



Assessing the Relationship between ESG Scores and Firm Performance: A Literature Review

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ABSTRACT

The increasing integration of Environmental, Social, and Governance (ESG) considerations into corporate decision-making has reshaped the discourse on firm performance within corporate finance. This study provides a comprehensive review of the literature assessing the relationship between ESG scores and firm performance. Drawing on a systematic and thematic analysis of prior research, the study synthesizes theoretical and empirical evidence to examine how ESG metrics influence financial outcomes, risk management, and corporate valuation. The review highlights that ESG scores serve as important indicators of firm-level sustainability and governance quality, with most studies reporting a positive association between ESG performance and financial performance. This relationship is primarily explained through mechanisms such as enhanced stakeholder trust, reduced information asymmetry, improved risk mitigation, and lower cost of capital. However, the findings are not universally consistent, as variations in ESG measurement, industry characteristics, and institutional contexts contribute to mixed empirical results. Furthermore, the study underscores the role of key theoretical frameworks—including stakeholder theory, agency theory, and

legitimacy theory—in explaining the ESG–performance nexus. It also identifies challenges related to the divergence of ESG ratings and potential biases in reporting practices. Overall, the paper contributes to the growing body of knowledge by offering a structured synthesis of existing research and highlighting areas requiring further investigation. The findings have important implications for corporate managers, investors, and policymakers seeking to integrate ESG considerations into financial decision-making and long-term value creation.

1. Introduction

In recent decades, the global business environment has undergone a profound transformation driven by increasing awareness of environmental degradation, social inequality, and corporate governance failures. These developments have intensified the demand for corporations to operate in a manner that extends beyond the traditional objective of profit maximization. In this evolving context, the concept of Environmental, Social, and Governance (ESG) has emerged as a critical framework for evaluating corporate behavior and performance. ESG scores, which quantify a firm’s performance across these three dimensions, have gained substantial prominence among investors, regulators, and policymakers as tools for assessing both financial sustainability and societal impact. Consequently, the relationship between ESG scores and firm performance has become a central area of inquiry in contemporary corporate finance and management research.

Historically, corporate finance has been anchored in the principle of shareholder wealth maximization, a perspective rooted in neoclassical economic theory. This approach, most notably articulated in classical economic thought, posits that firms exist primarily to generate returns for their shareholders. However, this narrow focus has increasingly been challenged by the recognition that corporate activities have far-reaching implications for a broader set of stakeholders, including employees, customers, communities, and the environment. The emergence of ESG as a measurable construct reflects a paradigmatic shift toward a more comprehensive understanding of firm performance—one that incorporates non-financial dimensions alongside traditional financial metrics.

ESG scores serve as standardized indicators that capture the extent to which firms integrate sustainability and ethical considerations into their operations and governance structures. The environmental dimension assesses a firm’s impact on natural resources and ecological systems, including carbon emissions, energy efficiency, and waste management practices. The social dimension evaluates relationships with



stakeholders such as employees, customers, and communities, focusing on issues like labor practices, diversity, and human rights. The governance dimension examines the quality of corporate leadership, board structure, transparency, and accountability mechanisms. By consolidating these aspects into quantifiable metrics, ESG scores provide a comprehensive framework for evaluating corporate sustainability and long-term value creation.

The increasing reliance on ESG scores in financial markets reflects a broader transformation in investment philosophy. Institutional investors, asset managers, and financial analysts are progressively incorporating ESG considerations into their decision-making processes, recognizing that sustainability-related factors can significantly influence risk and return profiles. Firms with strong ESG performance are often perceived as less exposed to regulatory, reputational, and operational risks, thereby enhancing their attractiveness to investors. Conversely, firms with poor ESG scores may face higher costs of capital, reduced investor confidence, and increased vulnerability to external shocks. This growing emphasis on ESG integration underscores the need to systematically assess its impact on firm performance.

Despite the widespread adoption of ESG metrics, the nature of the relationship between ESG scores and firm performance remains complex and, at times, ambiguous. While numerous studies suggest a positive association, indicating that higher ESG scores are linked to improved financial outcomes, others report mixed or context-dependent results. These inconsistencies can be attributed to variations in measurement methodologies, differences in industry characteristics, and the influence of institutional and cultural factors. Moreover, the lack of standardization in ESG rating systems and the divergence among rating agencies further complicate the interpretation of ESG scores, raising questions about their reliability and comparability.

