

Executives' Overseas Background and Corporate ESG Performance: Evidence from Chinese A-Share Listed Companies

Shiyao Wang

School of International Business, Dongbei University of Finance and Economics, Dalian 116025, China

Abstract. As capital-market governance systems continue to improve, investors no longer rely solely on operating indicators to assess corporate development. ESG performance has become an important criterion for evaluating the long-term development potential of listed companies. Using a sample of Chinese A-share listed companies from 2009 to 2023, this study empirically examines the effect of executives' overseas background on corporate ESG performance and its underlying mechanisms based on upper echelons theory. The results show that a chairman with an overseas background significantly improves corporate ESG performance, and this finding remains robust across a series of robustness checks. Heterogeneity analysis shows that this effect is more pronounced in state-owned enterprises, large firms, and younger firms. Mechanism tests further indicate that executives' overseas background improves audit report disclosure and the effectiveness of internal control, thereby enhancing corporate ESG performance. These findings enrich the literature on the determinants of corporate ESG performance and provide empirical evidence for improving firms' ESG performance.

Keywords: overseas background, corporate executives, ESG performance, upper echelons theory.

1. Introduction

Global warming, ecological pollution, and other sustainability challenges have become increasingly severe. Governments around the world have accordingly introduced social responsibility regulations and supporting strategies for green development. Against this background, ESG has gradually become a core criterion for evaluating corporate sustainability. Markets no longer assess firm value solely on profitability. Instead, they evaluate firms' future development from the three dimensions of environmental governance, social responsibility, and internal corporate governance. Firms therefore seek to improve ESG performance to reduce the risk of environmental violations, maintain a positive social responsibility image, and broaden access to long-term financing. Improving ESG performance has consequently become an important component of corporate development and long-term survival.

An extensive literature has examined the determinants of ESG performance. Existing studies show that firm size [1], shocks from industry competition [2], and board composition [3] have heterogeneous effects on corporate ESG performance. Further research finds that institutional ownership [4] and corporate digital transformation [5] also significantly affect the ESG performance of listed companies. As the global mobility of talent accelerates, executives with overseas experience have increasingly become an important force in corporate governance, and some studies have begun to examine the role of returnee executives in promoting firm development. Because executives with overseas experience are familiar with the governance systems of mature overseas capital markets and possess extensive corporate governance knowledge, this study investigates the effect of executives' overseas background on corporate ESG performance. However, the existing literature mainly examines the effect of executives' overseas background on overall ESG scores and rarely distinguishes among the environmental, social responsibility, and corporate governance dimensions. This makes it difficult to identify the core channels through which such backgrounds operate. In addition, most existing mechanism analyses focus on external channels such as green R&D

investment and external market monitoring, with relatively limited attention to internal governance mechanisms.

To address these research gaps, this study uses data from China from 2009 to 2023 and applies upper echelons theory to examine the effect, mechanisms, and heterogeneity of executives' overseas background on corporate ESG performance. Relative to the existing literature, this study makes the following contributions: (1) it examines the heterogeneous effects of executives' overseas background on the E, S, and G dimensions separately, thereby enriching research on the determinants of ESG performance and extending applications of upper echelons theory; (2) the mechanism analysis shows that executives' overseas background can improve internal audit disclosure and the effectiveness of internal control; and (3) the sample is grouped by ownership type, firm size, and operating history, providing empirical support for different types of listed companies seeking to optimize management structure and advance ESG practices.

2. Theoretical Analysis and Research Hypotheses

2.1. Effect of Executives' Overseas Background on Corporate ESG Performance

The ESG includes environmental, social responsibility, and corporate governance aspects. ESG is indicative of the sustainable development strategy and resource allocation of firms in the long run. Companies that have better ESG performance are more likely to be preferred in the capital market. Better ESG performance can help boost the stock price of companies, hence, allowing them to develop a long-term development orientation. As such, companies may be motivated to enhance ESG performance through the optimization of environmental policies, social responsibility fulfillment, and corporate governance to achieve long-term strategic objectives. As per the upper echelons theory, the strategic decisions, governance actions, and operations of companies are greatly dependent on the cognition and risk preferences of the top management teams. In most cases, scholars rely on executives' age, education, foreign experience, tenure, and occupational backgrounds to measure their cognition[6]. From this perspective, the global mindset, knowledge of overseas markets, and governance concepts developed through overseas experience can broaden executives' strategic vision and increase their attention to ESG performance and information transparency.

