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DOES ESG PERFORMANCE MATTER? CEO POWER AND FIRM VALUE IN ASEAN MARKET

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ABSTRAK

Penelitian ini menguji pengaruh kinerja Environmental, Social, and Governance (ESG) terhadap nilai perusahaan dan peran moderasi kekuatan CEO dalam konteks pasar ASEAN. Berdasarkan teori legitimasi dan teori pemangku kepentingan, penelitian menggunakan pendekatan kuantitatif dengan data panel 133 perusahaan publik di Indonesia, Malaysia, Singapura, Thailand, dan Filipina periode 2015-2019. Data ESG diperoleh dari Refinitiv, sedangkan kekuatan CEO diproksikan melalui masa jabatan dari laporan tahunan. Analisis menggunakan regresi berganda dan Two-Stage Least Squares (2SLS) untuk mengatasi endogenitas. Hasil menunjukkan kinerja lingkungan dan sosial berpengaruh negatif signifikan terhadap nilai perusahaan (Tobin's Q), sementara kinerja tata kelola tidak signifikan. Kekuatan CEO memoderasi negatif hubungan kinerja lingkungan-nilai perusahaan, menunjukkan peran strategis kepemimpinan dalam kebijakan keberlanjutan. Temuan mengindikasikan inisiatif ESG belum sepenuhnya menciptakan nilai ekonomi positif di pasar ASEAN. Penelitian menegaskan pentingnya dukungan manajemen puncak dan kematangan respons pasar untuk mengintegrasikan ESG dalam strategi bisnis berkelanjutan.

Kata Kunci: Kinerja ESG, kinerja keuangan, kekuasaan CEO, Tobin’s Q

ABSTRACT

This study examines the effect of Environmental, Social, and Governance (ESG) performance on firm value and the moderating role of CEO power in ASEAN markets. Drawing on legitimacy theory and stakeholder theory, the research applies a quantitative approach using panel data from 133 public companies across Indonesia, Malaysia, Singapore, Thailand, and the Philippines during 2015-2019. ESG data were obtained from Refinitiv, while CEO power was proxied by tenure extracted from annual reports. The analysis utilizes multiple regression and Two-Stage Least Squares (2SLS) to address endogeneity. Results reveal that environmental and social performance have significant negative effects on firm value (Tobin's Q), while governance performance is not significant. CEO power negatively moderates the environmental performance-firm value relationship, indicating the strategic role of leadership in sustainability policy. Findings suggest that ESG initiatives have not yet been fully reflected in economic value within ASEAN markets. The study emphasizes the importance of top management support and more developed market responses to integrate ESG into sustainable business strategies.

Keywords:ESG performance,financial performance,CEO power, Tobin’s Q

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1. Introduction

In recent years, sustainability has become a central agenda in corporate strategy and global financial markets. Environmental, Social, and Governance (ESG) performance has emerged as a key framework to assess non-financial aspects of corporate responsibility, reflecting how firms manage environmental risks, uphold social responsibilities, and maintain effective governance systems. ESG factors are increasingly regarded not as supplementary metrics, but as strategic determinants of long-term firm value and resilience (Henisz et al., 2019). Empirical evidence indicates that superior ESG performance enhances stakeholder trust, reduces regulatory risks, and improves firm performance, thereby contributing to sustainable competitive advantages (Octavio et.al., 2025; Azizah and Haron, 2025).

The rapid growth of ESG-based investing reflects shifting investor preferences toward portfolios that align with both economic returns and sustainable development goals. According to Reuters, ESG investments exceeded USD 650 billion globally in 2021, a significant increase from the previous year (Kerber & Simon, 2021). This trend has been mirrored in Southeast Asia, where companies are progressively adopting ESG principles in response to evolving stakeholder expectations and regional sustainability initiatives (Ting, 2022). However, ASEAN markets present unique institutional characteristics, including varying regulatory frameworks, diverse corporate governance structures, and different stages of ESG disclosure maturity, which distinguish them from developed markets (Ab Aziz et al., 2025). These contextual differences necessitate region-specific empirical investigations.

Despite growing adoption, empirical findings on the relationship between ESG performance and firm value remain inconclusive. Some studies report a positive impact of ESG on financial performance and market valuation due to enhanced corporate reputation and operational efficiency (Henisz et al., 2019). Others, however, find insignificant or even negative effects, particularly when examining ESG dimensions separately (Alareeni & Hamdan, 2020; Zahroh & Hersugondo, 2021). Recent comprehensive reviews suggest that the ESG-firm value relationship is highly context-dependent and may be influenced by firm-specific governance mechanisms and leadership characteristics (Gillan et al., 2021). This inconsistency suggests that contextual or mediating factors may influence the ESG and firm value nexus; however, the role of corporate leadership in this relationship remains critically underexplored.

One critical yet underexplored moderating factor is CEO power. As the top strategic decision-maker, a CEO plays a pivotal role in directing sustainability initiatives and shaping market perceptions. A powerful CEO, measured by tenure, board influence, or policy control, may either increase or decrease the effectiveness of ESG implementation on firm value (Velte, 2019). Drawing on legitimacy theory and stakeholder theory, CEO power can significantly influence how firms engage with ESG practices and respond to stakeholder expectations. Legitimacy theory suggests that organizations seek to operate within the bounds and norms of their respective societies, ensuring their activities are perceived as legitimate (Suchman, 1995). In the ESG context, CEOs with greater power may leverage their authority to enhance organizational legitimacy through visible sustainability commitments, thereby strengthening ESG credibility and market response. Meanwhile, stakeholder theory posits that firms must balance the interests of multiple stakeholders beyond shareholders (Freeman, 1984). Powerful CEOs who embrace stakeholder orientation can drive meaningful ESG initiatives that create value for diverse constituents. Conversely, excessive CEO power may lead to entrenchment behavior, where CEOs prioritize personal interests over stakeholder welfare, reducing the quality of ESG initiatives and weakening their value relevance (Cespa & Cestone, 2007). However, empirical evidence on the moderating role of CEO power in the ESG-performance relationship, particularly in emerging markets like ASEAN, remains scarce.

This study addresses three critical research gaps. First, it provides empirical evidence from ASEAN, a region where ESG research is limited despite rapid economic integration and rising sustainability pressures. Second, it examines the moderating role of CEO power, a governance mechanism largely neglected in ESG-value studies within emerging markets. Third, the novelty of this research lies in its integration of legitimacy theory with stakeholder theory, explaining how CEO power conditions the ESG and firm value relationship in institutionally diverse environments. Unlike prior studies that treat ESG and governance separately, this study explicitly models their interaction, providing a more nuanced understanding of how leadership dynamics shape sustainability outcomes.

