

Overseas Residency and Corporate ESG Performance

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Abstract

This study investigates how overseas residence rights of controlling shareholders influence corporate ESG (Environmental, Social, and Governance) performance in Chinese A-share listed companies. Using a comprehensive dataset and multiple tests including placebo analysis, propensity score matching, and instrumental variable approaches, we find that overseas residence rights significantly enhance ESG performance, particularly in firms with strong controlling shareholder influence and where social reputation is prominent. Furthermore, ESG improvements are positively associated with firm performance (ROA, EPS) and executive compensation, particularly when the controlling shareholder also serves as chairman. These findings reveal a novel globalization pathway shaping corporate behavior in emerging markets.

Keywords: ESG performance; Overseas residence rights; Corporate governance; Emerging markets; Behavioral decision-making

JEL Classifications: D91; G34; M14

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1 Introduction

Environmental, Social, and Governance (ESG) performance is becoming an essential concern for firms, investors, regulators, and society at large. The demand for greater transparency, ethical conduct, and sustainable development has transitioned from a soft expectation into a hard metric of corporate competitiveness, which reflects a broader macroeconomic trend that integrates non-financial performance metrics into traditional financial decision-making (Akpan & Oluwagbade, 2023).

Chinese firms are increasingly participating in global capital markets, where ESG performance is often a critical standard for investment (Zhao et al., 2024). However, as China continues to open up and adapt to international regulations, its domestic corporate governance structures face complex challenges rooted in ownership patterns (Clarke, 2003; Wei & Geng, 2008), regulatory fragmentation (Tomasic & Fu, 2006; Wu, 2016), and executive decision-making practices (Lin, 2004; Qu & Leung, 2006). Therefore, understanding the forces that drive ESG performance among Chinese firms is timely and essential.

The role of the controlling shareholder (hereafter, “actual controller^{**}”), the individual or entity that ultimately governs the firm, receives increasing attention. Particularly, the characteristics and backgrounds of actual controllers may influence a firm’s strategic direction and ethical commitments. As Chinese private^{††} firms expand their reach, a subset of controllers acquires overseas residency, often gaining exposure to more advanced managerial practices and institutional norms (Luo, 2007). One aspect that remains underexplored is the impact of the actual controller’s foreign residency status on corporate ESG performance.

This study aims to fill this gap by examining whether actual controllers with foreign residence rights are associated with enhanced ESG performance in Chinese private listed firms.

^{**} In 2003, China Securities Regulatory Commission (CSRC) stipulated that “a firm’s controlling shareholder is either the shareholder with highest share ownership, or shareholder who can control the board composition and make key decisions through share ownership, contracts, or other legal arrangements. Non-state-owned firms whose controlling shareholders are natural persons should disclose the residency information on ultimate controlling persons in their annual reports.

^{††} In this paper, private firms refer to non-state-owned enterprises listed on the Shanghai or Shenzhen stock exchanges.

While ESG as an economic variable has been widely studied in contexts such as investment efficiency (Chasiotis et al., 2024; Bilyay-Erdogan et al., 2024), stock performance and market prices (Livieri et al., 2024; Li et al., 2025), and reputation management (Maaloul et al., 2023), the potential determinants from a controller-level characteristic remain relatively underdeveloped in academic literature. Similarly, while foreign residency has been discussed in the context of financial decision-making (Peng & Tan, 2023) and cross-border investment (Wang et al., 2022; Zhu et al., 2024), the aspects of non-financial performance such as ESG have rarely been studied independently.

The theoretical basis of this study stems from upper echelon theory (Hambrick & Mason, 1984; Hambrick, 2007) and signaling theory (Spence, 1978; Spence, 1981; Spence, 2002). Upper echelon theory posits that executives' backgrounds influence strategic decisions (Hambrick & Mason, 1984). A controller with overseas residency is more likely to have absorbed global governance models, cultural values, and stakeholder-oriented management styles. These influences may drive a proactive stance toward ESG initiatives, even in the absence of strict domestic enforcement. Drawing from upper echelon theory, we hypothesize that actual controllers with foreign residence rights are more likely to implement superior ESG practices due to their broader worldviews and exposure to international standards. Their experiences abroad may instill a greater appreciation for environmental stewardship, social responsibility, and transparent governance. Simultaneously, signaling theory provides a complementary explanation to upper echelon theory. In capital markets, corporate actions are often interpreted as credible signals, particularly those influenced by information asymmetry (Spence, 2002). Improving ESG performance can serve as a credible signal to external investors, indicating forward-looking management and risk awareness. A controller's foreign residency may further validate such a signal, enhancing its credibility. From the perspective of signaling theory, a controller's foreign residency can serve as a credible signal to the market, indicating a firm's alignment with global best practices. This signal may attract investors who prioritize ESG considerations, therefore incentivizing firms to enhance their ESG performance to meet stakeholder expectations.

The interaction of these theoretical perspectives leads to our central hypothesis that actual controllers with foreign residency are more likely to improve ESG performance in private Chinese firms. Furthermore, this relationship is not necessarily linear or homogeneous across all firms. The degree to which foreign residency influences ESG may depend on mediating factors such as internal governance quality, external attention, regional openness, and managerial sustainability awareness.

This study employs a rich panel dataset of Chinese A-share private listed companies between 2009 and 2022. Furthermore, considering the limitations of existing data on controller characteristics, we manually collected information on the foreign residency status of actual controllers and matched it with financial and ESG data to ensure data reliability. The sample was refined by excluding firms in the financial industry, as well as those with financial anomalies such as abnormally reported profits, companies with more than ten or no actual controllers, firms listed for less than a year, and those with incomplete key variable data. The dependent variable, ESG performance, is measured using the ESG rating from China Securities, assigned values from 1 to 9 and averaged annually. The key independent variable, foreign residency status of the actual controller, is a binary variable coded as 1 if the controller has foreign residency and 0 otherwise. Multiple control variables related to firm size (logarithm of total assets), leverage (total liabilities divided by total assets), profitability, growth rate, proportion of tangible assets, cash flow level, equity balance, institutional shareholding ratio, percentage of independent directors, and duality of roles (chairman also serving as general manager) are included to minimize omitted variable bias.

To test the core hypothesis, this study conducts several layers of empirical analysis. A benchmark OLS regression model first establishes the positive and statistically significant relationship between controller foreign residency and ESG performance. Recognizing the risk of endogeneity, the study adopts a two-stage least squares estimation. To construct a valid instrumental variable, the approach follows Lewbel's (1997) method, leveraging the cube of the difference between a controller's foreign residency and the industry-province average. This

variable satisfies both relevance and exogeneity, as it captures systemic variance while remaining uncorrelated with firm-level ESG shocks.

Beyond benchmark and IV regression, this paper conducts a mechanism test to examine the pathways through which the effect operates, which include internal governance and external attention. Internal governance is assessed through agency cost (management expenses divided by revenue) and the internal control index from Dibo data. The analysis finds that the effect of foreign residency is more pronounced in firms with weaker internal governance, suggesting that such controllers play a complementary role. External attention, measured by research report volume and analyst coverage, is also shown to amplify the effect. When firms are under greater inspection, foreign-resident controllers appear more motivated or enabled to pursue ESG improvements, consistent with the logic of signaling theory.

This study also includes a heterogeneity analysis to explore the boundaries of the main effect. First, regional openness is considered. We use a dummy variable for historical treaty port status (trading ports after the Opium War) as a representation for local openness to foreign culture. Results show that the positive effect of foreign residency is stronger in these historically open regions, supporting the cultural transmission hypothesis. Second, managerial sustainability awareness is measured by textual analysis of annual reports, counting keyword frequencies related to environmental values. Interestingly, the foreign residency effect is more significant when managerial sustainability awareness is low, implying that foreign-resident controllers can act as drivers of ESG behavior in otherwise indifferent contexts.

Additional moderators are also explored to enrich the model. For example, ownership concentration might moderate the effect. In firms where power is centralized, the influence of the controller may be more direct, reinforcing the impact of their personal traits. Similarly, industry environmental sensitivity, such as manufacturing versus tech sectors, could shape the effectiveness of ESG policies driven by leadership. In highly inspected sectors, the signaling value of ESG is higher, possibly strengthening the relationship.

To strengthen the credibility of our causal inference, we incorporate two widely accepted robustness checks: propensity score matching (PSM) and the placebo test. The propensity score

matching method is used to account for selection bias, ensuring the robustness of the treatment effect by comparing similar firms with and without foreign-resident controllers. Placebo tests are employed to further confirm that the results are not driven by spurious correlation or unobservable trends.

After eliminating differences in corporate characteristics, the impact of the actual controller's overseas residence on corporate ESG performance is still significantly positive at the 1% level. Considering that PSM will lose samples that have not been successfully matched, resulting in sample information loss, the entropy balance method is used to further reduce the interference of sample bias on the estimation results.

In order to verify that the empirical results are not caused by accidental events, samples affected by overseas residence are randomly selected by random replacement and placebo tests are conducted. Since the "pseudo" experimental group is randomly generated, the pseudo treatment variable of the actual controller's overseas residence should not have a significant impact on corporate ESG performance, that is, the regression coefficient of the "pseudo" treatment variable should be around zero, otherwise, it indicates that there is a deviation in the model setting of this study. Results show that the positive effect of the actual controller's overseas residence on the company's ESG performance is not an accidental event, and the research conclusions of this article are reliable and robust.

