

Internet Appendix For “Do Personal Ethics Influence Corporate Ethics?”

John M. Griffin, Samuel Kruger, and Gonzalo Maturana

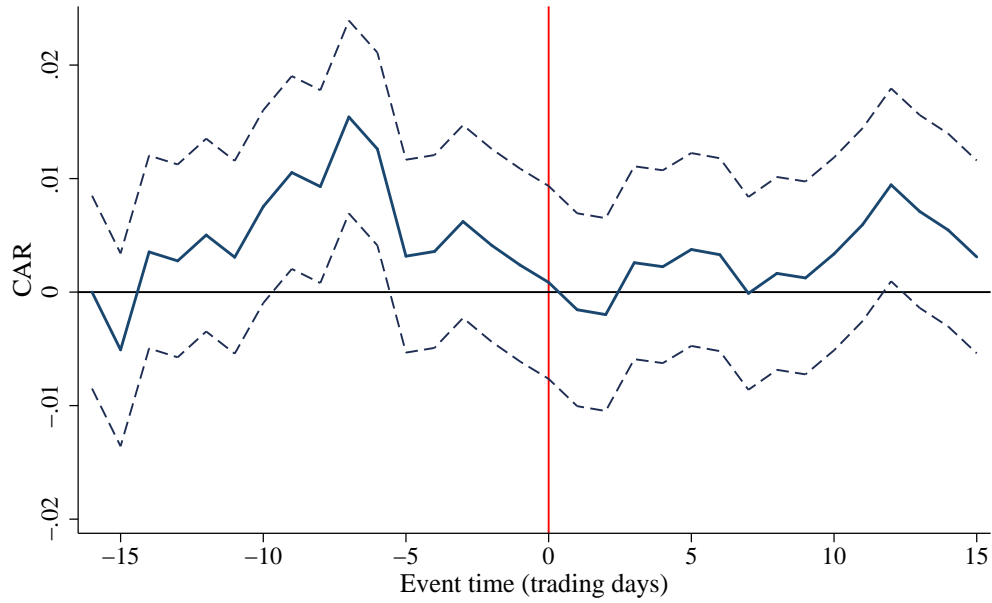


Figure IA.1. Cumulative market-model abnormal return for AM data release. This figure shows the cumulative abnormal return (CAR) averaged across the 41 firms in the sample with AM CEOs or CFOs at the time of the data release (August 18, 2015). To compute the abnormal returns, a market-model is estimated using returns from January 2, 2015 to 16 days prior to the event. The dashed lines represent the 95% confidence interval for the CAR.