Executives with overseas backgrounds have long been exposed to the rules of mature overseas capital markets and sustainability governance systems. They are therefore more likely to encounter advanced international ESG evaluation frameworks and investment philosophies at an earlier stage and to develop a deeper understanding of the importance of environmental, social, and governance issues. Such exposure can help curb managerial myopia, strengthen managers' confidence in business decision-making, enhance corporate risk-taking [7] and environmental awareness [8], and thereby promote green innovation [8], fulfillment of environmental and social responsibilities [9], stronger internal monitoring, and reduced earnings management [10]. The determinants of corporate ESG performance can be divided into two broad dimensions: internal governance and the external environment. At the internal governance level, executives' green experience mainly improves ESG performance by reducing managerial myopia and improving the quality of green innovation [11]. At the external macro level, government attention [12] can provide policy support for firms' green transformation and facilitate ESG-related projects. Dual institutional pressures arising from regulatory and normative forces [13] can improve executives' environmental and compliance awareness and promote strategic green innovation, thereby enhancing corporate ESG performance, particularly social responsibility performance. In addition, a long-term orientation in the capital market can strengthen managers' learning ability but may weaken their ability to avoid risks by improving ESG performance [14].

Based on the above analysis, this study proposes the following hypothesis:

H1: Executives' overseas background improves corporate ESG performance.

2.2. Hypotheses on the Mechanisms

Capital markets encourage firms to improve ESG performance, but improvements in ESG depend on support from internal governance systems. Disclosure of internal audit reports and high-quality internal controls are key components of internal governance. They can constrain managerial self-interest, promote environmental governance and social responsibility, and thereby serve as internal channels for improving ESG performance. Executives with overseas backgrounds have long been exposed to the governance rules of mature overseas capital markets and therefore tend to have stronger compliance awareness and governance cognition. Such executives are more willing to promote public disclosure of internal audit reports, strengthen internal controls, and fulfill social responsibilities, thereby improving overall ESG performance. Accordingly, this study proposes the following mediation hypotheses:

H2a: Executives' overseas background promotes the disclosure of internal audit reports, thereby improving corporate ESG performance.

H2b: Executives' overseas background improves the effectiveness of internal control, thereby improving corporate ESG performance.

3. Research Design

3.1. Sample Selection and Data Sources

This study uses Chinese A-share listed companies from 2009 to 2023 as the initial sample. The sample is processed as follows: (1) financial-sector listed companies are excluded; (2) ST and *ST firms subject to special risk warnings are excluded; (3) firms with missing core variables are excluded; and (4) all continuous variables are winsorized at the 1st and 99th percentiles. The final sample contains 42,626 valid observations. Data on executives' overseas background and firm characteristics are obtained from the China Stock Market & Accounting Research (CSMAR) database, while ESG rating data are obtained from the Huazheng database.

3.2. Variable Definitions

(1) Dependent variable: corporate ESG performance (ESG). As an authoritative third-party institution, Huazheng has a mature and reliable ESG quantification system and comprehensive data sources, providing a high degree of professionalism and objectivity. Therefore, this study uses the ESG performance scores of Chinese listed companies published by Huazheng as the dependent variable, thereby avoiding the subjectivity associated with self-constructed indicators. The score is divided into three dimensions: environmental score (E), social responsibility score (S), and corporate governance score (G). These dimensions are then combined into an overall score. A higher score indicates better corporate ESG performance.

(2) Explanatory variable: whether the chairman has an overseas background (oversea). The chairman holds core managerial authority and decision-making power within the firm. The variable equals 1 if the chairman has an overseas background and 0 otherwise. For robustness checks, this study also uses whether the CEO has an overseas background (oversea2) and the proportion of board members with overseas backgrounds (oversea3).