In exploring economic consequences, the paper considers both firm and executive-level outcomes. From the firm perspective, ESG performance is positively linked to ROA and EPS, suggesting real performance benefits. From the executive perspective, average executive compensation increases with corporate ESG performance. Importantly, this relationship holds only when the actual controller also serves as chairman, suggesting that controllers reap personal returns for ESG improvements they enable.

These findings have several important implications. First, they enrich the understanding of how personal characteristics of corporate leaders can affect non-financial outcomes such as ESG, particularly those shaped by international exposure. This human-centered insight aligns with the macroeconomic shifts toward global integration and sustainable development. Second,

the results provide practical value for investors and policymakers. For investors, actual controller's foreign residence rights may serve as a soft signal for ESG engagement potential. For regulators and stakeholders, supporting internationally informed leadership may accelerate ESG adoption across firms. Lastly, the study highlights the importance of contextual moderators. ESG strategies cannot be one-size-fits-all, their success largely depends on firm-specific governance, attention, and cultural settings.

This paper contributes to three major strands of literature. First, it extends the ESG performance literature (e.g., Jang et al., 2022; Bilyay-Erdogan et al., 2024; Zhao et al., 2024) by introducing a novel determinant, namely, the overseas residence rights of controlling shareholders, thereby shifting the focus from firm-level characteristics and external institutional pressures to individual-level global exposure. Second, it contributes to the corporate governance literature in emerging markets (e.g., Clarke, 2003; Wei & Geng, 2008; Lin, 2004; Dimungu-Hewage & Poletti-Hughes, 2023) by identifying a previously overlooked but behaviorally significant factor that shapes governance outcomes through transnational affiliations and reputational concerns. Third, this study adds to the upper echelons and signaling theory literatures (e.g., Hambrick & Mason, 1984; Hambrick, 2007; Spence, 2002) by demonstrating how individual attributes of top decision-makers, particularly those rooted in geographic and institutional mobility, influence corporate strategies. By doing so, the study links global social embeddedness to domestic corporate sustainability practices, offering a novel explanation for cross-firm heterogeneity in ESG behavior.

Following this introduction, the subsequent sections of this study are structured as follows. Section 2 reviews the literature on corporate ESG performance and controller's foreign residency, as well as proposing the hypotheses. Section 3 covers the data description and preliminary analysis. Empirical findings and discussions are presented in Section 4, followed by the conclusions outlined in Section 5.

2 Literature Review and Hypothesis Development

The growing importance of ESG considerations in corporate decision-making has drawn growing attention from both academic and professional fields. ESG performance, once viewed as a minor indicator of firm value creation, is now widely regarded as a critical component of long-term corporate sustainability and competitiveness. Several previous studies have applied various theories to understand the motivations behind corporate ESG practices, including stakeholder theory (Freeman, 2010; Wai-Khuen et al., 2023; Wang, 2024), agency theory (Jensen & Meckling, 1976; Bonham & Riggs-Cragun, 2023; Salman et al., 2024), and legitimacy theory (Crossley et al., 2021).

Stakeholder theory posits that firms must address the interests of multiple stakeholders to achieve sustainable success, rather than shareholders only. From this perspective, enhanced ESG performance is a strategic response to stakeholder pressures, aiming to secure competitiveness, reduce risk, and build trust. Furthermore, firms participating in global supply chains or capital markets may particularly prioritize ESG to maintain relationships with international investors, regulators, and consumers.

In contrast, agency theory introduces a more critical perspective, emphasizing the conflict between managers' and owners' interests. From this perspective, ESG investments could either reflect managerial self-interest such as reputation building, or efforts to align managerial actions with long-term shareholder value.

Institutional theory further extends these ideas by highlighting how corporate behaviors are shaped by social norms, regulations, and cultural expectations in different institutional environments. Multinational corporations and firms with international exposure are especially sensitive to institutional pressures for ESG compliance in host countries, particularly those with more mature regulatory regimes or ESG-conscious civil societies.

What emerges from this theoretical landscape is the recognition that ESG decisions are not made in a vacuum, instead, they are influenced by various contextual variables, including the characteristics and preferences of controlling shareholders, particularly in countries with concentrated ownership structures such as China.

Recent years have witnessed an emerging body of literature exploring how the personal attributes and international exposure of controlling shareholders affect firm-level governance and strategic decision-making. Among these factors, the acquisition of overseas residence rights, including permanent residency, green cards, or long-term visas has gained particular attention. These rights not only reflect a controller's access to foreign systems and values but also may signal a shift in identity, opportunity set, and reputational concerns. Several studies have found that the transnational identity of controlling owners can significantly affect corporate behavior (Child & Tayeb, 1982; Sequeira et al., 2009; Lee et al., 2017). For example, controlling shareholders with exposure to foreign markets may adopt more risk-averse, transparent, and stakeholder-oriented practices to protect their international mobility or family assets abroad. In some cases, these individuals may view their firms as part of a broader portfolio of global interests, prompting them to adopt globally recognized norms such as ESG to enhance their competitiveness or reduce cross-border frictions.

Furthermore, residence rights often imply a connection to jurisdictions with strong ESG expectations and enforcement regimes, such as the US, Canada, Australia, or countries in Western Europe (Sulkowski & Jebe, 2022). Controllers who hold residence rights in these countries may be subject to reputational monitoring from both foreign institutions and diaspora networks. In turn, this may motivate them to improve ESG standards in their domestic firms, even in the absence of strong domestic pressures. In the Chinese firm context, this logic is particularly convincing. As private listed firms are often tightly controlled by their founders or families, the personal values and external affiliations of controlling owners have significant influence over corporate decisions (Carney, 2005). Residence rights abroad may signal a preference for global norms, reduce the tolerance for unclear or extractive practices, and shift strategic priorities toward long-term reputation over short-term financial interests.

We suggest that the overseas residence rights of actual controllers affect ESG performance through several key mechanisms, which can be understood both at the firm level and the executive level. Controllers with overseas residence rights may be more concerned about personal and corporate reputation in international arenas. Corporate ESG performance serves

as a visible and quantifiable signal of corporate social responsibility (CSR) and long-term orientation (Kuo et al., 2025). By improving ESG metrics, these controllers not only boost the firm's image among foreign investors but also protect their own reputations, especially if they maintain active social or business connections in their host countries. This reputational incentive is amplified in high-profile sectors, listed firms, or firms seeking foreign investment. ESG compliance becomes not just a business choice but also a personal branding strategy for the controller, aligning their domestic actions with global expectations. Another mechanism is norm diffusion. Controllers who reside in or frequently travel to high-standard jurisdictions are more likely to internalize foreign regulatory expectations, governance norms, and ESG frameworks. This exposure leads to a form of institutional spillover where global ESG practices are voluntarily adopted in their home firms, even in the absence of domestic enforcement. Furthermore, these controlling shareholders may seek to replicate or adopt the governance structures and reporting practices of their host countries, leading to systematic improvements in environmental disclosure, labor standards, and board composition.

From the executive perspective, ESG improvements are not costless. They often require greater diligence, transparency, and internal reform. Controllers who push for better ESG outcomes may thus use financial incentives, such as increased salaries or bonuses, to align the interests of top management (Lee et al., 2024). Our findings suggest that corporate ESG performance is positively associated with executive compensation, particularly in firms where the actual controller also serves as chairman. This dual role is likely to enhance the controller's ability to directly influence salary decisions and reinforce desired governance changes. Therefore, the overseas residence rights of controllers set off a chain of incentives, from the top (controller) through the middle (executives) to the bottom (firm-level ESG behavior), creating an internally consistent push toward sustainability and responsibility.

Finally, residence rights can increase a controller's legal exposure in their host country. For instance, companies tied to individuals with US green cards may face increased inspections from US regulatory bodies or activist shareholders. In this context, improving ESG becomes a defensive strategy to minimize reputational and legal risks across borders. Firms may

voluntarily adopt stricter ESG standards to avoid being flagged in foreign media or activist reports that could affect the controller's personal standing or immigration status (Rissman & Kearney, 2019). This risk-avoidance logic adds another dimension to the controller side, further strengthening the relationship between residence rights and ESG behavior.

Building on the theoretical reasoning and observed mechanisms above, we develop the following hypotheses.

H₁: The overseas residence rights of the actual controller are positively associated with corporate ESG performance.

This hypothesis captures the central proposition of the study that transnational residence status shapes corporate behavior by introducing new reputational, institutional, and legal incentives. It also reflects the idea that actual controllers are uniquely positioned to influence ESG outcomes in Chinese listed firms due to their concentrated ownership and managerial control.

H_{2a}: The positive association between ESG performance and corporate financial performance is stronger in firms where the actual controller holds overseas residence rights.

This hypothesis explores the economic consequence of ESG improvement from the firm's perspective. If ESG initiatives under controller influence are strategic rather than symbolic, they should yield tangible improvements in profitability, efficiency, or market performance. The findings from our ROA and return regressions suggest that ESG improvements, potentially driven by the controller's international status, enhance firm value.

H_{2b}: The positive association between ESG performance and executive compensation is stronger in firms where the actual controller holds overseas residence rights.

This hypothesis addresses the individual-level returns to ESG behavior. If ESG improvements are costly to implement and monitor, controllers may use monetary incentives to secure executive buy-in. In firms with globally oriented controllers, we expect this alignment to be particularly pronounced, as the controller likely views ESG performance as both a personal and strategic priority.

H₃: The effect of ESG performance on executive compensation is significant only when the actual controller also serves as chairman of the board.

