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CEO Political Ideology and Risk Factor Disclosure

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Dedication

I would like to dedicate my dissertation to my parents and my sister for their unconditional support, love, and encouragement during my doctoral program years. Without them, this journey would not be possible.

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Abstract

I examine whether and how CEO political ideology affects risk factor disclosure. Since 2005, the Securities and Exchange Commission (SEC) has required U.S. firms to disclose risk factors in their 10-K filings. While prior studies document that this required disclosure increases the information content of financial reports, there is limited evidence on how Chief Executive Officer (CEO) personality traits influence risk factor disclosure. In this paper, I focus on CEOs' political ideology to proxy for their personality traits. Using CEOs' personal political contributions data to capture their political ideology, I find that firms with Republican-leaning CEOs provide less risk factor information than non-Republican-leaning CEOs. Moreover, I show that firms with Republican-leaning CEOs are less likely to use uncertain tone than non-Republican-leaning CEOs. Cross-sectional analyses reveal that these findings are stronger when the CEO has more power over corporate decision-making. I provide empirical evidence that CEO political ideology impacts risk factor disclosure.

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Chapter 1: Introduction

Prior research documents that the information content of narrative disclosures – defined based on the length of the disclosures, tone or frequency of specific keywords used in the disclosure – influences investors' perceptions (e.g., Hope, Hu, and Lu 2016). Based on these findings, a number of studies investigate the factors that affect disclosure decisions. Several studies explore the impact of the CEOs' influence on the information content of disclosure by documenting the association between managerial characteristics and disclosure decisions (e.g., Hribar and Yang 2016; Huang, Rose-Green, and Lee 2012). Because firms' disclosures are one of the ways firms communicate with outside investors, these studies suggest the importance of understanding the CEO's influence on corporate disclosure.

In this study, I investigate whether and how CEO political ideology impacts corporate disclosure. Psychology literature documents that political ideology is relatively stable over one's lifetime and is linked to personality traits (Jost 2006; Burris 2001). Politically conservative individuals and politically liberal individuals show different personality traits, such as a level of openness to change or risk tolerance (e.g., Carney, Jost, Gosling, and Potter 2008). More recently, several studies connect CEO personality traits with CEO political ideology and show that CEO political ideology influences a firm's decision-making, impacting outcomes such as mergers and acquisitions decisions (Elnahas and Kim 2017), executive compensation (Chin and Semadeni 2017), corporate tax sheltering (Francis, Hasan, Sun, and Wu 2016), and investment policies (Hutton, Jiang, and Kumar 2014). While these studies suggest that Republican-leaning managers tend to be more conservative and risk-averse than non-Republican-leaning managers in making corporate decisions, there is little empirical evidence of whether managers' political ideology influences corporate disclosures. To address this gap, I extend this line of research by examining

whether and how CEO political ideology influences corporate disclosure using risk factor disclosure (hereafter RFD).

In 2005, the Securities and Exchange Commission (SEC) mandated that firms should include RFD in their annual and quarterly reports. Firms are required to disclose material risk factors that may adversely affect their operations or future performance. Several studies document that RFD is informative to investors and can affect investors' risk perceptions (Campbell, Cecchini, Cianci, Ehinger, and Werner 2019; Hope et al. 2016; Kravet and Muslu 2013), supporting the Securities and Exchange Commission (SEC)'s decision. These same studies, however, also show that RFD varies considerably among firms. Given the informativeness of RFD, it is important to understand the factors underlying this variation. One potential factor is the influence of the CEO, as prior studies generally document an association between CEO characteristics and financial reporting disclosure (e.g., Hribar and Yang 2016; Huang et al. 2012).

I focus on RFD to investigate the effect of CEO political ideology on corporate disclosure for several reasons. RFD requires firms to disclose information that is typically not favorable to the firm. Thus, RFD can be a tool for the CEO to manage or obfuscate information related to firm risks. Furthermore, RFD generally contains textual narratives rather than quantitative data. This qualitative disclosure is discretionary and contains soft information that is hard to verify, providing a good setting to observe the CEO's decision to release risk-related information.[1] Finally, the SEC does not specify the risk factor headings to include in the firm's report. This again provides discretion to the CEO to decide on the level of risk factor information to release. In sum, this paper aims to explore how CEO political ideology impacts firm-level risk factor disclosure.

[1] Prior studies document that manager-specific factors affect the textual narratives (e.g., Marquez-Illescas, Zebedee, and Zhou 2019; Davis, Ge, Matsumoto, and Zhang 2015).

In order to connect the CEOs' political ideology and their impact on RFD, I focus on the determinants of core aspects of political ideology. Prior literature suggests that interrelated epistemic and existential motives relating to the management of fear and uncertainty lead to core aspects of political ideology (e.g., Jost, Napier, Thorisdottir, Gosling, Palfai, and Ostafin 2007; Jost, Glaser, Kruglanski, and Sulloway 2003). Epistemic motives affect individuals facing uncertainty and fear of the unknown. Disclosing RFD increases investors' risk perceptions, increasing the firms' uncertainty related to how investors will react. Accordingly, Republican-leaning CEOs may have a stronger incentive to face more predictable consequences from the release of RFD than non-Republican-leaning CEOs. Existential motives prompt individuals to manage threatening circumstances. Because increased risk factor disclosure influences stock return volatility, the potential loss due to the release of RFD may influence Republican-leaning CEOs' decision-making more than non-Republican-leaning CEOs. Accordingly, Republican-leaning CEOs may be more concerned about a share price drop from the release of RFD than non-Republican-leaning CEOs. Since RFD involves the disclosure of information that is not favorable to the firm, CEOs may consider the uncertainty and exposure that arise from the release of risk-related information. Based on these assumptions, I predict that Republican-leaning CEOs' epistemic and existential motives prevent them from taking actions that negatively affect the status quo. This suggests that Republican-leaning CEOs will be more cautious in disclosing risks firms facing than non-Republican-leaning CEOs, providing less risk factor information. Thus, I hypothesize that firms with Republican-leaning CEOs provide less RFD information than firms with non-Republican-leaning CEOs do.

Since the tone of the disclosure is associated with the manager's intention to manage the market reaction (e.g., Ertugrul, Lei, Qiu, and Wan 2017), I expect Republican-leaning CEOs'

epistemic and existential motives are reflected in the tone of their firm's RFD. Republican-leaning CEOs' epistemic motives to resolve uncertainty may influence the tone of RFD by reducing the use of uncertain words in RFD. On the other hand, Republican-leaning CEOs' existential motives to prevent potential loss may increase the use of uncertain tone in RFD to obscure value-relevant information. Thus, I also hypothesize that the tone of RFD is associated with CEO political ideology.

To empirically test the above hypotheses, I construct a sample of 12,118 firm-year observations from 1,806 unique firms over the period of 2005 to 2018. Following prior studies, I identify CEO political ideology by using CEOs' personal political contribution data obtained from Federal Election Commission (FEC) website (e.g., Elnahas and Kim 2017; Hutton et al. 2014; Hong and Kostovetsky 2012). To measure the informativeness and tone of RFD, I employ three proxies, including the number of total words, risk-related keywords, and uncertain tone (e.g., Doshi, Patel, Ramani, and Sooy 2021; Chiu, Kim and Wang 2019; Campbell, Chen, Dhaliwal, Lu, and Steele 2014).

The Ordinary Least Squares (OLS) regression results show that firms with Republican-leaning CEOs provide less risk factor information than non-Republican-leaning CEOs, which supports my prediction that Republican-leaning CEOs are more cautious to fully disclose risks firms facing than non-Republican-leaning CEOs. Moreover, I show that firms with Republican-leaning CEOs use fewer uncertain words than non-Republican-leaning CEOs, supporting my prediction that the nature of Republican-leaning CEOs' lower tolerance for uncertainty is reflected in the tone of their firm's RFD. In addition, cross-sectional analyses reveal that the effect is more pronounced when the CEO has more power, and my results are robust to additional CEO characteristics and state-fixed effects.

To address the potential concern that my finding could result from systematic differences between firms with Republican-leaning CEOs and firms with non-Republican-leaning CEOs, I employ a propensity score matching (PSM) approach. Using the matched sample, I continue to show that CEO political ideology drives the difference in RFD between firms with Republican-leaning CEOs and firms with non-Republican-leaning CEOs. In addition to the propensity score matching method, I also employ the entropy balancing method to construct an entropy balance-weighted sample (Hainmueller 2012) and document consistent results. Furthermore, I conduct a CEO turnover test to check the robustness of my main findings. I consider CEO turnovers in which the newly appointed CEO has a different political ideology than the departing CEO. I include four years before and after the CEO turnover, and the results from this test support my main findings. These results confirm my primary findings that CEO political ideology is an important factor that affects the level of RFD. I further explore the impact of CEO political ideology on market reactions to the risk factor information using the three-day absolute value of cumulative abnormal returns around the 10-K filing dates. While I find that RFD is associated with the market reaction, my results show that CEO political ideology does not affect the market reaction to RFD. This suggests that the market is not aware of the CEO's influence on RFD informativeness.

While my results suggest that CEO political ideology influences the level of RFD, some caveats are in order. First, my measure of CEO political ideology is based on political contributions made by CEOs. However, if the CEO has made no political contributions, I cannot infer the CEO's political ideology. Second, extrapolating the CEO's political preferences from their political donation may include errors and not perfectly capture the CEO's political ideology. Third, my measure of RFD is based on the number of words used in RFD. However, alternative methods,

such as experiments or the use of other linguistic technologies to evaluate the informativeness of RFD, could be considered.

This paper makes several contributions to the literature. First, it contributes to the literature on risk disclosure by demonstrating that managerial characteristics are an important determinant impacting RFD. As prior literature documents that the information content of RFD influences investors' risk perceptions (Campbell et al. 2019; Hope et al. 2016; Kravet and Muslu 2013), the findings of this paper highlight that it is important to understand that the level of risk disclosure can be influenced by managerial characteristics, such as the CEO political ideology, in addition to the firm's risk. Second, this paper contributes to the literature on managerial characteristics by highlighting the additional manager-specific effect that influences corporate disclosures (e.g., Davis et al. 2015; Bamber, Jiang, and Wang 2010). This paper also complements literature on political ideology by suggesting that managers' political ideology influences not only the firm's strategic decisions but also corporate disclosure decisions (e.g., Chin and Semadeni 2017; Elnahas and Kim 2017; Francis et al. 2016; Hutton et al. 2014). Information asymmetry and agency conflict between managers and outside investors create a demand for more transparent financial reporting and disclosures (Healy and Palepu 2001). As prior research emphasizes the CEOs' influence on financial reporting, it is important to understand the circumstances that influence the level of RFD. In this paper, I provide additional insight into the effect of political ideology on mandated disclosure. Since CEOs have discretion in reporting risk information about their firms, it is important to consider how managerial characteristics influence the level of RFD.

The rest of the paper is organized as follows. Section 2 reviews related literature. Section 3 develops the hypothesis. Section 4 discusses the sample and research design. Section 5 presents the empirical results and section 6 concludes.

Chapter 2: Literature Review

2.1. CEO Political Ideology

Upper echelons theory suggests that managers' personal experiences, values, and personalities can be reflected in their corporate decisions (Hambrick and Mason 1984). Prior studies explore various aspects of managers' personal characteristics, documenting the importance of managerial characteristics in corporate decisions making (e.g., Davis et al. 2015; Bamber et al. 2010). Focusing on managerial characteristics instead of firm characteristics provides a different context in understanding financial reporting.

In this study, I focus on CEO political ideology to explore the impact of CEO characteristics on corporate disclosure decisions. Political ideology is a "set of beliefs about the proper order of society and how it can be achieved" (Erikson and Tedin 2003, p. 64). In the U.S., the political spectrum splits into two parts: the left- and right-wing, or liberal and conservative continuum. Politically conservative individuals and politically liberal individuals demonstrate different personality traits, such as openness to change or risk tolerance (e.g., Carney et al. 2008). Political ideology is relatively stable over an individual's life and is linked to personality traits (Jost 2006; Burris 2001). Prior studies connect managerial behavior with political ideology and explore how managers' political ideology influences corporate decisions. These studies document that managers demonstrate different management styles depending on their political ideology. For instance, Francis et al. (2016) find that Republican CEOs engage in more tax sheltering even when their wealth is not aligned with that of shareholders, suggesting that their political ideology drives their tax sheltering decisions. Chin and Semadeni (2017) document that CEO liberalism reduces pay dispersion among non-CEO executives and compensation committee liberalism strengthens this influence, suggesting that liberal managers tend to reduce pay differentials in bonus pay.

Furthermore, Notbohm, Campbell, Smedema, and Zhang (2019) document that firms with politically conservative managers have a lower absolute value of discretionary accruals and fewer restatements.

Republican-leaning managers are more conservative and risk-averse than non-Republican-leaning managers in corporate decision making. Hutton et al. (2014) find that firms with Republican managers have lower levels of corporate debt, lower capital and R&D expenditures, less risky investments, but higher profitability. They also document that Republican managers become more conservative on investment policies following market-wide and firm-specific shocks. Elnahas and Kim (2017) find that Republican CEOs engage in less external investment, even after controlling for CEO characteristics and M&A determinants. They also show that Republican CEOs are less likely to use stock as a payment method for M&A transactions, are more likely to acquire within-industry targets, and are less likely to engage in earnout acquisitions. Deng, Ho, and Li (2018) find that Republican CEOs engage in less accrual-based earnings management than Democratic CEOs. Overall, these studies suggest that Republican-leaning managers are more likely to make conservative and cautious corporate decisions than non-Republican-leaning managers, indicating that managers display consistent risk-taking behavior in various corporate decisions depending on their political ideology.

2.2. Risk Factor Disclosure

In 2005, the Securities and Exchange Commission (SEC) required firms to include risk factor disclosure (RFD) as part of Item 1A in annual and quarterly reports. In annual reports, firms are required to provide information about "the most significant risk factors that make an investment

in the registrant or offering speculative or risky" (Regulation S-K, Item 105).[2] While prior work suggests that the information content of RFD is boilerplate, recent studies provide evidence that RFD provides meaningful information. For example, Kravet and Muslu (2013) find that annual increases in RFD are positively associated with stock return volatility and trading volume around and after the annual report filings. Hope et al. (2016) document that more specific RFD enhances analysts' understanding of risks. Using credit default swap spreads as a proxy for the pricing of credit risk, Chiu, Guan, and Kim (2018) document that credit default swap spreads decrease after the mandated disclosures. They suggest that RFD improves the information transparency about the firms' credit quality to credit investors. In addition, Campbell et al. (2019) find evidence that RFD provides information about the level of a firm's future cash flows. These studies suggest that RFD increases the information content of financial reporting.

Campbell et al. (2014) investigate the overall informativeness of RFD. They document that RFD provides useful information about risks firm faces for regulators and investors and that RFD reduces information asymmetry among investors. They classify words based on the risk types and decompose the RFD into its expected and unexpected portions in order to investigate the market reaction. They find that the unexpected portion of RFD is positively associated with the post-disclosure level of market beta and stock return volatility and negatively associated with short-window abnormal returns around the annual report release date. As the unexpected portion of RFD increases, investors' risk perceptions change, suggesting that the degree of RFD influences market reactions. Overall, their study documents that RFD increases the information content of reporting.

More broadly, several studies document the association between manager characteristics and corporate disclosure. For example, Bamber et al. (2010) provide evidence of a manager-

[2] SEC revised Item 105 by requiring disclosure of material risk factors. The amendments will apply to filings made on or after November 2020.

specific effect on a firm's voluntary disclosures, in addition to known economic determinants of disclosure. They find that managers' personal backgrounds, such as military experience and education, influence the likelihood and accuracy of management forecasts. Also, Davis et al. (2015) document that the manager-specific tendency to be optimistic or pessimistic significantly influences the language used in conference calls. While prior studies highlight the effect of CEOs on corporate disclosure, the empirical evidence on the impact of CEO political ideology on RFD is still limited. In this paper, I explore the relation between CEO political ideology and RFD. Disclosing risk factors involves significant managerial judgments. Recognizing the impact of the CEO political ideology on the level of disclosure helps to understand the effect of managerial characteristics on financial reporting.

