

Internet Appendix

Out of Site, Out of Mind? The Role of the Government-Appointed Corporate Monitor

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1 Introduction

This appendix contains the following sections. In Section 2, we assess the sensitivity of our results to unobservable factors. In Section 3, we provide an example of a deferred prosecution agreement (DPA). We provide our ethics and compliance dictionary (described in Section 6 of the paper) in Section 4. Finally, additional figures and tables, referenced in various places in the paper and in this appendix, are included in Section 5.

2 Sensitivity tests

We use the methods detailed in [Altonji et al. \(2005\)](#) and [Oster \(2019\)](#) to assess the sensitivity of our results to unobservable factors. Specifically, we assume that the relative degree of selection on observables is equal to that of unobservables, that is, the coefficient of proportionality, $\delta = 1$. Both [Altonji et al. \(2005\)](#) and [Oster \(2019\)](#) suggest that $\delta = 1$ is an appropriate upper bound. We then vary the maximum R^2 and calculate treatment effects. The maximum R^2 is the total variation explained by both observable and unobservable factors. Although the maximum possible R^2 is one; [Oster \(2019\)](#) suggests that a maximum R^2 of 1 could understate the robustness of results due to measurement errors in the outcome. Therefore, we conduct the sensitivity analysis by varying the maximum R^2 from 0.75 to 1.

The results of this analysis are presented in Table IA9. Column (1) shows the various values of the maximum R^2 . Columns (2)–(5) show estimates for the bias-adjusted β -coefficient of $Treat \times During Probation$, for the full (unmatched) sample, CEM-matched sample, entropy-matched sample, and cosine similarity-matched sample. These estimates correspond to the model (1) in Table 5, Panel A–Panel D in the manuscript. The coefficient is consistently negative and of a similar or higher magnitude in all cases as in our main tests, suggesting that unobservable factors are unlikely to significantly bias our results.

3 Excerpt of Bristol-Myers Squibb DPA

Below is an excerpt of the June 1, 2005 deferred prosecution agreement between Bristol-Myers Squibb and the United States Attorney's Office of the Department of Justice in which the DOJ imposes a Corporate Monitor. We present the first 5 pages of the 34-page DPA for brevity and to display the language imposing the Corporate Monitor, however, the full DPA is available online from the Corporate Prosecution Registry.¹

¹<http://lib.law.virginia.edu/Garrett/corporate-prosecution-registry/agreements/bristol-meyers.pdf>

Deferred Prosecution Agreement

1. Bristol-Myers Squibb Company ("BMS" or the "Company") by its undersigned attorneys, pursuant to authority granted by its Board of Directors, and the United States Attorney's Office for the District of New Jersey (the "Office"), enter into this Deferred Prosecution Agreement (the "Agreement"). Except as specifically provided below, the Agreement shall be in effect for a period of two years from the date it is fully executed.

2. The Office has informed BMS that it will file, on or shortly after the date this Agreement is fully executed, a criminal complaint in the United States District Court for the District of New Jersey charging BMS with conspiracy to commit securities fraud, contrary to Title 15, United States Code, Sections 78j(b) & 78ff and Title 17, Code of Federal Regulations, Section 240.10b-5, in violation of Title 18, United States Code, Section 371, during the period of 2000 through 2001.

3. BMS and the Office agree that, upon filing of the criminal complaint in accordance with the preceding paragraph, this Agreement shall be publicly filed in the United States District Court for the District of New Jersey, and BMS agrees to post the Agreement prominently on its website.

4. In light of BMS's remedial actions to date and its willingness to (a) undertake additional remediation; (b) acknowledge responsibility for its behavior; (c) continue its cooperation with the Office and other governmental regulatory agencies; (d) demonstrate its future good conduct and full compliance with the securities laws and Generally Accepted Accounting Principles; and (e) consent to payment of additional restitution as set forth in paragraph 21, the Office shall recommend to the Court that prosecution of BMS on the criminal complaint filed pursuant to paragraph 2 be deferred for a period of twenty-four (24) months from the filing date of the criminal complaint. If the Court declines to defer prosecution for any reason, this Agreement shall be null and void, and the parties will revert to their pre-Agreement positions.

