

ONLINE APPENDIX
Appendix A: Variables

Table A1. Database Coverage of Donations

Panel A. Database Time Coverage*

Database	Years covered
CSMAR	2003–2011
RESSET	2000–2006
iFind	2008–2012

Panel B. Correction of Donation Expenses between Databases

Database	CSMAR	RESSET	iFind
CSMAR	1		
RESSET	0.9912***	1	
iFind	0.9984***	N/A	1

Panel C. Differences in Averages of Donation (in Chinese Yuan) between Databases

Database	Obs.	Difference	T-test
CSMAR and RESSET	5,240	–2,848.447	–0.2839
CSMAR and iFind	5,210	328.9381	1.1738

*** $p < .001$.

* We obtain donation expenses data from three databases (CSMAR, RESSET, and iFind). Each database covers different periods for firms' donation expenses. The RESSET database is developed by Beijing Gildata RESSET Data Technology and is one of the major databases for listed Chinese firms. The iFind database started in 2010 and is managed by Zhengjiang RoyalFlush Network, which is one of the largest providers of securities analysis software in China.

Table A2. Geographic Distribution and Culture Index*

Nation	Number of unique directors	WGI score	PD index	IM index	Nation	Number of unique directors	WGI score	PD index	IM index
Algeria	4	18	N/A	N/A	South Korea	54	36	60	18
Argentina	3	24	49	46	Macau	123	N/A	N/A	N/A
Australia	232	60	36	90	Malaysia	30	28	100	26
Austria	13	41	N/A	N/A	Mauritius	4	43	N/A	N/A
Belarus	1	25	N/A	N/A	Mexico	6	28	81	30
Belgium	24	34	65	75	Netherlands	68	53	38	80
Brazil	10	27	69	38	New Zealand	43	57	22	79
Bulgaria	1	15	70	30	Norway	9	42	31	69
Canada	301	58	39	80	Philippines	15	45	94	32
China	N/A	13	80	20	Poland	7	24	68	60
Chile	1	38	63	23	Portugal	1	19	63	27
Cuba	1	N/A	N/A	N/A	Romania	1	19	90	30
Czech	5	24	57	58	Russia	27	18	93	39
Denmark	10	49	18	74	Singapore	217	20	74	20
Finland	9	45	33	63	South Africa	11	30	49	65
France	136	34	68	71	Spain	12	29	57	51
Germany	179	38	35	67	Sweden	27	38	31	71
Hong Kong	1819	44	68	25	Switzerland	53	44	34	68
Hungary	2	24	46	80	Thailand	53	42	64	20
India	20	16	77	48	UAE	6	38	90	25
Ireland	3	60	28	70	UK	525	51	35	89
Italy	24	33	50	76	Ukraine	5	21	N/A	N/A
Japan	410	26	54	46	USA	1481	57	40	91
Jordan	2	21	70	30					

* WGI score refers to World Giving Index, PD index refers to Hofstede's power distance index, and IM index refers to Hofstede's individualism index.

