

**Online Appendix to Has Section 404 of the Sarbanes-Oxley Act Discouraged
Corporate Investment? New Evidence from a Natural Experiment**

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This appendix includes an additional table not reported in the paper.

- Tests of whether Delta and Vega, as proxies for managerial incentives to engage in risky investments, changed post SOX404 and univariate comparison with the Cohen et al 's sample: Online Appendix Table 1.

Online Appendix Table 1: Tests of Whether Delta and Vega Changed post SOX404 and Univariate Comparison with Cohen et al 's Sample on CEO Compensation

The following tables provide summary statistics on delta and vega with data available from Execucomp, using both our sample and Cohen et al. (2013)'s sample. Delta measures dollar change in wealth associated with a 1% change in the firm's stock price (in \$000s), while vega is the dollar change in wealth associated with a 0.01 change in the standard deviation of the firm's returns (in \$000s). T-tests calculate whether the mean values during the Post-SOX404 period (2004-2005) is equal to the mean value during the Pre-SOX404 period (2002-2003). Panel A and Panel B present the summary statistics for delta and vega, respectively.

Panel A: *t*-test for Delta

Year	<u>Our Sample</u>			<u>Cohen et al 's Sample</u>			<u>Mean difference</u>	<u>P-value</u>
	Mean	STD	Obs	Mean	STD	Obs		
2002	31.14	78.56	330	202.15	527.82	7,991	-171.01	0.00
2003	65.46	151.35	432	248.20	587.83	8,497	-182.75	0.00
2004	67.41	157.00	455	259.59	600.25	8,323	-192.18	0.00
2005	70.57	163.40	444	267.51	632.35	8,073	-196.94	0.00
Pre-SOX404 (2002-2003)	50.59	126.22	762	225.88	560.00	16,488	-175.29	0.00
Post-SOX404 (2004-2005)	68.97	160.11	899	263.49	616.26	16,396	-194.52	0.00
<i>t</i> -test: Post-SOX404–Pre-SOX404 =0	6.89	<i>P</i> =0.07		32.38	<i>P</i> =0.00		-25.49	<i>P</i> =0.00

Panel B: *t*-test for Vega

Year	<u>Our Sample</u>			<u>Cohen et al 's Sample</u>			<u>Mean difference</u>	<u>P-value</u>
	Mean	STD	Obs	Mean	STD	Obs		
2002	6.73	8.61	344	65.73	129.39	8,395	-58.99	0.00
2003	9.67	11.98	448	73.58	138.20	8,843	-63.91	0.00
2004	9.78	13.09	475	71.53	134.41	8,653	-61.75	0.00
2005	9.67	13.82	459	69.01	133.20	8,370	-59.34	0.00
Pre-SOX404 (2002-2003)	8.39	10.74	792	69.76	134.04	17,238	-61.36	0.00
Post-SOX404 (2004-2005)	9.73	13.45	934	70.29	133.82	17,023	-60.57	0.00
<i>t</i> -test: Post-SOX404–Pre-SOX404 =0	0.81	<i>P</i> =0.04		2.57	<i>P</i> =0.01		-1.76	<i>P</i> =0.14