The theoretical foundations underpinning the ESG–performance relationship provide important insights into these dynamics. From a stakeholder perspective, firms that effectively address the interests of diverse stakeholder groups are more likely to achieve sustainable competitive advantages, thereby enhancing long-term performance. ESG scores, in this sense, can be interpreted as proxies for stakeholder engagement and responsiveness. Similarly, agency theory highlights the role of ESG disclosures in reducing information asymmetry and aligning managerial actions with shareholder interests, thereby improving governance quality and financial outcomes.

In addition, legitimacy theory suggests that firms engage in ESG practices to secure social approval and maintain their license to operate. High ESG scores signal conformity with societal norms and expectations, which can enhance corporate reputation and reduce the risk of regulatory intervention. Institutional theory further emphasizes the role of external pressures—such as regulatory requirements,



industry standards, and investor expectations—in shaping ESG adoption. These pressures contribute to the widespread diffusion of ESG practices, making ESG scores an increasingly important determinant of corporate behavior and performance.

From a strategic perspective, ESG-related capabilities can be viewed as valuable organizational resources that contribute to competitive advantage. Firms that invest in sustainable practices, ethical governance, and stakeholder relationships often develop intangible assets such as brand reputation, customer loyalty, and employee engagement. These assets not only enhance operational efficiency but also strengthen the firm's resilience in the face of uncertainty and market volatility. As a result, ESG performance is increasingly recognized as a driver of long-term value creation rather than merely a compliance or reputational concern.

Furthermore, the integration of ESG considerations into corporate finance has significant implications for financial decision-making processes. ESG factors are now being incorporated into capital budgeting, risk assessment, and valuation models, reflecting their material impact on future cash flows and cost of capital. For instance, firms with higher ESG scores may benefit from favorable financing conditions due to reduced perceived risk and enhanced investor trust. This integration highlights the growing convergence between financial performance and sustainability objectives, reinforcing the relevance of ESG scores in modern corporate finance.

Nevertheless, the expanding role of ESG scores also raises critical challenges and areas for further investigation. Issues such as the heterogeneity of ESG metrics, potential biases in rating methodologies, and the risk of superficial compliance or “greenwashing” necessitate a cautious and critical approach to ESG analysis. Additionally, the dynamic nature of ESG factors and their interaction with firm-specific and macroeconomic variables require a nuanced understanding of the mechanisms through which ESG influences performance.

Considering these considerations, this study aims to provide a comprehensive review of the literature examining the relationship between ESG scores and firm performance. By synthesizing existing theoretical and empirical research, the study seeks to identify key patterns, highlight inconsistencies, and offer insights into the underlying mechanisms linking ESG performance to financial outcomes. In doing so, it contributes to a deeper understanding of the role of ESG in shaping corporate behavior and performance in an increasingly sustainability-driven global economy.



2. Review of Literature

The relationship between ESG scores and firm performance has attracted significant scholarly attention across disciplines such as corporate finance, strategic management, and sustainability studies. Existing literature presents diverse perspectives, ranging from strong positive associations to mixed and context-dependent findings. This section synthesizes prior research into key thematic areas to provide a comprehensive understanding of the ESG–performance nexus.

2.1 ESG Scores and Financial Performance

A substantial body of literature supports the proposition that ESG performance positively influences firm performance. Friede, Busch, and Bassen (2015), in their extensive meta-analysis, concluded that most empirical studies report a positive correlation between ESG factors and corporate financial performance. Similarly, Eccles, Ioannou, and Serafeim (2014) found that firms with high sustainability practices significantly outperform their counterparts in both stock market and accounting performance. Fatemi, Fooladi, and Tehranian (2015) further argued that ESG activities contribute to firm valuation by enhancing stakeholder trust and reducing uncertainty.

Khan, Serafeim, and Yoon (2016) introduced the concept of materiality in ESG investments, demonstrating that firms focusing on financially material ESG issues achieve superior performance. Albuquerque, Koskinen, and Zhang (2019) emphasized the role of ESG as a risk mitigation mechanism, particularly during periods of economic turbulence. Similarly, Lins, Servaes, and Tamayo (2017) found that firms with strong ESG profiles performed better during the global financial crisis, highlighting the resilience benefits of sustainability practices.