This final hypothesis tests a moderating effect. The dual role of controller and chairman enhances the individual's ability to set executive pay and push forward governance reforms. Therefore, we expect the relationship between ESG performance and executive rewards to be conditional on internal governance structure, particularly the centralization of power in the controller's hands.

These hypotheses allow us to build a comprehensive model linking the personal international status of controlling shareholders to corporate governance outcomes and economic consequences. They are tested in the subsequent empirical sections using detailed firm-level and executive-level data from Chinese A-share private listed firms.

3 Data and Method

The empirical strategy of this study comprises a carefully constructed dataset, a rigorous sample filtering process, and the implementation of econometric models grounded in the framework of upper echelon theory and signaling theory. This section outlines the data sources, the procedure for compiling and cleaning the sample, the empirical models employed, and the descriptive characteristics of the final dataset.

3.1 Sample Construction and Data Collection

To ensure the relevance and clarity of the empirical investigation, the research sample is drawn exclusively from private A-share listed companies traded on the Shanghai and Shenzhen Stock Exchanges between 2009 and 2022. The restriction to private enterprises is intentional and essential: while the China Securities Regulatory Commission (CSRC) mandates the disclosure of the overseas residence rights of actual controllers when they are natural persons, state-owned enterprises often list government agencies or legal entities as controllers, which are either not subject to this rule or do not possess clearly defined individual-level residence data. Including state-owned firms would therefore introduce significant noise and measurement errors in the identification of the key independent variable.

The information on overseas residence rights was manually collected from company announcements, annual reports, and public disclosures, ensuring high granularity and reliability. A controller is classified as having overseas residence rights if there is confirmed documentation that the individual holds foreign nationality, permanent residency abroad, or long-term residence permits issued by foreign governments. This binary classification is then matched with firm-level ESG scores and financial indicators.

To enhance the internal validity of the sample, we applied a multi-step cleaning process. First, firms in the financial industry were excluded due to their unique regulatory and capital structures, which differ significantly from those in the real economy. Second, firms exhibiting financial anomalies, such as those with abnormally reported profits or equities under special treatment (ST and *ST)^{††}, were removed. Third, firms with no disclosed actual controller or those with more than ten controllers were eliminated, given the potential ambiguity in determining the primary decision-maker. Fourth, newly listed companies that had not completed at least one full fiscal year of public reporting were excluded to avoid bias from incomplete financial cycles. Finally, any observations with missing data on key control variables were removed, resulting in a balanced panel suitable for robust statistical analysis.

^{††} In China, firms that are designated as special treatment (ST) by the stock exchanges are those that have experienced financial distress, typically, two consecutive years of losses. These firms are subject to tighter trading restrictions and enhanced regulatory scrutiny. The ST designation serves as a warning to investors and may lead to delisting if financial conditions do not improve (The Economist, 2021).

After this filtering process, the final dataset consists of 16,545 firm-year observations over a 14-year period.

3.2 *Dependent Variables and Independent Variables*

The dependent variable in this study is *ESG*, a continuous variable reflecting each firm's environmental, social, and governance performance. The data is sourced from professional ESG rating agencies recognized in the Chinese capital market and normalized to ensure comparability across firms and years.

The core independent variable is *id*, an indicator variable equal to 1 if the firm's actual controller possesses overseas residence rights in a given year, and 0 otherwise.^{§§} This variable captures the controller's potential exposure to international institutional norms and sustainability values, hypothesized to influence the firm's ESG decisions.

3.3 *Control Variables*

Control variables are included to mitigate the risk of omitted variable bias and account for firm-level heterogeneity. These include Firm Size (*size*), measured as the natural logarithm of total assets; Leverage (*lev*), defined as total liabilities divided by total assets; Profitability (*roa*), calculated as return on assets; Growth Opportunities (*growth*), proxied by the annual growth rate of operating revenue; Capital Intensity (*ppe*), measured as the ratio of fixed assets to total assets; Cash Holdings (*cash*), represented as the ratio of cash and equivalents to total assets; Ownership Concentration (*share*), defined by the shareholding ratio of the largest shareholder; Institutional Ownership (*inst*), indicating the share of equity held by institutional investors; Pyramid Ownership (*indir*), capturing indirect control via nested shareholding; and Duality (*dual*), a binary variable equal to 1 if the CEO concurrently serves as board chair.

^{§§} For firms with multiple controlling persons, *id* is set to 1 if at least one controlling person has foreign residency rights in a given year.

3.4 Model Development

The baseline estimation model is specified as follows:

$$ESG_{it} = \alpha + \beta id_{it} + \gamma' X_{it} + \delta_t + \mu_i + \varepsilon_{it}$$

The dependent variable ESG_{it} represents the Huazheng ESG score for firm i in year t . The key explanatory variable, id_{it} , is a dummy that equals 1 if the controlling shareholder holds overseas residency rights, and 0 otherwise. The vector X_{it} includes firm-level controls such as firm size, leverage, profitability, and ownership structure. We include firm fixed effects μ_i to absorb time-invariant heterogeneity and year fixed effects δ_t to control time-variant factors such as changes in ESG reporting norms over time.

3.5 Summary Statistics

Table 1 reports the descriptive statistics of the main variables used in this study. The average ESG score across the sample is approximately 4.05, with a range from 1.25 to 6.00, indicating moderate overall ESG performance among private listed Chinese firms. The standard deviation is relatively narrow at 0.99, indicating some consistency in the ESG evaluation, although the full range shows considerable variation.

The independent variable id , which denotes the presence of foreign residence rights, has a mean of 0.125, indicating that about 12.5% of firms in the sample have controllers with overseas residence status. This relatively low frequency justifies the need for precise matching and robust modeling to isolate its effects.

In terms of firm characteristics, the average firm size (log of total assets) is 21.84, with a range from 19.80 to 25.01. The leverage ratio has a mean of 0.38, suggesting moderately leveraged operations across the sample. The mean return on assets (roa) is 0.041, and growth in revenue is 0.20, both typical for private listed firms. Variables such as capital intensity (ppe) and cash holdings ($cash$) show expected distributions with moderate dispersion. Ownership-related variables reveal a relatively high concentration of control, with the largest shareholder

holding on average 83.4% of total shares. Institutional ownership averages 35.8%, while duality is present in 37.9% of firm-year observations, a factor that may influence strategic decisions such as ESG disclosures.

The descriptive statistics support the necessity of controlling for these variables, given their variability and potential correlation with both ESG outcomes and the likelihood of appointing globally exposed controllers.

[Please Insert Table 1 here]

4 Discussion of Empirical Results

4.1 *Baseline Regression*

We investigate whether the overseas residence rights of the actual controller influence the corporate ESG performance of private listed firms. Column (1) of Table 2 presents the results of a simple regression of ESG performance on the binary indicator *id*, which denotes whether the actual controller holds overseas residence rights. Columns (2) and (3) successively add firm-level control variables such as size, leverage, profitability, growth, and governance characteristics to test the robustness of the relationship.

Across all model specifications, the coefficient on *id* remains positive and statistically significant at the 1% level. Specifically, in the fully controlled model (Column 3), the presence of overseas residence rights is associated with a 0.1528 increase in ESG performance. This is 15.4% of the standard deviation of our sample ESG measure, suggesting a meaningful effect. This implies that controlling shareholders with foreign residence rights tend to promote more responsible environmental, social, and governance practices within their firms. A possible explanation for this finding lies in the reputational and regulatory spillovers from the foreign institutional environments in which these controllers hold residency. Overseas residency may expose controllers to stricter ESG standards or higher reputational pressures, incentivizing them to align their firms with global norms. These results are robust after holding firm size,

profitability, capital structure, growth potential, cash flow, ownership dispersion, and corporate governance indicators constant.

Overall, the baseline regression provides strong initial evidence that the overseas residence rights of actual controllers are positively associated with the ESG performance of private firms, supporting the hypothesis that cross-border institutional exposure influences corporate-level strategy and behavior.

[Please Insert Table 2 here]

4.2 *Endogeneity Test*

To address potential endogeneity concerns, such as reverse causality or omitted variable bias, this paper adopts a two-stage least squares (2SLS) regression framework. Following Lewbel (1997), we construct an instrumental variable (IV) based on the higher-order moment of the actual controller's overseas residence rights. Specifically, the IV is defined as the cube of the difference between an enterprise controller's overseas residence rights and the average of this variable within the same industry and province. This construction captures exogenous variation while satisfying both relevance and exogeneity conditions, as it leverages cross-sectional dispersion that is orthogonal to firm-level ESG outcomes but predictive of the endogenous regressor.

The empirical results of the two-stage regression are shown in Columns (1) and (2) of Table 3. Column (1) presents the first-stage regression, where the coefficient on the constructed IV is significantly positive at the 1% level. The F-statistic is 6031.35, which is far exceeding the conventional threshold of 10, indicating that the instrument is strongly correlated with the endogenous regressor and therefore avoids the problem of weak instruments. Column (2) presents the second-stage regression results. Even after accounting for potential reverse causality, the coefficient on the actual controller's overseas residence rights remains significantly positive at the 1% level, confirming that the main finding in the baseline regression is not driven by endogeneity bias. In other words, the presence of overseas residence

rights continues to exert a statistically and economically meaningful positive impact on corporate ESG performance.

These findings lend further support to hypothesis H_1 , which is grounded in upper echelons theory. Specifically, actual controllers with foreign residency may be more exposed to international ESG standards, advanced management practices, and reputational norms that influence their decision-making. As a result, they are more inclined to implement policies that enhance corporate ESG performance, aligning their firms with global sustainability expectations.

