

Online appendix to
“Criminal employees and financial reporting”

Tables are presented at the end of the online appendix.

Online appendix A: 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 & 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 (pearson correlation -0.34), being women (-0.51), being married (-0.09), and positively correlated with average age (0.15) (older individuals are more likely to have committed crime historically than younger individuals are). In contrast to expectation, criminal records are weakly negatively correlated with corruption index (-0.01). The proportion of female employees has the highest correlation with the proportion of criminal employees (-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 and corruption index has the expected (positive) sign. Second, the adjusted R^2 almost doubles when I include the proportion of female employees (from 0.2129 to 0.3809, an increase of 79%). 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 1%-21%.) The alternative characteristics collectively explain more than one third of the variation in criminal records (an adjusted R^2 of 0.3809).

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

significant effects for employees' criminal records. Table OA3 reports the coefficients of interest of these estimations. Panel A estimates the regression without gender, because *%EMPL_record* and *%EMPL_Female* are highly correlated (pearson correlation of -0.51). Panel B then augments the estimation with gender.

In Panel A, the coefficients of interest on employees' criminal records remain significantly different from zero for most regressions, with an exception being conditional conservatism (reported in Column 6). Panel B, augmenting the specification with gender, shows comparable findings, however the coefficient of interest regarding criminal employees is not significantly associated with discretionary accruals (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 (Moffitt et al., 2011; Tittle et al., 2003),¹ married (Forrest & 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.

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

Online appendix B: 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 expunged (i.e., sealed or spent).² Expunged crime still appears in my proprietary dataset but does not appear on the certificates of criminal records used by employers to screen applicants.

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 (expunged crime at hiring). Specifically, I generate the proportion of employees who at hiring had an expunged crime but no recent crimes appearing on the certificate of criminal records. Table OA4 presents the results. The coefficients of interest on employees with criminal records remain significantly different from zero for all regressions. 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 & Hirschi, 1990) and empirically examined in the criminology literature (Pratt & Cullen, 2006; Vazsonyi et al., 2017).

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

Online appendix C: 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, remove all firms that at any time in the sample period go bankrupt, and report the results in Table OA5. The conclusions remain unchanged.

Online appendix D: Entropy balancing

Linear models can be misspecified (McMullin & 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. This matching does not change any inferences.

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TABLE OA1.

Correlation matrix, personal characteristics

		1	2	3	4	5	6
<i>%EMPL_record</i>	1	1.00	-0.37	0.16	-0.00	-0.05	-0.55
<i>%EMPL_HighEduc</i>	2	-0.34	1.00	0.10	0.05	0.15	0.24
<i>%EMPL_Age</i>	3	0.15	0.10	1.00	-0.11	0.75	-0.23
<i>%EMPL_CorruptIndex</i>	4	-0.01	0.05	-0.11	1.00	-0.08	0.14
<i>%EMPL_Married</i>	5	-0.09	0.15	0.75	-0.08	1.00	-0.15
<i>%EMPL_Female</i>	6	-0.51	0.24	-0.23	0.14	-0.15	1.00

Pearson (Spearman) correlations below (above) diagonal. n=162,772.

TABLE OA2.

How well do alternative characteristics explain criminal records?

	Dependent variable: %EMPL_record N=162,772		
	Coefficient	Incremental adjusted R ²	Incremental adjusted R ² , % change
	(1)	(2)	(3)
%EMPL_HighEduc	-0.1435*** (-38.18)	0.041	0.12
%EMPL_Age	0.0073*** (36.67)	0.056	0.17
%EMPL_CorruptIndex	0.0014*** (5.42)	0.004	0.01
%EMPL_Married	-0.3015*** (-29.88)	0.065	0.21
%EMPL_Female	-0.2410*** (-36.01)	0.168	0.79
Intercept	0.2423*** (10.58)		
Adjusted R ²	0.3809		

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_Age measures 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

Estimation of:	Discretionary accruals	Accruals quality	Reporting lag	Delayed filing	Audit report opinions	Conditional conservatism	Future earnings predictability	Future cash flows predictability
Reported coefficient:	$Independent\ variable_t \times NewFinance_t$	$Independent\ variable_t$	$Independent\ variable_t$	$Independent\ variable_t$	$Independent\ variable_t$	$Independent\ variable_t \times DumOCF_t \times OCF_t$	$Independent\ variable_t \times ROA_t$	$Independent\ variable_t \times ROA_t$
Controls as in (and estimation comparable to):	Column 4 of Table 3	Column 3 of Table 4	Column 2 of Table 5	Column 4 of Table 5	Column 3 of Table 6	Column 4 of Table 7	Column 3 of Table 9	Column 6 of Table 9
Expected sign on %EMPL_record	+	-	+	+	+	-	-	-
Dependent variables:	$OPACC_t$	AQ_t	$ln(Reporting\ Lag)_t$	$Late\ Filing_{\geq 1\ day, t}$	$NonClean\ Opinion_t$	$WCACC_t$	ROA_{t+1}	OCF_{t+1}

