforce is a consistent primary determinant of both its pictorial diversity as well as its diversity practices.

Next, I consider how incentives from various stakeholder groups may induce firms to adapt their diversity strategies. I hypothesize that in the presence of stakeholders with preferences for diversity practices, firms will meet these demands with diversity initiatives, portrayals of diversity, or both. To the extent that firms strategically engage in performative behavior, I expect the presence of these stakeholders to exhibit a positive association with diversity portrayals and a negative or no association with diversity practices, indicating a reliance on portrayals of diversity to meet stakeholder demands for diversity. In contrast, substantive behavior would be evident if

[8] MSCI's human capital development score captures a firm's overall management and development of its workforce, and therefore captures the firm's diversity efforts as well as other practices related to human capital. See Appendix B for further detail on MSCI's human capital development score.

the presence of stakeholders exhibits a positive association with diversity practices, regardless of the association with diverse pictorial content. In this case, a positive association with diverse pictorial content (when controlling for a firm's diversity practices) reflects strategic use of pictorial content, whereas a negative or no association with diverse pictorial content indicates that this is not a component of firms' diversity strategies.

I consider four groups of firm stakeholders: customers, employees, communities, and investors. Results show that firms use diverse pictorial content strategically in the presence of certain stakeholders. Firms that operate in more visible industries (e.g., in which they may receive more attention from customers) appear to exhibit higher associations with diversity initiatives and more diverse pictorial content (controlling for the firm's diversity initiatives), consistent with the strategic use of pictorial diversity. Firms that have more socially conscious investors, as measured by activist pension funds, also exhibit more use of diverse pictorial content but lower levels of diversity initiatives, consistent with the strategic use of pictorial content in lieu of substantive practices. In contrast, while the presence of employees and communities with preferences for diversity are associated with more diversity initiatives, there is no evidence that firms use more diverse pictorial content to meet these demands. Overall, this suggests the strategic use of pictorial content when stakeholders with preferences for diversity are less proximate to the firm and therefore either more likely to "fall prey" to portrayals of diversity (such as with socially conscious investors) or more likely to emphasize diversity initiatives (such as with customers in consumer-focused industries). This contrasts with employees and local communities (which, of course can overlap) that may have at least some transparency into a firm's concrete behaviors and are less likely to be deceived by performative-only actions.

This study contributes to two bodies of work. First, it extends the ESG disclosure literature. Although much of prior work has centered on firms' commitments to environmental goals, more recent work, such as Chen et al. (2021), has focused on their commitments to social goals. One, I introduce a novel medium in this literature through which firms can strategically imply commitment to DEI goals. Two, I contribute to the related literature on stakeholder capitalism, the idea that the firm considers the needs or demands of multiple stakeholders, not simply those of investors. Serafeim (2013) argues that because economic activity is concentrated within a relatively small number of firms, managers must consider society, and not solely shareholders, as the principal on whose behalf they act as an agent. However, recent work examining if firms are authentic when proclaiming commitment to non-shareholder stakeholders has found mixed evidence. On one hand, Chen et al. (2021) examine firms' declarations of support of the BLM movement and attribute most of these to firms that appear to consider other stakeholders. On the other hand, Raghunandan and Rajgopal (2021) examine the subsequent firm practices of Business Roundtable members who committed to deliver value to all stakeholders of their firms but find no evidence to substantiate these firms' promises.[9] I present evidence of firms' strategic exploitation of a different disclosure medium based on stakeholder demands.

Second, this paper adds to the body of work examining the use of visual content in disclosure. Extant studies in this area focus primarily on graphical representations of information (Elliott, Grant, and Rennekamp, 2017; Brown, Elliott, and Grant, 2019; Xu, 2021; Christensen, Fronk, Lee, and Nelson, 2021). Studies that examine pictorial content include Bernardi, Bean, and

[9] In 2019, the Business Roundtable reversed its prior stance of shareholder primacy (in which shareholders are the primary party to which corporations are responsible) to that of stakeholder capitalism (in which firms create long-term value by incorporating the needs of all their stakeholders, such as employees, customers, and members of the community). Raghunandan and Rajgopal (2021) examine changes in firm practices related to compliance with environmental, labor, and securities laws; CEO compensation; board composition; and the balance of power between management and the shareholder.

Weippert (2002), Asay, Libby, and Rennekamp (2018), Nekrasov, Teoh, and Wu (2021), and Ben-Rephael, Ronen, Ronen, and Zhou (2021). My study is most closely related to Bernardi et al. (2002), who find firms are more likely to include photographs of the board of directors if the board includes a female member. While the focus of Bernardi et al. (2002) is on the informative use of pictorial content (i.e., as a complementary strategy), I provide evidence that firms also use this content strategically in lieu of diversity initiatives in the presence of stakeholders that demand diversity-promoting practices. My findings should be of interest to stakeholders that are interested in whether firms engage in performative action in lieu of concrete initiatives that promote diversity.

2. Background and hypothesis development

Pictorial content

Accounting research focuses primarily on disclosure delivered via a textual medium (e.g., Li, 2008; Loughran and McDonald, 2016; Bonsall, Leone, Miller, and Rennekamp, 2017), which can include both numerical and word content, or disclosure delivered verbally (e.g., Hobson, Mayew, and Venkatachalam, 2012; Mayew and Venkatachalam, 2012). Although most disclosure is communicated via text (e.g., 10-Ks, 10-Qs, press releases, etc.) and speech (e.g., conference calls), visual content is an alternative medium by which firms can communicate with stakeholders. Literature examining content delivered in a visual format is somewhat sparse. Experimental work in this area includes Elliott et al. (2017), who find that graphical or pictorial presentation of quantitative information can increase investors' willingness to invest, and Brown et al. (2019), who find that background images have the capacity to differentially influence investors' weighting of information. Recent studies by Xu (2021) and Christensen et al. (2021) find that infographics are key tools that firms use to meet information demands. Notably, Nekrasov et al. (2021) not only provide evidence that visual content (i.e., tables, charts, figures, graphs, photos, and videos)

attracts more attention, but also that managers believe the presentation format and presentation channel affect investor perceptions. The authors offer evidence consistent with the strategic use of visuals, with a higher likelihood of a visual in the presence of positive performance news, especially when the persistence of such performance is low.

Although these studies examine other types of visual content or visual content in general, photographs are a specific type of visual content that warrant examination. Photographs are used across many disclosure channels, including annual reports, corporate websites, and social media posts, and therefore can be a convenient tool by which firms can engage in visual communication. Research in psychology and communication finds that, compared to words, pictures are easier to process and remember, and stimulate a greater emotional reaction (Lang, Potter, and Bolls, 1999; Houts, Doak, Doak, and Loscalzo, 2006; Kensinger and Schacter, 2006). Explanations as to why pictures elicit these effects include 1) parallel processing of pictures as compared to serial processing of words, 2) automatic processing of pictures as compared to effortful processing of words, and 3) pictures as compared to words more quickly and thoroughly activate biological imperative responses (Lang, Bailey, and Connolly, 2015). Potter, Wyble, Hagmann, and McCourt (2014) note the speed at which individuals can extract conceptual information from visuals, as indicated by their ability to identify and remember images that are presented for even a fraction of a second. In their field experiment, Bertrand, Karlan, Mullainathan, Shafir, and Zinman (2010) find that advertisements for loan offers in South Africa that include a photograph of an attractive female are associated with an increase in loan demand by approximately the equivalent of a 25% reduction in the interest rate, providing evidence that a photograph that provides no information has the ability to influence consumer behavior.

A key takeaway from the extant literature examining visual content is that it increases credibility. For example, Elliott, Hodge, and Sedor (2012) find that explanations regarding restatements are more credible when made via video rather than via text. Relatedly, Asay et al. (2018) observe that the inclusion of the CEO's photo with good (bad) news results in more positive (negative) assessments of firm value, suggesting the presence of an accompanying photograph affects how readers perceive an association between the subject of the photograph and the accompanying information. Given the implied credibility associated with photographs, this medium can also provide additional opportunities for firms to appear *as if* they are imparting real information about the firm. Just as text and speech can reflect both information and opportunism, it is possible that firms can also use a visual medium both for information communication and for misrepresentation. Accordingly, this introduces the question of the integrity of visual communication; are firms motivated to inform or mislead?

Pictorial content exhibits several additional important features that warrant discussion. First, firms desiring to convey a message via this medium can only communicate general perceptions or messages rather than specific facts. For example, photographs can convey a firm's community involvement through images of employees engaging in volunteer work, but it would be difficult to communicate specific expectations of future firm performance or cost reduction strategies in a photograph. Accordingly, firms are limited in what they can communicate through photographs. Second, photographs can be "consumed" by a reader who spends even minimal time in the content, whereas tables, graphs, or text require more effort by the reader. In other words, based on the findings from Potter et al. (2014), I expect the processing costs for pictorial content to be lower than that of other mediums. Third, pictorial content is difficult to authenticate. Although other content in a disclosure channel may undergo some form of substantiation (e.g., by

corporate lawyers, auditors, etc.), photographic depictions are inherently "unverifiable" because there are no specific data against which to compare this content. Firms have considerable bandwidth to use photographs to curate desirable optics for the firm, and managers can use them to curate an impression of the firm without making any textual claims. Accordingly, this avenue offers an opportunity for managers to communicate favorable "images" of the firm.

Many, though not all, firms include pictorial content within their annual report.[10] These photographs are unlikely to provide additional traditionally informative content, as compared to graphics, for example. Anecdotally, however, photographs included within firm materials are purposefully selected and vetted because firms want to be careful about the message these images convey about the firm.[11] For example, Segal (1998) notes the importance of well-selected photographs of the board of directors in humanizing the group or signaling other desirable characteristics. Chatterjee and Hambrick (2007) link the prominence of CEOs' photographs within the annual report to qualities of CEO narcissism such as grandiosity, vanity, and exhibitionism, consistent with the idea that photographs within the annual report are subject to managerial attention and influence. Bernardi et al. (2002) find that firms with more females on their boards of

[10] Though my sample selection process does not identify the percentage of annual reports that do or do not include any pictorial content, I lose 57% of firm-year observations for annual reports that contain no pictures of *faces*.

[11] I engaged in discussions with the Directors of Financial Reporting (or similar roles) for four public firms to obtain insight into firms' processes for including photographic content within the annual report. These discussions reflected a range of perspectives as to how management views the importance of this content. Three of the directors emphasized that significant time, resources, and consideration are devoted to curating the annual report, including its photographic content. Several groups, including financial reporting, legal, marketing, and human resources, are involved in the process, and approval of the content includes that of the CEO, or a direct report of the CEO. More than one of the directors indicated that revision at the request of the CEO is not uncommon. Management of these firms consider the annual report to be important because of how it reflects the firm. One director mentioned "it is the face of the company" and "we want to be careful of how it represents the company." Multiple directors also indicated that diversity of the individuals included in the photographs is an important consideration in the representation of the firm. One mentioned that "images and pictures must be a reflection of the company's brand, so they are not picked lightly," and are selected to "reflect… values including diversity and inclusion." In contrast, another director indicated that they do not devote significant care to the curation of the annual report photographic content. Instead, once financial information is ready, the annual report is sent to the design department to add photographic content on the front and back covers. Per all of these discussions, photos of individuals are typically of firm employees, though one firm's director indicated that they sometimes use pictures of customers.

directors are more likely to include photographs of the board within the annual report. Accordingly, pictorial content in the annual report has the potential to be used strategically by firms.

Diversity

Despite the passage of Title VII of the Civil Rights Act in 1964 prohibiting discrimination by employers based on gender, race, or other attributes that induce bias, the private sector began to recognize in the following decades that government regulation was insufficient to foster diversity within organizations (Dobbin and Kalev, 2013). Societal pressures to promote diversity on a number of dimensions (including workforce composition, compensation, promotion, and executive representation) in order to combat systemic barriers to equity have further escalated in recent periods. In addition to non-trivial roles in promoting diversity in lending and investing, marketing, and political contributions, or other activities, many firms face demands to promote diversity as employers.

In response to pressure to invest in diversity-promoting efforts, firms have finite options. One option involves the launch or continuation of practices to promote diversity within the organization. Naturally, these practices are costly and often require time before they produce results. Two, firms can choose to do nothing. The choice to do nothing, however, is risky; firms can face possible scrutiny or even retaliation from stakeholders. Specifically, as DEI initiatives become the norm, firms that stand out as resisting the adoption of DEI initiatives can be subject to backlash from employees, customers, or investors.