Orlitzky, Schmidt, and Rynes (2003) and Margolis and Walsh (2003) also provided meta-analytic evidence supporting a positive link between CSR/ESG and financial performance. Hillman and Keim (2001) noted that stakeholder-oriented investments enhance shareholder value, particularly when they focus on primary stakeholders.

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2.3 ESG and Cost of Capital

Another prominent stream of literature examines the impact of ESG scores on a firm's cost of capital. El Ghoul et al. (2011) demonstrated that firms with superior ESG performance benefit from a lower cost of equity capital. Dhaliwal et al. (2011) found that firms initiating CSR disclosures experience a significant reduction in equity financing costs, driven by increased transparency and reduced information asymmetry.

Goss and Roberts (2011) provided evidence that firms with poor ESG records face higher borrowing costs, indicating that lenders incorporate ESG risks into credit decisions. Cheng, Ioannou, and Serafeim (2014) further argued that strong ESG performance enhances access to finance by improving stakeholder trust and reducing perceived risk. Awaysheh et al. (2020) extended this argument by showing that CSR engagement is negatively associated with the cost of debt, particularly in environmentally sensitive industries.

Richardson and Welker (2001) also found that social disclosures are inversely related to the cost of equity capital, reinforcing the importance of transparency in financial markets.



2.4 Investor Behavior and ESG Scores

The growing integration of ESG scores into investment decision-making has been widely documented. Amel-Zadeh and Serafeim (2018) revealed that institutional investors increasingly rely on ESG information for portfolio allocation and risk assessment. Bauer, Derwall, and Hann (2009) showed that socially responsible investment funds often achieve competitive or superior returns compared to conventional funds.

Krüger (2015) examined market reactions to ESG-related news and found that negative ESG events lead to stronger adverse market responses than the positive effects of good ESG performance. Similarly, Sassen, Hinze, and Hardeck (2016) demonstrated that ESG disclosures improve investor confidence and reduce firm risk.

Fombrun and Shanley (1990) emphasized the role of corporate reputation, which is closely linked to ESG performance, in influencing investor perceptions and market valuation. Kempf and Osthoff (2007) further showed that ESG-based investment strategies can generate abnormal returns, highlighting the financial relevance of ESG integration.

2.5 Corporate Governance and ESG Performance

Corporate governance plays a crucial role in shaping ESG outcomes and firm performance. Harjoto and Jo (2011) found that strong governance structures facilitate higher levels of CSR engagement. Rao and Tilt (2016) emphasized the importance of board diversity and independence in enhancing sustainability reporting practices.

Jain, Sharma, and Srivastava (2019) provided evidence that board diversity positively influences ESG performance, particularly in emerging markets. García-Sánchez, Rodríguez-Ariza, and Frías-Aceituno (2013) highlighted the role of governance mechanisms in promoting integrated reporting and transparency.

Mallin, Michelon, and Raggi (2013) argued that shareholder activism encourages firms to adopt more robust ESG practices. Jensen and Meckling (1976), from an agency theory perspective, underscored the importance of governance in aligning managerial actions with shareholder interests, which can be facilitated through ESG disclosures.



2.6 ESG Integration in Corporate Financial Decisions

The integration of ESG factors into corporate financial decision-making has gained increasing attention. Clark, Feiner, and Viehs (2015) argued that ESG considerations are financially material and should be incorporated into investment analysis and valuation models. Lee, Faff, and Langfield-Smith (2009) found that socially responsible investments are associated with positive market reactions.

Hsu, Liang, and Matos (2018) demonstrated that institutional investors influence corporate ESG practices, thereby affecting capital allocation decisions. Capelle-Blancard and Petit (2019) showed that ESG-related news significantly impacts stock market performance, reflecting its relevance in financial markets.

Dorfleitner, Halbritter, and Nguyen (2015) examined ESG ratings and found that they are useful predictors of financial risk, particularly in bond markets. Gibson Brandon, Krueger, and Schmidt (2021) highlighted the challenges associated with ESG rating divergence, which can affect investment decisions and performance evaluation.

2.8 ESG, Risk Management, and Firm Resilience

Several studies have explored the role of ESG in risk management and corporate resilience. Bouslah, Kryzanowski, and M'Zali (2013) found that strong ESG performance reduces firm-specific risk and volatility. Luo and Bhattacharya (2009) demonstrated that CSR activities enhance customer satisfaction and mitigate reputational risks.

