sustainability

Article

The Value Relevance of ESG Practices in Japan and Malaysia: Moderating Roles of CSR Award, and Former CEO as a Board Chair

Sahar E-Vahdati *, Wan Nordin Wan-Hussin and Mohd Shazwan Mohd Ariffin

Othman Yeop Abdullah Graduate School of Business, Universiti Utara Malaysia, Kuala Lumpur 50300, Malaysia
* Correspondence: sahar.evahdati@uum.edu.my

Abstract: This study examines the impact of ESG practices and its three pillars on the stock price, and the moderating role of CSR award, and having an ex-CEO as a chairman on the ESG-value nexus in Japan and Malaysia. Based on a large sample of 538 observations from 2015–2019, we find a positive valuation effect of ESG practices in both countries, which are in line with stakeholder theory. We observe that the value relevance of ESG practice is significantly higher in Malaysia than in Japan. However, the market does not significantly value all three ESG pillars equally in Japan and Malaysia. Our study reveals that the social pillar is more dominant in Japan; whereas, in Malaysia, it is the environmental pillar that strongly influences market value. According to signaling theory, we find CSR award only moderates the market valuation of ESG in Malaysia. Based on positive synergy theory, we further suggest that when an ex-CEO sits as a chairman, it moderates the value relevance of ESG in Japan. Our study has practical implications for stakeholders including investors, policymakers, and managers. Our results suggest investors and regulators in the Indo-Pacific region need to distinguish between the three pillars of ESG practices and their consequences on the market price, before making an investment decision.

Keywords: ESG; value relevance; CSR award; ex-CEO; Indo-Pacific

Citation: E-Vahdati, S.; Wan-Hussin, W.N.; Mohd Ariffin, M.S. The Value Relevance of ESG Practices in Japan and Malaysia: Moderating Roles of CSR Award, and Former CEO as a Board Chair. *Sustainability* **2023**, *15*, 2728. https://doi.org/10.3390/su15032728

Academic Editors: Joaquim Miranda Sarmento, Pedro Verga Matos and Victor Barros

Received: 12 December 2022
Revised: 8 January 2023
Accepted: 16 January 2023
Published: 2 February 2023

1. Introduction

Firms must create value for multiple stakeholders namely employees, customers, lenders, communities, shareholders, suppliers, and the environment, among others [1,2]. In tandem with the rise in sustainable investments, corporate social responsibility (CSR) or environmental, social, and governance (ESG) considerations are discussed in corporate boardrooms with increasing frequency [2]. The vast literature suggests that firms' CSR/ESG initiatives can have a significant effect on firm value through various channels. For example, the literature shows that CSR/ESG performance can increase customer and employee satisfaction [3,4], enhance stakeholder trust via firm-specific reputation and social capital [5,6], attract institutional investors [7], create better access to finance [8], and create competitive advantages in product markets [9].

In addition, several scholars suggest that whether CSR/ESG activities can add value to the firm is contingent upon certain factors. For example, a study in the United States shows that CSR/ESG and firm value are positively (negatively/insignificantly) related to firms with high (low) customer awareness [4]. Ref. [10] report that higher CEO power enhances the ESG effect on firm value among the FTSE 350 firms in the United Kingdom. Meanwhile, ref. [11] show that in India, the value-enhancing effect of CSR on firm value is greater for foreign firms relative to domestic firms. Furthermore, ref. [12] present global evidence that CSR reporting increases firm value, and financial analysts strengthen the positive relationship between CSR reporting and firm value.

Nevertheless, despite numerous studies examining the stakeholder effects of CSR performance [13,14], the relationship between CSR and firm value is still debated among researchers [2]. We contribute to this debate by examining the ESG and market value relationship in Japan and Malaysia by considering the moderating roles of CSR awards and the former CEO as board chair in the ESG-equity price nexus. The value relevance of ESG in both countries is largely unexplored, despite the fact that Japan has the largest number of participants in the Global Reporting Initiative [15] and in Japan, sustainable development assets and ESG investing have grown rapidly [16], whilst in Malaysia, CSR reporting has been mandatory since 2007 [17]. These two countries have contrasting ESG regulatory frameworks, which make them interesting for closer examination, given that different requirements and regulations may lead to different valuation consequences of ESG practices. While Malaysia is the first among the ASEAN-5 countries to implement mandatory ESG disclosure in 2007 [18], this was followed by the Philippines in 2011, Indonesia in 2012, Thailand in 2014, and Singapore in 2016; Japanese firms are not subjected to mandatory ESG disclosure during our sample period [19]. Both Malaysia and Japan reside in the Indo-Pacific region. The economic significance of the region was evident when President Joe Biden unveiled the Indo-Pacific Economic Framework for Prosperity in Japan. The world's largest economy is located in 13 countries in the Indo-Pacific region, and according to the report published by Asia Economy of CNBC on 25 May 2022, 60% of the world's population resides in this region. Thus, the first objective of our study is to examine the value relevance of ESG practices in Japan and Malaysia, as these two countries represent a sample of developed and developing countries in the Indo-Pacific region, and have different ESG disclosure policies.

Although ESG activities are compatible with stakeholder's interests [20–22], previous studies have depicted that winning a CSR award plays a significant role in enhancing a firm's reputation [23,24]. Aligning with signaling theory, CSR award announcements provide interesting signals to the stakeholders and shareholders and attract their positive attention [25,26]. Further, drawing on the stakeholder value maximization view of stakeholder theory, winning a CSR award is value-enhancing [24]. However, as far as we know, there is no literature exploring the CSR award as a moderator for the value relevance of ESG practices, which is the second focus of our research.

Prior literature points to the CEO as one of the most influential managers and main decision-makers, who play an important role in corporate disclosure quality [27,28]. Accordingly, the former CEO who sits on the board as chair has access to in-depth organizational knowledge [29], and the ability to strongly advocate for ESG disclosure that helps drive market value. Therefore, we argue that a former CEO in a board chair position strengthens the value relevance of ESG practices, which has not been investigated in the literature, and is the third focus of our study.

We address our hypothesis by using a large sample of 583 firm-year observations, comprising 405 and 178 for Japan and Malaysia, respectively, during the period 2015 to 2019. This study first examines the association between ESG performance and share price. The ESG disclosure and share price data used in this study are gathered from the Thomson Reuters ASSET4/Refinitiv Eikon database. Our overall results reveal that stock market investors value the overall ESG practices and its three pillars differently in both countries. We find a positive association for the overall ESG-stock price nexus in both countries, and the effect is stronger in Malaysia as compared to Japan. We further find that CSR awards enhance the value relevance of ESG practices in Malaysia, particularly, and we find that it moderates the value relevance of social and governance pillars. Moreover, we find that having an ex-CEO as a chairman amplifies the ESG-equity price nexus, and specifically, the social pillar-equity price relationship in Japan.

This study contributes to the existing literature in various ways. First, it responds to a call by some studies, such as [30,31], to expand the empirical evidence on the value relevance of the different ESG pillars to other stock markets, in both developed and developing markets. Using data from Japan and Malaysia from the Indo-Pacific region, which have around 40% of the world's gross domestic product in 2022—Asia Economy of CNBC, May 2022, our study extends the evidence provided by [22], who examine the relationship between CSR and firm value for the earlier period prior to 2015, and document the positive relationship to be stronger in middle-income countries such as Malaysia than Japan (a high-income country). Using a more recent sample period spanning 2015–2019, our finding that the value relevance of ESG disclosure is greater in Malaysia, as compared to Japan, is probably driven by the ESG regulation (mandatory versus voluntary). Second, we contribute to the prior literature by documenting the moderating role of a CSR award on the value relevance of ESG performance. Third, this is the first study to examine the moderating role of former CEOs in board chair positions on the market valuation of ESG performance. We thereby contribute to the literature that identifies firm-specific or country-level factors that play a moderating role in enhancing the positive effect of ESG performance on firm value. While important prior research on such moderating effects exists, the focus has so far predominantly been on customer awareness [4], CEO power [10], and the role of financial analysts [12]. In contrast to these studies, we examine the moderating effects of winning a CSR award and appointing an ex-CEO as the board chair. Finally, our study's findings contribute to the ongoing debate on the factors related to the market valuation of sustainability performance. The outcomes have practical implications for financial market regulators, shareholders in investment decisions, and directors making decisions on disclosing non-financial information. Therefore, the information from the current study can be considered in making future investment decisions by stakeholders that may affect shareholder wealth.

The rest of the study is prepared as follows: The next section provides literature reviews and hypotheses. The study design is discussed in the next section. It is then presented with sample selection and descriptive statistics, followed by the main results. The last sections are the discussion and conclusion.

2. Literature Review and Hypothesis Development

2.1. The Value Relevance of ESG Practices

Stakeholder theory posits that companies should focus on all stakeholders and gain their trust [32,33]. The value relevance of financial statement information can be increased when it combines with non-financial information [34]. To do so, sustainability activities have become important factors for investors in analyzing the company's value [35].

