

Online appendix to
“Criminal employees and financial reporting”

1. Controlling for additional personal controls

I first examine whether alternative additional personnel characteristics explain employees' criminal records and then include them as control variables in explaining financial reporting outcomes. The characteristics include educational level (Call et al. 2017), age (Belenzon et al. 2019), the corruption index at the country of ancestry (Liu 2016), marital status (Roussanov and Savor 2014), and gender (Adhikari et al. 2019).

Table OA1 presents correlations between the criminal records of employees and all the alternative characteristics. As expected, the proportion of criminal employees is negatively correlated with the proportion of employees having a college degree, being women, being married, and positively correlated with average age (older individuals are more likely to have committed crime historically than younger individuals are) and the average of the corruption index at the country of ancestry. The proportion of female employees has the highest correlation with the proportion of criminal employees (pearson/spearman correlation of -0.47/-0.51).

Table OA2 investigates how well the alternative characteristics explain the proportion of criminal employees. Several interesting findings emerge. First, all the univariate correlations are significant in this multivariate setting. Second, the adjusted R^2 almost doubles when I include the proportion of female employees (from 0.1711 to 0.3287, an increase of 92%). That is, gender explains a large portion of the variation in employees' criminal records. (For comparison, each of the other personal characteristics increases the adjusted R^2 by 3%-26%.) The alternative characteristics collectively explain about one third of the variation in criminal records (an adjusted R^2 of 0.3287).

I then turn to test the robustness of the results reported in the manuscript to including the alternative characteristics. I rerun all the regressions from the manuscript, for which I find a significant effect for employees' criminal records:

- Column 1 of Table OA1 estimates discretionary accruals during the issuance of new finance using a sample of new finance issuers (comparable to Column 4 of Table 3 of the manuscript).
- Column 2 of Table OA2 estimates accruals quality (comparable to Table 4 of the manuscript).
- Column 3 estimates delayed filing (comparable to Table 5 of the manuscript).
- Column 4 estimates conditional conservatism and reports the coefficients on $Independent\ variable_t \times DumOCF_t \times OCF_t$, the interaction term that captures conditional conservatism (comparable to Table 7 of the manuscript).
- Column 5 estimates the information of current earnings about future earnings and reports the coefficients on $Independent\ variable_t \times ROA_t$ (comparable to Table 8 of the manuscript).
- Column 6 estimates the information of current earnings about future cash flows and reports the coefficients on $Independent\ variable_t \times ROA_t$ (comparable to Table 8 of the manuscript).

Panel A estimates the regression without gender, because *%EMPL_record* and *%EMPL_Female* are highly correlated (pearson correlation of -0.47). Panel B then augments the estimation with gender.

In Panel A, the coefficients of interest on *%EMPL_record* remain significantly different from zero for most regressions, with an exception being conditional conservatism reported in Column 4. Panel B, augmenting the specification with gender, shows comparable findings, however the coefficient of interest on *%EMPL_record* is not significantly associated with discretionary accruals (reported in column 1).

This could be because several of the alternative characteristics load on the same construct underlying crime: low self-control. The literature documents higher self-control scores for persons that are females (Tittle et al. 2003; Moffitt et al. 2011),¹ married (Forrest and Hay 2011; Pronk et al. 2019), and educated (Moffitt et al. 2011) than for other persons. The results presented in Table OA2 confirm that the alternative personal characteristics explain a large portion of the variation in crime. Controlling for these alternative personal characteristics leads to a risk of “throwing the baby out with the bath water”, unstable results, and multicollinearity issues. This might explain why employees’ criminal records are not significantly associated with some reporting outcomes after controlling for the alternative characteristics.