Panel A: Excluding gender

Independent variables:	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
CEO_record_t	0.0047* (1.89)	-0.0013** (-2.20)	0.0410*** (9.49)	0.0535*** (10.01)	0.0079** (2.01)	-0.0306 (-1.22)	-0.0039 (-0.35)	0.0011 (0.07)
$\%EMPL_record_t$	0.0128** (1.97)	-0.0133*** (-5.40)	0.0532** (2.49)	0.1035*** (4.02)	0.0317** (2.54)	0.0187 (0.19)	-0.2619*** (-6.21)	-0.2693*** (-4.47)
$CEO_HighEduc_t$	-0.0033** (-1.99)	0.0002 (0.26)	0.0109** (2.37)	0.0007 (0.16)	-0.0066*** (-2.77)	0.0705*** (3.23)	0.0228** (2.34)	0.0262** (1.99)
$\%EMPL_HighEduc_t$	-0.0322*** (-3.43)	-0.0290*** (-11.38)	0.0958*** (6.85)	0.1029*** (6.94)	0.0099 (1.25)	0.4669*** (7.48)	0.0194 (0.69)	0.0582 (1.32)
CEO_Age_t	-0.0002** (-2.17)	0.0002*** (8.01)	0.0010*** (4.76)	0.0001 (0.28)	0.0000 (0.05)	-0.0031*** (-2.72)	0.0004 (0.92)	0.0019*** (2.90)
$\%EMPL_Age_t$	0.0005** (2.36)	0.0003*** (3.36)	0.0017*** (3.36)	0.0015*** (2.88)	0.0008* (1.78)	-0.0026 (-0.95)	-0.0020 (-1.30)	-0.0021 (-1.12)
$CEO_CorrupIndex_t$	0.0007***	0.0000	0.0019***	0.0026***	0.0004*	-0.0017	-0.0012	-0.0011

	(3.93)	(0.44)	(7.87)	(6.16)	(1.81)	(-0.88)	(-1.42)	(-1.03)
<i>%EMPL_CorruptIndex_t</i>	-0.0004*	-0.0002***	0.0029***	0.0040***	0.0015***	0.0044**	0.0013	0.0011
	(-1.87)	(-4.17)	(9.52)	(11.36)	(7.77)	(2.42)	(1.58)	(1.08)
<i>CEO_Married_t</i>	0.0046**	0.0002	-0.0164***	-0.0280***	-0.0006	-0.0322	-0.0092	-0.0148
	(2.09)	(0.43)	(-3.68)	(-6.21)	(-0.17)	(-1.40)	(-0.85)	(-1.03)
<i>%EMPL_Married_t</i>	-0.0132	0.0059**	-0.1463***	-0.1431***	-0.0354**	0.2047**	0.0267	-0.0024
	(-1.18)	(2.23)	(-8.57)	(-6.61)	(-2.43)	(2.35)	(0.54)	(-0.04)
Industry fixed effects	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Year fixed effects	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
<i>N</i>	134,805	97,103	160,037	160,037	38,105	160,037	148,214	148,214
Adjusted R ²	0.7561	0.3286	0.0672	0.0725	0.0766	0.4576	0.3849	0.1672