Drawing on data from 133 listed firms across Indonesia, Malaysia, Singapore, Thailand, the Philippines, and Vietnam between 2015 and 2019, the study uses Refinitiv ESG scores and CEO tenure extracted from annual reports. This research makes three key contributions. Theoretically, it extends legitimacy theory and stakeholder theory by demonstrating how CEO power moderates the relationship between ESG performance and firm value, thereby enriching the literature on corporate governance and sustainability in emerging markets. Specifically, this study elucidates the boundary conditions under which ESG initiatives translate into enhanced firm value, revealing that the effectiveness of ESG performance is contingent upon the level of CEO power. Practically, it offers actionable insights for investors seeking to evaluate not only firms' ESG performance but also the quality of corporate leadership as a critical factor in determining ESG effectiveness and firm value creation. For boards of directors, the findings guide on designing governance structures and CEO power configurations that optimize the value-creation potential of ESG initiatives. From a policy perspective, the findings inform regulators in ASEAN countries on the importance of integrating governance quality considerations into ESG frameworks, supporting the development of more effective sustainability disclosure standards and corporate governance codes that account for the role of managerial power in shaping ESG outcomes and firm performance.

2. Literature Review and Hypothesis Development

This study integrates legitimacy theory and stakeholder theory to explain how ESG performance affects firm value and how CEO power moderates this relationship. Legitimacy theory suggests that firms adopt ESG practices to gain societal legitimacy, thereby enhancing reputation and firm value (Suchman, 1995; Deegan, 2002). Stakeholder theory complements this by arguing that superior ESG performance reflects a firm's ability to balance multiple stakeholder interests, which reduces conflicts and enhances firm value through mechanisms such as lower cost of capital and improved operational efficiency (Freeman, 1984; El Ghoul et al., 2011; Eccles et al., 2014). However, the effectiveness of ESG initiatives in creating firm value may be dependent on CEO power dynamics. Powerful CEOs with strong stakeholder orientation can leverage their authority to implement substantive ESG practices and enhance organizational legitimacy, thereby strengthening the positive effect of ESG on firm value (Jiraporn & Chintrakarn, 2013). Conversely, excessive CEO power may lead to managerial entrenchment, where CEOs pursue symbolic ESG practices for impression management rather than substantive value creation, thereby weakening the ESG-firm value relationship (Cespa & Cestone, 2007; Menla Ali et al., 2024). Despite growing research on ESG and firm value, limited evidence exists on how CEO power moderates this relationship, particularly in emerging markets like ASEAN, where institutional contexts differ from developed markets (Ab Aziz et al., 2025). This study addresses this gap by examining whether CEO power increases or decreases the effect of ESG performance on firm value among ASEAN-listed companies.

Environmental, Social, and Governance (ESG) has become a widely used framework for assessing corporate sustainability. It covers environmental responsibility (e.g., emissions, energy use), social aspects (e.g., human rights, labor relations), and governance practices (e.g., board independence, transparency). ESG enables firms to align profit-oriented objectives with broader societal and environmental expectations (Krishnamoorthy, 2021; Hendro, 2023). Legitimacy theory suggests that ESG disclosure helps firms gain social acceptance by adhering to prevailing societal standards (Rankin et al., 2018). Stakeholder theory views ESG as a reflection of a firm's accountability to a broad range of stakeholders beyond shareholders, including employees, customers, and communities (Behl et al., 2022). Meanwhile, agency theory considers ESG as a mechanism for reducing information asymmetry and aligning managerial interests with those of shareholders (Hendrastuti & Harahap, 2023).

A growing body of research has examined the link between ESG performance and financial outcomes, but results remain mixed. Henisz et al. (2019) argue that ESG initiatives contribute to firm value through increased cash flow stability, operational efficiency, risk mitigation, and enhanced employee productivity. Yoo and Managi (2022), using comprehensive ESG data from MSCI and Bloomberg, find that both ESG performance and disclosure are positively associated with market-based metrics like Tobin's Q and accounting-based metrics like ROA. Friede et al. (2015) conducted a meta-analysis of over 2,000 empirical studies and concluded that more than 90% reported a non-negative relationship between ESG and corporate financial performance.

In contrast, Alareeni and Hamdan (2020) note that individual ESG pillars can have negative effects on financial metrics. For example, Zahroh and Hersugondo (2021) found that while governance and social factors positively influenced financial performance in Indonesian manufacturing firms, environmental initiatives had no significant effect. Similarly, Khairunnisa and Widiastuty (2023) reported inconsistent results across ASEAN countries, where ESG performance had a negative impact in Indonesia and Malaysia but a positive effect in Singapore, indicating differences in context.

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Top management, particularly CEO power, plays a critical role in shaping corporate ESG strategies. CEO power, often measured through tenure, board duality, or influence over corporate decisions, can either enhance or inhibit ESG integration (Velte, 2019). Zahroh and Hersugondo (2021) found no significant moderating role of CEO power in Indonesia, whereas Budita and Fidiana (2023) observed that long-tenured CEOs might hinder ESG implementation due to entrenched leadership styles. A recent study by Aulia et al. (2025) in ASEAN financial firms confirmed that CEO power and board gender diversity jointly influence ESG outcomes. Li et al. (2018) further emphasized that moderate CEO power can strengthen the signaling effect of ESG on investor perception.

Within the ASEAN region, ESG practices are expanding, but their effects vary. Studies in Thailand and the broader ASEAN-5 region have shown positive ESG effects on firm value and profitability, especially via improved cash flow and market perception (Truong et al., 2024; Polwat & Teerapan, 2024). However, variations in regulatory frameworks, market maturity, and investor awareness contribute to diverse outcomes across countries. Sandberg et al. (2022) found that in the European food industry, ESG contributes positively to firm profitability, but such evidence is still developing in Southeast Asia. Despite growing interest, the moderating role of CEO power in the ESG and financial performance relationship remains underexplored in emerging markets. This study addresses this gap by using panel data from six ASEAN countries between 2015 and 2019, combining ESG scores from Refinitiv with CEO tenure extracted from corporate annual reports. Using both OLS and Two-Stage Least Squares (2SLS) regression, the study offers fruitful insights into whether ESG performance matters for firm value and how CEO leadership shapes this dynamic in contexts characterized by institutional and governance diversity.

