

Environmental Social and Governance (ESG) Business Management and Sustainable Growth of Thai Listed Companies

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Sanisa Thanikornchot¹

Anurak Panyanuwat²

Abstract

This study examines the context, characteristics, and performance of companies listed on the Stock Exchange of Thailand (SET) in relation to the concept of sustainable business growth based on Environmental, Social, and Governance (ESG) principles, and how such performance influences investor interest. A mixed-methods research design was employed, combining qualitative and quantitative approaches. The qualitative phase involved an in-depth documentary analysis and secondary data review of 17 sample companies covering the period from 2015 to 2024. The quantitative phase utilized primary data collected via questionnaires from a questionnaire survey of 54 institutional investors (25 from Asset Management Companies and 29 from Securities Brokerage Firms). The findings reveal a structural shift within Thai listed companies, where ESG adoption has transitioned from a voluntary initiative into a fundamental “License to Operate.” This evolution is largely driven by global standards and the government’s BCG (Bio-Circular-Green) policy. Companies with standout ESG performance see a direct, positive impact on their long-term corporate value, proving that ESG acts as a strategic value driver that also opens doors to lower-cost capital. When it comes to capturing investor interest, the data shows a significant gap between what is expected and what is happening ($t = 14.703$, $p < 0.001$). With an expectation gap of 0.54, investor decision-making

¹ Doctor’s Degree Student, Faculty of Business Administration, Payap University, Thailand

E-mail: sanisa.thanikornchot@gmail.com

² Faculty of Education, Chiang Mai University, Thailand

E-mail: aapt1951@gmail.com

has hit the highest level of priority. This indicates that ESG metrics have officially shifted from a "nice-to-have" alternative to an absolute baseline for investment decisions. Ultimately, this means companies must move away from simply reporting activities and start delivering clear, quantitative outcomes to truly earn investor trust.

Keywords: *SET ESG Ratings, Tobin's Q, Sustainable Investment, Thailand Capital Market, Institutional Investors*

Introduction

The global economic landscape has shifted from "Global Warming" to an era of "Global Boiling," with record-breaking temperatures observed in 2023. These ecological crises represent systemic risks to the global financial architecture, accelerating a paradigm shift from Shareholder Primacy toward Stakeholder Capitalism. Within this transformation, the Environmental, Social, and Governance (ESG) framework has emerged as the foundational pillar for sustainable value creation and security analysis. In the Thai context, regulators have committed to Carbon Neutrality by 2050 and Net Zero Emissions by 2065. Internationally, the EU Corporate Sustainability Reporting Directive (CSRD) and IFRS Sustainability Disclosure Standards S1/S2 (effective 2024–2025) further institutionalize ESG as a global compliance baseline (IFRS Foundation, 2026).

The Stock Exchange of Thailand (SET) has played a proactive role in incentivizing ESG-driven operations, evolving the Thailand Sustainability Investment (THSI) list into the more standardized SET ESG Ratings. The SET has also announced a strategic roadmap (2024–2026) to harmonize domestic assessment standards with international benchmarks through partnership with FTSE Russell. Despite heightened policy awareness, Thai industries continue to encounter formidable obstacles in practical implementation. Preliminary observations indicate that ESG adaptation remains disproportionately concentrated among large-scale corporations with superior resource endowments, while a significant portion of listed companies still lack a deep conceptual understanding and practical guidelines for integrating ESG mandates into their core corporate strategies. The pervasive issue of "Greenwashing" and reporting practices that prioritize "form over substance" continues to undermine investor confidence (Sudcharoen, 2021; Yamutai, 2021).

Despite growing academic interest, prior Thai studies have addressed ESG only fragmentarily. Sudcharoen (2021) examined ESG responsibility levels and corporate performance; Yamutai (2021) and Manorat (2020) focused on board characteristics and ESG performance; while Ratanawarochoa (2018) and Termvanich (2015) explored short-term market reactions to ESG rating announcements. Yet, no

systematic study has integrated longitudinal evidence on the relationship between SET ESG performance and corporate valuation (Tobin's Q) with empirical evidence from institutional investors' decision-making behavior. This empirical lacuna constrains both regulators and practitioners from formulating evidence-based ESG roadmaps suited to the Thai capital market.

Accordingly, this research is designed to provide an in-depth exploration of the contexts, characteristics, and performance trajectories of Thai listed companies that have pioneered ESG integration, and to empirically test how ESG-oriented operations influence institutional investor interest. By bridging the qualitative documentary evidence with quantitative survey findings, the study aims to construct a robust mechanism for elevating the competitive edge of Thai enterprises and fostering sustainable growth amidst global market transformation.

Research objectives

1. To analyze the contexts, characteristics, and 10-year performance trajectories (2015–2024) of SET-listed companies in the SET ESG Index, and to examine the relationship between ESG scores and corporate valuation (Tobin's Q).

2. To examine the influence of ESG performance on institutional investors' interest in SET-listed companies, and to test the Expectation Gap between current perception and future expectation across seven ESG-relevant dimensions.

