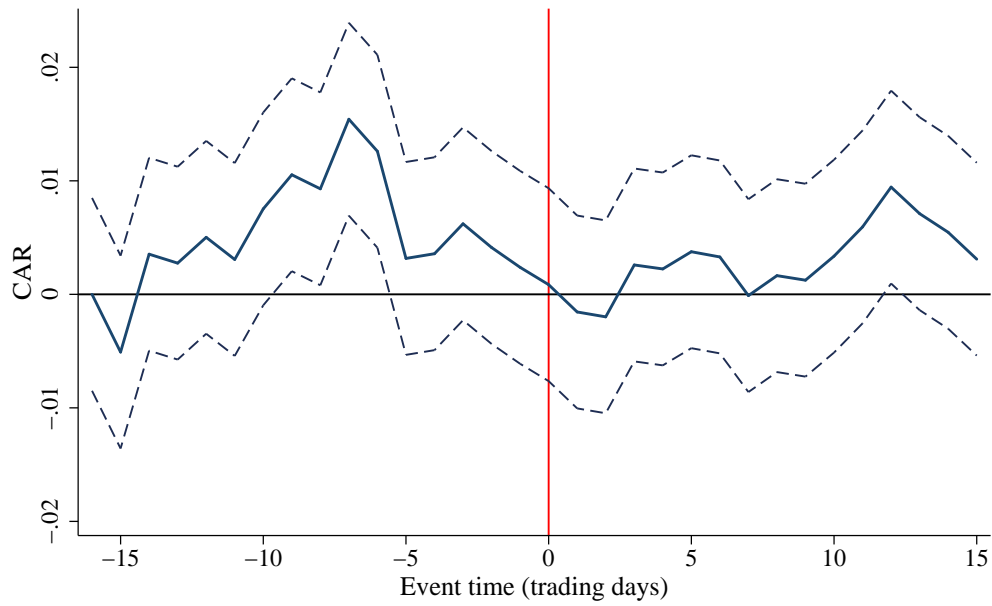
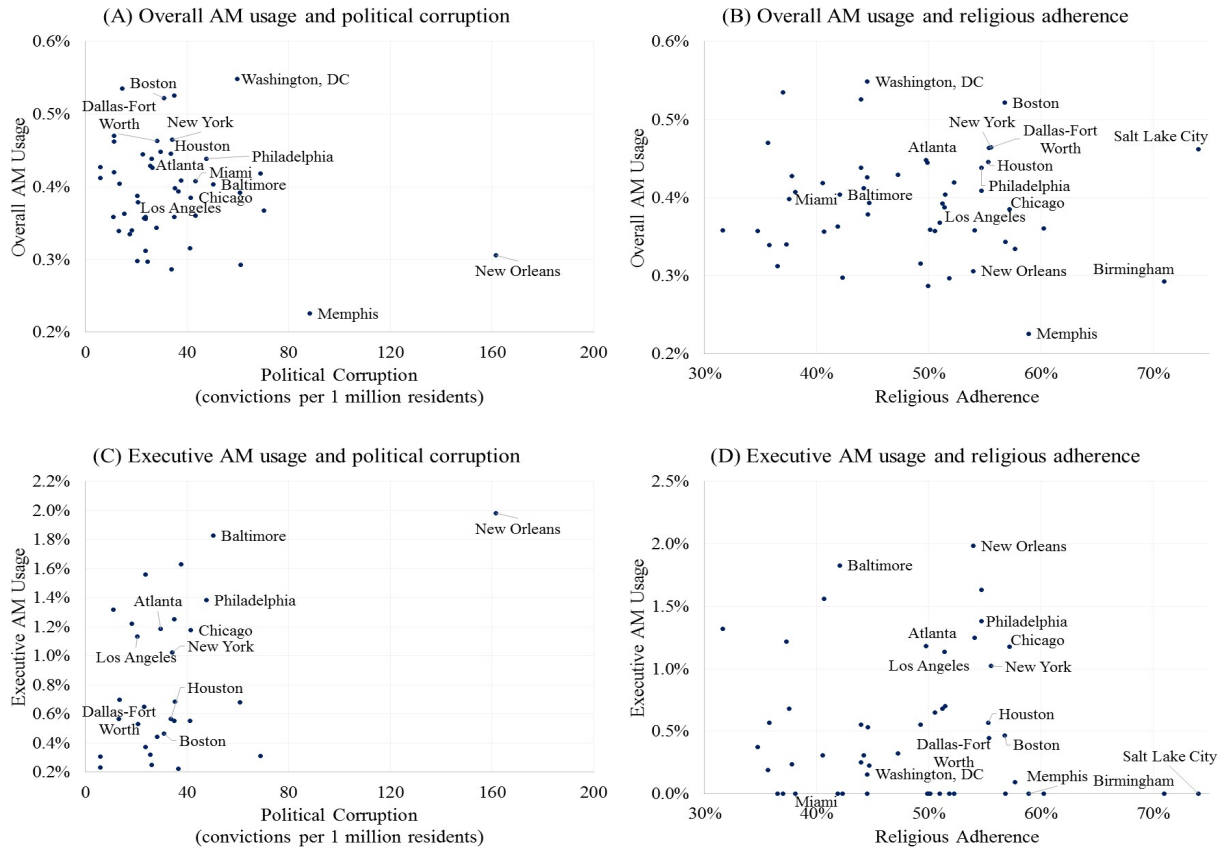


