Table S1 Variables, Measures, and Data Sources

Variables	Measure	Data sources	Notes
Green Patents Count of a Subsidiary	Annual count of green patents granted to a foreign subsidiary (forwarded by one year)	OECD	See Methods Section and Research Protocol for Identifying Green Patents by Wang & Clegg (2026)
Green Stringency: Market-Based	Index of Market-Based Environmental Policy Stringency by country and year	OECD	See Methods Section for details.
Green Stringency: Non-market	Index of Non-market Environmental Policy Stringency by country and year	OECD	See Methods Section for details.
Green Stringency: Overall	Composite index of total environmental policy stringency by country and year	OECD	Used in additional analysis (see Analyses section – Phase 1 for details)
MNE-level controls			
Parent Sales	Annual consolidated sales of the parent MNE	Orbis BvD database	Controls for the potential effect that larger parent can make available a greater amount of internal resources for the use by its subsidiaries (Almeida & Phene, 2004).
Parent R&D Intensity	Ratio of a parent's annual R&D expenditure over its total sales	Orbis BvD database	Widely used in innovation and performance literature (e.g., Wang & Kafouros, 2015), nonetheless limited by green R&D disclosure.
Subsidiary-level controls			
Subsidiary R&D Intensity	Ratio of a subsidiary's annual R&D expenditure over its total sales	Orbis BvD database	Subject to limitations caused by variations in corporate sustainability reporting practice where information on green R&D at the local subsidiary level is often incomplete.
Subsidiary Sales	Annual sales of the subsidiary	Orbis BvD database	Controls for resource allocation and access enjoyed by subsidiaries (Papanastassiou et al., 2020).
Subsidiary Age	Years since subsidiary establishment	Orbis BvD database	Controls for the effect that older enterprises may have more opportunities to accumulate resources and capabilities leading to better innovative outcome and performance (Birkinshaw & Hood, 1998).
Subsidiary-Parent Technological Relatedness	Dummy variable taking a value of 1 if the subsidiary operated in the same 2-digit SIC industry as the parent did, and 0 otherwise.	Orbis BvD database	Controls for the potential benefits of industry knowledge overlap which then increases the subsidiary's capabilities to better receive, assimilate, and commercialise technologies

			(Fang et al., 2013).
Country-level controls			
SDG Progress in Host Country	An index benchmarking annual performance of individual 193 UN member states on achieving SDGs (Sachs et al., 2024).	Sustainable Development Report	Controls for the potential effect of a country's progress on SDGs creating better environment supporting local green innovation; Malekpour et al., 2024).
Cultural Distance	The cultural distance between home country *f* and host country *j* as $A_{fj} = \sum_{i=1}^{4}(I_{ij} - I_{if})^2 / V_i / 4$ (7) where I_{ij} is the culture score for the ith dimension and jth country and V_i is the variance of the index of the ith dimension.	Kogut and Singh (1988) index applied to Hofstede cultural scores	Cultural Distance has been found to influence subsidiary-level innovation outcomes (e.g., Conroy et al., 2023). Because of unavailable data for certain countries, we could not have included all 6-dimensions of culture scores.
Geographic Distance	Distance between capital cities of the parent and the subsidiary's host country using the "great circle formula" from CEPII Distances database	CEPII Distances Dataset (CEPII, 2021)	Controls for potential effect of spatial transaction costs on subsidiary-level outcomes.
Institutional Distance	Distance calculated using the Mahalanobis index (Berry et al., 2010) applied to six governance indicators – voice and accountability, political stability and absence of violence, government effectiveness, regulatory quality, rule of law and control of corruption.	The Worldwide Governance Indicators (WGIs)	Controls for variations in subsidiary-level outcomes caused by potential informational disadvantages, monitoring costs, and opportunities of learning arising from differences between home and host country institutions (Contractor et al., 2016).
Host-Country Market Size	Annual GDP of a host country standardised by population	World Bank	Controls for benefits of large local market offering more income-generating opportunities for the subsidiary (Dunning, 2015).
Host-Country Openness to Inward FDI	Ratio of inward foreign direct investment stock over GDP in a host country	World Bank	Controls for effects of open host environment where the subsidiary face potentially stronger competition and knowledge spillovers (Dunning, 2015).
Host-Country Patent Stock	Host national patent stock operationalised using the perpetual inventory method (PIM)	Orbis BvD database	Controls for variations in the technological richness of the subsidiary's host environment (Almeida & Kogut, 1999).

	(Wang & Kafouros, 2015) based on annual patent application		
Industry effects	A set of dummies for the 2-digit SIC industry in which a subsidiary operates	Orbis BvD database	Controls for industry-specific sustainability challenges and resulted green innovation outcomes.
Time effects	A set of year dummies	Orbis BvD database	Controls for the effects arising from observation that both green policy instruments and induced innovation outcomes tend to evolve over time (Rogge & Reichardt, 2016).

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Table S2 OECD Environmental Policy Stringency Scores for the Sampled Foreign Subsidiaries

Instrument Groups	Green Regulatory Instruments	Mean score (N=943)	Mean score
P2: Market-Based EPS		3.407	
	P21: Taxes		6.418
	P211: Tax CO2		0.887
	P212: Tax Diesel		3.838
	P213: Tax NOx		1.155
	P214: Tax SOx		0.539
	P22: Trading Schemes		1.842
	P221: Trading Schemes Renewable Energy/Green Certificate		0.990
	P222: Trading Schemes CO2		1.258
	P223: Trading Schemes White Certificates		1.114
	P23: Feed-in Tariffs		3.578
	P231: Feed-in Tariffs Wind		1.865
	P232: Feed-in Tariffs Solar		2.077
P3: Non-market EPS		10.440	
	P31: Standards		17.720
	P311: Emission Limit values NOx		4.198
	P312: Emission Limit values SOx		4.454
	P313: Emission Limit values PM		3.983
	P314: Sulphur Content Limit for Diesel		5.082
	P32: R&D Expenditure		3.158
	P321: Low-carbon R&D expenditures		3.158