Literature review and conceptual framework

To establish a robust conceptual foundation for strategic analysis and development, this study synthesizes pivotal literature, international frameworks, and multidisciplinary theories as follows:

1. The nexus of sustainable development goals (SDGs) and the BCG model

The United Nations' Sustainable Development Goals (SDGs) comprising 17 objectives—serve as a universal framework designed to equilibrate the economic, social, and environmental dimensions of development (SDG Move, n.d.). Thailand has operationalized these global imperatives through the "BCG (Bio-Circular-Green) Economy" model. This strategic integration of biological, circular, and green economic principles aims to catalyze high-quality, sustainable growth. Analyzing this nexus is instrumental in understanding the macro-policy trajectories that dictate the strategic orientation of listed companies. (National Science and Technology Development Agency [NSTDA], 2019)

2. ESG Strategic management framework

The ESG (Environmental, Social, and Governance) framework has emerged as the definitive standard utilized by global institutional investors for security screening and corporate valuation:

Environmental (E): Focuses on climate change mitigation, resource optimization, and integrated waste management systems.

Social (S): Encompasses labor practices, human rights advocacy, and the cultivation of robust community relations.

Governance (G): Prioritizes corporate integrity, transparency, and comprehensive anti-corruption mandates.

3. Theoretical perspectives on ESG and corporate valuation

The correlation between ESG performance and firm value is examined through four critical theoretical lenses:

Stakeholder Theory: Proposed by Freeman (1984), this theory posits that organizations capable of addressing the diverse interests of all stakeholders—not just shareholders—can secure long-term sustainability and competitive advantages. Recent empirical evidence from Yu and Xiao (2022) corroborates this, demonstrating a positive correlation between ESG excellence and firm valuation. For this study, Stakeholder Theory provides a rationale for viewing the transition toward ESG not merely as a financial decision, but also as a commitment involving multiple stakeholder groups. The theory further supports the selection of institutional investors as the primary informants of this research, given their role as financial stakeholders responsible for safeguarding the interests of beneficiaries.

Legitimacy Theory: This perspective suggests that organizations must operate within the norms and expectations of society to maintain their "Social License to Operate." Any perceived negligence regarding ESG mandates can erode corporate legitimacy, leading to market-imposed sanctions or reputational crises. Legitimacy Theory therefore provides a foundation for examining how Thai listed companies utilize ESG disclosure as a mechanism for establishing organizational legitimacy, and why the depth and quality of such disclosures rather than merely the existence of sustainability reports may influence investor confidence.

Signaling Theory: In environments characterized by Information Asymmetry, high-quality and transparent ESG disclosures function as a potent "signal" to the market. This informs investors of the firm's superior management quality and lower risk profile, effectively reducing the cost of capital and

enhancing market valuation. In this study, the perceptions of investors toward ESG-related signals are examined in terms of how they influence levels of investor confidence, perceptions of long-term returns, and investment intentions toward companies included in the SETESG index.

Institutional Theory: DiMaggio and Powell (1983) propose that organizations adapt their behavior and structures to conform to regulatory frameworks, social norms, and industry standards as a survival mechanism. In the Thai capital market, government policies (e.g., BCG, Carbon Neutrality 2050) and SET-mandated disclosure act as coercive isomorphic forces that drive ESG adoption. The decision of firms to embed ESG into corporate strategy can therefore be interpreted as institutional conformity aimed at securing legitimacy and access to capital.

Resource-Based View (RBV): Barney (1991) argues that sustained competitive advantage arises from firm-specific resources that are valuable, rare, inimitable, and non-substitutable (VRIN). ESG management capabilities—such as effective board structures, environmental expertise, stakeholder relationships, and transparent disclosure systems—can be conceptualized as intangible strategic resources. Firms that develop these capabilities are better positioned to attract long-term capital, mitigate operational risks, and differentiate themselves in a market converging on ESG standards (Zavyalova et al., 2023).

Research hypotheses

Based on the literature reviewed and theoretical lenses (Stakeholder, Legitimacy, Signaling, Institutional Theory, and the Resource-Based View), the study proposes four testable hypotheses that link ESG performance to firm valuation and institutional investor interest:

H₁: ESG performance (overall score) is positively associated with corporate valuation (Tobin's Q) of SET ESG-listed companies during 2015–2024.

H₂: The Environmental (E), Social (S), and Governance (G) sub-pillar scores each have differential effects on Tobin's Q.

H₃: Institutional investors expected ESG practices to be significantly higher than their perception of current ESG practices (Expectation Gap > 0).

H₄: Transparency in data disclosure and measurable GHG targets exhibit the widest Expectation Gaps among the seven ESG dimensions.

These hypotheses are mapped to the conceptual framework illustrated in figure 1, where H₁ corresponds to the pathway from Strategic Capabilities to Firm Performance (Tobin's Q), H₂ represents the differential effects from the ESG sub-pillars, H₃ refers to the linkage between Firm

Performance and Investor Interest (operationalized through the Expectation Gap), and H₄ identifies the specific dimensions (Transparency and GHG Targets) that produce the largest gaps.

Conceptual research framework

The conceptual framework presented in figure 1 positions Environmental, Social, and Governance (ESG) practices as a central strategic driver influencing firm performance and investor interest within the Thai capital market. ESG practices comprising environmental, social, and governance dimensions—are conceptualized not as peripheral activities but as embedded organizational principles that shape strategic capabilities, including innovation, transparency, and competitive advantage. In line with Stakeholder Theory, these capabilities enable firms to respond effectively to stakeholder expectations, thereby strengthening organizational legitimacy and enhancing long-term value creation.

The framework further proposes that improved strategic capabilities lead to stronger firm performance, which in turn enhances investor interest through both direct and indirect pathways. Consistent with Signaling Theory, ESG performance and disclosure function as credible signals that reduce information asymmetry and build investor confidence, while Legitimacy Theory explains how institutional pressures and societal expectations reinforce ESG adoption. Additionally, market dynamics and regulatory forces act as moderating conditions that shape the strength of these relationships. Overall, the framework highlights ESG as a multidimensional mechanism that integrates strategic, financial, and institutional dimensions to support sustainable growth and informed investment decision-making (figure 1).

