Multiple directorships ESG - JAK

by Perpustakaan Referensi

Do Board Multiple Directorship and ESG Score Drive Firm Value? Study of Non-Financial Companies in Thailand

ABSTRACT

This study intends to demonstrate the impact of board busyness through board multiple directorships and ESG scores towards firm value in Thailand within the period of 2018-2022. Theoretical frameworks such as the resource dependence theory and stakeholder theory explicate the two hypotheses developed for busy directors and ESG score. A director has multiple directorships when he/she has more than three board roles in other publicly listed firms, excluding private organizations and foundations. This research's population are listed non-financial firms in Thailand Stock Exchange that has ESG score in Refinitiv database for five consecutive years during 2018 to 2022. Final data sample are 28 non-financial companies resulting in 140 observations. Directorship and board size were hand collected from annual reports. Panel data regression with random effect model is used, and results show that there is no association between multiple directorship and firm value. On the other hand, ESG shows a positive and significant relationship towards firm value. This research supports the belief that ESG scores have a notable impact on firm value based.

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Keywords: Board busyness, ESG, firm value, Tobin's Q, multiple directorships, board of director

INTRODUCTION

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Previous studies have highlighted the importance and critical role of board in one firm's performance [1]. Fundamentally, an organization's success rate depends on two main factors, externally and internally. External factors encompass various aspects, such as competitive environment to political conditions where it is difficult to manipulate for the benefit of the company. Consequently, it increases a firm' need to maximize the utilization of their internal organizational structure to form a higher quality of governance. Through this research, the authors intend to analyze the effects of board multiple directorships and ESG Score on firm value.

A director's role in a company involves two pivotal duties, which is to fulfill one firm's monitoring and advisory needs against the management [51], [50] Both academics and practitioners pay close attention to the corporate governance system within a corporation [49]. Maximizing shareholder values is the corporation's primary goal, and to ensure that the top management conducts the business in accordance with the shareholders interest and values, the board of directors is chosen at the annual meetings as a representative of shareholders [49]. The association between board characteristics and business performance has already been extensively studied [18]. However, issues that currently rise to the topic is the ineffectiveness of monitoring duties held responsible by the directors appointed in one firm. Therefore, this paper aims to contribute to add empirical evidence on the study of characteristic of director as a component of internal corporate governance and ESG to improve firm value in the context of emerging economies.

Extant research has documented the different results of multiple boards directorships and firm performance. Some show positive association, taking the view of director reputation hypothesis. This perspective views that a director who holds many positions with various companies helps a director paint a favorable reputation. For example, [21] found that firms with busy directors is beneficial to firm value especially for younger firms. But on the contrary, several studies have pointed out a different perspective, where board busyness shares a negative impact towards a firm's economic value [12], [19], [43], [6].

In recent years, Environmental, Social, and Governance (ESG) has also gained the interest and attention of researchers as it provides a degree of significance for measuring firm performance in various aspects [20]. The rise of ESG awareness increases the firms' willingness to express concern towards the external environment. This awareness is then measured by ESG as the index commonly used to measure the firm's contribution and responsibilities towards their surroundings. There is also indication of increasing number of firms reporting ESG, for example, from a mere 48 organizations disclosed their sustainability reports in 2000 to around 12,075 firms in 2017 [36]. In emerging and developing countries, the effect of ESG factors is notably significant [31]. One study also conveys how ESG intensifies customer loyalty, which brings a linear increase in the operating profit margin even though the period of analysis was during the COVID-19 pandemic [5]. Moreover, firms listed in ESG index exhibit higher firm value

[1]. Disclosing ESG performance has improves firm values by increasing its transparency [4]. Previous research has found a positive impact of ESG performance on firm performance [30], however others found that ESG has no impact on firm performance [9]. Therefore, the direct relationship between ESG and firm value has remained inconclusive throughout the years. Therefore, following the footsteps of prior research, this paper intends to examine the ESG score and its effect on firm value.