5. BMS has undertaken extensive reforms and remedial actions in response to the conduct at BMS that is and has been the subject of the investigation by the Office. These reforms and remedial actions have included:

(a) Retaining the Honorable Frederick B. Lacey as Independent Advisor, to conduct a comprehensive review of the implementation and effectiveness of the internal controls, financial reporting, disclosure, planning, budget and projection processes and related compliance functions of the Company, as well as to serve additional supervisory and monitoring functions described herein;

(b) Entering a Consent filed in the United States District Court for the District of New Jersey in United States Securities Exchange Commission v. Bristol-Myers Squibb Company, Civ. Action No. 04-3680 (FSH) (the "D.N.J. Action") providing for, among other

things, the payment of a \$100 million Civil Penalty and an additional \$50 million Shareholder Fund payment, both of which amounts are to be distributed pursuant to the Fair Fund provisions of Section 308(a) of the Sarbanes-Oxley Act of 2002, as well as incorporating an array of remedial measures to be undertaken by BMS together with extensive supervisory and monitoring responsibilities to be carried out by the Independent Advisor during a review period extending through the filing of the Company's Form 10-K for the year ended 2005;

(c) Making a payment of an additional \$300 million to compensate present and former BMS shareholders in connection with lawsuits filed and consolidated in In re Bristol-Myers Squibb Securities Litigation, Master File No. 02-CV-2251 (LAP) (S.D.N.Y.) (the "Consolidated Shareholder Litigation");

(d) Making significant personnel changes after April 2002 and after the Office commenced its investigation including:

(i) replacing the former Chief Financial Officer (CFO);

(ii) replacing the former President of the Worldwide Medicines Group;

(iii) replacing the former Controller;

(iv) establishing the position of Assistant Controller for Financial Compliance and Control;

(v) establishing the position of Chief Compliance Officer;

(vi) establishing a position for an experienced securities regulation and disclosure lawyer who has a significant role in all BMS disclosure responsibilities;

(e) Changing its budget process, to assure that appropriate consideration is given to input and analysis from the bottom to top, and not exclusively from top to bottom, and adequately documenting that process;

(f) Forming a business risk and disclosure group that includes senior management, the Independent Advisor and counsel to the Independent Advisor;

(g) Identifying and implementing actions to improve the effectiveness of its disclosure controls and procedures and internal controls, including enhancing its resources and training with respect to financial reporting and disclosure responsibilities, and reviewing such actions with its Audit Committee and independent auditors;

(h) Implementing a formal review and certification process of its annual and quarterly reports filed with the Securities and Exchange Commission (SEC); and

(i) Providing an effective mechanism in the form of a confidential hotline and e-mail address, of which BMS employees are informed and can use to notify BMS of any concerns about wholesaler inventory levels or the integrity of the financial disclosures, books and records of BMS.

6. BMS shall maintain and continue to implement any remedial measures already undertaken or mandated as part of agreements BMS has reached in the following matters: In re Bristol-Myers Squibb Derivative Litigation, Master File No. 02-CV-8571 (LAP) (S.D.N.Y.) (the "Shareholder Derivative Action"); the "D.N.J. Action"; and the "Consolidated Shareholder Litigation."

7. In addition to the extensive remedial actions that it has taken to date, BMS agrees to undertake additional remedial actions and corporate reforms as set forth herein.

8. BMS shall establish the position of non-executive Chairman of the BMS Board of Directors (the "Non-Executive Chairman"), to advance and underscore the Company's commitment to exemplary corporate citizenship, to best practices of effective corporate governance and the highest principles of integrity and professionalism, and to fostering a culture of openness, accountability and compliance throughout the Company. BMS shall retain the position of Non-Executive Chairman at least throughout the term of this Agreement.

9. BMS agrees to appoint an additional non-executive Director acceptable to the Office to the BMS Board of Directors within sixty (60) days of the execution of this Agreement.

10. The Company's CFO, General Counsel, and Chief Compliance Officer regularly shall brief and provide information to the Non-Executive Chairman, in a manner to be determined by the Non-Executive Chairman. In addition, the Non-Executive Chairman shall have the authority to meet with, and require reports on any subject from, any officer or employee of the Company.

11. BMS agrees that until at least the date of the filing of the Company's Form 10-K for the year ended 2006, it will retain an outside, independent individual or entity (the "Monitor"), selected by BMS and approved by the Office. BMS may employ as the Monitor the Honorable Frederick B. Lacey. It shall be a condition of the Monitor's retention that the Monitor is independent of BMS and that no attorney-client relationship shall be formed between the Monitor and BMS.