A stream of literature has concentrated on the value relevance of ESG practices; however, it is limited. For example, ref. [36] assert that ESG disclosure of firms with Dow Jones sustainability index memberships has a strong expressive power for stock prices over traditional accounting information. In the Asia Pacific region, Japanese firms and their shareholders are increasingly recognizing the importance of ESG investment and ESG practice's value relevancy [37]. Interestingly, Japanese firms are more likely to focus their sustainability disclosure on environmental programs and policies rather than social issues, and the perceived importance of sustainability among firms in the country is quite high [15]. Moreover, ref. [38] compare ESG disclosure among United Nations Global Compact (UNGC) signatory firms. Based on their finding, French and Spanish companies mostly concentrated on a high level of social and governance pillars of ESG, while in Japan, companies' ESG disclosure is directed towards environmental pillars.

ESG practices are assessed by stakeholders who seek the best business decisions [39]. This is consistent with the assertion by [40] from the emerging market sample that ESG and sustainability investing is beneficial in Malaysia and adds market value. Ref. [41] state that sustainability disclosure is positively and significantly associated with a company's share price. These studies demonstrate that strong ESG practices can function as a guide for a company's overall quality of management, which translates into better financial outcomes. However, some studies, such as [42], show no evidence that sustainability practices have any positive significant influence on share prices and long-term firm value.

Given the debate in the literature discussed above on the value relevance of ESG practices, in most cases, ESG practices have a positive relationship with market valuation. With this notion and drawing on the stakeholder theory, we expect that the valuation of the market is likely to be positively affected by ESG practices or ESG and its pillar (environmental, social, and governance). Thus, in this paper, we test the following hypotheses:

Hypothesis 1. *ESG disclosure is positively associated with company market value.*

2.2. The Moderating Role of the CSR Award

We consider the CSR award to formulate further hypotheses by arguing that it plays a moderating role in the value relevance of ESG practices. First, drawing on the stakeholder value maximization view of stakeholder theory, winning a CSR award affects market value [24]. Shareholders may not be aware of a company's strong ESG performance until a CSR award bring that to the market and it upwardly adjusts corporate value [23]. Prior studies point to the positive responses from shareholders concerning CSR award news [43,44]. Ref. [10] explain the CSR award winners' positive role in incentivizing non-CSR award-winning counterparts' ESG engagement. CSR awarding can reduce the cost of capital [45]. Interestingly, ref. [46] by using a CSR award as a social responsibility indicator, shows that companies can gain better financial results than those that do not pursue CSR initiatives.

Moreover, the signaling theory explicates the existence of information asymmetry between the company as the owner of the information and stakeholders as the users of the information [47]. CSR awards can play a role signaling in what the awardee has accomplished in terms of ESG disclosure and hence the CSR award can be a tool for enhancing corporate reputation [25]. Normally, CSR awards are structured by reputable media outlets that provide a full list of companies that have undergone ESG practices, and recognize companies due to their innovation, high quality, and outstanding ESG practices that positively enhance their reputation [23,48]. In other words, when the company receives a CSR award, it can get a positive reaction from the investors [10]. Consistently, investors affirm greater reception of a firm's ESG excellence when it is identified by third parties like media outlets, in the form of CSR awards. Although some studies, such as [49] state that the stock price market does not respond to the ESG brand announcement in Japan, we follow the line of thinking that the strength of market valuing of ESG practices depends on the CSR award as a tool for corporate reputation. Therefore, based on the stakeholder value maximization view of stakeholder theory, we complement prior literature in this attitude and develop the following hypothesis and sub-hypotheses as below:

Hypothesis 2. *CSR award positively moderates the value relevance of ESG disclosure.*

2.3. The Moderating Role of ex-CEO as a Board Chair

We consider the former CEO who acts as a board chair to formulate another hypothesis by arguing that such a CEO plays a moderating role in the market valuation of ESG disclosure. The retention of a former CEO as the board chair may benefit the firm from the former CEO's firm-specific expertise, leading to a higher quality of ESG disclosure. Drawing on the positive synergies theory which is consistent with the stakeholder theory, ESG performance can even increase the trust of stakeholders and satisfy even those investors who expect a lower financial return because they receive satisfaction from purchasing shares in a firm that makes social expenditures [10]. Additionally, it affects CEOs' opportunistic behaviors, who may view ESG as their self-interest activity [8].

Moreover, CEOs influence financial as well as nonfinancial reporting, and therefore they penetrate both financial and non-financial performance [50]. New outsider CEO leads to more post-succession strategic change [51,52]. Thus, being chairman as predecessor CEO may limit adjustment movements that are among the supposed benefits of changing leaders [53]. The retention of the predecessor CEO as a chairman can have offsetting benefits by mitigating the risk of being unaware or naive by new CEOs [54]. At the same time, retaining the former CEO as board chair means firms experience reduced post-succession strategic change [54], partly due to the traditional preferences of former CEOs, ultimately similar skills are used to make effective strategic and operational decisions. So, firms often retain the former CEO as the board chair specifically to have access to their deep organizational knowledge [29], which has more power to make a great commitment to ESG practices and market value [55]. Then, ESG practice quality will become higher, which signals the CEO's ability to value enhancing [10]. Therefore, according to the positive synergies theory, we argue that a former CEO in a board chair position moderates positively the value reliance of ESG practices, and we develop hypotheses as below:

Hypothesis 3. *Former CEO as a board chair positively moderates the value relevance of ESG disclosure.*

3. Research Methodology

3.1. Sample and Data

The first objective of our study is to determine the value relevance of ESG practices, and the second and third objectives are to examine the moderating roles of a CSR award and having a chairman as ex-CEO, on the market reaction of ESG practices. The data consists of firms listed under the Stock Exchanges that cover the period beginning in 2015 and ending in 2019, before the outbreak of the COVID-19 pandemic in Japan and Malaysia. Our sampling period is restricted by the limitations of ESG scores in Malaysia and Japan, since the Sustainability Reporting Guidelines in these countries started from 2014 onwards, and also our sample is limited to only those firms that have non-missing values for ESG practices, stock price, CSR award, chairman as ex-CEO and other key variables. However, it should be noted that not all Malaysian and Japanese firms disclosed their ESG pillars from 2015 to 2019, therefore, we remove observations with different fiscal year observations and inadequate financial and governance data. Ultimately, after excluding the missing data and merging financial and non-financial information, the dataset yields a total of 583 (178 Malaysian firm-year, and 405 Japanese firm-year) observations available for analysis.

This study takes into account that the final sample consists of 583 firms and a total period from 2015 to 2019. Therefore, we also applied panel data in a joint test. This allows us to control the individual unobservable heterogeneity as well as the endogenous nature of the explanatory variables.

3.2. Empirical Models

To test our research hypotheses, we conduct regression analyses (ordinary least squares regression) using the value relevance model developed by [56]. Prior studies (e.g., [30,57,58]) believe that the price model with adjustment of [56] dominates the line of research related to value relevance of non-financial disclosure and financial data. Therefore, we employ a price model for testing our hypotheses. Empirical model 1 suggests a relationship between ESG score and share price, the empirical models 2 and 3 examine the moderating roles of a CSR award, and ex-CEO as the chairman for the relationship between ESG score and share price, respectively. All the variables are defined in Table 1.

$$PC_{it} = ß_0 + ß_1 ESG_{it} + ß_2 EPS_{it} + ß_3 BSIZE_{it} + ß_4 LEV_{it} + ß_5 CSR\_COM_{it} + ß_6 ROA_{it} + ß_7 FSIZE_{it} + \varepsilon_{it} \quad (1)$$

$$\begin{aligned} PC_{it} = ß_0 + ß_1 ESG_{it} + ß_2 CS\_AWARD_{it} \times ESG_{it} + ß_3 EPS_{it} + ß_4 BSIZE_{it} + ß_5 LEV_{it} + ß_6 CSR\_COM_{it} \\ + ß_7 ROA_{it} + ß_8 FSIZE_{it} + \varepsilon_{it} \end{aligned} \quad (2)$$

$$\begin{aligned} PC_{it} = ß_0 + ß_1 ESG_{it} + ß_2 EX\_CEO_{it} \times ESG_{it} + ß_3 EPS_{it} + ß_4 BSIZE_{it} + ß_5 LEV_{it} + ß_6 CSR\_COM_{it} \\ + ß_7 ROA_{it} + ß_8 FSIZE_{it} + \varepsilon_{it} \end{aligned} \quad (3)$$

Table 1. Variable definitions.