Chapter 3: Hypothesis Development

Textual RFD increases investors' risk perceptions (e.g., Kravet and Muslu, 2013). Although RFD is an important risk indicator of the firm's operations or future performance, it may indicate negative information about the firm. Since the current standards give managers some discretion in determining the types of risk information to provide, CEO personality traits are likely to influence the level of risk information to release. Consistent with this notion, prior studies provide evidence of a manager-specific effect on the firm's disclosures (e.g., Davis et al. 2015; Bamber et al. 2010). These studies suggest that manager-specific effects, such as personal background or optimism, are significantly associated with corporate disclosure choices. Because RFD requires firms to disclose information that sometimes may not be favorable to firms, CEOs may consider the uncertainty and exposure that arise from the release of risk-related information. While CEOs are unlikely to prepare RFD directly, CEOs may influence the level of information disclosed through directors and officers who would follow his/her preferences (e.g., DeBoskey, Luo, and Zhou 2019; Carcello, Neal, Palmrose, and Scholz 2011). Thus, CEOs may determine the level of information to release based on their perceptions of uncertainty and exposure.

Prior studies document that political ideology is relatively stable over an individual's life (Jost 2006; Burris 2001), indicating that political ideology is an informative construct that reflects personality traits. Since individuals display consistent behavior across different domains (Epstein, 1979), I focus on CEO political ideology to link CEO's influence on RFD. Politically conservative individuals seek to maintain the status quo, which allows them to prevent risky and uncertain prospects (Carney et al. 2008; Jost 2006). Republican-leaning managers tend to be more risk-averse and avoid choices with a higher degree of uncertainty than non-Republican-leaning managers in making corporate decisions (e.g., Elnahas and Kim 2017; Hutton et al. 2014). Political

ideology is associated with epistemic and existential motives relating to the management of fear and uncertainty, and these interrelated social-cognitive motives lead to core aspects of political ideology (Jost et al. 2007; Jost et al. 2003).

Epistemic motives, such as uncertainty avoidance, are associated with mental rigidity and closed-mindedness. These motives drive individuals to reduce uncertainty, complexity, or ambiguity when facing uncertainty and fear of the unknown (Jost, Federico, and Napier 2009; Jost et al. 2003). Politically conservative individuals generally exhibit less tolerance of uncertainty and seek a secure and stable situation (e.g., Wilson 1973). Disclosing RFD increases investors' risk perceptions, increasing the firm's uncertainty related to how investors will react. Accordingly, Republican-leaning CEOs may have a stronger incentive to face more predictable consequences from the release of RFD than non-Republican-leaning CEOs.

Existential motives, such as loss prevention, are associated with a desire for safety and security. These motives influence individuals to manage threatening circumstances (Jost et al. 2009; Jost et al. 2003). Politically conservative individuals are generally more sensitive to potential losses than potential gains (e.g., Lavine et al. 1999). Because increases in RFD influence stock return volatility, the potential loss due to the release of RFD may influence Republican-leaning CEOs to disclose less risk information. Although there can be a potential litigation risk arising from disclosing less information, politically conservative managers might prioritize preventing nearby potential loss to secure the status quo. Accordingly, Republican-leaning CEOs may be more concerned about a share price drop from the release of RFD than non-Republican-leaning CEOs. Since CEO political ideology can be reflected in their corporate decisions, these assumptions suggest that Republican-leaning CEOs' epistemic and existential motives to attain certainty and security prevent them from taking actions that negatively affect the status quo. Thus, I predict that

Republican-leaning CEOs are more cautious to fully disclose the risks firms facing than non-Republican-leaning CEOs, providing less risk factor information. These discussions lead to the following hypothesis:

Hypothesis 1: Firms with Republican-leaning CEOs provide less RFD than firms with non-Republican-leaning CEOs.

I next discuss how CEO political ideology affects the tone of uncertainty in RFD. RFD is composed primarily of textual narratives rather than quantitative data. Firms adjust the lexical properties of their financial reporting to manage market reactions (Li 2008). This suggests that the market reacts to information differently based on textual narratives of corporate disclosure. There are some studies indeed documenting that the tone of the disclosure is associated with the manager's intention to manage the market reaction (e.g., Ertugrul et al. 2017). These studies indicate that the uncertain tone of the disclosure can increase a firm's perceived information risk that leads to the increased cost of external financing. Thus, it is important to consider how CEOs influence the tone of RFD. Based on the behavior consistency theory that individuals display consistent behavior across different domains (Epstein, 1979), I posit that Republican-leaning CEOs' epistemic and existential motives are also reflected in the tone of RFD. On the one hand, Republican-leaning CEOs' epistemic motives to resolve uncertainty influence the tone of RFD by reducing the use of uncertain words in RFD. On the other hand, Republican-leaning CEOs' existential motives to prevent potential loss may increase the use of uncertain tone in RFD to obscure value-relevant information. Thus, how Republican-leaning CEOs affect the tone of RFD is an empirical question. These assumptions lead to the second hypothesis:

Hypothesis 2: The tone of RFD is associated with the CEO political ideology.

Chapter 4: Data and Research Design

4.1. Variable Measurement

4.1.1. CEO Political Ideology

Prior literature identifies managers' political preferences using personal political contributions data (e.g., Elnahas and Kim 2017; Hutton et al. 2014; Hong and Kostovetsky 2012). Political contributions information is available on the FEC website.[3] The individual contributions data contains the donor's name, address, employer name and occupation, amount of contributions, and contributions date. Individuals can contribute directly through their personal contributions or indirectly through their companies' Political Action Committees (PACs) to candidates or party committees. As noted by prior literature (Hutton et al. 2014; Cooper, Gulen, and Ovtchinnikov 2010), only personal contributions reflect individuals' political preferences because companies' PACs usually make simultaneous contributions to both Republican and Democratic parties. Following Hutton et al. (2014), I use the CEOs' personal political contributions data to the Republican and Democratic Senate, House, presidential candidates, and party committees in political campaigns to identify their political ideology. Hutton et al. (2014) document that their measures of political ideology based on CEOs' personal political contributions are positively correlated with self-reported political orientation. Since prior studies document distinct risk preferences of Republican-leaning managers in making corporate decisions, I focus on Republican-leaning CEOs by combining neutral or Democratic-leaning managers into non-Republican-leaning managers.

I employ two CEO political ideology measures following prior literature (e.g., Elnahas and Kim 2017; Hutton et al. 2014). For the first measure, I create an indicator variable by assigning a

[3] https://www.fec.gov/

value of one if CEO's political contributions are all to the Republican party in a given election cycle, and zero otherwise. Then I calculate the average of the indicator variable across all election cycles for each CEO (*REP_CEO*). For the second measure, I calculate the difference between the CEO's political contributions to the Republican and Democratic parties, then divide the amount by the total contribution to both parties in a given election cycle. Then I calculate the average for all election cycles for each CEO to compute *RELREP_CEO*. I assign a value of zero to CEOs who made no contributions in a given election cycle. The measures will be closer to 1 if CEO political ideology is more leaning toward Republican.

4.1.2. Risk Factor Disclosure

The information content of narrative disclosure – defined based on the length of the disclosure, tone or frequency of specific keywords used in the disclosure – influences investor perceptions (e.g., Hope et al., 2016). Therefore, I consider different aspects of disclosure and employ several proxies for RFD measures. Using Python, I first download all 10-K reports from the SEC's Electronic Data Gathering and Retrieval (EDGAR) database. Then I extract item 1A from the 10-K reports to create the RFD variables. I provide examples of RFD in Appendix A.

I construct the following measures of RFD. First, I adopt two measures of the overall informativeness of RFD, *RFD_ALL* and *RFD_RISK*, following prior literature (Chiu et al. 2019; Campbell et al. 2014). *RFD_ALL* is the length of the RFD, calculated as the log of the total number of words in Item 1A section of the annual report. *RFD_ALL* reflects the overall informativeness of RFD because more words in RFD should reflect more information about firms' risk factors (e.g., Chiu et al. 2019). *RFD_RISK* is the number of risk-related keywords used in RFD. The risk-related keywords are defined by Campbell et al. (2014). These risk-related keywords include *financial risk*, which contains words related to liquidity, debt, covenants, or capital structure;

litigation risk, which contains words related to legal matters, lawsuits, intellectual property, or environmental issues; *tax risk*, which contains words related to income taxes or tax avoidance; *idiosyncratic risk*, which contains words related to firm-specific risk; and *systematic risk*, which contains words related to economy-wide risk. *RFD_RISK* is calculated as the log of the number of risk-related keywords in Item 1A section of the annual report. Because risk-related keywords reflect firm-specific risk disclosures to some extent, higher *RFD_RISK* tends to provide more information regarding firms' business risks (e.g., Chiu et al. 2019). The risk-related words defined by Campbell et al. (2014) are presented in Appendix B.

Next, I adopt a measure of uncertain tone, *RFD_ABTONE*, based on the number of uncertain words from the Loughran and McDonald (2011) list. The list of the uncertain word includes 285 words, such as approximate, uncertain, depend, and variability (see Loughran and McDonald 2011). The uncertain tone of disclosure reflects management's perspective on the firm's future strategy and performance. By its nature, RFD generally contains negative and uncertain information about the firm's current and future status. Therefore, I focus on the abnormal portion of uncertain tone used in RFD. Based on prior literature (e.g., Doshi et al. 2021; Huang, Teoh, and Zhang 2014), I employ the following regression model to measure *RFD_ABTONE*:

$$RFD\_TONE = \alpha_0 + \alpha_1 ROA + \alpha_2 Ret + \alpha_3 Size + \alpha_4 BTM + \alpha_5 Stdret + \alpha_6 StdROA + \alpha_7 BusSeg + \alpha_8 GeoSeg + \alpha_9 Loss + \alpha_{10} \Delta ROA + \alpha_{11} LifeCycle + \varepsilon, \quad (1)$$

First, I calculate *RFD_TONE*, which is uncertain tone measured as the number of uncertain words in the RFD divided by the total number of words in the RFD. In the regression model, I control for the determinants of uncertain tone following prior literature (e.g., Doshi et al. 2021; Huang et al. 2014) in order to isolate the abnormal portion of uncertain tone used in RFD. In the model, *ROA* is the return on assets, *Ret* is the annual stock return calculated with monthly return

data, *Size* is the log of market value of equity, and *BTM* is the book-to-market ratio. *Stdret* is the standard deviation of monthly abnormal stock returns, *StdROA* is the standard deviation of *ROA*, *ΔROA* is change in *ROA*, and *BusSeg* is the number of business segments (set equal to 1 if the item is missing from Compustat). *GeoSeg* is the number of geographic segments (set equal to 1 if the item is missing from Compustat), *Loss* is an indicator variable that is equal to 1 if earnings are negative, and 0 otherwise, and *LifeCycle* is a measure of firm's life-cycle stage (Banker, Huang, and Natarajan 2011). Thus, *RFD_ ABTONE* is the residual from Equation (1). Detailed variable definitions are provided in Appendix C.

4.2. Research Design

To examine the relation between RFD and CEO political ideology, I employ the following OLS regression model:

$$\begin{aligned} RFD = {} & \alpha_0 + \alpha_1 CEO\_REP + \alpha_2 Size + \alpha_3 BTM + \alpha_4 Ret + \alpha_5 Lev + \alpha_6 Stdret \\ & + \alpha_7 Beta + \alpha_8 Skew + \alpha_9 BigN + \alpha_{10} ETR + \alpha_{11} Earn + \alpha_{12} Analyst + \alpha_{13} Turn \\ & + \text{Year FE} + \text{Industry FE} + \varepsilon, \end{aligned} \tag{2}$$

The dependent variable, RFD, is either the number of words used in RFD (*RFD_ALL*), the number of risk-related keywords (*RFD_RISK*), or the abnormal uncertain tone of the RFD (*RFD_ABTONE*). *CEO_REP* is one of the CEO political ideology measures defined in Section 4.1.1. I control for the determinants of RFD following prior studies (e.g., Campbell et al. 2014). In this way, I can identify the effect of CEO political ideology on an unexpected potion of RFD. In the regression model, *Size* is the log of the market value of equity, *BTM* is the book value of equity divided by the market value of equity, *Ret* is the annual stock return, and *Lev* is the book value of debt divided by total assets. *Stdret* is the standard deviation of monthly abnormal stock

returns, *Beta* is market beta, *Skew* is the skewness of monthly abnormal stock returns, and *BigN* is an indicator variable equal to one for firms with a Big N auditor. *ETR* is total tax expense divided by pre-tax income, *Earn* is earnings before extraordinary items divided by the lagged market value of equity, *Analyst* is a number of Analyst following, and *Turn* is the average daily share turnover. Complete details for the variable calculations are provided in Appendix C. In the regression model, I include industry fixed and year fixed effects to reduce concerns about generic disclosures and macroeconomic factors across industries and time. Industry fixed effects are defined using the 48 industries in Fama and French (1997). To account for possible state-level variation in CEO political ideology, I re-estimate model (2) after controlling for state fixed effects, and the results are presented in Section 5. All standard errors are clustered at the firm level to address possible correlations across observations for a given firm (Petersen 2009). In model (2), Hypotheses 1 and 2 predict a negative and statistically significant coefficient on α_1.

4.3. Sample Selection

The sample period covers 2005 through 2018. I download 10-K filings to extract the RFD section from the SEC's Electronic Data Gathering and Retrieval (EDGAR) database. I obtain CEO information from Execucomp, historical financial data from the Compustat database, stock return data from CRSP, and analyst data from I/B/E/S. CEO political contribution data is obtained from the FEC website. I match the CEO information from Execucomp with CEO political contribution data from the FEC website. I exclude observations in utilities (SIC code between 4900 to 4999) and financial industries (SIC code between 6000 to 6999) to exclude managers that have less discretion on firm policies (Hutton et al. 2014). All continuous variables are winsorized at the 1st and 99th percentile values. The final sample has 1,806 unique firms and 12,118 firm-year observations.

Table 1 presents descriptive statistics for the sample. In Panel A, the mean value of *RFD_ALL* is 8.5, with a standard deviation of 0.66, and the mean value of *RFD_RISK* is 5.45, with a standard deviation of 0.65. The mean values of *RELREP_CEO* and *REP_CEO* are 0.16 and 0.32, respectively, indicating that sample firms, on average, consist of CEOs who are slightly Republican-leaning. The descriptive statistics for the CEO political ideology measures line up with prior studies (e.g., Hutton et al. 2014). The distribution of other variables is comparable to the distribution reported in prior literature (e.g., Campbell et al. 2014).

In order to address the impact of industry membership, I consider industry-adjusted RFD measures in Panel B. Adopting the industry-adjusted measurement method from Hutton et al. (2014), I measure industry-adjusted RFD variables by calculating the difference between the *RFD_ALL_COUNT (RFD_RISK_COUNT)* and RFD industry median values based on the 4-digit SIC code Then I split the firms into quartiles based on CEO political ideology. I calculate the mean value of each industry-adjusted RFD variable within the CEO political ideology quartiles. Q1 represents the lowest CEO political ideology, and Q4 represents the highest CEO political ideology (i.e., Republican-leaning CEOs). The result shows that the industry-adjusted RFD variables decrease monotonically across the groups. The more Republican-leaning the firm's CEO is, the lower its industry-adjusted RFD variables (*RFD_ALL* = 713.59, *RFD_RISK* = 31.167 for Q1, and *RFD_ALL* = 144.202, *RFD_RISK* = 8.184 for Q4). Mean differences in industry-adjusted RFD variables between the Q1 and Q4 groups are highly significant (t = -6.051 for Industry-adjusted *RFD_ALL*, and t = -5.253 for Industry-adjusted *RFD_RISK*). These results provide partial evidence to support my hypotheses that CEO political ideology influences RFD reporting after controlling for the industry effects.

