



Impact of Environmental, Social, and Governance (ESG) Disclosures on Firm Value: A Case Study from the Stock Exchange of Thailand

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Although corporate financial performance is important in economic perspective, companies have to focus on environmental, social, and governance responsibilities in today's world. This is because if the companies aim only profit without people and planet responsibilities, they will not be accepted by all of their stakeholders' demands

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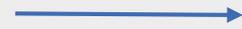
Purpose

- (1) To investigate the extent, level, and pattern of environmental, social, and governance (ESG) disclosures of listed companies from the Stock Exchange of Thailand (SET)
- (2) To examine the different level of ESG disclosures of listed companies between Thailand Sustainable Investment (THSI) and Non-THSI groups
- (3) To test the impact of ESG disclosures on firm value of listed companies in THSI group and Non-THSI group.



Environmental, Social, and Governance (ESG) Disclosures

1. Environmental Disclosures (H1a, H1b)
2. Social Disclosures (H2a, H2b)
3. Governance Disclosures (H3a, H3b)



Firm Value

Signaling Theory

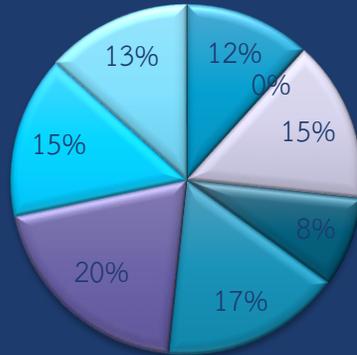
Corporate Characteristics

- Size of Company
- Age of Company
- Profitability
- Leverage
- Industry Type

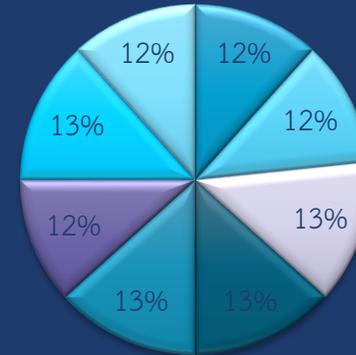
Framework

Methods

THSI



NON-THSI



- Agro & Food
- Consumer Products
- Financials
- Industrials
- Property & Construction
- Resources
- Services
- Technology

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- Consumer Products
- Financials
- Industrials
- Property & Construction
- Resources
- Services
- Technology

120 samples, 600 Annual Reports during 2015 to 2019

Variable's measurement

Independent Variables	Notation	Measurement
Environmental disclosure	ED	Word count
Social disclosure	SD	Word count
Governance disclosure	GD	Word count
Dependent Variable	Notation	Measurement
Firm value	FV	Market price
Control Variables	Notation	Measurement
Corporate size	SIZE	Total assets (Million bath)
Corporate age	AGE	Age of corporate (Year)
Profitability	ROA	Return on asset
Leverage	DE	Debt to equity
Liquidity	CR	Current Ratio
Industry type	TYPE	Dummy variables as 1 = Agro & Food Industry, 2 = Consumer Products, 3 = Financials, 4 = Industrials, 5 = Property & Construction, 6 = Resources, 7 = Services, and 8 = Technology

ESG disclosures

Environment Disclosure

- (energy management, water management, waste management, and greenhouse gas management)

