

Does ESG Performance Create Value? Unraveling the Roles of Corporate Reputation, Investor Trust, and Corporate Governance

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ABSTRACT

This study examines the impact of Environmental, Social, and Governance (ESG) performance on firm financial performance and investor intention. It further investigates the mediating roles of corporate reputation and investor trust, along with the moderating role of corporate governance. The study aims to explain how ESG translates into financial and behavioral outcomes through reputational and psychological mechanisms. A quantitative approach was used with Partial Least Squares Structural Equation Modeling (PLS-SEM). Data were collected from 380 individual investors and financially literate respondents in Pakistan using purposive sampling. All constructs were measured using validated five-point Likert scales adapted from prior studies. Results show that ESG performance significantly enhances corporate reputation and investor trust, which in turn positively influence firm financial performance and investor intention. Corporate reputation and investor trust partially mediate these relationships, confirming their role as key mechanisms in ESG value creation. However, corporate governance does not significantly moderate the ESG–corporate reputation link, suggesting a more direct rather than conditional role. Overall, ESG operates through both reputational and trust-based pathways. The study integrates Stakeholder Theory and Signaling Theory to explain how ESG influences firm outcomes through dual mediators. It also provides evidence that corporate governance does not act as a moderating factor in this relationship in an emerging market context, contributing to theory refinement. Findings suggest that firms should focus on authentic ESG practices and transparent communication to strengthen reputation and investor trust. Policymakers should enhance ESG disclosure frameworks to improve market transparency and investor confidence. Corporate governance remains important as a structural mechanism supporting accountability.

Keywords: ESG, Corporate Reputation, Investor Trust, Corporate Governance,

Firm Financial Performance, Investor Intention

1. Introduction

The Environmental, Social, and Governance (ESG) performance has become one of the key aspects of a modern corporate strategy and investment decision-making (Khan & Iqbal, 2024). During a time of growing transparency and activism by all stakeholders, the companies are supposed to not only perform financially but also act responsibly in relation to the environmental sustainability, welfare of the society as well as ethical governance (Ali, 2015; Mason, 2020). This trend is indicative of a larger capital markets change in which non-financial measures are starting to have a greater impact on the valuation of firms and the choices of investors (Ali, 2018).

The rise of the topic of ESG has attracted a lot of academic interest but, the current literature gives diverse and disparate findings on its effects on the performance of companies (Ali & Bibi, 2017; Wang et al., 2024). Whereas other studies indicate a positive relationship between ESG performance and financial performance and attracting investor interest, other studies have indicated low or context specific effects. This inconsistency suggests that the linkage between ESG and the firm-level outcomes is not completely direct and can instead be elucidated by other mediating factors.

In this connection, corporate reputation has been largely perceived as a prime intangible resource by which companies transform responsible actions into competitive edge. Good reputation is an indicator of credibility, legitimacy, and long term orientation, which may increase the stakeholder support and market worth (Taghian et al., 2015; Ali & Bibi, 2017). Previous studies have previously tended to look at the concept of corporate reputation separately, without fully incorporating it into a wider ESG-inspired framework of behaviour and financial performance, though (Morrison, 2021).

Investor trust, on the same note, is very important in determining the behavior of investors especially in a situation with information asymmetry. The ESG disclosures may decrease the amount of uncertainty because it indicates transparency and ethical practices, enhancing investor confidence (Ali & Audi, 2016; Zyznarska-Dworczak, 2022). Although it is an important aspect, investor trust has been given minimal focus as a mediating factor between ESG performance and the investor intention as well as the financial performance of a firm.

Corporate governance is another significant aspect in this relationship that is usually presumed to enhance effectiveness of ESG practices as it brings accountability, transparency and disciplined decision making (Ali & Rehman, 2015; Alvarez, 2025). Nevertheless, empirical evidence on whether it modulates or not is inconsistent particularly in new markets where the governance frameworks might have only minor variability or even conceptually overlap on the ESG dimensions (Bani-Khaled et al., 2025; Longston et al., 2025).

To cover these gaps, the present research paper will consider how the ESG performance affects the firm financial performance and investor intention with the intervention of corporate reputation and investor trust, and moderating effect of corporate governance. Related to the stakeholder theory and the signaling theory, the proposed study suggests that ESG has both a direct and indirect value creation through the mechanism of perception that change stakeholder attitudes and behaviors. Such a combined method will give a better insight as to how ESG can translate to financial and behavioral impacts.