Items	Acronym	Measurement
Closing Price	PC	Based on the share price (in USD) at the financial year-end.
Sustainability	ESG	ESG Score is an overall company score indicated by self-reported information in the environmental, social, and corporate governance pillars.
	ENV	The environmental pillar measures a company's impact on natural systems and concentrates on how well a company uses best management practices to avoid environmental risks and capitalize on environmental opportunities to generate long-term shareholder value.
	SOC	The social pillar measures a company's capacity to generate trust and loyalty with its workforce, customers, and society, by the use of best management practices to generate long-term shareholder value.
	GOV	The corporate governance pillar measures a company's systems and processes, that ensure its board members and executives act in the best interests of its long-term shareholders via checks and balances as shareholder value.
Earnings Per Share	EPS	Net income divided by the outstanding number of shares.
Board Size	BSIZE	The number of board members.
Leverage	LEV	Total liabilities divided by total assets.
CSR Sustainability Committee Score	CSR_COM	1 if the company has a CSR committee or team (board level or Senior management committee responsible for decision-making on CSR strategy), 0 otherwise.
Return On Assets	ROA	Net income before financing costs divided by total assets.
Total Assets	FSIZE	Natural logarithm of total assets.
Corporate Responsibility Awards	CS_AWARD	1 if the company received an award for its social, ethical, community, or environmental activities or performance, and 0 otherwise.
Chairman is ex-CEO	EX_CEO	1 if the chairman held the CEO position in the company before becoming the chairman, 0 otherwise.

Note: All financial figures are converted into USD. Financial and governance data are collected from the Thomson Reuters ASSET4/Refinitiv Eikon database [59,60], similar to ref [24,31,58,61].

Consistent with prior studies [30,58] that used book value, price-earnings, and share price to indicate the relevancy of the value for each firm, our primary measure of value relevance is closing price traded among Malaysia and Japan firms. The independent variables of this study are ESG practice and its dimensions, which are indicated by the overall ESG score (ESG) and its pillars (EN, SOC, GOV) [31]. Moreover, for the moderating interaction, this study employs CS_AWARD to represent either firm that received an award for environmental, social, and governance performance. The CS_AWARD is indicated by a dummy variable, coded 1 if received any award and 0 if otherwise.

Additionally, EX_CEO is indicated by 1 if the chairman is ex-CEO and 0 if otherwise. We use a panel data methodology combination of time series and cross-sectional data in a joint test. This allowed us to control the individual unobservable heterogeneity (firm effect) and endogenous nature of the explanatory variables. Along with prior research (e.g., [31,57]) we employ several control variables in model estimation. First, we control for financial variables consisting of EPS which represents earnings per share of the company, LEV indicated by total liabilities divided by total assets, ROA indicated by operating income divided by total assets, and FSIZE based on tangible and intangible assets for each firm. We also control for some corporate governance variables, including CSR_COM to indicate whether the firm has a CSR committee team or otherwise, and BSIZE represents the board size.

Table 2 summarizes the industry classifications of firms in our sample based on sector classifications by [7]. In Japan, the dominant sector is manufacturing (120 firms) followed by consumer discretionary (105 firms), whereas, in Malaysia, the prominent industry is the manufacturing sector (39 firms) followed by finance (35 firms). However, the sector that is least represented in the Japan sample is the energy sector, and in Malaysia the technology sector.

Table 2. Sector classifications.

Panel A: Industry Sector for Japan													
Fiscal Year	**1**	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**9**	**10**	**11**	**Total**	**Total (%)**
FY2015	0	1	4	0	0	0	1	0	0	0	0	6	1.22
FY2016	16	28	10	1	12	6	32	4	14	2	3	128	26.07
FY2017	13	25	8	1	8	6	26	4	11	1	2	105	21.38
FY2018	14	23	11	1	10	10	29	2	13	2	4	119	24.24
FY2019	16	28	12	1	7	12	32	2	16	2	5	133	27.09
Total	59	105	45	4	37	34	120	12	54	7	14	491	100.00
Panel B: Industry Sector for Malaysia													
Fiscal Year	**1**	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**9**	**10**	**11**	**Total**	**Total (%)**
FY2015	1	5	6	4	7	2	8	2	0	3	2	40	18.52
FY2016	1	5	6	5	8	2	8	2	0	3	1	41	18.98
FY2017	2	6	7	4	8	3	9	2	1	4	3	49	22.69
FY2018	2	6	8	4	8	3	8	3	1	4	3	50	23.15
FY2019	1	5	6	4	4	3	6	2	0	2	3	36	16.67
Total	7	27	33	21	35	13	39	11	2	16	12	216	100.00

Note: 1 represents basic materials, 2 represents consumer discretionary, 3 represents consumer staples, 4 represents energy, 5 represents financials, 6 represents health care, 7 represents manufacturing, 8 represents the real estate, 9 represents technology, 10 represents telecommunications, and 11 represents utilities.

4. Analysis and Results

4.1. Descriptive Statistics and Correlation Coefficient

We present the descriptive statistics for our sample of firms in Table 3, which consists of Panel A (Japan), and Panel B (Malaysia). To temper the effects of outliers, this study also present skewness and kurtosis figures. The mean of PC for Japan is 40.75 with a standard deviation of 77.81, which is much higher than Malaysia. Concerning independent variables, the mean overall ESG score for Japan is 59.38 and for Malaysia is 49.78, which is consistent with prior studies (e.g., [31,62]). The table also reveals that among ENV, SOC, and GOV, the highest mean is GOV (63.56) for Japan, whereas the highest mean is SOC (52.88) for Malaysia, which indicate some variability. These results support the theoretical argument that Japanese firms disclose higher governance pillar information for their ESG practice, whereas Malaysian firms disclose more social pillar for their ESG activities. Further, the mean of financial data consisting of EPS, LEV, and ROA for Malaysia is slightly lower compared to Japan. Regarding control variables, the means of EPS are 2.71 (Japanese) and 0.08 (Malaysian) firms, the average BSIZE is 10.88 (Japan) and 9.03 (Malaysia) firms, the mean of LEV is 0.53 (Japan) and 0.56 (Malaysia). Additionally, the mean of CSR-COM (in percentage) is 65% (Japan) and 56% (Malaysia) firms which shows high involvement of both countries' boards of directors in CSR committees in order to promote firm ESG practices which are aligned with United Nations 2030 Sustainable Development Goals (SDGs) goals agenda [63].

Further, we present key variables of Pearson correlation coefficients in Table 4, which consist of Panel A (Japan) and Panel B (Malaysia). As expected, the correlation coefficient between overall ESG and PC is significant and positive for both countries, indicating that market value is relevant to ESG practices. Further, ESG pillars (ENV, SOC, GOV) are strongly and positively correlated with PC, whereas in Japan, only SOC and GOV have positive significance with PC. Moreover, there is a negative relationship between P and CS_AWARD in Japan but a positive correlation exists between them in Malaysia. However, there is no link between EX_CEO and PC in both countries. The highest correlations are between ESG and SOC in Japanese firms (coefficient = 0.905) and Malaysian firms (coefficient = 0.886), respectively. We also conducted a variance inflation factor (VIF) to check the multi-collinearity problem [64]. In the same table, all the variables' VIF demonstrate values below 3, which show that multicollinearity is not a major concern for this study. Overall, correlation analyses suggest that the ESG score and its pillars are associated with a stock closing price.

Table 3. Descriptive statistics.

Panel A: Japan											
Variables	**PC**	**ESG**	**ENV**	**SOC**	**GOV**	**EPS**	**BSIZE**	**LEV**	**CSR-COM**	**ROA**	**FSIZE**
Min	2.10	10.63	0.00	1.53	12.19	−0.36	4.00	0.08	62.22	0.00	19.96
Max	896.29	92.89	97.05	94.02	96.91	44.46	24.00	1.04	68.23	0.52	28.82
Mean	40.75	59.38	60.23	53.44	63.56	2.71	10.88	0.53	65.22	0.06	23.62
Std. Dev.	77.81	16.96	25.32	21.86	18.03	4.24	2.94	0.21	1.94	0.06	1.43
Skewness	0.66	−0.54	−0.98	−0.40	−0.37	0.48	0.62	0.02	−0.55	−0.98	0.83
Kurtosis	2.11	−0.18	0.11	−0.56	−0.37	1.15	0.96	−0.47	−1.19	1.64	1.58
Panel B: Malaysia											
Variables	**PC**	**ESG**	**ENV**	**SOC**	**GOV**	**EPS**	**BSIZE**	**LEV**	**CSR-COM**	**ROA**	**FSIZE**
Min	0.03	5.20	0.00	4.44	3.47	−0.02	5.00	0.00	53.95	0.00	8.40
Max	35.95	87.22	88.85	97.39	98.70	0.73	17.00	0.99	59.32	0.85	11.31
Mean	2.09	49.78	38.98	52.88	52.16	0.08	9.03	0.56	56.99	0.07	9.70
Std. Dev.	4.38	15.89	21.65	19.42	20.51	0.13	2.00	0.24	2.04	0.10	0.65
Skewness	−0.17	−0.27	0.02	−0.21	−0.25	−0.37	0.62	−0.06	−0.42	−0.01	0.40
Kurtosis	0.07	0.23	−0.87	−0.41	−0.88	0.25	1.05	−0.82	−1.17	−0.12	0.11

Note: The number of observations for Japan is 405, and for Malaysia is 178. Variables are defined in Table 1.

Table 4. Correlation matrix.