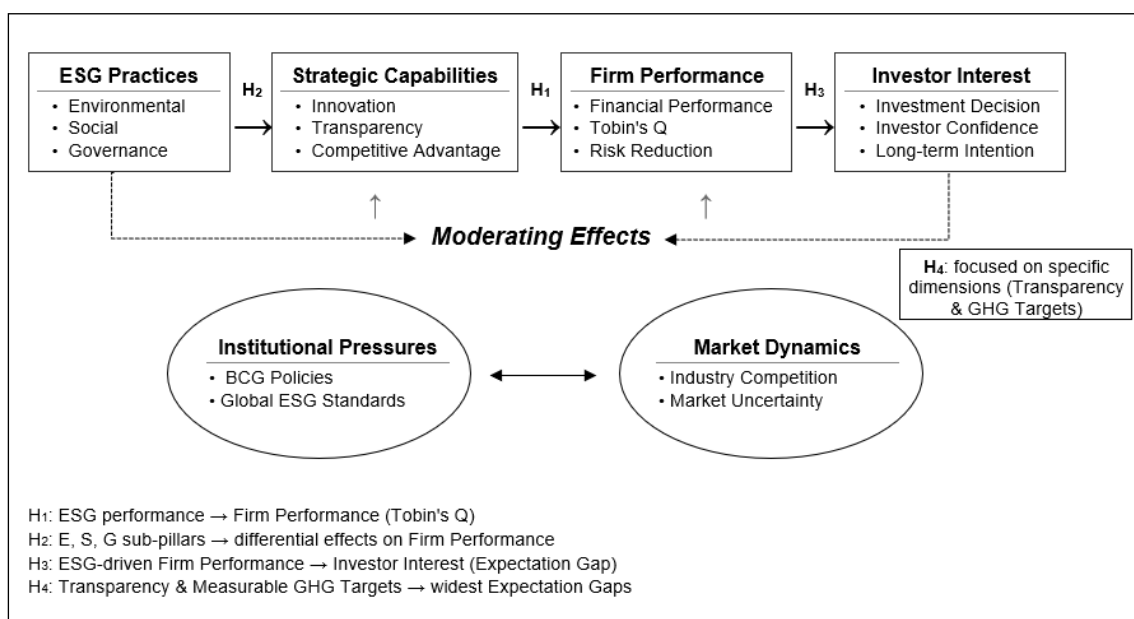


Figure 1 The research conceptual framework

Research methodology

This study employs a robust mixed-method research design, systematically integrating both qualitative and quantitative approaches to ensure a comprehensive analysis.

1. Qualitative research

Methodological approach: A documentary analysis was conducted to examine the context, characteristics, and operational trends of listed companies.

Population and sampling: The target population comprised 228 listed companies on the Stock Exchange of Thailand (SET) that were included in the Thailand Sustainability Investment (SETESG) ratings as of December 31, 2024. For sample selection, a non-random, purposive sampling method was applied to the SETESG Index using specific, criteria-based selection rules. To qualify, companies had to meet the following conditions: 1. Maintained a continuous listing on the SETESG Index for at least 9 years (2015–2024). 2. Classified as a large-cap company with a market capitalization of THB 50 billion or more. 3. Possessed complete, uninterrupted ESG and financial data spanning over a 10-year period. 4. Excluded any entities that had restructured into holding companies during this timeframe. Applying these strict criteria narrowed the final sample down to 17 companies. This targeted selection ensures a robust, continuous trend analysis, allowing for a clear view of the long-term development and trajectory of the companies under study.

Research instruments: Data collection was facilitated through a structured data logging matrix architected around the CIPP Model (Stufflebeam, 2003) and SET ESG scoring metrics. The CIPP framework was operationalized as follows: (Context) macro-level ESG policy and industry environment; (Input) firm-level ESG resources, governance structure, and disclosure systems; (Process) ESG strategy implementation and stakeholder engagement; and (Product) ESG performance outcomes including SET ESG ratings, Environmental/Social/Governance pillar scores, and financial valuation indicators (Tobin's Q). Tobin's Q was computed as $\text{Tobin's Q} = (\text{Market Value of Equity} + \text{Book Value of Total Debt}) / \text{Book Value of Total Assets}$. Data were extracted from official corporate sustainability reports and global financial databases including SETSMART and Refinitiv.

Data analysis: For qualitative analysis, descriptive and narrative data underwent rigorous content analysis, incorporating thematic analysis to interpret, categorize, and synthesize the core strategic imperatives. For the quantitative analysis, numerical datasets were subjected to trend analysis using descriptive statistics, primarily the mean and standard deviation (S.D.). The findings are

visualized through linear progression graphs and comprehensive diagrams to delineate the developmental trajectory over the decade-long study period.

2. Quantitative research

Methodological approach: This phase employed a Questionnaire Survey method to empirically evaluate how ESG performance influences investor interest among SET-listed companies. The study focused on measuring the shift in investor appetite and capital allocation priorities.

Population: The study targeted the entire population of institutional-level representatives, consisting of 54 participants (25 from Asset Management Companies and 29 from Securities Brokerage Firms). Selection was based on strict expertise-driven criteria: participants were required to be team leaders or official representatives with at least 10 years of professional experience and hold professional certifications such as the SEC Fund Manager License, CFA, or CISA. Since the entire qualified population was included, no secondary sampling size determination was necessary.