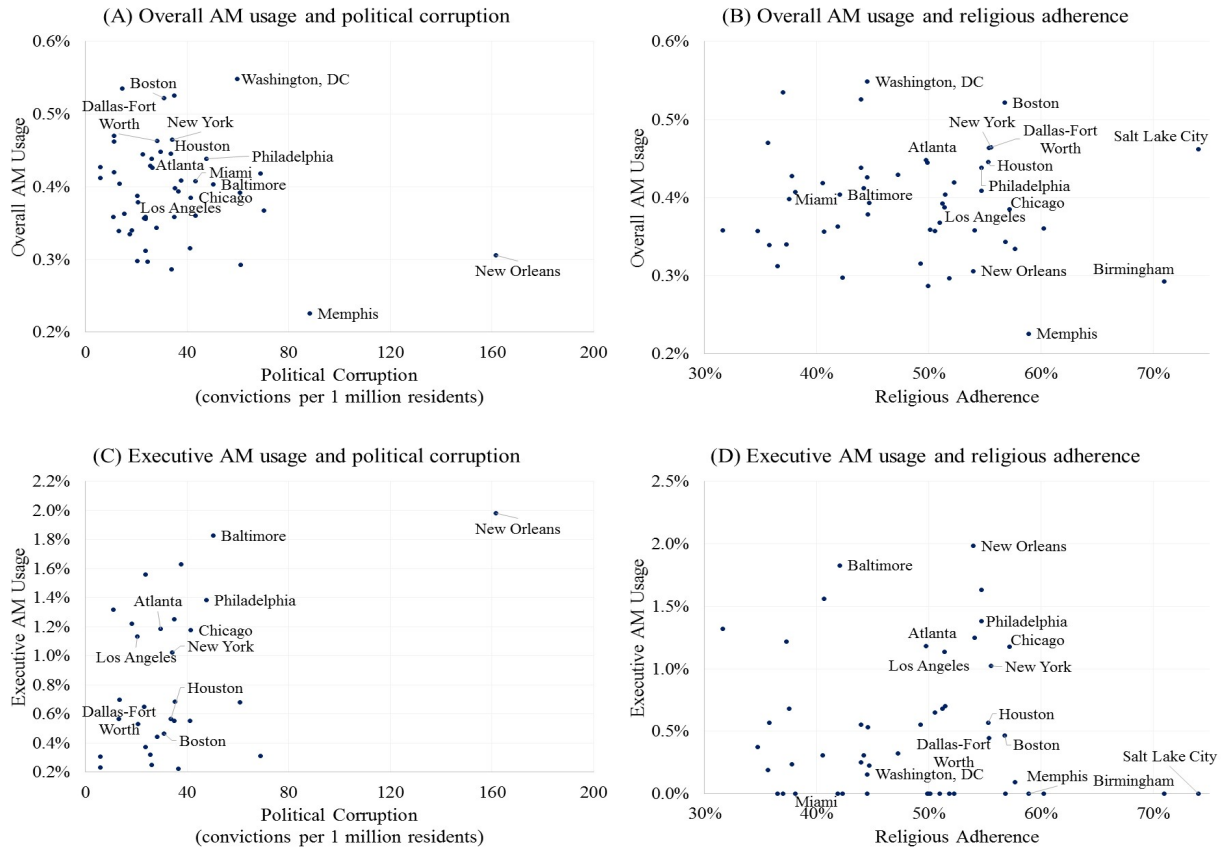


Figure IA.2. AM usage, political corruption, and religious adherence. Panel A plots the amount of overall paid AM usage and political corruption by CBSA. Panel B plots the amount of overall paid AM usage and religious adherence by CBSA. Panel C plots the amount of paid executive AM usage and political corruption by CBSA. Panel D plots the amount of paid executive AM usage and religious adherence by CBSA. The top-50 CBSAs are considered. Political corruption represents public corruption convictions per one million residents between 2004 and 2013 in the federal judicial district headquartered in the primary CBSA city. Religious adherence represents the percent of the CBSA’s population with a religious affiliation in 2010.

Table IA.I
AM CEOs/CFOs and the likelihood of infraction (OLS estimation)

	(1)	(2)	(3)	(4)
AM CEO/CFO	0.078** (2.09)	0.112** (2.39)	0.111** (2.49)	0.108** (2.43)
AM paid usage (county)		0.090*** (2.88)	0.084*** (2.63)	0.127*** (3.37)
CEO age	0.000 (0.03)	-0.000 (-0.30)	-0.000 (-0.50)	-0.001 (-0.79)
CEO tenure	-0.000 (-0.81)	-0.000 (-0.45)	-0.000 (-0.38)	-0.000 (-0.18)
CFO age	0.001 (1.43)	0.001 (1.14)	0.000 (0.69)	0.001 (0.90)
Firm size		-0.004** (-2.00)	-0.003 (-1.22)	-0.003 (-1.27)
Return on assets		0.017 (0.58)	0.010 (0.35)	0.011 (0.40)
Tobin's Q		0.001 (0.46)	0.000 (0.24)	0.000 (0.19)
Market leverage		0.064** (2.54)	0.076*** (2.92)	0.070*** (2.66)
Year FE	y	y	y	y
2-digit SIC FE	n	n	y	y
State FE	n	n	n	y
<i>N</i>	9,847	7,862	7,862	7,862
<i>R</i> ²	0.004	0.014	0.033	0.047
Mean of dep. Variable	0.043	0.044	0.044	0.044

This table shows OLS regressions equivalent to those in Table III. The dependent variable is a dummy variable that takes the value of one in all firm-years with restated financial statements or that were affected by conduct alleged in a class action lawsuit. The explanatory variable of interest is *AM CEO/CFO*, a dummy variable that takes the value of one for the firm-years where a firm has either a CEO or CFO that is a paid user of the AM website, and zero otherwise. The variable *AM paid usage* represents the per capita paid AM usage rate at the county of the firm's headquarter. Executive and firm controls including county-level AM usage, as well as year, industry, and state fixed effects are included as reported. Reported *t*-statistics in parentheses are heteroscedasticity-robust and clustered by firm. ****p*<0.01, ***p*<0.05, **p*<0.1.