In addition, I present the distribution of CEO political ideology by Fama-French 12-industries in Panel C. Firms in the Oil, Gas, and Coal Extraction and Products industries tend to have CEOs who are more Republican-leaning (*mean* = 0.48 for *RELREP_CEO*) and firms in the Telephone and Television Transmission industries tend to have CEOs who are more Democrat-leaning (*mean* = -0.05 for *RELREP_CEO*). This distribution is consistent with the current view of industry partisanship (Open Secrets— Most Partisan Industries 2020).[4]

Table 2 presents the correlation coefficients for the regression variables. Pearson and Spearman correlations are presented, with correlation coefficients significant at the 1% level in bold. The two proxies of RFD informativeness are significantly and positively correlated with each other, as the total number of words used in RFD and the number of risk-related keywords used in RFD both capture similar constructs (Chiu et al. 2019). The two proxies of CEO political ideology are highly correlated, with a correlation coefficient of 0.84 and significance at the 1% level.

Table 1. Descriptive Statistics

Panel A. Descriptive Statistics

Variables	N	Mean	Std.	Q1	Median	Q3
RFD_ALL	12,118	8.500	0.660	8.080	8.550	8.970
RFD_RISK	12,118	5.450	0.650	5.050	5.520	5.920
RFD_ABTONE	8,320	8,320	0.000	0.030	-0.020	0.010
RFD_FWD	12,118	3.380	0.800	2.940	3.470	3.930
RELREP_CEO	12,118	0.160	0.600	0.000	0.000	0.780
REP_CEO	12,118	0.320	0.410	0.000	0.000	0.750
Size	12,118	7.830	1.480	6.770	7.680	8.840
Btm	12,118	0.450	0.310	0.240	0.380	0.580
Ret	12,118	0.160	0.410	-0.090	0.120	0.350
Leverage	12,118	0.200	0.170	0.030	0.180	0.300
StdRet	12,118	0.090	0.040	0.060	0.090	0.120
Beta	12,118	1.270	0.440	0.960	1.230	1.530
Skew	12,118	0.090	0.720	-0.380	0.070	0.560
Turn	12,118	2.620	1.660	1.480	2.180	3.260

[4] https://www.opensecrets.org/elections-overview/most-partisan-industries

BigN	12,118	0.910	0.290	1.000	1.000	1.000
ETR	12,118	0.320	0.160	0.250	0.330	0.380
Earn	12,118	0.060	0.040	0.040	0.050	0.070
Analysts	12,118	9.990	7.800	4.000	8.000	15.000

Panel B. Industry-Adjusted RFD Variables Based on CEO Political Ideology

	Q1	Q2	Q3	Q4	Q4 vs. Q1	
					Difference	*t-stat.*
Industry-Adjusted *RFD_ALL*	713.590	567.662	289.275	144.202	-569.389***	(-6.051)
Industry-Adjusted *RFD_RISK*	31.167	26.739	12.475	8.184	-22.983***	(-5.253)

Panel C. Distribution of CEO Political Ideology by Fama-French 12 Industries

Industry	# of Firms	*RELREP_CEO*
Consumer Nondurables	971	0.09
Consumer Durables	439	0.19
Manufacturing	1,798	0.30
Oil, Gas, and Coal Extraction and Products	590	0.48
Chemicals and Allied Products	511	0.23
Business Equipment	2,558	0.03
Telephone and Television Transmission	306	-0.05
Wholesale, Retail, and Some Services	1,900	0.12
Healthcare, Medical Equipment, and Drugs	1,270	0.10
Other -- Mines, Constr, BldMt, Trans, Hotels, Bus Serv, Entertainment	1,775	0.25
Total (Mean)	12,118	0.16

Note: This table presents the descriptive statistics and average industry-adjusted RFD variables based on CEO political ideology. The sample period is 2005 to 2018. Additional details of variable definitions are included in Appendix C. All continuous variables are winsorized at the 1st and 99th percentile values. **Panel A** provides descriptive statistics for the data used in the empirical tests. **Panel B** presents average industry-adjusted RFD variables based on CEO political ideology. The firms are grouped into quartiles based on CEO political ideology. Q1 represents firms with the lowest CEO political ideology (i.e., Democratic-leaning CEOs), and Q4 represents firms with the highest CEO political ideology (i.e., Republican-leaning CEOs). Industry-adjusted RFD variables are calculated as the difference between the calculated *RFD_Count* variables and their industry median based on the 4-digit SIC code. The mean value is calculated within each quartile based on CEO political ideology. Statistical significance of the differences in variable means between the Q1 and Q4 groups is estimated using a t-test. **Panel C** presents the distribution of CEO political ideology by the Fama-French 12-industry classification.

Table 2. Correlation Matrix of Key Variables

		(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)	(17)	(18)
(1)	*RFD_All*		**0.95**	**0.76**	**0.88**	**-0.13**	**-0.10**	0.01	0.00	0.00	**0.03**	**0.10**	**0.06**	-0.01	**0.16**	0.00	**-0.10**	**-0.15**	**0.10**
(2)	*RFD_Risk*	**0.95**		**0.76**	**0.84**	**-0.09**	**-0.09**	**0.06**	0.01	0.00	**0.05**	**0.08**	**0.11**	-0.01	**0.14**	0.01	**-0.16**	**-0.14**	**0.12**
(3)	*RFD_ABTONE*	**0.76**	**0.76**		**0.65**	**-0.11**	**-0.11**	0.01	-0.01	**0.03**	**-0.05**	0.01	**0.03**	-0.02	**0.09**	**0.02**	**-0.13**	**-0.08**	**0.10**
(4)	*RFD_FWD*	**0.88**	**0.83**	**0.66**		**-0.10**	**-0.08**	-0.02	**0.03**	-0.01	-0.02	**0.12**	**0.09**	-0.01	**0.14**	-0.02	**-0.10**	**-0.16**	**0.06**
(5)	*RELREP_CEO*	**-0.11**	**-0.08**	**-0.08**	**-0.09**		**0.81**	0.00	0.01	0.00	**0.05**	0.01	**0.07**	0.02	0.01	**0.08**	**0.04**	**0.07**	0.00
(6)	*REP_CEO*	**-0.11**	**-0.08**	**-0.10**	**-0.08**	**0.84**		**0.05**	0.00	0.01	**0.06**	0.00	**0.03**	0.02	**0.03**	**0.07**	**0.06**	**0.07**	**0.06**
(7)	*Size*	0.01	**0.05**	0.00	-0.02	0.00	**0.03**		**-0.42**	**0.14**	**0.28**	**-0.44**	**-0.28**	**-0.06**	**0.06**	**0.29**	**-0.21**	**0.06**	**0.64**
(8)	*Btm*	0.03	**0.03**	0.00	**0.06**	0.02	-0.01	**-0.41**		**-0.31**	**-0.10**	**0.28**	**0.23**	-0.01	**0.04**	**-0.04**	**0.07**	**0.16**	**-0.27**
(9)	*Ret*	0.02	0.01	**0.04**	0.00	0.00	0.01	**0.11**	**-0.31**		-0.03	**-0.17**	**-0.03**	**0.13**	**-0.16**	0.00	-0.01	**0.32**	0.00
(10)	*Leverage*	**0.06**	**0.07**	**-0.03**	0.00	**0.05**	**0.04**	**0.24**	**-0.10**	**-0.04**		**-0.18**	**-0.09**	**-0.07**	-0.01	**0.18**	**-0.06**	**0.09**	**0.12**
(11)	*StdRet*	**0.09**	**0.07**	0.00	**0.10**	0.01	0.00	**-0.43**	**0.29**	**-0.08**	**-0.13**		**0.42**	**0.09**	**0.44**	**-0.13**	**0.08**	**0.03**	**-0.23**
(12)	*Beta*	**0.08**	**0.12**	**0.04**	**0.10**	**0.06**	**0.04**	**-0.27**	**0.22**	0.01	**-0.08**	**0.40**		**0.03**	**0.16**	**-0.05**	**-0.04**	**0.06**	**-0.18**
(13)	*Skew*	-0.01	-0.01	-0.02	-0.01	0.02	0.02	**-0.06**	-0.02	**0.15**	**-0.06**	**0.11**	**0.03**		-0.02	-0.02	0.02	**0.04**	**-0.04**
(14)	*Turn*	**0.15**	**0.13**	**0.07**	**0.12**	-0.01	0.01	-0.01	**0.08**	**-0.09**	-0.02	**0.45**	**0.22**	-0.01		**0.07**	**0.04**	**0.09**	**0.25**
(15)	*BigN*	0.00	0.01	**0.04**	-0.01	**0.07**	**0.08**	**0.28**	**-0.05**	-0.01	**0.17**	**-0.13**	**-0.05**	-0.02	**0.05**		-0.01	**0.04**	**0.21**
(16)	*ETR*	**-0.03**	**-0.06**	**-0.06**	-0.03	0.02	**0.03**	**-0.13**	**0.06**	**-0.04**	0.00	**0.04**	-0.02	0.01	0.00	0.00		**-0.12**	**-0.09**
(17)	*Earn*	**-0.09**	**-0.07**	**-0.05**	**-0.09**	**0.06**	**0.04**	0.02	**0.14**	**0.34**	**0.04**	**0.10**	**0.10**	**0.06**	**0.13**	0.02	**-0.22**		-0.01
(18)	*Analysts*	**0.09**	**0.11**	**0.08**	**0.06**	-0.01	**0.03**	**0.65**	**-0.24**	-0.02	**0.09**	**-0.22**	**-0.18**	**-0.04**	**0.19**	**0.19**	**-0.07**	**-0.04**	

Note: This table presents Pearson (Spearman) correlations below (above) the diagonal. The sample includes 12,118 firm-year observations from 2005 to 2018. Correlation coefficients in bold are significant at the 1% level.

Chapter 5: Results

5.1. Primary Results

5.1.1. Regression Results for Hypothesis 1

Table 3 presents the results using proxies for RFD informativeness. I estimate Equation (2) with industry and year fixed effects. The t-statistics reported in parentheses are calculated using standard errors clustered at the firm level. The dependent variable is *RFD_ALL* in columns 1 and 2. The estimated coefficients on CEO political ideology are negative and statistically significant (coefficient = -0.054, *t* = -2.66 for *RELREP_CEO*, and coefficient = -0.078, *t* = -2.68 for *REP_CEO*), indicating that Republican-leaning CEOs provide less risk factor information than non-Republican-leaning CEOs do. Both estimated coefficients are significant at the 1% significance level. The estimated coefficient on *CEO_REP* indicates that a one standard deviation increase in *RELREP_CEO* and *REP_CEO* leads to a -0.0324 and -0.032 percentage reduction in *RFD_ALL*, respectively.[5]

In columns 3 and 4, the dependent variable is *RFD_RISK*. The estimated coefficients on CEO political ideology are negative and statistically significant (coefficient = -0.051, *t* = -2.51 for *RELREP_CEO*, and coefficient = -0.074, *t* = -2.56 for *REP_CEO*), indicating that Republican-leaning CEOs use less risk-related keywords than non-Republican-leaning CEOs do. Both estimated coefficients are significant at the 5% significance level. The estimated coefficient on *CEO_REP* indicates that a one standard deviation increase in *RELREP_CEO* and *REP_CEO* leads to a -0.0306 and -0.0303 percentage reduction in *RFD_RISK*, respectively. The results are

[5] -0.0324 equals the estimated coefficient on *RELREP_CEO* (-0.054) multiplied by standard deviation of *RELREP_CEO* (0.6). -0.032 equals the estimated coefficient on *REP_CEO* (-0.078) multiplied by standard deviation of *REP_CEO* (0.41).

consistent with H1 that Republican-leaning CEOs are more cautious about disclosing risks firms facing than non-Republican-leaning CEOs.

5.1.2. Regression Results for Hypothesis 2

H2 hypothesizes that the tone of RFD is associated with the CEO political ideology. RFD generally contains negative and uncertain information about the firm's current and future status. Thus, I focus on the abnormal portion of uncertain tone used in RFD. Since the uncertain tone of the disclosure can increase a firm's perceived information risk, resulting in increased cost of external financing (e.g., Ertugrul et al. 2017), it is important to consider how CEO influences the tone of RFD. Table 4 presents the results. The dependent variable is *RFD_ABTONE*. Column 1 reports the result with *RELREP_CEO*, and column 2 reports the result with *REP_CEO*. The estimated coefficients on CEO political ideology are negative in both columns (coefficient = -0.002, t = -1.65 for *RELREP_CEO*, and coefficient = -0.004, t = -2.30 for *REP_CEO*). The estimated coefficient on *CEO_REP* indicates that a one standard deviation increase in *RELREP_CEO* and *REP_CEO* leads to a -0.001 and -0.002 percentage reduction in *RFD_ABTONE*, respectively. The results suggest that Republican-leaning CEOs are more likely to avoid using uncertain words than non-Republican-leaning CEOs. These results are consistent with the assumption that Republican-leaning CEOs' epistemic motives to resolve uncertainty influence the tone of RFD through the less frequent use of uncertain words.

Table 3. Republican CEOs and Risk Factor Disclosure Informativeness

	DV: *RFD_ALL*		DV: *RFD_RISK*	
	1	2	3	4
Variables	*RELREP_CEO*	*REP_CEO*	*RELREP_CEO*	*REP_CEO*
CEO_REP	**-0.054*** **	**-0.078*** **	**-0.051** **	**-0.074** **
	(-2.66)	**(-2.67)**	**(-2.51)**	**(-2.56)**
Size	-0.044***	-0.044***	-0.031**	-0.030**
	(-3.39)	(-3.36)	(-2.40)	(-2.37)
BTM	0.140***	0.139***	0.131***	0.130***
	(3.68)	(3.66)	(3.41)	(3.39)
Ret	0.127***	0.128***	0.120***	0.121***
	(7.26)	(7.28)	(6.87)	(6.90)
Leverage	0.276***	0.271***	0.278***	0.273***
	(3.77)	(3.70)	(3.86)	(3.80)
StdRet	1.504***	1.495***	1.231***	1.223***
	(6.54)	(6.50)	(5.46)	(5.43)
Beta	0.024	0.024	0.049**	0.049**
	(1.02)	(1.04)	(2.16)	(2.17)
Skew	-0.015**	-0.014**	-0.014**	-0.014**
	(-2.20)	(-2.14)	(-2.15)	(-2.10)
Turn	0.065***	0.065***	0.060***	0.060***
	(9.50)	(9.57)	(8.86)	(8.92)
BigN	0.076	0.075	0.082*	0.081*
	(1.62)	(1.61)	(1.75)	(1.73)
ETR	-0.110***	-0.110***	-0.124***	-0.124***
	(-2.85)	(-2.84)	(-3.27)	(-3.25)
Earn	-1.079***	-1.089***	-1.077***	-1.087***
	(-5.60)	(-5.65)	(-5.64)	(-5.70)
Analysts	0.007***	0.007***	0.007***	0.007***
	(3.40)	(3.48)	(3.51)	(3.59)
Intercept	7.846***	7.860***	4.677***	4.690***
	(68.18)	(68.41)	(41.30)	(41.45)
Year FE	Yes	Yes	Yes	Yes
Ind FE	Yes	Yes	Yes	Yes
Adj. R^2	0.369	0.369	0.374	0.374
N	12,118	12,118	12,118	12,118

Note: This table presents OLS regression results from regressing the informativeness of RFD on CEO political ideology and control variables. The dependent variable is ***RFD_ALL*** for columns 1 and 2 and ***RFD_RISK*** for columns 3 and 4. The key independent variables are ***RELREP_CEO*** and ***REP_CEO***, which are CEO political ideology measures. The sample includes 12,118 firm-year observations from 2005 to 2018. All continuous variables are winsorized at the 1st and 99th percentile values. All regression models include year and industry fixed effects. The t-statistics reported in parentheses are calculated using standard errors clustered at the firm level. ***, **, and * indicate statistical significance at 1 percent, 5 percent, and 10 percent, respectively.