2. Undisclosed crime

I exploit the institutional setting, Denmark, in which I can identify individuals with criminal records that were not available for employers at hiring. In Denmark, criminal records are not publicly available. The Danish police can issue a certificate of criminal record to an individual, who can then share it with (potential) employers, for example when applying for a job or during an employment. Offenses of the Danish penal code and certain other offenses appear on the certificate of criminal record for two to five years, after which they are automatically spent (i.e., sealed).² Spent crime still appears in my proprietary dataset but does not appear on the certificates of criminal records used by employers to screen applicants.³

¹ Tittle et al. (2003) write that “gender differences represent the strongest and most reliable variation in criminal/deviant behavior.” (p. 431).

² An overview is available at <https://politi.dk/straffeattest/afgoerelser-paa-din-straffeattest> (In Danish).

³ At hiring, 58% of CEOs’ criminal records were undisclosed. (10.1% of CEOs had undisclosed criminal records compared to 17.4% of CEOs who had any types of criminal record, i.e. either a disclosed or an undisclosed record, measured at the firm-year level.) 69% of employees’ criminal records were undisclosed at hiring. (11.1% of employees had undisclosed criminal records compared to 16.2% of employees who had committed any type of crime, i.e. either a disclosed or an undisclosed record, measured at the firm-year level.)

I rerun all the regressions from the manuscript, for which I find a significant effect for employees' criminal records, and include only undisclosed criminal records. Table OA4 presents the results. The coefficients of interest on *%EMPL_record* remain significantly different from zero for most regressions, with an exception being conditional conservatism reported in Column 4. This suggests that the results are not driven by certain firms purposely hiring employees with criminal records, because employers did not know about employees' criminal records at hiring (at least not explicitly through certificates of criminal records). The results are also consistent with the notion that crime is an observable outcome of a trait, low self-control, which persists throughout life, as proposed theoretically (Gottfredson and Hirschi 1990) and empirically examined in the criminology literature (Pratt and Cullen 2006; Vazsonyi et al. 2017).

3. Excluding bankrupt firms

Regenburg and Seitz (2021) find that firms with more employees with criminal records are more likely to go bankrupt. Lara et al. (2009) find that ex-post bankrupt firms used accruals earnings management to increase their earnings prior to bankruptcy. Firms going bankrupt and managing their earnings could hence drive the results. I therefore rerun all the regressions from the manuscript, for which I find a significant effect for employees' criminal records, and remove all firms that at any time in the sample period go bankrupt. The qualitative conclusions do not change, as Table OA5 shows.

4. Entropy balancing

Linear models can be misspecified (McMullin and Schonberger 2020) and I therefore employ entropy balancing to match the samples. I split the sample by the within-year median of *%EMPL_record* (i.e. *EMPL_record*=1 vs. *EMPL_record*=0). The entropy balanced control sample is balanced on three moments (mean, variance, and skewness) and a tolerance of 0.015. I

match on the control variables as listed in the table and the CEO's criminal record (*CEO_record*). The control variables used for the matching are included in the following regressions. Table OA6 presents these results. The coefficients of interest on *%EMPL_record* remain significantly different from zero for most regressions, with an exception being accruals quality reported in Column 2 (p -value = 0.125).

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TABLE OA1.

Correlation matrix, personal characteristics

| | | 1 | 2 | 3 | 4 | 5 | 6 |
|---------------------------|---|-------|-------|-------|-------|-------|-------|
| <i>%EMPL_record</i> | 1 | | -0.31 | 0.11 | 0.06 | -0.08 | -0.51 |
| <i>%EMPL_HighEduc</i> | 2 | -0.27 | | 0.02 | 0.01 | 0.04 | 0.26 |
| <i>%EMPL_ln(Age)</i> | 3 | 0.10 | 0.02 | | -0.10 | 0.78 | -0.20 |
| <i>%EMPL_CorruptIndex</i> | 4 | 0.04 | 0.01 | -0.10 | | -0.08 | 0.14 |
| <i>%EMPL_Married</i> | 5 | -0.11 | 0.04 | 0.78 | -0.08 | | -0.11 |
| <i>%EMPL_Female</i> | 6 | -0.47 | 0.26 | -0.20 | 0.14 | -0.11 | |

Pearson (Spearman) correlations below (above) diagonal. N=97,106.