## Internet Appendix For “Do Personal Ethics Influence Corporate Ethics?”



**Fig. IA.1. Cumulative market-model abnormal return for AM data release.** This figure shows average cumulative abnormal returns (CAR) for the 41 firms in the sample with AM CEOs or CFOs when the Ashley Madison data was released (August 18, 2015). Abnormal returns are based on a market-model is estimated using returns from January 2, 2015 to 16 days prior to the event. Dashed lines represent 95% confidence intervals for the CAR.



**Fig. IA.2. Ashley Madison 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.1****AM CEOs/CFOs and corporate infraction likelihood (OLS estimation)**

This table reports OLS regression results equivalent to those in Table 4. 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, county AM usage, as well as year, industry, and state fixed effects are included as indicated. Reported *t*-statistics in parentheses are heteroscedasticity-robust and clustered by firm. \*\*\* $p < 0.01$ , \*\* $p < 0.05$ , \* $p < 0.1$ .

	(1)	(2)	(3)	(4)
AM CEO/CFO	0.094** (2.02)	0.094** (2.01)	0.089* (1.94)	0.086* (1.87)
AM paid usage		0.054 (1.57)	0.043 (1.17)	0.103** (2.27)
CEO age	-0.001 (-0.93)	-0.001 (-0.92)	-0.001 (-1.02)	-0.001 (-1.23)
CEO tenure	0.000 (0.01)	-0.000 (-0.11)	0.000 (0.09)	0.000 (0.30)
CEO male	-0.022 (-0.89)	-0.021 (-0.86)	-0.019 (-0.74)	-0.023 (-0.86)
CFO age	0.001 (1.57)	0.001 (1.53)	0.001 (1.16)	0.001 (1.39)
CFO male	0.019* (1.87)	0.019* (1.87)	0.018* (1.67)	0.024** (2.26)
Firm size	-0.004 (-1.63)	-0.004* (-1.82)	-0.003 (-1.10)	-0.003 (-0.99)
Return on assets	0.018 (0.60)	0.019 (0.63)	0.014 (0.51)	0.017 (0.59)
Tobin's Q	0.000 (0.20)	0.000 (0.14)	-0.000 (-0.05)	0.000 (0.01)
Market leverage	0.082*** (3.01)	0.084*** (3.09)	0.099*** (3.53)	0.094*** (3.31)
Year FE	y	y	y	y
2-digit SIC FE	n	n	y	y
State FE	n	n	n	y
<i>N</i>	7,899	7,862	7,862	7,862
<i>R</i> <sup>2</sup>	0.011	0.012	0.027	0.048
Mean of dep. Variable	0.056	0.056	0.056	0.056

**Table IA.2****AM CEOs and CFOs and likelihood of class action lawsuit or financial restatement**

This table reports 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*, 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, county AM usage, as well as year, industry, and state fixed effects are included as indicated. Reported *z*-statistics in parentheses are heteroscedasticity-robust and clustered by firm. \*\*\**p*<0.01, \*\**p*<0.05, \**p*<0.1.

*Panel A. AM CEO and class action lawsuit*

	(1)	(2)	(3)	(4)
AM CEO	0.038** (2.18)	0.037** (2.10)	0.042** (2.33)	0.039** (2.46)
Exec. & firm controls	y	y	y	y
AM paid usage control	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>	7,895	7,858	6,489	6,007
Pseudo <i>R</i> <sup>2</sup>	0.036	0.043	0.085	0.106
Mean of dep. Variable	0.031	0.031	0.037	0.040

*Panel B. AM CFO and class action lawsuit*

	(1)	(2)	(3)	(4)
AM CFO	0.039** (2.12)	0.039** (2.14)	0.055** (2.39)	0.059** (2.39)
Exec. & firm controls	y	y	y	y
AM paid usage control	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>	7,938	7,901	6,532	6,049
Pseudo <i>R</i> <sup>2</sup>	0.035	0.042	0.086	0.110
Mean of dep. Variable	0.032	0.032	0.038	0.041