These alternatives relate to corporate *action*, but firms also face a choice in their *portrayal* of diversity efforts. Firms may choose, at least in the short term, to *appear* as if they are promoting diversity. In fact, a significant majority of firms claim prioritization of diversity, equity, and

inclusion (DEI) goals; Mercer's 2020 annual survey documents that 81% of the approximately 1,200 respondent organizations rate DEI efforts as a priority but finds that less than half (42%) have formally documented commitments to racial equity (Mercer 2020). This discrepancy between firms' claims and formal commitments is indicative of a gap between a firm's symbolic communications and its substantive actions.

Though financial performance is less adaptable to visual messaging, firms can use pictorial content to portray ESG behaviors. Given the lack of regulation regarding either ESG performance or disclosure, this set of behaviors can be suitable for either informative or strategic portrayal. Even for firms that choose to issue separate ESG reports, pictorial content elsewhere can be additional means by which they can tout strong ESG performance. Alternatively, they can feign strong ESG performance. For example, prior research has explored the idea of corporate greenwashing, whereby firms engage in "token efforts" to posture as if they are addressing environmental concerns (Laufer, 2003, Hail, Shawn, and Zhang, 2021). Additionally, ESG performance is notoriously difficult to evaluate, which further allows it to be misrepresented (Christensen, Serafeim, and Sikochi, 2021). Accordingly, photographs are a possible type of content by which firms can strategically communicate messages about social or environmental activities.

Stakeholders

Moser and Martin (2012) note the possibility that ESG activities and related disclosures are driven by both shareholders and other stakeholders. Relatedly, Boulland, Bourveau, and Breuer (2019) find firms tailor website content to be audience-specific, which is consistent with firms adapting disclosure activities to meet information demands from different stakeholder groups. Similarly, firms are likely to adapt their diversity practices and curate their pictorial content based

on varying pressures from different stakeholders, including investors, employees, customers, and community members.

Though the prevailing stance on the "purpose of the firm" for much of the last half-century has been allegiance to shareholder primacy, which prioritizes the principal-agent relationship between shareholders and management, and hence highlights the interests of shareholders, the idea of stakeholder capitalism has gained support more recently. Under this alternative, the interests of other groups party to the firm are considered not only because of their effect on shareholder value but also because they are intrinsically valuable (Brandt and Georgiou, 2016). Symbolic of this shift in at least form, in 2019 the Business Roundtable, a group of CEOs of many top U.S. corporations, revised its definition of "the purpose of a corporation" to "deliver long-term value to all of [its] stakeholders – customers, employees, suppliers, the communities in which they operate, and shareholders" (Business Roundtable, 2019). Whereas Raghunandan and Rajgopal (2021) fail to find evidence of a shift in prioritization of non-shareholder stakeholders in the operating activities of firms whose CEOs signed the 2019 Statement on the Purpose of a Corporation, Chen et al. (2021) find evidence that the majority of firms expressing support for the BLM movement appear to be authentic rather than performative.

This shift toward elevating the interests of non-shareholder stakeholders has corresponded with the increase in pressures to address racial and gender inequities. In fact, these changes can both be considered part of a broader movement towards emphasizing a more egalitarian society. Whether firms respond to stakeholder demands for firm activities promoting diversity warrants investigation.

The reshuffling of priorities and elevation of diversity demands has the possibility to manifest in heterogenous imperatives for firms to cater their responses. For example, firms that

operate in highly visible industries (i.e., whose customers are the general public) may feel more pressure to portray diversity. In terms of investors, firms may feel pressure to enhance their actual diversity efforts with pictorial diversity to garner inclusion in ESG funds. Additionally, firms may feel pressure to adjust their diversity strategies (i.e., their diversity practices, their diverse pictorial content, or both) based on the communities in which they are geographically located. Accordingly, I hypothesize:

> *H1: Strategic use of diverse pictorial content in the annual report is associated with stakeholder pressure for diversity.*

This prediction is not without tension. It is possible that firms do not curate the pictorial content of annual reports as part of their diversity strategy. At the extreme, it is possible firms do not believe stakeholders access annual reports—although this seems implausible given the firm has gone to the effort of producing the voluntary report. It is also possible firms do not believe readers will be susceptible to pictorial content that is diverse because firms believe readers do not care (i.e., firm stakeholders do not care if the firm cares about diversity), do not notice (i.e., pictorial diversity will not be effective in influencing stakeholders), or will not be fooled (i.e., stakeholders will recognize the pictorial diversity as impression management). Additionally, firms may refrain from including diverse pictorial content if management not only expects stakeholders do not care about the organization's diversity but also if they fear backlash from stakeholders who oppose diversity initiatives as forms of political correctness.

Shocks to stakeholder pressure

The societal emphasis on diversity and equity is dynamic and often fluctuates as a function of news events that highlight existing inequities. The importance of diversity to a firm's stakeholders, and thereby to a firm, is not constant over time. Sentiment regarding social issues is

often an outcome of events that induce outrage, and it is possible firms adjust their diversity strategies in response to shifting sentiment.

Media coverage and public sentiment regarding sexual harassment and gender equity transformed in the aftermath of the #MeToo movement (Does, Gundemir, and Shir, 2018). Borelli-Kjaer, Schack, and Nielsson (2021) find that in the period following the movement, revelations of sexual harassment scandals in the media increased four-fold, and revelations in the post-period were three-times as costly (in terms of loss in market value) as compared to those prior to the movement. Relatedly, attitudes and commitment to racial equity underwent a similar revamping following the murder of George Floyd in May 2020. For example, Balakrishnan, Copat, De la Parra, and Ramesh (2022) find that firms lacking Black directors on their boards experienced a 1.5% decline in share price following the murder of George Floyd in 2020. Additionally, Chen et al. (2021) find that almost one-third of the constituents of the S&P 1500 issued statements in support of BLM during this time. These findings are consistent with diminishing tolerance for behaviors inconsistent with gender and racial equality, such that firms feel heightened pressure to reexamine their diversity strategies. Accordingly, I state my second hypothesis:

> *H2: Strategic use of diverse pictorial content in the annual report changes following shocks to stakeholder pressure.*

I expect that the closer scrutiny of corporate behaviors in the periods following these high-profile events incentivizes firms to specifically avoid attention that may lead to negative consequences. For example, consider the black squares posted on social media on #blackouttuesday following the death of George Floyd. During this period, J.P. Morgan CEO Jamie Dimon, adopting the controversial pose protesting police brutality against African Americans, kneeled with employees to indicate his solidarity. These visually compelling messages were coupled with corporate statements denouncing systemic racism, but critics noted these public

commitments were not necessarily reflective of concrete action by firms: "[c]orporate statements supporting Black Lives Matter stand empty…without meaningful actions such as directing profits back into black communities, eliminating racial pay disparities, increasing hiring from black neighborhoods, and promoting black employees" (Jan et al., 2020). Accordingly, firms may feel compelled to avoid behavior that appears performative and hence reduce the use of pictorial content in favor of more substantive diversity initiatives.

3. Data and sample construction

Table 1 details my sample construction. I begin with 49,277 firm-years from Compustat with fiscal years ending between January 1, 2015, and December 31, 2020. The sample starts in 2015 in order to have broad availability of annual reports.[12] I eliminate 23,070 firm-years based on availability of detailed ESG ratings from MSCI. Next, following Ben-Rephael et al. (2021), I obtain annual reports from www.annualreports.com, which is a repository of annual reports of publicly traded firms hosted by IR Solutions. IR Solutions obtains annual reports either from firms that register with the website with free or paid memberships (the latter of which allows for the distribution of a firm's hard copies of annual reports to requesters), or directly from the websites of firms that do not register. I exclude 17,181 firm-observations based on the lack of an annual report on www.annualreports.com.[13] The resulting 9,100 annual reports are scraped for photographs of faces using Python. I eliminate an additional 5,145 firm-years from the sample based on the lack of an annual report *with pictures of faces*, which equates to a loss of 57% of firm-year observations. This results in a sample of 3,955 firm-years with annual reports across 1,535

[12] Annual reports on www.annualreports.com are consistently available for fiscal years 2015 and later. Similarly, some firms only make annual reports available on corporate websites for the most recent fiscal years.

[13] To determine the representativeness of the sample of firm-years with annual reports available on www.annualreports.com with firm-years from Compustat with non-missing assets and MSCI ESG ratings, I compare descriptive statistics of the two samples in Appendix C. As there are significant differences between the two samples, the findings from annual reports obtained through www.annualreports.com may not be generalizable outside of this sample.

unique firms. I rely on two methods to classify the race and gender of each face. A Python algorithm first classifies the race and gender of each identified face. Additionally, following Kay, Matuszek, and Munson (2015), who use Amazon Mechanical Turks ("MTurks") to identify and classify the gender of individuals in images, I use MTurks to independently verify each Python-identified face and classify their gender and race (see Appendix D for a more detailed discussion of this process). Faces that are classified differently by Python and Amazon MTurks retain the MTurk classification.

I drop firm-year observations with exactly one photograph of a face, as I expect these are likely to be a photograph of the CEO. This constraint results in a loss of 853 observations for a final sample of 3,102 firm-year observations for 1,254 unique firms.

4. Research Design and Results

In this section I discuss my measures of interest, as well as empirical tests in which I examine the determinants of 1) diverse pictorial content within the annual report and 2) diversity initiatives. I model determinants of pictorial content diversity and diversity performance as:

$$\begin{aligned} PicRank_{it} = {} & \alpha_0 + \alpha_1 LnEmp_{it} + \alpha_2 LnAge_{it} + \alpha_3 LaborInt_{it} + \alpha_4 MktBk_{it} \\ & \alpha_5 EnvSensInd_{it} + \alpha_6 ROA_{it} + \alpha_7 RD_{it} + \alpha_8 CorpGov_{it} + \\ & \alpha_9 DivPerfRank_{it} + \varepsilon_{it} \end{aligned} \quad (1)$$

$$\begin{aligned} DivPerfRank_{it} = {} & \beta_0 + \beta_1 LnEmp_{it} + \beta_2 LnAge_{it} + \beta_3 LaborInt_{it} + \beta_4 MktBk_{it} + \\ & \beta_5 EnvSensInd_{it} + \beta_6 ROA_{it} + \beta_7 RD_{it} + \beta_8 CorpGov_{it} + \varepsilon_{it} \end{aligned} \quad (2)$$

In equation (1), $PicRank_{it}$ is either $GenderPicRank_{it}$, $RacePicRank_{it}$, or $MinorityPicRank_{it}$. *GenderPicRank* is the annual percentile rank of the percentage of female faces identified within the annual report. *RacePicRank* is the annual percentile rank of the percentage of underrepresented racial minority (i.e., Black, Latino, or Native American) faces identified within the annual report. *MinorityPicRank* is the percentile rank of the percentage of faces that are *either* female, Black,

Latino, or Native American identified within the annual report. In equation (2), $DivPerfRank_{it}$ is the annual percentile rank (relative to all firms meeting Compustat data requirements and rated by MSCI) of the firm's annual MSCI rating based on the firm's development of human capital ESG risk and opportunities, which includes its strategies and policies, targets and implementation, and demonstrated performance with regards to gender and racial diversity. Metrics on which a firm is evaluated include the existence and strength of workforce diversity policies, programs facilitating workforce diversity, employee trainings, and senior management oversight of the firm's diversity performance (see Appendix B for more detail regarding this measure).

In each equation, I include proxies for expected determinants of a firm's diverse pictorial content and diversity practices. I begin with the determinants of diversity initiatives as identified by Dobbin, Kim, and Kalev (2011), who synthesize previous studies examining why some but not all firms adopt these programs. Their comprehensive model includes firm size, age, the adoption of diversity initiatives by industry peers, the presence of female managers within the firm, and corporate culture.[14] Accordingly, I include firm size, with the expectation that the diversity of a firm's annual report pictorial content is increasing with size. I expect that the most direct proxy for size in this context is the size of a firm's workforce. If photographs included within the annual report are photographs of employees of the firm, larger companies able to select from a greater pool of employees would be able to portray more diversity within the annual report. As such, I proxy for firm size with the natural log of employee count (*LnEmp*). It is also possible that firm size incremental to the size of the workforce is associated with its portrayal of diversity;

[14] Dobbin et al. (2011) integrate earlier work examining firm-level factors that would affect the adoption of diversity initiatives, including age (Selznick, 2011), size (Kalleberg and Van Buren, 1996), prior adoption of equal opportunity measures (Dobbin and Kalev, 2007), and workforce diversity (Steeh and Krysan, 1996). In my model I include those factors that are both significant in predicting adoption of initiatives in Dobbin et al. (2011) and widely available for my sample. For example. I am unable to include measures for the presence of female managers within the firm or corporate culture. I do not include a measure of adoption of diversity initiatives by industry peers because my measures of pictorial diversity and diversity initiatives are ranked within industry.

accordingly, in alternative specifications I include an additional proxy for firm size with the natural log of assets (*LnAssets*).