TABLE OA2.

How well do alternative characteristics explain criminal records?

| Dependent variable: %EMPL_record N=97,106 | | | |
|--|------------------------|--|--|
| | Coefficient | Incremental adjusted R ² | Incremental adjusted R ² , % change |
| | (1) | (2) | (3) |
| %EMPL_HighEduc | -0.1529*** (-32.58) | 0.0222 | 7.26 |
| %EMPL_ln(Age) | 0.2575*** (28.07) | 0.0481 | 17.15 |
| %EMPL_CorruptIndex | 0.0025*** (6.82) | 0.0115 | 3.63 |
| %EMPL_Married | -0.3074*** (-29.47) | 0.0675 | 25.83 |
| %EMPL_Female | -0.2215*** (-53.70) | 0.1575 | 92.05 |
| Intercept | -0.3262*** (-6.43) | | |
| Adjusted R ² | 0.3287 | | |

Grey shading denotes specific coefficients of interest.

This table regresses the proportion of employees with criminal records on alternative measures of personnel characteristics. %EMPL_record measures the proportion of employees with criminal records. %EMPL_HighEduc measures the percentage of the employees with a bachelor's degree. %EMPL_log(Age) measures the logarithm of the average age in years of the employees. %EMPL_CorruptIndex measures the average *CorruptionIndex* of the employees. *CorruptionIndex* is the average of Transparency International's corruption perception indexes for the years 1995–2018 multiplied by -1. The data on ancestry country cover only two generations back in time. That is, the individuals in our dataset are classified as foreigners only if they or their parents are immigrants. %EMPL_Married measures the percentage of married employees. %EMPL_female measures the percentage of female employees. Standard errors are clustered by firm and year (Gow et al. 2010). *t* statistics are in parentheses. ***, **, * Represent significance levels at 0.01, 0.05, and 0.10, respectively (two-tailed test).

TABLE OA3.

Controlling for additional personal characteristics

| Estimations of: | Discretionary accruals | Accruals quality | Delayed filing | Conditional conservatism | Future earnings predictability | Future cash flows predictability |
|--|---|---|---|--|---|---|
| Reported coefficients: | <i>Independent variable_t</i> | <i>Independent variable_t</i> | <i>Independent variable_t</i> | <i>Independent variable_t × DumOCF_t × OCF_t</i> | <i>Independent variable_t × ROA_t</i> | <i>Independent variable_t × ROA_t</i> |
| Controls as in (and estimation comparable to): | Column 4 of Table 3 | Table 4 | Table 5 | Table 6 | Table 8 | Table 8 |
| Expected sign on %EMPL_record | + | - | + | - | - | - |
| Dependent variables: | <i>OPACC_t</i> | <i>AQ_t</i> | <i>Late Filing_{≥l day, t}</i> | <i>ΔWCACC_t</i> | <i>ROA_{t+1}</i> | <i>OCF_{t+1}</i> |