Henisz, Dorobantu, and Nartey (2014) showed that stakeholder engagement, a key component of ESG, reduces conflict risks and improves financial outcomes. Ioannou and Serafeim (2012) emphasized the role of institutional factors in shaping ESG performance and organizational resilience.

Albuquerque et al. (2019) further argued that ESG acts as a form of insurance during adverse economic conditions, protecting firms from downside risks.

2.9 Cross-Country and Institutional Perspectives

The ESG–performance relationship is also influenced by institutional and cultural contexts. Liang and Renneboog (2017) found that legal systems and investor protection significantly affect ESG practices and



their financial implications. La Porta et al. (1998) highlighted the role of legal origins in shaping corporate governance and financial outcomes.

Matten and Moon (2008) introduced the distinction between implicit and explicit CSR, emphasizing cross-country differences in ESG practices. Jackson and Apostolakou (2010) argued that institutional environments influence the extent and nature of CSR engagement.

Aguilera et al. (2007) examined the motivations for CSR across different contexts, identifying instrumental, relational, and moral drivers. Ioannou, Krueger, and Serafeim (2022) further explored global ESG investment strategies and their implications for firm performance.

2.10 ESG Ratings and Measurement Challenges

Despite the growing importance of ESG scores, several studies highlight challenges related to their measurement and reliability. Chatterji, Levine, and Toffel (2009) questioned the validity of ESG ratings, noting inconsistencies across rating agencies. Berg, Kölbel, and Rigobon (2022) identified significant divergence in ESG scores, which can lead to confusion among investors.

Dorfleitner et al. (2015) emphasized the need for standardization in ESG measurement to improve comparability. These challenges underscore the importance of critically evaluating ESG scores when assessing their impact on firm performance.

2.11 Emerging Trends and Future Directions

Recent literature has focused on the evolving role of ESG in corporate strategy and financial markets. Serafeim (2020) argued that ESG is becoming a central driver of long-term value creation and corporate transformation. Khan, Kotsantonis, and Serafeim (2021) highlighted the importance of ESG integration in improving capital allocation efficiency.

Husted and Allen (2007) distinguished between strategic and altruistic CSR, emphasizing their differing impacts on financial performance. Eccles and Klimenko (2019) noted that ESG considerations are increasingly shaping boardroom decisions and investor expectations.

Teece, Pisano, and Shuen (1997) and Barney (1991) provided theoretical support by linking ESG capabilities to dynamic capabilities and resource-based advantages, reinforcing the strategic importance of sustainability practices.



3. Theoretical Background

The growing prominence of Environmental, Social, and Governance (ESG) scores in corporate evaluation reflects a fundamental transformation in the theoretical underpinnings of corporate finance and strategic management. Traditionally, firm performance has been assessed through financial metrics grounded in neoclassical economic theory, which emphasizes profit maximization and shareholder wealth as the primary objective of the firm. However, the increasing integration of ESG considerations into corporate and investment decisions signals a paradigmatic shift toward a broader, more inclusive understanding of value creation—one that incorporates environmental sustainability, social responsibility, and governance quality as critical determinants of long-term firm performance.

At the core of this transformation lies the conceptual evolution from shareholder primacy to stakeholder-oriented frameworks. ESG scores, which aggregate firm-level data on environmental impact, social engagement, and governance practices, serve as quantifiable proxies for corporate sustainability and ethical conduct. These scores are increasingly utilized by investors, regulators, and other stakeholders to evaluate not only the financial health of firms but also their broader societal impact and risk exposure. Consequently, understanding the relationship between ESG scores and firm performance necessitates a robust theoretical foundation that integrates insights from multiple disciplinary perspectives.

One of the most influential frameworks underpinning ESG research is stakeholder theory, which posits that firms are accountable to a wide array of stakeholders beyond shareholders, including employees, customers, suppliers, communities, and the natural environment. According to this perspective, firms that effectively manage stakeholder relationships are more likely to achieve sustainable competitive advantages and superior financial performance. ESG scores, in this context, can be viewed as indicators of how well firms address stakeholder expectations and balance competing interests. By fostering trust, enhancing reputation, and reducing conflicts with stakeholders, high ESG performance can translate into improved operational efficiency and long-term profitability.