Table 4. Republican CEOs and Risk Factor Disclosure Tone

	DV: *RFD_ ABTONE*	
	1	2
Variables	*RELREP_CEO*	*REP_CEO*
CEO_REP	**-0.002**	**-0.004****
	(-1.65)	**(-2.30)**
Size	-0.002***	-0.002***
	(-2.87)	(-2.87)
BTM	0.004*	0.004*
	(1.81)	(1.77)
Ret	0.004***	0.004***
	(3.52)	(3.57)
Leverage	-0.001	-0.001
	(-0.14)	(-0.16)
StdRet	-0.023	-0.024
	(-1.51)	(-1.55)
Beta	0.002	0.002
	(1.16)	(1.18)
Skew	-0.001*	-0.001*
	(-1.71)	(-1.66)
Turn	0.003***	0.003***
	(5.86)	(5.88)
BigN	0.007**	0.007**
	(2.50)	(2.52)
ETR	-0.008***	-0.007***
	(-2.96)	(-2.92)
Earn	-0.013	-0.014
	(-0.84)	(-0.90)
Analysts	0.000**	0.000**
	(2.03)	(2.10)
Intercept	0.014**	0.015**
	(2.00)	(2.09)
Year FE	Yes	Yes
Ind FE	Yes	Yes
Adj. R^2	0.223	0.225
N	8,320	8,320

Note: This table presents OLS regression results from regressing abnormal uncertainty tone on CEO political ideology and control variables. The dependent variable is ***RFD_ABTONE***, and the key independent variables are ***RELREP_CEO*** and ***REP_CEO***. The sample includes 8,320 firm-year observations from 2005 to 2018. All continuous variables are winsorized at the 1st and 99th percentile values. All regression models include year and industry fixed effects. The t-statistics reported in parentheses are calculated using standard errors clustered at the firm level. ***, **, and * indicate statistical significance at 1 percent, 5 percent, and 10 percent, respectively.

5.1.3. Ranked Variables

I conduct a test using a decile-ranked variable to explore the relative effect of the CEO political ideology on RFD. In this test, all continuous independent variables in the regressions are ranked into deciles (i.e., 0 through 9). Also, I employ an additional CEO political ideology variable, *NET_REP*, which incorporates the absolute amount of the donation. *NET_REP* is calculated as the difference between CEO's total political contributions to the Republican and Democratic parties. Table 5 presents the results. The dependent variable is *RFD_ALL* for columns 1, 2, and 3 and *RFD_RISK* for columns 4, 5, and 6. In columns 1, 2, and 3, firms with Republican-leaning CEOs provide less risk factor information (coefficient = -0.013, *t* = -2.85 for *RELREP_CEO*, coefficient = -0.011, *t* = -2.30 for *REP_CEO*, and coefficient = -0.011, *t* = -2.48 for *NET_REP*). The coefficient on decile-ranked CEO political ideology variables suggests that an increase in *RELREP_CEO* (*REP_CEO*) from the 1st to 10th decile results in a 1.3% (1.1%) decrease in RFD. The results are consistent in columns 4, 5, and 6 with risk-related keywords (coefficient = -0.012, *t* = -2.49 for *RELREP_CEO*, coefficient = -0.010, *t* = -2.18 for *REP_CEO*, and coefficient = -0.009, *t* = -2.16 for *NET_REP*). Overall, the results suggest that as the firm has a CEO who is more leaning toward Republican, the firm discloses less risk factor information.

Table 5. Ranked Variables

	DV: *RFD_ALL*			DV: *RFD_RISK*		
	1	2	3	4	5	6
Variables	*RELREP_CEO*	*REP_CEO*	*NET_REP*	*RELREP_CEO*	*REP_CEO*	*NET_REP*
CEO_REP	**-0.013***** **(-2.85)**	**-0.011**** **(-2.30)**	**-0.011**** **(-2.48)**	**-0.012**** **(-2.49)**	**-0.010**** **(-2.18)**	**-0.009**** **(-2.16)**
Size	-0.026*** (-4.40)	-0.025*** (-4.21)	-0.025*** (-4.26)	-0.018*** (-3.08)	-0.017*** (-2.91)	-0.017*** (-2.96)
BTM	0.013*** (2.84)	0.014*** (2.92)	0.014*** (2.89)	0.014*** (3.05)	0.015*** (3.12)	0.014*** (3.09)
Ret	0.020*** (7.48)	0.020*** (7.52)	0.020*** (7.46)	0.019*** (7.45)	0.019*** (7.49)	0.019*** (7.43)
Leverage	0.016*** (3.73)	0.015*** (3.67)	0.016*** (3.76)	0.016*** (3.95)	0.016*** (3.90)	0.016*** (3.97)
StdRet	0.023*** (6.64)	0.023*** (6.69)	0.023*** (6.71)	0.019*** (5.81)	0.019*** (5.84)	0.019*** (5.87)
Beta	0.002 (0.46)	0.002 (0.45)	0.002 (0.44)	0.006* (1.65)	0.006 (1.64)	0.006 (1.63)
Skew	-0.003* (-1.71)	-0.003* (-1.71)	-0.003* (-1.75)	-0.003* (-1.77)	-0.003* (-1.76)	-0.003* (-1.81)
Turn	0.045*** (10.12)	0.045*** (10.14)	0.045*** (10.11)	0.041*** (9.20)	0.041*** (9.21)	0.040*** (9.19)
BigN	0.065 (1.45)	0.062 (1.37)	0.064 (1.42)	0.07 (1.54)	0.067 (1.48)	0.069 (1.52)

ETR	-0.011***	-0.011***	-0.011***	-0.013***	-0.013***	-0.013***
	(-3.39)	(-3.39)	(-3.37)	(-3.98)	(-3.97)	(-3.96)
Earn	-0.022***	-0.022***	-0.022***	-0.022***	-0.022***	-0.022***
	(-6.82)	(-6.87)	(-6.82)	(-6.73)	(-6.79)	(-6.74)
Analysts	0.018***	0.019***	0.018***	0.018***	0.019***	0.018***
	(3.68)	(3.78)	(3.69)	(3.73)	(3.81)	(3.73)
Intercept	7.678***	7.659***	7.666***	4.578***	4.563***	4.566***
	(104.30)	(105.43)	(104.08)	(61.39)	(61.99)	(61.18)
Year FE	Yes	Yes	Yes	Yes	Yes	Yes
Ind FE	Yes	Yes	Yes	Yes	Yes	Yes
Adj. R^2	0.38	0.379	0.38	0.384	0.383	0.383
N	12,118	12,118	12,118	12,118	12,118	12,118

Note: This table presents OLS regression results of RFD on CEO political ideology and control variables using ranked variables. The dependent variable is ***RFD_ALL*** for columns 1, 2, and 3 and ***RFD_RISK*** for columns 4, 5, and 6. The key independent variables are ***RELREP_CEO***, ***REP_CEO***, and ***NET_REP***. All continuous independent variables in the regressions are ranked into deciles (i.e., 0 through 9). The sample period is 2005 to 2018. All regression models include year and industry fixed effects. The t-statistics reported in parentheses are calculated using standard errors clustered at the firm level. ***, **, and * indicate statistical significance at 1 percent, 5 percent, and 10 percent, respectively.

5.2. Robustness Test

5.2.1. Propensity Score Matching

My main findings indicate that there is a negative relation between Republican-leaning CEOs and RFD. However, one potential concern is that the negative relation could result from the systematic difference between firms with Republican-leaning CEOs and firms with non-Republican-leaning CEOs. If the difference in RFD depends on differences in firm characteristics affecting the hiring of Republican-leaning CEOs, then CEO political ideology is not the main driver of the negative relation between Republican-leaning CEOs and RFD. To address the concern, I employ a propensity score matching method to construct a matching sample (Rosenbaum and Rubin 1983). The propensity score matching method minimizes the difference in observable firm characteristics between firms with Republican-leaning CEOs and firms with non-Republican-leaning CEOs, improving the causal inference in my findings (e.g., Li and Zeng 2019; Chemmanur, Loutskina, and Tian 2014).

Using logit regression, I first estimate the probability that a firm hires Republican-leaning CEOs. For this test, I create the binary variable *B_RELREP_CEO* that equals one if *RELREP_CEO* is greater than 0 (i.e., Republican-leaning CEOs), and zero otherwise (i.e., non-Republican-leaning CEOs). Then the probability is estimated using firm characteristics used in the main regression model. The logit regression includes industry and year fixed effects. In the second step, I match each firm with a Republican-leaning CEO to a firm with non-Republican-leaning CEO that has the closest propensity score using the nearest neighbor. The matching is done without replacement and with a caliper of 0.1. This leads to 7,926 total matched firm-year observations. Panel A of Table 6 presents the mean differences in firm characteristics for the unmatched and propensity score-matched samples. Overall mean differences in firm characteristics are statistically

insignificant for the propensity score-matched samples, suggesting that firms are effectively matched. Then I re-estimate the main regression model using the propensity score-matched samples. Panel B of Table 6 presents regression results. Firms with Republican-leaning CEOs continue to disclose less risk factor information (coefficient = -0.043, *t* = -1.70) and fewer risk-related words (coefficient = -0.046, *t* = -1.82) than their matched sample firms with non-Republican-leaning CEOs. Together, these results suggest that CEO political ideology drives the difference in RFD between firms with Republican-leaning CEOs and firms with non-Republican-leaning CEOs.

5.2.2. Entropy Balancing

In addition to the propensity score matching method, I also consider the entropy balancing method to construct an entropy balance-weighted sample (Hainmueller 2012). Entropy balancing estimates the specified moments (e.g., means, variances, and skewness) of the covariate distributions and equalizes the treatment and control sample distribution moments (McMullin and Schonberger 2020; Hainmueller 2012). This method helps mitigate the likelihood of model misspecification and allows the entire sample to be kept. Using *B_RELREP_CEO*, the treatment (i.e., firms with Republican-leaning CEOs) and control (i.e., firms with non-Republican-leaning CEOs) groups are identified by balancing on means, variances, and skewness of firm characteristics. Then I re-estimate the main regression model using the balance-weighted sample. Panel B of Table 7 presents regression results. The estimated coefficients on *B_RELREP_CEO* are negative and statistically significant in both columns (coefficient = -0.047, *t* = -1.88 for *RFD_ALL*, and coefficient = -0.043, *t* = -1.75 for *RFD_RISK*). The results continue to support my main findings that firms with Republican-leaning CEOs provide less risk factor information than firms with non-Republican-leaning CEOs.

Table 6. Propensity Score Matching

Panel A. Differences in Characteristics

	Unmatched Sample				Propensity Score Matched Sample			
	Firms with Rep CEOs	Firms with Non-Rep CEOs			Firms with Rep CEOs	Firms with Non-Rep CEOs		
Variables	Mean	Mean	*Difference*	*t-stat.*	Mean	Mean	*Difference*	*t-stat.*
Size	7.887	7.74	-0.147***	(-5.15)	7.887	7.914	0.027	(0.80)
BTM	0.441	0.441	0.001	(0.12)	0.441	0.449	0.008	(1.16)
Ret	0.159	0.162	0.003	(0.40)	0.159	0.164	0.005	(0.58)
Leverage	0.206	0.186	-0.020***	(-6.06)	0.206	0.206	-0.001	(-0.14)
StdRet	0.092	0.095	0.002**	(2.86)	0.092	0.093	0.000	(0.47)
Beta	1.256	1.252	-0.003	(-0.39)	1.256	1.268	0.012	(1.25)
Skew	0.098	0.086	-0.012	(-0.87)	0.098	0.106	0.008	(0.50)
Turn	2.54	2.601	0.061	(1.95)	2.54	2.576	0.036	(0.99)
BigN	0.932	0.887	-0.045***	(-8.29)	0.932	0.931	0.000	(-0.04)
ETR	0.324	0.321	-0.003	(-1.14)	0.324	0.327	0.003	(0.80)
Earn	0.061	0.058	-0.003***	(-3.33)	0.061	0.062	0.001	(1.43)
Analysts	10.223	9.565	-0.658***	(-4.41)	10.223	10.33	0.107	(0.62)
N	3,963	7,533			3,963	3,963		

Note: This table presents results using a propensity score-matched sample. **Panel A** provides mean differences in firm characteristics between firms with Republican-leaning CEOs and firms with non-Republican-leaning CEOs for unmatched and propensity score-matched samples. Statistical significance of the differences in means between firms with Republican-leaning CEOs and firms with non-Republican-leaning CEOs is estimated using a t-test. **Panel B** presents OLS regression results of RFD on CEO political ideology using the propensity score-matched sample. The dependent variables are ***RFD_ALL*** and ***RFD_RISK***. The key independent variable is ***B_RELREP_CEO***, a binary variable equal to one if *REP_CEO* is greater than 0.5, and zero otherwise. The sample period is 2005 to 2018. All continuous variables are winsorized at the 1st and 99th percentile values. All regression models include year and industry fixed effects. The t-statistics reported in parentheses are calculated using standard errors clustered at the firm level. ***, **, and * indicate statistical significance at 1 percent, 5 percent, and 10 percent, respectively.

Panel B. Propensity Score Matched Sample: Regression

	DV: *RFD_ALL*	DV: *RFD_RISK*
Variables	1	2
B_RELREP_CEO	**-0.043***	**-0.046***
	(-1.70)	**(-1.82)**
Size	-0.033**	-0.023
	(-2.27)	(-1.57)
BTM	0.187***	0.177***
	(4.15)	(3.95)
Ret	0.126***	0.121***
	(5.58)	(5.46)
Leverage	0.257***	0.265***
	(3.07)	(3.23)
StdRet	1.777***	1.389***
	(6.49)	(5.21)
Beta	0.01	0.037
	(0.36)	(1.38)
Skew	-0.028***	-0.028***
	(-3.38)	(-3.36)
Turn	0.060***	0.054***
	(7.48)	(6.89)
BigN	0.011	0.036
	(0.21)	(0.68)
ETR	-0.061	-0.097**
	(-1.37)	(-2.16)
Earn	-0.971***	-1.027***
	(-4.49)	(-4.78)
Analysts	0.006**	0.006***
	(2.50)	(2.66)
Intercept	7.657***	4.405***
	(51.86)	(29.35)
Year FE	Yes	Yes
Ind FE	Yes	Yes
Adj. R^2	0.364	0.371
N	7,926	7,926

Table 7. Entropy Balancing

Panel A. Descriptive Statistics before and after Balancing

	Firms with Republican CEOs (4,586 Obs.)			Firms with Non-Republican CEOs (7,532 Obs.)			Balance Stats	
Covariate	Mean	Variance	Skewness	Mean	Variance	Skewness	Std. Diff.	Variance Ratio
Prior to Balancing								
Size	7.972	2.102	0.295	7.740	2.220	0.309	0.160	0.947
BTM	0.453	0.099	1.812	0.442	0.095	1.993	0.035	1.042
Ret	0.161	0.156	1.119	0.162	0.172	1.300	-0.004	0.908
Leverage	0.211	0.027	0.580	0.186	0.029	0.792	0.152	0.919
StdRet	0.094	0.002	1.222	0.095	0.002	1.132	-0.023	1.004
Beta	1.291	0.196	0.417	1.252	0.189	0.431	0.088	1.039
Skew	0.098	0.518	0.093	0.086	0.524	0.109	0.017	0.988
Turn	2.644	2.492	1.560	2.601	2.900	1.659	0.027	0.859
BigN	0.939	0.058	-3.659	0.887	0.101	-2.439	0.217	0.572
ETR	0.328	0.022	3.636	0.321	0.030	3.437	0.051	0.751
Earn	0.064	0.002	3.678	0.058	0.002	2.758	0.130	1.328
Num_analysts	10.690	60.420	0.698	9.563	60.710	0.847	0.145	0.995
After Balancing								
Size	7.972	2.102	0.295	7.972	2.102	0.295	0.000	1.000
BTM	0.453	0.099	1.812	0.453	0.099	1.812	0.000	1.000
Ret	0.161	0.156	1.119	0.161	0.156	1.119	0.000	1.000
Leverage	0.211	0.027	0.580	0.211	0.027	0.580	0.000	1.000
StdRet	0.094	0.002	1.222	0.094	0.002	1.222	0.000	1.000
Beta	1.291	0.196	0.417	1.291	0.196	0.417	0.000	1.000
Skew	0.098	0.518	0.093	0.098	0.518	0.093	0.000	1.000
Turn	2.644	2.492	1.560	2.644	2.492	1.560	0.000	1.000
BigN	0.939	0.058	-3.659	0.939	0.058	-3.656	0.000	0.999
ETR	0.328	0.022	3.636	0.328	0.022	3.636	0.000	1.000
Earn	0.064	0.002	3.678	0.064	0.002	3.678	0.000	1.000
Num_analysts	10.690	60.420	0.698	10.690	60.420	0.698	0.000	1.000

Note: This table presents results using an entropy balance-weighted sample. **Panel A** provides descriptive statistics before and after balancing. **Panel B** presents OLS regression results of RFD on CEO political ideology using the entropy balance-weighted sample. The sample period is 2005 to 2018. All continuous variables are winsorized at the 1st and 99th percentile values. All regression models include year and industry fixed effects. The t-statistics reported in parentheses are calculated using standard errors clustered at the firm level. ***, **, and * indicate statistical significance at 1 percent, 5 percent, and 10 percent, respectively.