In the context of corporate sustainability, environmental performance represents a critical pillar of the ESG framework. It captures how effectively a company manages its ecological footprint through carbon emission mitigation, energy efficiency, waste management, and biodiversity conservation. From a theoretical perspective, legitimacy theory suggests that firms engage in environmental initiatives to align their operations with societal norms, thereby enhancing public acceptance and regulatory compliance (Melinda & Wardhani, 2020). Similarly, stakeholder theory emphasizes that transparent environmental practices help meet the growing expectations of diverse stakeholders, including investors, customers, and communities (Octavio et al., 2025).

Empirical evidence generally supports this connection. Ladyve et al. (2020) reveal that responsible environmental practices enhance investor trust, consumer loyalty, and market valuation across multiple industry sectors. Furthermore, Zainab and Burhany (2020) report statistically significant positive relationships between environmental performance and firm value, as measured through both ROA and Tobin's Q. Their findings indicate that environmentally proactive firms are perceived as more resilient, efficient, and attractive to long-term investors. These results remain consistent across different geographical contexts, firm sizes, and industrial classifications, suggesting universal applicability of the environmental performance-financial performance relationship.

The financial benefits of environmental performance extend beyond direct operational efficiencies to include strategic competitive advantages and comprehensive risk mitigation. Environmentally proactive firms may achieve cost savings through reduced energy consumption, improved waste management systems, and optimized resource utilization. These improvements collectively boost profitability while strengthening long-term financial sustainability. Additionally, firms recognized for environmental responsibility attract greater capital from institutional investors who prioritize ESG criteria in their portfolios, resulting in a lower cost of capital and stronger stock market performance.

This mechanism operates through multiple channels: enhanced brand reputation attracts environmentally conscious consumers; improved stakeholder trust reduces reputational and operational risks; strong environmental commitments provide talent acquisition advantages as sustainability-oriented employees prefer such employers; and firms gain preferential treatment in regulatory compliance and public procurement processes. Based on this rationale, the following hypothesis is proposed:

H_1: Environmental performance has a positive effect on firm financial performance.

The social dimension of ESG reflects a firm's commitment to fulfilling responsibilities toward employees, communities, and society at large, encompassing labor rights protection, workplace safety, employee diversity, equitable labor practices, and community engagement initiatives. In contemporary corporate practice, social responsibility represents a strategic investment capable of generating long-term economic value rather than merely an additional cost (Behl et al., 2022). From a theoretical standpoint, stakeholder theory provides well-supported reasoning for this perspective, as companies that cultivate strong relationships with employees, communities, and customers build greater trust, loyalty, and strategic alliances that contribute to competitive advantage (Octavio et al., 2025). Legitimacy theory further suggests that social performance disclosure serves as a strategic tool for gaining societal approval, particularly relevant in the post-pandemic era, where public expectations regarding corporate social responsibility, ethical practices, and inclusivity have intensified (Octavio & Wicaksono, 2025; Gillan et al., 2021). Empirical evidence consistently supports this relationship. Behl et al. (2022) highlight that the social pillar of ESG significantly improves ROA, indicating superior financial performance among socially responsible companies. Sila and Cek (2017) also report that institutional investors preferentially allocate capital to firms actively promoting social responsibility, particularly in emerging markets where social practices signal organizational quality and governance effectiveness.

The strategic benefits of strong social performance extend substantially beyond direct financial gains to include broader organizational advantages. Companies with superior social performance experience reduced employee turnover and recruitment costs, as talented workers increasingly prioritize employers demonstrating genuine commitment to social values, diversity, and inclusive workplace cultures. Enhanced firm reputation resulting from proactive social initiatives creates customer loyalty, brand differentiation, and premium pricing power in competitive markets. Furthermore, strong social performance can foster regulatory goodwill, which may reduce compliance costs and facilitate smoother stakeholder negotiations during crisis periods. This mechanism can

operate through several related channels: improved employee productivity and innovation arise from positive organizational culture; enhanced consumer purchasing decisions are driven by ethical brand perceptions; reduced operational disruptions result from minimized community conflicts; and firms gain preferential access to socially responsible investment funds controlling substantial global capital. Social responsibility thus becomes part of broader value creation rather than a purely philanthropic activity. Given the shared perspectives of stakeholder and legitimacy frameworks, supported by consistent empirical findings across different regions and industries, this study hypothesizes:
H_2: Social performance has a positive effect on firm financial performance.

Within the ESG framework, the governance dimension reflects a firm's commitment to sound corporate governance practices through transparency, accountability, independence, and responsibility, serving as a cornerstone for credible decision-making structures and ethical management toward long-term objectives (Gillan et al., 2021). From a stakeholder theory perspective, governance mechanisms act as critical safeguards that balance the interests of diverse stakeholders, including shareholders, employees, customers, and communities (Freeman, 1984). Firms maintaining strong governance structures, including independent boards, active audit committees, and transparent disclosure practices, demonstrate their commitment to fair and ethical decision-making that considers multiple stakeholder needs (Hendrastuti & Harahap, 2023). Legitimacy theory further suggests that strong governance systems signal to society and capital markets that firms possess credible internal controls capable of managing strategic and operational risks effectively, thereby gaining social acceptance and institutional support. Empirical studies consistently validate this relationship (Suchman,1995). Sila and Cek (2017) show that governance variables such as board effectiveness, equitable compensation policies, and audit oversight significantly influence ROA and operational efficiency across diverse industries. Behl et al. (2022) extend these findings, highlighting that governance functions beyond internal control to enhance firm reputation, regulatory compliance, and investor confidence, particularly attracting institutional investors seeking long-term stability and risk-adjusted returns. Cross-country comparative studies further reveal that governance quality exhibits stronger financial performance associations in markets with weaker legal enforcement, suggesting that governance serves as a substitute mechanism for inadequate regulatory environments.

The strategic value of strong governance extends beyond basic regulatory compliance to encompass various competitive advantages and stakeholder confidence-building. Firms demonstrating consistent governance cultures may attract lower-cost capital and experience less volatility in financial markets due to higher perceived credibility and improved risk mitigation capacity. This is particularly relevant in emerging markets such as ASEAN, where governance quality remains a primary determinant of investor confidence and capital accessibility. Well-governed companies benefit from better access to international capital markets, more favorable credit ratings from financial institutions, and inclusion in prestigious governance indices that attract passive investment flows. This mechanism operates through interconnected channels: improved strategic decision-making quality through diverse and independent board oversight; lower earnings management and financial fraud risks that protect shareholder wealth; enhanced innovation and long-term value creation as governance structures balance short-term pressures with sustainable growth imperatives; and stronger stakeholder relationships built on transparency and accountability principles. Furthermore, effective governance structures facilitate better crisis management capabilities, ensuring organizational resilience during economic downturns or reputational challenges. Based on this rationale, the following hypothesis is proposed:

H_3: Governance performance has a positive effect on firm financial performance.