12. The Monitor shall:

(a) Monitor BMS's compliance with this Agreement, and have authority to require BMS to take any steps he believes are necessary to comply with the terms of this Agreement;

(b) Continue the review, reforms and other functions undertaken as the Independent Advisor;

(c) Report to the Office, on at least a quarterly basis and between thirty and forty-five calendar days after the filing of the Company's Form 10-K for the year ended 2006, as to BMS's compliance with this Agreement and the implementation and effectiveness of the internal controls, financial reporting, disclosure processes and related compliance functions of the Company. The first report to the Office shall be due within forty-five (45) days after the close of the second quarter 2005, and subsequent quarterly reports (other than the final report) shall be due by the close of the quarter. The reporting function of the Monitor shall extend until forty-five (45) days subsequent to the filing of the Company's Form 10-K for the year ended 2006 in order to facilitate the submission of the Monitor's final report to the Office;

(d) Cooperate with the SEC and provide information about BMS as requested by that agency;

(e) Monitor BMS's compliance with applicable federal securities laws, and in his quarterly reports make recommendations necessary to ensure that the Company complies with applicable federal securities laws;

(f) Monitor BMS's compliance with agreements BMS has reached in the Shareholder Derivative Action, the D.N.J. Action, and the Consolidated Shareholder Litigation; and

(g) Monitor the information received by the confidential hotline and e-mail address described in paragraph 5(i).

13. BMS agrees that the Chief Executive Officer (CEO), Non-Executive Chairman, and General Counsel will meet quarterly with the Office and the Monitor, in conjunction with the Monitor's quarterly reports.

14. BMS shall adopt all recommendations contained in each report submitted by the Monitor to the Office unless BMS objects to the recommendation and the Office agrees that adoption of the recommendation should not be required. The Monitor's reports to the Office shall not be received or reviewed by BMS prior to submission to the Office; such reports will be preliminary until senior management of BMS is given the opportunity, within ten (10) days after the submission of the report to the Office, to comment to the Monitor and the Office in writing upon such reports, and the Monitor has reviewed and provided to the Office responses to such comments, upon which such reports shall be considered final.

15. BMS agrees that the Monitor may also disclose his reports, as directed by the Office,

to any other federal, state or foreign law enforcement or regulatory agency in furtherance of an investigation of any other matters discovered by, or brought to the attention of, the Office in connection with the Office's investigation of BMS or the implementation of this Agreement.

16. BMS agrees that if the Monitor resigns or is unable to serve the balance of his term, a successor shall be selected by BMS and approved by the Office within forty-five (45) days. BMS agrees that all provisions in this Agreement that apply to the Monitor shall apply to any successor Monitor.

17. The Non-Executive Chairman and the Compensation Committee of the Board of Directors shall set goals and objectives relevant to compensation of the CEO, evaluate the CEO's performance in light of those goals and objectives, and recommend to the Board of Directors compensation based on this evaluation.

18. BMS agrees that it will establish and maintain a training and education program, which shall be reviewed and approved by the Board of Directors, designed to advance and underscore the Company's commitment to exemplary corporate citizenship, to best practices of effective corporate governance and the highest principles of integrity and professionalism, and to fostering a culture of openness, accountability and compliance throughout the Company. Completion of such training shall be mandatory for (a) all BMS officers, executives and employees who are involved in accounting and financial reporting functions, or the oversight thereof, whether at the corporate or the division level, including but not limited to each officer or employee responsible for closing the books within his or her area of responsibility at the end of a quarterly or annual reporting period; (b) all employees of the BMS legal division with responsibility for finance, business risk or disclosure issues; and (c) other senior officers and executives at BMS, at both the corporate and operating levels, as proposed by BMS and approved by the Office (collectively the "Mandatory Participants"). Such training and education program will cover, at a minimum, the following subjects: (a) the obligations imposed by the federal securities laws, including disclosure obligations; (b) proper internal accounting controls and procedures; (c) discovering and recognizing accounting practices that do not conform to Generally Accepted Accounting Principles or that are otherwise improper; and (d) the obligations assumed by, and responses expected of, the Mandatory Participants upon learning of improper, illegal or potentially illegal acts relating to BMS's accounting and financial reporting. The Board of Directors shall communicate to the Mandatory Participants, in writing or by video, its review and endorsement of the training and education program.

19. BMS shall commence providing the training mandated by paragraph 18 within ninety (90) days after the date of the execution of this Agreement and shall, at that time, submit to the Office a written description of the content and planned implementation of the training and education program. BMS shall thereafter provide such training and education on an annual basis for all those who become Mandatory Participants during the preceding twelve months.