(3) Control variables: Following the relevant literature, this study includes the following controls: firm age (age), firm size (size), leverage (lev), shareholding ratio of the largest shareholder (top1), operating revenue growth rate (growth), number of independent directors (Director), Tobin's Q (tobin), and profitability (roa). The specific measurements are presented in Table 1.

Table 1. Variable Measurement

Variable Type	Variable Name	Symbol	Definition
Dependent variable	Overall corporate ESG performance	ESG	Huazheng overall ESG score and rating
Explanatory variable	Whether the chairman has an overseas background	oversea	Equals 1 if the chairman has an overseas background, and 0 otherwise.
Control variable	Firm age	age	Number of years from firm establishment to the current year
	Firm size	size	Natural logarithm of total assets at year-end
	Leverage	lev	Total liabilities at year-end / total assets at year-end
	Shareholding ratio of the largest shareholder	top1	Proportion of shares held by the largest shareholder
	Operating revenue growth rate	growth	(Current-year operating revenue - previous-year operating revenue) / previous-year operating revenue
	Number of independent directors	director	Number of registered independent directors on the board
	Tobin's Q	tobin	Ratio of firm market value to assets
	Profitability	roa	Current-year net profit / average total assets

3.3. Model Specification

To test whether executives' overseas background affects the ESG performance of listed companies, this study specifies a two-way fixed-effects model with industry and year fixed effects as follows:

$$ESG_{it} = \alpha_0 + \alpha_1 \text{oversea}_{it} + \alpha_2 \text{Controls}_{it} + \text{year}_{FE} + \text{ind}_{FE} + \varepsilon_{it}$$

where i denotes the year, and t denotes the firm; ESG is the dependent variable and represents the firm's overall ESG performance. $oversea$ is the core explanatory variable and represents the overseas background of the firm's executives. $Controls$ denotes the control variables. $year$ denotes year fixed effects, and ind denotes industry fixed effects. ε denotes the random error term. Robust standard errors are used.

4. Empirical Analysis

4.1. Descriptive Statistics

Table 2 reports descriptive statistics for the main variables. The mean overall ESG score is 73.293, with a standard deviation of 4.774, indicating relatively limited dispersion. The mean of $oversea$ is 0.103, indicating that board members with overseas backgrounds account for only about 10% and that the sampled firms have a generally low degree of internationalization. The maximum and minimum are 1 and 0, respectively, indicating substantial differences in internationalization. The remaining control variables fall within reasonable ranges.

Table 2. Descriptive Statistics

VarName	Obs	Mean	SD	Min	Median	Max
ESG	42626	73.293	4.774	58.230	73.465	83.900
oversea	42626	0.103	0.304	0.000	0.000	1.000
size	42626	22.171	1.308	19.756	21.969	26.269
lnage	42626	2.033	0.937	0.000	2.197	3.367
Leverage	42626	0.417	0.209	0.051	0.407	0.923
top1	42626	34.191	14.929	8.420	31.980	74.300
Growth	42626	0.350	0.952	-0.678	0.119	6.729
Director	42626	1.413	0.127	1.099	1.386	1.792
tobin	42626	2.034	1.296	0.841	1.615	8.520
roa	42626	0.037	0.063	-0.250	0.038	0.200

4.2. Baseline Regression Analysis

The baseline regression results are reported in Table 3. Columns (1) through (4) present, respectively, a simple OLS regression, a specification with fixed effects, a specification with control variables, and, in column (4), a two-way fixed-effects specification with control variables. The results show that the estimated coefficient in column (4) is 0.263, and the coefficients in columns (1) through (4) are all significantly positive. This indicates that executives' overseas background has a significant positive effect on corporate ESG performance. In particular, a chairman with an overseas background significantly increases the firm's overall ESG score.