This study uses data from non-financial firms listed in the Stock Exchange of Thailand (SET) for the period of 2018 to 2022. Thailand is an appropriate study setting since Thailand is one of developing countries in Southeast Asia which has commitment in sustainability reporting. In 2017, Thailand Stock Exchange Commission (SEC) issued new Corporate Governance code, requiring firms to enhance ESG practice among publicly listed firms [40]. While [21] found that multiple directorships are a global phenomenon, there still few studies on multiple directorships in Thailand, some examples are [29]. To our knowledge, this study is one that examine busy boards and ESG score to firm market value in Thailand. This study contributes to the existing literature by offering insights into the evolving landscape of ESG performance and multiplicity of directorships in Thailand over the 2018 - 2022 period. By examining the impact of ESG score and multiple directorships to firm value, this study adds to the understanding of how sustainability practices and internal corporate governance influence market performance in developing countries.

LITERATURE REVIEW

Resource Dependence Theory

Multi-directorship boards in organizations could be viewed from either positive or negative perspective. In this paper, we use resource dependence theory to explain the benefits of multiple directorships to firm values, thus from positive effect of the characteristic. Resource dependence theory views organization as an integral part of the environment. As a strategy to minimize and absorb risks and uncertainty, the organization could benefit from its external environment. Resource dependence theory views that a director sits in multiples directorships could obtain new opportunities and helps mitigate the challenges faced from industry, or external environment [41].

According to resource dependence theory, external resources, including networks from multiple directorships, are valuable. It suggests that the benefits outweigh the disadvantages when directors sit in multiple positions during one specific time frame. Besides the experiences, having multiple roles in outside companies facilitates directors expanding their network, which is essentially relevant to gaining new opportunities and overcoming industry challenges [41].

Stakeholder Theory

Stakeholder theory perceives firms as having multiple stakeholders, all have interconnected relationships with firms. It assumes that firms would take stakeholders' long-term objectives into consideration in addition to their own short-term goals [22]. A firm's stakeholders encompass internal and external stakeholders. This theory suggests that an organization should align their actions to fulfill the interests of stakeholders, such as investors, employees, customers, environment, and local communities. Increasing stakeholder prosperity will favor the firm's value in the long run. One of the ways to satisfy different stakeholder welfares is through ESG or sustainability reporting. By implementing ESG, an organization obtain "license to operate" from its stakeholders.

Multiple directorships

Researchers has employed various terminologies in referring multiple directorships according to extant literatures, such as busy boards [21], [16], multiple directorships [44], multiplicity of directorship [34] and over-boardedness [35] with busy directors as a popular term. In this paper, all terminologies are used interchangeably. Board multiple directorships refers to board in which its director(s) holds multiple boards seats concurrently [21], [35]. A director is busy when they hold three or more directorship positions in other companies [21], [53], [29].

Holding concurrent seats on other boards could be beneficial to firms. Committing in many positions in different firms could signify well-connected with other directors and quality of directors. Benefits of many external positions is especially when relates to the role of director in giving advice [13], [26]. Although sitting in multiple external roles, busy directors do not add value uniformly to all boards but prioritize more important directorships [28].

On the other hand, directors holding many seats simultaneously could lead to overcommitted. Therefore, general views multiple directorships is less committing to boards role due to time constraints dividing to several positions simultaneously. Consequently, director tends to have less effective monitoring, and [16] suggested acquires less vote by shareholders. One of the indicators of activities includes the number of board meetings attended. Overcommitted director tends to attend less meeting [23], although [27] found that

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for statement "Thailand is an appropriate study setting since Thailand is one of developing countries in Southeast Asia. ESG reporting is a relatively new to Thailand companies."

director busyness has no direct effect on tendency to attend less meetings.