Panel A: Excluding gender

| Independent variables: | (1) | (2) | (3) | (4) | (5) | (6) |
|---------------------------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| <i>CEO_record_t</i> | 0.0038 (1.36) | -0.0019*** (-2.67) | 0.0597*** (8.41) | -0.0371 (-1.21) | -0.0213* (-1.82) | -0.0299* (-1.83) |
| <i>%EMPL_record_t</i> | 0.0220*** (3.93) | -0.0103*** (-3.96) | 0.1172*** (4.74) | 0.1124 (0.95) | -0.2012*** (-4.25) | -0.2125*** (-3.39) |
| <i>CEO_HighEduc_t</i> | -0.0079** (-2.27) | -0.0010 (-0.89) | 0.0113 (1.27) | 0.0359 (1.06) | 0.0497*** (3.51) | 0.0552*** (2.86) |
| <i>%EMPL_HighEduc_t</i> | -0.0565*** (-3.38) | -0.0293*** (-5.60) | 0.0961*** (3.07) | 1.0114*** (8.79) | 0.0446 (1.19) | 0.1438** (2.20) |
| <i>CEO_ln(Age)_t</i> | -0.0126** (-2.51) | 0.0077*** (5.55) | 0.0443*** (2.82) | -0.2056*** (-4.40) | -0.0347 (-1.62) | -0.0147 (-0.40) |
| <i>%EMPL_ln(Age)_t</i> | -0.0248*** (-3.02) | 0.0145*** (5.17) | 0.0107 (0.38) | 0.0151 (0.12) | -0.0971** (-2.34) | -0.0258 (-0.40) |
| <i>CEO_CorruptIndex_t</i> | 0.0000 (0.01) | 0.0001 (1.14) | 0.0029*** (5.01) | 0.0004 (0.15) | -0.0007 (-0.71) | -0.0012 (-1.32) |
| <i>%EMPL_CorruptIndex_t</i> | -0.0005** (-2.24) | -0.0002*** (-2.60) | 0.0043*** (7.95) | 0.0089*** (2.89) | 0.0028*** (3.41) | 0.0027*** (2.71) |
| <i>CEO_Married_t</i> | -0.0014 (-0.56) | -0.0004 (-0.49) | -0.0299*** (-4.91) | -0.0220 (-0.66) | -0.0148 (-1.19) | -0.0182 (-0.97) |
| <i>%EMPL_Married_t</i> | -0.0212** (-2.07) | -0.0027 (-0.87) | -0.1482*** (-5.39) | 0.1325 (1.16) | 0.1259** (2.27) | 0.0693 (0.96) |
| Industry fixed effects | Yes | Yes | Yes | Yes | Yes | Yes |
| Year fixed effects | Yes | Yes | Yes | Yes | Yes | Yes |
| <i>N</i> | 23,283 | 57,572 | 96,303 | 95,615 | 96,731 | 94,819 |
| Adjusted R ² | 0.8038 | 0.3030 | 0.0641 | 0.5520 | 0.3822 | 0.1770 |

Panel B: Including gender

| Independent variables: | (1) | (2) | (3) | (4) | (5) | (6) |
|-------------------------------|------------------|-----------------------|---------------------|--------------------|---------------------|---------------------|
| <i>CEO_record_t</i> | 0.0036 (1.28) | -0.0020*** (-2.88) | 0.0615*** (8.57) | -0.0366 (-1.23) | -0.0222* (-1.94) | -0.0304* (-1.89) |