4 Ethics and Compliance Dictionary

This section presents the most commonly occurring words in our ethics and compliance dictionary.

integrity	antitrust_law	comply_rule
moral	socially_responsible	federal_law
ethic_compliance	legal_obligation	comply_requirement
ethic_integrity	core_value	promulgate
ethical_standard	environmental_social	regulation
business_conduct	protect_integrity	compliant_regulation
ethical_behavior	criminal	reporting_requirement
environmental_stewardship	rule_law	legal_requirement
unethical	moral_obligation	abide
morally	fully_compliant	law_regulation
humane	comply_with	meet_regulatory_requirement
social_responsibility	ensure_compliance	compliance_regulation
code_conduct	comply_regulation	applicable_law
governance	adhere	compliance_program
responsible_corporate_citizen	compliance_law	regulatory_compliance
violate	compliance_requirement	government_standard
culture	meet_requirement	enforcement
corporate_governance	enforce	compliant_law
drug_safety	regulatory_requirement	
privacy	comply_law	
safety	requirement	

5 Figures and Tables

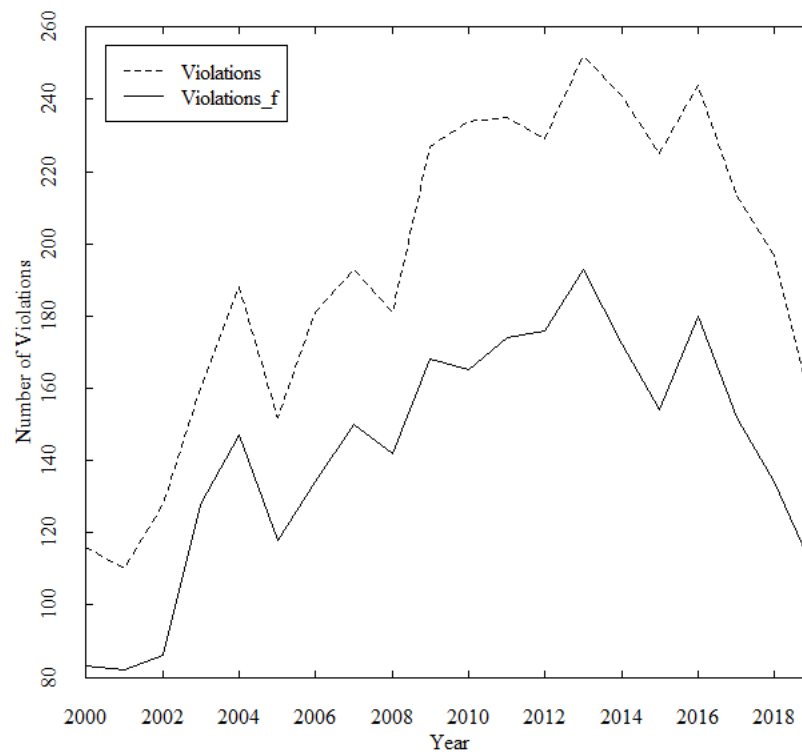


Figure IA1: Time trend of violations by measure of violation

Table IA1: Differences in firm and N/DPA characteristics between treated and control samples (Coarsened Exact Matching)

This table presents characteristics for our sample of N/DPAs from 2001–2019, by Corporate Monitor assignment where the Treated and Control samples are matched using Coarsened Exact Matching. Differences in characteristics are tested using two-sample t-tests of the difference in means. Variable definitions are provided in Appendix B. * $p < 0.1$; ** $p < 0.05$; *** $p < 0.01$ (two-tailed).

	Treated			Control			Total N	Difference in Means	t-stat
	N (N/DPAs)	Mean	Stdev	N (N/DPAs)	Mean	Stdev			
<i>Pre-agreement measures</i>									
Remedial Measures	52	0.827	0.382	107	0.830	0.377	159	(0.003)	(0.054)
Employee Changes	52	0.385	0.491	107	0.277	0.450	159	0.108	1.376
Voluntary Disclosure	52	0.462	0.503	107	0.462	0.501	159	0.000	0.000
<i>N/DPA Requirements</i>									
Probation length	52	29.885	9.241	107	30.108	10.631	159	(0.223)	(0.129)
Total Payment Decile	52	0.590	0.317	107	0.510	0.287	159	0.080	1.593
FCPA	52	0.462	0.503	107	0.349	0.479	159	0.113	1.372
Prior Violations of Same Type	52	0.154	0.364	107	0.307	0.463	159	(0.153)**	(2.087)
Board Changes	52	0.769	0.425	107	0.769	0.423	159	0.000	0.000
Business Changes	52	0.269	0.448	107	0.280	0.451	159	(0.010)	(0.137)
Compliance Program	52	0.962	0.194	107	0.904	0.296	159	0.058	1.273
Cooperation	52	1.000	0.000	107	0.961	0.195	159	0.039	1.448
Board Monitoring	52	0.731	0.448	107	0.646	0.481	159	0.085	1.070
Senior Management	52	0.615	0.491	107	0.558	0.499	159	0.057	0.684
Waive Rights	52	0.981	0.139	107	0.956	0.206	159	0.025	0.779
Accounting Mandate	52	0.635	0.486	107	0.584	0.495	159	0.051	0.608
<i>Firm characteristics & other variables</i>									
Size _{<i>t</i>−1}	52	9.644	2.177	107	10.239	2.997	159	(0.595)	(1.277)
Leverage _{<i>t</i>−1}	52	0.245	0.164	107	0.222	0.149	159	0.024	0.917
Return on Assets _{<i>t</i>−1}	52	0.034	0.117	105	0.011	0.103	157	0.023	1.259
Change in Intangibles _{<i>t</i>−1}	52	0.025	0.166	104	0.023	0.101	156	0.002	0.087
Market-to-Book Ratio _{<i>t</i>−1}	52	2.746	2.291	105	2.209	1.973	157	0.537	1.517
Employee Variability _{<i>t</i>−1}	50	0.152	0.140	105	0.150	0.123	155	0.002	0.111
USA-based	52	0.712	0.457	107	0.733	0.445	159	(0.021)	(0.276)
% Independent Directors	52	0.778	0.176	107	0.809	0.143	159	(0.031)	(1.186)
CEO is Chairman	52	0.500	0.505	107	0.388	0.490	159	0.112	1.335
New CEO	52	0.635	0.486	107	0.693	0.463	159	(0.058)	(0.735)