**Table IA.2 (continued)***Panel C. AM CEO and financial restatement*

	(1)	(2)	(3)	(4)
AM CEO	0.016 (0.72)	0.016 (0.71)	0.007 (0.26)	0.013 (0.45)
Exec. & firm controls	y	y	y	y
AM paid usage control	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>	7,895	7,858	7,004	6,621
Pseudo $R^2$	0.028	0.029	0.065	0.151
Mean of dep. Variable	0.028	0.029	0.032	0.034

*Panel D. AM CFO and financial restatement*

	(1)	(2)	(3)	(4)
AM CFO	0.042** (2.38)	0.042** (2.37)	0.051** (2.26)	0.058** (2.52)
Exec. & firm controls	y	y	y	y
AM paid usage control	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>	7,938	7,901	7,051	6,664
Pseudo $R^2$	0.039	0.040	0.075	0.156
Mean of dep. Variable	0.029	0.029	0.033	0.035

**Table IA.3****Ashley Madison data summary, by CBSA**

This table reports paid Ashley Madison usage, political corruption, and religious adherence by CBSA. Paid AM usage is based on Ashley Madison's transaction records. Executive users of Ashley Madison are identified by matching Ashley Madison transactions to Execucomp executives based on the executives' names and addresses, which were obtained through LexisNexis searches. The sample is restricted to the United States. Political corruption represents public corruption convictions per one million residents in a federal judicial district between 2004 and 2013. CBSA political corruption is the weighted average (by population) of federal judicial districts within the CBSA. We drop conviction data from the District of Columbia judicial district because it not comparable to other districts. As a result, political corruption in the Washington, DC 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.

	Paid AM Usage		Political Corruption	Religious Adherence
	Overall	Executives		
<b>Top 20 CBSAs</b>				
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%
<b>Correlations - Top 50 CBSAs</b>				
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

**Table IA.4****AM CEOs/CFOs and stock returns**

This table reports 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, county AM usage, as well as year, industry, and state fixed effects are included as indicated. Reported *t*-statistics in parentheses are heteroscedasticity-robust and clustered by firm. \*\*\* $p < 0.01$ , \*\* $p < 0.05$ , \* $p < 0.1$ .

	(1)	(2)	(3)	(4)
AM CEO/CFO	0.048 (1.00)	0.048 (1.01)	0.049 (0.99)	0.052 (1.03)
Exec. & firm controls	y	y	y	y
AM paid usage control	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>	7,477	7,440	7,440	7,440
<i>R</i> <sup>2</sup>	0.209	0.209	0.228	0.231

**Table IA.5****Propensity score matching sample comparison, treated group minus control group**

This table reports 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 9. Reported *t*-statistics are heteroscedasticity-robust and clustered by AM firm.

	Ashley Madison CEO/CFO	Non-Ashley Madison CEO/CFO	Difference	<i>t</i> -stat
Corporate infraction	0.135	0.043	0.092	2.16
<b>Executive characteristics</b>				
CEO age	55.708	55.903	-0.195	-0.23
CEO tenure	7.423	7.610	-0.187	-0.22
CEO male	0.984	0.995	-0.011	-0.63
CFO age	50.935	51.232	-0.297	-0.28
CFO male	0.951	0.930	0.022	0.79
<b>Firm characteristics</b>				
Firm size	7.760	7.422	0.338	1.31
Return on assets	0.105	0.109	-0.005	-0.48
Tobin's Q	1.598	1.719	-0.121	-1.36
Investment	0.034	0.032	0.002	0.66
Acquisitions	0.039	0.045	-0.006	-0.61
R&D	0.053	0.058	-0.005	-0.32
Market leverage	0.272	0.261	0.020	0.88
Dividend payouts	0.009	0.008	0.0005	0.20



**Table IA.6****Alternative definitions of AM CEO/CFO and extended samples**

This table reports 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 3 use the main sample. The sample in Column 4 also includes data from 2015, and the sample in Column 5 includes firms from MSCI's GMI data. Executive and firm controls, county AM usage, as well as year, industry, and state fixed effects are included as indicated. Reported *z*-statistics in parentheses are heteroscedasticity-robust and clustered by firm. \*\*\* $p < 0.01$ , \*\* $p < 0.05$ , \* $p < 0.1$ .

	Main Sample (1)	Main Sample (2)	Main Sample (3)	Extended 2015 (4)	Extended GMI (5)
AM CEO/CFO	0.050** (2.47)			0.041** (2.16)	0.034* (1.78)
AM CEO/CFO (All)		0.041** (2.34)			
AM CEO/CFO (Backfilled)			0.040** (2.19)		
Exec. & firm controls	y	y	y	y	y
AM paid usage control	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>	7,342	7,342	7,342	8,208	12,268
<i>R</i> <sup>2</sup>	0.085	0.085	0.085	0.079	0.055
Mean of dep. Variable	0.060	0.060	0.060	0.061	0.064