

Chief Human Resource Officers and accounting disclosures: Illuminating the firm's most important asset or window dressing?

Abstract

Social activism, including movements towards equal pay, gender rights, and racial equality, has heightened public scrutiny, exerting pressure on firms to reassess and reform their human resource practices to ensure they align with current social and ethical norms. Chief Human Resource Officers (CHROs) have a potentially important role in defining and promoting appropriate human resource practices through human resource disclosures in corporate annual reports. We empirically examine the effect of CHROs on expanded human capital resource (HCR) disclosures, recently mandated by the SEC. We find that CHROs have a greater effect on the quality of HCR disclosures when they belong to the top management team, and less so when they belong to groups that are more poorly represented in top management, such as women, racial or ethnic minorities, or non-US nationals, and CHROs holding a liberal arts degree. Jointly considering the characteristics of CHROs, CEOs, and CFOs, we additionally find that pro-democratic political ideology is related to higher quality HCR disclosures. This study contributes to the literature by introducing a generalizable measure of HCR disclosure quality, uncovering significant heterogeneity in HCR disclosure quality across large US firms, and highlighting the role of CHROs in this process. In doing so, this study documents evidence that individual top executives in addition to the CEO and CFO can have a measurable effect on voluntary financial disclosures.

1. Introduction

The management of human capital, often deemed to be the most valuable corporate asset, has been in the epicenter of a public policy debate in recent years. In particular, the recent societal revolution toward equal pay, gender rights, and racial equality has led to an important shift in corporate human resource practices. Firms have had to reassess workplace policies that pertain to issues such as equality, diversity and inclusion (EDI), workplace safety, employee rights and benefits, and pay parity (Wall et al., 2021), and to demonstrate ethical and effective human capital resource (HCR) practices through heightened disclosure of their policies and performance.¹ Against this backdrop, the SEC has recently revised S-K disclosure requirements to expand the HCR information to be disclosed in annual reports, yet allowing firms considerable latitude over the quality of their disclosures.² HCR disclosure quality is likely to be in the spotlight of public attention, and therefore a priority matter for top management teams, because social norms and scrutiny, emanating from diverse stakeholders, have been found to influence organizational policies (e.g., Aguilera et al., 2007; Chang et al., 2019). Further, Chief Human Resource Officers (CHROs) in particular can play a pivotal role in the dissemination of relevant HCR information, and in the successful implementation of corporate human resource management strategies (Mullins, 2018).³

¹ For example, in the Intuit 2020 10-K, CEO Brad Smith stated that “it’s our people, our culture, and our values that will help us become the leader in our industry. Human capital is the most important asset that any company has”. In the 2021 Intel 10-K the Chief Human Resource Officer, Sandra Rivera, stated that “an essential element of our growth strategy is to build a culture that empowers and inspires employees to collaborate and create, as we strive to become the most inclusive workplace on the planet.”

² The amended S-K disclosure rules, voted in on August 26, 2020, and implemented on November 9, 2020, enhanced human capital disclosure requirements in item 101(c) to include a description of the registrant’s HCR, and any human capital measures or objectives the registrant focuses on in managing the business. This amendment has mostly resulted in an extended description of various HCR dimensions in annual reports, and has often been accompanied by pertinent quantitative information.

³ Throughout the study we use the term Chief Human Resource Officer (CHRO) to denote the firm’s top human resource executive although other titles may be used by firms in labelling this position. Also, we use the terms top management team and C-suite executives interchangeably to refer to all executives listed in item 1 of the 10-K report.

Our study seeks to provide information on the quality of the first cycle of mandatory HCR disclosures and the role of key corporate executives to this end. Our paper complements the stakeholder theory of disclosures (Roberts, 1992) by testing the notion that a firm's CHRO plays a central role in HCR disclosure quality. Specifically, we examine whether the presence of CHROs in the C-suite and the demographic profile of CHROs, CEOs, and CFOs is associated with HCR disclosure quality.

The provision of systematic, generalizable, and comparative evidence on post-rule disclosure practices is likely to be valued by several firm stakeholders, including investors, firm employees, managers, and CHROs in particular. Further, focusing on the effect of the CHRO on the quality of HCR disclosures provides accounting researchers with a new perspective on how top executives other than the CEO or CFO can have an incremental effect on voluntary disclosure choices. Finally, by drawing links between demographic characteristics such as diversity, education, and political ideology with HCR disclosures we provide insights that are likely to be useful to policy makers amidst discussion on diversity quotas and the value of additional disclosures.

To address the study's research questions we analyse the HCR disclosures of the S&P 500 firms in their first filing after rule adoption. Rule adoption constitutes a useful setting in studying the effect of CHROs on HCR disclosures because most firms have very limited pre-rule disclosures, yet respond very differently to the new rules, exhibiting great variation in HCR disclosure quantity and quality in the first post-rule period. To measure HCR disclosure quality we dissect HCR policies into nine discrete dimensions, creating different disclosure quality constructs, following a vast body of work using self-developed scoring models and indices to capture disclosure quality (e.g., Botosan, 1997; Lapointe-Antunes et al., 2006; and Plumlee et al., 2015). In parallel, we track the status of CHROs in the C-suite and profile CHROs, CEOs, and

CFOs demographically in terms of gender, racial and ethnic background, education, age, and political ideology. To address self-selection concerns, our models linking HCR disclosure quality to executive demographic characteristics adopt the Heckman (1976) two-step selection procedure. Further, to account for the possibility firms with better HCR performance are likely to have better HCR disclosure, we control for a proxy of HCR performance, attempting to disentangle HCR disclosures from HCR outcomes (e.g., Clarkson et al., 2008; Clarkson et al., 2013).

We empirically find that CHROs who are members of the top management team (TMT) are associated with greater HCR disclosures, consistent with C-suite participation empowering the influence of the top human resource executive on accounting disclosures. Further, we find that CHROs belonging to demographically dominant groups, who are potentially more powerful, such as men, US executives, and executives who racially and ethnically belong to the majority, are associated with more extensive HCR disclosures. Additionally, we find that disclosure quality is lower when CHROs hold a liberal arts degree. Together, these results are suggestive of a role of CHRO demographic characteristics on HCR disclosure quality. Finally, we find that the jointly measured liberal political ideology of CEOs, CFOs, and CHROs heightens, and founder CEO status hinders HCR disclosure quality.

Our analysis indicates that having (not having) a CHRO in the TMT is associated with a high quality disclosure rating on EDI in 73% (58%) of the time, in 39% (29%) on compensation and benefits disclosure, and in 49% (41%) on employee development and talent management; and collectively with a high quality disclosure rating, termed a ternary disclosure rating, of 8.9 out of a maximum of 18 points (8.3 out of 18). Firms with (without) a CHRO in the TMT are associated with 964 (851) words on HCR topics in the 10-K, firms with (without) a founder CEO with a disclosure rating

of 7.3 (8.7), and firms with (without) a liberal corporate culture with a rating of 8.9 (8.4). Among firms with a CHRO those with a male (female) CHRO are associated with a disclosure quality index of 9.5 (8.6), and those with a CHRO holding (not holding) a liberal arts degree with a disclosure index of 8.5 (9.5). These differences are both statistically significant and economically meaningful.⁴

Our paper brings together and contributes to three strands of research. First, it draws on literature on the importance of executive expertise in human resource management (HRM). Extant literature has examined predictors of organizational decisions and the propensity to adopt specific HRM policies (e.g., Jiraporn et al., 2019) through various lenses such as institutional theory (DiMaggio and Powell, 1992), resource-based theory (Yang and Konrad, 2011), and organizational demography (Wiersema and Bantel, 1992; Everly and Schwarz, 2015). Importantly, such work has usually been confined to the role of the board of directors and the CEO as predictors of HRM policies and practices (e.g., Roumpi, 2022; Chin et al., 2021; Ng and Sears, 2020; Everly and Schwarz, 2015). While the accession of HR executives to top management teams has been sporadically studied (e.g., Guadalupe et al., 2014), more research is needed to examine the role of specialist HR executives on organizational choices, decisions, and outcomes related to HRM policies and practices (Menz, 2012; Turner and Merriman, 2022) given inconsistent results (e.g., Graham et al., 2017; Yang and Konrad, 2011). Motivated by this void in the literature, our study addresses the role of CHROs on HCR disclosures. In doing so, our study also contributes to extant literature by providing early evidence on the new and expanded HCR disclosures (also see a descriptive study by Demers et al., 2022), constructing a detailed, cross-sectionally

⁴ Given that limited time has elapsed since the adoption of the rules, and that the detailed data we use herein had to be laboriously manually collected, our ability to significantly expand the sample size, either cross-sectionally or in time, is limited. This notwithstanding, even if statistical significance of our results is not uniformly strong, their tangible economic import across a wide range of tests is encouraging.

generalizable measure of HCR disclosure quality, and providing empirical evidence on its potential determinants. Further, by isolating the role of CHROs this study provides evidence that an individual executive other than the CEO or CFO (e.g., Jiang et al., 2010) can contribute to financial disclosures.

Second, our paper draws on and contributes to work linking individual manager characteristics with corporate outcomes in general, and accounting disclosures in particular. This literature has partly dissented from neoclassical economic thought by suggesting that managerial inputs are not perfectly substitutable, but are partly determined by differences in managerial styles and preferences, and has primarily relied on behavioural economics (e.g., Thaler, 2016) and upper echelons theory (Hambrick and Mason, 1984, and Hambrick, 2007). Empirical work studying manager effects on financial policies has been provided by Bertrand and Schoar (2003) and Malmendier and Tate (2005). In accounting, Bamber et al. (2010) and Ge et al. (2011) provide empirical evidence on the effects of individual CEOs and CFOs, respectively, on voluntary accounting disclosures.⁵ We build on such work by highlighting how managerial demography also helps to explain the variation in HCR disclosure quality, thus contributing to both sides of the equation; illuminating the characteristics of CHROs and HCR disclosure strategy.

Third, our paper draws on literature suggesting that the values and biases of individuals in general (e.g., Barnea and Schwartz, 1998; Feldman, 2004; Goren et al., 2009) and managers in particular (e.g., Cohen et al., 2019; Francia et al., 2005; Tetlock, 2000) depend on their political beliefs. Recent research has built on this notion,

⁵ Earlier empirical evidence has linked dispersion in investor beliefs with analyst earnings forecasts (Bricker et al., 1994; 1995) and trading decisions (Bamber et al., 1997); and more recently auditor style with financial statement comparability (Francis et al., 2014), an executive's gender with conservatism in disclosure (Francis et al., 2015), managerial ability with corporate tax policies (Koester et al., 2017), and managerial preferences with earnings quality (Wells, 2020). Plockinger et al. (2016) and Hanlon et al. (2022) provide reviews of this rapidly growing body of work.

advancing the tenet that the political ideology of corporate decision-makers partly determines the decisions they make and, in turn, the resulting environment- and gender-related corporate outcomes (e.g., Chin et al., 2013; Giuli and Kostovetsky, 2014; Gupta et al., 2021; Cohen et al., 2021). Our study contributes to the growing literature on the relevance of the political ideology of decision makers in accounting settings (e.g., Allen and Ramanna, 2013; Bhandari et al., 2020) by studying HRC disclosures – yet another politically divisive issue along the conservative to liberal spectrum.

