

**Online Appendix to:**

**Executive Suite Independence: Is It Related to Board Independence?**

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**Table A-1: The Matching Regression**

This table estimates the regression for constructing the propensity score matched sample based on observations in 2001. The dependent variable, Affected, is an indicator equal to one if a firm does not have a majority of independent directors in 2001; zero otherwise. The regression controls for industry fixed effects at the one-digit SIC code level. Definitions of all variables are provided in the Appendix. Robust standard errors are reported in parentheses. Coefficients marked with \*, \*\*, and \*\*\* are significant at 10%, 5%, and 1%, respectively.

VARIABLES	Affected (1)
CEOTEN	0.019 (0.012)
OUTSIDE	-0.073 (0.191)
CEO_Founder	-0.005 (0.265)
FT4A_1Y	-0.222 (0.184)
KNOWN	0.896 (0.846)
EXECSEN	0.118*** (0.036)
FT4A_1Y_Unknown	0.466 (2.347)
Female	-0.418 (0.599)
Ln(CEOAge)	0.279 (0.479)
CEO_OWNT <sub>t-1</sub>	3.796*** (1.079)
CEO_Chair	-0.315** (0.132)
Ln(TotalAsset) <sub>t-1</sub>	-0.031 (0.057)
FirmAge	-0.013*** (0.004)
Segment <sub>t-1</sub>	-0.014* (0.008)
EBITDA/TA	0.312 (0.632)
TobinQ	-0.008 (0.051)
Boardsize	0.041 (0.028)
Ln(Num_Analyst)	-0.062 (0.071)
Constant	-3.083 (2.074)
Industry FE	Y
Log likelihood	-282.314
Prob > chi2	0.0000
Observations	718

**Table A-2: The Likelihood an Executive Will Be Dropped from the Top-Four List: Current CEOs' Appointees vs. Previous CEOs' Appointees.**

This table estimates the impact of the independent board requirement on the likelihood a top-four non-CEO executive will be dropped from the top-four list, separately for current CEOs' appointees, AppointCurCEO, and previous CEOs' appointees, AppointPrevCEO. The dependent variable is an indicator equal to one if an executive on the top-four list in year t is not on the list in year t+1. Columns (1) and (2) utilize the full executive panel data, while Columns (3) and (4) include only executives whose tenure on the list of top-four non-CEO executives are above the sample median, EXETEN > Median. The sample period is 1996 – 2006, excluding 2002. Definitions of all variables are provided in the Appendix. All regressions are estimated by the firm level conditional logistic regressions and control for year dummies. Because the propensity score is matched at the firm level, not at the executive level, our estimation is based only on the unmatched sample. Robust standard errors reported in parentheses are clustered at the firm level. Coefficients marked with \*, \*\*, and \*\*\* are significant at 10%, 5%, and 1%, respectively.

VARIABLES	Exe_Turnover			
	AppointCurCEO (1)	AppointPrevCEO (2)	AppointCurCEO EXETEN > Median (3)	AppointPrevCEO EXETEN > Median (4)
Affected*Post	-0.009 (0.132)	0.249** (0.111)	-0.008 (0.281)	0.363*** (0.124)
EXETEN	-0.012** (0.005)	0.027*** (0.004)	-0.001 (0.009)	0.032*** (0.004)
EXE_OWN	1.521 (1.070)	-1.798 (1.185)	-0.185 (0.973)	-1.413 (1.178)
Return	-0.150*** (0.049)	-0.087*** (0.025)	-0.273*** (0.096)	-0.109*** (0.037)
Ln(TotalAsset)	0.140** (0.063)	0.160*** (0.059)	0.085 (0.162)	0.096 (0.074)
CEO_Founder	0.552*** (0.194)	0.556*** (0.126)	0.317 (0.440)	0.365** (0.170)
Year Dummies	Y	Y	Y	Y
Observations	15,100	19,816	4,590	14,258
Prob> Chi <sup>2</sup>	0	0	0	0
Wald	58.99	152.5	40.53	127.0
pseudo-R <sup>2</sup>	0.00509	0.00977	0.0120	0.0125

**Table A-3: CEO Turnovers and the Independent Board Requirement.**

This table estimates the impact of the independent board requirement on CEO turnovers. The dependent variable is an indicator for CEO turnover, equal to one if a CEO in year  $t$  is not the same as the CEO in year  $t-1$ . Control variables include *Return*, one year buy-and-hold stock returns because CEO turnovers are likely to be related to firm performance. We also control for indicators for CEO-Chair and CEO-founder because they may affect CEOs' ability to remain in the job. Other control variables include firm size, and CEOs' tenure and share ownership. (In unreported regressions, we include a triple interaction, *Affected\*Post\*Return<sub>t-1</sub>*, to control for possible changes in turnover-performance sensitivity for CEOs. The coefficients on the triple interaction term are significantly negative, indicating newly independent boards increase CEO turnover-performance sensitivity. More important, the coefficient on *Affected\*Post* remains insignificant.) All control variables are lagged by one year. Columns (1) and (2) report estimation results with the unmatched and propensity-score (PS) matched sample, respectively. The sample period is 1996 – 2006, excluding 2002. Definitions of all variables are provided in the Appendix. Regressions are estimated by the firm level conditional logit model with year dummies. Robust standard errors reported in parentheses are clustered at the firm level. Coefficients marked with \*, \*\*, and \*\*\* are significant at 10%, 5%, and 1%, respectively.