Table IA2: Corporate Monitors and future violations (matched on Integrity)

This table presents coefficient estimates for changes in the number of violations for N/DPA-firms that were assigned a Corporate Monitor, using a difference-in-differences specification and an entropy matched sample. The sample period is from 2000 to 2019. The dependent variable is the natural log of the number of violations in a given firm-year. All specifications include firm control variables *Change in Intangibles*, *Market-to-Book Ratio*, *Employee Variability*, and firm and year fixed effects. *t*-statistics are shown in parentheses below the coefficient estimates. Standard errors are clustered by firm. To mitigate the effects of extreme observations, all continuous control variables are winsorized at the 1% and 99% tails of their respective distributions in each sample year. Please see Appendix B for a description of the variables. $*p < 0.1$; $**p < 0.05$; $***p < 0.01$ (two-tailed).

	Violations
	(1)
Post Infraction	0.324*** (3.561)
During Probation	0.423*** (2.857)
Post Probation	0.274 (1.639)
Treat $\times$ Post Infraction	-0.063 (-0.491)
Treat $\times$ During Probation	-0.499*** (-3.351)
Treat $\times$ Post Probation	-0.194 (-1.348)
Observations	2,450
Adjusted R^2	0.652

Table IA3: Impact of a Corporate Monitor on future violations (robustness using *Violations_f*, unmatched)

This table presents coefficient estimates for changes in the number of violations for N/DPA-firms that were assigned a Corporate Monitor, using a difference-in-differences specification. The sample period is from 2000 to 2019. The dependent variable is the natural log of the number of violations in a given firm-year. Column (1) does not include any governance control variables, whereas columns (2)–(8) do. *Treat* takes the value of 1 for the firms assigned a Corporate Monitor and 0 otherwise. Column (9) includes *Accounting Mandate*, which takes the value of 1 if the N/DPA includes any accounting-specific mandates, and 0 otherwise. All specifications include firm control variables *Size*, *Leverage*, *Return on Assets*, *Change in Intangibles*, *Market-to-Book Ratio*, *Employee Variability*, and firm and year fixed effects. *t*-statistics are shown in parentheses below the coefficient estimates. Standard errors are clustered by firm. To mitigate the effects of extreme observations, all continuous control variables are winsorized at the 1% and 99% tails of their respective distributions in each sample year. Please see Appendix B for a description of the variables. $*p < 0.1$; $**p < 0.05$; $***p < 0.01$ (two-tailed).