ESG Performance

ESG stands for Environmental, Social, and Governance. ESG performance is a non-financial performance that covers three aspects including Environment, Social and Governance. This performance helps investors and potential stakeholders to assess the contributions a company makes towards their concerns in the external environment. As there is a recent rise in attention towards ESG, companies experience an increased voluntary action in disclosing their involvement in ESG through sustainability reporting [45]. Awareness of ESG will have a beneficial effect on an organization's reputation, since ESG disclosure brings a level of contribution to making the firm appear credible due to their concern and involvement for the environment. Most popular sustainability reporting guidance includes GRI. Furthermore, [30] also proposes the idea of how ESG disclosures can increase firm value through the valuable trust built among stakeholders. There is cost consequences for firm to report ESG performance, fortunately its benefits outweigh its cost [53].

Firm Value

Firm value denotes firm performance that reflects valuation from market through the using of stock price. A market value of more than one, which is favorable, shows that a firm is valued higher than its asset's book value. Following [11], this research uses Tobin's Q, market value of equity and the book value of total liability as a measure to calculate the firm's market value.

HYPOTHESES DEVELOPMENT

Busy directors and Firm Value

Unlike general views multiple directorships negatively, we argue that board with busy directors could be beneficial for firm value [21], [29], [26]. Having many positions in external firm, could signify an essential resource to gather information using the external networks [15]. Directors with more board holding accumulate experiences that aid in formulating strategy, better handle corporate issues [34]. Resource dependence theory maintains that resources accessed by busy directors are essential for the firm.

A director who sits and serves in numerous companies in one certain period can be classified as a qualified director. [16] proposed that directors with multiple assignments benefit from enhanced experience due to exposure to other firms. Additionally, a director who holds many positions in various companies will help the director paint a favourable reputation for them and the company they are representing. Moreover, directors with multiple external positions attend more board meeting [35].

Other competing views suggested that due to the busyness experienced by directors, an individual sitting on the company's board of directors will possibly experience difficulties in carrying out supervisory and advisory roles [46]. Directors with many external directorships were time constraints among many roles. Busyness of director is detrimental to firm values [29], [6] due to ineffectiveness of supervisory functions.

This paper develops the first hypothesis as below:

H1. Board multiple directorships have impacts on Firm Value (non-directional).

ESG and Firm Value

Prior studies have documented the positive impact of ESG performance on firm value. Some of studies are in developed countries, such as the USA [7], the UK [30], [3], emerging countries, such as Malaysia [52], [39], [11], China [17], India [32] or both developed and developing countries [53], [10]. Firms with high ESG performance experienced a higher financial performance than firms with low ESG performance. Hypothetically, higher levels of ESG awareness and commitment will increase firm efficiency and reputation which will indirectly lower agency costs and problems, leading to higher firm performance. Firms that have higher ESG performance exhibit better profitability [31], therefore increasing firm value. Firms that have higher ESG disclosures reduces information symmetry and agency cost for investors [53]. High ESG performance represents higher accommodation of stakeholders' interest through environmental, social and governance metrics, thus supported by stakeholder theory. However, some recent studies have expressed a different perspective where ESG scores show no significant value towards firm performance [9], and other study show negative effect to profitability [33]. Despite mixed results, this study believes that the high sense of responsibility towards its surroundings will help firm value substantially grow. Therefore, the second hypothesis is:

H2. ESG Score brings positive impact towards Firm Value.

RESEARCH METHOD

Sample

This study examines Thailand as one of Southeast Asia's (ASEAN) countries with a

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Commented [A11]: Linking resource dependence theory in hypothesis currently developing economy, in a 5-year time frame from 2018 - 2022. The observations encompass non-financial firms publicly listed in SET. Financial firms were excluded from the sample because they have strict and special regulations as well as accounting standards which could not be generalized with other sectors [45]. There are 793 non-financial publicly listed companies in Thailand in Refinitiv Database when data was collected in 2023. Upon eliminating firms that do not have ESG score for 5 consecutive years it was yielded 33 firms, then 5 firms were removed due to inaccessible annual report that contain director profile data. Financial information was sourced from Refinitiv database and in the case of missing data, were manually completed from annual report. The final sample was 28 firms with board information in the annual report resulting in a total of 140 firm-year observations, as shown in Table 1. Sectors with most firms having complete ESG score in Refinitiv are utilities, energy, consumer staples and materials as shown in Table 2.