2. Background on S-K rule amendments

In an attempt to modernize regulation S-K, on August 26, 2020, the SEC introduced new rules regarding the qualitative disclosures made by public firms in their annual reports. The rules required expanded information on the description of the business, legal proceedings and risk factors (items 101, 103, and 105 of the 10-K report, respectively), and became effective on November 9, 2020. After considering comment letters from stakeholders, including labor groups, the finalized rules required expanded disclosure of HCR information (item 101c), up from mere headcount data required by the old rules, to the extent such disclosures would be material to an understanding of the business. The new rules were intended to provide financial statement users with additional insight into the firm's HCRs by helping them evaluate the workforce and the magnitude and nature of the human capital investment (e.g., see Crook et al., 2011). Heightened HCR disclosures may inform and guide more broadly defined stakeholders, including firm employees, suppliers, and customers, and society at large.⁶

As voted in, the rules do not define human capital and follow a principles-based approach, giving little prescriptive guidance to firms on the measures to be disclosed.

⁶ For example, see Guthrie and Parker (1989), Roberts (1992), and Smith et al. (2005) for discussion and empirical evidence on how social responsibility disclosures, that would include HCR disclosures, may serve as a response to pressures by the public, and proactively be used by top management teams as a vehicle for addressing the concerns of various firm stakeholders.

In supporting disclosure flexibility, Jay Clayton, then SEC chairman, emphasized that the goal is to elicit disclosure tailored to each company's particular industry and business model while being flexible enough to continue to allow for fulsome disclosure as businesses evolve in the future. S.P. Kothari, then SEC Chief Economist, explained that by allowing disclosure flexibility the amendments consider their cost, benefit, and potential impact on investors, registrants, and capital formation (see SIFMA: SEC Open meeting, August 26, 2020). Disclosure flexibility allows for both differences across firms and differences within a firm in time.

Conversely, critics suggest that in the absence of prescriptions, the new rules fail to appropriately emphasize environmental and social governance (ESG), a potential decision-making driver. Dissenting SEC commissioners Allison Lee and Caroline Crenshaw stated that the rule amendments failed to adequately deal with human capital risk despite thousands of comment letters to this end, and suggested more prescriptive guidance and quantitative requirements including workforce EDI statistics (SEC Open meeting; 8/26/2020). Further, firms face the challenge of a blank canvas given that initial disclosure choices set precedence, and a foundation for future disclosures.

In general, voluntary disclosure bridges the information asymmetry that is inherent between management and shareholders (e.g., Atiase, 1985), and is likely to decrease the perceived riskiness of a firm (e.g., Botosan, 1997). Firms that are perceived as riskier are likely to benefit the most from publicly sharing new information about their HR practices. Conversely, information sharing carries the risk that non-shareholder stakeholders take actions as a result of HCR disclosures, resulting in reputational, political and contracting costs for the firm. Firms that are less resilient to such costs, that are typically firms in a poorer financial condition, may be less likely to provide detailed HCR disclosures through their annual reports (Cormier and Magnan,

1999). Inevitably, early reports document substantial variation in HCR reporting practices across firms, as exhibited by the variation in topics covered, and total word count in the relevant excerpts (e.g., Engel, 2021; Demers et al., 2022), consistent with different potential costs and benefits of voluntary disclosure across firms. Looking forward, HCR disclosures are likely to expand in time, on average, given that they stem from legal requirements, and are likely to elicit pressure for mimetism among firms. Against the backdrop of opposing views on disclosure philosophy, our study is pertinent to this debate as it addresses differences between the executives who choose to provide, in some form, evidence on HCR policies in response to the new rules, and those opting to remain less open about their firm's HR policies.

3. Research questions

3.1 CHRO presence in the TMT and HCR disclosures

Next, we make empirically testable predictions about how a firm's CHRO may be associated with HCR disclosure quality. Corroborating the potential importance of CHROs on HCR disclosures, Bowen and Ostroff (2004, p. 209) posit that "the success of HR systems ... depends largely on top management support, including ...involvement of HRM professionals in the strategic planning process". Steffensen et al. (2019) call for more research on the role of top managers in HCR-related decisions, observing that existing HRM literature on the impact of top managers on HRM content, process and outcomes is sparse and unsystematic. Boada-Cuerva et al. (2018) similarly claim that TMTs are the missing stakeholder in HRM research.⁷

A more discerning view is advocated by Hamilton et al. (2019) who posit that there is variation in the strength of HR departments across firms, given that some CHROs are merely responsible for workforce administration, while others participate

⁷ In a related vein, Mullins (2018) reports that human resource expertise on corporate boards is linked to diversity management policies.

in top level strategy-setting. Hamilton et al. (2019) cite surveys by the Conference Board, McKinsey, and KPMG that suggest a lagging role of the HR function in most firms, and report their own survey results that contrast such evidence, documenting that CEOs and CHROs are highly positive of the contribution of the HR department in general, and CHROs in particular, to the strategic success of the company. Finally, Charan et al. (2015) argue that most CEOs underestimate the HR function and call for a reconsideration of the role of CHROs in strategy setting. The documented disagreement regarding the role of CHROs in strategizing further motivates the need for empirical work on the importance of CHROs in the C-suite.

Our first proposition is that some CHROs are more powerful than others. Given that TMT members comprise the most powerful group of corporate officers that report directly to the CEO (e.g., Guadelupe et al., 2014), CHROs who are part of the TMT are likely to play a more significant role in organizational strategy, and have a greater effect on the quality of HCR disclosures provided by the firm than CHROs who are not. This expectation draws on the heterogeneity in the size and composition of the TMT across firms (e.g., Larcker and Tayan, 2020) where some functions, such as finance and operations, are always part of the TMT, while others, including HR, are not consistently represented in the top group,⁸ signalling each function's importance in organizational structure (e.g., Nath and Vijay, 2008). Notably, CHROs are generally recognized for their strong soft business skills and may contribute to the C-suite in ways beyond their narrowly defined functional expertise (Groysberg et al., 2011).

⁸ Despite calls from academics for a more flattened organizational structure, Wulff (2012) and Neilson and Wulff (2012) report evidence of increased control and decision making at the top in time. Guadelupe et al. (2014) similarly find that the size of the C-suite has expanded in recent years, with more functional representation than before. Menz (2012) highlights the limited coverage of academic research on the functional members of the TMT.

Against this backdrop, we ask whether more powerful HR officers are more likely to shape the HCR content of annual reports. Several arguments favour this possibility. First, there is a long tradition of research in HRM suggesting that HR systems are management tools that influence a wide variety of decisions concerning internal stakeholders, affecting employees and their managers, and external stakeholders, including society at large (Jackson et al., 2014). HCR disclosure in financial reports could be one, currently unexplored such decision. Second, CHROs who engage with strategic HR issues would be keen to demonstrate their *individual* contribution towards the bottom line and other long-term strategic goals such as firm reputation, attraction of new, and retention of existing talent. We posit that higher quality HR disclosures showcase a CHROs' direct contribution to the firm's reputation and financial performance beyond CEOs, CFOs, and the TMT in general. Third, prior work has linked TMTs to accounting decisions (e.g., Dyreng et al., 2010). TMTs sometimes include the HR function, and are suggestive of a role of HR managers in accounting decisions, albeit indirectly. Finally, the financial press has suggested that the new HCR disclosure requirements are likely to be a job for the HR department or, at least, a job that requires input from cross-functional teams (e.g., Financial Executives International, 5/10/ 2021), with the HR function likely playing a central role in this task. Taking the preceding arguments together, we posit our first research question (RQ1):

RQ1: The presence of the CHRO in the top management team is positively related to the quality of human capital resource disclosures.

3.2 Executive demographic characteristics and HCR disclosures

Prior research in management and finance has linked the demographic characteristics of corporate executives to organizational outcomes, mainly drawing on managerial effects studies and upper echelons theory (Bertrand and Schoar, 2003;

Hambrick and Mason, 1984; Hambrick, 2007; Ren et al., 2021).⁹ While most accounting research has attempted to explain disclosure choices exploiting differences in firm-specific characteristics (e.g., Darrell and Schwartz, 1997; Eng and Mak, 2003), more recent work has also linked, to a various degree, accounting system characteristics such as earnings quality, conservatism, irregularities, and voluntary disclosures to executive demographic characteristics such as gender, ethnicity, age, functional background, and education (e.g., see Plockinger et al., 2016; Hanlon et al., 2022).

3.2.1 CHRO demographic characteristics and HCR disclosures

This stream of research has focused, almost exclusively, on the demographic characteristics of CEOs, CFOs, and the TMT as a group. However, as annual reports expand in size and scope, more inter-functional parts appear in annual reports, that are prepared by teams drawing on the expertise of different functional areas in the company. For example, such expertise may be required when the annual report discusses environmental safety, customer relations, and litigation issues, that may require input from the executives in charge of operations, sales, and the legal department. The present study builds on prior work by hypothesizing that an executive other than the CEO and CFO can individually have an effect on financial disclosures, more broadly suggesting that top executives may contribute to the financial reporting process drawing on their functional expertise. Specifically, we posit that CHRO demographic characteristics are predictably related to HCR disclosures.

⁹ Complementing neoclassical economic theory, that relies on rational choice theory and postulates the factors of production are largely substitutable, the upper echelons perspective suggests that individual executive characteristics contribute significantly to the decisions made by corporations. In an accounting context, the upper echelons perspective suggests that accounting outcomes can be linked to the individual characteristics of the CEOs, CFOs, and the TMT that make the related decisions (Plockinger et al., 2016). Drawing on behavioural economics, Hanlon et al (2022) have advanced a similar perspective on the importance of individual decision makers on accounting outcomes.