Panel B: Including gender

Independent variables:	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
<i>CEO_record_t</i>	0.0044*	-0.0013**	0.0426***	0.0545***	0.0080**	-0.0351	-0.0039	0.0012
	(1.73)	(-2.26)	(9.82)	(10.02)	(2.11)	(-1.46)	(-0.34)	(0.08)
<i>%EMPL_record_t</i>	-0.0122	-0.0136***	0.1093***	0.1587***	0.0398***	0.0421	-0.1890***	-0.1805***
	(-1.63)	(-5.14)	(5.00)	(6.56)	(3.42)	(0.43)	(-4.59)	(-3.23)
<i>CEO_HighEduc_t</i>	-0.0034**	0.0002	0.0101**	0.0000	-0.0066***	0.0716***	0.0221**	0.0254*
	(-1.99)	(0.28)	(2.21)	(0.01)	(-2.83)	(3.45)	(2.25)	(1.95)
<i>%EMPL_HighEduc_t</i>	-0.0315***	-0.0290***	0.0909***	0.0988***	0.0089	0.4877***	0.0216	0.0619
	(-3.34)	(-11.34)	(6.49)	(6.66)	(1.12)	(7.52)	(0.77)	(1.40)
<i>CEO_Age_t</i>	-0.0002**	0.0002***	0.0009***	0.0000	0.0000	-0.0031**	0.0003	0.0018***
	(-2.28)	(8.01)	(4.72)	(0.20)	(0.03)	(-2.85)	(0.66)	(2.75)
<i>%EMPL_Age_t</i>	0.0005**	0.0003***	0.0018***	0.0017***	0.0008*	-0.0023	-0.0018	-0.0019
	(2.18)	(3.38)	(3.69)	(3.22)	(1.79)	(-0.84)	(-1.14)	(-1.04)
<i>CEO_CorruptIndex_t</i>	0.0007***	0.0000	0.0019***	0.0026***	0.0005*	-0.0019	-0.0012	-0.0011
	(3.99)	(0.43)	(7.94)	(6.22)	(1.87)	(-0.99)	(-1.44)	(-1.08)
<i>%EMPL_CorruptIndex_t</i>	-0.0003	-0.0002***	0.0027***	0.0037***	0.0015***	0.0049***	0.0011	0.0009
	(-1.50)	(-4.02)	(8.74)	(10.68)	(7.64)	(2.71)	(1.31)	(0.83)
<i>CEO_Married_t</i>	0.0040*	0.0002	-0.0151***	-0.0270***	-0.0005	-0.0295	-0.0078	-0.0134
	(1.78)	(0.40)	(-3.46)	(-6.03)	(-0.15)	(-1.27)	(-0.74)	(-0.94)
<i>%EMPL_Married_t</i>	-0.0199*	0.0057**	-0.1316***	-0.1297***	-0.0331**	0.1934**	0.0438	0.0182
	(-1.76)	(2.16)	(-7.75)	(-5.99)	(-2.23)	(2.32)	(0.90)	(0.31)
<i>CEO_Female</i>	-0.0036	-0.0006	0.0204***	0.0097	0.0010	-0.0654*	-0.0034	0.0013
	(-0.85)	(-0.62)	(2.82)	(1.04)	(0.20)	(-1.69)	(-0.23)	(0.05)
<i>%EMPL_Female</i>	-0.0225***	-0.0003	0.0751***	0.0751***	0.0110	0.0055	0.0775**	0.0959**
	(-4.14)	(-0.23)	(6.32)	(6.02)	(1.38)	(0.09)	(3.24)	(2.47)
Industry fixed effects	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes

Year fixed effects	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
<i>N</i>	134,805	97,103	160,037	160,037	38,105	160,037	148,214	148,214
Adjusted R ²	0.7563	0.3286	0.0690	0.0733	0.0767	0.4603	0.3852	0.1675

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_Age* is the CEO's age in years. *%EMPL_Age* measures 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

Estimation of:	Discretionary accruals	Accruals quality	Reporting lag	Delayed filing	Audit report opinions	Conditional conservatism	Future earnings predictability	Future cash flows predictability
Reported coefficient:	$Independent\ variable_t \times NewFinance_t$	$Independent\ variable_t$	$Independent\ variable_t$	$Independent\ variable_t$	$Independent\ variable_t$	$Independent\ variable_t \times DumOCF_t \times OCF_t$	$Independent\ variable_t \times ROA_t$	$Independent\ variable_t \times ROA_t$
Controls as in (and estimation comparable to):	Column 4 of Table 3	Column 3 of Table 4	Column 2 of Table 5	Column 4 of Table 5	Column 3 of Table 6	Column 4 of Table 7	Column 3 of Table 9	Column 6 of Table 9
Expected sign on %EMPL_record	+	-	+	+	+	-	-	-
Dependent variables:	$OPACC_t$	AQ_t	$ln(Reporting\ Lag)_t$	$Late\ Filing_{\geq 1\ day,\ t}$	$NonClean\ Opinion_t$	$WCACC_t$	ROA_{t+1}	OCF_{t+1}
Independent variables:	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
$CEO_record_undiscl_t$	-0.0036 (-0.42)	-0.0050** (-2.09)	0.0455*** (2.92)	0.0832*** (4.50)	0.0241 (1.46)	-0.2671*** (-3.95)	-0.0336 (-0.75)	-0.0503 (-0.83)
$\%EMPL_record_undiscl_t$	0.0743*** (2.90)	-0.0206*** (-3.20)	0.2177*** (4.39)	0.2794*** (5.16)	0.0691** (2.47)	-1.7159*** (-5.93)	-0.9022*** (-7.10)	-0.9723*** (-5.27)
Industry fixed effects	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Year fixed effects	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
N	137,200	98,761	162,801	162,801	38,732	162,801	150,853	150,853
Adjusted R^2	0.7541	0.3211	0.0562	0.0635	0.0735	0.4433	0.3839	0.1673