[Please Insert Table 3 here]

4.3 Robustness Test

To further evaluate the reliability of the baseline regression results, we conduct the robustness checks through two approaches. The first is changing the regression model, and the second is replacing key variables. The results across both approaches consistently support the positive impact of the actual controller's overseas residence rights on corporate ESG performance.

4.3.1 Changing the Regression Model

First, considering that Huazheng ESG rating is inherently ordinal in nature (i.e., a level from 1 to 9), this paper applies an Ordered Probit model to account for the ranked structure of the ESG variable. The regression results in Table 4, Column (1) show that the estimated coefficient for the actual controller's overseas residence rights (*id*) remains significantly positive at the 10% level, affirming the robustness of the core findings even when accounting for the ordinal characteristics of the ESG ratings. Second, a quasi-natural experiment approach is employed using a Difference-in-Differences (DID) framework to examine the effect of first-time acquisition of overseas residence rights. Particularly, enterprises in which the actual controller obtains overseas residence rights during the sample period are defined as the

treatment group ($du = 1$), while those that do not are assigned to the control group ($du = 0$). A time dummy variable (dt) captures the years post-acquisition. The interaction term $du \times dt$, reported in Column (2), has a positive and significant coefficient at the 5% level, indicating a causal effect of gaining overseas residency on enhanced corporate ESG performance. This strengthens the causal interpretation of the baseline results.

[Please Insert Table 4 here]

4.3.2 Replacing Key Variables

In the second robustness check, the key independent and dependent variables are replaced to ensure results are not sensitive to measurement definitions, as presented in Table 5. First, we replace the independent variable. A stricter criterion (idd) is introduced, where the variable takes a value of 1 only if all actual controllers of a firm have overseas residence rights. Column (1) of Table 5 indicates that the coefficient remains significantly positive at the 1% level, demonstrating that the observed effect is not an artifact of the original id definition.

Alternatively, the dependent variable is replaced with the Bloomberg ESG Index ($BloESG$) as an alternative measure of corporate ESG performance. The results in Column (2) show that the positive effect of overseas residence rights continues to hold at the 5% significance level, reinforcing the robustness of the findings even with a different ESG metric.

These robustness checks confirm the consistency and validity of the empirical conclusion that overseas residence rights of actual controllers significantly and positively influence corporate ESG performance across different model specifications and variable definitions.

[Please Insert Table 5 here]

4.4 Heterogeneity Test

Building upon the robust evidence that actual controllers' overseas residence rights positively impact corporate ESG performance, we further explore the heterogeneity of this effect and report the results in Table 6. Particularly, we investigate under what conditions the

effect is more or less pronounced, offering deeper insights into the mechanisms through which overseas exposure translates into ESG improvements. Two dimensions of heterogeneity are considered.

The first dimension is the openness of the region where the enterprise is located. Drawing on historical institutional differences, this paper uses the legacy of treaty ports established after the Opium War as a proxy for openness to foreign cultures. A binary variable *open* is constructed, equal to 1 if the city where the enterprise is headquartered was designated a trading port, such as Guangzhou, Xiamen, Fuzhou, Ningbo, and Shanghai, or 0 otherwise. The interaction term $id \times open$ in Column (1) is significantly positive at the 5% level, indicating that in regions with higher openness, the positive effect of the actual controller's overseas residence rights on ESG performance is more pronounced. This suggests that a culturally open environment may amplify the influence of internationally exposed controllers, possibly due to greater receptiveness to global ESG norms.

The second dimension examines the green environmental awareness of top management. Following Duriau et al. (2007), this paper measures management's green awareness by conducting word frequency analysis on environment-related keywords in annual reports. A variable *aware* is constructed to reflect the intensity of management's green focus.

The interaction term $id \times aware$ in Column (2) is significantly negative at the 1% level, suggesting that when green awareness among executives is low, the influence of overseas residence rights on ESG performance is more significant. In other words, in contexts where internal managerial support for sustainability is weak, the presence of internationally exposed controllers can play a compensatory role by promoting higher ESG standards. These findings together highlight that the impact of overseas residence rights is not constant across firms but rather conditioned by external openness and internal environmental consciousness.

[Please Insert Table 6 here]

4.5 Propensity Score Matching Test

To further examine the robustness of the baseline regression results, we adopt the propensity score matching (PSM) method to control for potential endogeneity arising from differences in corporate characteristics and unobserved heterogeneity. Particularly, the control variables used in the main regression model are selected as matching covariates, and a Logit model is employed to estimate the propensity scores of firms having actual controllers with overseas residence rights. Based on these scores, we conduct nearest neighbor matching by using two strategies: one-to-one and one-to-two matching, with a caliper set at 0.05 to ensure close matches while avoiding poor-quality pairings.

The results of the PSM regression are presented in Columns (1) and (2) of Table 7. After accounting for observable firm-level characteristics through matching, the coefficient of the treatment variable, actual controller's overseas residence rights (*id*), remains significantly positive at the 1% level. This suggests that the positive association between overseas residence rights and corporate ESG performance is not driven by differences in firm characteristics but rather reflects a robust relationship. These findings reinforce the validity of the main conclusions, even when sample comparability is improved through matching.

However, it is worth noting that the application of the PSM method inherently involves the exclusion of unmatched observations, which may lead to sample information loss and potentially introduce selection bias. To address this limitation and further mitigate estimation bias caused by differences in covariate distributions, we also employ the entropy balancing method (EBM). Entropy balancing adjusts sample weights to achieve balance in covariate moments between the treatment and control groups, thereby improving the robustness of causal inference without discarding samples. As reported in Column (3) of Table 7, the regression results under entropy balancing show that the coefficient of *id* remains significantly positive at the 5% level. This result, obtained after reweighting the sample to eliminate observable differences, confirms that the actual controller's overseas residence rights continue to exert a positive influence on ESG performance. Overall, the results of the PSM and EBM approaches consistently support the baseline findings and lend strong empirical support to the robustness of the study's conclusions.

[Please Insert Table 7 here]

4.6 Placebo Test

In addition to addressing selection bias, we conduct a placebo test to rule out the possibility that the observed relationship between overseas residence rights and ESG performance is due to random chance or spurious correlation. The placebo test is implemented by randomly assigning the treatment status (overseas residence rights) to firms and re-estimating the model using this “pseudo” treatment variable. Since the assignment is purely random, the estimated coefficient of the pseudo variable should, under the null hypothesis, be statistically insignificant and close to zero. Otherwise, the results would indicate potential model misspecification.

This study repeats the random assignment process 500 times and estimates the corresponding coefficients in each iteration. A kernel density plot (Figure 1) is then constructed to visualize the distribution of the placebo coefficients. The horizontal axis of the plot represents the estimated values of the pseudo treatment effect, while the vertical axis depicts their corresponding densities. The resulting curve exhibits a smooth, symmetric, bell-shaped distribution centered approximately at zero. Moreover, most of the estimated coefficients lie close to zero, and the majority of their p-values exceed the 0.1 threshold, indicating statistical insignificance.

The kernel density plot thus provides convincing visual evidence that the positive effect of actual controller’s overseas residence rights on ESG performance is unlikely to be driven by random variation. Furthermore, the absence of systematic bias or extreme values among the placebo estimates suggests that the original findings are not artifacts of model design or sampling error. Therefore, the placebo test confirms the validity and reliability of the empirical results, further strengthening the robustness.

[Please Insert Figure 1 here]

4.7 Disaggregation Analysis

To further explore the specific mechanisms through which the actual controller's overseas residence rights influence corporate ESG performance, we conduct a detailed disaggregation analysis by separating the ESG score into its three constituent dimensions: environmental (E), social (S), and governance (G) performance. This approach allows for the identification of the specific ESG sub-domain in which the actual controller's overseas background exerts the most pronounced impact, thereby providing greater insight into the internal transmission mechanism of the observed effect. Regression results for the sub-dimensions are reported in Table 8, with Columns (1), (2), and (3) corresponding to environmental (*Escore*), social (*Sscore*), and governance (*Gscore*) scores, respectively.

As shown in the table, the coefficient of the key explanatory variable, the actual controller's overseas residence rights (*id*), is positive in all three regressions. However, statistical significance is achieved only in the case of the governance score, with a coefficient of 0.9594 significant at the 5% level. This finding suggests that the positive effect of overseas residence rights on overall corporate ESG performance is primarily driven by improvements in corporate governance practices. The lack of statistical significance in the environmental and social dimensions indicates that overseas residence rights do not exert a uniform influence across all ESG components. Specifically, in the environmental dimension, the coefficient of *id* is positive (0.5916) but not statistically significant, implying that any association between the actual controller's overseas status and environmental performance may be weak or subject to unobserved heterogeneity. Similarly, in the social dimension, the coefficient is 0.0507 and statistically insignificant, further supporting the view that the observed governance effect is unique and not merely a reflection of overall firm-level ESG improvements. These findings lend support to the hypothesis that actual controllers with overseas residence rights may exhibit heightened awareness of governance standards, transparency norms, and legal compliance expectations typically upheld in more developed institutional environments. Such exposure is likely to influence their managerial strategies and operational supervision, contributing to stronger internal control mechanisms, improved board structures, and more effective shareholder protections. This behavioral and institutional transmission mechanism is consistent

with theories of cross-border institutional spillover, whereby individual-level exposure to advanced regulatory environments converts to enhanced corporate governance outcomes.