Importantly, having positive HCR outcomes does not necessarily equate with positive HCR disclosures, and it is fair to ponder why executives of a certain demographic profile would choose to disclose HCR outcomes in annual reports. Prior accounting research is informative to this end, suggesting accounting disclosures that are richer in content and more precise, rather than vague and boilerplate, are assessed as being more useful by investors (e.g., Hirshleifer et al., 2002; Hope et al., 2016). In turn, more useful disclosures are correlated with a lower cost of equity capital (e.g., Botosan, 1997), ultimately enhancing firm value. Thus, top managers generally have strong incentives to share the HCR information of their firms in the annual reports in sufficient detail, especially given the mostly positive character of the HCR information that is disclosed. In a related vein, Bamber et al. (2010) find that certain demographic characteristics of corporate executives relate to broadly defined voluntary disclosures.

We argue that differences in manager idiosyncrasies, as captured by differences in demographic characteristics, matter in a manager's HCR disclosure choices in particular. First, a manager's beliefs and values determine what the manager deems value-relevant and worthy of being disclosed in the financial statements. Given that HCR disclosure is yet of uncertain value-relevance, it is possible a manager with a more employee-centric view places a greater weight on the importance of employee information and its value-relevance, and is associated with better HCR disclosures. Second, a manager sends a signal about the priority placed on different stakeholder groups through the HCR disclosure choice. Thus, a manager with greater sensitivities towards shareholders than employees may be less eager to send such a signal by emphasizing HCR disclosures, especially if HCR information reveals policies that may be interpreted by investors as favouring employees by shifting wealth from

shareholders to employees. Below, we discuss several CHRO characteristics that are deemed relevant in the decision to disclose HCR information in the annual report.

Initially, motivated by the prominent role of equality, diversity and inclusion (EDI) in HCR disclosures,¹⁰ we study how CHROs who belong to over-represented management groups, and may be more favored in the executive selection process, such as those of men, the ethnic and racial majority, and US executives, affect HCR disclosure quality. Executives belonging to over-represented groups may have a lower sensitivity to EDI issues, that could be associated with lower quality HCR disclosures. Along these lines, prior work by Everly and Schwarz (2015), Gould et al. (2018), and Mullins and Holmes (2018) has shown that female board representation influences LGBT-friendly, gender-inclusive, and work-family-friendly policies, respectively. Similarly, prior research has linked the gender and cultural and ethnic background of CEOs, CFOs and corporate directors to earnings quality, conservatism, ethical reporting, irregularities, CSR disclosure, and firm performance (e.g., Francis et al., 2015; Ho et al., 2015; Gupta et al., 2020; Nielsen and Nielsen, 2013).

In contrast, Ge et al. (2011) and Schrand and Zechner (2012), among others, do not find a link between EDI and accounting outcomes possibly because executives belonging to prevalent groups have more influence on the information conveyed in the annual report compared to executives belonging to under-represented groups. Further, systems justification theory (Jost and Banaji, 1994), posits that individuals tend to view the status quo in an organizational setting as fair and can therefore be resistant to change. Cortis et al. (2022) similarly suggest that executives from minority groups who have risen to the TMT become assimilated with other TMT members, and hesitate to challenge the organizational culture or norms (i.e., letting better represented C-Suite

¹⁰ EDI is a human resource practice that aims for equality, diversity, inclusion, fair treatment, and opportunity for all, and the elimination of prejudice and discrimination in the workplace.

members set the tone on HCR disclosures) because challenging such norms may hinder their own advancement.¹¹ Ultimately, given contrasting arguments, the effect of CHROs from over-represented groups on HCR disclosure quality is an open empirical question.

Second, prior research has linked the educational background of executives to accounting choices. Holding an MBA degree has been linked to conservative earnings forecasts, voluntary disclosure, higher earnings quality, and environmental disclosure with mixed empirical results (e.g., Bamber et al., 2010; Lewis et al., 2014; Dyreng et al., 2010; Ge et al., 2011; Schrand and Zechman, 2012). We similarly suggest that education content influences the willingness and ability of CHROs to disclose relevant HCR information in annual reports. First, we explore how liberal arts education (most commonly in psychology and political science in our sample), relates to HCR disclosures. Even though a more liberal education may correlate with a greater sensitivity to employee issues, such executives, because of their less quantitative training, may be less inclined to provide the more quantitative HCR information that investors are likely to value. Also, CHROs with a more conservative, shareholder-centric training, as proxied by an MBA, are likely to view employees as stakeholders who compete with shareholders, adopting a less understanding view of HR policies. Further, executives with MBAs are not only more likely to protect owner-stakeholders but, expressing this preference, are more likely to frame HCR information in a shareholder-friendly way, paying less attention to HCR matters that would favor employee-stakeholders over owner-stakeholders. Thus, we expect both a liberal arts degree and an MBA degree to be associated with more limited HCR disclosures.

¹¹ Nath and Vijay (2014) and Larcker and Tayan (2020) highlight the power imbalance among C-suite executives.

Evidence on the relevance of executive age in accounting has been mixed. Bamber et al. (2010) link older CEOs to less voluntary disclosure, while Troy et al. (2011) find older CEOs are less likely to engage in fraudulent behaviour. In contrast, studies by Dyreng et al. (2010) and Ge et al. (2011), among others, fail to discern an executive age effect on accounting characteristics. We similarly explore the link between CHRO age and HCR disclosure quality. Given that HRM has traditionally been neglected in financial statements, only gaining attention in recent years, we posit that, compared to ‘old school’ executives, younger executives are more sensitive to social governance issues in general (e.g., Belenzon, 2019) and HCR issues in particular, as reflected on richer HCR disclosures in annual reports.

Finally, we draw on recent research that has linked executive political ideology to corporate outcomes (e.g., Chin et al., 2013; Gupta et al., 2021) to suggest that executive political ideology is related to HCR disclosures. Labor issues are often in the epicentre of disagreement between the two major political parties in the United States, and we expect more liberal executives to be more sensitive to employee issues. Capturing liberal political ideology with how executives divide their political contributions between the democratic and republican party and candidates, we expect more liberal CHROs to make higher quality HCR disclosures in the annual reports.^{12,13}

In sum, taking the preceding arguments together, we posit RQ2 as follows:

RQ2: The demographic characteristics of CHROs are related to the quality of human capital resource disclosures in annual reports.

¹² It is telling to note that in SEC’s 3-2 split vote approval of the new rules, it is the two democratic commissioners, both female, who dissented by supporting more prescriptive and quantifiable human capital disclosures (that would have been rated as higher quality HCR disclosures in this paper), highlighting EDI issues, but were outvoted by the two republican commissioners and independent chairman who voted in favour of a more laissez faire HCR disclosure philosophy.

¹³ In the UK setting Vithana et al. (2019) find that, rather than a directional effect of political affiliation on HRC disclosures, a “unitarist” ideological environment matters, where employees/labour and management/owners tend to have common and mutual objectives. Our prediction is distinctly different: focusing on CHROs, and following much prior work that is set in the United States, we suggest that the executive’s party affiliation directionally matters in HCR disclosures.

3.2.2 CEO and CFO demographic characteristics and HCR disclosures

Next, we consider the role of CEOs and CFOs in shaping HCR disclosures. Early work has suggested that CEOs, who exercise control over all company functions, influence the reported accounting numbers, motivated by personal incentives (e.g., Healy, 1985). The presumption is that CEOs provide guidance to the accounting team as to how discretion should be exercised in shaping the accounting report. CFOs, who have a narrower and more technical control over the financial reporting process, may also leave their personal imprint on accounting choices, whether within the narrow day-to-day confines of their work, or by co-operating with CEOs (e.g., Jiang et al., 2010).

The key insight behind this investigation is that the cognitions, perceptions and values of CEOs and CFOs contribute towards the accounting choices they make. It is plausible to argue that such executive attributes depend on demographic factors such as education, functional background, and age. Consistent with this notion, prior research (e.g., Bamber et al., 2010; Ge et al., 2011) has documented an empirical link between CEO and CFO demographic characteristics with accounting disclosure. We analogously apply arguments on CHRO demographics to CEOs and CFOs, examining how CEO and CFO demographics relate to HCR disclosures. Two notes on CEOs are pertinent to this end. First, while a CEO is generally the most powerful figure in the C-suite, a CEO's influence over other C-suite executives may depend, to some extent, on CEO demographic characteristics (e.g., a male CEO may influence the TMT more easily than a female CEO). Second, founder CEOs deserve separate consideration, since their willingness to voluntarily share information through the annual report may differ from non-founder CEOs (Chen et al., 2008). These arguments lead to RQ3:

RQ3: The demographic characteristics of CEOs and CFOs are related to the quality of human capital resource disclosures in annual reports.

4. Data and methodology

4.1 Data

Our sample comprises all firms included in the S&P 500 list for 2020. S&P 500 firms are more likely to provide voluntary disclosures because of their size, available resources, large number of employees, and workforce complexity, thus providing a richer context in which to study HCR policies. The source of HCR disclosures is item 1 of the 10-K reports. We study the first 10-K report of each firm that was filed between November 9, 2020 (the first day the rules became effective) and November 8, 2021.

To formulate HCR dimensions and construct our dependent variable, we first draw on articles from the financial press reporting on topical coverage in the first post-rule 10-K report, and on relevant literature on HRM topics (e.g., Cooke et al., 2021). We then perform content analysis of item 1 of 10-K reports on a random sample of 30 firms to map actual 10-K disclosures to our initial list of topics; and then review item 1 for all remaining firms, modifying the list of topics as we observe similarities and differences among firms. This iterative process of reviewing over 700 pages of text using NVivo results in nine HCR dimensions: 1) Equality, Diversity and Inclusion (EDI), 2) employee development and talent management, 3) health and safety, 4) compensation and benefits, 5) employment culture, 6) employee engagement and retention, 7) employee voice, 8) recruitment, and 9) unionization.¹⁴

Next, we construct rubrics as guides in rating the quality of the different HCR disclosure dimensions across firms. In cases where HCR descriptions appear less frequently, it is necessary to refine these rubrics after a larger sample of data is

¹⁴ Some of the nine dimensions of HCR disclosure may be interconnected as they are multidimensional constructs; e.g., employment culture, employee voice and employee engagement may be overlapping (May et al., 2004), while employee engagement might be an outcome of both employee voice and employment culture (Rees et al., 2013). Reporting on the extent of overlap or links between the HCR dimensions is beyond the scope of this study and we treat these dimensions as distinct HCR topics.

collected. Appendix 1 details the rubrics used to systematically rate each of the nine distinct HCR disclosure categories. Subsequently, we apply these rubrics to classify the quality of HCR disclosure for each sample firm and each distinct HCR dimension.