Environmental, Social, and Governance (ESG) represents a multidimensional framework evaluating how firms integrate sustainability principles into business strategies, serving as critical indicators of commitment to long-term value creation beyond regulatory compliance. From a theoretical perspective, legitimacy theory posits that firms must align operations with societal norms to maintain social approval and business continuity (Melinda & Wardhani, 2020), while stakeholder theory suggests that superior ESG performance cultivates positive relationships with investors, employees, customers, and communities (Octavio et al., 2025; Behl et al., 2022). Empirical evidence largely supports this relationship. Buallay (2019) reports that firms with high ESG scores exhibit stronger ROA and increased market valuation across multiple sectors. Velte (2022) further confirms that ESG initiatives bolster corporate reputation, improve access to external financing, and reduce capital costs. Additionally, Behl et al. (2022) show that strategically integrated ESG efforts enhance operational efficiency, employee retention, and reduce legal and reputational risk exposure.

In the sustainable finance era, ESG credentials function as crucial evaluation criteria for institutional investors, enabling firms to attract preferential capital through green financing instruments, including sustainability-linked bonds and ESG-indexed products that offer more favorable borrowing terms. The value creation mechanism operates through multiple channels: enhanced brand equity attracts environmentally conscious consumers; improved talent acquisition occurs as purpose-driven workers prioritize sustainable employers; reduced regulatory penalties result from proactive compliance; and portfolio inclusion by ESG-focused funds controlling substantial global capital provides additional benefits. Companies with superior ESG performance demonstrate greater resilience during economic downturns through diversified stakeholder support and sustainable operational practices that reduce market volatility. Based on this rationale, the following hypothesis is proposed:

H_4: ESG performance has a positive effect on firm financial performance.

Environmental performance constitutes a core pillar of the ESG framework, capturing a firm's ability to mitigate ecological impacts through carbon emission reduction, energy efficiency, and waste management initiatives. While proactive environmental initiatives can enhance firm performance (Zhu et al., 2022; Behl et al., 2022), their effectiveness often depends on internal organizational dynamics, particularly CEO strategic leadership. From a stakeholder theory perspective, CEO power, defined by tenure, decision-making authority, and board influence, plays a crucial role in shaping environmental strategy by prioritizing stakeholder expectations, including environmentally conscious investors, communities affected by operational impacts, and regulators demanding compliance. A powerful CEO is better positioned to institutionalize environmental priorities within corporate governance, enforce sustainability reporting systems, and integrate ecological risk considerations into key business decisions (Velte, 2019). Empirical evidence supports this view. Qiu et al. (2016) and Carnahan et al. (2010) found that CEO characteristics significantly influence environmental disclosure quality, as high-powered CEOs view environmental practices as strategic assets that improve competitive positioning and stakeholder relationships.

The moderating role of CEO power operates through enhanced stakeholder engagement mechanisms where influential CEOs possess the authority and credibility necessary to align environmental initiatives with diverse stakeholder interests effectively. Powerful CEOs can mobilize organizational resources toward environmental programs, communicate environmental commitments transparently to investors and communities, and ensure consistent implementation across operational units. This leadership becomes particularly important in emerging markets where regulatory frameworks are still developing, requiring internal leadership to support sustainability initiatives and satisfy growing stakeholder demands for environmental accountability. The mechanism functions through the CEO's ability to balance competing stakeholder priorities, allocate capital toward long-term environmental investments despite short-term financial pressures, and build coalitions with environmental advocacy groups and sustainability-focused investors. Based on this rationale, the following hypothesis is proposed:

H_5: CEO power positively moderates the relationship between environmental performance and firm financial performance.

Social performance reflects a firm's commitment to addressing responsibilities toward employees, communities, and broader societal concerns, including labor rights, workplace diversity, health and safety standards, and community engagement. While social initiatives are increasingly viewed as strategic investments enhancing long-term financial performance (Behl et al., 2022), their success and market impact are often influenced by executive leadership strength and vision. From a stakeholder theory perspective, CEO power, measured by tenure, board influence, and decision-making autonomy, plays a central role in shaping a firm's social agenda by mediating relationships with critical stakeholder groups, including employees seeking fair treatment, communities demanding corporate citizenship, and consumers prioritizing ethical business practices. A powerful CEO is more likely to embed progressive social policies into corporate strategy, allocate resources toward community-oriented initiatives, and take decisive actions implementing social practices that align with stakeholder expectations (Velte, 2019). However, Triyani (2020) suggests that excessive CEO dominance may reduce board oversight effectiveness, potentially leading to symbolic rather than substantive stakeholder engagement, highlighting the complex nature of CEO influence on social governance.

Despite potential governance concerns, stakeholder theory asserts that visionary and empowered leadership is important to ensuring meaningful stakeholder relationships across diverse social constituencies. When CEOs actively support social issues, firms gain stakeholder trust, improve employee retention and brand loyalty, enhance legitimacy with civil society organizations, and strengthen community relationships that help reduce operational disruptions. The moderating mechanism operates through the CEO's capacity to prioritize long-term stakeholder welfare over short-term profit maximization, institutionalize inclusive organizational cultures responsive to employee and community needs, and credibly communicate social commitments to external stakeholders. Powerful CEOs possess the authority to implement resource-intensive social programs despite shareholder pressures, negotiate constructively with labor unions and community groups, and integrate stakeholder feedback into strategic decision-making processes. This stakeholder-centric leadership may increase social performance effectiveness by ensuring initiatives address genuine stakeholder concerns rather than serving as primarily public relations exercises. Based on this rationale, the following hypothesis is proposed:

H_6: CEO power positively moderates the relationship between social performance and firm financial performance.

Corporate governance represents a fundamental ESG pillar ensuring transparent, accountable, and ethical decision-making within organizations. Strong governance structures help reduce agency problems by aligning managerial actions with shareholder interests while protecting long-term financial stability. However, governance efficacy is strongly associated to CEO strategic leadership. From a stakeholder theory perspective, a powerful CEO, reflected through tenure, board influence, and strategic priority discretion, plays an important role in shaping governance structures that balance competing stakeholder interests, including shareholders demanding accountability, employees requiring fair representation, creditors seeking financial transparency, and regulators expecting compliance. Javeed and Lefen (2019) emphasize the CEO as the central governance figure with significant authority over internal controls, compliance mechanisms, and disclosure practices. When strategically applied, CEO power reinforces governance quality by reducing information asymmetry, improving financial reporting standards, and elevating investor confidence while simultaneously addressing broader stakeholder governance expectations, including board independence, audit quality, and ethical conduct standards.