Table IA.II

AM CEOs and AM CFOs and the likelihood of class action lawsuit and financial restatement

A. AM CEO and class action lawsuit

	(1)	(2)	(3)	(4)
AM CEO	0.030** (2.12)	0.039** (2.48)	0.044*** (2.75)	0.039*** (2.83)
Executive controls	y	y	y	y
Firm controls	n	y	y	y
Year FE	y	y	y	y
2-digit SIC FE	n	n	y	y
State FE	n	n	n	y
<i>N</i>	11,347	9,067	7,467	6,988
Pseudo R^2	0.011	0.033	0.078	0.105
Mean of dep. Variable	0.026	0.027	0.032	0.034

B. AM CFO and class action lawsuit

	(1)	(2)	(3)	(4)
AM CFO	0.033** (2.25)	0.040*** (2.64)	0.052*** (2.81)	0.057*** (2.80)
Executive controls	y	y	y	y
Firm controls	n	y	y	y
Year FE	y	y	y	y
2-digit SIC FE	n	n	y	y
State FE	n	n	n	y
<i>N</i>	11,085	8,819	7,340	6,653
Pseudo R^2	0.010	0.028	0.080	0.106
Mean of dep. Variable	0.026	0.026	0.031	0.035

C. AM CEO and financial restatement

	(1)	(2)	(3)	(4)
AM CEO	0.015 (0.92)	0.020 (1.18)	0.021 (1.03)	0.026 (1.23)
Executive controls	y	y	y	y
Firm controls	n	y	y	y
Year FE	y	y	y	y
2-digit SIC FE	n	n	y	y
State FE	n	n	n	y
<i>N</i>	11,347	9,067	7,425	7,158
Pseudo R^2	0.011	0.032	0.065	0.119
Mean of dep. Variable	0.020	0.021	0.025	0.026

D. AM CFO and financial restatement

	(1)	(2)	(3)	(4)
AM CFO	0.033*** (2.61)	0.038*** (3.02)	0.043*** (2.59)	0.054*** (2.81)
Executive controls	y	y	y	y
Firm controls	n	y	y	y
Year FE	y	y	y	y
2-digit SIC FE	n	n	y	y
State FE	n	n	n	y
<i>N</i>	11,085	8,819	7,401	6,642
Pseudo R^2	0.015	0.043	0.079	0.141
Mean of dep. Variable	0.020	0.020	0.024	0.026

This table shows marginal effects of logit regressions. In Panels A and B, the dependent variable is a dummy variable that takes the value of one in all firm-years affected by a class action lawsuit, and zero otherwise. In Panels C and D, the dependent variable is a dummy variable that takes the value of one in all firm-years where the financial statements were restated, and zero otherwise. The explanatory variables of interest are *AM CEO* and *AM CFO*, two dummy variables that take the value of one for the firm-years where a firm has a CEO or a CFO that is a paid user of the AM website, respectively. Executive and firm controls including county-level AM usage, as well as year, industry, and state fixed effects are included as reported. Reported z -statistics in parentheses are heteroscedasticity-robust and clustered by firm. *** $p < 0.01$, ** $p < 0.05$, * $p < 0.1$. In Panel B, the dependent variable is a .

Table IA.III
Ashley Madison data summary, by CBSA

	Paid AM Usage		Political Corruption	Religious Adherence
	Overall	Executives		
Top 20 CBSAs				
New York	0.46%	1.02%	34.2	55.5%
Los Angeles	0.39%	1.13%	20.4	51.4%
Chicago	0.39%	1.18%	41.4	57.2%
Dallas-Fort Worth	0.46%	0.44%	28.2	55.3%
Philadelphia	0.44%	1.38%	47.6	54.7%
Houston	0.45%	0.57%	33.5	55.3%
Washington, DC	0.55%	0.16%	59.6	44.5%
Miami	0.41%	0.00%	43.2	38.1%
Atlanta	0.45%	1.18%	29.6	49.7%
Boston	0.52%	0.47%	30.9	56.8%
San Francisco	0.43%	0.23%	5.9	37.8%
Detroit	0.38%	0.53%	20.7	44.6%
Riverside, CA	0.30%	0.00%	20.4	42.3%
Phoenix	0.40%	0.68%	35.1	37.5%
Seattle	0.47%	0.19%	11.3	35.6%
Minneapolis	0.42%	0.00%	11.1	52.2%
San Diego	0.44%	0.25%	26.0	43.9%
St. Louis	0.32%	0.55%	41.0	49.2%
Tampa	0.36%	0.37%	23.5	34.8%
Baltimore	0.40%	1.83%	50.2	42.1%
Correlations - Top 50 CBSAs				
Overall AM Usage	1.00			
Executive AM Usage	0.01	1.00		
Political Corruption	-0.24*	0.29**	1.00	
Religiosity	-0.09	-0.05	0.27*	1.00

The data comes from Ashley Madison's transaction records. Executive users of Ashley Madison were identified by matching Ashley Madison transactions to Execucomp executives based on the executive's name and address. Home addresses were obtained through Lexis Nexis searches. The sample is restricted to the United States. Political corruption represents public corruption convictions per one million residents between 2004 and 2013 in the federal judicial district headquartered in the primary CBSA city. We drop conviction data from the District of Columbia judicial district because it not comparable to other districts. As a result, political corruption with the Washington, D.C. CBSA is based on conviction rates in Maryland and Virginia. Religious adherence represents the percent of the CBSA's population with a religious affiliation in 2010. ***p<0.01, **p<0.05, *p<0.1.