We construct three different measures of HCR disclosure quality. First, for each of the nine HCR dimensions, we rate disclosure as *Below Average* where disclosure is absent or very limited (a value of zero), *Average* where it is more extensive but with lower accompanying quantitative or otherwise objective evidence (a value of one), and *Above Average* where it is more detailed and quantitative (a value of two). The *Ternary HCR Disclosure Index* is the sum of disclosure ratings for each firm and results in a value from zero to 18. Second, we construct a *Binary HCR Disclosure Index* that differentiates between firms providing more extensive disclosure on an HCR dimension that are assigned a value of one (firms rated with a value of one or two in the *Ternary Disclosure Index*, grouped together) from all other firms rated as zero. The resulting Binary HCR Disclosure Index is defined as the sum of the firm's disclosure ratings for the nine HCR categories, taking a value from zero to nine. Third, we use the log transformed word count of HCR disclosures in item 1 of 10-K as a final measure of HCR disclosure quality (e.g., He and Plumlee, 2020; Bourveau et al., 2022).¹⁵

Table 1 summarizes the definitions of our three disclosure quality variables, executive demographic characteristics, and firm-level disclosure determinants discussed later in this section. Further, appendix 2 compares the HCR disclosure ratings for Accenture and Regency Centers, two firms with contrasting HCR disclosure approaches. Accenture presents more detailed and quantitative information in most

¹⁵ The link between voluntary disclosure quality and word count remains uncertain in this context. On one hand, the choice for elaborate coverage of an issue may serve as a positive signal, especially given that HCR disclosure requirements have only recently been adopted. Conversely, extensive word count may reflect boilerplate and repetitive disclosures.

HCR disclosure dimensions compared to Regency Centers for which HCR disclosure tends to be more generic on most dimensions.

Panel A of table 2 presents descriptive statistics on the different HCR disclosure levels and dimensions. EDI is the most highly disclosed dimension with about 64% of firms being rated as above average, followed by employee and talent development (45%), employee engagement, and labor unionization (both at about 41%). At the other end, employee voice (12%), recruitment (12%), and employment culture (13%) are the least likely dimensions to be rated as receiving above average attention in disclosures. The median sample firm is credited with above average disclosure on four out of the nine HCR dimensions. The mean index values are 5.4 out of nine for the Binary Disclosure index and 8.6 out of 18 for the Ternary Disclosure index. Finally, the mean number of words covering HR dimensions in item 1 rose significantly, from 109 in the last 10-K filing before the rule to 855 words in the first filing after the rule.

We define an executive as the CHRO if this person holds the senior-most executive position in charge of corporate HR. We use item 1 of the 10-K report to identify the CEO, CFO and CHRO for each firm. If the list of executives does not include a CHRO, we assign CHRO a value of zero. In every case, we study the individual who holds the top human resource executive post, as stated in the executive's job title, on the date the 10-K report is filed. We collect information on executive demographics regarding diversity, education, and age through an extensive internet search. Given that there is no single source including information on all characteristics and executives, the data are collected from a multitude of sources including corporate websites, proxies, Bloomberg, LinkedIn, and NNDB.

We define an executive as belonging to an over-represented group if they i) are male, ii) belong to the racial or ethnic majority (that excludes being an African

American, Asian or Pacific Islander, American Indian, or Hispanic/ Latino), and iii) are US nationals, defined as US-born executives. All executives are assumed to be US nationals unless otherwise explicitly indicated by our internet search, or if they hold their first university degree from a non-U.S. university. (Screening out a small number of Canadian executives does not make a meaningful difference in the results.) We capture the content of education in two ways: i) by whether executives hold a degree in a) business or economics, b) liberal arts, or c) science (including engineering and medicine); ii) by an indicator variable for an MBA degree. Finally, we classify executives as liberal or conservative by the political party they primarily support through their political contributions (e.g., Chin et al., 2013; Gupta et al., 2021). We classify an executive as having a liberal political ideology if more than 50% of the money they contribute to political causes over their lifetime, with a minimum donation of \$100, is donated to democratic candidates, the democratic party, or democratic committees, and zero otherwise. We retrieve information on the number and amount of political contributions and the recipients of such contributions made up to December 31, 2020, by accessing the Federal Election Commission (FEC) database.¹⁶

Panel B of table 2 presents descriptive statistics on the demographic characteristics of CHROs, and corresponding differences to CEOs and CFOs. An astounding 68% of CHROs in our sample are female, compared to just over 7% of CEOs and 14% of CFOs.¹⁷ The representation of racial and ethnic minorities is

¹⁶ We are able to use relevant demographic information on the executives of all 500 firms, and thus have no missing data, because in cases relevant executive information was not definitively identified, it is assigned the most likely default value by variable construction, as explained in the text. Specifically, i) we classify an executive as ideologically neutral if no political contributions are identified for this executive in the FEC website, ii) we assume any reference to academic credentials comprises all credentials (e.g, if a B.Sc. but no MBA degree is mentioned in describing an executive's academic education we assign a value of zero to the MBA variable), and iii) we assume an executive is a US national in the absence of evidence to the contrary following our internet search.

¹⁷ Notwithstanding the prevalence of female CHROs in S&P 500 firms, it is worth emphasizing that our characterization of female executives in the paper as under-represented refers to the limited presence of women in the top management team as a whole, and not in the CHRO position itself. The limited

negligible across all three groups, as is representation of non-US nationals. These findings are consistent with prior literature (e.g., Green and Hand, 2021; Nielsen and Nielsen, 2013). Around 53% of CHROs hold a liberal arts degree compared to only 11% of CEOs and 8% of CFOs, while fewer CHROs hold an MBA compared to CEOs or CFOs (27% vs 42% and 54% respectively). CHROs appear to be significantly more liberal in their political ideology. They are significantly more likely to contribute to the democratic rather than the republican party and candidates compared to CEOs or CFOs (66% vs 33% and 47% respectively). Finally, the mean age of CHROs is closer to that of CFOs (52 and 53 years old respectively) and somewhat lower than the mean age of CEOs (58 years of age). In sum, on balance, CHROs differ from CEOs and CFOs in gender, content of education, and political ideology.

4.2 Methodology

Our baseline model links CHRO status and executive demographic characteristics to measures of HCR disclosure quality. One methodological challenge is that firms may systematically rather than randomly self-select into appointing a CHRO to the C-suite, depending on firm-specific characteristics such as size, financial leverage, growth opportunities, operating performance, actual employee practices, corporate culture, and industry affiliation. To address this possibility, we implement a Heckman two-step statistical correction when estimating our model (Heckman, 1976). We first use probit regression to estimate the probability that a firm appoints a CHRO to the C-suite. Firm size, proxied by logged assets, is highly correlated to the appointment of CHROs, but is uncorrelated to the second-stage models explaining HCR disclosure quality.¹⁸ We

representation of women in the TMT renders male executives to be relatively more powerful, and it is consistent with much prior research (e.g., Kanter, 1977; Jost and Banaji, 1994).

¹⁸ Unlike prior work (e.g. Lang and Lundholm, 1993; Eng and Mak, 2003) we do not find a positive link between disclosure quality and firm size, possibly because i) we focus on HCR-specific rather than broad disclosures, ii) we focus on large S&P firms with relatively low within sample variation in firm size, and iii) pressures for heightened disclosure by regulators and the markets may have narrowed the disclosure

use the lamda variable produced by the first stage model, and accounting for the potential determinants of CHRO appointment, as a control for self-selection in the second stage model that attempts to explain HCR disclosure quality.¹⁹

Specifically, we estimate the following equations:

$$CHRO\ Status_i = \alpha_1 + \beta_1 Log(assets)_i + \beta_2 Financial\ leverage_i + \beta_3 Return\ on\ assets_i + \beta_4 Market-to-book\ equity_i + \beta_5 Forbes\ best\ employer_i + \beta_6 Liberal\ culture_i + \gamma_1 Industry_i + e_i \quad (1)$$

$$D\ index_i = \alpha_1 + \beta_1 CHRO\ Status_i + \beta_2 Executive\ overrepresented\ group_i + \beta_3 Executive\ liberal\ arts_i + \beta_4 Executive\ MBA_i + \beta_5 Executive\ age_i + \beta_6 Executive\ ideology_i + \beta_7 Founder\ CEO_i + \gamma_1 Financial\ leverage_i + \gamma_2 Return\ on\ assets_i + \gamma_3 Market-to-book-equity_i + \gamma_4 Forbes\ best\ employer_i + \gamma_5 Liberal\ culture_i + \gamma_6 Lamda + \delta_1 Industry_i + e_i \quad (2)$$

CHRO Status equals one if the firm's CHRO is listed in item 1 of the 10-K and zero otherwise. *D index* is the HCR disclosure index, defined earlier; *Log(assets)* is a proxy for firm size; *Financial Leverage* is the ratio of total liabilities to total assets and proxies for financial risk; *Return on assets* is the ratio of operating income to total assets and proxies for operating performance; and the *Market-to-book-equity* ratio proxies for firm growth. Firm-level variables are winsorized at their 1st and 99th percentile values.

Forbes best employer is a binary variable that is set to one if a firm is listed in the 2021 Forbes "World's Best Employers" list and zero otherwise. It serves as a control for the effect of HCR outcomes on disclosure quality²⁰ given that the HCR disclosure index simultaneously captures both HCR disclosure quality and HCR

gap between large and small firms in time. Firm size becomes insignificant in the first stage regression when we define growth using market-to-book-assets rather than market-to-book-equity. Notably, results on our key variables turn out to be very similar regardless of the market-to-book variable specification.

¹⁹ Admittedly, the Heckman procedure is not a panacea. If the joint normality assumption fails, the estimator is generally inconsistent and can provide misleading inferences. Further, the model obtains formal identification from the normality assumption when the same covariates appear in the selection equation and the equation of interest, but identification is tenuous unless there are many observations in the tails where there is substantial nonlinearity in the inverse Mills ratio (Puhani, 2000). Notably, estimating our main models without the Heckman adjustment generally produces stronger results.

²⁰ The 2021 Forbes Best Employers list is based on an international survey, conducted by Statista, asking 150,000 employees internationally to evaluate their employers. The employer ratings result in a list of the top 750 employers, and is based on issues that are pertinent to employees such as employee talent management, social responsibility, and gender diversity in the workplace, thus overlapping but not being fully aligned with our own HCR disclosure items.

outcomes.²¹ Further, we control for corporate culture. Gupta et al. (2017) find that organizational political ideology, whether liberal or conservative, influences CSR, equality, and social change policies. We similarly argue that liberal organizations fare better in adopting employee-friendly policies and related disclosures. We set a *Liberal culture* variable to one for firms that achieved a 100% rating on the Human Rights Campaign Foundation's 2022 Corporate Equality Index, a US-based benchmarking tool on corporate policies pertinent to lesbian and gay employees (Human Rights Campaign, 2022); and zero otherwise. Finally, we control for industry affiliation using the Fama and French (1997) twelve-industry scheme given that both the likelihood of CHRO C-suite appointment and HCR disclosure quality are likely to be industry-dependent.