Panel A: Japan														
VIF	**Variable**	**PC**	**ESG**	**ENV**	**SOC**	**GOV**	**EPS**	**BSIZE**	**LEV**	**CSR-COM**	**ROA**	**FSIZE**	**CS_AWARD**	**EX_CEO**
1.00	PC	1.00												
1.39	ESG	0.04 *	1.00											
1.81	ENV	0.02	0.81 **	1.00										
1.11	SOC	0.07 *	0.90 **	0.66 **	1.00									
1.21	GOV	0.03 *	0.65 **	0.29 **	0.42 **	1.00								
1.18	EPS	0.60 **	0.09 *	0.07	0.11 **	0.04	1.00							
1.24	BSIZE	−0.14 **	0.07	0.14 **	0.02	0.03	−0.08 *	1.00						
1.89	LEV	−0.22 **	0.24 **	0.19 **	0.23 **	0.16 **	−0.17 **	0.31 **	1.00					
1.01	CSR-COM	−0.07	−0.04	0.02	−0.05	−0.03	0.00	0.03	0.03	1.00				
1.45	ROA	0.23 **	−0.19 **	−0.24 **	−0.19 **	−0.08	0.21 **	−0.27 **	−0.49 **	0.04	1.00			
1.99	FSIZE	−0.06	0.39 **	0.33 **	0.31 **	0.31 **	0.00	0.41 **	0.68 **	0.05	−0.46 **	1.00		
1.26	CS-AWARD	−0.10 *	0.52 **	0.46 **	0.52 **	0.26 **	0.02	0.08	0.13 **	0.01	−0.12 **	0.23 **	1.00	
1.08	EX-CEO	0.03	0.2 1**	0.20 **	0.18 **	0.10 *	−0.04	−0.02	0.08	0.01	−0.08	0.19 **	0.14 **	1.00
Panel B: Malaysia														
VIF	**Variable**	**PC**	**ESG**	**ENV**	**SOC**	**GOV**	**EPS**	**BSIZE**	**LEV**	**CSR-COM**	**ROA**	**FSIZE**	**CS_AWARD**	**EX_CEO**
1.13	PC	1.00												
1.23	ESG	0.31 **	1.00											
1.45	ENV	0.29 **	0.69 **	1.00										
1.04	SOC	0.30 **	0.88 **	0.53 **	1.00									
1.22	GOV	0.14 *	0.67 **	0.16 *	0.42 **	1.00								
1.19	EPS	0.56 **	0.10	−0.02	0.05	0.20 **	1.00							
1.15	BSIZE	−0.19 **	0.08	0.15*	0.10	−0.04	−0.21 **	1.00						
1.23	LEV	0.05	0.30 **	0.06	0.13	0.31 **	0.11	0.02	1.00					
1.07	CSR-COM	0.00	−0.05	−0.06	−0.06	0.05	−0.19 **	−0.03	−0.07	1.00				
1.54	ROA	0.23 **	0.07	0.04	0.16*	−0.07	0.03	−0.07	−0.19 **	0.07	1.00			
1.22	FSIZE	−0.16 *	0.01	−0.04	−0.09	0.12	0.18 **	0.16 *	0.40 **	−0.01	−0.43 **	1.00		
1.14	CS-AWARD	0.14 *	0.19 **	0.25 **	0.18**	0.06	0.09	0.11	0.03	−0.04	0.12	0.23 **	1.00	
1.13	EX-CEO	−0.11	−0.13	0.03	−0.07	−0.25 **	−0.11	0.05	0.14 *	0.04	−0.09	0.20 **	−0.02	1.00

Note: Statistical significance is denoted by * $p < 0.10$, ** $p < 0.05$. Variables are defined in Table 1.

4.2. Findings

4.2.1. Hypothesis 1 Findings

The ordinary least squares (OLS) regression analysis is carried out with standard errors clustered at the firm level among Japanese and Malaysian firms to minimize heteroscedasticity and autocorrelation in the result. Model (1) of Table 5 presents the regression result for the relationship between the price closing (PC) and overall ESG practice in Japan (Panel A), and Malaysia (Panel B). We find that the ESG is positively associated with PC in Japan (coefficient = 0.01, $p < 0.1$) with t-values of 2.26, and Malaysia (coefficient = 0.28, $p < 0.05$) with t-values of 4.91. Howbeit, in Malaysia, this relationship is stronger, these results provide statistical and economic evidence to support Hypothesis 1 for both countries. In other words, the results indicate that when overall ESG practices increase, stock price closing becomes higher in Malaysia and Japan by 0.28 and 0.01 points, respectively. These results indicate that the value relevance of ESG practices in Malaysia is greater compared to Japan. Model (2) shows the regression result for the link between ENV, SOC, and GOV as pillars of ESG practices in order. We find that SOC and GOV pillars have a positive association with PC. However, there is some difference in our Malaysian sample results which shows that ENV and SOC have a strong and positive relationship with PC. In other words, in both countries when social practices improve, price closing increases as well. Additionally, the degree of R2 is satisfactory for both models in both countries. In terms of control variables, in Japan, BSIZE, LEV, CSR_COM, and ROA are negatively associated with price closing (PC), and EPS, ROA, and FSIZE are positively linked with PC. Meanwhile, in Malaysia, EPS, CSR_COM, and ROA have a positive relationship with PC, whereas FSIZE is negatively correlated with PC. Our findings on the insignificant influence of some individual ESG practices in Japan and Malaysia on the value relevance indicate that a strong legal framework could impact the final results [65]. Following [65], country-level variables have heterogeneous effects especially on ESG practice levels as reported in this study.

Table 5. Value relevance of ESG practices in Japan and Malaysia.

Variables	Coef.	t-Value	Coef.	t-Value	Coef.	t-Value	Coef.	t-Value
	Model 1				**Model 2**			
Panel A: Japan								
Constant	124.30	0.96	119.97	0.92	124.84	0.96	126.49	0.97
ESG	0.01 *	2.26						
ENV			0.03	1.34				
SOC					0.04 *	3.11		
GOV							0.02 *	2.28
EPS	0.53 ***	12.36	0.52 ***	12.35	0.53 ***	12.33	0.52 ***	12.35
BSIZE	−0.07 ***	−1.73	−0.07 ***	−1.69	−0.07 ***	−1.72	−0.07 ***	−1.69
LEV	−0.14 ***	−2.50	−0.15 ***	−2.57	−0.14 ***	−2.49	−0.14 ***	−2.45
CSR_COM	−0.07 ***	−1.90	−0.07 ***	−1.89	−0.07 ***	−1.90	−0.07 ***	−1.87
ROA	0.09 *	1.97	0.09 *	1.96	0.09 *	1.97	0.09 *	1.98
FSIZE	0.11 *	1.85	0.11 *	1.98	0.10 *	1.84	0.10	1.63
Adj R-Square	0.38		0.38		0.38		0.38	
Sig.	0.00		0.00		0.00		0.00	
Durbin-Watson	1.14		1.14		1.14		1.14	
Observations	405		405		405		405	
Panel B: Malaysia								
Constant	9.28	1.11	7.57	0.95	8.65	1.03	1.76	0.20
ESG	0.28 **	4.91						
ENV			0.31 ***	6.09				
SOC					0.26 ***	4.71		
GOV							0.00	0.07
EPS	0.61 ***	10.95	0.62 ***	11.46	0.62 ***	11.08	0.63 ***	10.33
BSIZE	−0.03	−0.50	−0.03	−0.60	−0.03	−0.46	−0.01	−0.09
LEV	0.02	0.27	0.08	1.52	0.08	1.36	0.14 **	2.19
CSR_COM	0.13 **	2.46	0.14 **	2.62	0.14 **	2.60	0.13 **	2.17
ROA	0.13 **	2.13	0.16 **	2.69	0.11 *	1.71	0.14 **	2.14
FSIZE	−0.19 ***	−2.85	−0.21 ***	−3.20	−0.21 ***	−3.12	−0.24 ***	−3.38
Adj R-Square	0.54		0.57		0.52		0.45	
Sig.	0.00		0.00		0.00		0.00	
Durbin-Watson	1.32		1.44		1.26		1.35	
Observations	178		178		178		178	

Note: Statistical significance is denoted by * $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$. Variables are defined in Table 1.

To control the issue of endogeneity, this study uses random effect GLS regression estimation. We conducted the Hausman test statistics as a battery of endogeneity and reported the findings in Table 6 [66]. This estimation shows, in general, ESG pillars are significant at 0.01 points in explaining variation in PC for Malaysia except insignificant for the GOV pillar. In contrast, the findings show the insignificant result for ESG pillars in Japanese firms. Moreover, control variables consisting of EPS, BSIZE, and FSIZE are positively associated with the closing price (PC) for both panels. The differences between the results of OLS and Hausman Test Statistics occurred since the combination of time series and cross-sectional techniques was inconsistent among the models. Given that the endogeneity issue is minimal, hence, we reported the original OLS regression results as the main findings (Hypothesis 1 findings) and continue with the findings on the moderating effect via CSR award (Hypothesis 2) and former CEO as a board chair (Hypothesis 3).