Research instrument and quality control: The research utilized a two-part questionnaire. Part 1 gathered demographic data (gender, age, education, income, position, and licensing), while Part 2 measured opinions on ESG influence across seven dimensions using a 5-level Likert Scale (Best & Kahn, 1998). To ensure the instrument's integrity, three experts conducted a Validity Check (IOC), with all selected items scoring ≥ 0.50 . Furthermore, a Reliability Check was performed via a pilot test with 15 fund managers (each with over 10 years of experience), yielding a Cronbach's α of 0.927, which significantly exceeds the 0.70 threshold.

Data analysis protocols: Data was processed using Microsoft Excel through a multi-step analytical framework: 1. Descriptive Statistics: Frequency and Percentage were used for demographic profiling, while Mean ($\bar{x}$) and Standard Deviation (S.D.) measured the level of influence. 2. Interpretation Criteria: Mean scores were categorized into five levels, ranging from Highest (4.21–5.00) to Lowest (1.00–1.80). 3. Gap Analysis: The Priority Needs Index (PNI) was applied to ranked institutional needs, and a Paired Samples t-test (Dependent t-test) was conducted at a significance level of $\alpha = 0.05$. This determined whether the statistical differences between Current Perceptions and Expected Perceptions were significant, pinpointing the exact "substance over policy" gap that investors prioritize.

Research results

Based on the multi-staged methodological execution described above, the study reveals the following critical findings:

1. ESG context and operational characteristics of listed companies (qualitative synthesis)

A longitudinal analysis of the 10-year historical data from the 17 premier constituents of the SETESG Index identifies a significant three-tiered developmental trajectory:

The compliance phase (Baseline): Initially, organizational focus was predominantly anchored in regulatory adherence and peripheral social activities, characterized by a "CSR-after-process" approach.

The Integration phase (Structural transition): A pivotal shift occurred as ESG principles began to be assimilated into core business operations (CSR-in-process). This stage is marked by enhanced transparency and more robust sustainability disclosure frameworks.

The Strategic ESG phase (Maturity): At present, these leading entities have elevated ESG into a core institutional driver. They have established ambitious international benchmarks, such as Net Zero Emissions and Carbon Neutrality, which are strictly aligned with Thailand's national BCG mandates. Financial data analysis indicates that firms with robust and sustained ESG performance tend to command a higher market valuation (Tobin's Q). This empirical evidence suggests that capital markets assign a valuation premium to enterprises that demonstrate superior management of sustainability-related risks and opportunities.

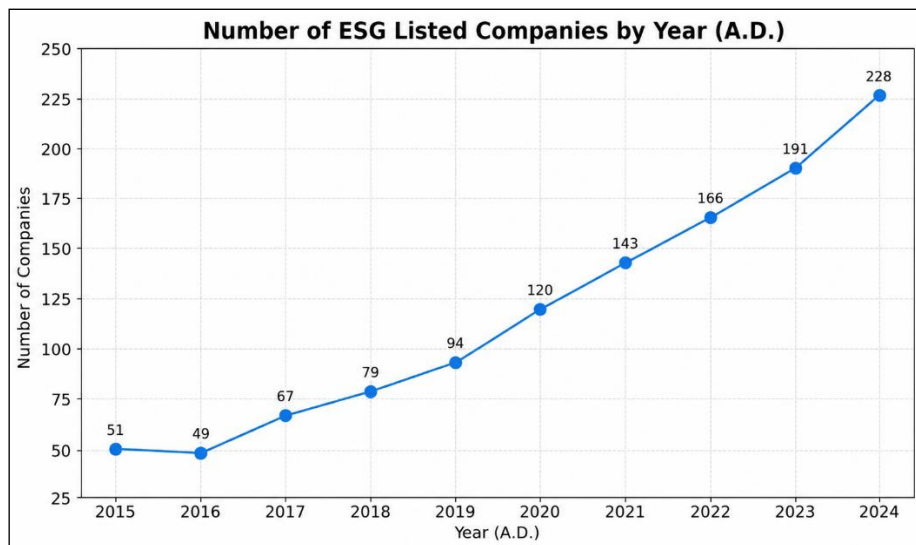


Figure 2 Showing the trend of the number of listed companies classified in the ESG stock group retrospectively for 10 years reveals that during the period 2015–2024.

From figure 2 showing the trend of the number of listed companies classified in the ESG stock group retrospectively for 10 years, it was found that during the period 2015–2016, the number of companies remained relatively stable before beginning to increase continuously from 2017 onwards and expanding distinctly during the period 2020–2024. Such a trend reflects the awakening of the Thai business sector towards sustainable operational concepts, including the roles of the capital market and regulatory bodies in concretely promoting ESG standards, resulting in a significant increase in the number of companies passing criteria or being selected into the ESG stock group. Particularly in the final years of the study, the number of companies was found to rise from 51 in 2015 to 228 in 2024, demonstrating the acceptance of ESG as a Core Corporate Strategy rather than merely a supplementary guideline for corporate image. Furthermore, this continuous upward trend reflects the direction of the Thai capital market aiming towards long-term sustainable growth.

Quantitative data analysis results

The researcher studied the sample group to analyze issues according to the ESG framework, utilizing the CIPP model to examine and analyze ESG Ratings and Tobin's Q of companies retrospectively for 10 years to enable continuous analysis of developments and trends. This employed Trend Analysis using descriptive statistics, namely Mean and Standard Deviation (S.D.), presented in line graphs or diagrams to demonstrate development throughout the 10-year period. The study utilized a sample of 17 companies of 10-year retrospective data, displaying data analysis results as follows:

Table 1 Descriptive Statistics of ESG Scores and Individual Dimensions (2015–2024) (N=17).