The sign and statistical import of coefficients β_1 - β_7 of equation 2 will inform our three research questions. First, we expect β_1 to be positive, signifying that firms with a CHRO in the TMT have higher HCR disclosure quality. To avoid losing sample firms without CHROs from our tests, we assign a value of zero to all demographic variables without a CHRO in the TMT (Chen and Wang, 2012). We expect a positive sign for coefficient β_6 signifying that more liberal executives are associated with better HCR disclosures; and negative signs for coefficients β_3 , β_4 , and β_5 , suggesting executives with less quantitative or more shareholder-centric education and older executives are associated with lower quality HCR disclosures. As discussed earlier, we make no prediction on the expected sign of coefficients β_2 and β_7 .

5. Discussion of results

5.1 The effect of CHROs on HCR disclosures

²¹ For example, a firm with poor HCR performance will necessarily have nothing in particular to disclose, rendering HCR disclosure quality to be poor; and vice versa. Facing an analogous problem, Clarkson et al. (2013) similarly control for environmental performance using TRI data to disentangle between environmental performance and the quality of environmental disclosures.

In table 3 we present pairwise correlations among the main variables of interest. We find that the three HCR disclosure measures are highly positively correlated among them, and thus overlapping. Also, firms with a CHRO in the TMT tend to be larger, more leveraged, better performing, with better growth opportunities, better employer status, and a more liberal culture, and less likely to have a founder CEO. HCR disclosure quality is positively correlated with a liberal corporate culture, and negatively correlated with a CHRO coming from an overrepresented group or having a liberal arts education, and firms with a founder CEO. More definitive inferences about the relationships of interest are provided by the more rigorous multivariate tests.

Next, in table 4 we explore the link between the higher status of CHROs, proxied by TMT participation, and CHRO demographic characteristics, with HCR disclosure quality. The first stage regression in the left-hand column provides evidence that CHRO appointment is more likely for firms that are larger, have greater leverage, and a more liberal corporate culture, and less likely for firms with a founder CEO. We estimate model (2) using each of our three HCR disclosure quality measures as the dependent variable: the Ternary and Binary HCR Disclosure indices and logged HCR word count.²² All subsequent models constitute the second stage regressions following the Heckman procedure. Each model is jointly significant at p less than 0.10, with r -squared values ranging between 6.9% and 8.1%. Consistent with RQ1, all three models suggest the CHRO variable is related to higher quality HCR disclosure, consistent with the presence of a CHRO in the C-suite improving HCR disclosures in annual reports.

The evidence on the relevance of CHRO demographic characteristics is somewhat weak. CHROs belonging to groups that are better represented in the TMT

²² In addition to firms self-selecting to place an HR executive in the C-suite, we explore the incidence of CHROs on boards of directors as an alternative signal of the value firms place on HR executives. We go through the proxy statements of 50 of our firms over the sample period, and do not find a case where the firm's CHRO is also a member of its board in 2021.

(i.e., male CHROs, members of the racial or ethnic majority, and US nationals) are positively related to HCR disclosure quality. This evidence is consistent with Kanter (1977) who suggests female executives may become doubted and isolated tokens, with systems justification theory (Jost and Banaji, 1994) suggesting executives who belong to over-represented groups are more able to instil change, and the notion minority hires represent corporate attempts to gain social legitimacy (e.g., Ingram and Simons, 1995).

CHROs with a liberal arts degree are associated with lower HCR disclosure quality, possibly because their more qualitatively oriented liberal arts training does not prepare them well for participation in the more quantitatively demanding financial reporting process. CHROs with a more quantitative background (i.e., with a science or business degree) score higher on HCR disclosure.²³ Finally, founder CEOs appear to be less responsive to social legitimacy concerns, as expressed through heightened HR disclosures, possibly because their entrenched ownership position partly shields them from societal pressures. Among control variables, HCR disclosures are of higher quality for firms that are more highly leveraged, and have a more liberal corporate culture.²⁴ Taken together, the results from table 4 are generally in line with RQ1 and RQ2, suggesting that CHROs of a higher status and possessing certain demographic characteristics influence HCR disclosure quality.

²³ In further tests, not tabulated, we do not find a difference in HCR disclosure quality between CHROs holding business vs. science degrees.

²⁴ Even though, as shown in table 3, the pairwise correlation of the Forbes indicator to the CHRO binary variable is positive ($r=0.15$ and $p<0.01$), suggesting that better HCR outcomes are associated with better HCR disclosures, there is an insignificant relation between *Forbes best employer* status and HCR disclosures in multivariate tests. Possible explanations include the fact the Forbes rating is based on employee perceptions and not on actual HR outcomes, and that it is based on an international study where cross-national differences in employee culture may also be at play. Disclosure data from subsequent periods may shed further light on this issue.

5.2 *The joint effect of CHRO, CEO, and CFO demographics on HCR disclosures*

In more expanded models we test RQ3, considering the demographic characteristics of CEOs, CFOs, and CHROs, both separately (table 5), and averaged out as executive triad characteristics (table 6). Similar to table 4, the presence of a CHRO is important in all three models signifying the importance of CHRO status in HCR disclosures. Further, founder CEOs and CHROs with liberal education remain negatively correlated with HCR disclosure. However, the results reveal little evidence that CEO and CFO characteristics separately matter.

Next, we move to tests averaging out executive characteristics for the CEO, CFO, and CHRO of each firm. To increase model parsimony, we consolidate each of the demographic characteristics of the three executives together, and term these to be “executive triad” characteristics, thus increasing the signal-to-noise ratio. We construct aggregate demographic values for diversity, liberal education, an MBA degree, and political ideology using respective counters from zero to three; and mean executive triad age as the fifth variable. As an example, the executive triad over-representation variable is a counter of the number of executives belonging to an over-represented group and takes a value from zero to three. In addition to replicating earlier results these tests add one new finding to our story. Across disclosure quality measures, a pro-democratic, more liberal triad political ideology is associated with higher quality HCR disclosures. This is consistent with more liberal executives providing better HCR information compared to more conservative executives (e.g., Engeman, 2021).²⁵

²⁵ Finally, we explore the possibility we have underestimated HCR disclosure if firms report substantial information on their human resource policies in their proxy statements, in addition to their 10-K reports. Studying item 1 of the 10-K reports, we find that only 5% of our sample firms make a reference to additional HCR disclosures in their proxy statement. We single out the relevant text from the proxy filings, coding HCR disclosure quality in these proxy statement excerpts as we do the 10-K text. Re-estimating the basic model in table 4 after using the proxy statement information to inform our disclosure quality variable does not have a material effect on the results. These results suggest that our inferences are not meaningfully affected by HCR disclosures in proxy statements.

Finally, in table 7 we present results from a series of robustness tests. Specifically, we re-estimate the three second stage models from table 4 examining the relationship between HCR disclosure quality and CHRO disclosure characteristics using alternative CHRO demographic variable definitions. First, we alternatively decompose the CHRO diversity variable into its three constituent variables: female CHRO, non-white CHRO, and foreign national CHRO. Second, we use a four-level, rather than a binary, liberal education variable capturing the highest liberal education degree attained by the CHRO (zero for none, one for a bachelor's, two for a master's and three for a doctoral degree). Third, following Strauss and Howe (1991), rather than CHRO age we code CHRO generation, separating generation X CHROs, born on or after 1961, from baby boomer CHROs. (There are only three CHROs born after 1981, after generation X, and their separate treatment makes no difference in the results.) Fourth, we alternatively define CHRO political ideology as the ratio of the number, rather than the dollar amount, of contributions to democrats over the total number of lifetime political contributions (Chin et al., 2013).

Consistent with earlier findings, the presence of a CHRO in the C-suite, a liberal corporate culture, and the founder CEO, are significantly related to HCR disclosure quality. We additionally find that among under-represented groups female CHROs are associated with lower HCR disclosure quality. Further, refining liberal education level retains the negative significance of this variable in the regression. Last, neither CHRO generational affiliation nor alternatively defined political ideology matters. Thus, as a whole, our earlier results are generally robust to these alternative variable definitions.²⁶

²⁶ We have also empirically explored the possibility firms that are less resilient to disclosure costs, proxied by a poorer financial condition, provide less detailed HCR disclosures. We form indicator variables for poor financial condition isolating firms that reported an accounting loss for the year or belonged to the lowest decile of the market-to-book equity variable distribution. Including these indicators in our baseline regression tests does not reveal empirical evidence in support of this contention.

Broadly considered, the stakeholder theory of disclosure suggests several constituents, including shareholders and employees, demand information of a varying type and extent about the firm's human resources. Firms respond to pressures by choosing their disclosure strategy according to the perceived benefits and costs of disclosure. Our results complement stakeholder theory (Roberts, 1992) by suggesting that CHRO status and characteristics, and executive team political ideology, in addition to stakeholder pressures, contribute towards explaining HCR disclosure choices.

6. Conclusions

This study explores the association between the status of CHROs, and the demographic profile of CHROs, CEOs and CFOs, with the quality of newly mandated SEC disclosures on HCR in the annual reports of S&P 500 companies. The study posits and tests three research questions: that CHROs who are members of the TMT are associated with higher HCR disclosure quality (RQ1), and that the demographic profiles of CHROs (RQ2), CEOs and CFOs (RQ3) are related to disclosure quality. We find a positive link between the participation of CHROs in the TMT and HCR disclosure quality. We further find that disclosure quality is higher among CHROs from groups that are over-represented in the C-suite, and lower for CHROs holding a liberal arts degree. We also document that HCR disclosure quality is higher among executives having a more liberal political ideology. Last, founder CEOs, who are more entrenched and potentially less concerned about public scrutiny, are associated with more limited disclosures. Given our sampling design and methodology, our results are best interpreted as documenting associations rather than definitive causal effects.

Our study contributes to extant knowledge by uncovering wide variability in the response of S&P 500 firms to the new HCR disclosure rules, and by presenting a generalizable construct of HCR disclosure quality. Our work highlights the key role of

top executives in general and CHROs in particular in shaping HCR disclosures. Further, our study suggests that an individual C-suite executive other than the CEO or CFO can have an incremental effect on financial reporting. More broadly, our results contribute to research linking executive characteristics to financial disclosures.

Notably, we have recently witnessed an increasing number of calls in the business press for greater participation of HR executives in the board room (e.g., Bhateja, 2021; Dwarakanath, 2019; Hodge and Lambert, 2016). These calls are motivated by the increasing realization that HR executives can potentially make a strategic contribution to the firm and the HR responsibilities of boards, including hiring and replacing CEOs, designing and monitoring executive incentive packages, and managing the firm's talent. One potentially fruitful area for research is the study of the antecedents and consequences of HR expertise in corporate boards, and how a CHRO's board membership affects HCR disclosure quality and outcomes.

