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The Moderating Effect of Investor Trust on the Relationship between Disclosure of Environmental, Social, and Governance Practices and Sustainable Investment

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ABSTRACT

Sustainability issues globally have gained importance due to more objective and impartial sustainability reports, and investors' confidence in corporate reporting increases as they form opinions about their investments. The study aims to examine The Moderating Effect of Investor Trust on the Relationship between the Disclosure of Environmental, Social, and Governance (ESG) Practices and Sustainable Investment. A questionnaire survey of respondents from companies listed on the ASE in the Jordanian market was used to gather primary data. 169 of the respondents in the sample were deemed suitable for statistical examination. The study employed partial least squares structural equation modeling for data analysis and hypothesis testing. The findings show that disclosure of Environmental, Social, and Governance (ESG) practices positively affects sustainable investment (SI). Nonetheless, while investor trust (IT) directly influences firm value, it significantly moderates the relationship between environmental, social, and governance (ESG) disclosure and corporate sustainable investment (SI). The results provide credence to the notion that IT positively impacts corporate SI through the disclosure of ESG practices in sustainability reports. These indices are particularly relevant to emerging markets, where they can serve as a reference for company initiatives aimed at sustainability, attracting investors, and improving performance.

INTRODUCTION

In the global financial environment, sustainability reporting has gained more significance as investors look for detailed information that goes beyond financial considerations in order for stakeholders to have the chance to ascertain whether the business has considered their interests in decision-making through this procedure (Ul Abideen and Fuling, 2024). As a result, businesses are increasingly being directed by the concept of sustainable development, which pushes them to align their operations with the triple bottom line, sometimes known as the 3Ps: "profit, people, and planet" (Ul Abideen and Fuling, 2024) as the can social and environmental issues have the potential to undermine investor confidence and reduce company value, highlighting the urgent need for "corporate governance and sustainability reporting" (Suhartini et al., 2024). Extended external reporting engagements should serve the public interest by boosting user confidence in sustainability reports and in the credibility of extended external reporting, Grabowski explained, so that the users can trust and depend on it (Krasodomska et al., 2021). So, investors' growing interest and knowledge of ESG factors highlight how crucial sustainability is becoming to the investment landscape (Foley et al., 2024).

In today's business climate, an organization's dedication to "sustainability, environmental preservation, and social responsibility" is vitally reflected in ESG reports (Liu et al., 2024). So, ESG reports have emerged as a crucial element of the investing and business markets (Liu et al., 2024). Investors have become interested in ESG performance and want companies to be more accountable and transparent about their ESG policies (Grazia et al., 2022). Sustainability reporting encompasses more resources than financial accounting when it comes to the disclosures that are provided (Barker, 2024). Therefore, sustainability was defined as "meeting the needs of the present without compromising the ability of future generations to meet their own needs" by the (UN’s Brundtland Commission, 1987) (Barker, 2024). That is, businesses can better satisfy stakeholder interests by implementing sustainability measures (Lee et al., 2013).

Globally, in an effort to improve investors' ability to make informed investment decisions, the U.S. Securities and Exchange Commission has increased its efforts to guarantee that investors have access to comprehensive, trustworthy, and comparable climate-related information in business filings (Liu et al., 2024). On the other hand, for businesses with ESG investors, the benefits of ESG disclosure on financial performance are more noticeable (Chen and Xie, 2022). ESG investors also have a moderating effect that is good; ESG disclosure's impact on financial performance increases with the market value or shareholding ratio of ESG investors (Chen and Xie, 2022). Also, many nations have made sustainability disclosure compulsory in the past few years. The European Union (EU) is leading this shift by enacting laws governing how businesses disclose their sustainability (Hummel and Jobst, 2024). Also, on the level of Asia markets, trust in how businesses report their sustainability performance has risen to a record 51%, according to research conducted across 27 markets in 2020, with notable country-by-country variances. Asia had the most positive perceptions, with "Thailand (79%) having the highest levels of agreement, Vietnam (80%), and Indonesia (81%)" (Rowland and Whittles, 2020).