Table 1. Sample Selection

Sampling criteria	Total
Non-financial listed in IDX between 2018 and 2022	793
Less: Firms with non-consecutive 5 years of ESG score	(760)
Less: Firms with insufficient director profile data in annual reports	(5)
Number of firms that fulfill the criterion	28
Final sample (28 firms x 5 years)	140 observations

Table 2. Sample Based on Industry

GICS Sector Code	GICS Sector Name	No. of Firms	Data	Percentage
55	Utilities	5	25	17.86%
10	Energy	4	20	14.29%
30	Consumer Staples	4	20	14.29%
15	Materials	3	15	10.71%
20	Industrials	2	10	7.14%
25	Consumer Discretionary	2	10	7.14%
35	Health Care	2	10	7.14%
45	Information Technology	2	10	7.14%
50	Communication Services	2	10	7.14%
60	Real Estate	2	10	7.14%
	Total	28	140	100.00%

Source: Research Data (Processed)

Measurement of Variables

Multiple directorships

Prior research has documented different perspectives in measuring multiple directorships such as average number of multiple seats divided by total number of directors [48]; coded a dummy variable '1' when a director is busy (holds 3 or more outside directorships) [46]; dummy coded as one if 50% or more of firm's independent directors are busy (seat on two or more positions) [21], or average number of directors on outside companies by total directors [38], number of busy independent directors divided by total independent director size (busy is serve on three or more firms) [16].

Following [12], [49], this study uses the percentage of busy directors per number of board members. A director is considered busy when he/she holds 3 or more directorships in other public/listed companies. Unlike [35], this research excluded positions in private firms, foundations, charities, and non-profit organizations [29], and measured multiple directorships at board level as:

$$\text{Multiple directorships} = \left(\frac{\text{Total busy directors}}{\text{Board size}}\right) x\, 100\% \quad (1)$$

Firm Value

This paper uses market capitalization from the Refinitiv database as the market value of total equity. Firm value is measured by dividing the total assets as the representation of the firm's intrinsic value as shown:

$$\text{Tob\_Q} = \left(\frac{\text{Total market value} + \text{total book value of liabilities}}{\text{Total book value of assets}}\right) \quad (2)$$

Control Variables

Control variables used in this study are firm size (F_SIZE), firm age (F_AGE), board size (B_SIZE), return on assets (ROA), and a dummy

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Covid variable (COV) to control for Covid pandemic during the years 2020–2021. Firm size represents the company's scope, can be measured by total assets, total number of employees. In this research Firm size is measured by natural logarithm of total assets [25], [24]. Bigger firms with larger assets normally have higher visibility to attract investor and have ability to raise fund [36], therefore tend to have higher value compared to smaller firms. Firm age is calculated by deducting the observation year from the IPO year [49]. Firm ages denote the number of years a company has been listed on the stock exchange market. Board size is the number of directors on the board. This paper uses ROA to control the ability of firms in generating net income based on total assets, which is calculated by income before taxes divided by total assets x 100%. ROA demonstrates management's skill and willingness to employ business assets that belong to shareholders and is a common firm level control variable [2]. Since two of five observations years happened during Covid-19 pandemic, COV variable were used. COV is dummy variable, coded by 1 for COVID years (2020 and 2021), otherwise 0.