| | | | | | | |
|---------------------------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|----------------------|
| <i>%EMPL_record_t</i> | 0.0105 (1.49) | -0.0119*** (-4.16) | 0.1658*** (5.98) | 0.1455 (1.46) | -0.1301*** (-2.81) | -0.1428** (-2.37) |
| <i>CEO_HighEduc_t</i> | -0.0072** (-2.07) | -0.0009 (-0.78) | 0.0085 (0.96) | 0.0347 (1.05) | 0.0468*** (3.29) | 0.0517*** (2.66) |
| <i>%EMPL_HighEduc_t</i> | -0.0557*** (-3.29) | -0.0289*** (-5.46) | 0.0882*** (2.82) | 1.0321*** (9.15) | 0.0423 (1.15) | 0.1429** (2.21) |
| <i>CEO_ln(Age)_t</i> | -0.0123** (-2.47) | 0.0077*** (5.55) | 0.0436*** (2.76) | -0.2044*** (-4.34) | -0.0402* (-1.91) | -0.0207 (-0.59) |
| <i>%EMPL_ln(Age)_t</i> | -0.0266*** (-3.36) | 0.0144*** (5.15) | 0.0161 (0.58) | 0.0146 (0.11) | -0.0864** (-2.04) | -0.0177 (-0.27) |
| <i>CEO_CorruptIndex_t</i> | -0.0000 (-0.00) | 0.0001 (1.06) | 0.0030*** (5.04) | 0.0002 (0.08) | -0.0008 (-0.80) | -0.0013 (-1.35) |
| <i>%EMPL_CorruptIndex_t</i> | -0.0004* (-1.89) | -0.0002** (-2.21) | 0.0040*** (7.34) | 0.0091*** (2.85) | 0.0025*** (2.90) | 0.0024** (2.41) |
| <i>CEO_Married_t</i> | -0.0017 (-0.65) | -0.0005 (-0.62) | -0.0283*** (-4.67) | -0.0186 (-0.56) | -0.0135 (-1.07) | -0.0165 (-0.89) |
| <i>%EMPL_Married_t</i> | -0.0237** (-2.30) | -0.0032 (-1.03) | -0.1374*** (-5.10) | 0.1406 (1.22) | 0.1370** (2.55) | 0.0812 (1.21) |
| <i>CEO_Female</i> | -0.0024 (-0.53) | -0.0027** (-2.04) | 0.0343*** (2.74) | -0.0279 (-0.50) | -0.0176 (-1.04) | -0.0054 (-0.22) |
| <i>%EMPL_Female</i> | -0.0168*** (-2.89) | -0.0021 (-1.31) | 0.0671*** (4.29) | 0.0163 (0.21) | 0.0828*** (2.89) | 0.0805* (1.87) |
| Industry fixed effects | Yes | Yes | Yes | Yes | Yes | Yes |
| Year fixed effects | Yes | Yes | Yes | Yes | Yes | Yes |
| <i>N</i> | 23,283 | 57,572 | 96,303 | 95,615 | 96,731 | 94,819 |
| Adjusted R ² | 0.8039 | 0.3032 | 0.0650 | 0.5529 | 0.3825 | 0.1772 |

Grey shading denotes the coefficients of interest.

This table examines the robustness of the results to including additional personal characteristics. *CEO_record* indicates that the CEO has a criminal record. *%EMPL_record* measures the proportion of employees with criminal records. *CEO_HighEduc* indicates CEOs with a bachelor's degree. *%EMPL_HighEduc* measures the percentage of the employees with a bachelor's degree. *CEO_log(Age)* is the logarithm of the CEO's age in years. *%EMPL_log(Age)* measures the logarithm of the average age in years of the employees. *CEO_CorruptIndex* is the *CorruptionIndex* of the CEO's country of ancestry. *CorruptionIndex* is the average of Transparency International's corruption perception indexes for the years 1995–2018 multiplied by -1. The data on ancestry country cover only two generations back in time. That is, the individuals in our dataset are classified as foreigners only if they or their parents are immigrants. *%EMPL_CorruptIndex* measures the average *CorruptionIndex* of the employees. *CEO_Married* indicates married CEOs. *%EMPL_Married* measures the percentage of married Standard errors are clustered by firm and year (Gow et al. 2010). *t* statistics are in parentheses. ***, **, * Represent significance levels at 0.01, 0.05, and 0.10, respectively (two-tailed test). Industry and year fixed effects, as well as an intercept, are estimated but not reported. All financial ratios are winsorized at the 1 and 99 percent level.

TABLE OA4.