Year	ESG_Mean	ESG_S.D.	E_Mean	E_S.D.	S_Mean	S_S.D.	G_Mean	G_S.D.
2015	61.71	12.713	59.77	17.361	68.34	10.710	56.42	21.408
2016	62.53	8.115	61.87	16.976	71.15	8.839	53.88	19.733
2017	65.94	9.926	67.56	14.665	75.78	9.876	53.34	17.050
2018	71.3	9.828	72.41	16.264	83.51	6.993	54.88	19.515
2019	74.78	9.709	76.01	14.654	84.69	6.715	61.49	19.105
2020	73.15	8.161	71.13	18.593	84.85	6.592	56.7	17.398
2021	71.83	8.779	71.78	18.058	83.97	7.370	54.01	16.505
2022	73.66	8.757	72.32	16.768	84.32	6.719	60.58	17.319
2023	71.12	9.830	71.38	17.505	81.04	9.664	59.27	17.322
2024	70.53	9.567	71.67	17.798	81.28	10.192	56.66	17.079

Source: Adapted from data compiled by the authors from SETSMART and Refinitiv databases (2015–2024)

According to Table 1, the respondents' average ESG scores demonstrated a steady upward trajectory. Beginning at 61.71 points in 2015, the mean peaked at 74.78 points in 2019 before stabilizing at a high plateau (approximately 70–74 points) throughout the 2020–2024 period. This trend underscores a tangible, decade-long advancement in sustainability practices among Thai listed firms. Furthermore, the standard deviation (S.D.) of these ESG scores exhibited a downward trend, contracting from 12.71 in 2015 to approximately 9–10 during 2020–2024. This narrowing dispersion indicates that the ESG performance across various companies has become increasingly homogeneous, reflecting an industry-wide elevation of ESG standards.

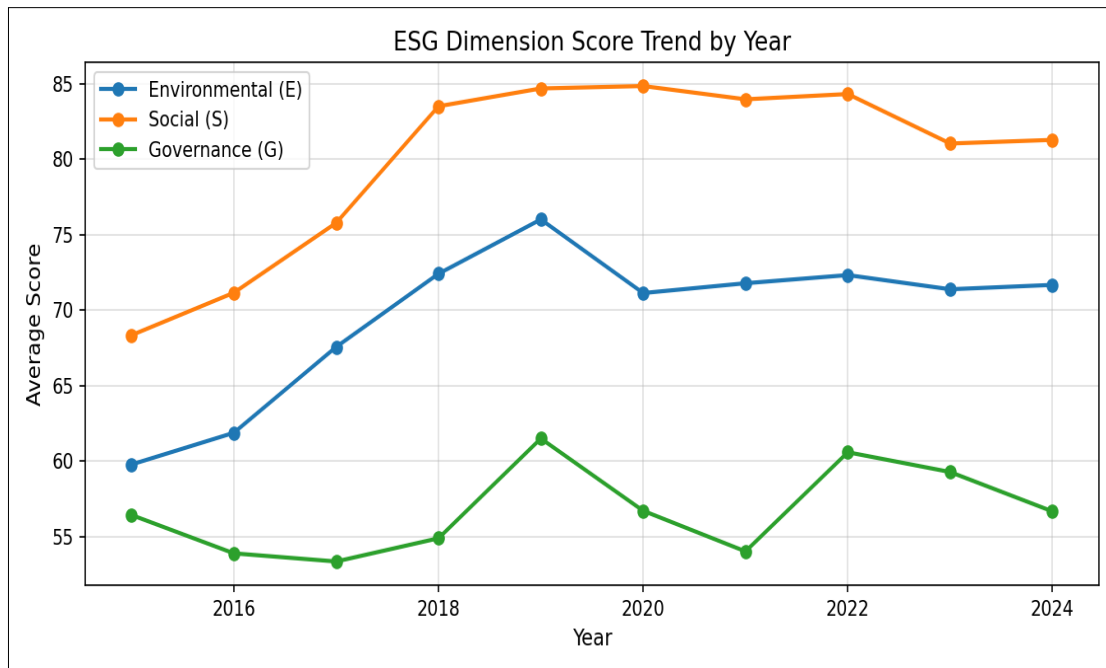


Figure 3 Illustrates the trend in the Average Scores of the E, S, and G Dimensions (2015–2024)

Figure 3 illustrates a distinct trend across the individual ESG dimensions. Notably, the Environmental (E) pillar exhibited the most significant growth, surging from 59.77 in 2015 to 76.01 in 2019 an increase of over 16 points before stabilizing at a high plateau of 71–72 points in the subsequent years. This trajectory highlights a pronounced and continuous corporate commitment to environmental sustainability, aligning closely with national initiatives such as Climate Policy, Carbon Neutrality, and the BCG (Bio-Circular-Green) Economy. Conversely, the Social (S) pillar consistently maintained the highest mean scores across all periods, averaging between 76 and 85 points. In sharp contrast, the Governance (G) pillar sat at the lowest end of the spectrum (53–61 points) and progressed at a markedly slower pace than its counterparts. These findings strongly imply that corporate governance remains a critical deficiency, underscoring an urgent need for expedited improvement among Thai companies.