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 due to the institutional setting, Denmark, in which 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

Estimation of:	Discretionary accruals	Accruals quality	Reporting lag	Delayed filing	Audit report opinions	Conditional conservatism	Future earnings predictability	Future cash flows predictability
Reported coefficient:	$Independent\ variable_t \times NewFinance_t$	$Independent\ variable_t$	$Independent\ variable_t$	$Independent\ variable_t$	$Independent\ variable_t$	$Independent\ variable_t \times DumOCF_t \times OCF_t$	$Independent\ variable_t \times ROA_t$	$Independent\ variable_t \times ROA_t$
Controls as in (and estimation comparable to):	Column 4 of Table 3	Column 3 of Table 4	Column 2 of Table 5	Column 4 of Table 5	Column 3 of Table 6	Column 4 of Table 7	Column 3 of Table 9	Column 6 of Table 9
Expected sign on %EMPL_record	+	-	+	+	+	-	-	-
Dependent variables:	$OPACC_t$	AQ_t	$ln(Reporting\ Lag)_t$	$Late\ Filing_{\geq 1\ day, t}$	$NonClean\ Opinion_t$	$WCACC_t$	ROA_{t+1}	OCF_{t+1}
Independent variables:	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
CEO_record_t	0.0043* (1.80)	-0.0012** (-2.14)	0.0425*** (9.27)	0.0558*** (10.10)	0.0100*** (2.70)	-0.0559** (-2.19)	-0.0045 (-0.36)	0.0036 (0.23)
$\%EMPL_record_t$	0.0200*** (3.03)	-0.0053** (-2.37)	0.0408* (1.78)	0.0837*** (3.19)	0.0249** (1.96)	-0.5909*** (-6.01)	-0.2885*** (-7.57)	-0.3345*** (-7.00)
Industry fixed effects	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Year fixed effects	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
N	127,260	23,904	93,164	148,907	148,907	38,042	148,907	138,958
Adjusted R ²	0.7538	0.7665	0.3225	0.0498	0.0534	0.0463	0.4480	0.3930

Grey shading denotes the coefficients of interest.

This table examines the robustness of the results to excluding bankrupt firms. All firms that at any time go bankrupt in the sample are excluded from these estimations. 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

Estimation of:	Discretionary accruals	Accruals quality	Reporting lag	Delayed filing	Audit report opinions	Conditional conservatism	Future earnings predictability	Future cash flows predictability
Reported coefficient:	$Independent\ variable_t \times NewFinance_t$	$Independent\ variable_t$	$Independent\ variable_t$	$Independent\ variable_t$	$Independent\ variable_t$	$Independent\ variable_t \times DumOCF_t \times OCF_t$	$Independent\ variable_t \times ROA_t$	$Independent\ variable_t \times ROA_t$
Controls as in (and estimation comparable to):	Column 4 of Table 3	Column 3 of Table 4	Column 2 of Table 5	Column 4 of Table 5	Column 3 of Table 6	Column 4 of Table 7	Column 3 of Table 9	Column 6 of Table 9
Expected sign on %EMPL_record	+	-	+	+	+	-	-	-
Dependent variables:	$OPACC_t$	AQ_t	$ln(Reporting\ Lag)_t$	$Late\ Filing_{\geq 1\ day,\ t}$	$NonClean\ Opinion_t$	$WCACC_t$	ROA_{t+1}	OCF_{t+1}
Independent variables:	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
CEO_record_t	0.0047 (1.58)	-0.0012* (-1.98)	0.0440*** (10.29)	0.0575*** (10.57)	0.0068 (1.67)	-0.0589** (-2.64)	0.0016 (0.15)	0.0087 (0.65)
$\%EMPL_record_t$	0.0226*** (3.74)	-0.0048** (-1.96)	0.0654*** (3.09)	0.1113*** (4.30)	0.0423*** (3.12)	-0.5180*** (-5.96)	-0.3079*** (-8.15)	-0.3116*** (-6.26)
Industry fixed effects	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Year fixed effects	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
N	137,200	98,761	162,801	162,801	38,732	162,801	150,853	150,853
Adjusted R^2	0.7762	0.3156	0.0599	0.0662	0.0738	0.4419	0.3654	0.1529

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.