I also include the natural log of the number of years the firm has been on Compustat (*LnAge*). On one hand, younger firms may have younger, more diverse employees. On the other hand, younger firms may not have the resources to prioritize diversity initiatives. Hence, I make no directional prediction for this determinant.

Next, I include a measure of firm reliance on human capital. I use the measure of labor intensity (*LaborInt*) from Bowen, DuCharme, and Shores (1995) and Matsumoto (2002), measured as one minus the ratio of gross property, plant, and equipment to total gross assets. I expect firms relying more on human capital to face greater diversity pressure. Additionally, it is possible that firms with market expectations for growth feel pressure to portray a commitment to diversity. As such, I include *MktBk*, the ratio of market value of equity to book value of equity, for which I predict a positive association with pictorial diversity. I also consider how a firm subject to pressures related to environmental concerns may manage its diversity strategy. I include an indicator variable *EnvSensInd* for membership in an environmentally sensitive industry (pharmaceutical, chemical, mining, metals, papers, transportation, petroleum, and utilities, following Ruiz-Blanco, Romero, and Fernandez-Feijoo (2021).

I also control for recent firm performance (*ROA*) based on the ratio of income before extraordinary items to total assets, which could be associated with diversity practices. On one hand, firms with good performance may have more resources to invest in DEI initiatives. On the other hand, firms experiencing declining performance may feel pressure to put forth the *impression* of diversity efforts, as firms experiencing declining performance may have fewer expendable resources to devote to actual social responsibility ventures (Campbell, 2007). Prior studies

examining determinants of CSR have also found research and development expense and a firm's corporate governance score to be positively associated with CSR expenditures (Lys, Naughton, and Wang, 2015); accordingly, I include *RD* (research and development expense scaled by net sales) and *CorpGov* (governance pillar score by MSCI).

Finally, in equation (1) I include the annual percentile rank of the firm's human capital development rating. Controlling for a firm's diversity practices means that coefficients on other regressors capture their incremental impact on pictorial diversity in excess of the level of pictorial diversity that would be dictated by the firm's actual diversity practices. In other words, the inclusion of *DivPerfRank* in equation (1) implies that the other determinants capture *strategic* use of diverse pictures beyond what is determined by a firm's substantive behaviors meant to promote diversity. Throughout all of my analyses, I calculate standard errors clustered by firm to account for any autocorrelation in firms' decisions regarding diversity strategies.

I provide descriptive statistics in Table 2, Panel A. Annual reports in the sample include a mean (median) of approximately 21 (13) photographs of faces (*TotalN*). On average, an annual report has approximately seven photographs of faces that are either female or of an underrepresented racial minority (*MinorityN*). Seventeen percent of annual reports display only faces that are white and male (*AllWhiteMale*). Female faces comprise 22 percent of all faces (*GenderPicPct*), and Black, Latino, or Native American faces comprise 13 percent (*RacePicPct*). Faces that are either female, Black, Latino, or Native American comprise 30 percent of the photographs, on average (*MinorityPicPct*). On a scale of one to ten, firm-years have a mean (median) performance of 3.74 (3.60) on diversity practices (*DivPerf*). In Panel B I present a correlation table. Pictorial diversity and diversity performance are positively correlated, but the correlation is relatively small at 0.04 for both the Pearson and Spearman correlations, indicating

that these are not perfectly aligned and suggesting that there could be a strategic component to pictorial diversity.

In Panel C I present mean *GenderPicPct*, *RacePicPct*, *MinorityPicPct*, and *DivPerf* by year during the sample period. *GenderPicPct* increases slightly in 2017 and 2018, before declining in 2019 and 2020. In contrast, *RacePicPct* remains mostly steady over the sample period. Considering race and gender together, *MinorityPicPct* increases in 2017 and 2018 but declines in 2019 and 2020. *DivPerf* increases over the sample period. Panel D presents the distribution of these variables by GICS sector. *GenderPicPct* is highest in the Healthcare sector, and *RacePicPct* and *MinorityPicPct* are highest in the Consumer Staples sector. The Energy sector is consistently the lowest across all three pictorial diversity measures. Information Technology exhibits the lowest *DivPerf*, whereas the Consumer Staples sector exhibits the highest.

I present results of estimating equations (1) and (2) in Table 3 Panel A. In columns 1, 2, and 3, I examine the determinants of gender and racially diverse photographs (equation (1)) and compare those to determinants of diversity initiatives (equation (2)) in column 4. The size of the firm workforce is positively associated with the use of gender or racially diverse photographs in the annual report, which is consistent with the idea that firms use photographs of existing employees in the annual report; firms with more employees likely have a greater pool of diverse employees available to photograph. Additionally, firms with more employees might also feel more pressure from larger workforces to signify commitment to its workforce, specifically to those members that are female or members of racial minorities. This positive association is also aligned with the positive coefficient on *LnEmp* in column 4, indicating that the size of a firm workforce is also positively associated with its performance on diversity initiatives. While the use of photographs of minorities is not significantly correlated with firm age or with labor intensity,

diversity initiatives are positively associated with age (i.e., older firms perform better with regards to these initiatives) and negatively associated with labor intensity (i.e., firms relying more intensely on labor tend to perform worse with regards to these initiatives).[15] *MktBk*, *EnvSensInd*, and *ROA* do not exhibit a signification relation with either diverse photographs or diversity initiatives. *RD* exhibits a positive relation with both pictorial diversity and diversity initiatives; firms that invest heavily in research and development also invest in diversity initiatives and strategically use diverse pictures in annual reports. The coefficient on *CorpGov* is positive and marginally significant in column 2, consistent with firms exhibiting stronger corporate governance including more racially diverse pictures.

Equation (1) proxies for a firm's size by the size of the firm's workforce, *LnEmp*. I also consider if firm size is better captured in this setting by asset size, *LnAssets*. In columns 5, 6, 7, and 8 of Table 3, Panel A, I replace *LnEmp* with *LnAssets*. Results are slightly different from those in columns 1 through 3. The coefficient on *LnAssets* is not significant in column 5 through 7 but is positive and significant in column 8, consistent with a tendency of firms with more assets to invest in more diversity practices. In column 5, the coefficient on *DivPerfRank* is also positive and significant, indicating that firms that perform well in terms of diversity initiatives include more gender diverse pictures within annual reports. Additionally, the coefficient on *MktBk* is positive and significant in column 8, consistent with firms with more growth opportunities investing in diversity initiatives. The coefficient on *EnvSensInd* is negative and significant in column 8, possibly reflecting a tendency of these firms to focus on environmental issues rather than social ones.

[15] In untabulated analyses, I rerun equation (2) by industry. A negative relation between diversity initiatives and labor intensity is isolated to the Industrials, Telecom, and Real Estate industries. This is mostly consistent with a negative relation in industries in which the firm relies significantly on lower-wage or lower-skilled employees and in which firms may not invest in diversity initiatives.

It is possible that asset size is incrementally important beyond that of the size of a firm's workforce in determining pictorial depictions of diversity and diversity initiatives, though these measures cannot be included within the same specification due to multicollinearity issues (the Pearson (Spearman) correlation between *Assets* and *Empl* is 0.43 (0.49)). Accordingly, in Panel B I rerun equations (1) and (2) including *LnAssets* (*LnEmp*) and partitioning the sample based on the median value of *LnEmp* (*LnAssets*). In Panel B, the coefficient on *LnAssets* is negative and significant in columns 1 and 3 (for firm years with fewer employees than the median), and negative and significant in columns 6 only (for firm years with more employees than the median), indicating that firms with fewer assets have a greater propensity to include more pictures of diverse individuals regardless of the size of the firm's workforce. In both columns 4 and 8, the coefficient on *LnAssets* is positive and significant, consistent with workforce size also not affecting the positive relation between assets and diversity initiatives. In Panel C, all coefficients on *LnEmp* across columns 1 through 3 and 5 through 7 are positive and significant, indicating that asset size does not affect the positive relation between firm workforce size and diverse pictures. Notably, for firms with fewer assets, there is no relation between the size of the firm's workforce and diversity initiatives, and but for firms with more assets, there is a positive and significant relation between workforce size and diversity initiatives. In the remainder of my specifications, I retain *LnEmp* as the proxy for size; though *LnAssets* is incrementally informative about the determinants, it is not possible to include both measures.

Stakeholders

I next examine how various stakeholders impact firms' portrayals of diversity in the annual report. For each included stakeholder, a positive coefficient when included in equation (1) coupled with a negative (or not significant) coefficient in equation (2) would be consistent with the strategic

use of pictorial diversity to satisfy demands for diversity. A positive coefficient in equation (2) would indicate substantive actions to meet demands for diversity-promoting behaviors; a positive coefficient also in equation (1) would reflect the strategic use of diversity pictorial content *beyond* what is dictated by firms' diversity practices (as *DivPerfRank* is included as a control in equation (1)), whereas a negative (or not significant) coefficient would indicate that pictorial diversity is not a part of firms' diversity strategies as a response to diversity demands from these stakeholders.

I first modify equations (1) and (2) to include an indicator variable *VisibleInd*, which equals one for membership in industries featuring firms well known to the general public for their products and services. Following Ruiz-Blanco et al. (2021), this includes energy utilities, financial services, food and beverages, healthcare, household and personal products, retailers, telecommunications, textiles and apparel, waste management, water utilities, commercial services, consumer durables, media, and tobacco.

I present results in Table 4. The coefficient on *VisibleInd* is positive and significant in columns 1 and 3; firms in these industries strategically display more gender diverse (though not racially diverse) photographs in their annual reports. In column 4, the coefficient is also positive and significant, consistent with firms in consumer-focused businesses investing in substantive diversity practices in addition to portraying diversity.

Next, I examine how employees' preferences may affect firms' diversity strategies. Preferences for diversity initiatives are acutely related to political preferences; for example, the Pew Research Center documents that "while 67% of Democrats say that the country has not gone far enough when it comes to giving black people equal rights with whites, just 15% of Republicans say the same" (Pew Research Center, 2021). Employees are allowed to contribute to firm PACs that presumably direct contributions based on the aligned preferences of employees. Therefore,

the political preferences (and hence, preferences for diversity promoting behaviors) of employees can be inferred if they contribute to those firm PACs that give to Democratic targets (i.e., candidates or other PACs).

I modify equations (1) and (2) to include *DemPAC,* the percentage of the firm-sponsored PACs contributions directed towards Democratic targets based on the most recent election cycle. I present results in Table 5. In columns 1, 2, and 3, the coefficients on *DemPAC* are not significant, indicating no relation between firms with employees who contribute to a Democratic-leaning corporate PAC and the strategic use of diverse pictorial content. However, the positive and significant coefficient in column 4 is consistent with the association of the presence of Democratic-leaning employees with more or better diversity initiatives.

I also examine if pressures from communities local to a firm's headquarter location affect a firm's diversity strategy. Prior studies document geographically heterogenous attitudes towards diversity (Kline, Rose, and Walters, 2021, Chen et al., 2021). Firms rely on local communities for labor supply and favorable policies, and therefore may be subject to pressures from them to project diversity supportive behaviors. Following Choi, Pacelli, Rennekamp, and Tomar (2022) and Chen et al. (2021), I use the number of BLM protests per capita in 2020 in the state in which the firm is located to proxy for local attitudes towards diversity (*BLMPerCap*).

I present results in Table 6. The coefficients on *BLMPerCap* are not significant in columns 1, 2, and 3, but is significant and positive in column 4. These results are consistent with a lack of strategic pictorialization of diversity as a response to community pressures, but an increased likelihood of engaging in more diversity initiatives when firms are located in communities that care more about diversity.

I next examine if and how investor groups affect firms' diversity strategies. Investors are arguably a primary stakeholder of interest to firm and possess the ability to yield pressure on firms to adopt strategies that align with their preferences (She, 2021). In particular, investors who have pro-social preferences can apply pressure via investor meetings, shareholder proposals, voting, etc. in which they call for more diversity initiatives or information. Grewal, Serafeim, and Yoon (2016) find that public pension funds are one of the leading sponsors of shareholder proposals related to environmental and social issues. Following She (2021), I proxy for socially conscious investors as activist pension funds based on Larcker, Richardson, and Tuna (2007). I construct two measures: 1) the number of activist pension funds invested in the firm (*ActivistCount*), and 2) the percentage of shares held by activist funds (*PctActivist*).