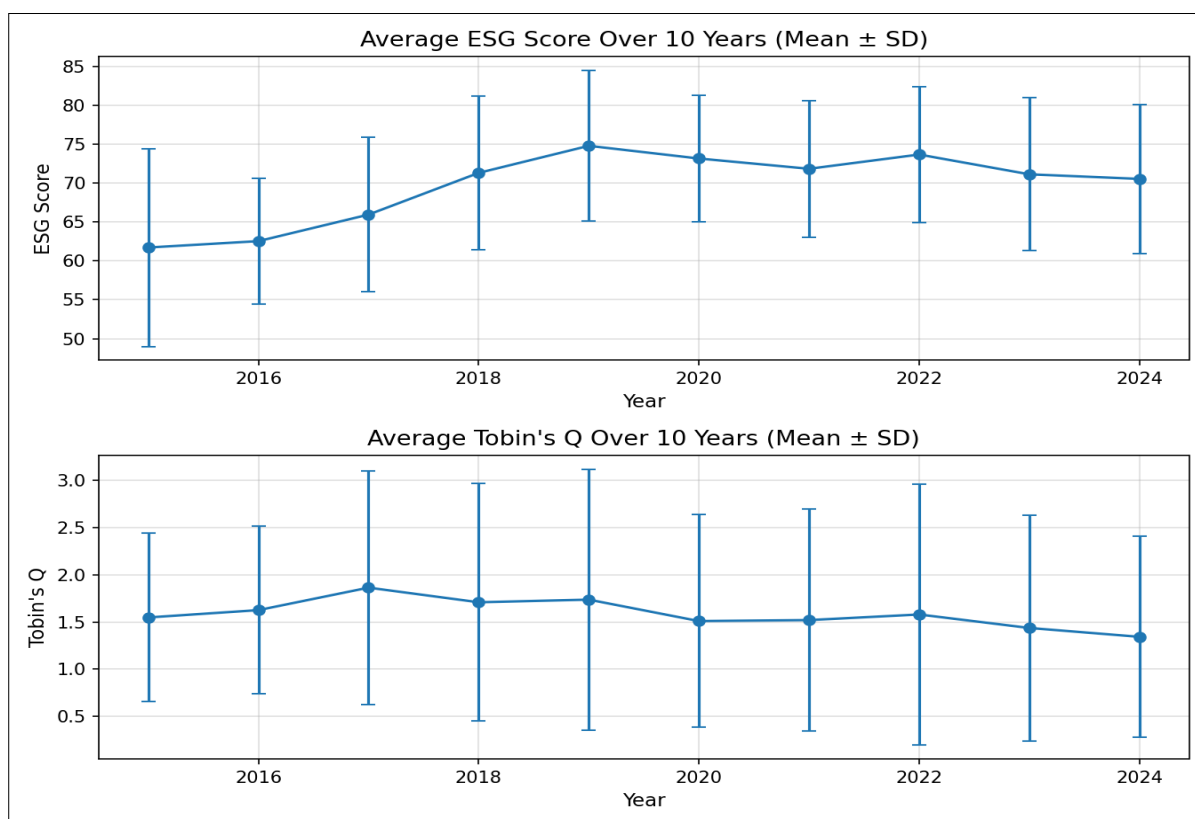


Figure 4 Illustrates the trends of average ESG scores, and Tobin's Q is presented as Mean $\pm$ Standard Deviation

Figure 4 illustrates the 10-year trends for both ESG scores (top plot) and Tobin's Q (bottom plot) among listed firms, incorporating error bars and mean values (Mean $\pm$ S.D.) to capture annual data dispersion. A visible shift occurs post-2018, where ESG scores exhibit an upward trajectory alongside a noticeable reduction in firm-level variance. Conversely, Tobin's Q maintains substantial volatility throughout the entire period with standard deviations hovering between 1.0 and 1.3 while its average drifts downward in the later years. This divergence highlights that advancements in ESG do not immediately translate into short-term theoretical value gains. Ultimately, the data underscores that while ESG experiences a stable, long-term growth pattern, Tobin's Q remains highly volatile. This supports the premise that ESG initiatives potentially yield firm value appreciation over a longer horizon, though deeper analysis must still account for confounding external factors.

2. The Influence of ESG on Institutional Investors' Interest (Findings from Quantitative Research)

The survey results from 54 institutional investors revealed that:

Table 2 Synthesis and major findings

Group	Items	Current Perception			Expected Perception			Mean Diff.	T-test	Need/ Not significant
		$\bar{x}$	S.D.	Level	$\bar{x}$	S.D.	Level		p-value	
1	Interest in Listed Companies	3.93	0.501	High	4.43	0.352	Highest	0.50	0.001 ***	Need
2	Performance based on ESG	3.55	0.561	High	4.23	0.423	Highest	0.68	0.001 ***	Need
3	Business Expansion Potential and Innovation	3.76	0.725	High	4.23	0.698	Highest	0.47	0.001 ***	Need
4	5A Capacities	3.44	0.694	High	3.88	0.621	High	0.44	0.001 ***	Need
5	Marketing Mix (4Ps)	3.86	0.467	High	4.21	0.372	High	0.35	0.001 ***	Need
6	Five Forces Model	3.80	0.417	High	4.18	0.412	High	0.38	0.001 ***	Need
7	Branding theories	3.51	0.669	High	4.16	0.686	High	0.65	0.001 ***	Need
	Total Group	3.70	0.470	High	4.24	0.376	Highest	0.54	0.001 ***	Need

Note: *** $p < 0.001$

A paired samples t-test was conducted on data from 54 experts to compare current practices against future expectations. Overall, the statistical difference was highly significant ($t = 14.703$, $p < 0.001$). When broken down across all seven dimensions, a consistent pattern emerged: expected scores were significantly higher than current ones in every single category. This clear gap between reality and expectation highlights an urgent need for improvement across the board. Interestingly, these findings align perfectly with existing research gaps, particularly regarding how investor's view ESG. For institutional investors, backing companies with strong ESG credentials is not just about ethics, it is a strategic move to mitigate risk and secure stable, long-term returns on investment.