On the Jordanian level, the economic climate of Jordan is regarded as one of the most alluring in the Middle East for foreign investments, despite this lack of resources (Azzam et al., 2020). Also, Jordan's capital market, which has been around since 1930, is the second-largest in the Middle East and North Africa (MENA) area in terms of market value (Albawwat, 2022). In fact, according to data released by the ASE, the market capitalization of foreign-owned equities was roughly 46% in 2017, 50% in 2018, and 49% in 2019. What's more intriguing is that those investors come from 94 different countries, indicating that foreign investors are not just from Arab nations (Azzam et al., 2020). This means that the study is considered one of the most important studies that should be given space at the level of the Middle East, specifically Jordan. Interestingly, Jordan has recently responded to the interest of local and international investors and investment funds in disclosing sustainability across its three pillars: environment, social responsibility, and governance. In early 2025, the Amman Stock Exchange and the World Bank, through the International Finance Corporation (IFC), launched a regulatory framework for climate disclosure, which includes a framework for environmental, social, and corporate governance (ESG) disclosure. Disclosure of this information will be voluntary in its initial stages (Amman Stock Exchange, 2025).

On the other hand, MENA enterprises have demonstrated a low level of environmental disclosure (Akrout and Ben Othman, 2016), which makes it challenging for businesses to attain better ESG performance, where there are numerous uncertainties and obstacles (Bin-Feng et al., 2024). Also, ESG principles are hard to integrate into business processes due to "low data quality, a lack of standards, and economic constraints" (Leaders International, 2024), cited in (Al Frijat and Elamer, 2024). Moreover, due to the decline in trust in ESG reports, ESG variables have been challenging to incorporate into investment strategies in recent years (Foley et al., 2024). Due to investor misconceptions that sustainable investing restricts options and puts important financial goals at risk (Foley et al., 2024). So, investor trust in many businesses and banks, particularly international ones, has been severely damaged as a result of the scandal involving Barclays "Bank's manipulation of the London Interbank Offered Rate (LIBOR), HSBC Bank's shortcomings in preventing money laundering, and most recently, the failure of Silicon Valley Bank and Credit Suisse Bank" (Abdelsalamet al., 2024). Thus, investors are becoming increasingly concerned with the need for improved information and the caliber of reporting of both financial and non-financial data. So, they emphasize the need for better information and quality in financial and non-financial information reporting (Krasodomska et al., 2021). So, Eastman, the "Director of Global Investor Engagement at PwC', started up by pointing out that investor interest in ESG information" has grown during the course of her six years of working with the Investment Community (Krasodomska et al., 2021).

Thus, this paper aims to close the gap in the literature by testing trust as a moderating variable in the relationship between ESG disclosure and achieving sustainable investment for companies. Therefore, this study adds several contributions: first, it offers a thorough explanation of the significance of corporate reporting, especially in view of the cultural misperception of sustainability reporting that businesses in developing nations face; second, it offers a prompt and initial evaluation of how businesses view the strategic measures of the significance of these disclosures. Lastly, no study has examined the significance of trust as a moderating variable in the relationship between sustainability reporting and attaining sustainable investment in Jordan, despite the growing interest in developed nations in corporate sustainability reporting and financial performance research.

1. LITERATURE REVIEW AND HYPOTHESES DEVELOPMENT

Over the last two decades, ESG has become a key ethical concept in contemporary economies (Shen et al., 2023). A key element in influencing investor opinions and a company's reputation are sustainability reporting (Ul Abideen & Fuling, 2024). According to Kummer and Lawless (2022), the ESG movement is at a turning point in its history, with investor interest reaching all-time highs, in part because of the expectations of a new generation of investors. So, ESG performance reporting, as measured by a set of globally comparable criteria, should be made mandatory, according to the overwhelming majority of investors (89%) polled worldwide (Kummer and Lawless, 2022). So, businesses using an ESG strategy to boost investor loyalty and boost financial performance may find value (Bukreeva and Grishunin, 2022).

As a literature review about ESG Disclosure and sustainable investment, ESG is an ensemble of standards intended to evaluate sustainability and its social effect on a business (Nathan, 2024). So, the two main investor groups that the sustainability information ecosystem aims to serve are people who are interested in financial risk or who are looking for relevant data about how sustainability-related aspects affect a company's bottom line (Kummer and Lawless, 2022). Investors can identify businesses that are more sustainable and better positioned for long-term success with the aid of ESG. ESG also assists investors in avoiding possible financial hazards associated with subpar social or environmental standards (Nathan, 2024). Therefore, companies must continue to offer goods, services, and other financial advantages as one of the three demands placed on the corporate sector by sustainability (Barker, 2024). This, in turn, necessitates that they be appealing to investors. Therefore, a company's "financial viability and profitability" are a prerequisite for reaching sustainability objectives (Barker, 2024). This is because Investors play a critical role in achieving sustainable development goals by ensuring that funds are generated and utilized appropriately (Principles for Responsible Investment 2017) cited in (Yadav et al., 2024; p.1).