Table A3. Definitions and Sources of Variables

Variable	Definition
After 2008	Dummy variable that equals one for the years after 2008 and 0 otherwise.
Average overseas duration of returnee directors from high-donation countries	Average length of staying abroad for returnee directors from high-donation countries for firms with such directors; it is coded 0 for firms without such directors. This variable is winsorized at the 1st and 99th percentiles. Data are from CSMAR database and manual collection.
Block	Proportion of shares held by the largest shareholder. This variable is winsorized at the 1st and 99th percentiles. Data are from CSMAR database.
Director age	Average age of directors for each firm-year, where age is measured by the difference between the year of observation and the year of birth for a director. This variable is winsorized at the 1st and 99th percentiles. Data are from CSMAR database.
Director tenure	Average tenure of directors for each firm-year, where tenure is measured as the difference between the year of observation and the year during which a director joins the board of a given firm. This variable is winsorized at the 1st and 99th percentiles. Data are from CSMAR database.
Donations-to-profits (%)	Donation expenses divided by total profits and then multiplied by 100. This variable is measured at the firm-year level. This variable is winsorized at the 1st and 99th percentiles. Data are from the CSMAR, RESSET, and iFind databases.
Donations-to-sales (%)	Donation expenses divided by sales and then multiplied by 100. This variable is winsorized at the 1st and 99th percentiles. Data are from the CSMAR, RESSET and iFind databases.
Effective tax rate	Ratio of income tax expenses to adjusted total profits. Adjusted total profits is the actual total profits minus the deferred profits, which are the deferred tax divided by the statutory tax rate (Stickney and McGee, 1982). This variable is winsorized at the 1st and 99th percentiles. Data are from the CSMAR database.
Female directors	Number of female directors divided by number of all directors for each firm-year. It is winsorized at the 1st and 99th percentiles. Data are from the CSMAR database.
Firm age	Natural logarithm of total days that firm had operated. This variable is winsorized at the 1st and 99th percentiles. Data are from the CSMAR database.
Firm size	Natural logarithm of total assets. This variable is winsorized at the 1st and 99th percentiles. Data are from the CSMAR database.
Foreign directors	Number of directors with foreign nationality divided by total number of directors for each firm-year. This variable is winsorized at the 1st and 99th levels. Data are from the CSMAR database and manual collection.
Foreign directors from high-donation countries	Number of directors with foreign nationality of high-donation countries divided by the total number of directors for each firm-year. High-donation countries are those foreign countries with WGI scores above the median score of all sample countries. This ratio is set to zero if there are no such directors in the firm. This variable is winsorized at the 1st and 99th percentiles. The WGI database is accessed at www.cafonline.org/docs/default-source/about-us-publications/worldgivingindex2012web.pdf .
Foreign directors from low-donation countries	Number of directors with foreign nationality of low-donation countries divided by the total number of directors for each firm-year. Low-donation countries are those foreign countries with WGI scores equal to or below the median score of all sample countries. This ratio is set to zero if there are no such directors in the firm. This variable is winsorized at the 1st and

	99th percentiles. The WGI database is accessed at www.cafonline.org/docs/default-source/about-us-publications/worldgivingindex2012web.pdf .
Foreign ownership	Proportion of shares held by all foreign legal persons. This variable is winsorized at the 1st and 99th percentiles. Data are from the CSMAR database.
Free cash flow	Sum of cash flow from operating, financing, and investing activities divided by total assets. This variable is winsorized at the 1st and 99th percentiles. Data are from the CSMAR database.
Insider directors	Number of directors who receive salary as an employee of the firm divided by total number of directors for each firm-year. This variable is winsorized at the 1st and 99th percentiles. Data are from the CSMAR database.
Leverage	Number of total liabilities divided by total assets. This variable is winsorized at the 1st and 99th percentiles. Data are from the CSMAR database.
Long-term foreign directors from high-donation countries	Number of long-term foreign directors from high-donation countries divided by the number of foreign directors from high-donation countries, where a foreign director is defined as long-term if she has been on the board of any listed Chinese firms for more than a year. This ratio is set to zero if there are no such foreign directors in the firm. This variable is winsorized at the 1st and 99th percentiles.
MB	Market-to-book ratio. It is the sum of the market value of equity and book value of total liabilities, divided by the book value of total assets. This variable is winsorized at the 1st and 99th percentiles. Data are from the CSMAR database.
Per capita GDP	Provincial gross domestic product (GDP) divided by population for each province-year. This variable is denominated in thousand Chinese yuan. Data are from the CSMAR database.
Politically connected local directors	Number of local directors (i.e., Chinese directors with no foreign experience) and politically connected directors divided by the total number of directors on the board for each firm-year. Political connectedness is defined as being current or former members of the People's Congress or the Chinese People's Political Consultative Conference or Government Counselors for each firm-year. This variable is winsorized at the 1st and 99th percentiles. Data are from the CSMAR database and manual collection.
Provincial policy	Dummy variable that equals one for firms in the province after it starts policies attracting returnees; otherwise, it equals zero.
Returnee directors	Number of returnee directors on the board divided by the total number of directors for each firm-year. This variable is winsorized at the 1st and 99th percentiles. Data are from the CSMAR database and manual collection.
Returnee directors from high-donation countries	Number of returnee directors coming back from high-donation countries divided by the total number of directors for each firm-year. High-donation countries are those foreign countries with WGI scores above the median score of all sample countries. This ratio is set to zero if there are no returnee directors in the firm. If a returnee director has stayed in multiple foreign countries, her WGI score is the average score across all those foreign countries. This variable is winsorized at the 1st and 99th percentiles. The WGI database is accessed at www.cafonline.org/docs/default-source/about-us-publications/worldgivingindex2012web.pdf .
Returnee directors from high-donation countries and on multiple boards	Number of interlocked returnee directors from high-donation countries divided by the total number of board members, where a returnee director is defined as interlocked if she serves on multiple boards in a given year. This variable is winsorized at the 1st and 99th percentiles.