2. Literature Review

2.1. Theoretical Foundation

This work is mainly based on the Stakeholder Theory that assumes the firms generate long-term value by responding to the expectations of a wide spectrum of stakeholders instead of orienting on the shareholders only (DesJardine et al., 2023; Khalil et al., 2025). Here, ESG performance is a significant tool whereby firms are able to show responsibility to environmental, social and governance issues (Chen et al., 2023; Nasir et al., 2025). This responsible behavior builds better corporate reputation and advertisement to stakeholders especially investors as they will develop confidence, legitimacy as well as evident ethical behavior (Gidage & Bhide, 2024). The positive response of the stakeholders on ESG engagement should lead to a better investor trust, investor intention and, eventually, firm financial performance due to the greater support of the stakeholders and a decreasing number of relational uncertainties (Marc et al., 2022; Wang et al., 2023)

The paper also relies on Signaling Theory, which makes the accounts of how companies signal their quality and credibility to their external stakeholders in the circumstances of information asymmetry (Connelly et al., 2025). ESG performance can be seen as a reliable indicator of the sustainability of a firm in the long term, whether it is adept at managing risks, and the quality of its governance (Landi et al., 2022). Those investing in companies offer high ESG scores as a sign that the risk and reliability are decreased, improving investor confidence, corporate reputation, and willingness to invest. These good signals eventually end up being translated into good financial performance as the people in the market invest more in a person demonstrated to be conscientious and open; which proves the results of behavioral (investor intention) and performance-related results (Ooi & Lau, 2026).

2.2. Hypothesis Development

2.2.1. ESG Performance and Direct Effects

There is considerable literature supporting the contention that ESG performance is crucial to corporate success and stakeholder perceptions (JOHN). ESG programs demonstrate a firm's environmental, social and governance practices, which contribute to increasing its legitimacy (Shaikh, 2022). Existing evidence shows firms that perform well in terms of ESG have a better reputation among stakeholders, as corporate responsibility is associated with ethical practices and a long-term perspective (Zumente & Bistrova, 2021). Likewise, engaging in ESG practices lowers risk and enhances transparency, which fosters confidence among investors by enhancing firm value and quality of reporting (Marc & Ali, 2023; Li et al., 2026).

Lastly, ESG performance has been shown to enhance financial performance, as engagements with sustainability and corporate responsibility lead to efficiency gains, risk minimisation and sustainable growth (Astuti et al., 2024). ESG performance is a key driver of investor confidence and higher valuations, and can give companies greater access to capital (Kräussl et al., 2024; Marc et al., 2026). What's more, ESG performance positively affects investor intention; as socially responsible investors are more inclined to invest in firms that match their ethical and sustainable investment preferences.

H1: ESG performance has a direct positive relationship with Corporate Reputation

H2: ESG performance has a direct positive relationship with Investor Trust

H3: ESG performance has a direct positive relationship with Firm financial performance

H4: ESG performance has a direct positive relationship with Investor Intention

2.2.2. Reputation and Investor trust as antecedents

The reputation of corporations has been widely accepted as a key intangible resource that affects financial (Market Capitalisation, Tobin's Q, ROA, ROE) and behavioural (Consumer Loyalty) outcomes (Jeet & Aspal, 2021). Positive reputation indicates quality, trust, and performance, contributing to improved firms' financial performance by attracting resources such as investors, customers and business partners (Yan et al., 2022). Previous studies indicate firms with positive reputational capital yield lower cost of capital and market stability. Moreover, corporate reputation greatly impacts investor intention as investors are more likely to invest in firms that enjoy a favourable reputation (Houque et al., 2024).

Likewise, trust is an influential factor in determining financial and behavioral outcomes in financial markets (Gaspar et al., 2020). Trust overcomes uncertainty and information risk, which in turn, leads to a greater willingness to invest. Existing studies show increased levels of investor trust result in better financial performance through the effect of reliable funding from investors and a lower cost of capital (Fisch & Seligman, 2022). In addition, trust also stimulates investor intention, as investors influenced by trust are willing to enter into long-term investment relationships.

H5: Corporate Reputation has a direct positive relationship with Firm financial performance

H6: Corporate Reputation has a direct positive relationship with investor intention

H7: Investor trust has a direct positive relationship with Firm financial performance

H8: Investor trust has a direct positive relationship with Investor intention

2.2.3. The mediation effects of corporate reputation and Investor trust

Recent studies emphasise that the effects of ESG performance on firm outcomes are far from direct; ESG impacts firm outcomes indirectly through corporate reputation and investor trust (Meng et al., 2023). ESG activities boost corporate reputation, which then converts ESG performance into financial gains by positively affecting stakeholders' and investors' perceptions and trust in the market (Meng et al., 2023). Likewise, reputation is a psychological mediator that boosts investor intention, with investors using reputation as a proxy to guide their decision making in uncertain market conditions (Baumgartner et al., 2022).