Table IA.IV
AM CEOs/CFOs and stock returns

	(1)	(2)	(3)	(4)
AM CEO/CFO	0.026 (0.64)	0.046 (0.98)	0.050 (1.00)	0.053 (1.04)
Executive controls	y	y	y	y
Firm controls	n	y	y	y
Year FE	y	y	y	y
2-digit SIC FE	n	n	y	y
State FE	n	n	n	y
<i>N</i>	9,152	7,445	7,445	7,445
<i>R</i> ²	0.181	0.21	0.229	0.231

This table shows the coefficients of OLS regressions. The dependent variable is the firm's annual stock return. The explanatory variable of interest is *AM CEO/CFO*, a dummy variable that takes the value of one for the firm-years where a firm has either a CEO or CFO that is a paid user of the AM website, and zero otherwise. Executive and firm controls including county-level AM usage, as well as year, industry, and state fixed effects are included as reported. Reported *t*-statistics in parentheses are heteroscedasticity-robust and clustered by firm. ****p*<0.01, ***p*<0.05, **p*<0.1.

Table IA.V
Matching sample comparison, treated group minus control group

	Difference	<i>t</i> -statistic	Difference in Table I
Executive characteristics			
CEO age	0.18	0.20	0.99
CEO tenure	-0.22	-0.31	1.04
CFO age	-1.02	-0.98	0.73
Firm characteristics			
Firm size	0.26	1.26	-0.17
Return on assets	-0.007	-0.67	0.20
Tobin's Q	-0.11	-1.47	0.72
Investment	0.002	0.60	1.41
Acquisitions	-0.01	-0.82	-0.43
R&D	0.003	0.20	0.19
Book leverage	0.02	0.54	0.09
Market leverage	0.005	0.23	-0.09
Dividend payouts	0.0002	0.08	0.92

This table shows the average difference across personal characteristics of CEOs/CFOs and firm characteristics between the firm-year observations of the treated and control groups used in the matching exercise in Panel A of Table IX. The average differences reported in Panel B of Table I are also included for ease of comparison. Reported *t*-statistics are heteroscedasticity-robust and clustered by AM firm.

Table IA.VI
Alternative definitions of *AM CEO/CFO* and extended sample

	Main Sample (1)	Main Sample (2)	Main Sample (3)	Main Sample (4)	Extended Sample (5)
AM CEO/CFO	0.062*** (3.86)			0.040* (1.68)	0.053*** (3.46)
AM CEO/CFO (All)		0.053*** (3.75)		0.023 (1.12)	
AM CEO/CFO (Backfilled)			0.051*** (3.47)		
Executive controls	y	y	y	y	y
Firm controls	y	y	y	y	y
Year FE	y	y	y	y	y
2-digit SIC FE	y	y	y	y	y
State FE	y	y	y	y	y
<i>N</i>	6,934	6,934	6,934	6,934	12,508
Pseudo R^2	0.096	0.095	0.095	0.097	0.057
Mean of dep. Variable	0.049	0.049	0.049	0.049	0.053

This table shows marginal effects of logit regressions. The dependent variable is a dummy variable that takes the value of one in all firm-years with restated financial statements or that were affected by conduct alleged in a class action lawsuit. The explanatory variables of interest are different definitions of AM CEO/CFO usage. *AM CEO/CFO*, is a dummy variable that takes the value of one for the firm-years where a firm has either a CEO or CFO that is a paid user of the AM website, and zero otherwise. *AM CEO/CFO (all users)*, is a dummy variable that takes the value of one for the firm-years where a firm has either a CEO or CFO that has an account (i.e., not necessarily paid) at the AM website, and zero otherwise. *AM CEO/CFO (backfilled)*, considers CEOs and CFOs that are paid users of the AM website, but relaxes the requirement that AM transaction usage occur before or during the year being considered. Columns 1 to 4 use the main sample while the sample in Column 5 also includes firms from MSCI's GMI data. Executive and firm controls including county-level AM usage, as well as year, industry, and state fixed effects are included as reported. Reported z -statistics in parentheses are heteroscedasticity-robust and clustered by firm. *** $p < 0.01$, ** $p < 0.05$, * $p < 0.1$.