Returnee directors from low-donation countries	Number of returnee directors coming back from low-donation countries divided by the total number of directors for each firm-year. Low-donation countries are those foreign countries with WGI scores equal to or below the median score of all sample countries. This ratio is set to zero if there are no returnee directors in the firm. If a returnee director has stayed in multiple foreign countries, her WGI score is the average score across all those foreign countries. This variable is winsorized at the 1st and 99th percentiles. The WGI database is accessed at www.cafonline.org/docs/default-source/about-us-publications/worldgivingindex2012web.pdf .
Returnee directors from high power distance countries	Number of returnee directors coming back from high power distance countries divided by the total number of directors for each firm-year. High power distance countries are those foreign countries whose power distance scores are higher than the median score of all sample countries. If a returnee director has stayed in multiple foreign countries, her power distance score is the average power distance score across all those foreign countries. Data are from Geert Hofstede's official website, https://geerthofstede.com/research-and-vsm/dimension-data-matrix/ .
Returnee directors from low power distance countries	Number of returnee directors coming back from low power distance countries divided by the total number of directors for each firm-year. Low power distance countries are those foreign countries whose power distance scores equal to or are lower than the median score of all sample countries. If a returnee director has stayed in multiple foreign countries, her power distance score is the average power distance score across all those foreign countries. Data are from Geert Hofstede's official website, https://geerthofstede.com/research-and-vsm/dimension-data-matrix/ .
Returnee directors from high individualism countries	Number of returnee directors coming back from high individualism countries divided by the total number of directors for each firm-year. High individualism countries are those foreign countries whose individualism scores are higher than the median score of all sample countries. If a returnee director has stayed in multiple foreign countries, her individualism score is the average power distance score across all those foreign countries. Data are from Geert Hofstede's official website, https://geerthofstede.com/research-and-vsm/dimension-data-matrix/ .
Returnee directors from low individualism countries	Number of returnee directors coming back from low individualism countries divided by the total number of directors for each firm-year. Low individualism countries are those foreign countries whose individualism scores equal to or are lower than the median score of all sample countries. If a returnee director has stayed in multiple foreign countries, her individualism score is the average power distance score across all those foreign countries. Data are from Geert Hofstede's official website, https://geerthofstede.com/research-and-vsm/dimension-data-matrix/ .
ROA	Firm's operating income divided by total assets. This variable is winsorized at the 1st and 99th percentiles. Data are from the CSMAR database.
State owned	Dummy variable that equals one if the largest ultimate shareholder of the firm is marked in the database as "State-owned" or "State-controlled." Data are from the CSMAR database.

REFERENCE

Stickney, C. P., and V. E. McGee
1982 "Effective corporate tax rates: The effect of size, capital intensity, leverage and other factors."
Journal of Accounting and Public Policy, 1: 125–152.