Panel B. Entropy Matched Sample: Regression

	DV: *RFD_ALL*	DV: *RFD_RISK*
Variables	1	2
B_RELREP_CEO	**-0.047***	**-0.043***
	(-1.88)	**(-1.75)**
Size	-0.049***	-0.035**
	(-3.49)	(-2.57)
BTM	0.161***	0.148***
	(3.87)	(3.58)
Ret	0.136***	0.128***
	(6.83)	(6.51)
Leverage	0.270***	0.269***
	(3.43)	(3.46)
StdRet	1.461***	1.154***
	(6.17)	(4.97)
Beta	0.011	0.039
	(0.45)	(1.61)
Skew	-0.016**	-0.015**
	(-2.25)	(-2.18)
Turn	0.064***	0.057***
	(8.62)	(7.74)
BigN	0.031	0.049
	(0.61)	(0.94)
ETR	-0.096**	-0.109**
	(-2.09)	(-2.49)
Earn	-0.805***	-0.800***
	(-3.74)	(-3.77)
Analysts	0.006***	0.007***
	(3.13)	(3.38)
Intercept	8.398***	5.254***
	(65.79)	(42.35)
Year FE	Yes	Yes
Ind FE	Yes	Yes
Adj. R^2	0.372	0.381
N	12,118	12,118

5.2.3. CEO Turnover

To further ensure the robustness of my findings, I consider CEO turnover in which the newly appointed CEO has a different political ideology than the departing CEO. Using the *RELREP_CEO* variable, I split the CEO turnover subsample into Rep-to-Dem and Dem-to-Rep groups. Rep-to-Dem group includes firms whose Republican-leaning CEOs (*RELREP_CEO* variable is greater than 0) were replaced by the Democratic-leaning CEOs (*RELREP_CEO* variable is less than 0), while the Dem-to-Rep group includes firms whose Democratic-leaning CEOs were replaced by the Republican-leaning CEOs. I consider the four years before the CEO turnover (Pre) and four years after the CEO turnover (Post) for each group. I require the firm to have at least two observations in both the pre-and post-periods to be in the final dataset. This leads to 621 observations for the Rep-to-Dem group and 344 observations for the Dem-to-Rep group.

Table 8 presents the results. I estimate Equation (2) within each group. The dependent variable is *RFD_ALL*, and the key independent variable is *RELREP_CEO*. For the Rep-to-Dem group, the estimated coefficient on *RELREP_CEO* is negative and significant at the 1% significance level before CEO turnover (coefficient = -0.810, t = -3.01). However, after the Republican-leaning CEO is replaced by a Democratic-leaning CEO, the estimated coefficient on *RELREP_CEO* is negative but statistically insignificant (coefficient = -0.09, t = -0.40). For the Dem-to-Rep group, the estimated coefficient on *RELREP_CEO* does not differ from zero before the CEO turnover (coefficient = -0.142, t = -0.79). However, after the Democratic-leaning CEO is replaced by a Republican-leaning CEO, the estimated coefficient on *RELREP_CEO* is negative and significant at the 1% significance level (coefficient = -1.561, t = -3.64). In sum, the results support the main findings, suggesting that CEO political ideology influences RFD.

Table 8. CEO Turnover

	Rep-to-Dem		Dem-to-Rep	
	Pre-	Post-	Pre-	Post-
	1	2	3	4
RELREP_CEO	**-0.810*** **	**-0.09**	**-0.142**	**-1.561*** **
	(-3.01)	**(-0.40)**	**(-0.79)**	**(-3.64)**
Size	-0.019	0.021	-0.113	-0.041
	(-0.36)	(0.25)	(-1.23)	(-0.93)
BTM	0.338	0.122	-0.607***	-0.048
	(1.65)	(0.49)	(-2.90)	(-0.24)
Ret	0.118**	-0.081	0.023	-0.073
	(2.18)	(-0.84)	(0.24)	(-1.01)
Leverage	0.06	0.215	-0.61	0.848***
	(0.13)	(0.44)	(-0.72)	(3.20)
StdRet	1.139	-0.942	2.446	3.144***
	(1.20)	(-0.81)	(1.67)	(2.86)
Beta	0.056	0.178	-0.261*	-0.06
	(0.53)	(1.60)	(-1.99)	(-0.82)
Skew	0.003	-0.002	-0.089**	-0.061**
	(0.11)	(-0.06)	(-2.36)	(-2.33)
Turn	0.116***	0.075	0.073**	-0.034
	(3.04)	(1.17)	(2.29)	(-1.04)
BigN	0.352*	-0.680*	0.082	0.088
	(1.80)	(-1.74)	(0.37)	(1.03)
ETR	-0.099	0.122	-0.262	0.156
	(-0.39)	(0.71)	(-0.64)	(1.11)
Earn	-0.034	0.959	-1.543***	0.913
	(-0.04)	(0.58)	(-3.27)	(0.84)
Analysts	0.009	0.004	0.020**	0.001
	(1.16)	(0.47)	(2.35)	(0.12)
Intercept	7.747***	8.361***	8.843***	9.455***
	(18.67)	(12.48)	(9.39)	(14.92)
Year FE	Yes	Yes	Yes	Yes
Ind FE	Yes	Yes	Yes	Yes
Adj. R^2	0.564	0.436	0.611	0.817
N	353	268	167	177

Note: This table presents results using the CEO turnover sample. **Rep-to-Dem** (**Dem-to-Rep**) includes firms whose Republican (Democratic) CEOs were replaced by Democratic (Republican) CEOs. The dependent variable is ***RFD_ALL***, and the key independent variable is ***RELREP_CEO***. **Pre-** (**Post-**) includes four years before (after) the CEO turnover. The sample period is 2005 to 2018. All continuous variables are winsorized at the 1st and 99th percentile values. All regression models include year and industry fixed effects. The t-statistics reported in parentheses are calculated using standard errors clustered at the firm level. ***, **, and * indicate statistical significance at 1 percent, 5 percent, and 10 percent, respectively.

5.3. Additional Analyses

5.3.1. CEO Power

Prior literature documents that CEO power influences various corporate decisions (e.g., Muttakin, Khan, and Mihret 2018; Abernethy, Kuang, and Qin 2015). Powerful CEOs have more influence on corporate decisions, suggesting that the effect of CEO political ideology is more likely to be reflected in corporate disclosure choices when CEO has more power. Thus, I conduct a test to evaluate how CEO power influences my main finding. I expect that the negative relation between Republican-leaning CEOs and RFD is more pronounced when a CEO has more power. I consider several factors that affect the CEO's power to influence disclosure decisions. Following prior studies, I construct a summary index of CEO power with five different factors, including CEO pay slice, CEO duality, CEO ownership, tenure, and percentage of independent directors (e.g., Abernethy et al. 2015; Finkelstein 1992). CEO pay slice, CEO duality, and percentage of independent directors are used to measure the CEO's structural power, CEO ownership is used to measure CEO's ownership power, and tenure is used to measure CEO's expert power (Han, Nanda, and Silveri 2016; Finkelstein 1992).

The first factor is the CEO pay slice. Bebchuk, Cremers, and Peyer (2011) argue that the CEO pay slice reflects the relative power of the CEO in the top management team. The CEO pay slice is calculated as a ratio of CEO compensation to aggregate top-five executives' compensation in the management team, including the CEO. Then I create an indicator variable that equals one if the CEO pay slice is greater than the industry and year median, and zero otherwise. The second factor I consider is CEO duality. When CEO is also the Chairman of the board, the board's monitoring role of the CEO will be lessened (e.g., Tuggle, Sirmon, Reutzel, and Bierman, 2010).

This would lead the CEO to have more discretion on the disclosure decisions. I create an indicator variable that equals one if the CEO is also the Chairman of the board, and zero otherwise.

Then I consider CEO tenure and ownership. CEO power tends to increase with CEO tenure (ownership) because long-tenured (higher ownership) CEO has more influence on board decisions, granting more discretions to CEO in disclosure decisions (e.g., Van Essen, Otten, and Carberry, 2015; Finkelstein, 1992; Finkelstein and Hambrick. 1989). I create an indicator variable that equals one if CEO tenure (the percentage of total shares owned by the CEO) is greater than the industry and year median, and zero otherwise. Lastly, I consider the percentage of independent directors. The percentage of independent directors is calculated as the percentage of independent directors over the total board of directors. A higher portion of independent directors increases scrutiny and monitoring functions, leading to less CEO power (e.g., Byrd and Hickman, 1992). Thus, I create an indicator variable that equals one if the percentage of independent directors is less than the industry and year median, and zero otherwise. The indicator variable of the percentage of independent directors is one when CEO has more power.

The CEO power index is then calculated by adding the indicator variables of the five CEO power measures. A higher CEO power index indicates that the CEO has more power over the firm's disclosure decisions. I create an indicator variable, *CEO_Power*, which equals one if the CEO power index is greater than the median CEO power among the sample firms, and zero otherwise. Then I employ the following OLS regression model to evaluate the effect of CEO power on my main findings:

$$\begin{aligned} RFD = {} & \alpha_0 + \alpha_1 CEO\_Power + \alpha_2 CEO\_REP + \alpha_3 CEO\_Power{*}CEO\_REP + \alpha_4 Size \\ & + \alpha_5 BTM + \alpha_6 Ret + \alpha_7 Lev + \alpha_8 Stdret + \alpha_9 Beta + \alpha_{10} Skew + \alpha_{11} BigN + \alpha_{12} ETR \\ & + \alpha_{13} Earn + \alpha_{14} Analyst + \alpha_{15} Turn + \text{Year FE} + \text{Industry FE} + \varepsilon, \end{aligned} \quad (3)$$

Table 9 presents the results. The key independent variable is the interaction term of *CEO_Power* and the CEO political ideology variable. In columns 1 and 2, the dependent variable is *RFD_ALL*, and in columns 3 and 4, the dependent variable is *RFD_RISK*. For the tests with RFD informativeness measures, the results indicate that three of four estimated coefficients for the interaction term are negative and statistically significant (*RFD_ALL*: coefficient = -0.057, *t* = -1.58 for *RELREP_CEO*, and coefficient = -0.093, *t* = -1.77 for *REP_CEO*; *RFD_RISK*: coefficient = -0.07, *t* = -1.94 for *RELREP_CEO*, and coefficient = -0.107, *t* = -2.03 for *REP_CEO*). In columns 5 and 6, the dependent variable is *RFD_ABTONE*. The results indicate that both estimated coefficients on the interaction term of *CEO_Power* and the CEO political ideology variable are negative and statistically significant (coefficient = -0.005, *t* = -2.12 for *RELREP_CEO*, and coefficient = -0.006, *t* = -1.80 for *REP_CEO*). The results suggest that the negative relation between firms with Republican-leaning CEOs and RFD is more pronounced when the CEO has more power over corporate decision-making.

Table 9. CEO Power

	DV: *RFD_ALL*		DV: *RFD_RISK*		DV: *RFD_ ABTONE*	
	1	2	3	4	5	6
Variables	*RELREP_CEO*	*REP_CEO*	*RELREP_CEO*	*REP_CEO*	*RELREP_CEO*	*REP_CEO*
CEO_Power	0.012	0.037	0.005	0.032	0.001	0.003
	(0.51)	(1.19)	(0.22)	(1.06)	(0.86)	(1.50)
CEO_REP	-0.043**	-0.061**	-0.037*	-0.054*	-0.001	-0.003
	(-2.06)	(-2.05)	(-1.79)	(-1.86)	(-0.84)	(-1.55)
CEO_Power*CEO_REP	**-0.057**	**-0.093***	**-0.070***	**-0.107****	**-0.005****	**-0.006***
	(-1.58)	**(-1.77)**	**(-1.94)**	**(-2.03)**	**(-2.12)**	**(-1.80)**
Size	-0.044***	-0.043***	-0.030**	-0.030**	-0.002***	-0.002***
	(-3.36)	(-3.33)	(-2.38)	(-2.35)	(-2.83)	(-2.82)
BTM	0.140***	0.139***	0.130***	0.129***	0.004*	0.004*
	(3.66)	(3.64)	(3.39)	(3.37)	(1.75)	(1.75)
Ret	0.126***	0.127***	0.119***	0.120***	0.004***	0.004***
	(7.21)	(7.23)	(6.82)	(6.85)	(3.43)	(3.51)
Leverage	0.274***	0.269***	0.276***	0.271***	-0.001	-0.001
	(3.74)	(3.67)	(3.83)	(3.77)	(-0.15)	(-0.18)
StdRet	1.506***	1.495***	1.230***	1.218***	-0.022	-0.023
	(6.56)	(6.51)	(5.46)	(5.42)	(-1.47)	(-1.54)
Beta	0.024	0.024	0.050**	0.050**	0.002	0.002
	(1.04)	(1.04)	(2.19)	(2.19)	(1.17)	(1.17)
Skew	-0.014**	-0.014**	-0.014**	-0.014**	-0.001*	-0.001
	(-2.17)	(-2.12)	(-2.12)	(-2.08)	(-1.67)	(-1.64)

Turn	0.065***	0.066***	0.059***	0.060***	0.003***	0.003***
	(9.48)	(9.59)	(8.83)	(8.93)	(5.81)	(5.90)
BigN	0.078*	0.076	0.083*	0.082*	0.007***	0.007**
	(1.67)	(1.63)	(1.80)	(1.74)	(2.58)	(2.54)
ETR	-0.110***	-0.109***	-0.123***	-0.123***	-0.007***	-0.007***
	(-2.83)	(-2.82)	(-3.23)	(-3.23)	(-2.93)	(-2.90)
Earn	-1.075***	-1.088***	-1.072***	-1.086***	-0.013	-0.014
	(-5.57)	(-5.65)	(-5.61)	(-5.70)	(-0.81)	(-0.89)
Analysts	0.007***	0.007***	0.007***	0.007***	0.000**	0.000**
	(3.39)	(3.48)	(3.50)	(3.58)	(2.01)	(2.10)
Intercept	7.839***	7.850***	4.670***	4.681***	0.014*	0.014**
	(68.32)	(68.48)	(41.42)	(41.51)	(1.90)	(1.98)
Year FE	Yes	Yes	Yes	Yes	Yes	Yes
Ind FE	Yes	Yes	Yes	Yes	Yes	Yes
Adj. R^2	0.369	0.369	0.374	0.374	0.224	0.225
N	12,118	12,118	12,118	12,118	8,320	8,320

Note: This table presents OLS regression results examining the effect of CEO power on the relation between RFD and CEO political ideology. The dependent variable is ***RFD_ALL*** for columns 1 and 2, ***RFD_RISK*** for columns 3 and 4, and ***RFD_ABTONE*** for columns 5 and 6. The key independent variable is an interaction term of ***CEO_Power*** and CEO political ideology variables. ***CEO_Power*** equals one if the CEO power index is greater than the median CEO power among the sample firms, and zero otherwise. The sample period is 2005 to 2018. All regression models include year and industry fixed effects. The t-statistics reported in parentheses are calculated using standard errors clustered at the firm level. ***, **, and * indicate statistical significance at 1 percent, 5 percent, and 10 percent, respectively.