Moreover, sustainability considerations are becoming more important to investors when making investment decisions (Bondar et al., 2024). Due to its significance to businesses, the emphasis is currently on the possible outcomes for financial investors' returns and risks (McNeil and Esser, 2002). So, more transparency through thorough and audited sustainability reports can boost investor confidence and draw in sustainable investments (Rose, 2024). According to Yadav et al. (2024), environmental, social, and governance (ESG) considerations are increasingly being used to evaluate an organization's long-term performance, attract investment, and guide business decisions toward sustainable growth. Additionally, Al Frijat et al. (2025) noted that focusing on sustainability measures enhances a company's sales growth, investments, and profitability. As well data indicates that businesses that implement thorough ESG reporting get a 20% rise in investor trust (Rose, 2024). Therefore, it is reasonable to infer that investors' interests are generally in line with those of society at large (Barker, 2024). This is because it gives the information that would be used to fulfill the sustainability needs of all stakeholders (in light of investors' financial self-interest) (Barker, 2024). Also, Abdi et al. (2022) investigate how ESG scores affect a company's value and financial performance. It found that a company's market-to-book ratio improves when it contributes to governance activities. It also discovered that a company's involvement in environmental and social initiatives is favorably and significantly correlated with increased financial efficiency (Abdi et al., 2022).

Additionally, previous research indicates that developing strategic policies is a necessary step in luring successful investment (Shen et al., 2025). Consequently, in the face of fierce market competition, how to successfully draw in investments is a global concern (Shen et al., 2025). Given the size of the corporate sector in the majority of economies, it is inevitable that the corporation's economic prospects will be influenced by the overall economy as a whole (Barker, 2024). Therefore, ESG is the most important topic for company management to handle (Lee 2023) since investors are worried about the reliability and accuracy of accessible information on companies' ESG scores (Friede 2019).

Furthermore, Gillan et al. (2021), ESG activities have the potential to generate value in two ways: first, by increasing shareholder value through increased cash flow levels, and second, by optimizing the utility that shareholders derive from owning shares of a sustainable company. In addition, Boffo and Patalano (2020) indicate that the rise in ESG investments may be ascribed to investors' inclination for investments that provide not only financial gains but also favorable social and environmental effects. In the other study, compared to 20 per cent five years prior, 83 per cent of investors polled in the Bondar et al. 2024 study included sustainability information in their fundamental analysis, and 79 per cent of respondents had sustainability policies in place. Also, investors identify major obstacles to data clarity, consistency, and dependability, despite the increased need for sustainability information (Bondar et al., 2024).

A lack of trust between business owners and their agents can lead to an imbalance of information, which can cause some shareholders to assess a company's performance incorrectly (Riedl and Smeets, 2017, Xie et al., 2019). Also, businesses have a lot of chances to draw in investment funds from ecological and socially responsible investors through SR, which boosts stakeholder trust in businesses (Van Linh et al., 2022). Therefore, the more disclosures businesses make about sustainability issues, the more cues they send to stakeholders—particularly investors—that they are committed to being fully transparent about all sustainable issues. This makes businesses an appealing investment front for all investors.

The foundation of voluntary disclosure is the idea that improved sustainability performance offers businesses financial "e.g., lower future costs, easier access to resources" (Bendig et al., 2023). That means, businesses' performance on sustainability—that is, their capacity to sustain a certain level of financial resources over time without adversely impacting the environment or society—is of great interest to investors (Falconer and Saint-Martin, 2022). Therefore, depending on the levels of voluntary disclosure, stakeholders may be tempted to give some companies a higher rating and others a worse rating (Azzam et al., 2020). According to Chiu and Wang (2015), Sustainability disclosure reports can be utilized as a communication method to win over interest groups. Consequently, sustainability reports provide a chance to demonstrate an organization's strong financial performance, enhancing its reputation among its stakeholders (López-Santamaría et al., 2021). Also, ESG practices can improve quality control, increase resource productivity, reduce energy usage, and create greater prospects for new goods and markets (Bin-Feng et al., 2024). Additionally, its performance might increase operational effectiveness (Feng et al., 2022). Additionally, Abdi et al. (2022), investors, especially those who are interested in green investments, value comprehensive disclosure since it shows a dedication to sustainability, which could result in reduced risks and increased security for their capital.