Table A4. Policies for Attracting Highly Skilled Returnees, 2000–2012*

Province	Year policy adopted	# of unique firms	# of firm-year observations			% of firms with returnee directors	
			Total	Before	After	Before	After
Anhui	1994	77	638	0	638	N/A	50.78
Beijing	2000	210	1483	61	1422	34.43	66.67
Chongqing	2005	36	340	139	201	38.85	67.66
Fujian	2000	85	652	30	622	26.67	62.70
Gansu	2003	25	241	57	184	10.53	32.61
Guangdong	1999	361	2468	0	2468	N/A	77.23
Guangxi	2005	29	290	113	177	40.71	58.19
Guizhou	2003	21	214	46	168	17.39	33.93
Hainan	2001	26	270	37	233	51.35	47.64
Hebei	2001	50	435	43	392	6.98	43.62
Heilongjiang	2002	31	330	65	265	30.77	48.68
Henan	1992	67	502	0	502	N/A	51.39
Hubei	2002	80	787	149	638	30.87	57.37
Hunan	2001	72	579	57	522	14.04	59.96
Inner Mongolia	2001	25	241	30	211	10.00	37.91
Jiangsu	2004	231	1479	350	1129	42.00	58.46
Jiangxi	2003	34	322	71	251	36.62	51.00
Jilin	2001	40	408	52	356	11.54	45.79
Liaoning	1999	68	628	0	628	N/A	39.33
Ningxia	2003	12	142	40	102	37.50	35.29
Qinghai	1999	11	121	0	121	N/A	46.28
Shaanxi	1995	37	343	0	343	N/A	72.30
Shandong	2005	154	1167	393	774	40.71	56.72
Shanghai	2005	196	1855	751	1104	53.66	70.02
Shanxi	2007	33	346	192	154	43.75	49.35
Sichuan	2005	91	814	314	500	33.76	54.20
Tianjin	2001	38	363	39	324	30.77	68.52
Tibet	N/A	10	103	N/A	N/A	N/A	N/A
Xinjiang	2003	38	367	85	282	24.71	26.24
Yunnan	2001	28	287	32	255	21.88	51.37
Zhejiang	2001	245	1587	115	1472	24.35	64.27
Total		2461	19802	3261	16438	38.55	59.75

* This table reports the year of the policy adoption, the number of unique sample firms, and the proportion of returnee directors for each province that implemented a policy to attract highly talented emigrants. “Issuing year” is the year when the policy was adopted. “After” refers to the number of observations after the issuing year. “Before” refers to observations before and during the issuing year. “% of firms with returnee directors” refers to the fraction of firms with at least one returnee director in the corresponding firm-year observations.