I present results including *ActivistCount* in Table 7 Panel A. While the coefficient on *ActivistCount* is not significant in column 1, it is significant and positive in columns 2 and 3, indicating that the presence of socially conscious investors is associated with a greater propensity to strategically include more racially diverse pictures. In column 4, the coefficient on *ActivistCount* is negative and significant, suggesting fewer substantive diversity practices in the presence of socially conscious investors. I present results including *PctActivist* in Table 7 Panel B. The coefficient on *PctActivist* in columns 1, 2, and 3 are each positive and significant, consistent with the strategic use of both gender and racially diverse pictures to appease socially conscious investors. The coefficient on *PctActivist* is negative and significant in column 4, reflecting less engagement in diversity practices in the presence of activist investors.

Collectively, these results are consistent with the strategic use of diverse pictorial content as part of firms' diversity strategies when stakeholders are somewhat distanced from the firm and therefore may have less transparency into firms' diversity practices. In contrast, when stakeholders

are more proximate to the firm, diversity strategies appear to not include pictorial diversity as a way in which to address stakeholder demands for diversity.

Shocks to stakeholder pressure

I next examine if shocks to public sentiment regarding gender and racial inequities induce changes to firms' strategies regarding diversity initiatives and strategic diversity portrayal. I utilize a shock to both gender and racial inequity awareness. First, the #MeToo movement was a high-profile sexual harassment awareness movement that gained significant momentum in late 2017. Second, the period following the murder of George Floyd in May 2020 heightened awareness of existing racial inequities and increased calls for corporate action. I introduce two indicator variables, *PostMeToo* and *PostBLM*, which equal one in periods subsequent to December 2017 and June 2020, respectively, to equations (1) and (2) to examine if the level of firms' diversity initiatives or strategic diversity portrayals change following these shocks to public opinion. To examine how these shocks to stakeholder sentiment may have differentially been associated with firms' diversity strategies based on the presence of a stakeholder group, I include *VisibleInd*, as I previously find evidence that firms use both strategic diversity portrayals and diversity practices to address diversity demands based on operating in consumer-focused industries. Specifically, I estimate the following models:

$$PicRank_{it} = \alpha_0 + \alpha_1 VisibleInd + \alpha_2 Post + \alpha_3 Post^{*} VisibleInd + Controls + \varepsilon_{it} \quad (3)$$

$$DivPerfRank_{it} = \beta_0 + \beta_1 VisibleInd + \beta_2 Post + \beta_3 Post^{*} VisibleInd + Controls + \varepsilon_{it} \quad (4)$$

where *Post* is either *PostMeToo* or *PostBLM.* I present results from examining changes following the #MeToo movement in Table 8. In columns 1, 3, 5, and 7, I examine the association between the shocks to public sentiment and pictorial diversity and diversity practices. In columns 2, 4, 6, and 8, I interact *PostMeToo* with *VisibleInd* to examine if firms in more consumer-focused industries differentially altered their pictorial diversity or diversity practices. The negative and

significant coefficients on *PostMeToo* in columns 1, 3, and 5 suggest a decline in the strategic use of diverse pictures following the movement. When I interact *PostMeToo* with *VisibleInd* in columns 2, 4, and 6, the coefficient on *PostMeToo* remains negative and significant, which suggests that firms in less visible industries reduced their strategic use of diverse pictures following the movement. In both columns 7 and 8, the coefficient on *PostMeToo* is significant and positive, consistent with an increase in diversity practices by firms that are not in consumer-focused industries. Taken together, the decline in the strategic use of diverse photographs and the increase in diversity practices suggests that firms relying on pictorial diversity (rather than real diversity initiatives) prior to the movement may have adjusted their diversity strategy to avoid accusations of performative rather than substantive actions. In contrast, firms belonging to consumer-focused industries neither adjusted their strategic use of diverse pictures ($\alpha_2 + \alpha_3$) nor changed their diversity practices ($\beta_2 + \beta_3$). Following the movement, firms belonging to consumer-focused industries still appear to strategically use more diverse pictures and invest in more diversity practices than those firms not in these industries (column 2: $\alpha_1 + \alpha_3 = 8.594$; p-value < 0.01; column 6: $\alpha_1 + \alpha_3 = 6.701$; p-value < 0.01; column 8: $\beta_1 + \beta_3 = 6.907$; p-value < 0.01).

I next examine changes in diversity strategies following the Black Lives Matter movement. I present results in Table 9. In columns 1 and 5, the coefficient on *PostBLM* is negative and significant, which would suggest this movement is associated with a decline in the strategic use of pictorial diversity. When I interact *PostBLM* with *VisibleInd* in columns 2, 4, and 6, it appears that the decline is driven by firms belonging to visible industries that *reduced* their strategic use of pictorial diversity following the movement (column 2: $\alpha_2 + \alpha_3 = -8.380$; p-value < 0.01; column 6: $\alpha_2 + \alpha_3 = -4.478$; p-value < 0.10) to the point that there is no difference with those firms that do not belong to these industries. Additionally, the negative coefficient on *PostBLM* in column 7

suggests a decline in diversity initiatives following the movement. In column 8, the coefficient on *PostBLM* is negative, indicating a decline for firms in less visible industries. Additionally, it appears that firms in visible industries also reduced diversity practices following the movement ($\beta_2 + \beta_3$ = -19.261; p-value < 0.01), though these firms still appear to have greater diversity practices in the post-period than those firms not in visible industries ($\beta_1 + \beta_3$ = 5.151; p-value < 0.10). Firms reduced diversity practices following this movement, on average, both in visible and non-visible industries.[16]

In an additional test, I examine how the use of diverse pictures in the annual report correlates with the use of these in sustainability reports. In other words, do findings related to diversity strategies from annual reports extend to sustainability reports? I collect the sustainability reports of 100 random firms that are included in my sample of annual reports for fiscal year 2020. Of these, 96 include pictures of individuals' faces. I use Python and MTurks to classify the faces in these reports and use these to calculate pictorial diversity variables. I present the descriptive statistics of the pictorial diversity variables of annual reports and sustainability reports for this sample of firm-years in Table 10 Panel A. The average number of photographs of faces included in sustainability reports is significantly higher than the average number of faces included in annual reports, as are the number of female, Black, Latino, or Native American faces. In terms of percentages, sustainability reports also include a significantly higher percentage of faces that are female, underrepresented minorities, or females or underrepresented minorities. I present correlations between pictorial diversity of annual reports and pictorial diversity of sustainability reports in Table 10 Panel B. Most variables do not reflect a significant correlation between these

[16] Findings related to changes associated with the BLM movement should be interpreted with caution. There is limited data in the post period, which was also during the COVID-19 pandemic (which could have affected firms' diversity initiatives). Additionally, some firms paused the generation of an annual report for the 2020 fiscal year but resumed with the 2021 fiscal year.

reports; the sole exception is the number of faces appearing as those of Black individuals, which indicates a correlation of 0.23 (p-value < 0.05). Accordingly, the generalizability of the findings from annual report cannot necessarily be generalized to sustainability reports.

5. Conclusion

Firms face escalating pressures to promote diversity in the face of persistent gender and racial inequities. Given variation in their ability or willingness to invest in activities that foster diversity, firms may also be incentivized to create the *impression* that they do so through pictorial content. In this study, I examine how firms portray diversity and how much they pursue it. Using a sample of firm annual reports, I examine how determinants of firm pictorialization of diversity diverges from those of actual diversity efforts. I predict that firms that are subject to pressure from stakeholders, including certain investor, customer, community, and employee groups, strategically use pictorial diversity in addition to or in lieu of diversity initiatives. I provide support consistent with firms acting strategically with regards to diversity in the presence of certain stakeholders and not in the presence of others. Namely, I find evidence of strategic behavior when stakeholders exhibit some distance from the firm (i.e., customers and investors) and therefore may be at somewhat of a disadvantage in being able to distinguish performative actions from substantive ones. In contrast, I find no evidence consistent with strategic behavior when stakeholders are more proximate to the firm (i.e., employees and communities), and therefore better able to discern actions that may be purely performative and not substantive.

I make three sets of contributions. First, I provide evidence consistent with pictorial content providing a means by which firms can communicate messages that are less suitable for traditional disclosure mediums. Second, I provide some evidence that stakeholder pressure impacts firms'

diversity strategies. Finally, I provide evidence on how firms change their behaviors following shocks to public sentiment that, in turn, increase scrutiny regarding firm diversity efforts.

I also note an important limitation of my study. Admittedly, this study focuses on the *appearance* of gender and race and makes no claims about underlying gender and racial identities of pictured individuals. However, this is, in fact, the crux of my research question; that is, how do firms curate the *appearance* of diversity?

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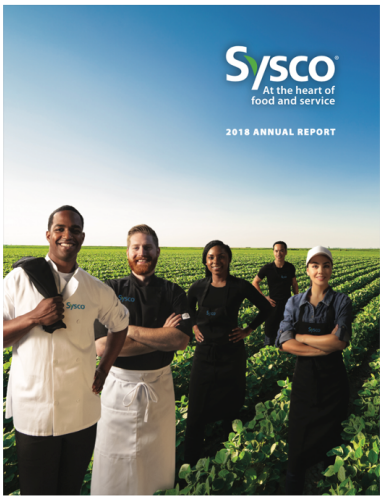
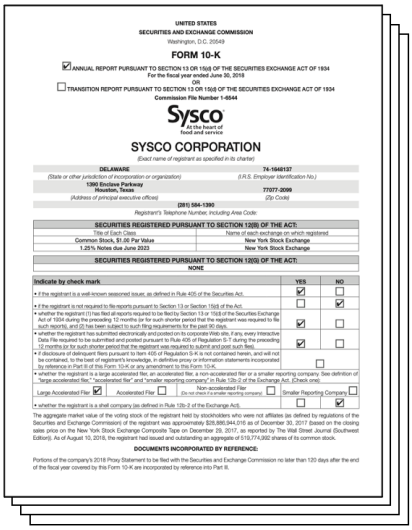
Appendix A: Example of Annual Report Pictorial Diversity

The following is an example of a firm's annual report and the construction of the pictorial diversity measures used in my empirical analyses. Sysco Corporation's 2018 annual report pictorial content includes pictures of five individual faces. Below are the gender and race classifications for each face, as well as the calculations for *GenderPicPct*, *RacePicPct*, and *MinorityPicPct.*






Gender = Male
Race = Black


Gender = Male
Race = White


Gender = Female
Race = Black

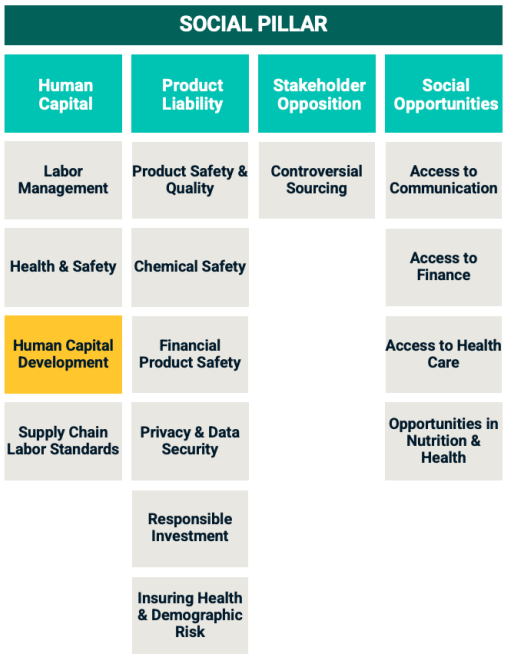

Gender = Male
Race = Asian


Gender = Female
Race = Middle Eastern

Annual report pictorial diversity:
GenderPicPct = 2 female faces / 5 total faces = 0.40
RacePicPct = 2 faces of underrepresented minorities / 5 total faces = 0.40
MinorityPicPct = 3 female or URM faces /5 total faces = 0.60

Appendix B: MSCI ESG Ratings – Human Capital Development Score

To measure a firm's performance with regards to diversity efforts, I utilize MSCI ESG Ratings, which rates firms on each of three pillars: Environment, Social, and Governance. The Social Pillar incorporates underlying key issues, which includes Human Capital Development:



A firm's Human Capital Development rating is based on evaluating a firm's ability to manage and develop its human capital. Specifically, MSCI defines this rating as:

> *This key issue evaluates companies' ability to attract, retain and develop human capital based on their provision of benefits, training and development programs, and employee engagement. Companies that proactively manage human capital development through offering competitive benefit packages, implementing formalized training programs, and actively measuring employee satisfaction score highest on this key issue. The companies that rely heavily on highly-skilled employees but show no evidence of such employee engagement score poorly on this key issue. (Score: 0-10)*

MSCI's evaluation of management's practices and performance include consideration of how well they address gender and racial/ethnic diversity. Some example metrics are:

- if the company has a diversity policy for its workforce,
- if company has programs to facilitate workforce diversity (gender, religion, ethnic background, etc.),
- the strength of the company's programs to promote workforce diversity, if any,
- employee training on diversity policy, supported by senior executive or higher level of oversight on diversity performance,
- senior executive or higher level of oversight on diversity performance,
- employee training on diversity policy,
- general statements on diversity and equal opportunity.