	Violations _f (1)	Violations _f (2)	Violations _f (3)	Violations _f (4)	Violations _f (5)	Violations _f (6)	Violations _f (7)	Violations _f (8)	Violations _f (9)
Post Infraction	0.216*** (4.485)	0.232*** (4.137)	0.226*** (2.942)	0.211*** (4.215)	0.271*** (3.211)	0.285*** (5.043)	0.249*** (4.247)	0.209* (1.903)	0.283*** (5.117)
During Probation	0.110* (1.672)	0.155** (2.158)	0.160 (1.102)	0.112 (1.600)	0.103 (0.833)	0.165** (2.100)	0.155** (1.980)	-0.289** (-2.324)	0.188** (2.578)
Post Probation	-0.094 (-1.142)	-0.034 (-0.424)	0.067 (0.754)	-0.096 (-1.128)	-0.173 (-1.342)	-0.093 (-1.056)	-0.078 (-0.886)	-0.464*** (-2.635)	-0.022 (-0.255)
Treat × Post Infraction	0.030 (0.391)	0.053 (0.685)	0.033 (0.434)	0.030 (0.404)	0.057 (0.734)	0.063 (0.812)	0.042 (0.549)	0.028 (0.359)	0.068 (0.931)
Treat × During Probation	-0.180** (-2.025)	-0.125 (-1.222)	-0.174* (-1.934)	-0.173* (-1.946)	-0.172* (-1.884)	-0.146 (-1.478)	-0.165* (-1.780)	-0.197** (-2.222)	-0.141 (-1.589)
Treat × Post Probation	0.008 (0.100)	0.090 (0.910)	0.020 (0.228)	0.018 (0.217)	-0.007 (-0.077)	0.012 (0.129)	0.010 (0.110)	-0.002 (-0.023)	0.042 (0.482)
N/DPA Req. × Post Infraction		-0.052 (-0.728)	-0.014 (-0.171)	0.055 (0.622)	-0.079 (-0.868)	-0.141** (-2.033)	-0.074 (-1.041)	0.011 (0.090)	-0.176*** (-2.605)
N/DPA Req. × During Probation		-0.131 (-1.319)	-0.057 (-0.371)	0.017 (0.188)	0.006 (0.047)	-0.125 (-1.291)	-0.104 (-1.108)	0.420*** (3.166)	-0.208** (-2.404)
N/DPA Req. × Post Probation		-0.172* (-1.751)	-0.175* (-1.876)	0.031 (0.340)	0.112 (0.910)	-0.001 (-0.007)	-0.020 (-0.220)	0.377** (2.239)	-0.181** (-2.049)
Observations	2,987	2,987	2,987	2,987	2,987	2,987	2,987	2,987	2,987
Adjusted R^2	0.680	0.681	0.680	0.681	0.681	0.682	0.680	0.682	0.682
N/DPA Requirement	None	Board Changes	Cooperation	Business Changes	Compliance Program	Board Monitoring	Senior Management	Waive Rights	Accounting Mandate

Table IA4: Impact of a Corporate Monitor on future violations (robustness using *Violations_f*, matched)

This table presents coefficient estimates for changes in the number of violations for N/DPA-firms that were assigned a Corporate Monitor, using a difference-in-differences specification. The sample period is from 2000 to 2019. The dependent variable is the natural log of the number of violations in a given firm-year. Column (1) does not include any governance control variables, whereas columns (2)–(8) do. *Treat* takes the value of 1 for the firms assigned a Corporate Monitor and 0 otherwise. Column (9) includes *Accounting Mandate*, which takes the value of 1 if the N/DPA includes any accounting-specific mandates, and 0 otherwise. All specifications include firm control variables *Size*, *Leverage*, *Return on Assets*, *Change in Intangibles*, *Market-to-Book Ratio*, *Employee Variability*, and firm and year fixed effects. *t*-statistics are shown in parentheses below the coefficient estimates. Standard errors are clustered by firm. To mitigate the effects of extreme observations, all continuous control variables are winsorized at the 1% and 99% tails of their respective distributions in each sample year. Please see Appendix B for a description of the variables. $*p < 0.1$; $**p < 0.05$; $***p < 0.01$ (two-tailed).

	Violations _f (1)	Violations _f (2)	Violations _f (3)	Violations _f (4)	Violations _f (5)	Violations _f (6)	Violations _f (7)	Violations _f (8)	Violations _f (9)
Post Infraction	0.383*** (3.596)	0.292*** (3.442)	0.225 (1.608)	0.300*** (4.906)	0.296*** (3.659)	0.381*** (5.497)	0.375*** (4.716)	0.363** (2.516)	0.538*** (4.141)
During Probation	0.174 (1.328)	0.283** (2.387)	0.140 (0.867)	0.125 (1.108)	0.187 (1.424)	0.285*** (2.642)	0.222* (1.892)	-0.270** (-2.463)	0.304* (1.952)
Post Probation	0.042 (0.302)	0.221* (1.672)	0.149 (1.406)	-0.033 (-0.289)	-0.041 (-0.294)	0.039 (0.295)	0.053 (0.378)	-0.742* (-1.872)	0.201 (1.178)
Treat × Post Infraction	-0.097 (-0.895)	-0.097 (-0.911)	-0.095 (-0.865)	-0.071 (-0.785)	-0.094 (-0.839)	-0.101 (-0.893)	-0.112 (-1.036)	-0.089 (-0.797)	-0.074 (-0.814)
Treat × During Probation	-0.216* (-1.885)	-0.210* (-1.890)	-0.210* (-1.794)	-0.194* (-1.783)	-0.210* (-1.786)	-0.221* (-1.781)	-0.218* (-1.875)	-0.218* (-1.873)	-0.218** (-2.003)
Treat × Post Probation	-0.030 (-0.274)	-0.002 (-0.021)	-0.026 (-0.229)	0.002 (0.024)	-0.031 (-0.266)	-0.037 (-0.309)	-0.032 (-0.303)	-0.036 (-0.325)	-0.029 (-0.278)
N/DPA Req. × After Infraction		0.098 (1.198)	0.158 (0.972)	0.274* (1.764)	0.091 (0.867)	-0.005 (-0.051)	0.010 (0.096)	0.019 (0.112)	-0.292*** (-2.962)
N/DPA Req. × During Probation		-0.158 (-1.403)	0.031 (0.176)	0.151 (0.982)	-0.013 (-0.109)	-0.172 (-1.420)	-0.100 (-0.786)	0.457*** (3.596)	-0.239* (-1.905)
N/DPA Req. × Post Probation		-0.256** (-2.393)	-0.108 (-1.031)	0.238 (1.491)	0.101 (0.891)	-0.010 (-0.075)	-0.039 (-0.306)	0.797** (2.024)	-0.275** (-2.089)
Observations	2,579	2,579	2,579	2,579	2,579	2,579	2,579	2,579	2,579
Adjusted R^2	0.693	0.697	0.693	0.697	0.693	0.694	0.694	0.695	0.697
N/DPA Requirement	None	Board Changes	Cooperation	Business Changes	Compliance Program	Board Monitoring	Senior Management	Waive Rights	Accounting Mandate