The moderating influence of CEO power on governance effectiveness operates through stronger stakeholder accountability mechanisms where authoritative CEOs institutionalize best governance practices that address diverse constituent concerns. Empowered CEOs facilitate transparent disclosure systems satisfying investor information needs, implement reliable internal controls protecting creditor interests, establish effective whistleblowing mechanisms addressing employee concerns about misconduct, and maintain constructive regulatory relationships ensuring compliance. This stakeholder-responsive governance leadership becomes particularly valuable in emerging markets where formal institutional protections may be weak, requiring strong internal governance leaders to substitute for inadequate external enforcement. The mechanism functions through the CEO's ability to manage conflicting stakeholder governance demands, allocate resources toward governance infrastructure that benefits multiple constituencies, and signal commitment to ethical conduct that enhances stakeholder trust across investor, employee, and regulatory groups. While excessive CEO dominance without adequate oversight could pose governance integrity risks, strategically managed CEO power increases governance performance by ensuring structures genuinely serve diverse stakeholder interests rather than narrow managerial objectives. Based on this rationale, the following hypothesis is proposed:

H_7: CEO power positively moderates the relationship between governance performance and firm financial performance.

The ESG framework represents an integrated model of sustainable corporate behavior where companies align operational activities with long-term social, environmental, and ethical objectives. ESG has evolved from an additional assessment tool to a strategic asset capable of influencing investor decisions, corporate reputation, and financial outcomes, but implementation efficacy often depends on top leadership strength and vision. From a stakeholder theory perspective, CEOs with substantial power, measured by tenure, board influence, and decision-making authority, are better positioned to institutionalize sustainability initiatives by coordinating responses to diverse stakeholder demands ranging from environmental activists seeking ecological responsibility, social advocacy groups demanding ethical labor practices, investors requiring transparent governance, employees expecting inclusive workplaces, to communities affected by corporate operations. Li et al. (2018) argue that high-authority CEOs engage in proactive sustainability reporting and transparent ESG disclosures, fostering increased confidence among multiple stakeholder groups. Velte (2019) supports this notion, stating that CEO power positively interacts with ESG performance by strengthening market impact through enhanced stakeholder credibility and relationship strength.

The moderating role of CEO power in ESG effectiveness operates through broader stakeholder management capabilities, where influential CEOs possess the authority to balance competing environmental, social, and governance demands from diverse constituencies. Powerful CEOs can allocate resources across ESG dimensions addressing investor preferences for governance transparency, employee desires for social equity, community expectations for environmental responsibility, and regulatory requirements for comprehensive sustainability reporting. This integrated stakeholder approach becomes especially critical in emerging markets where institutional ESG frameworks remain underdeveloped, requiring strong CEO leadership to manage complex stakeholder landscapes and communicate integrated sustainability goals that respond to diverse stakeholder concerns. The mechanism functions through the CEO's capacity to incorporate ESG principles into organizational culture in ways that influence stakeholder engagement, all stakeholder touchpoints, communicate the firm’s sustainability commitments clearly to different stakeholder groups, and promote consistent ESG implementation that responds to stakeholder concerns in a substantive rather than purely symbolic way. Strategic CEO leadership can strengthen the effect of ESG performance by helping shift sustainability from a routine compliance activity to a broader effort that supports value creation across environmental, social, and governance areas. Based on this rationale, the following hypothesis is proposed:

H_8: CEO power positively moderates the relationship between overall ESG performance and firm financial performance.

3. Research Method

This study applies a quantitative approach, utilizing statistical analysis, to examine the impact of Environmental, Social, and Governance (ESG) performance on corporate financial performance, while investigating the moderating role of CEO power. The data utilized are secondary, obtained from publicly available sources such as annual reports, sustainability reports, financial statements, and ESG scores compiled by the Refinitiv Thomson Reuters database.

The sample was determined using purposive sampling, which allows for the selection of companies based on predefined criteria to ensure data completeness and relevance. The selection criteria are as follows:

1. The company must be listed on the stock exchanges of Indonesia, Malaysia, Singapore, Thailand, or the Philippines during the 2015–2019 period.
2. The company must be assigned an ESG score by Refinitiv.
3. The company must consistently publish complete annual, sustainability, and financial reports throughout the observation period.
4. The company must provide sufficient financial and governance data, including CEO-related information.

Based on these criteria, a total of 133 firms were selected as the final sample, spanning over five years. The firm distribution across countries is presented in Table 1.

Table 1. Sample Selection Summary

No	Criteria	Indonesia	Malaysia	Singapore	Thailand	Filipina	Total
1.	Listed companies (2015–2019)	80	927	639	891	286	2,823
2.	Not ESG rated by Refinitiv	-58	-700	-545	-680	-249	-2,232
3.	Incomplete reports	0	-25	-55	-205	-37	-322
4.	Final sample (complete data)	17	34	27	30	25	133
	Total observations (5 years)	85	170	135	150	125	665

The chosen period of 2015–2019 ensures data stability while excluding the potential distortions caused by the COVID-19 pandemic, which began impacting markets in 2020. These five years are deemed sufficient to capture longitudinal trends in ESG performance and its implications for firm value. The measurement of all variables in this study is detailed in Table 2.