Table 6. Endogeneity using GLS regression.

Variables	Coef.	t-Value	Coef.	t-Value	Coef.	t-Value	Coef.	t-Value
	Model 1				Model 2			
Panel A: Japan								
ESG	−0.06	−0.29						
ENV			−0.14	−1.11				
SOC					−0.02	−0.13		
GOV							0.09	0.59
EPS	9.64 ***	3.22	9.62 ***	3.23	9.64 ***	3.20	9.62 ***	3.21
BSIZE	−2.18 **	−2.06	−2.13 *	−1.92	−2.17 **	−2.06	−2.13 **	−2.00
LEV	−63.90 **	−2.07	−66.02 **	−2.09	−63.44 **	−2.09	−62.72 **	−2.05
CSR_COM	−3.13	−1.41	−3.09	−1.37	−3.12	−1.40	−3.07	−1.38
ROA	187.48	1.31	186.32	1.30	187.50	1.31	187.40	1.30
FSIZE	6.79 **	1.99	7.15 **	2.08	6.57 **	2.00	6.02 *	1.81
Constant	111.16	0.86	105.93	0.82	112.09	0.88	114.43	0.87
Observations	405		405		405		405	
Prob>F	0.00		0.00		0.00		0.00	
R-Square	0.39		0.39		0.39		0.39	
Panel B: Malaysia								
ESG	0.09 ***	2.90						
ENV			0.07 ***	3.38				
SOC					0.06 ***	2.95		
GOV							0.00	0.16
EPS	23.87 ***	4.45	24.22 ***	4.88	24.23 ***	4.51	24.09 ***	3.84
BSIZE	−0.06	−0.61	−0.07	−0.71	−0.06	−0.58	−0.02	−0.26
LEV	0.27	0.25	1.67	1.25	1.54	1.13	2.71	1.51
CSR_COM	0.30 **	2.50	0.31 ***	2.64	0.32 **	2.56	0.27 **	2.37
ROA	7.44 **	2.30	9.08 **	2.61	6.03 **	1.98	8.19 **	2.12
FSIZE	−0.57 **	−2.58	−0.61 ***	−2.94	−0.62 ***	−2.66	−0.72 **	−2.57
Constant	−9.63	0.17	−8.17	−1.27	−8.78	−1.28	−1.18	−0.19
Observations	178		178		178		178	
Prob>F	0.00		0.00		0.00		0.00	
R-Square	0.53		0.56		0.53		0.47	

Note: Statistical significance is denoted by * $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$. Variables are defined in Table 1.

4.2.2. Hypothesis 2 Findings

In this section, we first examine the moderating effect of a CSR award (CS-AWARD) on the relationship between overall ESG (ESG) practice and price closing (PC) for Japan and Malaysia in Model (3) of Table 7. The primary variable of interest in this analysis is the interaction term (ESG*CS_AWARD). The degree of R2 is satisfactory. The interaction effect is negative and significant for Japan (coefficient = 0.21, $p < 0.\ 05$) with a t-value of −4.18, whereas this interaction, is strongly positive for Malaysia (coefficient = 0.13, $p < 0.05$) with t-values of 1.92 which supports Hypothesis 2 for Malaysia. These findings suggest when Malaysian firms' CSR award increases, the value relevance of ESG practices increases as well. Next, we estimate Model (4) to explain the moderating effects of CSR awards on the link between ESG pillars and PC. The interaction effects of all ESG pillars for Japanese firms are significant and negative. However, this effect reverts to positive significance in Malaysia for interactions of SOC*CS_AWARD (coefficient = 0.16, $p < 0.05$, a t-values of 2.28) and GOV*CS_AWARD (coefficient = 0.14 $p < 0.05$, a t-values of 2.01). The results reveal that corporate responsibility awards do negatively impact sustainability performance toward value relevance.

Table 7. Moderating effect of CSR award on the value relevance of ESG practices in Japan and Malaysia.

Variables	Coef.	t-Value	Coef.	t-Value	Coef.	t-Value	Coef.	T-Value
	Model 3				Model 4			
Panel A: Japan								
Constant	75.78	0.59	81.39	0.63	74.66	0.58	83.69	0.65
ESG	0.12 ***	2.37						
ENV			0.06	1.34				
SOC					0.17 ***	3.01		
GOV							0.11 **	2.38
EPS	0.52 ***	12.36	0.52 ***	12.35	0.52 ***	12.35	0.51 ***	12.31
BSIZE	−0.08 **	−1.92	−0.08 **	−1.98	−0.08 **	−1.86	−0.08 **	−1.88
LEV	−0.15 **	−2.64	−0.15 **	−2.68	−0.16 **	−2.76	−0.15 ***	−2.57
CSR_COM	−0.08 **	−1.97	−0.08 **	−2.08	−0.08 **	−2.00	−0.07 **	−1.94
ROA	0.11 **	2.33	0.11 **	2.30	0.11 **	2.36	0.10 **	2.26
FSIZE	0.13 **	2.23	0.15 **	2.61	0.14 **	2.43	0.12 **	2.14
ESG*CS_AWARD	−0.21 ***	−4.18						
ENV*CS_AWARD			−0.18 ***	−3.67				
SOC*CS_AWARD					−0.24 ***	−4.44		
GOV*CS_AWARD							−0.18 ***	−3.93
Adj R-Square	0.40		0.39		0.41		0.40	
Sig.	0.00		0.00		0.00		0.00	
Durbin-Watson	1.16		1.15		1.17		1.15	
Observations	405		405		405		405	
Panel B: Malaysia								
Constant	6.43	0.76	5.96	0.73	4.93	0.58	0.08	0.01
ESG	0.21 ***	3.01						
ENV			0.23 **	2.70				
SOC					0.16 **	2.42		
GOV							−0.07	−1.03
EPS	0.61 ***	10.93	0.62 ***	11.33	0.62 ***	11.04	0.62 ***	10.33
BSIZE	−0.03	−0.53	−0.03	−0.65	−0.03	−0.49	−0.01	−0.12
LEV	0.02	0.35	0.08	1.51	0.08	1.41	0.14 **	2.21
CSR_COM	0.14 **	2.56	0.14 **	2.62	0.14 **	2.71	0.13 **	2.31
ROA	0.10	1.61	0.15 **	2.36	0.07	1.07	0.12 *	1.72
FSIZE	−0.24 ***	−3.35	−0.23 ***	−3.40	−0.27 ***	−3.77	−0.28 ***	−3.80
ESG*CS_AWARD	0.13 **	1.97						
ENV*CS_AWARD			0.10	1.18				
SOC*CS_AWARD					0.16 ***	2.31		
GOV*CS_AWARD							0.14 **	2.01
Adj R-Square	0.53		0.55		0.53		0.46	
Sig.	0.00		0.00		0.00		0.00	
Durbin-Watson	1.32		1.44		1.27		1.35	
Observations	178		178		178		178	

Note: Statistical significance is denoted by * $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$. Variables are defined in Table 1.

4.2.3. Hypothesis 3 Findings

Model (5) of Table 8 shows the results of moderating effect of CSR award on the relationship between overall ESG practices and price closing (PC) for Japan and Malaysia. The primary variable of interest in this analysis is the interaction term (ESG*EX_CEO). The coefficient on the interaction term, ESG*EX_CEO, is positive for the whole sample. Hence, Hypothesis 3 is supported in Japan. However, this interaction effect is not significant in the Malaysian sample which means that when the former CEO sits as a chairman do not moderate the ESG-Price closing nexus. Further, Model (6) shows the interaction effect of ex-CEO with all three ESG pillars which is only significant for the social pillar of Japan. In other words, the EX-CEO as a chairman does positively moderate the value relevance of social practice in Japan.

Table 8. Moderating effect of ex-CEO as a chairman on the value relevance of ESG practices in Japan and Malaysia.