VARIABLES	CEO_Turnover	
	Unmatched (1)	PS-matched (2)
Affected*Post	0.495 (0.327)	0.377 (0.332)
Return <sub>t-1</sub>	-0.307*** (0.100)	-0.363** (0.179)
Ln(TotalAsset) <sub>t-1</sub>	-0.003 (0.136)	-0.059 (0.219)
Founder <sub>t-1</sub>	-1.638*** (0.632)	-1.176* (0.644)
CEOTEN <sub>t-1</sub>	0.296*** (0.031)	0.226*** (0.040)
CEO_OWN <sub>t-1</sub>	-2.568 (2.517)	-5.253* (2.988)
CEO_Chair <sub>t-1</sub>	-0.119 (0.235)	0.214 (0.391)
Year Dummies	Y	Y
Observations	5,203	2,102
Prob> Chi <sup>2</sup>	0	0
Wald	177.3	75.40
pseudo-R <sup>2</sup>	0.190	0.166

**Table A-4: Confounding Effects.**

This table reestimates the regulatory effects using a series of year indicator variables for pre- and post-regulation periods to test for confounding effects of pre-regulation events on the fraction of top-four non-CEO executives appointed during a current CEO's tenure (*FT4A*). Dummy variables *2000*, *2001*, *2003*, *2004*, and *2005 and after* are equal to one if the observation is in 2000, 2001, 2003, 2004, and 2005-2006, respectively. Columns (1) and (2) results estimated with the unmatched and the propensity-score (PS) sample. The sample period is 1996 – 2006, excluding 2002. Definitions of variables are provided in the Appendix. The regressions control for year- and firm fixed effects and include the same control variables as in Table 3 but are not reported. Coefficients marked with \*, \*\*, and \*\*\* are significant at 10%, 5%, and 1%, respectively.

	FT4A	
	Unmatched (1)	PS-Matched (2)
Affected*2000	-0.000 (0.022)	-0.008 (0.020)
Affected*2001	0.024 (0.024)	0.012 (0.021)
Affected*2003	0.066** (0.026)	0.021 (0.021)
Affected*2004	0.088*** (0.029)	0.036* (0.020)
Affected*2005andafter	0.113*** (0.030)	0.061*** (0.020)
Firm FE & Year FE	Y	Y
Observations	6,304	2,695
Adjusted R <sup>2</sup>	0.701	0.742

**Table A-5: Other Robustness Checks.**

**Panel A** estimates how the degree to which a firm is affected by the independent board requirement is related to changes in the fraction of top-four non-CEO executives appointed (FT4A) during a CEO’s tenure. The key independent variable is Pct\_Dep\_Dir\*Post, the percentage of non-independent directors in 2001 interacted with the post-regulation indicator. The regression does not include Pct\_Dep\_Dir and Post as separate controls because of firm- and year fixed effects.

**Panel B** reestimates the OLS regressions in Table 3 with three alternative measures of FT4A. WFT4A is FT4A weighted by the sum of executives’ salaries and bonuses; AFT4A, an abnormal measure of FT4A; and WAFT4A, an abnormal measure of WFT4A. Columns (1)-(3) and Columns (4)-(6) report results estimated with the unmatched sample and the propensity-score (PS) matched sample, respectively. The sample period is 1996 – 2006, excluding 2002. Coefficients marked with \*, \*\*, and \*\*\* are significant at 10%, 5%, and 1%, respectively.

*Panel A: Heterogeneity in the Treatment Effects.*

VARIABLES	FT4A	
	Unmatched	PS-Matched
	(1)	(2)
Pct_Dep_Dir*Post	0.243*** (0.052)	0.136*** (0.039)
Observations	6,304	2,695
Adjusted R <sup>2</sup>	0.703	0.743

*Panel B: Alternative Definitions of FT4A.*

VARIABLES	Unmatched			PS-Matched		
	WFT4A	AFT4A	WAFT4A	WFT4A	AFT4A	WAFT4A
	(1)	(2)	(3)	(4)	(5)	(6)
Affected*Post	0.081*** (0.022)	0.071*** (0.021)	0.065*** (0.021)	0.029** (0.015)	0.044*** (0.013)	0.039*** (0.015)
Firm FE	Y	Y	Y	Y	Y	Y
Year FE	Y	N	N	Y	N	N
Observations	6,304	6,304	6,304	2,695	2,695	2,695
Adjusted R <sup>2</sup>	0.702	0.512	0.521	0.741	0.555	0.559