5.3.2. CEO Characteristics

Prior studies emphasize several CEO characteristics related to risk-taking behavior that influences corporate decisions, including CEO gender, age, and tenure. These studies document that firms with female CEOs are less leveraged and have less volatile earnings (Faccio, Marchica, and Mura 2016), firms with older CEOs have lower stock return volatility (Chen and Zheng, 2014), and firms with long-tenured CEO have lower leverage levels (Berger, Ofek, and Yermack, 1997). Thus, I next consider CEO characteristics that might influence my main findings. I include these additional CEO characteristics as additional control variables in Equation (2). Table 10 presents the results. For columns 1 and 2, the dependent variable is *RFD_ALL*, and for columns 3 and 4, the dependent variable is *RFD_RISK*. In columns 1 and 2, the results reveal that the negative relation between firms with Republican-leaning CEOs and RFD still holds after controlling for the additional CEO characteristics (coefficient = -0.049, t = -2.42 for *RELREP_CEO*, and coefficient = -0.068, t = -2.29 for *REP_CEO*). The results are consistent in columns 3 and 4 with risk-related keywords (coefficient = -0.046, t = -2.27 for *RELREP_CEO*, and coefficient = -0.063, t = -2.17 for *REP_CEO*). For columns 5 and 6, the dependent variable is *RFD_ABTONE*. I continue to find consistent results in columns 5 and 6 with uncertain tone (coefficient = -0.002, t = -1.44 for *RELREP_CEO*, and coefficient = -0.004, t = -2.08 for *REP_CEO*). Overall, the results suggest that after controlling for CEO age, gender, and tenure, CEO political ideology continues to be an important managerial characteristic that influences disclosure decisions.

Table 10. Other CEO Characteristics

	DV: *RFD_ALL*		DV: *RFD_RISK*		DV: *RFD_ ABTONE*	
	1	2	3	4	5	6
Variables	*RELREP_CEO*	*REP_CEO*	*RELREP_CEO*	*REP_CEO*	*RELREP_CEO*	*REP_CEO*
CEO_REP	**-0.049****	**-0.068****	**-0.046****	**-0.063****	**-0.002**	**-0.004****
	(-2.42)	**(-2.29)**	**(-2.27)**	**(-2.17)**	**(-1.44)**	**(-2.08)**
Size	-0.039***	-0.039***	-0.026**	-0.026**	-0.002**	-0.002**
	(-3.01)	(-2.98)	(-2.08)	(-2.04)	(-2.57)	(-2.56)
BTM	0.153***	0.152***	0.142***	0.142***	0.005**	0.005**
	(4.00)	(3.99)	(3.70)	(3.68)	(2.14)	(2.11)
Ret	0.126***	0.126***	0.119***	0.119***	0.004***	0.004***
	(7.22)	(7.23)	(6.84)	(6.86)	(3.50)	(3.54)
Leverage	0.265***	0.262***	0.267***	0.263***	-0.001	-0.001
	(3.67)	(3.62)	(3.74)	(3.69)	(-0.19)	(-0.20)
StdRet	1.491***	1.485***	1.217***	1.212***	-0.023	-0.023
	(6.52)	(6.49)	(5.41)	(5.39)	(-1.49)	(-1.52)
Beta	0.023	0.023	0.048**	0.048**	0.002	0.002
	(0.97)	(0.97)	(2.10)	(2.10)	(0.99)	(1.01)
Skew	-0.016**	-0.016**	-0.016**	-0.016**	-0.001*	-0.001*
	(-2.47)	(-2.43)	(-2.45)	(-2.42)	(-1.81)	(-1.77)
Turn	0.063***	0.063***	0.057***	0.058***	0.002***	0.002***
	(9.16)	(9.22)	(8.49)	(8.55)	(5.67)	(5.70)
BigN	0.072	0.072	0.078*	0.077*	0.007**	0.007**
	(1.57)	(1.56)	(1.67)	(1.66)	(2.47)	(2.51)
ETR	-0.105***	-0.105***	-0.120***	-0.120***	-0.007***	-0.007***
	(-2.71)	(-2.69)	(-3.15)	(-3.14)	(-2.91)	(-2.87)

Earn	-1.009***	-1.019***	-1.021***	-1.030***	-0.011	-0.012
	(-5.31)	(-5.36)	(-5.43)	(-5.48)	(-0.70)	(-0.74)
Analysts	0.006***	0.006***	0.006***	0.006***	0.000*	0.000*
	(3.04)	(3.11)	(3.18)	(3.24)	(1.79)	(1.84)
Age	-0.007***	-0.007***	-0.006***	-0.006***	-0.000***	-0.000***
	(-3.66)	(-3.66)	(-3.42)	(-3.42)	(-3.47)	(-3.43)
Gender	-0.031	-0.025	-0.036	-0.031	0.001	0.001
	(-0.48)	(-0.39)	(-0.53)	(-0.45)	(0.25)	(0.26)
Tenure	0.000	0.000	-0.001	-0.000	0.000	0.000
	(0.12)	(0.25)	(-0.29)	(-0.18)	(0.76)	(0.88)
Intercept	8.197***	8.205***	5.013***	5.021***	0.012	0.012
	(58.09)	(58.17)	(35.71)	(35.77)	(1.49)	(1.55)
Year FE	Yes	Yes	Yes	Yes	Yes	Yes
Ind FE	Yes	Yes	Yes	Yes	Yes	Yes
Adj. R^2	0.371	0.371	0.374	0.374	0.226	0.227
N	12,031	12,031	12,031	12,031	8,286	8,286

Note: This table presents OLS regression results of RFD on political ideology plus additional CEO characteristics. The dependent variable is ***RFD_ALL*** for columns 1 and 2, ***RFD_RISK*** for columns 3 and 4, and ***RFD_ABTONE*** for columns 5 and 6. The key independent variables are ***RELREP_CEO*** and ***REP_CEO***. The sample period is 2005 to 2018. All regression models include year and industry fixed effects. The t-statistics reported in parentheses are calculated using standard errors clustered at the firm level. ***, **, and * indicate statistical significance at 1 percent, 5 percent, and 10 percent, respectively.

5.3.3. Firm-level Political Ideology

I further probe my main findings by employing a firm-level measure of political ideology, rather than a CEO-level measure, to ensure the robustness of my findings. Following Hutton et al. (2014), I measure firm-level political ideology using the top five executives' political contribution data. First, I calculate each executive's political ideology by following the steps to calculate the *RELREP_CEO* and *REP_CEO*. Then executives are assigned weights that vary inversely with their Execucomp salary rank. For example, the first highest-paid manager is assigned a weight of ω, and the second highest-paid manager is assigned a weight of 0.5ω. Following these steps, I create two firm-level political ideology measures, *RELREP* and *REP*. Table 11 presents the results. In columns 1 and 2, RFD is lower for firms with Republican-leaning executives (coefficient = -0.097, t = -2.89 for *RELREP*, and coefficient = -0.124, t = -2.53 for *REP*). In columns 3 and 4, firms with Republican-leaning executives use fewer risk-related words in RFD (coefficient = -0.086, t = -2.55 for *RELREP*, and coefficient = -0.114, t = -2.38 for *REP*). In columns 5 and 6, firms with Republican-leaning executives use less uncertain tone in RFD (coefficient = -0.003, t = -1.53 for *RELREP*, and coefficient = -0.006, t = -2.00 for *REP*). Overall, the results support my main findings by suggesting that political ideology influences a firm's disclosure decisions.

Table 11. Top Five Executives

	DV: *RFD_ALL*		DV: *RFD_RISK*		DV: *RFD_ ABTONE*	
	1	2	3	4	5	6
Variables	*RELREP*	*REP*	*RELREP*	*REP*	*RELREP*	*REP*
Firm_REP	**-0.097*** **	**-0.124** **	**-0.086** **	**-0.114** **	**-0.003**	**-0.006** **
	(-2.89)	**(-2.53)**	**(-2.55)**	**(-2.38)**	**(-1.53)**	**(-2.00)**
Size	-0.044***	-0.042***	-0.030**	-0.029**	-0.002***	-0.002***
	(-3.38)	(-3.20)	(-2.39)	(-2.22)	(-2.86)	(-2.75)
BTM	0.141***	0.143***	0.132***	0.134***	0.005*	0.005*
	(3.71)	(3.74)	(3.44)	(3.47)	(1.83)	(1.85)
Ret	0.128***	0.128***	0.121***	0.121***	0.004***	0.004***
	(7.28)	(7.29)	(6.90)	(6.91)	(3.54)	(3.58)
Leverage	0.279***	0.275***	0.281***	0.277***	-0.001	-0.001
	(3.82)	(3.76)	(3.90)	(3.84)	(-0.11)	(-0.12)
StdRet	1.498***	1.495***	1.226***	1.223***	-0.023	-0.024
	(6.51)	(6.50)	(5.44)	(5.43)	(-1.51)	(-1.55)
Beta	0.023	0.022	0.048**	0.048**	0.002	0.002
	(0.97)	(0.96)	(2.11)	(2.09)	(1.13)	(1.12)
Skew	-0.015**	-0.015**	-0.014**	-0.014**	-0.001*	-0.001*
	(-2.26)	(-2.23)	(-2.21)	(-2.18)	(-1.74)	(-1.72)
Turn	0.065***	0.065***	0.059***	0.060***	0.003***	0.003***
	(9.42)	(9.50)	(8.80)	(8.86)	(5.82)	(5.83)
BigN	0.075	0.074	0.081*	0.080*	0.007**	0.007**
	(1.61)	(1.58)	(1.72)	(1.70)	(2.48)	(2.48)

ETR	-0.110***	-0.110***	-0.124***	-0.124***	-0.008***	-0.008***
	(-2.86)	(-2.84)	(-3.27)	(-3.25)	(-2.98)	(-2.94)
Earn	-1.073***	-1.082***	-1.074***	-1.081***	-0.014	-0.014
	(-5.56)	(-5.60)	(-5.60)	(-5.65)	(-0.86)	(-0.88)
Analysts	0.007***	0.007***	0.007***	0.007***	0.000**	0.000**
	(3.40)	(3.47)	(3.51)	(3.58)	(2.02)	(2.07)
Intercept	7.850***	7.853***	4.679***	4.683***	0.015**	0.015**
	(68.38)	(68.45)	(41.42)	(41.47)	(2.01)	(2.03)
Year FE	Yes	Yes	Yes	Yes	Yes	Yes
Ind FE	Yes	Yes	Yes	Yes	Yes	Yes
Adj. R^2	0.369	0.369	0.374	0.374	0.223	0.224
N	12,118	12,118	12,118	12,118	8,320	8,320

Note: This table presents OLS regression results of RFD on a measure of political ideology that considers the top five executives. The dependent variable is ***RFD_ALL*** for columns 1 and 2, ***RFD_RISK*** for columns 3 and 4, and ***RFD_ABTONE*** for columns 5 and 6. The key independent variables are ***RELREP*** and ***REP***. The sample period is 2005 to 2018. All regression models include year and industry fixed effects. The t-statistics reported in parentheses are calculated using standard errors clustered at the firm level. ***, **, and * indicate statistical significance at 1 percent, 5 percent, and 10 percent, respectively.

5.3.4. Alternative Measure of RFD

In addition to two main variables for RFD informativeness, I further employ an alternative measure of RFD informativeness, *RFD_FWD*, using forward-looking keywords to ensure the robustness of my findings. Following Chiu et al. (2019), I calculate *RFD_FWD* as the log of the number of forward-looking keywords used in RFD, and the forward-looking keywords are defined by Muslu, Radhakrishnan, Subramanyam, and Lim (2015) and Li (2010). The forward-looking keywords capture the amount of forward-looking information in RFD, providing firms' future prospects (Chiu et al. 2019). The forward-looking keywords are presented in Appendix B.

I conduct the test using Equation (2) by employing *RFD_FWD* as a dependent variable. Table 12 presents the results. I find that the estimated coefficients on CEO political ideology are negative and statistically significant (coefficient = -0.064, t = -2.51 for *RELREP_CEO*, and coefficient = -0.08, t = -2.08 for *REP_CEO*). The results suggest that Republican-leaning CEOs are likely to provide less forward-looking information than non-Republican-leaning CEOs, which corroborates the main findings that Republican-leaning CEOs are more cautious about disclosing risks firms facing than non-Republican-leaning CEOs.

Table 12. Forward-looking Information

	DV: *RFD_ FWD*	
	1	2
Variables	*RELREP_CEO*	*REP_CEO*
CEO_REP	**-0.064****	**-0.080****
	(-2.51)	**(-2.08)**
Size	-0.049***	-0.048***
	(-3.16)	(-3.12)
BTM	0.210***	0.209***
	(4.32)	(4.31)
Ret	0.146***	0.147***
	(6.66)	(6.68)
Leverage	0.180*	0.174*
	(1.85)	(1.78)
StdRet	1.707***	1.700***
	(5.77)	(5.74)
Beta	0.015	0.015
	(0.49)	(0.49)
Skew	-0.018**	-0.017**
	(-2.04)	(-2.01)
Turn	0.067***	0.068***
	(7.31)	(7.38)
BigN	0.058	0.057
	(1.05)	(1.02)
ETR	-0.151***	-0.151***
	(-3.11)	(-3.10)
Earn	-1.615***	-1.630***
	(-6.60)	(-6.65)
Analysts	0.006**	0.006**
	(2.49)	(2.55)
Intercept	2.858***	2.870***
	(20.00)	(20.04)
Year FE	Yes	Yes
Ind FE	Yes	Yes
Adj. R^2	0.299	0.298
N	12,118	12,118

Note: This table presents OLS regression results from regressing forward-looking information on CEO political ideology and control variables. The dependent variable is ***RFD_FWD***, and the key independent variables are ***RELREP_CEO*** and ***REP_CEO***. The sample includes 12,118 firm-year observations from 2005 to 2018. All continuous variables are winsorized at the 1st and 99th percentile values. All regression models include year and industry fixed effects. The t-statistics reported in parentheses are calculated using standard errors clustered at the firm level. ***, **, and * indicate statistical significance at 1 percent, 5 percent, and 10 percent, respectively.

5.3.5. State Fixed-Effects Specifications

In the U.S., political preferences are closely related to geographic factors (e.g., red states vs. blue states). Therefore, I consider the potential impact of geographic factors on CEOs' political contributions. Although most studies in the political ideology literature commonly use industry and year fixed effects in their regression model (e.g., Elnahas and Kim 2017; Francis et al. 2016; Hutton et al. 2014), some studies employ state fixed effects to account for the possible state-level variation in CEO political ideology (e.g., Dong, Li, Xie, and Zhang 2018; Jiang, Kumar, and Law 2016). I re-estimate the main regression model by including state-fixed effects in addition to the industry and year fixed effects. Table 13 presents the results. I find that five of the six estimated coefficients on CEO political ideology are negative and statistically significant (*RFD_ALL*: coefficient = -0.037, *t* = -1.82 for *RELREP_CEO*, and coefficient = -0.054, *t* = -1.87 for *REP_CEO*; *RFD_RISK*: coefficient = -0.04, *t* = -1.96 for *RELREP_CEO*, and coefficient = -0.057, *t* = -1.98 for *REP_CEO*; *RFD_ABTONE*: coefficient = -0.002, *t* = -1.57 for *RELREP_CEO*, and coefficient = -0.004, *t* = -2.22 for *REP_CEO*). Overall, the main results are unchanged after controlling for state fixed effects.