Complementing stakeholder theory is agency theory, which addresses the separation of ownership and control in modern corporations. Agency theory highlights potential conflicts between managers (agents) and shareholders (principals), particularly in the allocation of resources toward ESG initiatives that may not yield immediate financial returns. Critics argue that ESG investments could represent managerial opportunism or “overinvestment” in non-core activities. However, contemporary research suggests that ESG disclosures and scoring mechanisms can mitigate agency problems by enhancing transparency and



accountability. By providing standardized and comparable information, ESG scores reduce information asymmetry between managers and investors, thereby improving monitoring efficiency and aligning managerial actions with long-term shareholder interests.

Another critical perspective is legitimacy theory, which emphasizes the importance of societal approval for organizational survival. Firms operate within a broader social system and must conform to prevailing norms, values, and expectations to maintain legitimacy. ESG scores function as signals of conformity to these societal expectations, particularly in areas such as environmental protection, labor practices, and corporate governance. Firms with higher ESG scores are often perceived as more legitimate and socially responsible, which can enhance their reputation, attract customers and investors, and reduce the likelihood of regulatory intervention. From this viewpoint, the relationship between ESG scores and firm performance is mediated by the firm's ability to secure and maintain social legitimacy.

Closely related is institutional theory, which explains how organizational behavior is shaped by external pressures from regulatory bodies, industry norms, and cultural expectations. Institutional theory identifies three primary mechanisms—coercive, normative, and mimetic pressures—that drive the adoption of ESG practices. Coercive pressures arise from laws and regulations mandating ESG disclosures; normative pressures stem from professional standards and stakeholder expectations; and mimetic pressures result from firms imitating successful peers. ESG scores are thus not only reflections of internal corporate practices but also outcomes of institutional environments. Firms operating in regions with strong regulatory frameworks and active investor communities are more likely to achieve higher ESG scores, which in turn may influence their financial performance through enhanced credibility and reduced risk.

From a strategic management perspective, the resource-based view (RBV) provides further insights into the ESG–performance nexus. According to RBV, firms achieve sustained competitive advantage by developing valuable, rare, inimitable, and non-substitutable resources. ESG-related capabilities—such as environmental innovation, ethical leadership, and strong governance structures—can be considered strategic resources that contribute to firm performance. High ESG scores may therefore reflect the presence of such capabilities, signalling a firm's ability to create value in ways that are difficult for competitors to replicate. Moreover, these capabilities often lead to improved efficiency, innovation, and stakeholder engagement, which are critical drivers of long-term financial success.

Building on RBV, dynamic capabilities theory emphasizes the firm's ability to adapt, integrate, and reconfigure internal and external competencies in response to changing environmental conditions. In the



context of ESG, dynamic capabilities enable firms to anticipate and respond to emerging sustainability challenges, such as climate change, resource scarcity, and evolving regulatory requirements. Firms with strong dynamic capabilities are better positioned to leverage ESG opportunities and mitigate associated risks, which is often reflected in higher ESG scores and improved performance outcomes. This perspective underscores the importance of adaptability and strategic foresight in the ESG–performance relationship.

In addition to these theoretical frameworks, the integration of ESG scores into corporate finance introduces new dimensions to traditional financial models. ESG considerations are increasingly incorporated into capital budgeting, risk management, and valuation processes. For instance, firms with high ESG scores may benefit from lower costs of capital due to reduced perceived risk and greater investor confidence. Similarly, ESG factors can influence cash flow projections by affecting operational efficiency, regulatory compliance costs, and market demand. These financial implications highlight the relevance of ESG scores as not merely ethical indicators but also as material factors in financial decision-making.

Moreover, the signalling theory provides an important lens through which ESG scores can be interpreted. Firms voluntarily disclosing ESG information and achieving high scores may signal superior management quality, long-term orientation, and commitment to sustainability. Such signals can differentiate firms in competitive capital markets, attracting socially responsible investors and enhancing firm valuation. Conversely, low ESG scores or poor disclosure practices may signal higher risk and weaker governance, leading to adverse market reactions.

Despite the growing body of theoretical and empirical research, the relationship between ESG scores and firm performance remains complex and context-dependent. Variations in ESG measurement methodologies, industry characteristics, and institutional environments can lead to inconsistent findings across studies. Additionally, the potential for “greenwashing”—where firms exaggerate their ESG performance—raises concerns about the reliability of ESG scores as indicators of genuine sustainability practices. These challenges highlight the need for a nuanced and critical examination of the ESG–performance nexus.