Likewise, investor trust is a key moderating mechanism through which ESG performance impacts investment intentions and financial performance (Zhang et al., 2024). ESG reporting and practices demand increased transparency and lower the perceived risks to investors, which in turn, increases investor trust (Gaur et al., 2025). This in turn results in improved firm financial performance - as firms are able to secure more stable sources of financing - and investor intention - as trust is associated with commitment to invest. Therefore, both corporate reputation and investor trust play important explanatory roles in the positive link between ESG performance and valuable organisational outcomes (Meng et al., 2023).

H9: Corporate Reputation mediates the relationship between ESG performance and firm financial performance

H10: Corporate Reputation mediates the relationship between ESG performance and Investor Intention

H11: Investor Trust mediates the relationship between ESG performance and firm financial performance

H12: Investor Trust mediates the relationship between ESG performance and Investor Intention

2.2.4. Moderating Role of Corporate Governance

The corporate governance literature indicates that it also has a key moderating role in boosting the impact of ESG practices (Chebbi & Ammer, 2022). Effective corporate governance structures (such as independent boards, transparent reporting and monitoring and control processes) strengthen the credibility and effectiveness of ESG practices (Hossain et al., 2026). Effective corporate governance ensures ESG initiatives are more likely to be seen as authentic and not "greenwash", thus amplifying the positive impact of ESG initiatives on reputation.

In contrast, governance deficiencies may generate distrust in ESG practices, and diminish the positive reputational effects of ESG performance (Didwania & Garg, 2025). Existing research suggests that governance increases accountability and decreases agency issues, which boosts trust in ESG reporting (Tongol, 2025). As a result, we anticipate a corporate governance to enhance the positive impact of ESG on corporate reputation.

H13: Corporate governance moderates the relationship between ESG and corporate reputation

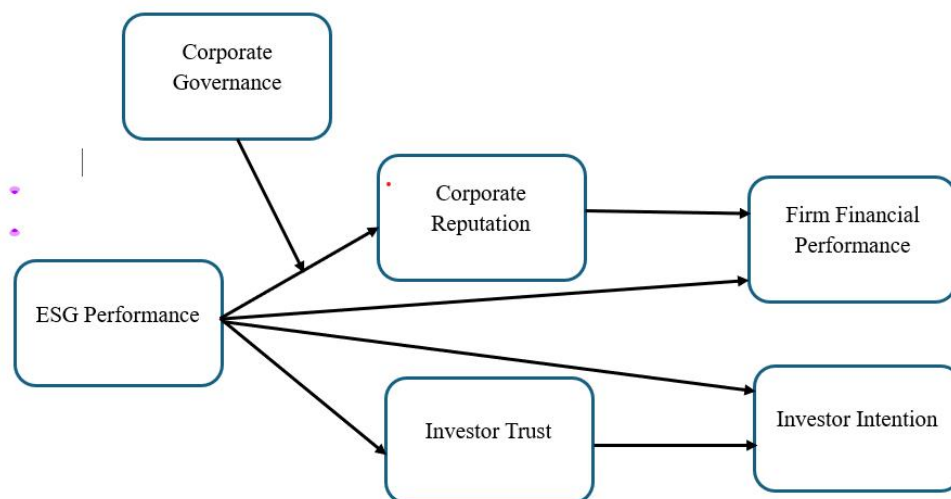


Figure 1: Conceptual Model

3. Methodology

3.1. Data Collection and Procedure

The present research uses a quantitative approach to explore the influence of ESG practice on the firm performance and investor intention, and moderates the relationships between corporate reputation and investor intention, corporate reputation and corporate financial performance, corporate social responsibility communication and firm financial performance, as well as corporate social responsibility activity and firm financial performance. Data were gathered via a questionnaire from individual investors and financially savvy individuals who have knowledge about investment and firm practices, and are able to assess ESG practices and business performance. A purposive non-probability sampling method was employed to identify the respondents and the data collection was via online channels and offline (to a minimal extent) (Almusaed et al., 2025). The scales were modified from previous research and measured with a five-point Likert scale with strongly

disagree to strongly agree. A pre-test was done to ensure the clarity and reliability of the survey questions, and respondents were given ethical information on voluntary participation, anonymity and confidentiality. Out of 400 questionnaires, 380 were used after conducting missing value and outlier analyses and the final data were analysed using Partial Least Squares Structural Equation Modeling (PLS-SEM) with SmartPLS for the suggested two-stage analysis.