In closing, motivated by pressures from stakeholder groups such as investors and organized labor, the SEC has signalled the increased significance it places on HR policies by upgrading HCR disclosure requirements. In response, firms are likely to gradually increase their ability to gather the required information, and institute or strengthen appropriate processes in the collection and organization of this information. Such processes will ensure greater detail and reliability, advancement of more objective and quantifiable measures, and the establishment of appropriate monitoring mechanisms to track HCR performance. In turn, richer and better structured data will enable academic researchers to build more comprehensive multi-year datasets and apply rigorous statistical methods in addressing research questions pertaining to the value of human capital; a corporate asset that is of great relevance to a multitude of firm stakeholders.

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APPENDIX 1

Rubrics used in classifying human capital resource disclosure levels in 10-K reports

HCR topic	Below average disclosure	Average disclosure	Above average disclosure
Equality, diversity and inclusion (EDI)	No reference OR generic language related to EDI efforts.	Descriptions of EDI values accompanied by initiatives including EDI training programs AND/OR existence of EDI committees AND/OR EDI employee resource groups (ERGs) AND/OR participation in external EDI-related industry or community networks.	Metrics on pct. diversity of workforce (e.g., pct. of gender or ethnically diverse employees or managers) AND/OR descriptions of targets associated with EDI initiatives AND/OR timeline for achievement AND/OR references to EDI tied to executives' goals and compensation AND/OR CEO/BOD oversight of EDI strategy outcomes AND/OR EDI-related employee surveys and outcomes AND/OR references to EDI-related awards and recognition received.
Development and talent management	No reference OR generic language related to development and talent management efforts.	Descriptions of development, talent and succession planning programs AND/OR references to outside development program participation for specific employee levels or company-wide.	Metrics on pct. of employee participation in development programs AND/OR nature, number and frequency of development programs AND/OR descriptions of in-house learning (e.g., training academies, learning platforms) AND/OR metrics of management training programs.
Health and safety (HandS)	No reference OR generic language related to HandS efforts.	References to HandS training programs, adoption of measures and compliance with safety standards, industry-related AND/OR COVID-19 related.	Metrics on pct. rate of HandS incidents AND/OR HandS tied to executives' goals AND/OR CEO/BOD oversight of HandS measures and outcomes (including COVID-19) AND/OR descriptions of HandS platforms AND/OR frequency and number of HandS training programs AND/OR pct. of employee HandS training completion.
Compensation and benefits	No reference OR generic language related to compensation and benefits philosophy.	Descriptions of compensation strategy including references to compensation components and benefits (e.g., bonuses, flexible work schedules, family leaves, dependent care resources, colleague and tuition assistance programs etc.).	Metrics on compensation / benefits (e.g., number of employees receiving an annual bonus, number of days leave / extra leave, pct. of company contribution to employee health insurance, metrics on flexible working programs) AND/OR pay equity audits by external consultants, frequency and outcomes AND/OR benchmarking of compensation and benefits to industry AND/OR median employee compensation disclosure.

Employment culture	No reference OR generic language related to employment culture or values.	References to key company values and objectives (e.g., ethics, communication, integrity, teamwork) related to employee support AND/OR employee code of conduct AND/OR on-boarding / training programs.	Metrics on culture surveys and outcomes AND/OR progress and relevant actions taken AND/OR references to Employee Resource Group (ERG) recommendations and outcomes AND/OR frequency of employee ethics code training and sign off AND/OR references to external culture-related awards and recognition received.
Employee engagement and retention	No reference OR generic language related to employee engagement and retention efforts.	References to organizational health surveys (OHS) soliciting employee feedback (e.g., on work satisfaction, engagement, motivation) AND/OR engagement and retention objectives AND/OR related efforts which may include setting up ERGs.	Metrics on employee engagement initiatives (e.g., frequency of OHS, pct. of employee participation) AND/OR comparisons to industry benchmarks AND/OR CEO/BOD oversight of OHS outcomes AND/OR turnover metrics, (e.g., turnover, average tenure) AND/OR references to external awards and recognition.
Employee voice	No reference OR generic language related to employee voice.	References to employee voice initiatives (e.g., soliciting employees' confidential feedback, feedback platforms, company pulse surveys on current issues such as COVID-19) AND/OR holding townhall meetings to disseminate results AND/OR setting up ERGs or employee councils to promote mutual objectives of both the employees and the company.	Metrics on number of employee voice initiatives, AND/OR related ERGs AND/OR number and frequency of townhall meetings AND/OR number of employee councils AND/OR pct. of employee usage of confidential feedback platforms AND/OR CEO/Board engagement with employee feedback.
Recruitment	No reference OR generic language related to recruitment efforts.	References to recruitment strategy AND/OR internships AND/OR building partnerships with university placement offices AND/OR recruitment objectives linked to diversity AND/OR recruitment-related training programs (e.g., to increase diversity awareness in recruitment).	Recruitment metrics regarding number AND/OR pct. of new employees, number of interns AND/OR diversity metrics regarding new recruits.
Unionization	No reference OR generic language that simply states that employee relations are good.	References to whether or not employees are covered by collective agreements.	Collective agreement metrics in terms of number of agreements (company-wide, or by division or geography) AND/OR number/pct. of unionized employees.

APPENDIX 2

A comparison of two firms with contrasting levels of HCR disclosure detail

HCR topic	ACCENTURE	REGENCY CENTERS CORP
Equality, diversity and inclusion (EDI)	<p>Classification: 2 Metrics on pct. diversity of workforce (e.g., pct. of gender or ethnically diverse employees or managers) AND/OR descriptions of targets associated with EDI initiatives AND/OR timeline for achievement</p> <p><i>e.g. "... We now have more than 275,000 women, representing 46% of our workforce, which is tracking well against our goal of 50% by 2025. And, after achieving our goal of 25% women managing directors by the end of fiscal year 2020, we set a new goal of 30% by 2025..."</i></p>	<p>Classification: 0 Generic language related to EDI efforts <i>e.g. "...a comprehensive three-year diversity, equity, and inclusion ("DEI") strategy, which includes training, recruitment, and engagement."</i></p>
Development and talent management	<p>Classification: 2 Metrics on pct. of employee participation in development programs AND/OR nature, number and frequency of development programs AND/OR descriptions of in-house learning (e.g., training academies, learning platforms)</p> <p><i>e.g. "We invested \$900 million in continuous learning and development so our people remain highly relevant. With our digital learning platform, Accenture Connected Learning, we delivered over 31 million training hours, an increase of 43% compared with fiscal 2020, with an average of approximately 60 hours of training per person..."</i></p>	<p>Classification: 0 Generic language related to development and talent management efforts <i>e.g. "We strive to... and empower our employees by focusing on their training and education."</i></p>
Health and safety (H&S)	<p>Classification: 2 Descriptions of H&S platforms AND/OR frequency and number of H&S training programs AND/OR pct. of employee H&S training completion.</p> <p><i>e.g. "We take a holistic view of well-being—including physical, mental, emotional and financial well-being—providing specially defined programs and practices to support this holistic view. In FY21, as it relates to COVID-19, we have supported our people with the expansion of critical programs, including, in many counties, 24/7 telemedicine, care-at-home services, proctored distance learning for school-aged children, virtual childcare, enhanced insurance coverage, mental health support and testing and vaccination services.... The pandemic has negatively affected many people's mental health around the globe. We used new digital tools and initiatives to help employees cope with the demands and stresses of the compounding crises, and to strengthen their mental resilience. Those programs include access to in-person and virtual counseling and support, to digital tools like Calm and Wysa, to our Mental Health Ally program and to our many Thrive Global programs—Thriving Together, Thrive Reset and Thriving Mind—which have collectively been completed by over 152,000 of our people and bring science-based solutions to lower stress, enhance well-being and productivity, and build resilience and belonging."</i></p>	<p>Classification: 0 Generic language related to H&S efforts <i>e.g. "We strive to maintain a safe and healthy workspace, promote employee well-being..."</i></p>
Compensation & benefits	<p>Classification: 2 Metrics on compensation / benefits (e.g., number of employees receiving an annual bonus, number of days leave / extra leave, pct. of company contribution to employee health insurance, metrics on flexible working programs) AND/OR pay equity audits by external consultants</p> <p><i>e.g. "Pay equity at Accenture means that our people receive pay that is fair and consistent when considering similarity of work, location and tenure at career level. We conduct an annual pay equity review, and our last review was conducted in February 2021. As of February 1, 2021, we have dollar-for-dollar, 100% pay equity for women compared to men in every country where we operate."</i></p>	<p>Classification: 0 No reference to compensation & benefits</p>

HCR topic	ACCENTURE	REGENCY CENTERS CORP
	<p><i>By race and ethnicity, we likewise have dollar-for-dollar, 100% pay equity in countries where we collect this data (the U.S., the U.K. and South Africa) ...</i></p> <p><i>We promoted more than 120,000 people in fiscal 2021 ...</i></p> <p><i>In addition, we paid a one-time bonus to all of our people below managing director to recognize their contributions and dedication to our clients during the COVID-19 pandemic.</i></p> <p><i>Accenture's total rewards consist of cash compensation, equity and a wide range of benefits. Our total rewards program is designed to recognize our people's skills, contributions and career progression. Base salary, bonus and equity are tailored to the market where our people work and live. Certain rewards, like equity and bonuses, are opportunities for our people to share in the overall success of our company. As our people advance in their careers, they have greater opportunities to be rewarded."</i></p>	
Employment culture	<p>Classification: 2</p> <p>Metrics on culture surveys and outcomes</p> <p><i>e.g. "One of our surveys, our Conduct Counts Survey, which measures how our people experience our culture, shows that 87% of our global respondents believe they can work to their potential because they are in an environment where they are treated with respect and in an appropriate manner."</i></p>	<p>Classification: 0</p> <p>Generic language related to employment culture or values</p> <p><i>e.g. "Our People – Our people are our most important asset and we strive to ensure that they are engaged, passionate about their work, connected to their teams, and supported to deliver their best performance."</i></p>
Employee engagement and retention	<p>Classification: 2</p> <p>Metrics on employee engagement initiatives (e.g., frequency of Organizational Health Surveys, pct. of employee participation) AND/OR turnover metrics, (e.g., turnover, average tenure).</p> <p><i>e.g. "For fiscal 2021, attrition, excluding involuntary terminations, was 14%, up from 12% in fiscal 2020. For the fourth quarter of fiscal 2021, annualized attrition, excluding involuntary terminations, was 19% up from 17% in the third quarter of fiscal 2021."</i></p>	<p>Classification: 0</p> <p>Generic language related to employee engagement and retention efforts.</p> <p><i>e.g. "We recognize and value the importance of attracting and retaining talented individuals..."</i></p>
Employee voice	<p>Classification: 2</p> <p>Metrics on number of employee voice initiatives</p> <p><i>e.g. "Listening to the voices of our people provides the input to ensure that they have the tools and resources to do their jobs and the right learning opportunities, and that they experience a positive, respectful and inclusive work environment. We do this on an ongoing basis across various channels, including surveys and forums. One of our surveys, our Conduct Counts Survey, which measures how our people experience our culture, shows that 87% of our global respondents believe they can work to their potential because they are in an environment where they are treated with respect and in an appropriate manner."</i></p>	<p>Classification: 0</p> <p>No reference related to employee voice.</p>
Recruitment	<p>Classification: 2</p> <p>Recruitment metrics regarding number AND/OR pct. of new employees, number of interns AND/OR diversity metrics regarding new recruits.</p> <p><i>e.g. "In fiscal 2021, we increased our workforce by approximately 118,000 people."</i></p>	<p>Classification: 0</p> <p>No reference related to recruitment efforts.</p>
Unionization	<p>Classification: 0</p> <p>No reference</p>	<p>Classification: 0</p> <p>Generic language stating good employee relations</p>