Table 3. Baseline Regression Analysis

Variable	(1) ESG	(2) ESG	(3) ESG	(4) ESG
oversea	0.696*** (9.285)	0.564*** (7.561)	0.364*** (5.227)	0.263*** (3.805)
size			1.269*** (54.085)	1.354*** (56.096)
lnage			-0.868*** (-32.477)	-0.935*** (-34.949)
Leverage			-4.418*** (-32.694)	-4.624*** (-33.179)
top1			0.001 (0.566)	0.004*** (2.612)
Growth			0.135*** (5.384)	-0.057** (-2.251)
Director			1.135*** (6.262)	1.517*** (8.372)
tobin			-0.129*** (-7.114)	-0.064*** (-3.437)
roa			8.617*** (20.032)	8.764*** (20.271)
_cons	73.221*** (2996.876)	73.235*** (3063.788)	46.985*** (95.166)	44.628*** (89.469)
Ind_FE	NO	YES	NO	YES
Year_FE	NO	YES	NO	YES
N	42626	42626	42626	42626
r2	0.002	0.041	0.154	0.201

Note: *t* statistics in parentheses, * $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$; the same applies below.

4.3. Robustness Checks

4.3.1. Dimension-Specific Tests

To further examine the heterogeneous effects of executives' overseas background across the dimensions of corporate ESG performance, the ESG measure is decomposed into three subdimensions: environmental (E), social responsibility (S), and corporate governance (G). Separate regressions are then estimated for each dimension. As shown in Table 4, the coefficient on overseas is significantly positive in columns (1) and (2) but is not statistically significant in column (3). These results indicate that executives' overseas background mainly improves overall corporate ESG performance by enhancing environmental and social responsibility performance. The dimension-specific results are broadly consistent with the baseline regression and continue to support the validity of the baseline findings.

Table 4. Robustness Check 1

Variable	(1) E	(2) S	(3) G	(4) ESG	(5) ESG
oversea	0.2458** (0.1099)	0.2155* (0.1189)	0.0684 (0.0872)		
oversea2				0.2584*** (0.0684)	
oversea3					0.4775*** (0.1590)
size	1.6446*** (0.0360)	1.5253*** (0.0429)	1.0517*** (0.0304)	1.3537*** (0.0241)	1.3478*** (0.0244)
lnage	-0.4636*** (0.0413)	-1.3648*** (0.0495)	-0.9376*** (0.0327)	-0.9332*** (0.0268)	-0.9320*** (0.0268)
Leverage	0.3939* (0.2033)	0.5609** (0.2471)	-10.2203*** (0.1930)	-4.6198*** (0.1394)	-4.6133*** (0.1396)
top1	-0.0066*** (0.0023)	-0.0281*** (0.0027)	0.0292*** (0.0019)	0.0040*** (0.0015)	0.0040*** (0.0015)
Growth	-0.1375*** (0.0341)	-0.1152*** (0.0436)	-0.0378 (0.0344)	-0.0559** (0.0252)	-0.0553** (0.0252)
Director	-0.0735 (0.2737)	0.8554*** (0.3214)	2.7814*** (0.2259)	1.5222*** (0.1812)	1.5180*** (0.1812)
tobin	-0.2296*** (0.0283)	-0.0473 (0.0334)	-0.0231 (0.0260)	-0.0637*** (0.0187)	-0.0660*** (0.0187)
roa	1.3422** (0.5923)	12.6359*** (0.7081)	12.0505*** (0.6117)	8.7795*** (0.4321)	8.7838*** (0.4322)
_cons	25.9523*** (0.7490)	42.6850*** (0.8931)	56.9511*** (0.6233)	44.6160*** (0.4988)	44.7269*** (0.5010)
Ind_FE	YES	YES	YES	YES	YES
Year_FE	YES	YES	YES	YES	YES
N	42626	42626	42626	42626	42623
r2	0.1547	0.2570	0.2505	0.2014	0.2014

4.3.2. Alternative Explanatory Variables

To test the robustness of the baseline results, this study changes the measurement of the core explanatory variable to mitigate measurement bias associated with a single indicator. Specifically, the chairman overseas-background indicator (oversea) is replaced by whether the CEO has an overseas background (oversea2) and the proportion of board members with overseas backgrounds (oversea3), and the regressions are re-estimated. As shown in columns (4) and (5) of Table 4, the coefficients on the core variables are significantly positive. This indicates that the positive effect of executives' overseas background on corporate ESG performance does not depend on a specific measure of the core explanatory variable, further supporting the robustness and reliability of the baseline findings.