Variables	Coef.	t-Value	Coef.	t-Value	Coef.	t-Value	Coef.	t-Value
	Model 5				Model 6			
Panel A: Japan								
Constant	150.86	1.16	144.60	1.11	154.80	1.19	148.02	1.14
ESG	−0.03	−0.72						
ENV			−0.05	−1.24				
SOC					−0.03	−0.68		
GOV							0.01	0.20
EPS	0.53 ***	12.50	0.53 ***	12.47	0.53 ***	12.50	0.53 ***	12.45
BSIZE	−0.06	−1.48	−0.06	−1.37	−0.06	−1.49	−0.06	−1.49
LEV	−0.14 **	−2.40	−0.15 **	−2.52	−0.13 **	−2.35	−0.14 **	−2.35
CSR_COM	−0.07 **	−1.90	−0.07 **	−1.87	−0.08 **	−1.91	−0.07 **	−1.83
ROA	0.09 **	1.95	0.09 **	1.94	0.09 **	1.98	0.09 **	1.94
FSIZE	0.09	1.49	0.09	1.57	0.08	1.43	0.07	1.25
ESG*EX_CEO	0.08 *	1.83						
ENV*EX_CEO			0.08	1.81				
SOC*EX_CEO					0.09 **	2.05		
GOV*EX_CEO							0.06	1.54
Adj R-Square	0.38		0.38		0.39		0.38	
Sig.	0.00		0.00		0.00		0.00	
Durbin-Watson	1.13		1.14		1.13		1.13	
Observations	405		405		405		405	
Panel B: Malaysia								
Constant	9.17	1.08	8.20	1.01	9.18	1.08	1.87	0.21
ESG	0.28 ***	4.90						
ENV			0.32 ***	6.09				
SOC					0.26 ***	4.71		
GOV							0.00	0.06
EPS	0.62 ***	10.82	0.62 ***	11.25	0.62 ***	10.90	0.62 ***	10.22
BSIZE	−0.03	−0.49	−0.04	−0.66	−0.03	−0.48	−0.01	−0.09
LEV	0.02	0.26	0.08	1.51	0.08	1.38	0.14 **	2.18
CSR_COM	0.13 **	2.45	0.14 **	2.62	0.14 **	2.61	0.13 **	2.16
ROA	0.13 **	2.11	0.17 **	2.72	0.11 *	1.73	0.14 **	2.13
FSIZE	−0.19 **	−2.77	−0.20 ***	−2.94	−0.20 ***	−2.89	−0.24 ***	−3.29
ESG*EX_CEO	0.00	0.08						
ENV*EX_CEO			−0.03	−0.52				
SOC*EX_CEO					−0.02	−0.34		
GOV*EX_CEO							−0.01	−0.09
Adj R-Square	0.52		0.55		0.51		0.45	
Sig.	0.00		0.00		0.00		0.00	
Durbin-Watson	1.32		1.44		1.26		1.35	
Observations	178		178		178		178	

Note: Statistical significance is denoted by * $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$. Variables are defined in Table 1.

4.2.4. Additional tests

We also performed additional tests to confirm the results of the analyses conducted earlier. Our findings expanded the prior studies [30,31] on the value relevance and ESG practices in both developed and developing markets. In these robustness tests, we re-run the regression analysis by combining both Panel A and Panel B as the full sample observation, as presented in Table 9. Contradicting the main findings, the results indicate that in general, ESG practices did not influence the value relevance. Additionally, there is no disparity relationship between the value relevance and ESG practices across the two countries. One of the possible explanations is due to the different legal frameworks and governance structures in these two countries. For instant Malaysia's multi-ethnicity is at a high level whereas Japan has one of the strongest economies across the Indo-Pacific region.

Table 9. Further analysis.

Variables	Coef.	t-Value	Coef.	t-Value	Coef.	t-Value
ESG	0.00	0.13	−0.00	−0.13	0.00	0.15
EPS	11.11 ***	20.05	11.11 ***	20.05	11.12 ***	20.07
BSIZE	−0.11	−0.62	−0.13	−0.75	−0.11	−0.58
LEV	−4.36 *	−1.65	−4.72 *	−1.74	−4.39	−1.64
CSR_COM	−0.46	−0.69	−0.68	−0.89	−0.53	−0.75
ROA	−0.74	−0.27	−1.08	−0.38	−0.75	−0.27
FSIZE	0.84	0.98	0.78	0.90	0.86	0.98
ESG*CS_AWARD			0.00	0.61		
ESG*EX_CEO					0.00	0.37
Constant	−7.58	−0.37	−5.41	−0.26	−8.09	−0.39
Number of Fiscal Year	2015 to 2019		2015 to 2019		2015 to 2019	
Random effect GLS	Yes		Yes		Yes	
Wald Chi2	415.33		415.90		416.00	
Prob>Chi2	0.00		0.00		0.00	
R-Square	0.40		0.40		0.40	
Observations	583		583		583	

Note: Statistical significance is denoted by * $p < 0.10$, *** $p < 0.01$. Variables are defined in Table 1.

5. Discussion

This study extends prior research on the association between sustainability performance and market value by considering the influence of ESG practices and their pillars on price closing in Japan and Malaysia. According to the stakeholder theory, companies' ESG practices has an important influence on investors' attitude toward interpreting the company's value [35]. Moreover, aligning with signaling theory, the CSR award plays a signal role in ESG practice [25], hence we examine the moderating role of the CSR award on the ESG practice-price closing nexus. Meanwhile, based on positive synergies theory, ESG practices can be affected by CEO behaviors, hence, we further examine the moderating role of an ex-CEO role as a chairman for the value reliance of ESG practices. For this purpose, our hypotheses are tested by applying a matched sample of 405 and 178 firm-year observations from Japan and Malaysia, respectively, during the period 2015 to 2019, and with data available on the Thomson Reuters Asset4/Refinitiv Eikon database [59,60].

In our analyses, we found the positive effects of the ESG score on price closing in all sample years of both countries. These findings confer with prior literature that the market valuing of sustainability performance is important to reduce information asymmetry between the investors and the management (e.g., [31,41,67–69]). However, in terms of comparison of countries, we observe that the value relevance of ESG performance is significantly higher for Malaysia rather than Japan, as a consequence of no legal requirement for institutional investors for considering ESG factors in making investment decisions in Japan. Thus, the revised Stewardship Code in 2020, requires Japanese investors to consider ESG factors consistent with their investment management strategies [70]. In Malaysia and some other Asian countries, the capital market regulators have encouraged companies to prepare better transparency through the disclosure of related ESG factors for their investors, which eventually may effects more on market value [71]. Next, we found in terms of ESG pillars, SOC and GOV have positive effects on price closing in Japan. Mirroring this finding, in Japan, on 31 March 2022, the Financial Services Agency asked companies to consider environmental practices more seriously and add mandatory climate reporting, as well as further disclosure guidelines on sustainability and governance-related factors in their annual disclosure. Further, our result suggests that ENV and SOC pillars have a strong and positive relationship with a market value in Malaysia which is consistent with prior research [41].

Additionally, our result suggests that in Malaysia the CSR award moderates positively the value relevance of ESG, which is aligned with the signaling theory that state CSR award announcements make a positive signal to investors in Malaysian firms, and then the market reacts [25,26]. However, in Japan, our results are consistent with [49], as we did not find a positive moderating role of the CSR award for market valuing of ESG practice. In detail, a significant and negative coefficient of this interaction role might be due to the reason that investors in Japan did not necessarily count on the CSR award as a tool for the social reputation that effect on ESG practices of Japanese companies. Therefore, this attitude leads to the dumping of shares [72]. Further, in terms of ESG pillars, our findings confirm [24] and state that, for Malaysian investors, the CSR award is considered as a credit for social and governance dimensions of ESG, which positively affect the share price.

Furthermore, our results are in line with positive synergy theory and suggest that predecessor CEOs who remain as board chair moderate positively the value relevance of ESG practices, and for only the social dimension in Japan. Similarly, [29] believe that former CEOs in board chairs have access to their deep organizational knowledge [69], and state that based on the culture of Japan, firms have strong loyalty and committee among board directors, and almost most Japanese firms have loyal employees among them. Therefore, an ex-CEO still has power and contributes to ESG practices and the market value, based on his vast experience and expertise tenure [55]. However, our results did not suggest any moderating role of the former CEO as a chairman for the value relevance of ESG and its three dimensions in Malaysia. Our findings are aligned with the Malaysian Code on Corporate Governance in 2017, and prior research (e.g., [73]) which state the importance of separation roles between CEO and chairman, and its implementation in Malaysian companies.

6. Conclusions

This paper aims to examine whether the ESG practice and its three pillars (environmental, social, governance) have impacts on price closing, and the moderating role of a CSR-award, and ex-CEO when sitting as a chairman in Japan and Malaysia. Our results have important implications. First, this research provides suitable information related to ESG practices and their effects on the share price for investors and analysts, who want to make their investment decision in Japanese and Malaysian companies. Moreover, the finding can reduce shareholders' uncertainty regarding the firm's future ESG practices. It also helps investors and managers to know how a former CEO's expertise and knowledge as a chairman will affect the consequences of future sustainability reports and firm performance. Additionally, the results are particularly useful for companies in both developed and developing countries that are using the CSR–award as a tool for CSR policies if they seek a social reputation. Furthermore, these results support our belief that conducting business according to standards that integrate environmental, social, and corporate governance principles is a differentiated business strategy that helps create value for our shareholders. Finally, an "Indo-Pacific Economic Framework for Prosperity countries" is intended to advance resilience, sustainability, inclusiveness, economic growth, fairness, and competitiveness for all 13 economies. Thus, we suggest that ESG practice strategies in Malaysia and Japan, as a sample of countries in this framework, can help to have higher stock prices.

This study has limitations and it may be extended in several directions. We limit our analysis to Japan and Malaysia. A first step would be to extend the analysis to other Indo-Pacific countries as this region contains 13 countries with the world's largest economies. Second, our sample of study does not cover recession or natural disaster periods, therefore, due to the importance of this study for stakeholders' investment decisions and to understand their commitment of them to ESG disclosure, future studies can extent our empirical models to include changes and consequences of the COVID-19 pandemic. Our results suggest that investors and regulators in Japan and Malaysia need to distinguish between the three pillars of ESG practices, and its consequences on the market price, before making their investment decision.