3.2. Measures

This study adopted existing reliable and valid scales to measure the constructs to achieve desired results. A 5-point Likert scale was used to collect data. Corporate Governance constructs were assessed by using a modified four-item scale developed by (Xuan & Loang, 2023). Investor Trust was measured with five items adapted from McKnight et al. (1998), including three items to measure benevolence-based trust, and two items to measure competence-based trust. Corporate Reputation was measured with three items adapted from (Santos et al., 2024). Firm Financial Performance was assessed using four items from (Ejoh & Ejom, 2014). ESG Performance was assessed using thirteen items - five items for environmental sustainability practices, four items for sustainable governance, and four items for social sustainability practices, items adapted from (Madulid, 2025). Finally, Investor Intention was assessed with four items from (Kumari et al., 2023) study.

4. Empirical Findings

We used Partial Least Squares Structural Equation Modeling (PLS-SEM) to test the hypotheses because of its powerful analytics, flexibility and suitability for complex models, especially in the presence of small sample size and non-normal distributional assumptions (Ali et al., 2018). The study used SmartPLS for the analysis in a two stage process. In the initial stage, the measurement model was examined by analysing convergent and discriminant validity based on confirmatory factor analysis to determine the reliability and validity of the constructs (Ramayah et al., 2018). In the second stage, the structural model was tested to confirm the direct, indirect (mediation) and moderation effects. This allowed us to thoroughly test the relationships between ESG performance, corporate reputation, investor trust, corporate governance and firm performance.

4.1. Measurement Model Assessment

The measurement model results show adequate convergent validity and reliability for all the constructs. The factor loadings are mostly greater than the recommended value of 0.70, which establishes that the items sufficiently represent the constructs, with a few lower values (e.g., 0.633 and 0.694) still acceptable as they are higher than the minimum value of 0.60. Cronbach's alpha values (0.712 to 0.938) and composite reliability (CR) values (0.835 to 0.946) are higher than the recommended value of 0.70, which indicates that the items are highly reliable and internally consistent. Moreover, the average variance extracted (AVE) values range from 0.559 to 0.634, which are greater than the recommended value of 0.50, and confirm that the constructs account for a large proportion of variance of their indicators. These findings indicate that the measurement model is reliable and valid, and can be used for further analysis in the structural model, whereas the results of the interaction term (ESG $\times$ Corporate Governance) are 1.000 (which is common for moderation analysis) because the interaction is a single item.

Table 1: *Convergent Validity*

	Indicators	Factor Loadings	Alpha	CR	AVE
Investor Trust	BBIT1	0.747	0.81	0.86	0.57
	BBIT2	0.715			
	BBIT3	0.798			
	CBIT1	0.732			
	CBIT2	0.783			
Corporate Governance	CG1	0.760	0.73	0.83	0.55
	CG2	0.732			
	CG3	0.785			
	CG4	0.713			
Corporate Reputation	CR1	0.792	0.71	0.83	0.6
	CR2	0.819			
	CR3	0.777			
ESG	EP1	0.768	0.93	0.94	0.57
	EP2	0.786			
	EP3	0.813			
	EP4	0.760			
	EP5	0.777			
	GP1	0.761			
	GP2	0.780			
	GP3	0.729			
	GP4	0.633			
	SP1	0.694			
	SP2	0.773			
	SP3	0.771			
	SP4	0.783			
Firm Financial Performance	FFP1	0.739	0.74	0.83	0.56
	FFP2	0.749			
	FFP3	0.799			
	FFP4	0.709			
Investor Intention	II2	0.786	0.75	0.84	0.57
	II3	0.736			
	II4	0.749			
	II5	0.751			
	ESG *				
	Corporate Governance	1.731	1.000	1.00	1.000

The results of the tests of discriminant validity, both the Fornell-Larcker criterion and HTMT ratios, show that model constructs are empirically distinct. In the Fornell-Larcker case, the square root of AVE of each construct (diagonal values

from 0.748 to 1.000) is greater than the correlations with other constructs, supporting the discriminant validity at construct level. While some correlations between constructs are relatively high (e.g., Corporate Reputation with Investor Intention = 0.640 and Firm Financial Performance = 0.625), they are all still lower than the square roots of their corresponding AVE values, indicating empirical distinctiveness. For the HTMT ratios, the figures are all below the conservative cut-off point of 0.90, although several construct relationships are relatively high (e.g., Investor Intention–Firm Financial Performance = 0.943 and Investor Intention–Corporate Reputation = 0.861), suggesting similar abstract concepts but not so similar that they fail to meet the discriminant validity requirement. Both Fornell-Larcker and HTMT results show that the results considered together confirm that the constructs are distinct; the measurement model shows that the constructs have acceptable discriminant validity for further analysis.