Table IA5: Changes in integrity

This table presents coefficient estimates for changes in *Integrity*, using a difference-in-differences specification and a sample of control firms. The dependent variable is a measure based on [Li et al. \(2021\)](#). *Treat* takes the value of 1 for the firms assigned a Corporate Monitor and 0 otherwise. Firm control variables include *Size*, *Leverage*, *Return on Assets*, *Change in Intangibles*, *Market-to-Book Ratio*, *Employee Variability*, and firm and year fixed effects. *t*-statistics are shown in parentheses below the coefficient estimates. Standard errors are clustered by firm. Please see Appendix B for a description of the variables. * $p < 0.1$; ** $p < 0.05$; *** $p < 0.01$ (two-tailed).

	Integrity
	(1)
Post Infraction	0.021 (0.204)
During Probation	-0.167 (-1.224)
Post Probation	-0.149 (-0.885)
Treat $\times$ Post Infraction	0.099 (0.634)
Treat $\times$ During Probation	0.416* (1.732)
Treat $\times$ Post Probation	0.220 (0.849)
Observations	2,334
Adjusted R-squared	0.389

Table IA6: Changes in restructuring charges

This table presents coefficient estimates for changes in restructuring charges for N/DPA-firms that were assigned a Corporate Monitor, using a difference-in-differences specification and a sample of control firms. The dependent variable is an indicator if the firm incurred restructuring costs during the year. *Treat* takes the value of 1 for the firms assigned a Corporate Monitor and 0 otherwise. Firm control variables include *Size*, *Leverage*, *Return on Assets*, *Change in Intangibles*, *Market-to-Book Ratio*, *Employee Variability*, and firm and year fixed effects. *t*-statistics are shown in parentheses below the coefficient estimates. Standard errors are clustered by firm. Please see Appendix B for a description of the variables. * $p < 0.1$; ** $p < 0.05$; *** $p < 0.01$ (two-tailed).

	Restructuring (1)
Post Infraction	0.012 (1.024)
During Probation	0.004 (0.342)
Post Probation	-0.004 (-0.303)
Treat $\times$ Post Infraction	-0.033 (-1.463)
Treat $\times$ During Probation	-0.018 (-0.776)
Treat $\times$ Post Probation	-0.028 (-1.160)
Observations	2,987
Adjusted R^2	0.043

Table IA7: Changes in teamwork and quality

This table presents coefficient estimates for changes in the measures of teamwork (column (1)) and quality (column (2)), using a difference-in-differences specification and a sample of control firms. The dependent variables are measures based on [Li et al. \(2021\)](#). *Treat* takes the value of 1 for the firms assigned a Corporate Monitor and 0 otherwise. Firm control variables include *Size*, *Leverage*, *Return on Assets*, *Change in Intangibles*, *Market-to-Book Ratio*, *Employee Variability*, and firm and year fixed effects. *t*-statistics are shown in parentheses below the coefficient estimates. Standard errors are clustered by firm. Please see Appendix B for a description of the variables. * $p < 0.1$; ** $p < 0.05$; *** $p < 0.01$ (two-tailed).