The Model of Analysis

This study examines the effect of multiple directorships and ESG score to firm value using the following model:

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\begin{aligned}
Tob\_Q_{i,t} = \alpha &+ \beta_1 B\_BUSY_{i,t} + \beta_2 ESG_{i,t} + \\
&\beta_3 F\_SIZE_{i,t} + \beta_4 F\_AGE_{i,t} + \beta_5 B\_SIZE_{i,t} + \\
&\beta_6 ROA_{i,t} + \beta_6 COV_{i,t} + \varepsilon \qquad (3)
\end{aligned}
$$

where

$Tob\_Q_{i,t}$	=	Firm Value of firm i in year t
$B\_BUSY_{i,t}$	=	Multiple directorships of firm i in year t
$ESG_{i,t}$	=	ESG Score of firm i in year t
$F\_SIZE_{i,t}$	=	Firm size of firm i in year t
$F\_AGE_{i,t}$	=	Firm age of firm i in year t
$B\_SIZE_{i,t}$	=	Board size of firm i in year t
$ROA_{i,t}$	=	Return on Asset of firm i in year t
$COV_{i,t}$	=	Covid Year of firm i in year t

Data Analysis Technique

This research uses a quantitative approach using balanced panel data. Secondary data were sourced from annual report and Refinitiv database. ESG score is sourced from Refinitiv database since it has been one of major business databases, with more than 450 ESG metrics [37], has extensive data covering over 15,500 companies and has ESG data since 2002 [42]. Refinitiv scores was based on publicly available data and includes ten main themes, such as emissions, environmental product innovation, human rights, diversity and inclusion, shareholders.

Data in this study underwent descriptive statistics, correlation test, and panel data regression. Using descriptive statistics, this research summarized the mean (average), standard deviation, minimum, and maximum of the data collected. In addition to descriptive statistics, this study performed Pearson correlation test to observe relationships among the variables examined.

Further, model specification was conducted to determine the most ideal panel model is either Fixed Effect model (FEM), Random Effect model (REM) or Ordinary Least Square (OLS). This analysis was completed by running the Chow test, Hausman test and or Breusch-Pagan LM test. Chow test will show either OLS or FEM model best fits data, if p-value <0.05 then the best model is FEM. Hausman test was carried out to determine if the best model is Random Effect model (REM) or FEM. If the p-value of Hausman test <0.05 then the best model is FEM. Breusch-Pagan LM test was performed to choose between OLS or REM, in which if the p=value < 0.05 then REM is the best model. Multicollinearity was done to observe if some independent variables are highly correlated with others.

RESULTS AND DISCUSSION

Table 3 shows the statistics descriptive of data being examined while Table 4 shows the occurrence of Covid-19 dummy data. The dependent variable Tob_Q has a mean of 2.081 with the minimum of 0.8289 (PTT in 2022) and maximum 11.78 (DELTA in 2022). This indicated that in average the studied firms have twice market value compared to their book value, which is higher than in previous study in Thailand data [14]. In 2023 when data was collected, 760 firms (95.8%) of 793 publicly listed non-financial firms in Thai stock exchange do not have complete 5 year-consecutive ESG score in Refinitiv. Average ESG scores for all 28 companies is 0.6376 with the lowest score for ESG is 0.1442 and the highest ESG score is 0.9212. This demonstrates that amongst Thai non-financial companies that have full 5 year ESG score during study period, there is a significant distance between the highest and lowest ESG score. Board busyness B_BUSY shows an average busyness of the board of 0.2416 which means on average firms have 24% of members of boards hold at least 3 or more directorships simultaneously.

For the control variables, firm size shows an average of 25.99 with the minimum and maximum values of 22.98 and 28.86, respectively. This indicates no high variation between the lowest and highest sampled firm. In average, studied firms are 23.18 years since IPO. The youngest 1 year is GULF in 2018 and the oldest 47 years is BJC in 2022 and SCC in 2022. The mean board size of 13.16 directors, it indicated that the Thai listed companies studied

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Commented [A21]: Change format from "comma" to "dot" have 13 members on board, this is higher than previous study with mean 10.694 [14]. The smallest board size is 9 with the largest board size of 19 (TOP in 2018-2021). The mean value for the last control variable, ROA, is 0.05922, similar with previous result of 0.061 [14]. It means that on average the sampled firms yield 6 per cent net income over their assets. A negative ROA generally indicates that a company is suffering a loss and not generating income/profits, which stems from a company not being able to turn their investments towards profits. 35 percent of the data analyzed was from the COVID-19 pandemic.