4.3.3. Alternative Sample Windows

In order to control for any possible bias associated with sample selection, a sensitivity test was conducted by altering the sample period. In particular, the sample period was shortened to 2009-2022 (column 1) and 2010-2023 (column 2), respectively, and the models were re-estimated. From the results presented in Table 5, it is evident that the coefficient on overseas is still positively significant when the sample period was altered. Furthermore, there is no change in its sign and statistical significance. Thus, it can be concluded that the findings obtained above are robust to changes in sample periods.

Table 5. Robustness Check 2

Variable	(1) ESG	(2) ESG	(3) ESG
oversea	0.1895** (0.0778)	0.2732*** (0.0697)	0.2421*** (0.0686)
size	1.3046*** (0.0264)	1.3618*** (0.0247)	1.3672*** (0.0239)
lnage	-0.9795*** (0.0291)	-0.9440*** (0.0272)	-0.9466*** (0.0268)
Leverage	-4.5082*** (0.1531)	-4.6757*** (0.1426)	-4.6480*** (0.1388)
top1	0.0039** (0.0016)	0.0046*** (0.0015)	0.0042*** (0.0015)
Growth	-0.0779*** (0.0268)	-0.0589** (0.0260)	-0.0655*** (0.0250)
Director	1.6287*** (0.1960)	1.5751*** (0.1874)	1.5152*** (0.1806)
tobin	-0.1118*** (0.0200)	-0.0624*** (0.0191)	-0.0638*** (0.0188)
roa	9.3081*** (0.4751)	8.7451*** (0.4427)	8.7858*** (0.4324)
_cons	45.5843*** (0.5437)	44.3588*** (0.5108)	44.3634*** (0.4955)
Ind_FE	YES	YES	NO
Year_FE	YES	YES	NO
IndYear_FE	NO	NO	YES
N	37674	41256	42615
r2	0.1952	0.2003	0.2181

4.3.4. High-Dimensional Fixed Effects

Both the industry and year fixed effects are considered in the baseline regressions. The fixed effects can deal with time-invariant industry effects and year shocks affecting all industries. However, the fixed effects cannot consider the varying industry effect over years. In order to reduce the impact of omitted variable bias on the empirical findings of the research, this study employs industry-year interaction fixed effects (Ind*Year) as the robustness test. The definitions of all variables, control variables, and standard errors are the same as those in the baseline regression analysis. According to column (3) in Table 5, the coefficient of the key independent variable *oversea* is 0.2421, which is significantly positive at 1%. Relative to the baseline findings, the key finding of this research that overseas experience of the chairmen significantly enhances corporate ESG performance is still consistent.

5. Heterogeneity Analysis

As seen in the baseline regressions above, an overseas background of executives has a significantly positive impact on corporate ESG performance. Subgroup heterogeneity analysis will be conducted on three aspects: ownership type, firm size and firm age. The main idea is to analyze whether the effect on corporate ESG performance varies depending on these factors.

5.1. Ownership Type

Businesses with different ownership types vary greatly in terms of business objective, policy restrictions, and incentive to engage in ESG. Thus, this paper aims at conducting subgroup heterogeneity analysis by ownership type. In this study, the sample firms are categorized into SOEs and private firms. As seen in columns (1) and (2) of Table 6, coefficients of the core explanatory

variable are both significantly positive in the two groups. But the coefficient of SOE is significantly larger than that of private firm, which equals 0.778 while 0.289 respectively, and the statistic of Chow test is 33.89 and is significantly larger at the 1% level. The reason may be that as an enterprise bearing the responsibility of green development for society, SOE can make use of executive's overseas experience to establish ESG system. While, for the profit-oriented private firm, there is no great incentive to develop ESG system.