Author Contributions: S.E.-V.: Conceptualization, methodology, write-up, data analysis. W.N.W.-H.: writing—reviewing, editing, data analysis. M.S.M.A.: data collection and analysis. All authors have read and agreed to the published version of the manuscript.

Funding: This work was supported and funded by the Sumitomo Foundation (application grant number: 198935, FY2019) with Project ID 14685.

Data Availability Statement: The data presented in this study are available in Refinitiv Datastream.

Acknowledgments: We acknowledge all support funded by the Sumitomo Foundation Japan during our project.

Conflicts of Interest: The authors declare that they have no known competing financial interests or personal relationships that could appear to influence the work reported in this paper.

References

1. Edmans, A. The End of ESG. Financial Management. 2022. Available online: https://onlinelibrary.wiley.com/doi/pdfdirect/10.1111/fima.12413 (accessed on 30 December 2022).
2. Tsang, A.; Frost, T.; Cao, H. Environmental, Social, and Governance (ESG) Disclosure: A Literature Review. *Br. Account. Rev.* **2022**, 101149. [CrossRef]
3. Luo, X.; Bhattacharya, C.B. Corporate Social Responsibility, Customer Satisfaction, And Market Value. *J. Mark.* **2006**, *70*, 1–18. [CrossRef]
4. Servaes, H.; Tamayo, A. The Impact of Corporate Social Responsibility On Firm Value: The Role of Customer Awareness. *Manag. Sci.* **2013**, *59*, 1045–1061. [CrossRef]
5. Godfrey, P.C.; Merrill, C.B.; Hansen, J.M. The Relationship Between Corporate Social Responsibility and Shareholder Value: An Empirical Test of the Risk Management Hypothesis. *Strateg. Manag. J.* **2009**, *30*, 425–445. [CrossRef]
6. Lins, K.V.; Servaes, H.; Tamayo, A. Social Capital, Trust, And Firm Performance: The Value of Corporate Social Responsibility During the Financial Crisis. *J. Fin.* **2017**, *72*, 1785–1824. [CrossRef]
7. Dhaliwal, D.S.; Li, O.Z.; Tsang, A.; Yang, Y.G. Voluntary Nonfinancial Disclosure and The Cost of Equity Capital: The Initiation of Corporate Social Responsibility Reporting. *Acc. Rev.* **2011**, *86*, 59–100. [CrossRef]
8. Cheng, B.; Ioannou, I.; Serafeim, G. Corporate Social Responsibility and Access to Finance. *Strateg. Manag. J.* **2014**, *35*, 1–23. [CrossRef]
9. Flammer, C. Does Corporate Social Responsibility Lead to Superior Financial Performance? A Regression Discontinuity Approach. *Manag. Sci.* **2015**, *61*, 2549–2568. [CrossRef]
10. Li, Y.; Gong, M.; Zhang, X.Y.; Koh, L. The Impact of Environmental, Social, And Governance Disclosure On Firm Value: The Role of CEO Power. *Br. Acc. Rev.* **2018**, *50*, 60–75. [CrossRef]
11. Panwar, R.; Pandey, V.; Suddaby, R.; Vidal, N.G. Did India's CSR Mandate Enhance or Diminish Firm Value? *Bus. Soc.* **2022**. [CrossRef]
12. Tsang, A.; Wang, K.T.; Wu, Y.; Lee, J. Nonfinancial Corporate Social Responsibility Reporting and Firm Value: International Evidence On the Role of Financial Analysts. *Eur. Account. Rev.* **2022**, 1–36. [CrossRef]
13. Brooks, C.; Oikonomou, I. The Effects of Environmental, Social and Governance Disclosures and Performance On Firm Value: A Review of the Literature in Accounting and Finance. *Br. Acc. Rev.* **2018**, *50*, 1–15. [CrossRef]
14. Christensen, H.B.; Hail, L.; Leuz, C. Mandatory CSR and Sustainability Reporting: Economic Analysis and Literature Review. *Rev. Acc. Stud.* **2021**, *26*, 1176–1248. [CrossRef]
15. Tanimoto, K.; Suzuki, K. *Corporate Social Responsibility In Japan: Analyzing The Participating Companies In Global Reporting Initiative*; EIJS Working Paper Series 208; The European Institute of Japanese Studies: Stockholm, Sweden, 2005.
16. Global Sustainable Investment Alliance (GSIA). *Global Sustainable Investment Review*; News Release 1 April 2018; GSIA: Sydney, Australia, 2018; Available online: http://www.gsi-alliance.org/wp-content/uploads/2019/03/GSIR_Review2018.3.28.pdf (accessed on 14 January 2019).
17. Alazzani, A.; Wan-Hussin, W.N.; Jones, M. Muslim CEO, Women On Boards and Corporate Responsibility Reporting: Some Evidence from Malaysia. *J. Islam. Account. Bus. Res.* **2019**, *10*, 274296. [CrossRef]
18. E-Vahdati, S.; Wan-Hussin, W.N.; Ariffin, M.S.M. Sustainability Performance and Board Compensation in Japan and ASEAN-5 Countries. *Borsa Istanb. Rev.* **2022**. [CrossRef]

19. Krueger, P.; Sautner, Z.; Tang, D.Y.; Zhong, R. The Effects of Mandatory ESG Disclosure Around the World. *Eur. Corp. Gov. Inst. –Financ. Work. Pap.* **2021**, *754*, 21–44. [CrossRef]
20. E-Vahdati, S.; Binesh, F. The Impact of CEO's Attributes on R&D Intensity and ESG Practices. *Span. J. Fin. Acc. /Rev. Española De Financ. Y Contab.* **2021**, *51*, 326–349. [CrossRef]
21. Fatemi, A.; Glaum, M.; Kaiser, S. ESG Performance and Firm Value: The Moderating Role of Disclosure. *Glob. Fin. J.* **2018**, *38*, 45–64. [CrossRef]
22. Ooi, C.A.; Hooy, C.W.; Nagata, K. Corporate Social Responsibility, Firm Value and Corporate Governance Code Revisions: The Asian Evidence. *Asian Econ. J.* **2021**, *35*, 27–56. [CrossRef]
23. Benjamin, S.J.; Biswas, P.K. Does Winning A CSR Award Increase Firm Value? *Int. J. Discl. Gov.* **2022**, *19*, 313–329. [CrossRef]
24. Uyar, A.; Kuzey, C.; Karaman, A.S. ESG Performance and CSR Awards: Does Consistency matter? *Fin. Res. Lett.* **2022**, *50*, 103276. [CrossRef]
25. Alfariz, R.; Widiastuti, H. The Influence of Media Exposure, Managerial Ownership, and the Indonesia Sustainability Reporting Award on Corporate Social Responsibility Disclosure. In Proceedings of the 4th International Conference on Sustainable Innovation 2020-Accounting and Management, Tamil Nadu, India, 1–4 January 2021; Atlantis Press: Paris, France, 2021; pp. 259–266.
26. Connelly, B.L.; Certo, S.T.; Ireland, R.D.; Reutzel, C.R. Signaling Theory: A Review and Assessment. *J. Manag.* **2011**, *37*, 39–67. [CrossRef]
27. E-Vahdati, S.; Oradi, J.; Nazari, J.A. CEO Gender and Readability of Annual Reports: Do Female CEOs' Demographic Attributes Matter? *J. Appl. Acc. Res.* 2022; *ahead-of-print*. [CrossRef]
28. Wu, S.; Quan, X.; Xu, L. CEO Power, Disclosure Quality and The Variability of Firm Performance: Evidence from China. *Nankai Bus. Rev. Int.* **2011**, *2*, 79–97. [CrossRef]
29. Fahlenbrach, R.; Minton, B.A.; Pan, C.H. Former CEO Directors: Lingering CEOs or Valuable Resources? *Rev. Finan. Stud.* **2011**, *24*, 3486–3518. [CrossRef]
30. Aureli, S.; Gigli, S.; Medei, R.; Supino, E. The Value Relevance of Environmental, Social, And Governance Disclosure: Evidence from Dow Jones Sustainability World Index Listed Companies. *Corp. Soc. Res. Environ. Manag.* **2020**, *27*, 43–52. [CrossRef]
31. Miralles-Quirós, M.M.; Miralles-Quirós, J.L.; Valente Gonçalves, L.M. The Value Relevance of Environmental, Social, and Governance Performance: The Brazilian Case. *Sustainability* **2018**, *10*, 574. [CrossRef]
32. Freeman, R.E. *Strategic Management: A Stakeholder Approach*; Cambridge University Press: Cambridge, UK, 2010; pp. 183–201.
33. Schaltegger, S.; Hörisch, J.; Freeman, R.E. Business Cases for Sustainability: A Stakeholder Theory Perspective. *Organ. Environ.* **2019**, *32*, 191–212. [CrossRef]
34. Hassel, L.; Nilsson, H.; Nyquist, S. The Value Relevance of Environmental Performance. *Eur. Acc. Rev.* **2005**, *14*, 41–61. [CrossRef]
35. Alshehhi, A.; Nobanee, H.; Khare, N. The Impact of Sustainability Practices On Corporate Financial Performance: Literature Trends and Future Research Potential. *Sustainability* **2018**, *10*, 494. [CrossRef]
36. Lourenço, I.; Callen, J.; Branco, M.; Curto, J.; Eugenio, T. How Does the Market Value Corporate Sustainability Performance? *J. Bus. Ethics* **2012**, *108*, 417–428. [CrossRef]
37. Fabozzi, F.J.; Ng, P.W.; Tunaru, D.E. The Impact of Corporate Social Responsibility On Corporate Financial Performance and Credit Ratings in Japan. *J. Asset. Manag.* **2021**, *22*, 79–95. [CrossRef]
38. United Nations Global Compact. *United Nations Global Compact 2008 Annual Review*; United Nations Global Compact: New York, NY, USA, 2009.
39. Eliwa, Y.; Aboud, A.; Saleh, A. ESG Practices and The Cost of Debt: Evidence from EU Countries. *Crit. Perspect. Acc.* **2021**, *79*, 102097. [CrossRef]
40. Mohammad, W.M.W.; Wasiuzzaman, S. Environmental, Social and Governance (ESG) Disclosure, Competitive Advantage and Performance of Firms in Malaysia. *Clean. Env. Syst.* **2021**, *2*, 100015. [CrossRef]
41. Halimah, N.P.; Irsyanti, A.; Aini, L.R. The Value Relevance of Sustainability Reporting: Comparison Between Malaysia and Indonesia Stock Market. *Indones. J. Acc. Res.* **2020**, *23*, 447–466. [CrossRef]
42. Inoue, Y.; Lee, S. Effects of Different Dimensions of Corporate Social Responsibility On Corporate Financial Performance in Tourism-Related Industries. *Tour. Manag.* **2011**, *32*, 790–804. [CrossRef]
43. Hawn, O.; Chatterji, A.K.; Mitchell, W. Do Investors Actually Value Sustainability? New Evidence from Investor Reactions to The Dow Jones Sustainability Index (DJSI). *Strateg. Manag. J.* **2018**, *39*, 949–976. [CrossRef]
44. Klassen, R.D.; McLaughlin, C.P. The Impact of Environmental Management On Firm Performance. *Manag. Sci.* **1996**, *42*, 1199–1214. [CrossRef]
45. Virakul, B.; Koonmee, K.; McLean, G.N. CSR Activities in Award-Winning Thai Companies. *Soc. Res. J.* **2009**, *5*, 178–199. [CrossRef]
46. Hou, T.C.T. The Relationship Between Corporate Social Responsibility and Sustainable Financial Performance: Firm-Level Evidence from Taiwan. *Corp. Soc. Res. Environ. Manag.* **2019**, *26*, 19–28. [CrossRef]
47. Spence, M. Job Market Signaling. *Q. J. Econ.* **1973**, *87*, 355–374. [CrossRef]
48. Frey, B.S.; Gallus, J. Towards an Economics of Awards. *J. Econ. Surv.* **2017**, *31*, 190–200. [CrossRef]
49. Mitsuyama, N.; Shimizutani, S. Stock Market Reaction to ESG-Oriented Management: An Event Study Analysis On a Disclosing Policy in Japan. *Economics. Bull.* **2015**, *35*, 1098–1108.