Appendix C: Sample Representativeness of www.annualreports.com

As described in Section 3 and summarized in Table 1, the sample of 26,281 firm years with non-missing assets and ESG ratings from MSCI is narrowed to 9,100 firm-years with annual reports on www.annualreports.com. In this table, I compare descriptive statistics for these two samples to identify any significant discrepancies in representativeness of annual reports from www.annualreports.com. Based on the below statistics, there are significant differences between the sample available based on Compustat and MSCI and the sample for which annual reports are available, which limits the generalizability of this study's findings.

	Compustat firm years with non-missing assets and ESG ratings			Firm years with annual reports on www.annualreports.com				
	N	**Mean**	**P50**	**N**	**Mean**	**P50**	**Difference**	**T-Stat**
DivPerf	26,281	2.23	2.10	9,100	3.34	3.10	-1.11***	(-47.58)
TotalAssets	26,281	14,492	646	9,100	26,991	3,318	-12,499***	(-13.91)
ROA	24,555	-0.60	0.01	9,031	-0.01	0.02	-0.59***	(-19.56)
Loss	26,281	0.47	0.00	9,100	0.28	0.00	0.19***	(32.08)
Age	26,281	17.57	13.00	9,100	24.85	21.00	-7.28***	(-35.71)
Employees	19,049	11,927	1,176	8,826	15,813	3,037	-3,886***	(-8.66)
Mktbk	21,781	2.16	1.55	8,851	3.83	2.22	-1.67***	(-9.44)
EnvSensInd	26,281	0.25	0.00	9,100	0.11	0.00	0.13***	(26.78)
VisibleInd	26,281	0.50	0.00	9,100	0.54	1.00	-0.04***	(-6.63)
LaborInt	25,297	0.68	0.81	8,528	0.73	0.83	-0.05***	(-13.52)

Appendix D: Amazon Mechanical Turk Procedure

I use workers from Amazon's Mechanical Turk microtask market ("MTurks") to classify the images of faces identified by Python. Each MTurk who accepts the task is asked to classify 5 images for which they are rewarded $0.06. Completion of the task takes approximately 30 seconds so the reward equates to an average hourly rate of $7.20. I ask MTurks three questions regarding each image:

1 - Is this a person's face?
- Yes
- No

2 - What gender does this face appear to be?
- Male
- Female
- This is a person's face but gender is unclear.
- This is not a person's face.

3 - What race does this face appear to be primarily?
- White
- Black or African American
- American Indian or Alaska Native
- Asian, including Indian
- Latino
- Middle Eastern
- This is a person's face but race is unclear.
- This is not a person's face.

Each task of 5 images also includes a qualifying question attesting to no affiliation with the University of Washington and an attention check. Each MTurk can rate up to 50 images.

Based on failed attention checks, I discard approximately 11% of MTurks responses. Of responses from MTurks responding successfully to attention checks, MTurks classify approximately 3.4% of images as not a face; I manually verify 50 of these and agree with the MTurk classifications. Additionally, MTurks classify 17.5% (19.5%) of confirmed faces as a different gender (race) than the initial Python classification. I manually verify 50 of these and find that I agree with the MTurk classification 90% of the time. Accordingly, I retain MTurk classifications for tabulated analyses.

Appendix E: Variable Definitions

Variable Name	Definition
ActivistCount	The number of activist pension funds investing in the firm in the year based on the following list from Larcker et al. (2007): California Public Employees Retirement System (12000), California State Teachers Retirement (12100 and 12120), Colorado Public Employees Retirement Association (18740), Florida State Board of Administration (38330), Illinois State Universities Retirement System (81590), Kentucky Teachers Retirement System (49050), Maryland State Retirement and Pension System (54360), Michigan State Treasury (57500), Montana Board of Investment (58650), Education Retirement Board New Mexico (63600), New York State Common Retirement Fund (63850), New York State Teachers Retirement System (63895), Ohio School Employees Retirement System (66550), Ohio School Employees Retirement System (66610), Ohio State Teachers Retirement System (66635), Texas Teachers Retirement System (82895 and 83360), Virginia Retirement System (90803), State of Wisconsin Investment Board (93405)
AllWhiteMale	Indicator variable equal to one when the annual report includes only photographs of white males and zero otherwise
BlackN	The number faces appearing to be Black and/or of African descent in the annual report
BLMPerCap	The number of BLM protests in 2020 in the state in which the firm is headquartered, divided by the state population in 2020
CorpGov	MSCI governance pillar score
DemPAC	The percentage of the firm's corporate PAC contributions given to Democratic targets in the most recent 2-year election cycle
DivPerf	MSCI rating measuring how well a firm manages human capital development ESG risk and opportunities, including its practices and performance related to gender and racial diversity (Scale: 0-10) See Appendix B for additional detail.
DivPerfRank	The annual percentile rank of the firm's MSCI rating measuring how well a firm manages its human capital ESG risk and opportunities
MinorityN	The number faces appearing to be female, Black, Latino, or Native American in the annual report
EnvSensInd	Indicator variable equal to one when the firm belongs to an environmentally sensitive industry based on Ruiz-Blanco et al. (2021): pharmaceutical, chemical, mining, metals, papers, transportation, petroleum, and utilities, and zero otherwise
FemaleN	The number of faces appearing to be female in the annual report
GenderPicPct	The percentage of female faces in the annual report, calculated as female faces divided by total faces

GenderPicRank	The annual percentile rank of the percentage of female faces in the annual report
LaborInt	The intensity of labor claims on the firm, calculated as one minus the ratio of gross property, plant, and equipment to gross assets (Compustat *PPEGT* / (*AT* + *DPACT*)), based on Matsumoto (2002)
LatinoN	The number of faces appearing to be of Latino descent in the annual report
LnAge	Firm age measured as the natural logarithm of the number of years the firm has appeared in Compustat
LnAssets	The natural logarithm of total assets (Compustat *AT*)
LnEmp	The natural logarithm of the firm's total employees (Compustat *EMP*)
MaleN	The number of faces appearing to be male in the annual report.
MinorityPicPct	The percentage of faces in the annual report that appear female, Black, Latino, or Native American
MinorityPicRank	The annual percentile rank of the percentage of faces in the annual report that appear female, Black, Latino, or Native American
MktBk	Total equity market capitalization (Compustat *CSHO* x *PRCC_F*) as of the fiscal year-end scaled by common equity (Compustat *BKVLPS* x *PRCC_F*)
NativeN	The number of faces appearing to be of Native American descent in the annual report
PctActivist	The percentage of shares held by activist pension funds, based on Larcker et al. (2007)
PostBLM	Indicator variable equal to one in periods subsequent to June 2020, and zero otherwise
PostMeToo	Indicator variable equal to one in periods subsequent to December 2017, and zero otherwise
RacePicPct	The percentage of faces appearing to be Black, Latino, or Native American in the annual report
RacePicRank	The annual percentile rank of percentage of faces appearing to be Black, Latino, or Native American in the annual report
RD	Research and development expense (Compustat *XRD*) scaled by net sales (Compustat SALE)
ROA	Current year income before extraordinary items (Compustat IB) scaled by average total assets (Compustat AT)
TotalN	The number of total faces in the annual report
URMN	The number of faces appearing to be Black, Latino, or Native American in the annual report
VisibleInd	Indicator variable equal to one when the firm belongs to a highly visible industry based on Ruiz-Blanco et al. (2021): energy utilities, financial services, food and beverages, healthcare, household and personal products, retailers, telecommunications, textiles and apparel, waste

	management, and water utilities, commercial services, consumer durables, media, and tobacco, and zero otherwise
WhiteN	The number of faces appearing to be white in the annual report

Table 1: Sample Selection

This table details my sample selection process. Data are obtained from Compustat, MSCI, and www.annualreports.com.

	Observations	Unique firms
Compustat firm-years ending between January 1, 2015, and December 31, 2020, with non-missing assets	49,277	10,667
Less: Firm-years missing ESG ratings	(23,070)	(3,131)
Total firm-year observations	26,281	7,825
Less: Firms without annual reports on www.annualreports.com	(17,181)	(5,459)
Firm-years with annual reports on www.annualreports.com	9,100	2,366
Less: Annual reports containing no pictures of faces	(5,145)	(2,647)
Annual reports with pictures of faces	3,955	1,535
Less: Firm years for which annual report includes exactly one picture	(853)	(281)
Total annual report observations in sample	**3,102**	**1,254**

Table 2: Summary Statistics

In this table, I provide summary statistics for annual report pictorial content and other variables included in my analyses. Panel A reports descriptive statistics. Panel B reports Pearson (Spearman) correlations above (below) the diagonal for the variables included in my main analyses. **Bolded** (***bolded and italicized***) correlations are significant at the p-value < 0.05 (0.01) level. Panel C (D) reports certain variables by year (GICS sector). All variables are defined in Appendix E.

Panel A: Descriptive statistics

	N	Mean	SD	Min	P25	P50	P75	Max
Annual report variables								
TotalN	3,102	20.54	25.33	2.00	4.00	13.00	27.00	187.00
FemaleN	3,102	4.73	7.57	0.00	0.00	2.00	6.00	61.00
MaleN	3,102	14.53	17.29	0.00	3.00	9.00	19.00	126.00
WhiteN	3,102	14.09	16.83	0.00	3.00	9.00	19.00	144.00
BlackN	3,102	0.69	1.69	0.00	0.00	0.00	1.00	18.00
LatinoN	3,102	1.20	2.07	0.00	0.00	0.00	2.00	14.00
NativeN	3,102	0.89	1.72	0.00	0.00	0.00	1.00	13.00
URMN	3,102	2.81	4.23	0.00	0.00	1.00	4.00	27.00
MinorityN	3,102	6.75	9.88	0.00	1.00	3.00	8.00	72.00
AllWhiteMale	3,102	0.17	0.38	0.00	0.00	0.00	0.00	1.00
GenderPicPct	3,102	0.22	0.20	0.00	0.00	0.19	0.33	1.00
RacePicPct	3,102	0.13	0.14	0.00	0.00	0.11	0.20	0.67
MinorityPicPct	3,102	0.30	0.21	0.00	0.15	0.30	0.43	1.00
Other variables								
DivPerf	3,102	3.74	2.01	0.00	2.30	3.60	4.90	10.00
TotalAssets	3,102	58,592	215,179	126	2,237	6,426	21,617	2,144,316
ROA	3,101	0.03	0.10	-0.54	0.01	0.03	0.06	0.36
Age	3,102	29.57	18.26	3.00	17.00	25.00	38.00	70.00
Employees	3,063	24,773	55,630	26	1,324	5,161	18,200	413,000
LaborInt	3,102	0.74	0.28	0.02	0.58	0.85	0.98	1.00
MktBk	3,092	3.28	6.25	-47.48	1.29	2.02	3.76	48.39
EnvSensInd	3,102	0.13	0.34	0.00	0.00	0.00	0.00	1.00
VisibleInd	3,102	0.55	0.50	0.00	0.00	1.00	1.00	1.00
DemPAC	3,102	0.08	0.17	0.00	0.00	0.00	0.00	0.92
BLMPerCap	2,572	23.08	7.84	9.79	20.33	22.77	25.60	47.14
ActivistCount	3,007	9.41	4.22	0.00	7.00	10.00	13.00	15.00
PctActivist	3,007	0.01	0.01	0.00	0.01	0.01	0.02	0.04
CorpGov	3,102	5.34	1.34	1.00	4.50	5.50	6.30	8.40