Table 3. Descriptive Statistics

Variables	N	Mean	Std. Dev.	Min.	Max.
Tob_Q	140	2.081	1.763	0.829	11.78
ESG	140	0.638	0.1637	0.144	0.921
B_BUSY	140	0.242	0.1541	0.000	0.636
F_SIZE	140	25.99	1.212	22.98	28.86
F_AGE	140	23.18	11.11	1.000	47.00
B_SIZE	140	13.16	2.689	9.000	19.00
ROA	140	0.059	0.049	-0.069	0.249

Table 4. Frequency of Dummy Data

COVID	Frequency	Percentage
1	56	40%
0	84	60%
Total	140	100%

Result in Table 5 indicates that there are no strong correlations among independent variables, supported multicollinearity test result. The multicollinearity test in Table 5 shows that the model is free from multicollinearity issue since all VIFs do not exceed 10.

Table 6 displays that the best model is REM since REM was resulted from Hausman and Breush-Pagan LM test. REM then was tested for homoscedasticity and the result in Table 6 indicates that REM is free from heteroscedasticity issue.

Table 5. Correlation results and Multicollinearity Test

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	Tob_Q	B_BUSY	ESG	F_SIZE	F_AGE	B_SIZE	ROA	COV	VIF	1/VIF
Tob_Q	1.000									
B_BUSY	0.1242	1.000							1.13	0.8825
ESG	-0.0756	-0.0721	1.000						1.47	0.6809
F_SIZE	-0.5068	-0.1086	0.4414	1.000					1.83	0.5469
F_AGE	-0.0265	0.2568	0.2900	0.0247	1.000				1.22	0.8170
B_SIZE	-0.4449	-0.1965	0.0508	0.5225	-0.1322	1.000			1.55	0.6461
ROA	0.5819	0.0848	-0.0470	-0.2269	0.1325	-0.2708	1.000		1.17	0.8570
COV	0.0043	0.0568	0.0804	0.0385	0.0369	0.0207	-0.2222	1.000	1.07	0.9368

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Table 6. Summary of Panel specification and heteroscedasticity tests

Tests	Tob_Q *p-values*	Result
Chow test	Prob > F = 0.0000	Fixed effect
Hausman test	Prob > chi2 = 0.1656	Random effect
Breusch-Pagan LM test	Prob > chibar2 = 0.0000	Random effect
Heteroskedasticity test	Prob > chibar2 = 0.0001	homoscedasticity

Note: heteroscedasticity and collinearity were based on Random effect model with Tob_Q as dependent variable

Table 7 shows ESG score has a positive impact on Tobin's Q at 10% significance level (β = 1.6644, p-value = 0.086), thus H2 is supported. B_Busy has a positive and not significant (β =1.0088, p-value = 0.253) towards Tob_Q, thus H1 is rejected. Control variables of F_SIZE and COV were positive and significant on Tob_Q. On the contrary, ROA has negative effects, with both at 1% significance. Other control variables did not affect Tob_Q.

Discussion

Thailand SEC [47] has specified that board size is to be minimum of 5 and maximum of 12. The same source stated that a director can hold multiple director seats in a maximum of 5 other public listed companies, although no specific limitations on the number of positions a director can hold at one time. This study shows that firms have demonstrated compliance on the aspect of minimum board size, all firms have busy directors on board, which have more than 3 other external directorships, although some firms do not have busy directors in some of year. While director's busyness was analyzed at firm level, we found that in rare cases some directors were as busy as holding 9 seats in external firms. Further research can investigate details on the role of director age and busyness.