Table 13. State Fixed Effects

	DV: *RFD_ALL*		DV: *RFD_RISK*		DV: *RFD_ ABTONE*	
	1	2	3	4	5	6
Variables	*RELREP_CEO*	*REP_CEO*	*RELREP_CEO*	*REP_CEO*	*RELREP_CEO*	*REP_CEO*
CEO_REP	**-0.037***	**-0.054***	**-0.040****	**-0.057****	**-0.002**	**-0.004****
	(-1.82)	**(-1.87)**	**(-1.96)**	**(-1.98)**	**(-1.57)**	**(-2.22)**
Size	-0.041***	-0.041***	-0.026**	-0.026**	-0.002***	-0.002***
	(-3.25)	(-3.24)	(-2.07)	(-2.06)	(-2.75)	(-2.74)
BTM	0.130***	0.129***	0.124***	0.123***	0.004	0.004
	(3.50)	(3.49)	(3.29)	(3.28)	(1.47)	(1.45)
Ret	0.112***	0.112***	0.104***	0.105***	0.003***	0.003***
	(6.65)	(6.67)	(6.20)	(6.21)	(2.81)	(2.86)
Leverage	0.358***	0.355***	0.355***	0.351***	0.002	0.001
	(5.03)	(4.99)	(5.05)	(5.01)	(0.37)	(0.34)
StdRet	1.409***	1.399***	1.156***	1.145***	-0.023	-0.024
	(6.37)	(6.32)	(5.29)	(5.25)	(-1.55)	(-1.60)
Beta	0.022	0.022	0.044**	0.044**	0.001	0.002
	(0.97)	(0.99)	(2.00)	(2.02)	(0.97)	(1.00)
Skew	-0.017***	-0.016**	-0.016**	-0.015**	-0.001**	-0.001**
	(-2.63)	(-2.57)	(-2.46)	(-2.41)	(-2.20)	(-2.14)
Turn	0.058***	0.058***	0.053***	0.054***	0.002***	0.002***
	(8.54)	(8.58)	(8.01)	(8.05)	(5.62)	(5.65)
BigN	0.078*	0.077*	0.087*	0.086*	0.006**	0.006**
	(1.73)	(1.71)	(1.90)	(1.88)	(2.19)	(2.19)

ETR	-0.086**	-0.086**	-0.103***	-0.103***	-0.007***	-0.007***
	(-2.32)	(-2.31)	(-2.83)	(-2.82)	(-2.68)	(-2.66)
Earn	-0.993***	-1.000***	-0.989***	-0.997***	-0.007	-0.008
	(-5.25)	(-5.28)	(-5.26)	(-5.30)	(-0.45)	(-0.49)
Analysts	0.006***	0.006***	0.006***	0.006***	0.000*	0.000**
	(2.93)	(3.00)	(2.96)	(3.04)	(1.90)	(1.99)
Intercept	7.554***	7.578***	4.282***	4.307***	-0.017	-0.015
	(56.80)	(58.17)	(31.11)	(32.22)	(-1.26)	(-1.11)
Year FE	Yes	Yes	Yes	Yes	Yes	Yes
Ind FE	Yes	Yes	Yes	Yes	Yes	Yes
State FE	Yes	Yes	Yes	Yes	Yes	Yes
Adj. R^2	0.426	0.426	0.424	0.424	0.271	0.272
N	11,937	11,937	11,937	11,937	8,209	8,209

Note: This table presents OLS regression results of RFD on CEO political ideology and control variables, including state fixed effects. The dependent variable is ***RFD_ALL*** for columns 1 and 2, ***RFD_RISK*** for columns 3 and 4, and ***RFD_ABTONE*** for columns 5 and 6. The key independent variables are ***RELREP_CEO*** and ***REP_CEO***. The sample period is 2005 to 2018. All continuous variables are winsorized at the 1st and 99th percentile values. All regression models include year, industry, and state fixed effects. The t-statistics reported in parentheses are calculated using standard errors clustered at the firm level. ***, **, and * indicate statistical significance at 1 percent, 5 percent, and 10 percent, respectively.

5.3.6. Investor Reaction

I further investigate the impact of CEO political ideology on market reactions to the risk factor information. To measure the investor reaction, I calculate the three-day period [-1, 0, 1] absolute value of cumulative abnormal returns around the 10-K filing dates, *AB_CAR*. I employ the following OLS regression model to investigate the market reaction:

$$\begin{aligned} AB\_CAR = {} & \alpha_0 + \alpha_1 RFD + \alpha_2 CEO\_REP + \alpha_3 RFD{*}CEO\_REP + \alpha_4 Size + \alpha_5 BTM \\ & + \alpha_6 Ret + \alpha_7 Lev + \alpha_8 Stdret + \alpha_9 Beta + \alpha_{10} Skew + \alpha_{11} BigN + \alpha_{12} ETR \\ & + \alpha_{13} Earn + \alpha_{14} Analyst + \alpha_{15} Turn + \text{Year FE} + \text{Industry FE} + \varepsilon, \end{aligned} \quad (4)$$

Table 14 presents the results of the investor reaction. The dependent variable is *AB_CAR*, and the key independent variable is the interaction term of *RFD* and CEO political ideology variable. Consistent with the prior literature, I find that the estimated coefficients on the informativeness of RFD variables are statistically significant. However, the estimated coefficients on the interaction term of *RFD* and CEO political ideology variable do not differ from zero. The results present that market response to RFD provided by Republican-leaning CEOs is not significantly different from that provided by non-Republican-leaning CEOs. The results indicate that while the market reacts to the RFD, CEO political ideology does not affect the market reaction to RFD.

Table 14. Investor Reaction

	RFD: *RFD_ALL*		RFD: *RFD_RISK*		RFD: *RFD_ ABTONE*	
	1	2	3	4	5	6
Variables	*RELREP_CEO*	*REP_CEO*	*RELREP_CEO*	*REP_CEO*	*RELREP_CEO*	*REP_CEO*
RFD	0.024***	0.026**	0.019**	0.020*	-0.091	-0.006
	(2.62)	(2.48)	(1.98)	(1.88)	(-0.44)	(-0.03)
CEO_REP	0.082	0.079	0.049	0.036	0.002	0.003
	(0.87)	(0.56)	(0.82)	(0.42)	(0.20)	(0.21)
RFD*CEO_REP	**-0.01**	**-0.01**	**-0.01**	**-0.008**	**-0.144**	**-0.317**
	(-0.91)	**(-0.60)**	**(-0.91)**	**(-0.50)**	**(-0.51)**	**(-0.73)**
Size	-0.054***	-0.054***	-0.055***	-0.055***	-0.043***	-0.043***
	(-9.05)	(-9.04)	(-9.14)	(-9.13)	(-5.92)	(-5.93)
BTM	0.164***	0.164***	0.165***	0.165***	0.193***	0.193***
	(6.65)	(6.62)	(6.68)	(6.65)	(6.40)	(6.41)
Ret	1.100***	1.100***	1.100***	1.100***	1.005***	1.005***
	(42.57)	(42.57)	(42.58)	(42.58)	(29.39)	(29.37)
Leverage	0.100***	0.099***	0.101***	0.100***	0.108***	0.109***
	(2.93)	(2.90)	(2.96)	(2.93)	(2.61)	(2.62)
StdRet	3.088***	3.088***	3.100***	3.101***	2.759***	2.761***
	(14.51)	(14.49)	(14.56)	(14.55)	(10.37)	(10.37)
Beta	-0.033**	-0.033**	-0.034**	-0.034**	-0.003	-0.002
	(-2.01)	(-1.99)	(-2.02)	(-2.02)	(-0.12)	(-0.11)
Skew	-0.028***	-0.028***	-0.028***	-0.028***	-0.023***	-0.023***
	(-4.25)	(-4.24)	(-4.26)	(-4.26)	(-3.06)	(-3.06)
Turn	0.060***	0.060***	0.061***	0.061***	0.069***	0.069***
	(11.99)	(11.99)	(12.11)	(12.10)	(11.11)	(11.12)

BigN	-0.044**	-0.044**	-0.043**	-0.043**	-0.048*	-0.048*
	(-2.19)	(-2.19)	(-2.18)	(-2.17)	(-1.93)	(-1.94)
ETR	-0.02	-0.019	-0.02	-0.02	0.018	0.018
	(-0.62)	(-0.60)	(-0.62)	(-0.61)	(0.43)	(0.43)
Earn	-0.447**	-0.447**	-0.453**	-0.453**	-0.950***	-0.949***
	(-2.40)	(-2.40)	(-2.43)	(-2.42)	(-3.49)	(-3.48)
Analysts	0.003***	0.003***	0.003***	0.003***	0.002*	0.002*
	(2.74)	(2.77)	(2.77)	(2.81)	(1.76)	(1.78)
Intercept	0.366***	0.352***	0.470***	0.464***	0.353***	0.352***
	(3.83)	(3.33)	(6.28)	(5.79)	(4.91)	(4.88)
Year FE	Yes	Yes	Yes	Yes	Yes	Yes
Ind FE	Yes	Yes	Yes	Yes	Yes	Yes
Adj. R^2	0.45	0.45	0.45	0.45	0.378	0.378
N	12,117	12,117	12,117	12,117	8,319	8,319

Note: This table presents OLS regression results of the investor reaction to the relation between RFD and CEO political ideology. The dependent variable is ***AB_CAR***, and the key independent variable is the interaction term of RFD and CEO political ideology. The sample period is 2005 to 2018. All continuous variables are winsorized at the 1st and 99th percentile values. All regression models include year and industry fixed effects. The t-statistics reported in parentheses are calculated using standard errors clustered at the firm level. ***, **, and * indicate statistical significance at 1 percent, 5 percent, and 10 percent, respectively.

5.3.7. Political Environment

CEOs show optimistic economic expectations when their political ideology aligns with the political affiliation of the U.S. president (e.g., Stuart, Wang, and Willis 2021). Therefore, I consider whether the external political environment affects my main findings, using the partisan of the U.S. president. I create an indicator variable *REP_YR* that equals one if the partisan of the U.S. president is Republican for the year, and zero otherwise. I employ the following OLS regression model to examine the effect of the external political environment on my main findings:

$$\begin{aligned} RFD = {} & \alpha_0 + \alpha_1 REP\_YR + \alpha_2 CEO\_REP + \alpha_3 REP\_YR{*}CEO\_REP + \alpha_4 Size + \alpha_5 BTM \\ & + \alpha_6 Ret + \alpha_7 Lev + \alpha_8 Stdret + \alpha_9 Beta + \alpha_{10} Skew + \alpha_{11} BigN + \alpha_{12} ETR + \alpha_{13} Earn \\ & + \alpha_{14} Analyst + \alpha_{15} Turn + \text{Year FE} + \text{Industry FE} + \varepsilon, \end{aligned} \quad (5)$$

Table 15 presents the results. The dependent variable is *RFD_ALL* for columns 1 and 2, *RFD_RISK* for columns 3 and 4, and *RFD_ABTONE* for columns 5 and 6. The key independent variable is the interaction term of *REP_YR* and *REP_CEO*. I find that the estimated coefficients on the interaction term do not differ from zero. These findings indicate that although CEOs tend to have optimistic economic expectations when their political ideology matches the political affiliation of the U.S. president, CEOs do not incorporate their optimistic view on risk factor information. The results are consistent with the psychology literature that politically conservative individuals are slower to react to changes (Jost and Thompson 2000), which could lead to no significant changes in the level of RFD.

	DV: *RFD_ALL*		DV: *RFD_RISK*		DV: *RFD_ ABTONE*	
	1	2	3	4	5	6
Variables	*RELREP_CEO*	*REP_CEO*	*RELREP_CEO*	*REP_CEO*	*RELREP_CEO*	*REP_CEO*
REP_YR	-0.799***	-0.804***	-0.839***	-0.845***	-0.030***	-0.030***
	(-29.98)	(-28.84)	(-31.34)	(-30.05)	(-16.65)	(-16.00)
CEO_REP	-0.053**	-0.085***	-0.051**	-0.084***	-0.003*	-0.005**
	(-2.33)	(-2.67)	(-2.26)	(-2.70)	(-1.95)	(-2.48)
REP_YR* CEO_REP	**-0.003**	**0.018**	**0.001**	**0.025**	**0.001**	**0.001**
	(-0.14)	**(0.69)**	**(0.06)**	**(0.96)**	**(1.08)**	**(0.73)**
Size	-0.044***	-0.044***	-0.031**	-0.030**	-0.002***	-0.002***
	(-3.39)	(-3.37)	(-2.40)	(-2.37)	(-2.87)	(-2.87)
BTM	0.140***	0.140***	0.131***	0.131***	0.005*	0.004*
	(3.67)	(3.66)	(3.41)	(3.40)	(1.81)	(1.78)
Ret	0.127***	0.128***	0.120***	0.121***	0.004***	0.004***
	(7.26)	(7.28)	(6.87)	(6.90)	(3.51)	(3.57)
Leverage	0.276***	0.271***	0.278***	0.273***	-0.001	-0.001
	(3.76)	(3.70)	(3.86)	(3.80)	(-0.15)	(-0.16)
StdRet	1.504***	1.495***	1.231***	1.222***	-0.023	-0.024
	(6.54)	(6.50)	(5.46)	(5.42)	(-1.51)	(-1.55)
Beta	0.024	0.024	0.049**	0.049**	0.002	0.002
	(1.02)	(1.03)	(2.16)	(2.17)	(1.15)	(1.18)
Skew	-0.015**	-0.014**	-0.014**	-0.014**	-0.001*	-0.001*
	(-2.20)	(-2.14)	(-2.15)	(-2.10)	(-1.71)	(-1.66)
Turn	0.065***	0.066***	0.060***	0.060***	0.003***	0.003***
	(9.50)	(9.57)	(8.86)	(8.93)	(5.86)	(5.89)

BigN	0.076	0.075	0.082*	0.081*	0.007**	0.007**
	(1.62)	(1.61)	(1.74)	(1.73)	(2.50)	(2.52)
ETR	-0.110***	-0.110***	-0.124***	-0.124***	-0.008***	-0.007***
	(-2.85)	(-2.84)	(-3.27)	(-3.25)	(-2.96)	(-2.92)
Earn	-1.078***	-1.093***	-1.078***	-1.092***	-0.014	-0.014
	(-5.60)	(-5.67)	(-5.64)	(-5.72)	(-0.86)	(-0.91)
Analysts	0.007***	0.007***	0.007***	0.007***	0.000**	0.000**
	(3.40)	(3.48)	(3.51)	(3.59)	(2.04)	(2.11)
Intercept	8.645***	8.660***	5.516***	5.530***	0.01	0.011
	(74.01)	(74.28)	(48.22)	(48.40)	(1.40)	(1.52)
Year FE	Yes	Yes	Yes	Yes	Yes	Yes
Ind FE	Yes	Yes	Yes	Yes	Yes	Yes
Adj. R^2	0.369	0.369	0.374	0.374	0.223	0.225
N	12,118	12,118	12,118	12,118	8,320	8,320

Note: This table presents OLS regression results of the effect of the external political environment on the relation between RFD and CEO political ideology. The dependent variable is ***RFD_ALL*** for columns 1 and 2, ***RFD_RISK*** for columns 3 and 4, and ***RFD_ABTONE*** for columns 5 and 6. The key independent variable is the interaction term of ***REP_YR*** and CEO political ideology. The sample period is 2005 to 2018. All continuous variables are winsorized at the 1st and 99th percentile values. All regression models include year and industry fixed effects. The t-statistics reported in parentheses are calculated using standard errors clustered at the firm level. ***, **, and * indicate statistical significance at 1 percent, 5 percent, and 10 percent, respectively.