Panel B: Pearson (Spearman) correlations above (below) the diagonal

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)	(17)	(18)	(19)	(20)	(21)
(1) *TotalN*		***0.88***	***0.86***	***0.93***	***-0.31***	***0.13***	**0.04**	***0.13***	***0.08***	***0.09***	**0.04**	***0.05***	***0.07***	**0.04**	**-0.04**	-0.02	***0.16***	0.01	0.01	***-0.11***	**-0.04**
(2) *FemaleN*	***0.82***		***0.79***	***0.96***	***-0.29***	***0.37***	***0.07***	***0.32***	***0.06***	***0.07***	0.03	0.03	0.03	***0.08***	-0.02	***-0.05***	***0.17***	0.03	0.01	***-0.07***	-0.01
(3) *URMN*	***0.79***	***0.71***		***0.91***	***-0.31***	***0.16***	***0.33***	***0.29***	***0.07***	***0.06***	**0.04**	***0.07***	***0.07***	0.03	-0.03	-0.03	***0.14***	0.03	0.01	***-0.05***	-0.02
(4) *MinorityN*	***0.88***	***0.94***	***0.87***		***-0.31***	***0.3***	***0.16***	***0.32***	***0.07***	***0.07***	0.03	***0.05***	**0.04**	***0.06***	-0.03	**-0.04**	***0.16***	0.03	0.01	***-0.07***	-0.01
(5) *AllWhiteMale*	***-0.53***	***-0.61***	***-0.56***	***-0.67***		***-0.5***	***-0.44***	***-0.66***	***-0.06***	***-0.05***	***-0.05***	***-0.06***	***-0.05***	0.01	-0.02	-0.02	***-0.07***	***-0.06***	**-0.05**	-0.01	-0.02
(6) *GenderPicPct*	***0.31***	***0.73***	***0.32***	***0.59***	***-0.61***		***0.16***	***0.80***	0.03	**0.04**	0.01	0.00	0.01	**0.04**	0.01	-0.03	***0.12***	***0.07***	0.02	0.03	**0.04**
(7) *RacePicPct*	***0.29***	***0.31***	***0.74***	***0.50***	***(0.56)***	***0.24***		***0.62***	0.01	0.01	0.03	**0.04**	0.04	-0.01	0.02	0.00	0.01	0.03	0.00	***0.06***	0.03
(8) *MinorityPicPct*	***0.20***	***0.56***	***0.48***	***0.58***	***-0.67***	***0.80***	***0.63***		**0.04**	0.02	0.02	0.03	0.03	0.01	0.02	-0.02	***0.09***	***0.06***	0.02	***0.05***	**0.05**
(9) *DivPerf*	***0.07***	***0.07***	**0.04**	***0.07***	***-0.07***	***0.06***	0.02	**0.04**		***0.14***	***0.1***	***0.23***	***0.22***	***-0.12***	0.02	**-0.04**	***0.16***	***0.12***	***0.08***	0.03	-0.02
(10) *Assets - Total*	***0.17***	***0.11***	***0.16***	***0.14***	***-0.06***	0.00	***0.07***	-0.01	***0.27***		-0.02	***0.09***	***0.43***	***0.14***	***-0.07***	***-0.05***	***0.18***	***0.13***	-0.02	***-0.07***	***-0.06***
(11) *ROA*	0.02	0.01	**0.04**	0.03	**-0.05**	0.02	**0.05**	0.03	**0.05**	-0.03		***0.19***	***0.11***	***-0.12***	***0.06***	0.01	***-0.12***	***0.11***	-0.01	***0.24***	***0.20***
(12) *Age*	***0.05***	0.04	***0.05***	**0.05**	***-0.05***	0.01	0.04	0.01	***0.18***	***0.26***	***0.24***		***0.18***	***-0.28***	0.00	***0.24***	***-0.08***	***0.30***	0.03	***0.35***	***0.26***
(13) *Employees*	***0.08***	***0.08***	***0.13***	***0.11***	***-0.1***	***0.06***	***0.14***	***0.09***	***0.26***	***0.49***	***0.32***	***0.32***		***-0.12***	0.00	**-0.04**	-0.01	***0.20***	0.01	0.01	-0.03
(14) *LaborInt*	***0.10***	***0.09***	***0.06***	***0.07***	0.01	0.02	(0.02)	-0.02	***-0.08***	***0.14***	***-0.32***	***-0.25***	***-0.44***		0.01	***-0.64***	***0.27***	**-0.04**	***0.12***	0.00	***0.10***
(15) *MktBk*	***-0.05***	-0.03	**-0.05**	-0.03	-0.02	0.03	(0.01)	0.03	**0.04**	***-0.20***	***0.36***	**0.05**	***0.13***	***-0.21***		***-0.07***	**-0.04**	**0.04**	0.00	***0.10***	0.03
(16) *EnvSensInd*	-0.01	-0.03	0.00	-0.01	-0.02	-0.03	0.01	-0.02	***-0.05***	***0.12***	0.04	***0.25***	0.03	***-0.48***	***-0.07***		***-0.26***	***0.05***	***-0.10***	-0.02	-0.02
(17) *VisibleInd*	***0.13***	***0.18***	***0.12***	***0.16***	***-0.08***	***0.14***	**0.05**	***0.11***	***0.18***	***0.10***	***-0.18***	-0.04	***-0.11***	***0.28***	***-0.17***	***-0.24***		0.03	***0.06***	***-0.13***	***-0.07***
(18) *DemPAC*	0.04	***0.07***	***0.06***	***0.06***	***-0.07***	***0.09***	***0.05***	***0.07***	***0.15***	***0.41***	***0.08***	***0.29***	***0.38***	***-0.14***	**0.04**	***0.14***	0.02		0.04	***0.28***	***0.18***
(19) *BLMPerCap*	***0.06***	***0.07***	***0.06***	***0.07***	***-0.07***	***0.06***	0.03	**0.04**	***0.07***	0.01	-0.01	***0.07***	-0.01	***0.09***	-0.01	***-0.07***	***0.06***	0.02		-0.03	***-0.05***
(20) *ActivistCount*	0.03	0.03	**0.05**	0.04	**-0.04**	0.02	***0.05***	0.03	***0.16***	***0.54***	***0.36***	***0.41***	***0.5***	***-0.15***	***0.21***	***0.13***	***-0.16***	***0.37***	-0.01		***0.65***
(21) *PctActivist*	***0.09***	***0.07***	***0.07***	***0.07***	**-0.05**	0.04	0.03	0.02	***0.09***	***0.36***	***0.22***	***0.35***	***0.26***	0.02	***0.07***	***0.06***	***-0.07***	***0.22***	-0.01	***0.59***	

Panel C: Select variables by year

Year	N	Mean *GenderPicPct*	Mean *RacePicPct*	Mean *MinorityPicPct*	Mean *DivPerf*
2015	293	0.24	0.13	0.31	3.38
2016	352	0.24	0.13	0.30	3.60
2017	369	0.28	0.14	0.34	3.69
2018	759	0.27	0.13	0.33	3.69
2019	867	0.17	0.13	0.26	3.79
2020	462	0.14	0.14	0.26	4.11
Total	3,102	0.22	0.13	0.30	3.74

Panel D: Select variables by sector

GICS Sector	N	Mean *GenderPicPct*	Mean *RacePicPct*	Mean *MinorityPicPct*	Mean *DivPerf*
Energy	97	0.15	0.10	0.22	3.33
Materials	138	0.16	0.11	0.24	3.79
Industrials	358	0.18	0.12	0.26	3.62
Consumer Discretionary	266	0.26	0.15	0.35	4.46
Consumer Staples	89	0.24	0.19	0.36	5.56
Healthcare	357	0.27	0.12	0.33	3.76
Financial	899	0.23	0.13	0.30	4.01
Information Technology	362	0.21	0.14	0.30	3.04
Telecom	98	0.23	0.14	0.31	3.09
Utilities	171	0.25	0.16	0.35	3.65
Real Estate	267	0.15	0.12	0.22	3.05
Total	3,102	0.22	0.13	0.30	3.74

Table 3: Basic Determinants of Pictorial Diversity

In this table, I report results from the analyses of determinants of pictorial diversity (equation (1)) and diversity efforts (equation (2)). Panel A reports results from the pooled sample, Panel B reports results of the sample partitioned based on *LnEmp*, and Panel C reports results of the sample partitioned based on *LnAssets*. Standard errors are clustered by firm across all specifications. T-statistics are reported in parentheses. Variable definitions appear in Appendix E.

Panel A: Basic Determinants

	(1) *GenderPic Rank*	(2) *RacePic Rank*	(3) *Minority PicRank*	(4) *DivPerf Rank*	(5) *GenderPic Rank*	(6) *RacePic Rank*	(7) *Minority PicRank*	(8) *DivPerf Rank*
LnEmp	**1.092****	**2.165*****	**1.600*****	**2.507*****				
	(2.51)	**(5.13)**	**(3.63)**	**(6.71)**				
LnAssets					-0.215	0.625	-0.245	**3.002*****
					(-0.45)	(1.44)	(-0.53)	**(8.62)**
LnAge	0.547	-0.108	-0.053	**3.332*****	1.408	0.844	1.061	**2.914*****
	(0.46)	(-0.10)	(-0.05)	**(3.33)**	(1.19)	(0.76)	(0.91)	**(2.97)**
LaborInt	3.667	4.548	3.022	**-7.147****	1.584	-1.932	-0.415	**-17.446*****
	(1.03)	(1.38)	(0.84)	**(-2.54)**	(0.45)	(-0.57)	(-0.12)	**(-6.77)**
MktBk	0.050	0.023	0.073	0.101	0.048	0.055	0.072	**0.192****
	(0.48)	(0.21)	(0.72)	(1.38)	(0.48)	(0.50)	(0.72)	**(2.57)**
EnvSensInd	-1.541	1.719	-0.755	0.966	-2.831	-2.338	-2.976	**-5.397*****
	(-0.54)	(0.67)	(-0.27)	(0.45)	(-1.01)	(-0.91)	(-1.08)	**(-2.67)**
ROA	7.765	0.844	8.975	-2.122	10.738	6.164	12.965	2.632
	(0.87)	(0.10)	(1.08)	(-0.31)	(1.22)	(0.74)	(1.58)	(0.38)
RD	**3.609****	1.111	**4.458*****	**5.024*****	**3.070***	0.735	**3.599****	**6.141*****
	(2.28)	(0.68)	**(2.70)**	**(4.20)**	**(1.92)**	(0.44)	**(2.16)**	**(5.01)**
CorpGov	0.199	**0.935***	0.326	0.262	0.108	0.856	0.170	0.311
	(0.34)	**(1.81)**	(0.59)	(0.61)	(0.19)	(1.64)	(0.31)	(0.75)
DivPerfRank	0.036	-0.029	0.012		**0.053***	-0.011	0.036	
	(1.30)	(-1.06)	(0.45)		**(1.91)**	(-0.38)	(1.32)	
Constant	20.176***	10.008	23.250***	41.387***	29.516***	24.049***	37.401***	44.992***
	(2.93)	(1.58)	(3.36)	(7.12)	(4.44)	(3.89)	(5.59)	(8.79)
Adjusted R-squared	0.005	0.011	0.008	0.068	0.002	0.000	0.002	0.078
Fixed Effects	None	None	None	None	None	None	None	None
Standard Error Clusters	by firm	by firm	by firm	by firm	by firm	by firm	by firm	by firm
Observations	3,045	3,045	3,045	3,045	3,082	3,082	3,082	3,082

Panel B: Determinants partitioned by workforce size

	LnEmp < Sample Median				*LnEmp* >= Sample Median			
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
	GenderPic Rank	*RacePic Rank*	*Minority PicRank*	*DivPerf Rank*	*GenderPic Rank*	*RacePic Rank*	*Minority PicRank*	*DivPerf Rank*
LnAssets	**-2.709****	-0.612	**-2.773*****	**2.332*****	0.237	**-1.184***	-0.678	**2.890*****
	(-2.57)	(-0.72)	**(-2.85)**	**(3.04)**	(0.33)	**(-1.76)**	(-0.97)	**(5.50)**
LnAge	2.062	**-2.331***	-0.056	0.702	-0.012	**3.966****	1.777	**5.406*****
	(1.32)	**(-1.68)**	(-0.04)	(0.55)	(-0.01)	**(2.13)**	(1.03)	**(3.62)**
LaborInt	2.350	-1.485	0.811	**-13.662*****	3.867	6.118	4.296	**-18.133*****
	(0.44)	(-0.29)	(0.15)	**(-3.38)**	(0.80)	(1.35)	(0.90)	**(-5.17)**
MktBk	0.152	0.012	0.076	**0.196***	-0.102	0.103	0.038	0.071
	(0.98)	(0.07)	(0.49)	**(1.74)**	(-0.85)	(0.69)	(0.29)	(0.77)
EnvSensInd	-2.969	0.883	-1.663	-1.904	-0.066	-0.797	-0.248	**-5.673****
	(-0.68)	(0.23)	(-0.40)	(-0.60)	(-0.02)	(-0.23)	(-0.07)	**(-2.09)**
ROA	6.678	8.005	14.311	-8.908	21.198	-3.526	9.619	**21.949***
	(0.64)	(0.79)	(1.47)	(-1.08)	(1.46)	(-0.22)	(0.64)	**(1.87)**
RD	1.268	0.793	2.534	**3.586*****	20.154	-24.615	5.617	**45.613*****
	(0.72)	(0.43)	(1.42)	**(2.87)**	(1.17)	(-1.44)	(0.30)	**(3.75)**
CorpGov	0.676	**1.609****	0.753	-0.008	0.003	0.094	-0.068	0.787
	(0.75)	**(2.12)**	(0.87)	(-0.01)	(0.00)	(0.14)	(-0.10)	(1.37)
DivPerfRank	0.056	-0.013	0.052		0.042	-0.019	0.010	
	(1.41)	(-0.35)	(1.35)		(1.10)	(-0.45)	(0.25)	
Constant	42.719***	36.388***	54.002***	54.751***	29.609***	33.615***	40.714***	34.964***
	(4.17)	(3.93)	(5.33)	(6.74)	(2.98)	(3.45)	(4.06)	(4.49)
Adjusted R-squared	0.009	0.001	0.009	0.026	0.000	0.004	-0.002	0.096
Fixed Effects	None	None	None	None	None	None	None	None
Standard Error Clusters	by firm	by firm	by firm	by firm	by firm	by firm	by firm	by firm
Observations	1,497	1,497	1,497	1,497	1,548	1,548	1,548	1,548