Table 7. Hypotheses results with REM

	Coefficient	p-value
Const	15.3990	0.000 ***
B_BUSY	1.0088	0.253
ESG	1.6644	0.086 *
F_SIZE	-.5437	0.001 ***
F_AGE	-.0227	0.137
B_SIZE	-.0775	0.232
ROA	15.332	0.000 ***
COV	.3731	0.046 **
R^2	0.5503	
N	140	

Notes: hypotheses result with Tobin's Q as dependent variable. ***, **, and * express significance level of 1%, 5%, and 10%, respectively.

The results indicate that having concurrent roles at various companies does not impact firm value, thus rejecting resource dependence theory. This result contradict research of [21] which found positive impact of board busyness to firm value especially in young firms. The experiences, and information or industry insight from holding multiple roles of external directors do not seem to be valued by the market as represented by Tobin's Q. The finding of impact of multiple directorships on firm value also do not support extant studies [19], [6], that found negative association between multiple roles of directors and firm value. This might be caused by the short times series and relatively small data set for merely 28 companies from different industries. Secondly, there might be a national cultural value that underlies as to why some directors were invited to various external roles, rather than the perspective of investors.

Further, this result shows that ESG scores do contribute positively towards a business' valuation. Although sustainability reporting is not mandatory in most countries, voluntary ESG disclosure still shows a positive correlation with firm performance in developing countries [39], [11]. Our results are consistent with prior studies [3], [52], [7], [10], [17], [32]. Further, it confirms the stakeholder theory in explaining the essential of including stakeholders' interests through ESG score towards valuation.

As for the controlling variables, firm size shows a negative significant impact on Tobin's Q. On the other hand, ROA shows a positive significant correlation on Tobin's Q. This aligns with the justification where if a firm can utilize and enhance their assets, firm value will be favorably impacted. Like ROA, COV dummy variable shows a positive significant relationship towards Tobin's Q.

This paper suggests that firms with a higher ESG score in Refinitiv are valued higher than those with lower ESG score. Therefore, it implies that ESG performance conducted by companies has to a certain level been perceived by the market to have accommodate interests of various related stakeholders. In other words, it pays off to invest in ESG and to disclose it. This result can benefit various stakeholders in developing countries, not only Thailand, but possibly other countries with similar characteristics in Southeast Asia and other regions. Through the results, we recommend companies to disclose more ESG performance in Refinitiv database since it enhances firm value.

CONCLUSIONS

Connecting sustainability performance, and firm board multiple directorships and firm market performance, this study sheds light towards how different variables contribute to firm value. Using the dataset of Thai listed non-financial firms during the 5-year period from 2018 to 2022, ESG score is found to impact company value positively, while director busyness was found do not affect firm value. This study's finding supports the stakeholder theory by offering empirical evidence that increasing ESG score in Refinitiv database enhances firm value.

This study is important as the result informs the managers that by improving ESG reporting of firms' sustainability practice thus its visibility to rater and investors, firms can enhance their market value. Since ESG performance is valued by market, policy makers can specify simple guideline and incentive for companies to implement and report their sustainability practices.

Like any other studies, this paper also has its limitations. The first notable limitation resides in the set of data analyzed, which is vastly smaller compared to other studies held. It is also important to note that since the sample of this paper focuses on one developing country within Southeast Asia, these results might not be generalized to other research conducted in developed economies. Moreover, the data was not collected to distinguish the number of multiple seats a director had concurrently.

Future research could investigate using more recent data from Thailand which could show the possibility of more firms with ESG scores, as well as

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comparative studies with other countries. Further, studies could expand the sample towards other developing economies to further solidify this paper's findings. In addition, more control variables could be utilized at individual level, such as director experience, educational background; and firm level (firm growth, leverage). Changing or adding other dependent variables mirroring the firm's value, such as firm profitability, could help strengthen the findings and support the findings in this paper.

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