Among the areas analyzed, "Transparency in Data Disclosure" and "Measurable GHG Targets" stood out as having both the highest expectations and the widest gaps. This suggests that investors are looking for real substance and concrete results, rather than corporate fluff or PR campaigns. Ultimately, these insights send a loud and clear message to executives of listed companies and regulators alike: elevating ESG standards is no longer an optional cost. It has become a matter of business survival and corporate legitimacy. Doing so does more than just attract institutional capital;

it builds a sustainable, competitive moat on the global stage. Furthermore, this comparison ties our findings back to broader academic conversations both locally and internationally, solidifying how Signaling Theory and Legitimacy Theory drive the behavior of institutional investors today.

Discussion

Regarding the first objective, the findings reveal that the ESG drive within the Thai capital market is significantly influenced by national structural policy shifts. This is particularly evident in the implementation of the Bio-Circular-Green (BCG) Economy model and the enhanced disclosure requirements mandated by the Stock Exchange of Thailand (SET). These results align with Institutional Theory (DiMaggio & Powell, 1983), which posits that organizations adapt their behaviors and structures to conform to regulatory frameworks and social norms as a survival mechanism. In this context, government policies act as a coercive isomorphism force, compelling Thai corporations to accelerate their ESG integration. This corroborates the work of Panich (2022), who argued that the evolution from the THSI index to the SETESG ratings serves as a critical mechanism for elevating sustainability standards in Thailand.

Furthermore, the heightened awareness in the post-Covid-19 era resonates with the findings of Thi Thu Thao (2023), who identified global crises as catalysts that transform ESG into a core framework for sustainable development. This also mirrors reports from the NESDC, which highlight how the BCG policy exerts economic pressure and steers corporate direction. Adherence to these contexts can further be explained by legitimacy theory, wherein firms seek to validate their operations through ESG reporting to maintain the social contract with their stakeholders. The study further indicates that leading ESG-performing Thai listed companies successfully integrate sustainability into their core corporate strategies. By leveraging internal resources—such as effective board structures and specialized environmental expertise—these firms exemplify the Resource-Based View (Barney, 1991). This perspective treats ESG management capabilities as intangible resources that foster competitive advantage. Such findings are consistent with Zavyalova et al. (2023), who noted that as traditional competitive factors reach a plateau, intangible ESG attributes become vital for attracting investors and ensuring differentiation. Finally, this underscores the conclusion by Zago et al. (2023) that sustainable management necessitates a genuine environmental commitment from executive leadership.

Moreover, the examination of board characteristics aligns with the findings of Manorat (2020) and Yamutai (2021), who demonstrated that board size and the proportion of independent directors are positively correlated with ESG performance and corporate valuation. This reflects the practical application of the Triple Bottom Line concept (Elkington, 1997), aimed at balancing

economic, social, and environmental dimensions within corporate management. Companies exhibiting robust ESG performance—particularly those within the SETESG group—tend to yield financial returns and corporate valuations (Tobin's Q) that exceed the market average. Such outcomes provide clear empirical support for Stakeholder Theory, suggesting that prioritizing the interests of all stakeholder groups fosters long-term organizational wealth. This is consistent with the global meta-analysis by Friede et al. (2015), which synthesized over 2,000 studies to conclude a positive relationship between ESG and financial performance, as well as the work of Yu and Xiao (2022) regarding the link between ESG efficiency and firm value. Within the Thai context, these results mirror Ratanawarocho (2018), whose research indicated that being ranked in the ESG100 positively impacts ROA and ROE, as a superior corporate image helps retain the customer base.

Furthermore, these dynamics can be elucidated through Signaling Theory, which posits that ESG disclosures and inclusion in sustainability indices serve as "signals" that mitigate information asymmetry. This enhances investor confidence and subsequently reduces the cost of capital. This perspective is supported by Clark et al. (2015), who identified ESG as a tool for risk mitigation and value enhancement, and Hartzmark and Sussman (2019), who observed that investors respond favorably to sustainability signals. However, the findings also highlight a nuance consistent with ESG-Sustainable Growth Theory: the environmental dimension often exerts the most pronounced positive impact on returns. This aligns with Sudcharoen (2021), who found that environmental performance directly and indirectly influences Tobin's Q, and Termvanich (2015), who noted a positive correlation between environmental variables and stock returns. Conversely, other ESG dimensions may not yet show significant effects or may even present negative correlations in certain contexts. This suggests that the Thai capital market currently perceives environmental "signals" as the primary value driver in corporate valuation.