Panel C: Determinants partitioned by asset size

	LnAssets < Sample Median				*LnAssets*>= Sample Median			
	(1) *GenderPic Rank*	(2) *RacePic Rank*	(3) *Minority PicRank*	(4) *DivPerf Rank*	(5) *GenderPic Rank*	(6) *RacePic Rank*	(7) *Minority PicRank*	(8) *DivPerf Rank*
LnEmp	**2.337*** **	**3.888*** **	**3.387*** **	0.962	**1.488** **	**1.344** **	**1.526** **	**2.511*** **
	(2.98)	**(5.34)**	**(4.49)**	(1.46)	**(2.36)**	**(2.11)**	**(2.47)**	**(4.30)**
LnAge	0.367	-2.997**	-1.183	-0.367	1.290	**3.748** **	1.948	**7.043*** **
	(0.24)	(-2.01)	(-0.76)	(-0.28)	(0.75)	**(2.27)**	(1.17)	**(5.12)**
LaborInt	0.107	1.390	0.117	**-9.817** **	**10.814** **	**9.914** **	**10.075** **	**-7.637** **
	(0.02)	(0.29)	(0.02)	**(-2.52)**	**(2.35)**	**(2.23)**	**(2.15)**	**(-2.01)**
MktBk	0.028	0.044	-0.054	**0.206***	0.014	-0.014	0.131	-0.084
	(0.18)	(0.26)	(-0.35)	**(1.87)**	(0.11)	(-0.10)	(0.95)	(-0.95)
EnvSensInd	-4.912	2.099	-2.921	1.374	4.138	2.340	3.761	-0.624
	(-1.20)	(0.59)	(-0.77)	(0.46)	(1.05)	(0.65)	(0.94)	(-0.21)
ROA	9.465	2.361	9.600	-7.120	-2.668	0.751	3.073	19.549
	(0.88)	(0.24)	(0.97)	(-0.87)	(-0.17)	(0.04)	(0.19)	(1.52)
RD	**3.624** **	1.780	**4.702*** **	**2.344***	**27.310** **	0.620	22.231	**31.616*** **
	(2.16)	(1.01)	**(2.72)**	**(1.93)**	**(1.97)**	(0.05)	(1.49)	**(3.33)**
CorpGov	-0.207	**1.637** **	0.186	-0.125	0.286	-0.017	0.061	0.723
	(-0.23)	**(2.16)**	(0.22)	(-0.19)	(0.38)	(-0.03)	(0.08)	(1.23)
DivPerfRank	**0.067***	0.019	**0.074** **		0.015	**-0.075***	-0.039	
	(1.70)	(0.51)	**(1.98)**		(0.38)	**(-1.86)**	(-1.00)	
Constant	16.391	1.727	14.377	67.231***	7.277	8.975	14.833	27.085***
	(1.54)	(0.17)	(1.38)	(8.41)	(0.74)	(0.96)	(1.53)	(3.10)
Adjusted R-squared	0.012	0.026	0.023	0.021	0.008	0.008	0.009	0.109
Fixed Effects	None	None	None	None	None	None	None	None
Standard Error Clusters	by firm	by firm	by firm	by firm	by firm	by firm	by firm	by firm
Observations	1,498	1,498	1,498	1,498	1,547	1,547	1,547	1,547

Table 4: Visible Industries

In this table, I report results from tests examining membership in visible industries. Standard errors are clustered by firm across all specifications. T-statistics are reported in parentheses. Variable definitions appear in Appendix E.

	(1) *GenderPicRank*	(2) *RacePicRank*	(3) *MinorityPicRank*	(4) *DivPerfRank*
VisibleInd	**7.921*** **	1.511	**5.587*** **	**9.295*** **
	(4.80)	(1.00)	**(3.48)**	**(7.15)**
LnEmp	1.111***	2.169***	1.614***	2.451***
	(2.58)	(5.12)	(3.67)	(6.86)
LnAge	0.286	-0.158	-0.238	2.919***
	(0.24)	(-0.14)	(-0.21)	(3.03)
LaborInt	0.838	4.008	1.026	-10.240***
	(0.23)	(1.20)	(0.28)	(-3.65)
MktBk	0.083	0.030	0.096	0.137*
	(0.80)	(0.27)	(0.95)	(1.85)
EnvSensInd	0.171	2.046	0.453	2.945
	(0.06)	(0.79)	(0.16)	(1.35)
ROA	10.568	1.379	10.952	1.235
	(1.20)	(0.17)	(1.32)	(0.18)
RD	3.232**	1.039	4.193**	4.423***
	(2.06)	(0.64)	(2.54)	(3.77)
CorpGov	0.331	0.961*	0.419	0.409
	(0.57)	(1.86)	(0.76)	(0.96)
DivPerfRank	0.009	-0.034	-0.007	
	(0.32)	(-1.22)	(-0.25)	
Constant	19.407***	9.861	22.707***	39.170***
	(2.86)	(1.56)	(3.32)	(6.88)
Adjusted R-squared	0.017	0.011	0.014	0.097
Fixed Effects	None	None	None	None
Standard Error Clustering	by firm	by firm	by firm	by firm
Observations	3,045	3,045	3,045	3,045

Table 5: Democrat-leaning PACs

In this table, I report results from tests examining the percent of contributions from firm PACs to Democratic-leaning targets. Standard errors are clustered by firm across all specifications. T-statistics are reported in parentheses. Variable definitions appear in Appendix E.

	(1) *GenderPicRank*	(2) *RacePicRank*	(3) *MinorityPicRank*	(4) *DivPerfRank*
DemPAC	7.261	4.566	6.013	**7.828****
	(1.53)	(1.14)	(1.35)	**(2.05)**
LnEmp	0.929**	2.063***	1.465***	2.325***
	(2.10)	(4.77)	(3.24)	(6.06)
LnAge	0.229	-0.308	-0.317	2.981***
	(0.19)	(-0.27)	(-0.27)	(2.94)
LaborInt	3.064	4.169	2.523	-7.779***
	(0.86)	(1.26)	(0.70)	(-2.75)
MktBk	0.045	0.020	0.068	0.095
	(0.43)	(0.18)	(0.67)	(1.30)
EnvSensInd	-1.900	1.493	-1.053	0.577
	(-0.66)	(0.58)	(-0.37)	(0.27)
ROA	7.419	0.626	8.688	-2.490
	(0.83)	(0.08)	(1.04)	(-0.36)
RD	3.490**	1.036	4.360***	4.885***
	(2.21)	(0.64)	(2.64)	(4.10)
CorpGov	0.207	0.941*	0.333	0.270
	(0.36)	(1.82)	(0.60)	(0.63)
DivPerfRank	0.034	-0.030	0.010	
	(1.22)	(-1.11)	(0.38)	
Constant	22.673***	11.578*	25.317***	43.976***
	(3.26)	(1.80)	(3.61)	(7.35)
Adjusted R-squared	0.006	0.011	0.009	0.070
Fixed Effects	None	None	None	None
Standard Error Clustering	by firm	by firm	by firm	by firm
Observations	3,045	3,045	3,045	3,045

Table 6: BLM Protests per capita

In this table, I report results from tests examining the number of BLM protests per capita in 2020 in the state in which the firm is headquartered. Standard errors are clustered by firm across all specifications. T-statistics are reported in parentheses. Variable definitions appear in Appendix E.

	(1) *GenderPicRank*	(2) *RacePicRank*	(3) *MinorityPicRank*	(4) *DivPerfRank*
BLMPerCap	0.081	0.026	0.052	**0.188****
	(0.75)	(0.27)	(0.51)	**(2.13)**
LnEmp	1.222**	2.733***	2.014***	2.129***
	(2.50)	(5.83)	(4.11)	(4.97)
LnAge	0.481	-0.834	-0.564	3.192***
	(0.37)	(-0.69)	(-0.44)	(2.88)
LaborInt	1.494	4.443	1.307	-8.252**
	(0.36)	(1.16)	(0.31)	(-2.52)
MktBk	0.054	-0.016	0.051	0.092
	(0.47)	(-0.14)	(0.47)	(1.16)
EnvSensInd	-1.979	2.513	-0.823	0.167
	(-0.57)	(0.81)	(-0.24)	(0.07)
ROA	0.946	-2.225	4.265	-2.231
	(0.10)	(-0.25)	(0.48)	(-0.30)
RD	3.260*	1.098	4.392**	5.117***
	(1.92)	(0.63)	(2.49)	(4.07)
CorpGov	0.463	0.554	0.258	0.486
	(0.70)	(0.96)	(0.41)	(1.01)
DivPerfRank	0.038	-0.031	0.014	
	(1.21)	(-1.06)	(0.45)	
Constant	17.651**	10.082	22.461***	39.538***
	(2.18)	(1.34)	(2.75)	(5.84)
Adjusted R-squared	0.005	0.014	0.011	0.060
Fixed Effects	None	None	None	None
Standard Error Clustering	by firm	by firm	by firm	by firm
Observations	2,524	2,524	2,524	2,524

Table 7: Activist Pension Fund Ownership

In this table, I report results from tests examining ownership by activist pension funds. Panel A reports results based on the number of activist pension funds investing in the firm; Panel B reports results based on the percent of shares held by activist pension funds. Standard errors are clustered by firm across all specifications. T-statistics are reported in parentheses. Variable definitions appear in Appendix E.