Moreover, the significant impact on the governance score may also reflect the signaling function of overseas residence rights. Firms whose actual controllers have access to foreign residency, particularly in countries with mature legal systems, may be more motivated to adopt governance practices that align with international norms to attract capital, build reputational capital, and mitigate perceived risks among stakeholders. Such a strategic alignment may be particularly significant for firms seeking overseas listings, international partnerships, or foreign institutional investment. Overall, the disaggregation analysis shows that the positive effect of actual controllers' overseas residence rights on corporate ESG performance operates predominantly through the governance channel. The results emphasize the critical role of leadership background and global exposure in shaping corporate governance behavior, thereby offering an important micro-level explanation for variations in corporate ESG performance among Chinese private listed firms.

[Please Insert Table 8 here]

4.8 Mechanism of Effect Test

To further explore how the overseas residence rights of the actual controller influence corporate ESG performance, we examine the underlying mechanisms from two perspectives: internal governance and external focus. The former is grounded in top echelon theory, emphasizing how governance quality affects strategic outcomes, while the latter is based on signal transmission theory, suggesting that external attention moderates how signals from top managers are interpreted by stakeholders.

4.8.1 Internal Governance Perspective

From the perspective of top echelon theory, the behavior and values of senior executives, particularly the actual controller in this study, can significantly influence organizational

outcomes. However, this influence is conditional upon the firm's internal governance environment. To further examine this characteristic, we assess internal governance quality along two dimensions. The first is agency cost, measured by the ratio of management expenses to operating income. A higher ratio indicates more severe agency problems and thus poorer internal governance. The second is the internal control index, derived from the Dibo China Listed Company Internal Control Index, with a higher value representing stronger internal control mechanisms.

We conduct group regressions based on these two governance indicators. The results in Table 9 show that the coefficient of the overseas residence indicator (*id*) is significantly positive in firms with high agency costs ($\beta = 0.1935, p < 0.05$) and low internal control quality ($\beta = 0.1665, p < 0.05$). In contrast, the *id* coefficient becomes statistically insignificant in the low agency cost and high internal control subgroups. These findings suggest that when internal governance is weaker, the actual controller's overseas residence has a stronger positive impact on corporate ESG performance. One possible explanation is that in poorly governed firms, external signals, such as the global exposure of the controller, are more effective in shaping firm behavior and stakeholder expectations due to a lack of robust internal constraints.

[Please Insert Table 9 here]

4.8.2 External Focus Perspective

From the perspective of signal transmission theory, the market's response to signals sent by executives, such as the acquisition of overseas residency, depends significantly on the level of external scrutiny or attention. We measure a firm's external focus using two indicators. The first is the research report attention, proxied by the number of analyst or institutional research reports. The second is the analyst attention, based on the number of financial analysts covering the firm.

Group regression results presented in Table 10 indicate that the effect of the actual controller's overseas residence on corporate ESG performance is stronger and statistically significant in firms receiving high levels of external attention. Specifically, the *id* coefficient is

significant in the high research report group ($\beta = 0.1510, p < 0.1$) and the high analyst attention group ($\beta = 0.1716, p < 0.05$), while it is insignificant in the low attention groups. These results suggest that when firms operate under greater public inspection, the positive signal conveyed by the controller's overseas residency is amplified. This is likely because external stakeholders, including investors, analysts, and social media, are more responsive to such signals in high-transparency environments, therefore encouraging the firm to enhance ESG practices as part of its reputation management strategy.

[Please Insert Table 10 here]

4.9 Economic Consequences Test

While the overseas residence rights of actual controllers have been shown to improve corporate ESG performance, it is important to assess the economic consequences of such improvements. Specifically, this section explores whether enhanced ESG performance leads to measurable financial benefits for corporate entities and corporate executives, therefore offering a more comprehensive understanding of the underlying incentives and trade-offs.

4.9.1 Corporate Entities Perspective

From the perspective of the enterprise, we examine whether the enhancement of corporate ESG performance translates into improved firm performance. Following previous literature, we use Return on Assets (*roa*) and Earnings per Share (*return*) as proxies for corporate financial outcomes, as presented in Table 11.

The regression results in Table 11 show that corporate ESG performance has a statistically significant positive effect on both Return on Assets ($\beta = 0.0042, p < 0.01$) and Earnings per Share ($\beta = 0.0371, p < 0.01$). These findings remain robust after holding firm size, leverage, growth, asset structure, cash holdings, ownership structure, and institutional shareholding ratios constant. This suggests that improving corporate ESG performance, potentially driven by the overseas residency of actual controllers, can generate substantive operational and

financial benefits for firms, which further supports the view that enhancing ESG efforts is not only symbolic but also delivers tangible financial benefits to firms. This provides further justification for corporate stakeholders to support sustainable governance initiatives.

[Please Insert Table 11 here]

4.9.2 Corporate Executive Perspective

From the perspective of corporate executives, we examine whether the ESG-driven value creation extends to personal compensation incentives. We proxy executive compensation using the average annual salary of top executives, calculated as the total compensation of executives disclosed in regulatory filings divided by the number of executives.

Regression results in Table 12 show that corporate ESG performance is positively and significantly associated with executive compensation ($\beta = 0.8087, p < 0.01$). This suggests that improvements in corporate ESG performance not only enhance firm performance but also increase executive pay, creating an alignment between firm-level sustainability goals and personal incentives. Moreover, when distinguishing between firms where the actual controller also serves as Chairman of the Board, we find a significant difference. The corporate ESG performance link to executive compensation remains significant in the chairman group ($\beta = 0.7395, p < 0.01$), but becomes statistically insignificant in the non-chairman group ($\beta = 0.3161, p > 0.1$). This pattern implies that the actual controller, when concurrently serving as chairman, is more likely to be the ultimate beneficiary of ESG-driven value creation. These findings support our hypotheses H_{2b} and H_3 , and highlight a double-layered economic consequence of ESG improvement: firms gain in operational and financial performance, while executives, particularly those with both control and board leadership, enjoy compensation-based benefits. This emphasizes the importance of monitoring who truly benefits from ESG initiatives, particularly in contexts where control and governance are concentrated.

[Please Insert Table 12 here]

5 Conclusions

This paper investigates how the overseas residence rights of actual controllers influence the corporate ESG performance of Chinese A-share listed firms. Building on various theories and the emerging literature on corporate ESG practices and actual controllers, we argue that controllers with foreign residence rights are more likely to adopt ESG-oriented strategies because of reputational, institutional, and incentive-driven motivations. Using detailed firm-level and executive-level data, we provide empirical evidence that supports this behavioral mechanism.

Our findings show that the overseas residence rights of actual controllers are positively associated with corporate ESG performance indicator scores, suggesting that these individuals bring global norms and reputational concerns into domestic corporate governance. This effect is not only symbolic, we find that enhanced corporate ESG performance correlates with improved firm-level financial outcomes and higher executive compensation, particularly when the controller also holds the position of board chairman. These results imply that ESG is being used strategically, not just as a superficial signal, but as part of a broader value-enhancing agenda under the influence of internationally oriented controllers.

Theoretically, this study contributes to several literatures. First, it adds to the growing research on ESG drivers by identifying an overlooked behavioral factor, which is the international status of actual controllers. In contrast to the focus on external institutional pressures or firm-level characteristics, we highlight the importance of individual-level traits that are deeply embedded in a globalized social context. Second, we extend the corporate governance literature in emerging markets by introducing a new channel of residence rights through which transnational identity shapes strategic decisions, which sit between full migration and mere travel, reflecting a hybrid status with strong behavioral implications. Third, we enrich the conversation on incentive design by showing that corporate ESG performance aligns with compensation outcomes, dependent on leadership structure.

From a practical perspective, our study holds implications for investors, boards, and regulators. Investors may benefit from assessing the global affiliations of controlling shareholders as a predictive signal of ESG commitment and long-term orientation. Boards of directors may consider how leadership roles and personal values of controllers influence governance reforms. For regulators and policymakers aiming to raise ESG standards, our findings suggest that normative alignment may come not only from top-down regulation, but also from bottom-up socialization among globally motivated individuals.

Despite these contributions, this study has certain limitations that should be acknowledged. First, while we use a robust sample of Chinese private listed firms, the generalizability of our findings to other emerging or developed markets remains an open question. Future research could explore whether similar patterns exist in other concentrated ownership systems, such as Korea or India, or in firms with dual listings abroad. Second, while we treat overseas residence rights as a proxy for transnational exposure, future work may refine this measurement by accounting for length of stay, integration into host societies, or the distinction between permanent residence and citizenship. Third, causality remains a challenge. Although we take steps to mitigate endogeneity, further quasi-experimental designs could strengthen causal claims.

Based on these limitations, several promising directions emerge. Scholars could explore how political or regulatory shocks, such as immigration restrictions, geopolitical tensions, or ESG obligations, affect the relationship between controller identity and corporate behavior. Comparative studies between firms with controllers holding residence rights in liberal democracies versus authoritarian regimes could shed light on the content of transmitted norms. Additionally, the relationship between transnational family strategies, succession planning, and ESG orientation could deepen our understanding of the motivations behind sustainable governance. This study offers new insights into how the global embeddedness of firm controllers influences their domestic ESG behavior. In a world where capital, information, and people move across borders, understanding the residence rights of those who control corporations is no longer a marginal issue, instead, it is central to understanding how

governance evolves. Ultimately, who controls the firm matters, not just in ownership or position, but also in geographic exposure and identity.