Table 2: *Discriminant Validity (Fornell-Larcker)*

	Corporate Governance	Corporate Reputation	ES G	ESG*CG	Firm Financial Performance	Investor Intention	Investor Trust
Corporate Governance	0.748						
Corporate Reputation	0.476	0.796					
ESG	0.231	0.263	0.75				
ESG*CG	-0.339	-0.270	-0.3	1.0			
Firm Financial Performance	0.466	0.625	0.3	-0.2	0.750		
Investor Intention	0.530	0.640	0.3	-0.3	0.705	0.756	
Investor Trust	0.510	0.606	0.338	-0.293	0.647	0.703	0.755

4.2. Structural Model Assessment

Results for the structural model shows that most relationships are statistically significant, and align with the literature. Corporate Reputation significantly increases Firm Financial Performance ($\beta = 0.357$, $p < 0.001$), and Investor Intention ($\beta = 0.328$, $p < 0.001$). ESG enhances Corporate Reputation, Investor Trust, Firm Financial Performance and Investor Intention with stronger moderating impact on Investor Trust ($\beta = 0.338$, $p < 0.001$). Investor Trust also has a positive and significant influence on Firm Financial Performance ($\beta = 0.390$, $p < 0.001$) and Investor Intention ($\beta = 0.471$, $p < 0.001$) thus it is a key element. However, the moderation effects of Corporate Governance on ESG–Corporate Reputation is insignificant and negative ($\beta = -0.048$, $p = 0.078$). Finally, indirect effects also demonstrate the mediation effects of ESG and both outcomes by Corporate Reputation and Investor Trust, confirming that ESG has mostly impact on financial performance and investor intentions via reputation management and investor's trust, and the moderated indirect relationship is not significant.

Table 3: Discriminant Validity (HTMT Ratio)

	Corporate Governance	Corporate Reputation	ESG	ESG*CG	Firm Financial Performance	Investor Intention	Investor Trust
Corporate Governance							
Corporate Reputation	0.647						
ESG	0.282	0.316					
ESG*CG	0.397	0.320	0.351				
Firm Financial Performance	0.628	0.856	0.407	0.342			
Investor Intention	0.707	0.861	0.402	0.344	0.943		
Investor Trust	0.661	0.792	0.385	0.327	0.829	0.896	

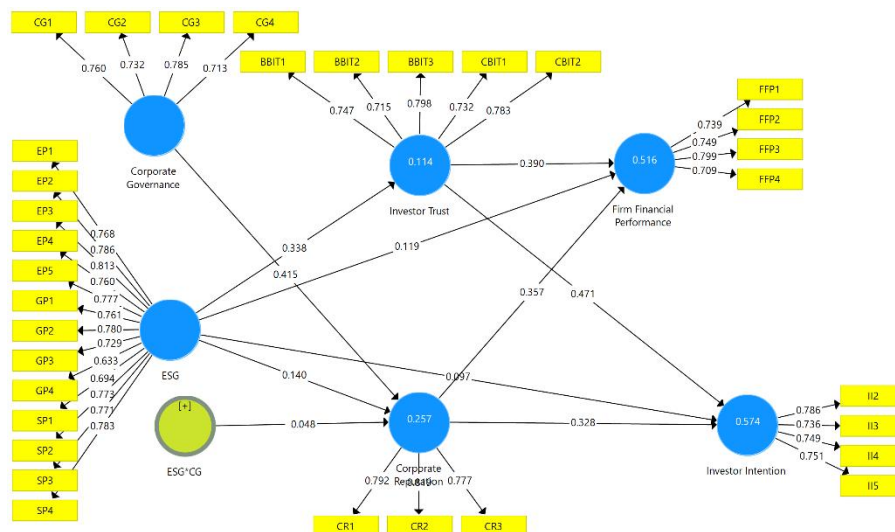


Figure 2: Measurement Model Assessment

Table 4: Path Analysis (Direct Effects)

	Beta	(STDEV)	T Statistics	P Values	Min	Max
Corporate Reputation -> Firm Financial Performance	0.357	0.048	7.413	0.000	0.260	0.450
Corporate Reputation -> Investor Intention	0.328	0.046	7.141	0.000	0.234	0.415
ESG -> Corporate Reputation	0.140	0.046	3.039	0.002	0.052	0.231
ESG -> Firm Financial Performance	0.119	0.046	2.590	0.010	0.034	0.212
ESG -> Investor Intention	0.097	0.044	2.215	0.027	0.010	0.182