Regarding the second objective, the findings reveal a statistically significant Expectation Gap between current practices and future expectations of institutional investors regarding ESG performance ($t = 14.703$, $p < 0.001$), suggesting that ESG considerations have become embedded in institutional investment evaluation. Expectation scores reached their highest positive levels across all factors, signaling a paradigm shift where sustainability has evolved from an "optional supplement" into a "new fundamental standard" for investment valuation. This is particularly true for firms capable of integrating ESG criteria with financial performance, risk management, and long-term growth trajectories. These results resonate with Stakeholder Theory and the work of Yu and Xiao (2022), who argued that ESG efficiency significantly bolsters firm value. Locally, this aligns with Thai-based studies by Sudcharoen (2021) and Ratanawarocho (2018), both of whom confirmed that ESG

initiatives enhance financial returns and corporate valuation (Tobin's Q). A compelling observation is that institutional investors place their highest expectations on transparency in data disclosure, prioritizing it over isolated financial metrics. This evidence reinforces Signaling Theory, which suggests that investors require clear and credible signals to mitigate information asymmetry. This shift mirrors the concept of evolving "Institutional Logics" in capital markets described by Ioannou and Serafeim (2019). The market has moved away from the traditional view of CSR/ESG expenditures as "agency costs" that erode profits, toward accepting them as "value-creation mechanisms" that build legitimacy. Ioannou and Serafeim further confirmed that analysts and institutional investors now offer more favorable recommendations to high-ESG-rated firms, supporting this study's finding that ESG is now viewed as a fundamental factor rather than a discretionary choice. Furthermore, the significant gap identified in Greenhouse Gas (GHG) reduction targets suggests that institutional investors prioritize "substance over form," specifically regarding tangible climate risk management. This aligns closely with Khan et al. (2016), who posited that investors respond specifically to ESG performance in "material issues" pertinent to their respective industries. Their research indicated that firms excelling in material issues achieve significant outperformance, whereas non-material issues do not impact firm value. The high expectations of Thai institutional investors regarding GHG and transparency reflect that these are considered the core materialities affecting financial sustainability and structural business risks.

In conclusion, this study illustrates that ESG within the Thai capital market is no longer viewed merely as a reporting requirement or a compliance exercise. Instead, it serves as a quality screening tool for institutional investors, consistent with the objective of the SETESG Index to highlight firms with sustainable growth potential and robust management. The integration of these findings suggests that the influence of ESG on Thai institutional investors is driven not just by philanthropic intent, but by competitive survival and value creation. By bridging critical materiality gaps and enhancing transparency, firms deliver high-quality signals to the global capital market, aligning themselves with international institutional standards.

Limitations of the study

This study acknowledges several limitations that should be considered when interpreting the findings. First, the qualitative panel is limited to 17 firms continuously listed on the SET ESG Index for nine consecutive years; while this provides depth and longitudinal consistency, it constrains generalizability to the broader Thai listed-company universe. Second, the quantitative survey relied on 54 institutional investors purposively recruited from asset management and brokerage firms; retail investors and other capital-market participants are not represented. Third, the analysis of the ESG–

Tobin's Q relationship in this study relied on descriptive longitudinal statistics rather than inferential panel-data models; consequently, macroeconomic shocks (monetary policy, currency volatility, and sector-specific events) that may influence Tobin's Q could not be statistically controlled. Fourth, the cross-pillar analysis aggregates Environmental, Social, and Governance scores; sub-dimension materiality may differ by industry. Finally, the study is observational; causal inferences should be made with caution. Future research could expand the sample, incorporate retail-investor perspectives, control additional financial covariates, and adopt industry-specific materiality maps.

Recommendations

This study confirms that ESG management is a critical determinant of sustainable growth for Thai listed companies. The researcher proposes recommendations for three stakeholder groups:

(1) Listed companies should embed ESG into core strategy through genuine Materiality identification, set Science-Based Targets linked to executive remuneration, appoint a Chief Sustainability Officer (CSO), and prepare data systems for IFRS S1/S2 disclosures particularly Scope 3 with third-party verification.

(2) Institutional investors should integrate ESG into fundamental analysis, utilize SET ESG Ratings and THSI for screening, and exercise active Engagement to demand transparent, auditable disclosures.

(3) Regulators and the SET should accelerate the development of a Digital ESG Data Platform, harmonize standards with FTSE Russell and IFRS S1/S2 by 2026, strengthen anti-greenwashing oversight, transition from disclosure-based to metric-based reporting, and provide capacity-building support for SMEs.

Concrete policy implications: Three policy instruments are proposed: (1) an *ESG Disclosure Score Card* assessing four dimensions—Completeness, Comparability, Credibility, and Connectivity with AAA–D ratings published annually; (2) a *Thai Materiality Map* applying the Double Materiality framework calibrated to the eight target industries under the BCG Economic Model, serving as a common reference for issue prioritization and (3) an *ESG-Linked Incentive Scheme* aligning tax benefits and Green Bond privileges with Score Card performance. Collectively, these instruments are designed to close the data-quality gap between large corporations and SMEs and accelerate Thailand's transition toward the BCG Agenda and the UN SDGs.

Recommendations for future research

Substance-based operational studies: Future research should pivot toward assessing tangible operational changes rather than merely evaluating compliance with disclosure-based criteria. Such studies would provide deeper insights into whether ESG initiatives genuinely transform the core business substance or serve primarily as a reporting formality.

Comparative analysis of investor behavior: Scholars should expand the scope of inquiry to compare the disparate perspectives of institutional versus retail investors. Understanding these differences would enable listed companies to tailor their ESG communication strategies and data delivery channels to meet the specific needs and expectations of each stakeholder group effectively.

Longitudinal causal research: It is recommended that future studies employ longitudinal quantitative data to establish a more definitive causal link between ESG performance and investment returns. Integrating these quantitative findings with comparative behavioral analyses will provide a holistic understanding of ESG's multifaceted role within the Thai capital market.

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