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Table 1. Summary Statistics

This table shows descriptive statistics of the main variables, including Corporate ESG Performance (*ESG*); Actual Controller Overseas Residence Rights (*id*); Firm Size (*size*); Leverage (*lev*); Profitability (*roa*); Growth Opportunities (*growth*); Capital Intensity (*ppe*); Cash Holdings (*cash*); Ownership Concentration (*share*); Institutional Ownership (*inst*); Pyramid Ownership (*indir*); and Duality (*dual*). The sample includes 16,545 firm-year observations of Chinese private listed A-share companies traded on the Shanghai and Shenzhen Stock Exchanges between 2009 and 2022.

Variables	(1)	(2)	(3)	(4)	(5)
	<i>N</i>	<i>Mean</i>	<i>S.D</i>	<i>Min</i>	<i>Max</i>
<i>ESG</i>	16,545	4.0490	0.9900	1.2500	6.0000
<i>id</i>	16,545	0.1250	0.3300	0.0000	1.0000
<i>size</i>	16,545	21.8400	1.0500	19.8000	25.0100
<i>lev</i>	16,545	0.3800	0.1900	0.0454	0.8420
<i>roa</i>	16,545	0.0410	0.0667	-0.2900	0.2050
<i>growth</i>	16,545	0.2000	0.4060	-0.5300	2.5050
<i>ppe</i>	16,545	0.1900	0.1300	0.0023	0.5570
<i>cash</i>	16,545	0.0475	0.0688	-0.1590	0.2410
<i>share</i>	16,545	0.8340	0.6240	0.0499	2.9700
<i>inst</i>	16,545	0.3580	0.2490	0.0009	0.8970
<i>indir</i>	16,545	0.3780	0.0523	0.3330	0.5710
<i>dual</i>	16,545	0.3790	0.4850	0.0000	1.0000

Table 2. Baseline Regression

This table shows the impact of the overseas residence rights of the actual controller on the corporate ESG performance of private listed firms. Column (1) presents the results of a simple regression of ESG performance on the binary indicator *id*, Columns (2) and (3) successively add firm-level control variables such as size, leverage, profitability, growth, and governance characteristics to test the robustness of the relationship. ***, **, and * denote statistical significance at the 1%, 5%, and 10% levels, respectively.

Variables	(1)	(2)	(3)
	<i>ESG</i>	<i>ESG</i>	<i>ESG</i>
<i>id</i>	0.2071*** (0.059)	0.1565*** (0.057)	0.1528*** (0.058)
<i>size</i>		0.2473*** (0.026)	0.2440*** (0.026)
<i>lev</i>		-0.7359*** (0.089)	-0.7502*** (0.090)
<i>roa</i>		0.8199*** (0.147)	0.7719*** (0.150)
<i>growth</i>		-0.0357** (0.015)	-0.0321** (0.016)
<i>ppe</i>		0.1099 (0.129)	0.0831 (0.129)
<i>cash</i>		-0.4718*** (0.116)	-0.4632*** (0.116)
<i>share</i>			-0.0920*** (0.030)
<i>inst</i>			0.0611 (0.089)
<i>indir</i>			0.8155*** (0.253)
<i>dual</i>			-0.0336 (0.027)
<i>_cons</i>	4.0490*** (0.007)	-1.1196** (0.562)	-1.2736** (0.570)
<i>Firm FE</i>	YES	YES	YES
<i>Year FE</i>	YES	YES	YES
<i>N</i>	17,765	16,763	16,545
Adj. <i>R</i> ²	0.5334	0.5703	0.5732

Table 3. Endogeneity Test

This table shows the empirical results of the two-stage least squares (2SLS) to solve the problems associated with endogeneity. Column (1) presents the first-stage regression, where the coefficient on the constructed IV is significantly positive at the 1% level. Column (2) presents the second-stage regression results. ***, **, and * denote statistical significance at the 1%, 5%, and 10% levels, respectively.

Variables	(1)	(2)
	<i>id</i>	ESG
<i>id</i>		0.1589***
		(0.043)
<i>IV</i>	1.4941***	
	(0.019)	
<i>size</i>	0.0076***	0.2439***
	(0.002)	(0.017)
<i>lev</i>	-0.0357***	-0.7498***
	(0.010)	(0.063)
<i>roa</i>	0.017	0.7718***
	(0.015)	(0.133)
<i>growth</i>	-0.0060**	-0.0320**
	(0.003)	(0.015)
<i>ppe</i>	0.0225*	0.0829
	(0.012)	(0.089)
<i>cash</i>	-0.0077	-0.4630***
	(0.013)	(0.104)
<i>share</i>	-0.0055	-0.0919***
	(0.004)	(0.020)
<i>inst</i>	0.0339	0.0603
	(0.010)	(0.059)
<i>indir</i>	-0.0277	0.8151***
	(0.023)	(0.189)
<i>dual</i>	-0.0018	-0.0336*
	(0.002)	(0.019)
<i>Firm FE</i>	YES	YES
<i>Year FE</i>	YES	YES
<i>N</i>	16,545	16,545
Adj. R^2		-0.0609

Table 4. Robustness Test: Changing the Regression Model

This table shows the regression results of the Ordered Probit model and the Difference-in-Differences (DID) framework in Column (1) and (2), respectively. ***, **, and * denote statistical significance at the 1%, 5%, and 10% levels, respectively.

Variables	Ordered Probit	DID
	(1)	(2)
	ESG	ESG
<i>id</i>	0.2961*	
	(0.160)	
<i>du × dt</i>		0.1587**
		(0.063)
<i>size</i>	0.6068***	0.2683***
	(0.072)	(0.065)
<i>lev</i>	-1.9094***	-0.8461***
	(0.250)	(0.208)
<i>roa</i>	2.2984***	0.3687
	(0.391)	(0.340)
<i>growth</i>	-0.1127**	-0.0198
	(0.047)	(0.036)
<i>ppe</i>	-0.0386	-0.1705
	(0.343)	(0.302)
<i>cash</i>	-1.2366***	-0.1698
	(0.323)	(0.248)
<i>share</i>	-0.2327***	-0.0351
	(0.082)	(0.067)
<i>inst</i>	0.3786	0.0494
	(0.239)	(0.215)
<i>indir</i>	3.3034***	1.2407*
	(0.714)	(0.694)
<i>dual</i>	-0.0731	0.0133
	(0.072)	(0.060)
<i>_cons</i>		-1.9862
		(1.389)
<i>Firm FE</i>	YES	YES
<i>Year FE</i>	YES	YES
<i>N</i>	16,545	2,966
Adj. <i>R</i> ²		0.5766

Table 5. Robustness Test: Replacing Key Variables

This table shows the results of changing the key independent and dependent variables. A stricter criterion (*idd*) is introduced to replace the independent variable, while the dependent variable is replaced with the Bloomberg ESG Index as an alternative measure of ESG performance. ***, **, and * denote statistical significance at the 1%, 5%, and 10% levels, respectively.

Variables	Replacing Independent Variables	Replacing Dependent Variables
	(1)	(2)
	<i>ESG</i>	<i>BloESG</i>
<i>idd</i>	0.1719*** (0.064)	
<i>id</i>		0.6276** (0.319)
<i>size</i>	0.2451*** (0.026)	1.3238*** (0.143)
<i>lev</i>	-0.7519*** (0.090)	-4.1707*** (0.508)
<i>roa</i>	0.7746*** (0.150)	5.6098*** (0.895)
<i>growth</i>	-0.0320** (0.016)	-0.2064** (0.095)
<i>ppe</i>	0.0881 (0.130)	0.0860 (0.700)
<i>cash</i>	-0.4618*** (0.116)	-2.4343*** (0.653)
<i>share</i>	-0.0913*** (0.030)	-0.4917*** (0.164)
<i>inst</i>	0.0630 (0.089)	0.6179 (0.470)
<i>indir</i>	0.8249*** (0.253)	5.3110*** (1.376)
<i>dual</i>	-0.0335 (0.027)	-0.0805 (0.148)
<i>_cons</i>	-1.2993** (0.569)	43.3901*** (3.093)
<i>Firm FE</i>	YES	YES
<i>Year FE</i>	YES	YES
<i>N</i>	16,545	16,545
Adj. R^2	0.5732	0.5276

Table 6. Heterogeneity Test

This table investigates under what conditions the effect of the actual controller’s overseas residency on ESG performance is more pronounced, offering deeper insights into the mechanisms through which overseas exposure translates into ESG improvements. The first dimension is the openness of the region where the enterprise is located, reported in Column (1). The second dimension examines the green environmental awareness of top management, reported in Column (2). ***, **, and * denote statistical significance at the 1%, 5%, and 10% levels, respectively.