ESG -> Investor Trust	0.338	0.056	6.059	0.000	0.229	0.448
ESG*CG -> Corporate Reputation	-0.048	0.027	1.764	0.078	-0.095	0.010
Investor Trust -> Firm Financial Performance	0.390	0.052	7.471	0.000	0.285	0.490
Investor Trust -> Investor Intention	0.471	0.049	9.627	0.000	0.376	0.571

4.3. Moderation Analysis

The moderation results indicate that Corporate Governance (CG) strengthens the positive association of ESG and Corporate Reputation. Although the effect of ESG on reputation is positive at all levels of CG (as clearly shown by the upward trend in all three lines), it stands out among levels of CG. At high levels of CG (+1 SD) the impact of ESG on reputation is the greatest suggesting that companies with good governance practices enjoy a greater ability to translate ESG investments into reputation outcomes. When CG is at the average level (0 SD), although it's still positive, the effect is weaker. Therefore, when CG is low (-1 SD), the positive effect of ESG is smallest, implying that weak governance practices restrict the positive effects of ESG. This highlights a positive moderating effect of Corporate Governance, whereby the positive effect of ESG is magnified by strong governance structures.

Table 5: Path Analysis (Indirect Effects)

	Beta	(STDEV)	T Statistics	P Values	Min	Max
Corporate Governance -> Corporate Reputation -> Firm Financial Performance	0.148	0.030	4.934	0.000	0.093	0.212
ESG -> Corporate Reputation -> Firm Financial Performance	0.050	0.018	2.832	0.005	0.018	0.086
ESG*CG -> Corporate Reputation -> Firm Financial Performance	-0.017	0.010	1.777	0.076	-0.034	0.004
ESG -> Investor Trust -> Firm Financial Performance	0.132	0.029	4.572	0.000	0.080	0.192
Corporate Governance -> Corporate Reputation -> Investor Intention	0.136	0.029	4.753	0.000	0.084	0.194

Intention						
ESG ->						
Corporate						
Reputation ->	0.046	0.016	2.800	0.005	0.016	0.080
Investor						
Intention						
ESG*CG ->						
Corporate						
Reputation ->	-0.016	0.009	1.780	0.075	-0.031	0.003
Investor						
Intention						
ESG -> Investor						
Trust -> Investor	0.159	0.032	4.946	0.000	0.102	0.228
Intention						