TABLE 1
Variable definitions

Measures of HCR disclosure quality	
<i>Ternary HCR Disclosure Index</i> (From item 1 of 10-K reports)	For each of the nine HCR dimensions (see appendix 1), we rate disclosure as <i>Below Average</i> where disclosure is absent or very limited (a value of zero), <i>Average</i> where it is more extensive but with lower accompanying quantitative or otherwise objective evidence (a value of one), and <i>Above Average</i> where it is more detailed and quantitative (a value of two). The Ternary HCR Disclosure Index is the sum of nine disclosure ratings and results in values from zero to 18.
<i>Binary HCR Disclosure Index</i> (From item 1 of 10-K reports)	For each of the nine HCR dimensions (see appendix 1), a binary rating of disclosure is <i>Low</i> with a value of zero where disclosure is absent or very limited (<i>Below Average</i> in the Ternary Index classification), and <i>High</i> (combining the <i>Average</i> and <i>Above Average</i> ratings in the Ternary Index classification) with a value of one where it is more extensive, detailed and/or quantitative. The <i>Binary HCR Disclosure Index</i> is the sum of the disclosure ratings for the nine HCR categories, with the index value ranging from zero to nine.
HCR Disclosure word count (From item 1 of 10-K reports)	The number of words on HCR disclosure in item 1 of the 10-K report.
Executive demographic characteristics*	
CHRO (from item 1 of 10-K reports)	A value of one for the firm if an executive in the list appearing in item 1 of the 10-K report has a job title that is directly related to HR, and zero otherwise.
Founder CEO (from proxy statement)	One if the CEO is stated as having founded the company, zero otherwise.
Executive in overrepresented group**	One if the executive is i) male, and ii) belongs to the racial or ethnic majority (that excludes being an African American, Asian or Pacific Islander, American Indian, or Hispanic/ Latino), and iii) is a US national.
Executive age**	An executive's age at the time the annual report is published.
MBA degree**	One if the executive holds an MBA degree and zero otherwise.
Liberal arts degree**	One if the CEO holds at least one degree in the liberal arts (excluding business or economics, the natural sciences, engineering, and medicine), and zero otherwise.
Executive political contributions favoring democrats over republicans (from the Federal Election Commission website)	One if more than 50% of the money an executive contributes to political causes over their lifetime, (a minimum of \$100), is donated to democratic candidates, the democratic party, or democratic committees, and zero otherwise.
*Unless otherwise stated, executive characteristics refer to the demographic characteristics of the CEO, CFO and CHRO.	
** Data are collected from various internet sources including, but not limited to, corporate websites, proxy statements, Bloomberg, LinkedIn, and NNDB.	
Economic determinants	
Log(assets) (from Compustat)	The log of total assets (AT)
Financial leverage (from Compustat)	The ratio of total liabilities (LT) to total assets (AT)
Return on assets (from Compustat)	The ratio of operating income (OPNI) to total assets (AT)
Market to book equity ratio (from Compustat)	The market value of equity (PRCC_F*CSHO) divided by the book value of equity (CEQ).
Firm included in <i>Forbes best employer</i> list	A binary variable that is set to one if a firm is listed in the 2021 Forbes "World's Best Employers" list and zero otherwise
Firm included in LGBT <i>Liberal culture</i> list	One if a firm achieved a 100% rating on the Human Rights Campaign Foundation's 2022 Corporate Equality Index (CEI) - a national (US-based) benchmarking tool on corporate policies, practices and benefits pertinent to lesbian, gay, bisexual, and transgender employees; and zero otherwise.

TABLE 2
Descriptive statistics for S&P 500 firms

The table presents descriptive statistics on HCR disclosure levels in item 1 of 10-K reports filed between 11/9/2020 and 8/11/2021, top executive characteristics, and firm financial characteristics. HCR disclosure categories are defined in appendix 1. All remaining variables are defined in table 1 of the paper.

Panel A –HCR disclosure levels			
	<u>Below average disclosure (%)</u>	<u>Average disclosure (%)</u>	<u>Above average disclosure (%)</u>
Equality, diversity and inclusion (EDI)	12.0	22.8	65.2
Development and talent management	16.4	38.4	45.2
Health and safety	19.2	41.0	39.8
Compensation and benefits	24.2	41.8	34.0
Employment culture	37.6	49.6	12.8
Employee engagement and retention	37.0	22.2	40.8
Employee voice	77.8	10.6	11.6
Recruitment	65.2	22.4	12.4
Unions	53.4	6.0	40.6
	<u>Mean</u>	<u>Median</u>	<u>Std. dev</u>
Binary HCR disclosure index (0-9)	5.4	6	1.8
Ternary HCR disclosure index (0-18)	8.6	9	3.2
HCR disclosure word count post-rule	855	804	409
HCR disclosure word count pre-rule	109	55	193
Panel B – Executive demographic characteristics for CEOs, CFOs, and CHROs			
	<u>CEO</u>	<u>CFO</u>	<u>CHRO</u>
Sample size	500	500	238
Firm founder	48		
	<u>Frequency pct.</u>		
<u>Executive diversity</u>			
Female executive	6.6	14.2	68.2
Minority racial/ ethnic group executive	8.4	8.0	23.0
Foreign (non-U.S.) national executive	19.6	13.8	18.0
Executive diversity (female / minority / foreign)	28.2	29.6	78.4
<u>Executive Education</u>			
Executive holds a liberal arts degree	11.2	7.8	52.9
Executive holds an MBA	41.6	53.7	26.7
<u>Executive political ideology</u>			
Executive > 50% of political contributions (amount) to Democrats	33.5	47.0	66.1
Executive age	57.8	52.7	51.9
Panel C – Firm characteristics			
	<u>Mean</u>	<u>Median</u>	<u>Std. Dev.</u>
Total assets in \$millions	71,032	21,956	159,594
Financial leverage	0.670	0.674	0.220
Return on assets (operating income/ assets)	0.077	0.066	0.077
Market to book equity ratio	9.27	3.84	17.59
Firm included in <i>Forbes best employer</i> list	0.284	0	0.451
Firm included in <i>LGBT Liberal culture</i> list	0.490	0	0.500

TABLE 3

Pearson correlation coefficients for the main variables of interest for the 500 S&P sample firms.

All variables are defined in table 1. Correlations that involve CHRO characteristics are estimated for the 238 firms with a CHRO in the top management team. a, b, and c, denote significance at $p < 0.01$, $p < 0.05$, and $p < 0.10$ respectively.

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)
1. Ternary HCR index	1.0															
2. Binary HCR index	0.85 ^a	1.0														
3. Log (HCR word count)	0.65 ^a	0.65 ^a	1.0													
4. CHRO binary variable	0.08 ^c	0.04	0.11 ^b	1.0												
5. CHRO age	-0.04	0.02	-0.03	---	1.0											
6. CHRO MBA degree	0.07	0.06	0.05	---	-0.05	1.0										
7. CHRO in overrepresented group	0.15 ^a	0.16 ^a	0.04	---	0.09	-0.05	1.0									
8. CHRO liberal arts	-0.17 ^a	-0.14 ^b	-0.11 ^c	---	0.01	-0.26 ^a	-0.04	1.0								
9. CHRO contributions to democrats	0.07	0.08	0.03	---	0.05	0.10	-0.05	0.05	1.0							
10. Log(assets)	-0.01	-0.06	-0.04	0.13 ^a	0.03	0.09	0.01	0.09	0.06	1.0						
11. Financial leverage	0.05	0.05	0.04	0.18 ^a	0.07	0.04	0.13 ^c	0.05	0.01	0.31 ^a	1.0					
12. Return on assets	0.01	0.04	-0.02	0.10 ^b	-0.10	-0.11 ^c	-0.02	-0.01	-0.19 ^c	-0.40 ^a	-0.07	1.0				
13. Market-to-book eq.	0.01	0.05	0.04	0.08 ^b	-0.03	-0.05	0.11 ^c	0.05	-0.10	-0.21 ^a	0.25 ^a	0.36 ^a	1.0			
14. Forbes best employer	-0.01	0.01	0.03	0.15 ^a	0.04	0.08	0.10	0.05	0.01	0.29 ^a	0.09 ^b	-0.02	0.05	1.0		
15. Liberal culture	0.08 ^c	0.08 ^c	0.10 ^b	0.24 ^a	-0.08	-0.01	0.06	0.17 ^a	0.26 ^a	0.35 ^a	0.22 ^a	-0.07	0.06	0.29 ^a	1.0	
16. Founder CEO	-0.13 ^a	-0.14 ^a	-0.13 ^a	-0.19 ^a	-0.13 ^b	0.03	-0.01	0.05	0.01	-0.04	-0.17 ^a	-0.00	0.13 ^a	-0.02	-0.09 ^b	1.0

TABLE 4
The presence of a CHRO on the top management team, CHRO demographic characteristics, and HCR disclosure quality

The Heckman (1976) two-step correction is used to link CHRO status to HCR disclosure quality. The left-hand column presents results from a probit model on the probability a firm appoints a CHRO to the C-suite. The three right-hand columns present results from regressions linking the presence of the CHRO on the TMT and CHRO demographic characteristics and control variables to HCR disclosure. CHRO characteristics are set to zero when there is no CHRO in the TMT. All variables are defined in table 1. p-values are in parentheses. *, **, *** denote significance at $p < 0.10$, $p < 0.05$, and $p < 0.01$, respectively.