50. Javeed, S.A.; Lefen, L. An Analysis of Corporate Social Responsibility and Firm Performance with Moderating Effects of CEO Power and Ownership Structure. *Sustainability* **2019**, *11*, 248. [CrossRef]
51. Behr, H.; Fehre, K. CEO succession and the CEO's commitment to the status quo. *Bus. Res.* **2019**, *12*, 355–381. [CrossRef]
52. Sakano, T.; Lewin, A.Y. Impact of CEO Succession in Japanese Companies: A Coevolutionary Perspective. *Organ. Sci.* **1999**, *10*, 654–671. [CrossRef]
53. Tushman, M.L.; Virany, B.; Romanelli, E. Executive Succession, Strategic Reorientations, And Organization Evolution: The Minicomputer Industry as A Case in Point. *Technol. Soc.* **1985**, *7*, 297–313. [CrossRef]
54. Quigley, T.J.; Hambrick, D.C. When The Former CEO Stays On as Board Chair: Effects On Successor Discretion, Strategic Change and Performance. *Strateg. Manag. J.* **2012**, *33*, 834–859. [CrossRef]
55. Velte, P. Does CEO Power Moderate the Link Between ESG Performance and Financial Performance? A Focus On the German Two-Tier System. *Manag. Res. Rev.* **2019**, *43*, 497–520. [CrossRef]
56. Ohlson, J.A. Earnings, Book Values, And Dividends in Equity Valuation. *Contemp. Account. Res.* **1995**, *11*, 661–687. [CrossRef]
57. Zuraida, Z.; Houqe, M.N.; Van Zijl, T. Value Relevance of Environmental, Social and Governance Disclosure. In *Research Handbook of Finance and Sustainability*; Edward Elgar Publishing: Cheltenham, UK, 2018; pp. 458–483.
58. Vander Bauwhede, H.; Van Cauwenberge, P. Determinants and Value Relevance of Voluntary Assurance of Sustainability Reports in A Mandatory Reporting Context: Evidence from Europe. *Sustainability* **2022**, *14*, 9795. [CrossRef]
59. Refinitiv Datastream. *Measure of Volatility*; Refinitiv: London, UK, 2020.
60. Refinitiv Environmental, Social and Governance (ESG) Scores from Refinitiv. 2022. Available online: https://www.refinitiv.com/content/dam/marketing/en_us/documents/methodology/refinitiv-esg-scores-methodology.pdf (accessed on 25 October 2022).
61. Govindan, K.; Kilic, M.; Uyar, A.; Karaman, A.S. Drivers and Value-Relevance of CSR Performance in the Logistics Sector: A Cross-Country Firm-Level Investigation. *Int. J. Prod. Econ.* **2021**, *231*, 107835. [CrossRef]
62. Jadoon, I.A.; Ali, A.; Ayub, U.; Tahir, M.; Mumtaz, R. The Impact of Sustainability Reporting Quality On the Value Relevance of Corporate Sustainability Performance. *Sustain. Dev.* **2021**, *29*, 155–175. [CrossRef]
63. Pizzi, S.; Caputo, A.; Corvino, A.; Venturelli, A. Management Research and The UN Sustainable Development Goals (SDGs): A Bibliometric Investigation and Systematic Review. *J. Clean. Prod.* **2020**, *276*, 124033. [CrossRef]
64. Gujarathi, D.M. *Gujarati: Basic Econometrics*; McGraw-Hill: New York, NY, USA, 2022; pp. 188–231.
65. Baldini, M.; Maso, L.D.; Liberatore, G.; Mazzi, F.; Terzani, S. Role of Country-And Firm-Level Determinants in Environmental, Social, And Governance Disclosure. *J. Bus. Ethics* **2018**, *150*, 79–98. [CrossRef]
66. Yaqub, M.S.; Mehmood, B.; Zohaib, M.; Muhammad, S.; Bukhari, H. Is Eva a better performance measure than accounting measures? Evidence from Pakistani listed companies. *Sci. Int.* **2015**, *27*, 1425–1432.
67. Alsayegh, M.F.; Abdul Rahman, R.; Homayoun, S. Corporate Economic, Environmental, and Social Sustainability Performance Transformation Through ESG Disclosure. *Sustainability* **2020**, *12*, 3910. [CrossRef]
68. Laskar, N.; Chakraborty, T.K.; Maji, S.G. Corporate Sustainability Performance and Financial Performance: Empirical Evidence from Japan and India. *Manag. Labour Stud.* **2017**, *42*, 88–106. [CrossRef]
69. Nguyen, T.T.P.; Thai, H.M. Effects of Female Directors On Gender Diversity at Lower Organization Levels and CSR Performance: Evidence in Japan. *Glob. Fin. J.* **2022**, *53*, 100749. [CrossRef]
70. Miyake, K.; Adachi., O. At a Glance: ESG and Investing in Japan, Lexology. 2020. Available online: https://www.lexology.com/library/detail.aspx?g=114c011f-7793-4b56-b3d7-5efb06757839 (accessed on 30 December 2022).
71. World Federation of Exchanges. 2009 Annual Report. 2010. Available online: https://www.world-exchanges.org/our-work/statistics (accessed on 25 October 2022).
72. Leković, M. Evidence for and Against the Validity of Efficient Market Hypothesis. *Econ. Themes* **2018**, *56*, 369–387. [CrossRef]
73. Rahman, R.A.; Haniffa, R.M. The Effect of Role Duality On Corporate Performance in Malaysia. *Corp. Ownersh. Control* **2005**, *2*, 40–47. [CrossRef]