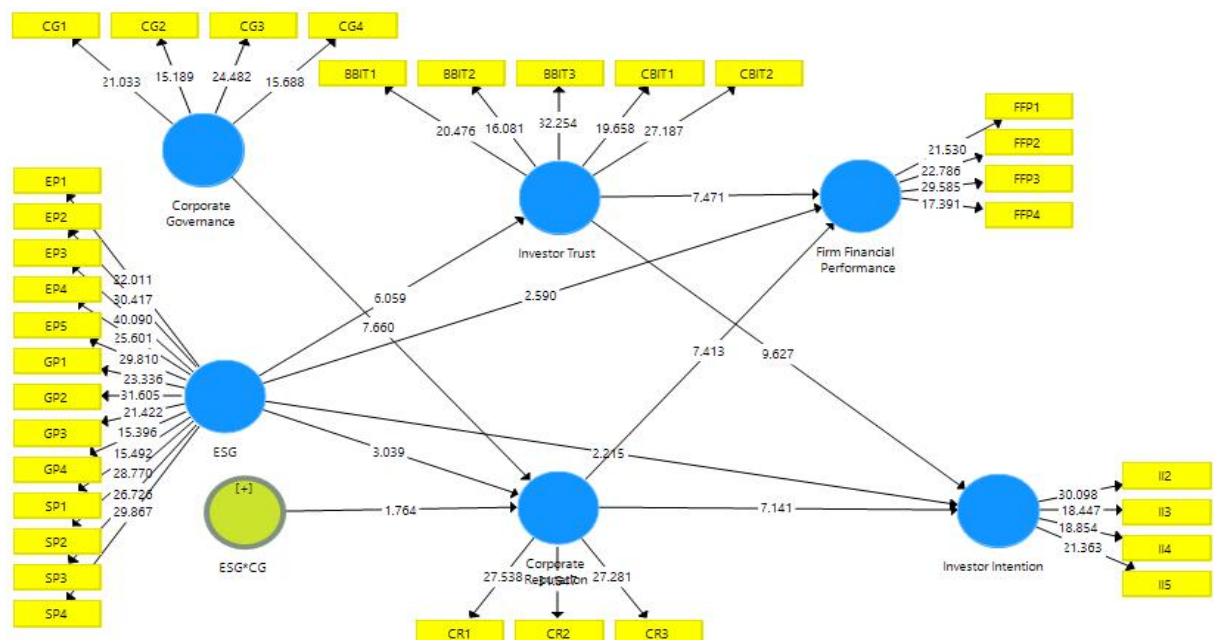


Figure 3: Structural Model Assessment

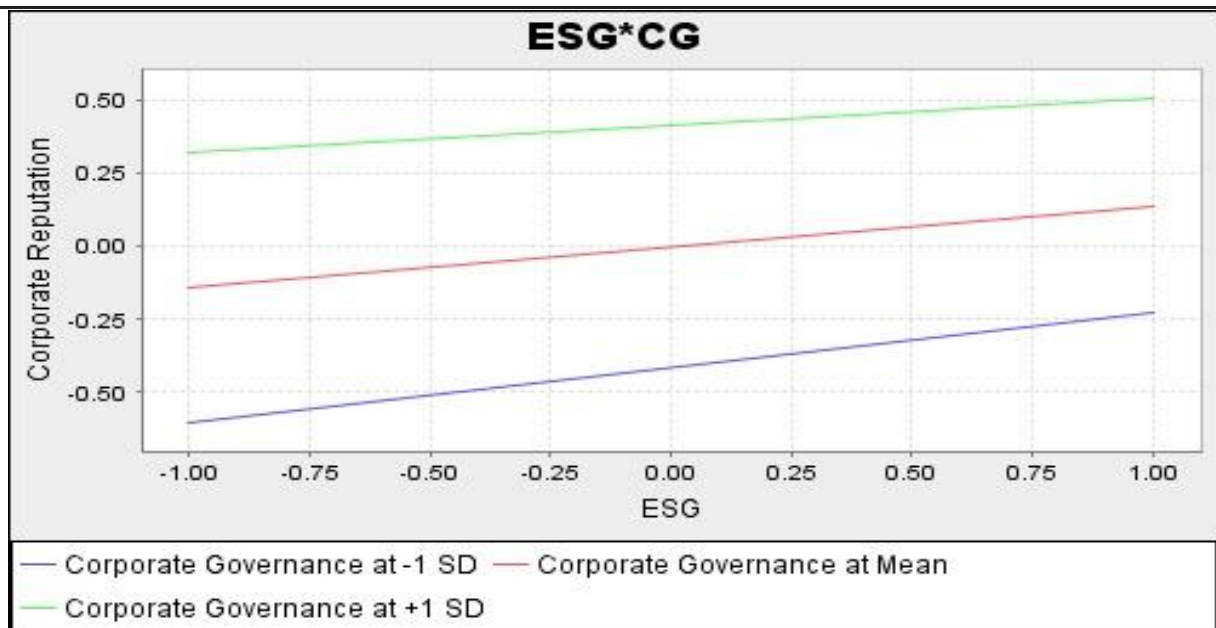


Figure 4: Moderation Effect

5. Discussion

The results of our study add robust empirical evidence to the literature on the critical role of ESG in driving firm performance. The strong positive impact of ESG on Corporate Reputation indicates that stakeholders do not only base their opinions on a firm's financial performance but also its ESG practices (Nirino et al., 2021). This supports stakeholder theory, which argues that firms that meet the societal needs of stakeholders are likely to be legitimated and gain a competitive advantage (Freudenreich et al., 2020). Moreover, the direct and indirect impacts of ESG on Firm Financial Performance and Investor Intention highlight that ESG is not just "make-believe" but a value driver. Specifically, the stronger impact of ESG on Investor Trust shows that trust is a vital psychological mechanism through which ESG affects Investor Behavior, reinforcing the notion that good practices minimize investment uncertainties and risks (Virtanen, 2025).

These indirect effects of ESG on Corporate Reputation and Investor Trust also contribute to a better understanding of the importance of ESG practices. Corporate Reputation is an intangible resource that translates ESG efforts into both firm financial performance and investor responses and Investor Trust is a psychological construct that boosts Investor Confidence and Investor Intention. These results align with signaling theory, in that ESG disclosures can be seen as signals of company quality and long-term focus, leading to increased stakeholder trust. The significant influence of Investor Trust on Firm Financial Performance and Investor Intention further substantiates that trust not only arises from ESG but is also a predictor of financial performance. In summary, the research shows that ESG not only adds value in a complicated manner, through perception (reputation) and cognition (trust) but also that ESG depends on multiple channels of value creation.