Variables	Region Openness	Management Environmental Awareness
	(1)	(2)
	<i>ESG</i>	<i>ESG</i>
<i>id</i>	0.0615	0.1655***
	(0.072)	(0.064)
<i>id</i> × <i>open</i>	0.2497**	
	(0.116)	
<i>open</i>	0.0859	
	(0.216)	
<i>id</i> × <i>aware</i>		-0.0205***
		(0.007)
<i>aware</i>		0.0082***
		(0.003)
<i>size</i>	0.2435***	0.2550***
	(0.026)	(0.028)
<i>lev</i>	-0.7545***	-0.8008***
	(0.090)	(0.095)
<i>roa</i>	0.7681***	0.7424***
	(0.149)	(0.154)
<i>growth</i>	-0.0319**	-0.0296*
	(0.016)	(0.017)
<i>ppe</i>	0.0865	0.0992
	(0.130)	(0.138)
<i>cash</i>	-0.4690***	-0.5360***
	(0.116)	(0.121)
<i>share</i>	-0.0925***	-0.0942***
	(0.030)	(0.032)
<i>inst</i>	0.0659	0.0478
	(0.089)	(0.093)
<i>indir</i>	0.8082***	0.7670***
	(0.252)	(0.261)
<i>dual</i>	-0.0341	-0.0304
	(0.027)	(0.028)
<i>_cons</i>	-1.2836**	-1.4729**
	(0.567)	(0.606)
<i>Firm FE</i>	YES	YES
<i>Year FE</i>	YES	YES
<i>N</i>	16,545	15,608
Adj. <i>R</i> ²	0.5735	0.5751

Table 7. Propensity Score Matching Test

This table presents the results of the PSM regression in Columns (1) and (2). The application of the PSM method inherently involves the exclusion of unmatched observations, which may lead to sample information loss and potentially introduce selection bias. To address this limitation and further mitigate estimation bias caused by differences in covariate distributions, we also employ the entropy balancing method (EBM), reported in Column (3). ***, **, and * denote statistical significance at the 1%, 5%, and 10% levels, respectively.

Variables	1:1	1:2	Entropy Balance
	(1)	(2)	(3)
	<i>ESG</i>	<i>ESG</i>	<i>ESG</i>
<i>id</i>	0.2312***	0.2038***	0.1453**
	(0.077)	(0.064)	(0.060)
<i>size</i>	0.2915***	0.2670***	0.2671***
	(0.060)	(0.043)	(0.037)
<i>lev</i>	-0.8670***	-0.8574***	-0.7921***
	(0.192)	(0.146)	(0.125)
<i>roa</i>	0.2749	0.6723***	0.5251**
	(0.307)	(0.255)	(0.213)
<i>growth</i>	-0.0323	-0.0663**	-0.0421*
	(0.035)	(0.030)	(0.023)
<i>ppe</i>	-0.3953	-0.2998	-0.2128
	(0.263)	(0.212)	(0.169)
<i>cash</i>	-0.1629	-0.3644*	-0.4248***
	(0.271)	(0.213)	(0.156)
<i>share</i>	-0.1407**	-0.0985**	-0.1234***
	(0.067)	(0.047)	(0.045)
<i>inst</i>	0.2686	0.0780	0.0788
	(0.200)	(0.146)	(0.128)
<i>indir</i>	0.9008*	0.8439**	0.9426***
	(0.530)	(0.411)	(0.353)
<i>dual</i>	0.0309	0.0060	-0.0276
	(0.057)	(0.045)	(0.036)
<i>_cons</i>	-2.4215*	-1.7589*	-1.7745**
	(1.314)	(0.922)	(0.792)
<i>Firm FE</i>	YES	YES	YES
<i>Year FE</i>	YES	YES	YES
<i>N</i>	3,299	4,979	16,545
Adj. <i>R</i> ²	0.5865	0.5890	0.6036

Table 8. Disaggregation Analysis

This table shows the regression result of the sub-dimensions by separating the ESG score into its three constituent dimensions: environmental (E), social (S), and governance (G) performance, with Columns (1), (2), and (3) corresponding to environmental (*Escore*), social (*Sscore*), and governance (*Gscore*) scores, respectively. ***, **, and * denote statistical significance at the 1%, 5%, and 10% levels, respectively.

Variables	(1)	(2)	(3)
	<i>Escore</i>	<i>Sscore</i>	<i>Gscore</i>
<i>id</i>	0.5916	0.0507	0.9594**
	(0.412)	(0.501)	(0.488)
<i>size</i>	0.7796***	2.3381***	1.0087***
	(0.198)	(0.231)	(0.202)
<i>lev</i>	-0.3331	1.5097*	-9.9104***
	(0.635)	(0.783)	(0.807)
<i>roa</i>	-0.8585	6.4240***	8.3841***
	(0.955)	(1.340)	(1.608)
<i>growth</i>	-0.3251***	-0.2677	-0.0953
	(0.117)	(0.164)	(0.147)
<i>ppe</i>	2.1709***	1.6961	-1.7513*
	(0.812)	(1.315)	(1.000)
<i>cash</i>	0.0903	-1.5297	-4.3664***
	(0.736)	(1.222)	(1.053)
<i>share</i>	-0.3881*	-0.1626	-0.7583***
	(0.211)	(0.250)	(0.260)
<i>inst</i>	-0.3857	-0.3230	1.6172**
	(0.620)	(0.755)	(0.668)
<i>indir</i>	-0.5492	-3.8755*	13.9123***
	(1.725)	(2.256)	(2.178)
<i>dual</i>	-0.2455	-0.1716	0.0813
	(0.175)	(0.236)	(0.231)
<i>_cons</i>	43.2447***	23.9738***	54.9034***
	(4.313)	(5.047)	(4.347)
<i>Firm FE</i>	YES	YES	YES
<i>Year FE</i>	YES	YES	YES
<i>N</i>	16,545	16,545	16,545
Adj. <i>R</i> ²	0.6797	0.5518	0.4476

Table 9. Mechanism of Effect Test: Internal Governance Perspective

This table measures the internal governance quality of enterprises from two dimensions: agency cost and internal control index. Among them, agency costs are measured by the ratio of management expenses to operating income. The internal control index is measured by the Dibo China Listed Company Internal Control Index. ***, **, and * denote statistical significance at the 1%, 5%, and 10% levels, respectively.

Variables	Agency Costs		Internal Control	
	High	Low	High	Low
	(1)	(2)	(3)	(4)
	<i>ESG</i>	<i>ESG</i>	<i>ESG</i>	<i>ESG</i>
<i>id</i>	0.1935**	0.1129	0.0997	0.1665**
	(0.080)	(0.078)	(0.070)	(0.082)
<i>size</i>	0.2589***	0.2264***	0.1866***	0.2621***
	(0.041)	(0.038)	(0.035)	(0.035)
<i>lev</i>	-0.7034***	-0.7795***	-0.5754***	-0.8375***
	(0.129)	(0.126)	(0.118)	(0.118)
<i>roa</i>	0.2523	1.0414***	1.3582***	0.3265*
	(0.189)	(0.258)	(0.287)	(0.184)
<i>growth</i>	-0.0003	-0.0539**	-0.0702***	-0.0271
	(0.024)	(0.023)	(0.023)	(0.023)
<i>ppe</i>	0.0795	0.1167	0.1445	0.0887
	(0.179)	(0.188)	(0.161)	(0.164)
<i>cash</i>	-0.4330**	-0.4246***	-0.5502***	-0.4667***
	(0.184)	(0.156)	(0.154)	(0.171)
<i>share</i>	-0.1148***	-0.0739*	-0.0228	-0.1046**
	(0.043)	(0.041)	(0.035)	(0.041)
<i>inst</i>	0.2555*	-0.0607	0.1327	-0.0100
	(0.131)	(0.123)	(0.102)	(0.124)
<i>indir</i>	0.8542**	0.9280***	0.9842***	0.7471**
	(0.364)	(0.336)	(0.316)	(0.359)
<i>dual</i>	-0.0346	-0.0046	-0.0435	-0.0367
	(0.037)	(0.039)	(0.037)	(0.035)
<i>_cons</i>	-1.6886*	-0.8844	-0.1067	-1.7209**
	(0.866)	(0.835)	(0.770)	(0.748)
<i>Firm FE</i>	YES	YES	YES	YES
<i>Year FE</i>	YES	YES	YES	YES
<i>N</i>	7,890	8,238	8,024	7,996
<i>Adj. R²</i>	0.5843	0.5999	0.5842	0.5605

Table 10. Mechanism of Effect Test: External Focus Perspective

This table measures the external attention of a company from two dimensions: research report attention and analyst attention. ***, **, and * denote statistical significance at the 1%, 5%, and 10% levels, respectively.

Variables	Research Report Attention		Analyst Attention	
	High	Low	High	Low
	(1)	(2)	(3)	(4)
	<i>ESG</i>	<i>ESG</i>	<i>ESG</i>	<i>ESG</i>
<i>id</i>	0.1510*	0.1008	0.1716**	0.0963
	(0.078)	(0.085)	(0.075)	(0.088)
<i>size</i>	0.2127***	0.2201***	0.2144***	0.2018***
	(0.041)	(0.037)	(0.039)	(0.039)
<i>lev</i>	-0.5913***	-0.7217***	-0.6397***	-0.7214***
	(0.130)	(0.123)	(0.127)	(0.126)
<i>roa</i>	0.7540***	0.6725***	0.7090***	0.7273***
	(0.231)	(0.201)	(0.233)	(0.200)
<i>growth</i>	-0.0657***	-0.0085	-0.0666***	-0.0024
	(0.025)	(0.022)	(0.024)	(0.022)
<i>ppe</i>	-0.0954	0.1344	-0.1278	0.1567
	(0.185)	(0.173)	(0.183)	(0.173)
<i>cash</i>	-0.4026**	-0.6080***	-0.3413*	-0.6225***
	(0.179)	(0.159)	(0.177)	(0.163)
<i>share</i>	-0.0890**	-0.0693*	-0.0975**	-0.0611
	(0.042)	(0.040)	(0.041)	(0.041)
<i>inst</i>	0.2980***	-0.1978	0.3316***	-0.1800
	(0.113)	(0.133)	(0.110)	(0.139)
<i>indir</i>	0.7711**	0.9134**	0.7582**	0.8269**
	(0.326)	(0.367)	(0.324)	(0.373)
<i>dual</i>	-0.0239	0.0164	-0.0278	-0.0125
	(0.038)	(0.038)	(0.037)	(0.040)
<i>_cons</i>	0.1510*	0.1008	0.1716**	0.0963
	(0.078)	(0.085)	(0.075)	(0.088)
<i>Firm FE</i>	YES	YES	YES	YES
<i>Year FE</i>	YES	YES	YES	YES
<i>N</i>	8,800	7,272	9,059	6,978
<i>Adj. R²</i>	0.5713	0.5813	0.5713	0.5769

Table 11. Economic Consequences Test: Corporate Entities Perspective

This table shows the results of the pros and cons of the improvement of corporate ESG performance driven by the actual controller's overseas residence rights. We examine the economic impact of the improvement of ESG performance from the perspective of stakeholders. From the perspective of corporate entities, this table shows the impact of ESG performance on corporate performance from the two dimensions of return on assets (*roa*) and earnings per share (*return*). ***, **, and * denote statistical significance at the 1%, 5%, and 10% levels, respectively.