Table 6. Heterogeneity Analysis

Variable	(1) ESG	(2) ESG	(3) ESG	(4) ESG	(5) ESG	(6) ESG
oversea	0.778*** (4.720)	0.289*** (3.713)	0.293*** (3.190)	0.232** (2.251)	0.333*** (3.931)	0.165 (1.423)
size	1.468*** (41.662)	1.282*** (36.522)	1.116*** (18.866)	1.521*** (41.505)	0.873*** (24.131)	1.707*** (51.948)
lnage	-0.451*** (-8.547)	-1.245*** (-34.530)	-1.048*** (-28.408)	-0.585*** (-14.150)	-0.699*** (-15.155)	-1.640*** (-14.746)
Leverage	-5.130*** (-21.964)	-4.460*** (-24.974)	-4.584*** (-24.975)	-4.253*** (-19.381)	-3.315*** (-16.658)	-5.638*** (-28.805)
top1	-0.001 (-0.595)	-0.001 (-0.739)	0.004* (1.820)	0.002 (1.135)	0.001 (0.597)	0.006*** (2.783)
Growth	-0.077** (-2.200)	-0.052 (-1.464)	-0.016 (-0.484)	-0.103*** (-2.748)	0.035 (0.857)	-0.086*** (-2.741)
Director	0.998*** (3.789)	1.245*** (4.789)	1.994*** (7.666)	1.000*** (4.018)	1.355*** (5.182)	1.671*** (6.802)
tobin	0.020 (0.585)	-0.043* (-1.887)	-0.211*** (-8.655)	0.244*** (7.133)	-0.047* (-1.758)	-0.010 (-0.376)
roa	6.643*** (8.358)	9.458*** (18.057)	7.701*** (14.225)	9.283*** (12.629)	10.121*** (16.811)	6.980*** (11.434)
_cons	42.137*** (56.161)	46.987*** (61.391)	49.653*** (39.614)	39.901*** (51.339)	54.470*** (72.640)	38.808*** (50.803)
Ind_FE	YES	YES	YES	YES	YES	YES
Year_FE	YES	YES	YES	YES	YES	YES
N	15269	26520	21313	21313	21799	20827
r2	0.256	0.191	0.217	0.177	0.131	0.260
Chow test	33.89***		39.49***		32.01***	

5.2. Firm Size

Firms with different sizes differ considerably in financial resources, governance mechanisms and resources devoted to ESG initiatives. In this research, median firm size serves as the threshold for the classification. Column (3) presents the results of large firms, while column (4) is the result of small firms. As is seen from Table 6, the coefficient of large firms is 0.293 and is significant at 1%, while the coefficient of small firms is 0.232 and is significant at 5%. The value of Chow test statistic is 39.49, which shows significant difference between the coefficients of the two groups. It can be seen from the results that the overseas background of executives positively affects the ESG performance of large firms to a greater extent than small firms. This might be explained by the fact that large firms have richer financial resources and more developed governance systems, so the ESG experience of executives can be utilized effectively. On the other hand, small firms are faced with resource constraints and poor coordination ability. For this reason, it is hard to realize ESG initiatives in such firms although the executives have overseas experience, so the influence becomes less obvious.

5.3. Firm Age

Companies at different stages of development have different models of management and organizational flexibility. Heterogeneity analysis is conducted by using the firm age as the grouping criterion. The threshold for the classification is median firm age. Column (5) presents the result of

younger firms, while column (6) is the result of mature firms. It can be seen from Table 6 that, among younger firms, the coefficient of the core explanatory variable is 0.333 and has a significant positive impact on the ESG performance of enterprises at the 1% level. In contrast, the coefficient of mature firms is not statistically significant. It means that the overseas background of executives influences the ESG performance of the younger firms but does not influence the mature firms. This might be due to the fact that younger firms have a more flexible management system and are more receptive to the advanced concepts of overseas development. The mature firms, in contrast, have more stable operating model and higher cost of adjustment, which makes it harder to introduce ESG governance practices.

6. Mechanism Tests

From the baseline regressions, heterogeneity analysis, and robustness tests described above, we constantly see the empirical evidence supporting the conclusion that executives' overseas experience greatly enhances corporate ESG performance. In order to explore the specific mechanisms through which executives' overseas experience contributes to improving corporate ESG performance, the current study applies whether the firm publishes the audit report and whether the firm's internal control is effective as two mediating variables.