	Teamwork	Quality
	(1)	(2)
Post Infraction	-0.037 (-0.322)	-0.088 (-0.957)
During Probation	-0.239 (-1.493)	-0.131 (-1.095)
Post Probation	-0.234 (-1.105)	-0.134 (-0.793)
Treat $\times$ Post Infraction	0.180 (1.049)	0.199 (1.465)
Treat $\times$ During Probation	0.396* (1.675)	0.216 (1.334)
Treat $\times$ Post Probation	0.298 (1.010)	0.325* (1.706)
Observations	2,334	2,334
Adjusted R^2	0.558	0.677

Table IA8: Impact of a Corporate Monitor on future penalties

This table presents coefficient estimates for changes in the penalty per violation for N/DPA-firms that were assigned a Corporate Monitor, using a difference-in-differences specification. The sample period is from 2000 to 2019. The dependent variable is the natural log of the penalty per violation in a given firm-year. Column (1) does not include any governance control variables, whereas columns (2)–(8) do. *Treat* takes the value of 1 for the firms assigned a Corporate Monitor and 0 otherwise. Column (9) includes *Accounting Mandate*, which takes the value of 1 if the N/DPA includes any accounting-specific mandates, and 0 otherwise. All specifications include firm control variables *Size*, *Leverage*, *Return on Assets*, *Change in Intangibles*, *Market-to-Book Ratio*, and *Employee Variability*, and firm and year fixed effects. *t*-statistics are shown in parentheses below the coefficient estimates. Standard errors are clustered by firm. To mitigate the effects of extreme observations, all continuous control variables are winsorized at the 1% and 99% tails of their respective distributions in each sample year. Please see Appendix B for a description of the variables. * $p < 0.1$; ** $p < 0.05$; *** $p < 0.01$ (two-tailed).

	Penalties (1)	Penalties (2)	Penalties (3)	Penalties (4)	Penalties (5)	Penalties (6)	Penalties (7)	Penalties (8)	Penalties (9)
During Probation	1.508** (2.011)	2.094*** (2.624)	0.977 (0.495)	1.523* (1.967)	2.828** (2.534)	1.971** (2.412)	2.052** (2.226)	-3.036** (-1.994)	2.536*** (2.962)
Post Probation	1.426* (1.774)	1.992** (2.426)	1.716 (1.329)	1.407* (1.696)	2.630*** (2.655)	1.578* (1.856)	1.699* (1.769)	-2.965 (-1.627)	2.421*** (2.670)
Treat × During Probation	-1.798* (-1.769)	-1.190 (-1.014)	-1.859* (-1.803)	-1.782* (-1.742)	-1.479 (-1.407)	-1.487 (-1.335)	-1.628 (-1.554)	-1.984** (-1.979)	-1.360 (-1.420)
Treat × Post Probation	-0.223 (-0.226)	0.509 (0.442)	-0.206 (-0.204)	-0.301 (-0.304)	0.062 (0.061)	-0.096 (-0.087)	-0.120 (-0.118)	-0.315 (-0.317)	0.272 (0.294)
N/DPA Req. × During Probation		-1.599 (-1.489)	0.602 (0.306)	-0.166 (-0.143)	-1.623 (-1.368)	-1.015 (-0.998)	-1.193 (-1.173)	4.820*** (3.021)	-2.770*** (-3.056)
N/DPA Req. × Post Probation		-1.647 (-1.546)	-0.276 (-0.212)	0.143 (0.105)	-1.493 (-1.548)	-0.169 (-0.170)	-0.708 (-0.712)	4.507** (2.545)	-2.790*** (-3.091)
Observations	2,347	2,347	2,347	2,347	2,347	2,347	2,347	2,347	2,347
Adjusted R^2	0.522	0.524	0.523	0.521	0.522	0.523	0.521	0.523	0.526
N/DPA Requirement	None	Board Changes	Cooperation	Business Changes	Compliance Program	Board Monitoring	Senior Management	Waive Rights	Accounting Mandate

Table IA9: Sensitivity of coefficient estimates

This table presents bias-adjusted coefficient estimates for $Treat \times During\ Probation$ for Model (1) in Table 5, Panel A–Panel D in the manuscript, using the methodology detailed in (Oster, 2019).

Maximum R^2	Full sample	Matched sample (Coarsened exact matching)	Matched sample (Entropy balancing)	Matched sample (Cosine similarity threshold)
(1)	(2)	(3)	(4)	(5)
1.00	-0.631	-0.687	-0.844	-1.024
0.95	-0.494	-0.532	-0.749	-0.665
0.90	-0.411	-0.442	-0.667	-0.500
0.85	-0.356	-0.382	-0.595	-0.406
0.80	-0.317	-0.341	-0.531	-0.346
0.75	-0.287	-0.309	-0.475	-0.304

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