Appendix B: Results

Table B1. Correlation of Variables

Variable	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)
(2) Donations-to-profits (%) (adjusted by industry-year median)	.48														
(3) Returnee directors from high-donation countries	.02	.01													
(4) Returnee directors from low-donation countries	-.01	-.00	.04												
(5) Foreign directors from high-donation countries	.00	-.01	.24	.03											
(6) Foreign directors from low-donation countries	-.00	.01	.12	.25	.18										
(7) Foreign ownership	-.01	.00	.20	.12	.24	.19									
(8) Block	-.05	-.05	-.04	-.01	-.02	-.03	.01								
(9) State owned	-.07	-.01	-.14	-.04	-.10	-.07	-.10	.28							
(10) Firm size	-.02	.02	.10	.03	-.00	.01	-.01	.21	.10						
(11) Firm age	-.01	.02	.02	-.02	-.02	-.02	-.10	-.32	-.16	.14					
(12) ROA	.08	.00	.06	.03	.05	.02	.04	.16	-.01	.19	-.15				
(13) MB	.05	-.06	.00	-.02	.02	-.01	.01	-.07	-.11	-.43	-.04	-.03			
(14) Leverage	-.08	-.01	-.04	-.03	-.08	-.03	-.08	-.08	.03	.10	.25	-.51	.09		
(15) Free cash flow	.03	-.02	.04	.01	.06	.00	.05	-.00	-.06	-.05	-.12	.16	.15	-.14	
(16) Female directors	.03	.01	-.01	-.02	.02	.00	.03	-.07	-.13	-.11	.05	-.01	.03	-.02	.03
(17) Director age	-.03	.01	.03	.05	.06	.07	.05	.10	.04	.31	.13	.07	-.10	-.02	-.04
(18) Director tenure	.01	.00	.02	-.01	.00	-.01	-.02	-.01	-.09	.09	.06	.04	-.05	-.04	-.01
(19) Insider directors	.08	.02	-.04	-.04	.02	.01	-.02	-.06	-.12	-.07	-.11	.06	.01	-.09	.04
(20) Average overseas duration of returnee directors from high-donation countries	-.01	.01	.37	.03	.11	.07	.09	-.02	-.04	.10	.05	.03	-.02	-.01	.00
(21) Returnee directors from high-donation countries and on multiple boards	.02	.01	.50	.03	.04	.02	.04	.01	-.03	.12	.04	.05	-.04	-.02	-.00
(22) Politically connected local directors	.10	.06	.03	-.01	.03	.02	.00	-.04	-.15	.05	.02	.06	-.01	-.02	.03
(23) Per capita GDP	.02	.00	.20	.07	.10	.04	.06	-.06	-.31	.18	.24	.07	.00	-.09	.04
(24) After 2008	.04	-.01	.11	.03	.11	.04	.01	-.12	-.44	.17	.29	.06	.09	-.09	.09
(25) Long-term foreign directors from high-donation countries	.00	.00	.19	.01	.74	.16	.16	-.02	-.08	.01	.00	.04	.00	-.05	-.03
(26) Effective tax rate	.00	.01	-.00	-.00	-.01	-.00	-.01	.05	.04	.04	-.03	.15	-.06	-.04	.01
(27) Returnee directors from low power distance countries	.02	.02	.77	.34	.20	.18	.17	-.05	-.13	.09	.01	.07	-.01	-.05	.04
(28) Returnee directors from high power distance countries	-.00	-.02	.61	.25	.15	.11	.18	.00	-.07	.06	.01	.03	-.00	-.02	.02
(29) Returnee directors from high individualism countries	.03	.02	.78	.15	.19	.10	.14	-.04	-.11	.10	.01	.06	.00	-.04	.03
(30) Returnee directors from low individualism countries	.00	-.01	.63	.46	.16	.21	.21	-.02	-.10	.05	.00	.04	-.01	-.03	.02
Variable	(16)	(17)	(18)	(19)	(20)	(21)	(22)	(23)	(24)	(25)	(26)	(27)	(28)	(29)	(30)
(17) Director age	-.08														
(18) Director tenure	.04	.13													
(19) Insider directors	.07	-.12	.02												
(20) Average overseas duration of returnee directors from high-donation countries	-.05	.07	.01	-.04											
(21) Returnee directors from high-donation countries and on multiple boards	-.05	.04	.03	-.06	.23										
(22) Politically connected local directors	.04	.09	.04	.06	.03	-.01									
(23) Per capita GDP	.11	.27	.16	-.08	.10	.14	.09								
(24) After 2008	.11	.24	.20	.03	.04	.07	.15	.55							
(25) Long-term foreign directors from high-donation countries	.01	.06	.00	.03	.09	.04	.02	.07	.07						
(26) Effective tax rate	.01	-.01	-.02	.02	-.00	-.00	.00	-.05	-.06	-.01					
(27) Returnee directors from low power distance countries	-.02	.03	.01	-.03	.35	.43	.04	.17	.11	.15	.00				
(28) Returnee directors from high power distance countries	-.00	.03	.00	-.04	.15	.24	-.02	.14	.05	.11	-.01	.11			
(29) Returnee directors from high individualism countries	-.02	.03	.02	-.03	.37	.45	.04	.16	.10	.14	.00	.88	.17		
(30) Returnee directors from low individualism countries	-.01	.03	-.00	-.05	.16	.25	-.01	.16	.07	.13	-.01	.36	.83	.14	