Panel A: Count of Activist Pension Fund Investors

	(1) *GenderPicRank*	(2) *RacePicRank*	(3) *MinorityPicRank*	(4) *DivPerfRank*
ActivistCount	0.123	**0.370****	**0.354***	**-0.405****
	(0.65)	**(1.99)**	**(1.94)**	**(-2.45)**
LnEmp	1.125**	2.204***	1.650***	2.742***
	(2.53)	(5.10)	(3.69)	(7.14)
LnAge	0.545	-1.018	-0.635	4.260***
	(0.45)	(-0.88)	(-0.53)	(4.06)
LaborInt	4.291	4.725	3.203	-5.705*
	(1.18)	(1.40)	(0.87)	(-1.96)
MktBk	0.055	0.005	0.063	0.127*
	(0.52)	(0.04)	(0.62)	(1.70)
EnvSensInd	-1.758	2.428	-0.389	1.172
	(-0.61)	(0.91)	(-0.13)	(0.53)
ROA	6.193	-3.055	4.953	-0.249
	(0.66)	(-0.35)	(0.57)	(-0.03)
RD	3.705**	0.690	4.259**	5.274***
	(2.29)	(0.42)	(2.54)	(4.34)
CorpGov	0.391	0.935*	0.453	0.332
	(0.65)	(1.76)	(0.80)	(0.75)
DivPerfRank	0.038	-0.024	0.014	
	(1.34)	(-0.87)	(0.48)	
Constant	16.952**	8.825	20.454***	38.657***
	(2.41)	(1.37)	(2.90)	(6.43)
Adjusted R-squared	0.006	0.013	0.011	0.077
Fixed Effects	None	None	None	None
Standard Error Clustering	by firm	by firm	by firm	by firm
Observations	2,960	2,960	2,960	2,960

Panel B: Percent of Ownership by Activist Pension Fund Investors				
	(1)	(2)	(3)	(4)
	GenderPicRank	*RacePicRank*	*MinorityPicRank*	*DivPerfRank*
PctActivist	**177.660***	**157.463***	**187.868***	**-231.929*****
	(1.70)	**(1.69)**	**(1.90)**	**(-2.73)**
LnEmp	1.171***	2.287***	1.734***	2.641***
	(2.66)	(5.35)	(3.90)	(6.92)
LnAge	0.201	-0.815	-0.564	4.231***
	(0.17)	(-0.71)	(-0.47)	(4.03)
LaborInt	3.488	4.412	2.696	-5.028*
	(0.96)	(1.29)	(0.73)	(-1.74)
MktBk	0.054	0.019	0.076	0.113
	(0.52)	(0.17)	(0.74)	(1.53)
EnvSensInd	-1.985	2.170	-0.678	1.522
	(-0.69)	(0.82)	(-0.24)	(0.70)
ROA	5.172	-2.108	5.463	-0.653
	(0.55)	(-0.25)	(0.63)	(-0.09)
RD	3.824**	0.928	4.499***	4.992***
	(2.37)	(0.56)	(2.67)	(4.15)
CorpGov	0.394	0.977*	0.490	0.291
	(0.66)	(1.85)	(0.87)	(0.66)
DivPerfRank	0.040	-0.025	0.014	
	(1.42)	(-0.89)	(0.49)	
Constant	16.716**	8.681	20.260***	38.886***
	(2.38)	(1.34)	(2.86)	(6.51)
Adjusted R-squared	0.007	0.012	0.011	0.077
Fixed Effects	None	None	None	None
Standard Error Clustering	by firm	by firm	by firm	by firm
Observations	2,960	2,960	2,960	2,960

Table 8: #MeToo Movement

In this table, I report results from tests examining diversity strategies prior to and following the #MeToo movement. Standard errors are clustered by firm across all specifications. T-statistics are reported in parentheses. Variable definitions appear in Appendix E.

	(1) *GenderPic Rank*	(2) *GenderPic Rank*	(3) *RacePic Rank*	(4) *RacePic Rank*	(5) *MinorityPic Rank*	(6) *MinorityPic Rank*	(7) *DivPerf Rank*	(8) *DivPerf Rank*
VisibleInd	**7.887*** **	**6.200** **	1.486	-0.987	**5.558*** **	2.833	**9.294*** **	**14.809*** **
	(4.78)	**(2.26)**	(0.98)	(-0.39)	**(3.47)**	(1.08)	**(7.15)**	**(5.88)**
PostMeToo	**-3.781*** **	**-5.162** **	**-2.803***	**-4.828** **	**-3.212** **	**-5.444** **	**3.092** **	**7.633*** **
	(-2.70)	(-2.40)	**(-1.90)**	**(-2.16)**	**(-2.42)**	**(-2.57)**	**(2.56)**	**(3.65)**
*VisibleInd*PostMeToo*		2.394		3.511		3.868		**-7.902*** **
		(0.87)		(1.22)		(1.45)		**(-3.26)**
LnEmp	1.162***	1.178***	2.207***	2.230***	1.657***	1.683***	2.401***	2.335***
	(2.71)	(2.74)	(5.21)	(5.26)	(3.77)	(3.83)	(6.71)	(6.59)
LnAge	0.283	0.297	-0.160	-0.140	-0.240	-0.218	2.912***	2.850***
	(0.24)	(0.25)	(-0.14)	(-0.12)	(-0.21)	(-0.19)	(3.01)	(2.94)
LaborInt	-1.201	-0.987	2.496	2.811	-0.706	-0.359	-8.540***	-9.201***
	(-0.33)	(-0.27)	(0.73)	(0.81)	(-0.19)	(-0.10)	(-2.98)	(-3.21)
MktBk	0.090	0.089	0.034	0.034	0.101	0.101	0.131*	0.131*
	(0.86)	(0.86)	(0.32)	(0.31)	(1.01)	(1.01)	(1.78)	(1.80)
EnvSensInd	-0.390	-0.332	1.630	1.714	-0.024	0.069	3.395	3.185
	(-0.13)	(-0.11)	(0.63)	(0.66)	(-0.01)	(0.02)	(1.55)	(1.46)
ROA	9.936	9.800	0.910	0.710	10.415	10.196	1.748	2.187
	(1.13)	(1.12)	(0.11)	(0.09)	(1.25)	(1.22)	(0.26)	(0.32)
RD	3.097**	3.138**	0.939	0.999	4.078**	4.144**	4.520***	4.360***
	(1.99)	(2.01)	(0.58)	(0.61)	(2.48)	(2.51)	(3.86)	(3.69)
CorpGov	0.547	0.563	1.121**	1.144**	0.603	0.629	0.231	0.177
	(0.93)	(0.96)	(2.15)	(2.19)	(1.09)	(1.13)	(0.53)	(0.40)
DivPerfRank	0.013	0.015	-0.031	-0.029	-0.004	-0.001		
	(0.46)	(0.52)	(-1.12)	(-1.03)	(-0.13)	(-0.03)		
Constant	21.741***	22.204***	11.592*	12.271*	24.690***	25.438***	37.138***	35.402***
	(3.19)	(3.23)	(1.82)	(1.92)	(3.60)	(3.68)	(6.48)	(6.10)
Adjusted R-squared	0.019	0.019	0.012	0.012	0.016	0.016	0.100	0.105
Fixed Effects	None	None	None	None	None	None	None	None
Standard Error Clustering	by firm	by firm	by firm	by firm	by firm	by firm	by firm	by firm
Observations	3,045	3,045	3,045	3,045	3,045	3,045	3,045	3,045
Changes in diversity strategy	$\alpha_2+\alpha_3$	-2.768		-1.317		-1.576	$\beta_2+\beta_3$	-0.269
of firms in visible industries	p-value	0.123		0.486		0.344	p-value	0.841
Difference between firms in	$\alpha_1+\alpha_3$	**8.594**		2.524		**6.701**	$\beta_1+\beta_3$	**6.907**
and not in visible industries	p-value	0.000		0.141		0.000	p-value	0.000

Table 9: Black Lives Matter Movement

In this table, I report results from tests examining diversity strategies prior to and following the Black Lives Matter movement. Standard errors are clustered by firm across all specifications. T-statistics are reported in parentheses. Variable definitions appear in Appendix E.

	(1) *GenderPic Rank*	(2) *GenderPic Rank*	(3) *RacePic Rank*	(4) *RacePic Rank*	(5) *MinorityPic Rank*	(6) *MinorityPic Rank*	(7) *DivPerf Rank*	(8) *DivPerf Rank*
VisibleInd	**7.930*** **	**8.985*** **	1.515	1.273	**5.593*** **	**5.950*** **	**8.776*** **	**9.399*** **
	(4.81)	**(5.05)**	(1.00)	(0.79)	**(3.49)**	**(3.48)**	**(6.77)**	**(7.24)**
PostBLM	**-4.799*** **	-1.287	-1.951	-2.756	**-3.266***	-2.077	**-17.133*** **	**-15.013*** **
	(-2.59)	(-0.51)	(-1.07)	(-1.15)	**(-1.82)**	(-0.85)	**(-11.19)**	**(-6.97)**
*VisibleInd*PostBLM*		**-7.093** **		1.626		-2.401		-4.248
		(-2.04)		(0.48)		(-0.71)		(-1.40)
LnEmp	1.147***	1.155***	2.184***	2.182***	1.638***	1.641***	2.433***	2.436***
	(2.67)	(2.69)	(5.16)	(5.15)	(3.73)	(3.74)	(6.88)	(6.90)
LnAge	0.288	0.286	-0.157	-0.156	-0.236	-0.237	2.756***	2.752***
	(0.25)	(0.24)	(-0.14)	(-0.14)	(-0.20)	(-0.20)	(2.86)	(2.86)
LaborInt	0.107	0.025	3.711	3.730	0.529	0.501	-12.241***	-12.278***
	(0.03)	(0.01)	(1.11)	(1.11)	(0.15)	(0.14)	(-4.40)	(-4.41)
MktBk	0.088	0.089	0.032	0.032	0.100	0.100	0.147**	0.147**
	(0.85)	(0.86)	(0.29)	(0.29)	(0.98)	(0.99)	(2.01)	(2.02)
EnvSensInd	0.016	0.026	1.982	1.980	0.347	0.350	2.216	2.220
	(0.01)	(0.01)	(0.77)	(0.76)	(0.12)	(0.12)	(1.03)	(1.03)
ROA	9.087	9.304	0.776	0.726	9.944	10.018	-4.128	-3.994
	(1.03)	(1.06)	(0.09)	(0.09)	(1.19)	(1.20)	(-0.65)	(-0.63)
RD	2.926*	2.894*	0.914	0.921	3.984**	3.973**	3.066***	3.044***
	(1.86)	(1.83)	(0.56)	(0.56)	(2.40)	(2.39)	(2.66)	(2.64)
CorpGov	0.182	0.196	0.900*	0.897*	0.318	0.322	-0.149	-0.141
	(0.31)	(0.34)	(1.71)	(1.70)	(0.57)	(0.58)	(-0.35)	(-0.33)
DivPerfRank	-0.008	-0.009	-0.041	-0.040	-0.018	-0.019		
	(-0.27)	(-0.32)	(-1.40)	(-1.39)	(-0.64)	(-0.66)		
Constant	22.345***	21.798***	11.056*	11.181*	24.706***	24.521***	47.336***	46.962***
	(3.21)	(3.13)	(1.70)	(1.72)	(3.53)	(3.49)	(8.22)	(8.15)
Adjusted R-squared	0.019	0.020	0.011	0.011	0.015	0.015	0.151	0.151
Fixed Effects	None	None	None	None	None	None	None	None
Standard Error Clustering	by firm	by firm	by firm	by firm	by firm	by firm	by firm	by firm
Observations	3,045	3,045	3,045	3,045	3,045	3,045	3,045	3,045
Changes in diversity strategy	$\alpha_2+\alpha_3$	**-8.380**		-1.13		**-4.478**	$\beta_2+\beta_3$	**-19.261**
of firms in visible industries	p-value	0.001		0.661		0.071	p-value	0.000
Difference between firms in	$\alpha_1+\alpha_3$	1.892		2.899		3.549	$\beta_1+\beta_3$	**5.151**
and not in visible industries	p-value	0.560		0.370		0.269	p-value	0.094

Table 10: Sustainability Reports

In this table, I provide summary statistics comparing pictorial diversity of annual reports and sustainability reports for a sample of 96 firms in fiscal year 2020. Panel A reports descriptive statistics. Panel B reports Spearman correlations. **Bolded** (***bolded and italicized***) correlations are significant at the p-value < 0.05 (0.01) level. All variables are defined in Appendix E.

Panel A: Descriptive statistics

	Annual report pictorial diversity			Sustainability report pictorial diversity				
	N	**Mean**	**P50**	**N**	**Mean**	**P50**	**Difference**	**T-Stat**
TotalN	96	20.51	17.50	96	44.08	27.50	-23.57***	(-4.11)
FemaleN	96	2.58	2.00	96	13.46	9.00	-10.88***	(-6.81)
MaleN	96	17.68	14.50	96	25.70	16.50	-8.02*	(-2.19)
BlackN	96	1.42	0.50	96	3.10	2.00	-1.69**	(-3.07)
LatinoN	96	1.54	1.00	96	3.02	2.00	-1.48***	(-3.75)
NativeN	96	0.16	0.00	96	5.24	3.00	-5.08***	(-7.22)
MinorityN	96	5.32	3.50	96	20.42	14.00	-15.09***	(-6.52)
GenderPicPct	96	0.13	0.10	96	0.32	0.33	-0.20***	(-9.63)
RacePicPct	96	0.14	0.11	96	0.29	0.27	-0.15***	(-7.51)
MinorityPicPct	96	0.24	0.25	96	0.48	0.48	-0.24***	(-10.24)

Panel B: Spearman correlations of pictorial diversity variables

		Sustainability report pictorial diversity										
		(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
Annual report pictorial diversity												
(1)	*TotalN*	0.18										
(2)	*FemaleN*		0.08									
(3)	*MaleN*			0.17								
(4)	*BlackN*				**0.23**							
(5)	*LatinoN*					0.05						
(6)	*NativeN*						0.01					
(7)	*MinorityN*							0.10				
(8)	*GenderPicPct*								0.11			
(9)	*RacePicPct*									0.01		
(10)	*MinorityPicPct*										0.14	0.09
(11)	*DivPerf*										-0.15	