Table 2. Variable Measurement

Variables	Indicator	Source	References
Environment Pillar Score (ENS)	LSEG Environmental Pillar Score (0-100) from Refinitiv ESG database, measuring company's commitment and effectiveness in reducing environmental emissions	Refinitiv Eikon	Octavio, et al. (2025)
Social Pillar Score (SOS)	LSEG Social Pillar Score (0-100) from Refinitiv ESG database, measuring company's effectiveness in job satisfaction, workplace safety, diversity, and employee development	Refinitiv Eikon	Octavio, et al. (2025)
Governance Pillar Score (GS)	LSEG Governance Pillar Score (0-100) from Refinitiv ESG database, measuring company's commitment to best practice corporate governance principles	Refinitiv Eikon	Octavio, et al. (2025)
ESG Score (ESG)	LSEG Overall ESG Score (0-100) from Refinitiv ESG database. This composite score aggregates the three pillar scores (Environmental, Social, Governance) based on industry-specific category weights.	Refinitiv Eikon	Octavio, et al. (2025)
CEO Tenure (CEOT)	Number of years the current CEO has been in position, obtained from company annual reports and corporate governance disclosures	Annual Report	Jarboui and Bouzouitina (2025)
Control Variables	Natural logarithm of total assets (in millions)	Osiris	Azizah and Haron, 2025
	Total debt divided by total assets	Osiris	Sari and Matusin (2019)
	Net income divided by total assets	Osiris	Aljabri (2025)
Financial Performance (Tobin's Q)	(Market capitalization + Book value of total debt) / Book value of total assets	Osiris	Azizah and Haron, 2025

To test the research hypotheses, this study applies regression analysis with several models as follows:

Model 1 - Direct Effect of Environmental Performance:
$TOBINQ = \alpha_1 + \beta_1 ENS + \beta_2 SIZE + \beta_3 ROA + \beta_4 LEV + \varepsilon$

Model 2 - Environmental Performance with CEO Power Moderation:
$TOBINQ = \alpha_2 + \beta_1 ENS + \beta_2(ENS \times CEOT) + \beta_3 SIZE + \beta_4 ROA + \beta_5 LEV + \varepsilon$

Model 3 - Direct Effect of Social Performance:
$TOBINQ = \alpha_3 + \beta_1 SOS + \beta_2 SIZE + \beta_3 ROA + \beta_4 LEV + \varepsilon$

Model 4 - Social Performance with CEO Power Moderation:
$TOBINQ = \alpha_4 + \beta_1 SOS + \beta_2(SOS \times CEOT) + \beta_3 SIZE + \beta_4 ROA + \beta_5 LEV + \varepsilon$

Model 5 - Direct Effect of Governance Performance:
$TOBINQ = \alpha_5 + \beta_1 GS + \beta_2 SIZE + \beta_3 ROA + \beta_4 LEV + \varepsilon$

Model 6 - Governance Performance with CEO Power Moderation:
$TOBINQ = \alpha_6 + \beta_1 GS + \beta_2(GS \times CEOT) + \beta_3 SIZE + \beta_4 ROA + \beta_5 LEV + \varepsilon$

Model 7 - Direct Effect of Overall ESG Performance:
$TOBINQ = \alpha_7 + \beta_1 ESG + \beta_2 SIZE + \beta_3 ROA + \beta_4 LEV + \varepsilon$

Model 8 - Overall ESG Performance with CEO Power Moderation:
$TOBINQ = \alpha_8 + \beta_1 ESG + \beta_2(ESG \times CEOT) + \beta_3 SIZE + \beta_4 ROA + \beta_5 LEV + \varepsilon$

4. Results and Discussion

Descriptive statistical analysis was conducted to provide a general overview of the variables used in the study. The dataset comprises 665 firm-year observations derived from 133 publicly listed companies across five ASEAN countries, Indonesia, Malaysia, Singapore, Thailand, and the Philippines, during the 2015–2019 period. Table 3 summarizes the key descriptive statistics of all variables.

Table 3. Descriptive Analysis

	TOBINQ	ENS	SOS	GS	ESG	CEOT	ROA	LEV	SIZE
Mean	1.69	38.61	48.48	41.95	44.64	8.36	3.8	0.87	20.2
Median	1.1	39.67	51.45	43.27	48.63	5	2.33	0.38	22.78
Maximum	13.81	93.95	97.13	92.64	89.02	43	60.32	41.61	35.99
Minimum	0.12	0	0.61	0.35	0.77	1	-42.32	0	1.25
Std. Dev.	1.61	25.82	27.13	26.57	23.99	8.49	6.63	2.45	8.79
Observations	665	665	665	665	665	665	665	665	665

The average firm value, proxied by Tobin's Q, is 1.69 with a standard deviation of 1.61. This indicates that, on average, the market valuation of the firms exceeds their book value, reflecting generally positive investor perceptions across the sample firms. The aggregate ESG score has a mean of 44.64, reflecting moderate adoption of sustainability practices. Disaggregating the ESG components, the mean social (SOS) score is the highest at 48.48, followed by governance (GS) at 41.95 and environmental (ENS) at 38.61. These figures suggest that firms in the sample tend to prioritize social initiatives more than environmental aspects in their sustainability agendas. The relatively large standard deviations for these scores further indicate substantial heterogeneity in ESG performance across firms. The average CEO tenure (CEOT) is approximately 8.36 months, indicating that a significant portion of firms are led by recently appointed CEOs. This may have implications for the strategic continuity and long-term sustainability integration within firm policies.

Return on Assets (ROA) averages at 3.80%, with a standard deviation of 6.63. This suggests moderate efficiency in asset utilization and reflects potential areas for improving profitability, given that an ROA of over 5% is typically regarded as efficient performance. The average leverage ratio (LEV) is 0.87, indicating a relatively conservative capital structure, with debt not being a dominant component in firm financing. The substantial variation (SD = 2.45) reflects diverse capital strategies among firms. Firm size (SIZE), measured by the natural logarithm of total assets, has a mean of 20.20. This suggests that the sample largely consists of medium to large-sized companies with significant asset bases. Overall, the descriptive statistics highlight a wide dispersion in ESG practices, executive characteristics, and financial outcomes among ASEAN firms. These variations provide a meaningful basis for further empirical investigation into the hypothesized relationships. Based on the correlation matrix in Table 4, there is no multicollinearity problem in this research model, as all correlation values between independent variables are below the threshold of 0.80, with the highest correlation of 0.379 between GS and ENS.