Undisclosed crime

| Estimations of: | Discretionary accruals | Accruals quality | Late filing | Conditional conservatism | Future earnings predictability | Future cash flows predictability |
|--|---------------------------|---------------------------|---------------------------------|--|--|--|
| Reported coefficients: | $Independent\ variable_t$ | $Independent\ variable_t$ | $Independent\ variable_t$ | $Independent\ variable_t \times DumOCF_t \times OCF_t$ | $Independent\ variable_t \times ROA_t$ | $Independent\ variable_t \times ROA_t$ |
| Controls as in (and estimation comparable to): | Column 4 of Table 3 | Table 4 | Table 5 | Table 6 | Table 8 | Table 8 |
| Expected sign on %EMPL_record | + | - | + | - | - | - |
| Dependent variables: | $OPACC_t$ | AQ_t | $Late\ Filing_{\geq 1\ day, t}$ | $\Delta WCACC_t$ | ROA_{t+1} | OCF_{t+1} |
| Independent variables: | (1) | (2) | (3) | (4) | (5) | (6) |
| $CEO_record_undiscl_{,t}$ | 0.0056** (1.96) | -0.0046*** (-4.57) | 0.0586*** (5.93) | 0.0105 (0.25) | -0.0192 (-1.40) | -0.0170 (-0.76) |
| $\%EMPL_record_undiscl_{,t}$ | 0.0332*** (3.73) | -0.0147*** (-4.52) | 0.1673*** (5.75) | -0.2705 (-1.41) | -0.3261*** (-7.75) | -0.3881*** (-5.04) |
| Industry fixed effects | Yes | Yes | Yes | Yes | Yes | Yes |
| Year fixed effects | Yes | Yes | Yes | Yes | Yes | Yes |
| N | 23,396 | 57,718 | 96,673 | 95,981 | 97,106 | 95,176 |
| Adjusted R ² | 0.8016 | 0.2970 | 0.0559 | 0.5365 | 0.3782 | 0.1757 |

Grey shading denotes the coefficients of interest.

This table examines the robustness of the results to including only undisclosed criminal records. These comprise crimes that did not appear on the certificates of criminal records at hiring. This is because in the institutional setting, Denmark, crimes are removed from certificates of criminal records after two to five years but still appear in the proprietary database used in this study. $CEO_record_undiscl$ indicates that the CEO had a criminal record at hiring, but that it was not disclosed to the employer. $\%EMPL_record_undiscl$ measures the proportion of employees with criminal records that were undisclosed at hiring. Standard errors are clustered by firm and year (Gow et al. 2010). t statistics are in parentheses. ***, **, * Represent significance levels at 0.01, 0.05, and 0.10, respectively (two-tailed test). Industry and year fixed effects, as well as an intercept, are estimated but not reported. All financial ratios are winsorized at the 1 and 99 percent level.

TABLE OA5.

Excluding bankrupt firms

| Estimations of: | Discretionary accruals | Accruals quality | Late filing | Conditional conservatism | Future earnings predictability | Future cash flows predictability |
|--|---------------------------|---------------------------|---------------------------------|--|--|--|
| Reported coefficients: | $Independent\ variable_t$ | $Independent\ variable_t$ | $Independent\ variable_t$ | $Independent\ variable_t \times DumOCF_t \times OCF_t$ | $Independent\ variable_t \times ROA_t$ | $Independent\ variable_t \times ROA_t$ |
| Controls as in (and estimation comparable to): | Column 4 of Table 3 | Table 4 | Table 5 | Table 6 | Table 8 | Table 8 |
| Expected sign on $\%EMPL_record$ | + | - | + | - | - | - |
| Dependent variables: | $OPACC_t$ | AQ_t | $Late\ Filing_{\geq 1\ day, t}$ | $\Delta WCACC_t$ | ROA_{t+1} | OCF_{t+1} |
| Independent variables: | (1) | (2) | (3) | (4) | (5) | (6) |
| CEO_record_t | 0.0044* (1.68) | -0.0019** (-2.57) | 0.0643*** (8.41) | -0.0549 (-1.55) | -0.0209 (-1.57) | -0.0244 (-1.26) |
| $\%EMPL_record_t$ | 0.0321*** (5.34) | -0.0054** (-2.11) | 0.1370*** (5.61) | -0.4409** (-2.51) | -0.2876*** (-7.92) | -0.3125*** (-5.28) |
| Industry fixed effects | Yes | Yes | Yes | Yes | Yes | Yes |
| Year fixed effects | Yes | Yes | Yes | Yes | Yes | Yes |
| N | 20,866 | 54,063 | 89,370 | 88,732 | 89,774 | 87,972 |
| Adjusted R^2 | 0.8015 | 0.2989 | 0.0519 | 0.5327 | 0.3849 | 0.1812 |

Grey shading denotes the coefficients of interest.