Table B2. IV First Stage

	(1) Returnee directors from high-donation countries	(2) Returnee directors from low-donation countries	(3) All returnee directors
Provincial policy	.0242** (.0086)	.0028 (.0035)	.0270** (.0095)
Provincial policy × Foreign ownership	.0442 (.0857)	.0343 (.0330)	.0785 (.1023)
Provincial policy × Block	−.0165 (.0152)	−.0013 (.0071)	−.0179 (.0167)
Provincial policy × State owned	−.0012 (.0064)	.0003 (.0026)	−.0008 (.0070)
Foreign ownership	.1402*** (.0348)	.0160 (.0175)	.1562*** (.0400)
Block	−.0082 (.0148)	−.0075 (.0063)	−.0157 (.0158)
State owned	.0006 (.0032)	.0023+ (.0013)	.0029 (.0033)
Firm size	.0020 (.0024)	−.0002 (.0010)	.0018 (.0027)
Firm age	.0277*** (.0043)	.0025 (.0020)	.0302*** (.0049)
ROA	.0314* (.0126)	.0074 (.0056)	.0388** (.0140)
MB	−.0012* (.0006)	−.0004* (.0002)	−.0017** (.0006)
Leverage	.0078 (.0065)	.0030+ (.0018)	.0108 (.0068)
Free cash flow	.0053 (.0034)	−.0019 (.0016)	.0034 (.0038)
Female directors	−.0138 (.0143)	−.0054 (.0066)	−.0191 (.0153)
Director age	−.0014** (.0005)	−.0001 (.0002)	−.0027** (.0009)
Director tenure	−.0019* (.0009)	−.0008* (.0004)	−.0015** (.0005)
Insider directors	−.0287*** (.0062)	−.0041 (.0026)	−.0328*** (.0068)
Foreign directors from high-donation countries	.7593*** (.0996)	.0137 (.0367)	.7730*** (.1096)
Foreign directors from low-donation countries	.5309*** (.1062)	.2677*** (.0672)	.7987*** (.1286)
Intercept	−.1113* (.0472)	.0084 (.0223)	−.1029* (.0515)
Joint F test of excluded instruments	6.45***	1.18	7.45***
# of observations	19,047	19,047	19,047
# of firms	2,387	2,387	2,387
R-squared	.743	.657	.743
Controls	Yes	Yes	Yes
Firm fixed effects	Yes	Yes	Yes

+ $p < .10$; * $p < .05$; ** $p < .01$; *** $p < .001$.

Table B3. Female Directors/Female Returnee Directors as Alliance Partners*

	(1) Female directors	(2) Female returnee directors
Returnee director from high-donation countries	.3668 [•] (.1458)	.3863 ^{••} (.1361)
Returnee director from high-donation countries × Female director	.2036 (.3495)	
Female director	.0007 (.0284)	.0442 ^{••} (.0167)
Returnee director from high-donation countries × Female returnee directors		-.3193 (1.0657)
Female returnee directors		-.2575 (.2519)
Returnee director from low-donation countries	.0346 (.0251)	.0626 ⁺ (.0323)
Foreign director from high-donation countries	-.3171 [•] (.1283)	-.2843 [•] (.1169)
Foreign director from low-donation countries	-.1788 ⁺ (.1003)	-.1619 ⁺ (.0937)
Partial R-squared	.008	.006
Cragg-Donald Wald F statistic	13.042	12.277
5% maximal IV relative bias	17.70	15.18
10% maximal IV relative bias	10.22	9.01
# of observations	18,860	18,860
# of firms	2,240	2,240
Controls	Yes	Yes
Firm fixed effects	Yes	Yes

+ $p < .10$; [•] $p < .05$; ^{••} $p < .01$; ^{•••} $p < .001$.

* Dependent variables are measured at the firm-year level. 2SLS estimates. Standard errors clustered at the firm level are shown in parentheses. All models include a constant, the coefficients of which are not reported.