Table 4. Correlation Matrix

Variable	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
(1) TOBINQ	1.000								
(2) ENS	0.050	1.000							
(3) SOS	0.001	0.090**	1.000						
(4) GS	0.063	0.379***	0.053	1.000					
(5) ESG	0.000	0.107***	0.009	0.050	1.000				
(6) CEOT	-0.044	-0.119***	-0.050	-0.113***	0.022	1.000			
(7) ROA	0.330***	0.188***	0.031	0.149***	0.020	-0.059	1.000		
(8) LEV	-0.061	-0.009	0.022	0.128***	-0.002	0.004	-0.026	1.000	
(9) SIZE	-0.093**	0.075*	0.041	0.181***	0.020	0.012	0.026	0.087**	1.000

Table 5. Regression Analysis

Variabel	Model 1 Coeff. (t-value)	Model 2 Coeff. (t-value)	Model 3 Coeff. (t-value)	Model 4 Coeff. (t-value)	Model 5 Coeff. (t-value)	Model 6 Coeff. (t-value)	Model 7 Coeff. (t-value)	Model 8 Coeff. (t-value)
Independent Variable								
ENS	-0.001** (0.000)	-0.001** (0.000)						
SOS			-0.000** (0.044)	-0.000** (0.048)				
GS					0.000*** (0.005)	0.005*** (0.047)		
ESG							0.000 (0.647)	0.005 (0.001)
Moderating effect								
ENS*CEOT		-0.000* (0.003)						
SOS*CEOT				0.000 (0.434)				
GS*CEOT						-0.000* (0.007)		
ESG*CEOT								-0.000** (0.001)
Control Variable								
SIZE	0.002 (0.073)	0.002 (0.110)	0.002 (0.078)	0.002 (0.064)	0.002 (0.040)	-0.018 (0.009)	0.008 (0.014)	-0.019 (0.029)
ROA	0.003 (0.001)	0.002 (0.005)	0.003 (0.006)	0.003 (0.006)	0.003 (0.006)	0.078 (0.000)	0.003 (0.876)	0.077 (0.001)
LEV	0.002 (0.361)	0.002 (0.290)	0.002 (0.400)	0.001 (0.695)	0.001 (0.468)	-0.039 (0.211)	0.002 (0.775)	-0.033 (0.032)

Notes: ENS: *Environmental Pillar Score*, SOS: *Social Pillar Score,* GS: *Governance pillar Score*, ESG: *ESG Score*, CEOT: CEO *Power*, SIZE: Company Size, ROA: *Return on Assets,* and LEV: *Leverage*

This section presents the results of regression analysis aimed at empirically testing the hypotheses regarding the effect of ESG performance on firm financial performance and the moderating role of CEO power, as shown in Table 5. Using panel data regression and two-stage least squares (2SLS) estimation to address potential endogeneity, eight regression models were developed, each corresponding to the direct effects of environmental, social, governance, and aggregate ESG performance, as well as their respective interactions with CEO power. The analysis incorporates control variables, including firm size, leverage, and return on assets, to ensure more reliable estimations.

The regression results provide insights into how different dimensions of ESG performance influence firm value (proxied by Tobin's Q) and whether the presence of strong executive leadership affects these relationships within the ASEAN context. The findings show how Environmental, Social, and Governance (ESG) performance impacts firm value, with CEO power acting as a moderating factor in the context of ASEAN's emerging markets.

Model 1 delineates that environmental performance (ENS) negatively and significantly affects firm value ($\beta = -0.001017$, $p < 0.05$). Model 2 shows that CEO power moderates this relationship ($\beta = -0.0000501$, $p < 0.05$). Model 3 finds that social performance (SOS) has a negative and significant relationship with firm value (β = -0.0000762, $p < 0.05$). Model 4 reveals that CEO power fails to significantly moderate this relationship (β = -0.00000896, $p > 0.05$). Model 5 shows that governance performance (GS) has a positive and significant effect on firm value (β = 0.000382, $p < 0.05$). Model 6 indicates that CEO power negatively moderates this relationship (β = -0.000446, $p < 0.05$). Model 7 demonstrates that the aggregate ESG score does not significantly affect firm value (β = 0.0000459, $p > 0.05$). Model 8 reveals that CEO power negatively moderates the overall ESG–firm value relationship (β = -0.000205, $p < 0.05$).

To ensure the robustness of the research findings, this study conducted a robustness test using lagged variables in the research data, as shown in Table 6. This test helps address potential endogeneity issues and ensure the consistency of the main findings. The results from the regression with lagged variables demonstrate a consistent pattern with the main regression results, where the direction of relationships and statistical significance among variables remain intact. This consistency indicates that the research findings are not sensitive to alternative model specifications and are reliable. Therefore, the robustness test supports the conclusion that the relationships between ESG performance and firm value, as well as the moderating role of CEO power, are stable in the context of ASEAN firms.

Table 6. Robustness Check

Variable	Model 1	Model 2	Model 3	Model 4	Model 5	Model 6	Model 7	Model 8
	Coeff. (t-value)	Coeff. (t-value)	Coeff. (t-value)	Coeff. (t-value)	Coeff. (t-value)	Coeff. (t-value)	Coeff. (t-value)	Coeff. (t-value)
Independent Variable								
ENS	-0.001** (0.000)	-0.001* (0.000)						
SOS			-0.000** (0.044)	-0.000** (0.048)				
GS					0.000*** (0.005)	0.005** (0.047)		
ESG							0.000 (0.647)	0.005 (0.001)
Moderating effect								
ENS*CEOT	-0.000** (0.003)							
SOS*CEOT			0.000 (0.434)					
GS*CEOT					-0.000*** (0.007)			
ESG*CEOT								-0.000*** (0.001)
SIZE	0.002* (0.075)	0.002 (0.110)	0.002* (0.078)	0.002* (0.064)	0.002** (0.040)	-0.018*** (0.009)	0.008* (0.078)	-0.019** (0.014)
ROA	0.003*** (0.002)	0.002*** (0.005)	0.005*** (0.006)	0.003*** (0.006)	0.008*** (0.006)	0.001*** (0.009)	0.006 (0.876)	0.005** (0.025)
LEV	0.002 (0.581)	0.002 (0.290)	0.002 (0.400)	0.001 (0.695)	-0.019 (0.468)	-0.039 (0.211)	-0.023*** (0.001)	-0.033 (0.775)

The results reveal a divergence between theoretical expectations and empirical outcomes, particularly regarding the individual components of ESG. The negative and significant relationship between environmental performance (ENS) and firm value contrasts with stakeholder and legitimacy theories, which propose that effective environmental practices should enhance firm reputation and long-term financial returns (Freeman, 1984; Suchman, 1995). The costs associated with environmental investments, such as emission reduction technologies and sustainable resource usage, may weigh heavily on firms' short-term financials. This is especially true in ASEAN economies where investor preferences tend to emphasize short-term gains over long-term sustainability outcomes. The finding aligns with studies by Yoo and Managi (2022) and Nugroho and Hersugondo (2022), which document similar negative relationships in emerging Asian markets. The moderating effect of CEO power suggests that experienced and stable leadership can realign environmental efforts with long-term corporate strategy, thereby reducing negative financial perceptions. This indicates that legitimacy-building through environmental investments requires strong internal leaders who can communicate the strategic value of sustainability to investors and stakeholders. Firms in ASEAN markets must balance environmental commitments with financial performance expectations, while policymakers should consider providing fiscal incentives or subsidies for environmental investments to reduce the financial burden on firms.