This table examines the robustness of the results to excluding bankrupt firms. CEO_record indicates that the CEO has a criminal record. $\%EMPL_record$ measures the proportion of employees with criminal records. Standard errors are clustered by firm and year (Gow et al. 2010). t statistics are in parentheses. ***, **, * Represent significance levels at 0.01, 0.05, and 0.10, respectively (two-tailed test). Industry and year fixed effects, as well as an intercept, are estimated but not reported. All financial ratios are winsorized at the 1 and 99 percent level.

TABLE OA6.

Entropy balanced sample

| Estimations of: | Discretionary accruals | Accruals quality | Late filing | Conditional conservatism | Future earnings predictability | Future cash flows predictability |
|--|---------------------------|---------------------------|---------------------------------|--|--|--|
| Reported coefficients: | $Independent\ variable_t$ | $Independent\ variable_t$ | $Independent\ variable_t$ | $Independent\ variable_t \times DumOCF_t \times OCF_t$ | $Independent\ variable_t \times ROA_t$ | $Independent\ variable_t \times ROA_t$ |
| Controls as in (and estimation comparable to): | Column 4 of Table 3 | Table 4 | Table 5 | Table 6 | Table 8 | Table 8 |
| Expected sign on $\%EMPL_record$ | + | - | + | - | - | - |
| Dependent variables: | $OPACC_t$ | AQ_t | $Late\ Filing_{\geq 1\ day, t}$ | $\Delta WCACC_t$ | ROA_{t+1} | OCF_{t+1} |
| Independent variables: | (1) | (2) | (3) | (4) | (5) | (6) |
| CEO_record_t | 0.0047 (1.52) | -0.0017** (-2.28) | 0.0664*** (9.14) | -0.0592 (-1.74) | -0.0303** (-2.53) | -0.0383** (-2.31) |
| $\%EMPL_record_t$ | 0.0252*** (3.43) | -0.0044 (-1.65) | 0.1541*** (6.39) | -0.4390** (-2.84) | -0.2498*** (-5.64) | -0.2159*** (-3.45) |
| Industry fixed effects | Yes | Yes | Yes | Yes | Yes | Yes |
| Year fixed effects | Yes | Yes | Yes | Yes | Yes | Yes |
| N | 23,396 | 57,718 | 96,673 | 95,981 | 97,105 | 95,175 |
| Adjusted R^2 | 0.8272 | 0.2919 | 0.0577 | 0.5307 | 0.3588 | 0.1614 |

Grey shading denotes the coefficients of interest.

This table examines the robustness of the results to using entropy balancing. I split the sample by whether the firm's employees are relatively criminal (above the within-year median, $EMPL_record=1$ vs. $EMPL_record=0$). The entropy balanced control sample is balanced on three moments (mean, variance, and skewness) and a tolerance of 0.015. I match on the control variables as listed in the table and the CEO's criminal record (CEO_record). The control variables used for the matching are also included in the regressions. CEO_record indicates that the CEO has a criminal record. $\%EMPL_record$ measures the proportion of employees with criminal records. Standard errors are clustered by firm and year (Gow et al. 2010). t statistics are in parentheses. ***, **, * Represent significance levels at 0.01, 0.05, and 0.10, respectively (two-tailed test). Industry and year fixed effects, as well as an intercept, are estimated but not reported. All financial ratios are winsorized at the 1 and 99 percent level.