	Dependent variable			
	One if CHRO, zero otherwise	<u>Ternary HCR disclosure</u>	<u>Binary HCR disclosure</u>	<u>Log (word count)</u>
Intercept	-4.57*** (0.00)	6.25*** (0.00)	3.54*** (0.00)	6.09*** (0.00)
CHRO binary variable		2.82* (0.07)	1.53* (0.07)	0.49* (0.09)
CHRO age		0.01 (0.59)	0.01 (0.45)	0.00 (0.32)
CHRO MBA degree		-0.63 (0.19)	-0.29 (0.27)	-0.07 (0.47)
CHRO overrepresented group		0.97** (<0.05)	0.61** (0.02)	0.05 (0.58)
CHRO liberal arts education		-1.13*** (<0.01)	-0.56** (0.01)	-0.16** (0.04)
CHRO political contributions to democrats over republicans		0.48 (0.30)	0.33 (0.18)	0.02 (0.78)
Log(assets)	0.26** (0.01)			
Founder CEO	-1.18*** (0.00)	-1.81** (0.02)	-1.22*** (0.00)	-0.38*** (0.00)
Financial leverage	0.95* (0.06)	0.94 (0.30)	0.75 (0.13)	0.20 (0.24)
Return on assets	2.42 (0.16)	1.09 (0.64)	1.46 (0.26)	-0.15 (0.74)
Market-to-book equity ratio	0.01 (0.46)	0.01 (0.71)	0.01 (0.36)	0.01 (0.33)
Forbes best employer indicator	0.30 (0.22)	0.03 (0.93)	0.13 (0.54)	0.05 (0.55)
Liberal culture indicator	0.57** (0.01)	0.90* (0.06)	0.60** (0.02)	0.22** (0.01)
Lambda		-0.85 (0.23)	-0.65* (0.09)	-0.23* (0.08)
Fama and French industry indicators	Yes	Yes	Yes	Yes
Sample size (no. of CHROs)	500 (238)	500	500	500
-2 Log-likelihood	580.7			
F test		1.74**	1.84***	1.46*
R-squared (max re-scaled)	(26.6%)	8.1%	8.5%	6.9%

TABLE 5

Individual CHRO, CEO, and CFO demographic characteristics and HCR disclosure quality

The Heckman (1976) two-step correction is used to link CHRO status to HCR disclosure quality. This table presents results of the second-stage regressions linking CHRO, CEO, and CFO demographic characteristics and control variables with HCR disclosure quality. All variables are defined in table 1. p-values are in parentheses. *, **, *** denote significance at $p < 0.10$, $p < 0.05$, and $p < 0.01$, respectively.

	Dependent variable		
	<u>Ternary HCR disclosure</u>	<u>Binary HCR disclosure</u>	<u>Log (word count)</u>
Intercept	6.08** (0.02)	2.71* (0.05)	6.07*** (0.00)
<i>Executive characteristics</i>			
Founder CEO	-1.90** (0.02)	-1.30*** (0.00)	-0.40*** (<0.01)
CHRO binary variable	2.91* (0.06)	1.59* (0.06)	0.50* (0.09)
CHRO age	0.01 (0.58)	0.01 (0.44)	0.01 (0.29)
CHRO MBA degree	-0.68 (0.17)	-0.30 (0.26)	-0.07 (0.45)
CHRO overrepresented group	0.89* (0.07)	0.55** (0.04)	0.02 (0.79)
CHRO liberal arts education	-1.21*** (0.00)	-0.61*** (0.04)	-0.18*** (0.03)
CHRO political contributions to democrats over republicans	0.41 (0.38)	0.32 (0.20)	0.02 (0.86)
CEO age	-0.03 (0.23)	-0.01 (0.51)	-0.01 (0.44)
CEO MBA degree	-0.35 (0.23)	-0.21 (0.21)	-0.08 (0.17)
CEO overrepresented group	-0.32 (0.26)	-0.22 (0.25)	-0.10 (0.14)
CEO liberal arts education	-0.06 (0.91)	-0.13 (0.62)	-0.02 (0.82)
CEO political contributions to democrats over republicans	0.60* (0.09)	0.27 (0.15)	0.07 (0.27)
CFO age	0.03 (0.16)	0.02* (0.07)	0.01 (0.35)
CFO MBA degree	-0.18 (0.56)	-0.14 (0.40)	-0.03 (0.35)
CFO overrepresented group	-0.01 (0.97)	0.11 (0.53)	-0.03 (0.68)
CFO liberal arts education	0.22 (0.70)	0.10 (0.74)	-0.09 (0.40)
CFO political contributions to democrats over republicans	0.20 (0.58)	-0.01 (0.94)	0.08 (0.23)
<i>Firm characteristics</i>			
Financial leverage	1.08 (0.24)	0.91* (0.07)	0.23 (0.20)
Return on assets	1.58 (0.51)	1.82 (0.16)	-0.11 (0.80)
Market-to-book equity ratio	0.01 (0.72)	0.01 (0.34)	0.01 (0.25)
Forbes best employer indicator	0.02 (0.96)	0.13 (0.57)	0.05 (0.53)
Liberal culture indicator	0.87* (0.02)	0.61** (0.05)	0.23** (0.00)

	(0.07)	(0.02)	(0.01)
Lambda	-0.89	-0.70*	-0.24*
	(0.21)	(0.07)	(0.07)
Fama and French industry indicators	Yes	Yes	Yes
Sample size	500	500	500
F test	1.50**	1.57**	1.30
R-squared	9.9%	10.3%	8.7%

TABLE 6

Executive triad demographic characteristics and HCR disclosure quality

The Heckman (1976) two-step correction is used to link CHRO status to HCR disclosure quality. This table presents results of the second-stage regressions linking average CHRO, CEO, and CFO demographic characteristics, termed executive triad characteristics, and control variables on HCR disclosure quality. The executive triad variables are defined in section 3 of the paper and the remaining variables are defined in table 1. p-values are in parentheses.

*, **, *** denote significance at $p < 0.10$, $p < 0.05$, and $p < 0.01$, respectively.

	Dependent variable		
	<u>Ternary HCR</u> <u>disclosure</u>	<u>Binary HCR</u> <u>disclosure</u>	<u>Log (word count)</u>
Intercept	5.86*** (<0.01)	2.82** (0.02)	5.95*** (0.00)
CHRO binary variable	2.67* (0.06)	1.40* (0.07)	0.54** (0.04)
Founder CEO	-2.15*** (<0.01)	-1.43*** (0.00)	-0.42*** (0.00)
Mean executive triad age	0.00 (0.90)	0.01 (0.40)	0.01 (0.47)
Executive triad MBA degree	-0.29 (0.12)	-0.18* (0.08)	-0.05 (0.46)
Executive triad overrepresented group	0.30 (0.12)	0.15 (0.15)	-0.05 (0.18)
Executive triad liberal arts education	-0.43 (0.13)	-0.27* (0.08)	-0.10* (0.07)
Executive political contributions to democrats over republicans	0.46** (0.02)	0.21* (0.06)	0.07* (0.06)
Financial leverage	1.15 (0.21)	0.92* (0.07)	0.23 (0.18)
Return on assets	1.55 (0.51)	1.68 (0.19)	-0.06 (0.90)
Market-to-book equity ratio	0.01 (0.56)	0.01 (0.23)	0.00 (0.26)
Forbes best employer indicator	0.06 (0.88)	0.15 (0.21)	0.04 (0.60)
Liberal culture indicator	0.95** (0.04)	0.68*** (<0.01)	0.22** (0.01)
Lambda	-0.99* (0.07)	-0.78** (0.04)	-0.24* (0.07)
Fama and French industry indicators	Yes	Yes	Yes
Sample size	500	500	500
F test	1.65**	1.72**	1.66**
R-squared	7.7%	8.0%	7.8%

TABLE 7
Robustness tests of the relationship between CHRO demographic characteristics and HCR disclosure quality

The Heckman (1976) two-step correction is used to link CHRO status to HCR disclosure quality. This table presents results of the second stage regressions linking HCR disclosure quality to CHRO demographic characteristics and control variables. Generation X includes all CHROs born after 1960. The level of liberal arts education attained equals zero for no degree, one for a bachelor's degree, two for a master's degree, and three for a doctorate in liberal arts. The percentage of political contributions to democrats is the number of contributions to democratic candidates or the democratic party divided by the total number of lifetime political contributions made by a CHRO. The remaining variables are defined in table 1. p-values are in parentheses. *, **, *** denote significance at $p < 0.10$, $p < 0.05$, and $p < 0.01$, respectively.

	Dependent variable		
	<u>Ternary HCR disclosure</u>	<u>Binary HCR disclosure</u>	<u>Log (word count)</u>
Intercept	6.42*** (0.00)	3.41*** (0.00)	6.16*** (0.00)
CHRO binary variable	3.35** (0.01)	1.87** (0.01)	0.63** (0.02)
CHRO belongs in generation X	-0.41 (0.51)	-0.13 (0.70)	-0.07 (0.57)
CHRO MBA degree	-0.71 (0.15)	-0.32 (0.23)	-0.07 (0.48)
CHRO is female	-0.84* (0.06)	-0.53** (0.03)	-0.03 (0.68)
CHRO is Afro-American, Asian, or Hispanic/Latino	0.41 (0.58)	0.28 (0.51)	-0.00 (0.98)
CHRO is foreign national	-0.48 (0.43)	0.04 (0.90)	0.01 (0.93)
CHRO highest level of liberal arts education attained	-0.62** (0.01)	-0.28** (0.04)	-0.10** (0.04)
CHRO pct. of political contributions to democrats	-0.02 (0.98)	0.18 (0.69)	-0.05 (0.77)
Founder CEO	-1.96** (0.01)	-1.30*** (0.00)	-0.39*** (0.00)
Financial leverage	0.99 (0.28)	0.80 (0.11)	0.21 (0.22)
Return on assets	1.01 (0.67)	1.39 (0.29)	-0.16 (0.72)
Market-to-book equity ratio	0.00 (0.74)	0.00 (0.41)	0.00 (0.33)
Forbes best employer indicator	0.04 (0.91)	0.15 (0.49)	0.05 (0.49)
Liberal culture indicator	1.03** (0.03)	0.68*** (<0.01)	0.23** (0.01)
Lambda	-0.98 (0.16)	-0.73* (0.06)	-0.24* (0.07)
Fama and French industry indicators	Yes	Yes	Yes
Sample size	500	500	500
F test	1.60**	1.61**	1.35
R-squared	8.1%	8.2%	6.9%