The negative relationship between social performance (SOS) and firm value similarly challenges stakeholder theory's prediction that social investments such as employee welfare programs, community engagement, and labor rights protection should enhance firm reputation and stakeholder relationships, ultimately translating into superior financial performance. Although theoretically social initiatives should boost firm reputation and stakeholder trust, limited institutional pressure, insufficient regulatory frameworks, and lack of investor awareness in the ASEAN context dilute these benefits, consistent with studies by Yoo and Managi (2022) and Nugroho and Hersugondo (2022).

From a legitimacy theory perspective, social initiatives should help firms gain social acceptance and maintain their license to operate within communities (Suchman, 1995). However, the lack of standardized social performance metrics and disclosure requirements in ASEAN creates information gaps that prevent investors from accurately pricing social investments. The insignificant moderating effect of CEO power indicates that executive leadership alone may not be enough to translate social investments into measurable financial performance, as it cannot bridge the institutional gap between social investments and financial returns. ASEAN governments should strengthen social performance regulations and disclosure requirements to create market mechanisms that reward socially responsible firms, while stock exchanges could introduce social performance indices to enhance investor awareness.

Governance performance (GS), in contrast, shows a positive and significant effect on firm value, supporting agency theory and reinforcing findings from Sitanggang and Ratmono (2019) and Javeed and Lefen (2019). Strong governance mechanisms, such as independent boards and effective audit committees, help reduce agency costs and information asymmetry between managers and shareholders. From a legitimacy theory

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perspective, strong governance signals institutional quality and managerial accountability to external stakeholders, enhancing firm legitimacy in capital markets (Suchman, 1995). Stakeholder theory also explains this positive relationship, as effective governance ensures balanced consideration of diverse stakeholder interests, reducing conflicts and building trust (Freeman, 1984). CEO power negatively moderates this relationship, in line with the entrenchment hypothesis. A powerful CEO may reduce the effectiveness of board oversight, thereby weakening governance effectiveness and its associated financial advantages. This finding suggests that excessive CEO power creates governance trade-offs that reduce the efficacy of formal governance structures. Firms and regulators must implement checks and balances to prevent CEO entrenchment, including mandatory board independence requirements, separation of CEO and board chair roles, term limits for executive positions, and enhanced shareholder voting rights.

The aggregate ESG score does not significantly affect firm value, highlighting the limited influence of ESG integration on investor behaviour in ASEAN capital markets. This finding aligns with Raneses (2020) and Maulana et al. (2023), who argue that the gap between ESG disclosure and financial valuation stems from early-stage ESG adoption in the region. Neither legitimacy theory nor stakeholder theory appears fully operative in ASEAN's ESG context, as while firms may engage in ESG disclosure to gain legitimacy and satisfy stakeholder expectations, the absence of strong institutional enforcement mechanisms and investor demand prevents these efforts from translating into market valuation premiums. The aggregation of E, S, and G dimensions also masks the divergent effects of individual components, where positive governance effects are offset by negative environmental and social effects.

CEO power negatively moderates the overall ESG to firm value relationship, indicating that high levels of CEO influence might shift focus away from long-term sustainability to managerial self-interest, echoing managerial opportunism theory. Powerful CEOs might engage in symbolic ESG disclosure by pursuing legitimacy without substantive commitment while prioritizing personal interests over genuine sustainability integration. This reflects a gap between stated ESG intentions and actual implementation, where firms present ESG messaging to meet external expectations but do not translate these statements into meaningful organizational changes. ASEAN regulators should work toward ESG regulatory harmonization and implement mandatory, standardized ESG disclosure frameworks to reduce information gaps, while stock exchanges and institutional investors should develop ESG-linked investment products to create market demand for ESG performance.

Collectively, these findings illustrate that ESG's impact on firm value in ASEAN is deeply contextual and mediated by institutional environments and internal governance dynamics. The divergence between theoretical expectations from stakeholder and legitimacy theories and empirical outcomes reflects the institutional gaps common in emerging markets, where regulatory frameworks, investor awareness, and stakeholder activism remain limited. CEO leadership emerges as a double-edged sword that can drive ESG alignment with strategic objectives or, conversely, hinder effective oversight and sustainability integration through entrenchment and managerial opportunism. Regulators and institutional investors must reinforce ESG accountability structures, enhance disclosure standards, educate investors, and emphasize balanced leadership models to realize the dual goals of financial performance and sustainable value creation in ASEAN markets.

5. Conclusion, Implications, and Limitations

This study aimed to examine the influence of Environmental, Social, and Governance (ESG) performance on firm value in ASEAN markets while assessing CEO power as a moderating factor. The results show that environmental and social performance are negatively associated with firm value, whereas governance performance has a positive and significant effect. This pattern suggests that ASEAN capital markets place greater emphasis on governance quality than on environmental or social activities, possibly reflecting investor caution about the short-term financial benefits of sustainability efforts that extend beyond governance-related reforms.

The moderating effect of CEO power, measured through tenure, produces unexpected results. Instead of enhancing the benefits of ESG, CEO tenure appears to weaken the positive relationships between environmental and governance performance and firm value. This may indicate that long-serving CEOs focus more on short-term financial outcomes than on long-term sustainability goals. CEO power also does not significantly influence the relationship between social performance and firm value, highlighting that executive authority may play different roles across the ESG dimensions.

These findings suggest that stakeholders should adjust their approaches to ESG integration. Corporate management should link sustainability initiatives more closely with clear value drivers, moving beyond disclosure toward measurable improvements in environmental and social practices. Leadership structures may require stronger oversight to prevent the concentration of authority that can reduce the effectiveness of ESG efforts. Investors and analysts need improved valuation approaches that differentiate meaningful sustainability performance from compliance-based reporting. Meanwhile, ASEAN regulators and stock exchanges should work toward harmonized reporting standards and stronger ESG rating methodologies to improve comparability and build investor confidence.

This study has several limitations. CEO power is measured only through tenure, excluding other important dimensions such as CEO duality, compensation design, or educational background. Future research should adopt broader measures of executive influence to better capture leadership dynamics. In addition, reliance on Refinitiv ESG scores may introduce rating biases; incorporating data from other providers such as Bloomberg, MSCI, or Sustainalytics could strengthen robustness. Finally, given the institutional diversity of ASEAN countries, future studies could benefit from multi-level modelling or country-fixed effects approaches to better identify regulatory and cultural factors that shape the ESG–performance relationship.

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