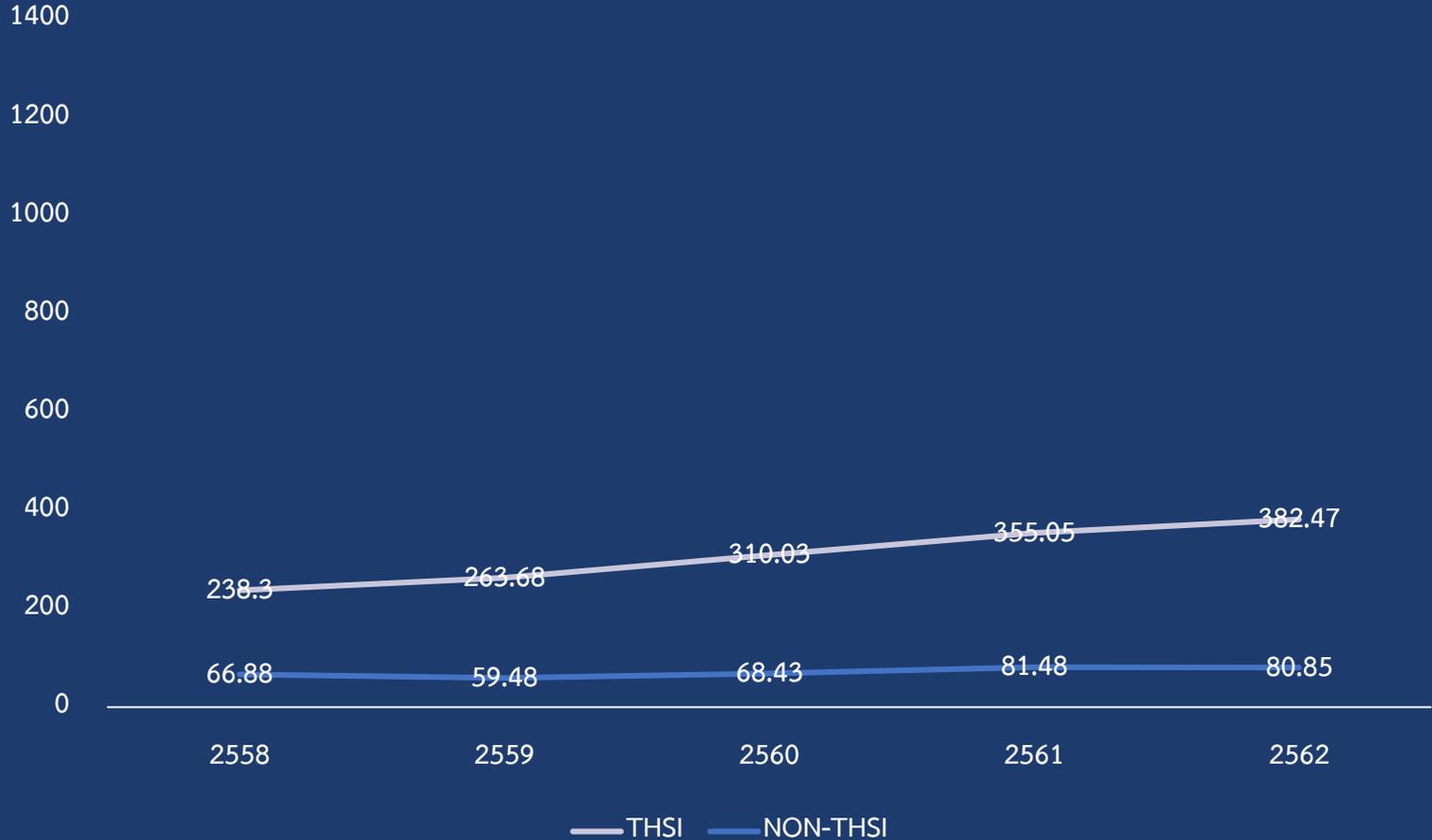
Social Disclosure

- (treatment of workers/employees, responsibility to customers, and social/community development)