Chapter 6: Conclusion

This paper examines whether CEO political ideology affects RFD. I find that firms with Republican-leaning CEOs provide less risk factor information than firms with non-Republican-leaning CEOs. Also, I find that firms with Republican-leaning CEOs use a less uncertain tone in RFD than non-Republican-leaning CEOs. These findings suggest that CEO political ideology affects the CEO's perceptions of uncertainty and exposure in determining the level of risk-related information to release. Additional tests reveal that the effect is more pronounced when the CEO has more power over corporate decision-making and is robust to the additional CEO characteristics and state fixed effects. I also probe my main findings by considering CEO turnover and alternative regression methods (propensity score matching and entropy balancing method). Overall, the results suggest that CEO political ideology influences RFD. Finally, I consider market reaction and document that while the market reacts to the RFD, CEO political ideology does not affect the market reaction to RFD.

This paper contributes to the risk disclosure literature (e.g., Campbell et al. 2019; Hope et al. 2016; Kravet and Muslu 2013) by highlighting that it is important to understand that RFD can be influenced by political ideology. This paper also contributes to the literature on political ideology (e.g., Chin and Semadeni 2017; Elnahas and Kim 2017; Francis et al. 2016; Hutton et al. 2014) by demonstrating how CEO political ideology influences corporate reporting decisions. Finally, this paper complements prior literature by highlighting the additional manager-specific effect that influences corporate disclosures (e.g., Davis et al. 2015; Bamber et al. 2010).

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Appendix A. Examples of Risk Factor Disclosure

Example 1

Excerpt of risk factor disclosure from Alphabet, Inc.'s 10-K for the fiscal year ended December 31, 2016:

". . .. . . On October 2, 2015, we completed a reorganization pursuant to which Alphabet became a holding company with no business operations of its own. Alphabet's only significant assets are the outstanding equity interests in Google and any other current or future subsidiaries of Alphabet. As a result, we rely on cash flows from subsidiaries to meet our obligations, including to service any debt obligations of Alphabet. We may not obtain the anticipated benefits of our reorganization into a holding company structure. . .. . .The benefits of this reorganization may not be obtained if circumstances prevent us from taking advantage of the strategic and business opportunities that we expect it may afford us. As a result, we may incur the costs of a holding company structure without realizing the benefits, which could adversely affect our reputation, financial condition, and operating results. . .. . ."

Example 2

Excerpt of risk factor disclosure from Apple, Inc.'s 10-K for the fiscal year ended September 30, 2017:

". . .. . . There may be losses or unauthorized access to or releases of confidential information, including personally identifiable information, that could subject the Company to significant reputational, financial, legal and operational consequences. The Company's business requires it to use and store confidential information, including, among other things, personally identifiable information ("PII") with respect to the Company's customers and employees. The Company devotes significant resources to network and data security, including through the use of encryption and other security measures intended to protect its systems and data. But these measures cannot provide absolute security, and losses or unauthorized access to or releases of confidential information may still occur, which could materially adversely affect the Company's reputation, financial condition and operating results. . .. . ."

Example 3

Excerpt of risk factor disclosure from Johnson & Johnson's 10-K for the fiscal year ended on December 31, 2017:

". . .. . . The Company has experienced significant challenges to patents covering its largest product, REMICADE® (infliximab) (accounting for approximately 8.3% of the Company's total net trade sales for fiscal 2017), and continues to assert certain patents related to the product. In the United States, a biosimilar version of REMICADE® was introduced in 2016, and additional competitors continue to enter the market. Sales of infliximab biosimilars in the U.S. market will result in a continued reduction in U.S. sales of REMICADE®. . .. . ."

Appendix B. Keywords list by risk category

	Keyword			
1. Risk-related keywords by Campbell et al. (2014)				
Financial Risk	Covenant(s)	Bank debt	Capital expenditure(s)	Capital lease(s)
	Chapter 11	Chapter 7	Chapter 9	Collateral
	Concentrated ownership	Anti-takeover provision(s)	Credit facility (facilities)	Investment in equipment
	Credit risk	Debt burden	Decline in stock price	Default
	Defined Benefit	Dilution	Dividends	Downgrade
	Family	Financial condition	Financing costs	Funded status
	Illiquid market	Improvements	Indebtedness	Insider sales
	Credit rating	Investment in plant	Lease/Leases/Leasing	Lease commitment(s)
	Leverage	Leveraged lease(s)	Limited trading	Liquidity
	Loan	Locked-in lease(s)	Revolver	Maturity
	Reserves	New financing	Obligations	OPEB (O.P.E.B.)
	Operating losses	Penny stock	Postretirement	Rating
	Refinance	Refinancing	Reinsurance	Renegotiation
	Volatility of operating results	Negative operating cash flow	Mandatory contribution	Sale of productive assets
	Stock market listing	Stock price drop	Underwriting	Underfunded pensions
			Working capital	
	Stock price volatility	Reorganization	Volatility of revenues	Volatility of sales
Litigation Risk	Adverse judgment	Anti-trust	Casualty	Charged
	Class action	Compliance	Comply	Conflict(s) of interest
	Contamination	Defendant	Deregulation	Enforcement
	Effects of implementing new method(s)	Enforceability of judgments	Effects of implementing new standard(s)	Regulatory compliance
	FDA approval	Federal	Fines	Fraud
	Related party (parties)	Government policy	Restatement(s)	Hazardous
	IFRS (I.F.R.S.)	Infringe	Injury	Inquiry/Inquiries
	Intellectual property	Investigation(s)	Legislation	Litigation
	Pay damages	penalty/penalties	Pending lawsuit(s)	Plaintiff
	Remediation	Potential lawsuit(s)	Product liability	Regulation(s)
	Regulatory	Regulatory approval	Regulatory change	Environmental
	Regulatory environment	Government investigation	Possibility of restatement(s)	Governmental approval
	Safety	Superfund	Uncertainties regarding accounting estimates	
Tax Risk	Aggressive tax position(s)	Uncertain tax position(s)	Tax penalty (penalties)	Deferred tax liability (liabilities)
	Excise tax(es)	FIN 48	State tax(es)	IRS (I.R.S.)
	IRS audit	IRS judgment	Loss carryback(s)	Loss carryforward(s)
	Tax authority (authorities)	Provision for income tax(es)	Internal Revenue Service	Tax liability (liabilities)
	Tax audit	Property tax(es)	Tax(es)	Deferred tax asset(s)
	Taxable	Back taxes	VAT	Value added tax
Idiosyncratic Risk	Keep and retain top management	Reliance on key customer(s)	Technological obsolescence	California power crisis
	Asset securitization(s)	Assimilation	Backlog	Brand
	Brand recognition	Asset impairment(s)	Certification	Clinical trial(s)
	Commercialize	Concentration	Consolidation	Construction

	Contract(s)	Copyright(s)	Corporate culture	Cost control
	Maintenance	Customer service	Delivery	Distribution
	Distributor(s)	Downsizing	Economies of scale	Embargo
	Enron	Expand	Expanding	Expansion
	Export(s)	Facilities	Franchise(e)	Goodwill
	Goodwill impairment(s)	Integrate/integrating/integration	Information technology	Innovation
	Insurance coverage	Intangible	Impairment	Intellectual
	Internal control(s)	Internet	Investment in subsidiary (subsidiaries)	IT (I.T.)
	Joint venture(s)	Systems	Key personnel	Labor cost(s)
	Labor relations	Labor union(s)	License(s)	MBS (M.B.S.)
	Customer concentration	Management retention	Variable interest entity	Material weakness(es)
	Secret(s)	Security	Shortages	Single customer
	Single supplier	Software	Sole supplier(s)	SPE (S.P.E.)
	Special purpose entity	Strike	Supplier(s)	Supply chain
	Synergy/synergies	Acquisition	Adequate staffing	Advertising
	Technologies	Technology	Trade	Marketing
	Limited operating history	New product acceptance	Mortgage backed securities	Mortgage servicing rights
	MSR (M.S.R.)	Natural disasters	New Construction	Merger
	New product development	Reliance on key supplier(s)	Restructuring implementation	Research and development
	Patent	Personnel	Preclinical	Product
	Product development	Product mix	Product performance	Production
	Proprietary	Publicity	Redundancy	Tariff(s)
	No current operations	Reporting controls	Orders	Restructuring
	Online	Sarbanes–Oxley	SARS	Trademark(s)
	Training	Union election	Market acceptance	Vendor(s)
	VIE(V.I.E.)	Weather	Web security	Website(s)
Systematic Risk	Afghanistan	Aggregate demand	Asian crisis	Business conditions
	Call	Capacity	Coal	Economy
	Competition	Competitor(s)	Complement	Concentration
	Consumer confidence	Consumer spending	Consumption	Currency collapse
	Economic(s)	Cyclical	Demand	Derivative(s)
	Operating environment	Currency fluctuation(s)	Economic condition(s)	Economic downturn(s)
	General economic conditions	Economic uncertainties	Commodity/commodities	Real estate investment trust
	Energy	EU (E.U.)	Euro	European Union
	Exchange rate(s)	Financial crisis	Fiscal policy	Foreign currency
	Foreign exchange	Forward(s)	Fuel	Future
	Gas	Gasoline	GDP (G.D.P.)	GNP (G.N.P.)
	General business risks	General conditions	Real	Gold
	Growth rate(s)	Hedge	Hedging	Housing
	Housing Starts	Industry condition(s)	Industry environment	Inflation
	Iraq	Market(s)	Market demand	Market supply
	Marketplace	Materials	Metal(s)	Middle East
	Mineral(s)	Mining	Monetary policy	Mortgage
	Natural gas	Obsolescence	Oil	Discounting
	Option	Ore	Overstocked	Peso

	Petroleum	Political climate	Political instability	Pound
	Price pressure	Prices	Pricing power	Raw material(s)
	Economic growth	Electricity	Recession	REIT (R.E.I.T.)
	Renmenbi	RMB	Ruble	Rupee
	Saving	Seasonal	September 11(th)	Short
	Silver	Steel	Substitute(s)	Swap
	Terrorism	U.S. dollar	Underlying	Unsalable inventory
	War	Yen	Yuan	
2. Forward-looking keywords by Muslu et al. (2015) and Li (2010)				
	will	assume	target	strive
	would	estimate	believe	position
	should	Expect	objective	look ahead
	can	forecast	goal	likely
	could	foresee	predict	strategy
	may	hope	potential	ongoing
	might	intend	budget	contemplate
	future	Plan	schedule	outlook
	aim	Project	continue	prospect
	anticipate	seek	possible	endeavor
	probable	look forward to		

Appendix C. Variable Definitions

Variables	Description
RFD measures	
RFD_ALL	Length of the RFD calculated as the log of the total number of words in RFD (*RFD_ALL_COUNT*) in the annual report.
RFD_RISK	The log of the number of risk-related keywords (*RFD_RISK_COUNT*) used in RFD, following Campbell et al. (2014). The risk-related keywords include financial risk, litigation risk, tax risk, idiosyncratic risk, and systematic risk.
RFD_ABTONE	Abnormal uncertain tone used in RFD, based on the uncertain word list defined by Loughran and McDonald (2011). *RFD_ ABTONE* is the residual from the following regression model: $RFD\_TONE = \alpha_0 + \alpha_1 ROA + \alpha_2 Ret + \alpha_3 Size + \alpha_4 BTM + \alpha_5 Stdret + \alpha_6 StdROA + \alpha_7 BusSeg + \alpha_8 GeoSeg + \alpha_9 Loss + \alpha_{10} \Delta ROA + \alpha_{11} LifeCycle + \varepsilon,$
Industry-Adjusted RFD_ALL	Difference between *RFD_ALL_COUNT* and its industry median based on the 4-digit SIC code.
Industry-Adjusted RFD_RISK	Difference between the *RFD_RISK_COUNT* and its industry median based on the 4-digit SIC code.
CEO Political ideology measures	
RELREP_CEO	The relative Republican index of the CEO is calculated following Hutton et al. (2014). First, I calculate the difference between the CEO's political contributions to the Republican and Democratic parties in a given election cycle and divide it by the CEO's total contribution to both parties in a given election cycle (*RelDum*). Then I calculate the mean value of *RelDum* across all election cycles for each CEO. I assign *RELREP_CEO* a value of zero to CEOs who never make a political contribution.
REP_CEO	I first calculate the indicator variable by assigning a value of one if political contributions of CEOs are all toward the Republican party in a given election cycle, and zero otherwise. Then I calculate the average of the indicator variable across all election cycles for each CEO. I assign *REP_CEO* a value of zero to CEOs who never make a political contribution.
B_REP_CEO	Binary variable equal to one if *REP_CEO* is greater than 0.5, and zero otherwise.
Control variables	
Size	Log of the market value of equity.
Btm	Book value of equity divided by the market value of equity.
Ret	The annual stock return calculated with monthly return data.
Leverage	Book value of debt divided by total assets.

StdRet	The standard deviation of monthly abnormal stock returns in year t-1.
Beta	The slope from regression of firm's daily returns on CRSP value-weighted market returns.
Skew	Skewness of monthly abnormal stock returns in year t-1.
Turn	The sum of monthly share turnover in year t-1. Share turnover is calculated as trading volume in the month divided by the shares outstanding at the end of the month.
BigN	An indicator variable equal to one for firms with a Big N auditor.
ETR	Total tax expense divided by pre-tax income.
Earn	Earnings before extraordinary items divided by lagged market value of equity.
Analysts	Number of analysts following the firm.
ROA	Return on assets calculated as earnings before extraordinary items scaled by lagged total assets.
StdROA	The standard deviation of return on assets.
ΔROA	Change in return on assets.
BusSeg	Log of the number of business segments. *BusSeg* equal to one if the item is missing from Compustat.
GeoSeg	Log of the number of geographic segments. *GeoSeg* equal to one if the item is missing from Compustat.
Loss	An indicator variable equal to one if earnings is negative, and zero otherwise.
LifeCycle	The standard deviation of sales revenue over the five years prior to the event year divided by the mean of sales revenue over the five years prior to the event year (Banker et al. 2011).
CEO Power Index	The CEO power index is calculated by adding the indicator variables of CEO power measures, including CEO pay slice, CEO duality, CEO ownership, tenure, and percentage of independent directors. CEO pay slice is calculated as the ratio of CEO compensation to the aggregate top-five executives' compensation in the management team, including the CEO. CEO pay slice equals one if the CEO pay slice is greater than the industry and year median, and zero otherwise. CEO duality equals one if the CEO is also the Chairman of the board, and zero otherwise. CEO tenure (ownership) equals one if CEO tenure (the percentage of total shares owned by the CEO) is greater than the industry and year median, and zero otherwise. The percentage of independent directors equals one if the percentage of independent directors over the total

	board of directors is less than the industry and year median, and zero otherwise. Thus, a higher CEO power index indicates that the CEO has more power over the firm's disclosure decisions.
CEO_Power	An indicator variable equal to one if the CEO power index is greater than the median CEO power among the sample firms, and zero otherwise.
Gender	An indicator variable equal to one if the CEO is female, and zero otherwise.
Age	Age of the CEO at year t.
Tenure	The number of years that the CEO has been CEO of the firm. Tenure is calculated by subtracting the year of *BECAMECEO* from year t.

Curriculum Vita

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Jiwoo Seo is a Ph.D. candidate in business administration with a concentration in Accounting and will graduate in spring 2023. Her educational background includes a Bachelor of Science in Accounting (2009) and Master of Science in Accounting (2019) from California State University, San Bernardino. Her research focuses on financial accounting questions using archival methods, with a specific interest in topics such as disclosure, managerial characteristics, and contracting. Her teaching interests include financial accounting, managerial accounting, and data analytics. Further, she is a CPA license holder and has working experience in a CPA firm and an investment company.