In summary, the theoretical background of this study is grounded in a multidisciplinary framework that integrates stakeholder theory, agency theory, legitimacy theory, institutional theory, resource-based view, dynamic capabilities, and signaling theory. Together, these perspectives provide a comprehensive



understanding of how ESG scores influence firm performance through multiple channels, including stakeholder relationships, risk management, strategic capabilities, and market perceptions. As ESG considerations continue to reshape the landscape of corporate finance, these theoretical foundations offer valuable insights into the mechanisms linking sustainability performance with financial outcomes.

4. Methodology

This study adopts a **systematic literature review methodology** to examine the relationship between ESG scores and firm performance. The review is designed to synthesize existing theoretical and empirical evidence in a structured and rigorous manner, ensuring transparency, replicability, and academic reliability. The methodological approach follows established guidelines for literature reviews in corporate finance and sustainability research.

4.1 Research Design

The study employs a **qualitative and integrative research design**, focusing on secondary data derived from peer-reviewed journal articles, academic books, and reputable institutional publications. The objective is to critically evaluate prior studies on ESG scores and their impact on firm performance, identify recurring patterns, and highlight inconsistencies in findings. This approach is appropriate given the exploratory nature of the research and the need to consolidate dispersed knowledge across disciplines.

4.2 Data Sources and Search Strategy

Relevant literature was identified through comprehensive searches in major academic databases such as Scopus, Web of Science, JSTOR, and Google Scholar. Keywords used in the search process included “ESG scores,” “corporate social responsibility,” “firm performance,” “sustainability reporting,” “cost of capital,” and “corporate governance.” Boolean operators and filters were applied to refine the search and ensure relevance. The review primarily includes studies published in English in high-impact journals within the fields of finance, management, and sustainability.

4.3 Selection Criteria

To ensure the quality and relevance of the review, specific inclusion and exclusion criteria were applied. Studies were included if they (i) explicitly examined ESG scores or CSR metrics, (ii) analysed firm-level financial performance or value, and (iii) employed empirical or theoretical frameworks relevant to corporate finance. Studies lacking methodological rigor, unpublished working papers, or those not



directly related to ESG–performance relationships were excluded. The final selection comprises seminal and recent contributions that collectively provide a comprehensive understanding of the topic.

4.4 Data Analysis and Synthesis

The selected studies were analysed using a **thematic synthesis approach**, whereby findings were categorized into key themes such as ESG and financial performance, cost of capital, investor behavior, corporate governance, and risk management. Comparative analysis was conducted to identify convergences and divergences in results across different contexts, industries, and methodologies. Emphasis was placed on understanding the mechanisms through which ESG scores influence firm performance, including stakeholder engagement, risk mitigation, and strategic capability development.

4.5 Limitations

While the study adopts a rigorous review process, it is subject to certain limitations. The reliance on secondary data may introduce publication bias, as studies with significant findings are more likely to be published. Additionally, variations in ESG measurement and rating methodologies across studies may affect comparability. Despite these limitations, the systematic approach ensures a robust and comprehensive synthesis of the existing literature.

5. Conclusion

This study provides a comprehensive synthesis of the literature examining the relationship between ESG scores and firm performance within the domain of corporate finance. The review reveals that ESG considerations have evolved from being peripheral concerns to becoming central components of corporate strategy and financial decision-making. A substantial body of evidence indicates that higher ESG performance is generally associated with improved firm outcomes, including enhanced financial performance, reduced risk exposure, and lower cost of capital. These findings reinforce the argument that sustainability and profitability are not mutually exclusive but can be mutually reinforcing in the long term.

However, the analysis also highlights notable inconsistencies across empirical studies, primarily driven by differences in ESG measurement methodologies, industry contexts, and institutional environments. The lack of standardization in ESG ratings and the potential for selective disclosure or “greenwashing” remain critical challenges that may affect the reliability of conclusions.



From a theoretical perspective, the integration of stakeholder, agency, and legitimacy frameworks provides a robust explanation for the observed ESG–performance relationship. These perspectives underscore the importance of transparency, accountability, and stakeholder engagement in driving sustainable value creation.

In conclusion, while ESG scores offer valuable insights into firm behavior and performance, further research is needed to refine measurement approaches and deepen understanding of causal mechanisms. The study underscores the importance of ESG integration for firms, investors, and policymakers aiming to achieve sustainable and resilient economic growth.

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