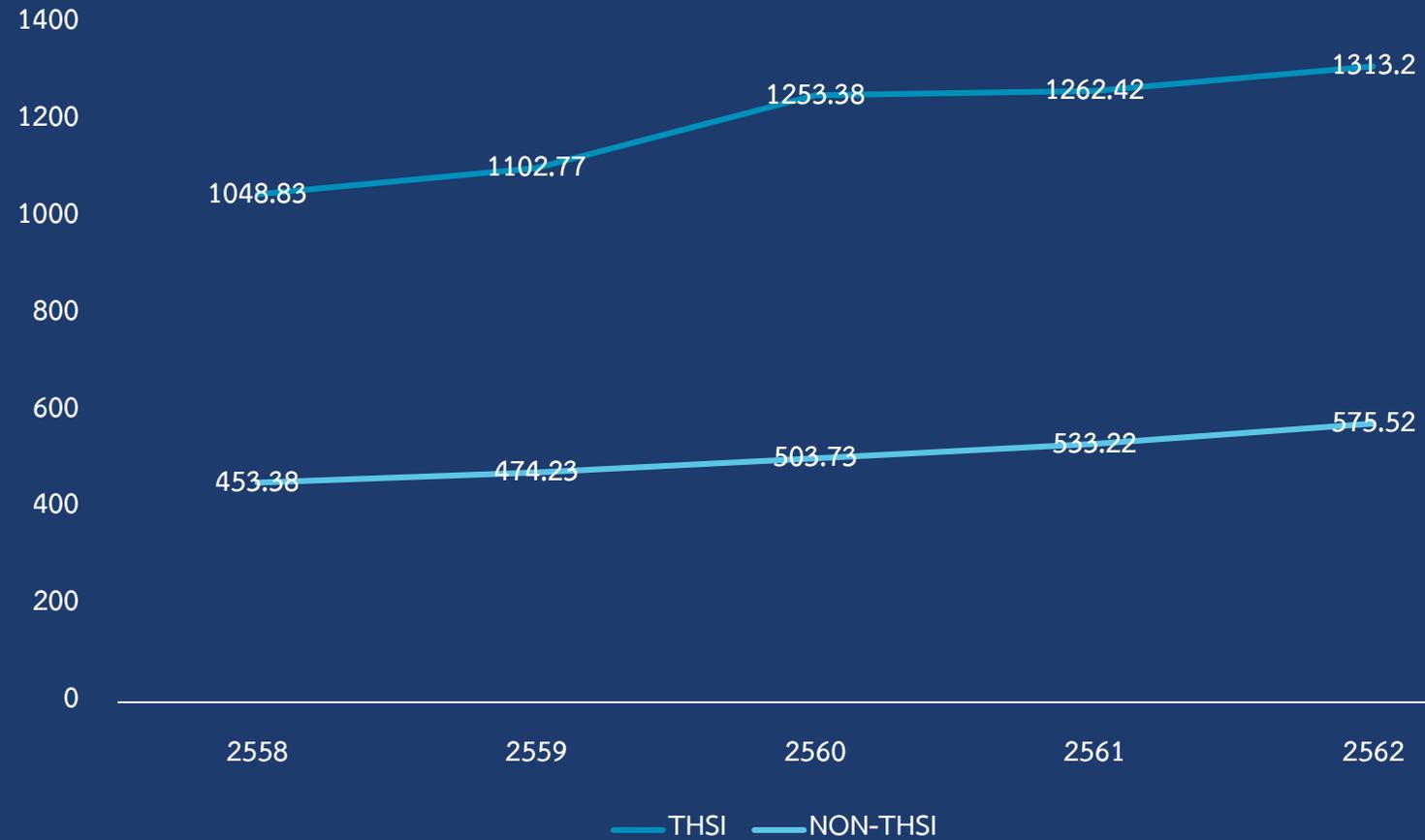
Governance Disclosure

- (good governance, sustainability risk management, supply chain management, and innovation)