6.1. Whether the Firm Discloses an Audit Report

An audit report refers to a written form of expression in which an independent CPA, after auditing the financial situation, business results and other relevant aspects of a firm according to auditing norms and procedures, gives his or her judgment on the legitimacy and fairness of the financial statements of the firm. As is presented in column (1) of Table 7, the coefficient of executives' overseas experience is 0.020 and significantly positive at the 1% significance level. It shows that executives' overseas experience significantly increases the probability that a firm discloses an audit report. Since overseas background gives executives exposure to the information disclosure rules of mature overseas capital markets, executives with overseas backgrounds place more importance on information disclosure and external supervision. Thus, they tend to enhance the publication of the audit report. Disclosure of audit reports can effectively enhance external supervision, reduce managerial myopia, and finally improve corporate ESG performance.

6.2. Whether the Firm's Internal Control Is Effective

Internal control is an integrated management and control system aimed at protecting company assets, ensuring legal and compliant conduct of business operations, increasing the efficiency and effectiveness of the process, and aiding in the attainment of strategic development goals. From the regression results in column (2) in Table 7, it can be seen that the coefficient for the overseas background of executives is positive and significant, implying that executives with overseas backgrounds significantly enhance the effectiveness of the internal control of companies. The reason behind this is that executives with overseas backgrounds have knowledge of the mature internal governance systems of overseas companies and have a higher sense of risk prevention and compliance. Consequently, it becomes easier to enhance the effectiveness of the internal control of companies. Effective internal control ensures that companies effectively engage in their environmental and social initiatives, thus enhancing ESG performance.

Table 7. Mechanism Tests

Variable	(1) Audit Report	(2) Internal Control
oversea	0.020** (2.651)	0.007* (1.883)
size	-0.036*** (-19.450)	0.005*** (3.845)
lnage	-0.010*** (-3.276)	0.014*** (7.099)
Leverage	-0.002 (-0.841)	-0.009*** (-3.429)
top1	-0.002*** (-11.671)	-0.000*** (-3.322)
Growth	0.000*** (3.639)	-0.000 (-0.766)
Director	-0.103*** (-6.188)	-0.015 (-1.312)
tobin	-0.002** (-2.499)	0.001** (2.114)
roa	-0.017 (-0.939)	-0.048*** (-4.486)
_cons	2.269*** (57.378)	0.827*** (30.157)
Ind_FE	YES	YES
Year_FE	YES	YES
N	42626	42626
r2	0.145	0.132

7. Conclusions and Recommendations

Using 42,626 observations of Chinese A-share listed companies from 2009 to 2023, this study empirically examines the effect of executives' overseas background on corporate ESG performance and its underlying mechanisms. The results show that: (1) a chairman with an overseas background significantly increases the firm's overall ESG score. This effect is mainly reflected in the environmental and social responsibility dimensions, while the improvement in the corporate governance dimension is not statistically evident. The result remains robust across a series of robustness checks. (2) Heterogeneity analysis shows that the positive effect of executives' overseas background on ESG performance is more pronounced in state-owned enterprises, large firms, and younger firms with shorter operating histories. (3) Mechanism tests show that executives' overseas background improves internal corporate governance by increasing audit report disclosure and the effectiveness of internal control, thereby enhancing corporate ESG performance.

Based on these findings, this study proposes the following recommendations: (1) firms should optimize the talent structure of their boards, appropriately recruit managers with overseas experience, adopt internationally oriented sustainable-governance concepts, strengthen internal control systems, and promote the implementation of ESG principles; (2) mature firms and private enterprises should place greater emphasis on overcoming established managerial mindsets, fully utilizing the governance value of internationally experienced talent, and addressing weaknesses in their governance systems; and (3) investors may incorporate management's overseas background, audit disclosure, and internal-control quality into their evaluation frameworks, assess firms' long-term development potential more comprehensively, and guide the market toward stronger ESG compliance.

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