But the moderating role of Corporate Governance on the ESG-Corporate Reputation link was found to be non-significant, and should be taken with caution. One possible reason could be that ESG activities already contain governance related attributes and there is an overlap between the ESG and Corporate Governance concepts (Virtanen, 2025). Hence, Corporate Governance may not offer much explanatory value in enhancing the relationship between ESG and reputation. Alternatively, it could be that governance practices are relatively similar across

firms in the study's context (e.g., Pakistan is an emerging market, and there may not be enough differences in governance structures and regulatory environments in firm settings in this regard). However, perceptions of reputation could be more closely associated with external ESG activities rather than internal Corporate Governance, as stakeholders might be more focused on external actions rather than internal processes.

The non-significant moderation could also be related to measurement issues. Fundamentally, the interaction term ($ESG \times \text{Corporate Governance}$) is a single-item variable, which can only partially capture the moderation effect, thus weakens the statistical power of the study. Additionally, moderating effects in behavioural and organisational research tend to be weak, and may require either a large sample or more precise measures to reach statistical significance. Alternatively, it may be that the influence of Corporate Governance is direct rather than moderating, given the significant indirect effect of Corporate Governance through Corporate Reputation. Thus, while the theoretical prediction of a moderating effect is justified, the empirical findings indicate Corporate Governance is more likely to be a direct rather than contingent determinant in this instance. Other potential moderating effects can be investigated, including institutional pressures and industry sensitivity, to account for moderating influences in ESG models.

5.1. Theoretical contribution

This research contributes to the ESG literature by combining the stakeholder and signaling viewpoints into a comprehensive model to describe how ESG performance affects firm-level outcomes via its impact on both Corporate Reputation and Investor Trust. This simultaneous consideration of these pathways offers a broader understanding of the underlying processes by which ESG impacts on both Firm Financial Performance and Investor Intention, going beyond previous studies that consider these influences separately. Moreover it furthers our understanding of Corporate Governance, by providing empirical evidence of the latter's nonmoderating effects, thereby suggesting that governance could function as either a parallel or direct antecedent to ESG relationships. Lastly, by contributing evidence from an emerging market, it improves the generalizability of existing ESG theories and offers insights on the effects of other contextual factors that may affect the nature of relationships when considering emerging markets.

5.2. Practical Implications

The study provides practical implications for managers and policy makers by highlighting that, rather than just a compliance measure, ESG should be regarded as a means of value creation. Companies can boost their Corporate Reputation and boost Investor Trust by adopting transparent, credible and communicated ESG strategies to improve financial performance and investor sentiment. Managers need to focus on regular ESG disclosures and eschew cosmetic ESG initiatives, as trust appears as a significant component in the investment decision-making process. While not enhancing the ESG-reputation relationship, Corporate Governance is crucial in ensuring credibility and indirectly forms the basis for performance. For policymakers, the findings suggest that they should improve ESG disclosure and awareness to ensure that ESG activities impact market perceptions and investors.

5.3. Limitations and Future Research

Our study has a number of limitations. First, this research was based on a cross-sectional survey design that provides a snapshot in time and thus makes it difficult to draw conclusions on causal links between ESG performance, corporate reputation, investor trust, financial performance, and intuition. Second, the study uses data

collected from self-reported responses from individual investors and financially savvy people who may be prone to common method bias and subjective perceptions of ESG performance and corporate governance. Third, reliance on a non-probability purposive sampling technique and the geographical location of the sample (Pakistan) restricts the external validity of the results. Last, the study is built on perceived financial performance rather than robust financial measures, which may not provide a true picture of firm financial performance.

Future studies may overcome these shortcomings in a number of ways. Future studies can adopt a longitudinal design to better understand the casual link and dynamic changes of investor perceptions. Future research may also use objective financial measures like return on assets, stock returns or market value, in addition to perceptual measures of firm performance. Sample data could also be extended to include a sample of institutional investors, international investors or cross-country data to strengthen the results. And future studies could investigate other mediation effects such as corporate transparency, quality of ESG disclosure or sustainability innovation, and alternative moderation effects such as regulatory factors or cultural factors to get a better picture of the ESG effects.

6. Conclusions

This research is designed to explore the influence of ESG performance on the financial performance of a firm and on the intention to invest, through mediation of corporate reputation and investor trust, and moderation of corporate governance. The results verify that ESG performance leads to better corporate reputation and investor trust, which then lead to improved financial performance and investor intention, demonstrating the role of perception-based drivers in value creation. Thus, investor trust played a strong role in driving both phenomena, suggesting that transparency and ethicality play a crucial role in minimizing investment risks and establishing relationship building. But the moderating effect of corporate governance on the ESG-reputation nexus was insignificant, which suggests that corporate governance may be a direct or overlapping mechanism, rather than a contextual boundary condition. In general, the research shows how ESG enhances value through interwoven reputation and trust mechanisms, providing valuable insights for companies and policy makers to foster sustainable and investor-friendly practices.

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