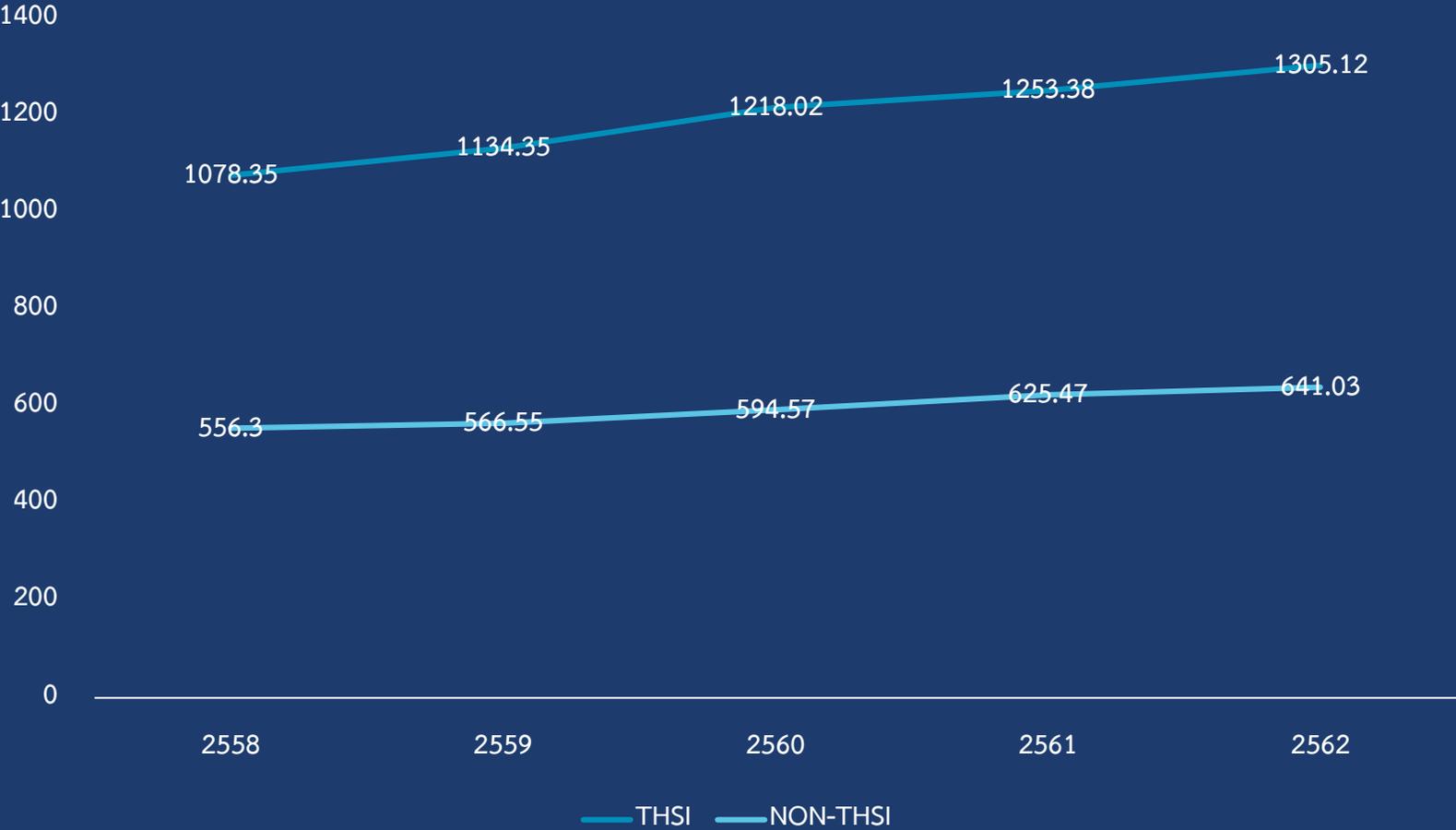
Environmental Disclosure



Social Disclosure



Governance Disclosure



Multiple Regression

Variable	THSI Group	Non-THSI Group
Constant	2.795**	4.416**
ED	1.976*	.394
SD	4.053**	.974
GD	-3.570**	-1.042
TYPE	4.423**	1.436
AGE	8.276**	1.079
SIZE	2.781**	-.776
ROA	1.489	7.394**
DE	-2.037*	.529
CR	-.454	.054
R ²	.402	.181
Adjust R ²	.383	.156
F-value	21.659**	7.123**

Conclusions

- There were significantly different levels of environmental, social, and governance disclosures including ESG disclosures between THSI and Non-THSI firms.
- THSI group, both environmental and social disclosures were positive and significant influence on firm value, while there was a negative influence of governance disclosure on firm value.
- Non-THSI group, there was no relationship between environmental disclosure, social disclosure, governance disclosure, and firm value.



Advantages

- The results can guide the companies to pay attention on environmental and social disclosures because they can influence on investors' reaction
- The study's findings are able to explain how and why the signaling theory can be used to test the influences of environmental, social, and governance disclosures on firm value
- The study's results also demonstrate the guideline from the SET providing benefit to the corporations and their stakeholders



Limitations

- The Thailand Sustainability Investment (THSI) included both the main capital market and the alternative capital market but this study used the only main market
- This study did not compare the ESG disclosures with the other countries in ASEAN such as Malaysia, Indonesia, Singapore, the Philippines, and Vietnam
- This study did not collect the content (positive or negative) and the tone of communication (strong or weak)

Acknowledgment

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