Variables	(1)	(2)
	<i>roa</i>	<i>return</i>
<i>ESG</i>	0.0042***	0.0371***
	(0.001)	(0.007)
<i>size</i>	0.0157***	0.2021***
	(0.002)	(0.015)
<i>lev</i>	-0.1579***	-0.9410***
	(0.007)	(0.051)
<i>growth</i>	0.0343***	0.2567***
	(0.001)	(0.013)
<i>ppe</i>	-0.0739***	-0.6900***
	(0.009)	(0.074)
<i>cash</i>	0.1850***	1.3306***
	(0.011)	(0.091)
<i>share</i>	-0.0127***	-0.0835***
	(0.002)	(0.021)
<i>inst</i>	0.0346***	0.4554***
	(0.005)	(0.054)
<i>indir</i>	0.0038	0.3086*
	(0.018)	(0.158)
<i>dual</i>	0.0016	0.0075
	(0.002)	(0.014)
<i>_cons</i>	-0.2650***	-4.0076***
	(0.038)	(0.350)
<i>Firm FE</i>	YES	YES
<i>Year FE</i>	YES	YES
<i>N</i>	16,545	16,545
Adj. R^2	0.4940	0.5886

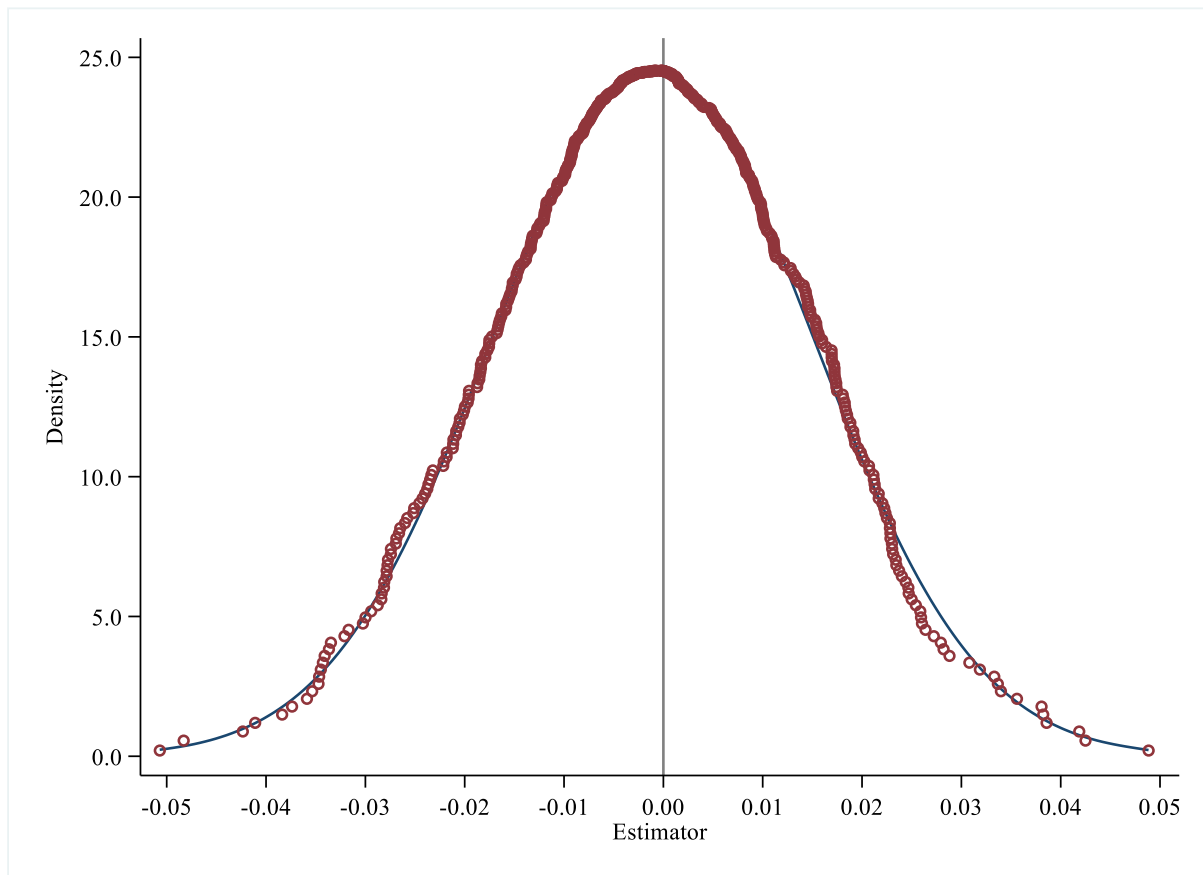
Table 12. Corporate Entities Perspective: Corporate Executive Perspective

This table presents the results from the perspective of corporate executives. We measure the average compensation of executives by the ratio of the total annual salary of supervisors to the total number of supervisors. ***, **, and * denote statistical significance at the 1%, 5%, and 10% levels, respectively.

Variables	Executive Compensation	Actual Controller Concurrently Serves as Chairman	
		Yes	No
	(1)	(2)	(3)
	<i>execcomp</i>	<i>execcomp</i>	<i>execcomp</i>
<i>ESG</i>	0.8087***	0.7395***	0.3161
	(0.239)	(0.268)	(0.572)
<i>size</i>	9.8896***	9.9381***	9.2074***
	(0.681)	(0.827)	(1.665)
<i>lev</i>	-4.9146***	-5.5190***	-2.6484
	(1.704)	(2.054)	(3.432)
<i>growth</i>	-1.0955***	-1.5761***	0.2028
	(0.399)	(0.500)	(0.641)
<i>ppe</i>	-0.8799	-0.3036	-4.5273
	(2.498)	(2.931)	(5.190)
<i>cash</i>	18.5300***	18.3872***	13.9164***
	(2.383)	(2.658)	(4.726)
<i>share</i>	-1.0435*	-1.5247*	0.2732
	(0.628)	(0.791)	(1.434)
<i>inst</i>	5.6684**	8.6699***	-0.2253
	(2.200)	(2.732)	(3.943)
<i>indir</i>	6.8032	8.4183	0.5275
	(5.376)	(6.258)	(12.717)
<i>dual</i>	-1.0402**	-1.6720***	-1.2224
	(0.484)	(0.561)	(1.338)
<i>_cons</i>	-188.8699***	-189.7232***	-170.9822***
	(15.279)	(18.546)	(38.130)
<i>Firm FE</i>	YES	YES	YES
<i>Year FE</i>	YES	YES	YES
<i>N</i>	16,532	13,235	3,152
<i>Adj. R²</i>	0.7589	0.7703	0.7598

Figure 1. Placebo Test

This figure presents a kernel density plot of the placebo test to visualize the distribution of the placebo coefficients. The horizontal axis of the plot represents the estimated values of the pseudo treatment effect, while the vertical axis depicts their corresponding densities.



Appendix

Classification	Symbol	Variable	Definition
Dependent Variable	<i>ESG</i>	Corporate ESG Performance	A continuous variable reflecting ESG performance, sourced from professional ESG rating agencies recognized in the Chinese capital market with 1-9 in sequence, taking the average value for the year, and normalized to ensure comparability across firms and years.
Independent Variable	<i>id</i>	Firm's Actual Controller Overseas Residence Rights	A binary variable equal to 1 if the firm's actual controller possesses overseas residence rights in a given year, and 0 otherwise.
Control Variables	<i>size</i>	Firm Size	The natural logarithm of total assets.
	<i>lev</i>	Leverage	Total liabilities divided by total assets.
	<i>roa</i>	Profitability	Net income divided by total assets.
	<i>growth</i>	Growth Opportunities	The annual growth rate of operating revenue.
	<i>ppe</i>	Capital Intensity	The ratio of fixed assets to total assets.
	<i>cash</i>	Cash Holdings	The ratio of cash and equivalents to total assets.
	<i>share</i>	Ownership Concentration	The shareholding ratio of the second to fifth largest shareholders compared to the largest shareholder.
	<i>inst</i>	Institutional Ownership	The shareholding ratio of the institutional investors.
	<i>indir</i>	Board Independence	The number of independent directors divided by the number of board members.
	<i>dual</i>	Duality	A binary variable equal to 1 if the CEO concurrently serves as board chair, and 0 otherwise.