As a literature review about the Moderating Role of Investors Trust, IFRS defines investors (shareholders and debtholders) as the "primary users" of financial reports, for whom "information is material if omitting, misstating, or obscuring it could reasonably be expected to influence investor decisions" (IFRS, 2024) (Barker, 2024). Therefore, A key component of treating stakeholders morally in the relationship between the organization and its stakeholders is trust (Greenwood and Van Buren III, 2010). According to Greenwood and Van Buren III (2010), stakeholders have faith that the organization will provide benefits or safeguards against damage that are proportionate to their investments or stakes. That is, their participation in taking into account their interests, concerns, and needs is one of the forms of trust between the company and stakeholders. According to La Porta et al. (1997) and Long and Weibel (2018), trust not only creates and maintains societal standards but also encourages managers and businesses to act morally and ethically, which affects how they deal with stakeholders (Abdelsalam et al., 2024). According to this theory, the relationship between stakeholders must be strong, participatory, and continuous in setting and drawing real goals that serve both parties, whether the company or investors, through transparency and credibility of the information that must be included in the sustainability reports of companies so that the investor can benefit from it in his investment decisions and the company can benefit from it in improving its investment efficiency alike. So, stakeholders must trust the organization to execute its responsibilities in line with "Phillips' fairness principle (Business Ethics Quarterly 7(1), 1997, 51–66)", (Greenwood and Van Buren III, 2010).

In general, trust leads to positive results that satisfy both parties, whether the company or investor. In order to guarantee long-term stakeholder advantages, Soc suggested that the company make use of all available resources to foster loyalty and trust (Abdi et al., 2022). According to Narula et al. (2024), investors are drawn to companies that generate a profit; for this reason, the main goal of ESG investing is to raise market returns or valuation. Also, Trust increases the efficiency of investments (Fonseka et al., 2021). Also, finding innovative instruments for the operations of businesses is essential in the current environment, which is marked by mistrust regarding business contributions to sustainable development (Pizzi et al., 2024). So, the concept of trust has been thoroughly investigated by numerous social science disciplines, such as "political science, social psychology, and economics" (Lewicki and Tomlinson, 2003). Rousseau et al. (1998) show the definition of trust: "Trust is a psychological state comprising the intention to accept vulnerability based upon positive expectations of the intentions or behavior of another".

To enhance investor trust in financial reporting (Shbeilat, 2024). Also, in order for users to have greater confidence in sustainability reporting, Peter Paul van de Weijs stated that if we are to maintain momentum and make further progress, we must require comprehensive, comparable, and reliable reporting using internationally recognized standards, such as those provided by the "Global Reporting Initiative" (Rowland and Whittles, 2020). Also, behavior that occurs when two parties (individuals or organizations) have access to disparate information can be described using signalling theory (Connelly et al., 2010). Usually, the sender has to decide whether and how to convey (or signal) that information, and the recipient has to decide how to evaluate the signal (Connelly et al., 2010). That means trust is based on mutually satisfactory standards of behavior (Sako and Helper, 1998). So, the market is given a variety of signals in the context of sustainability, including "corporate disclosures, trust marks, sustainability performance, and sustainability programs" (Zerbini, 2017). This explains or suggests that sustainability reports are more trusted by stakeholders and have higher quality reporting when they are independently and externally assured (Cohen and Simnett, 2015).

According to Abdelsalam et al. (2024), the study's findings on 45 banks demonstrate that social trust has a particularly significant risk-reducing effect on banks with headquarters located in countries with less investor protection. Also, the findings, trust reduces bank risk by acting as a substitute for formal institutions that are unsuccessful as a governance tool. These results have significant benefits for global financial regulation (Abdelsalamet al., 2024). Therefore, because intentions come before actions (Zeithaml et al., 2002), the theory of reasoned action can explain why an investor would want to make repeated investments, which builds trust. So, Angel investors who actively look for possibilities demonstrate "investor alertness," a state of heightened awareness of profitable agreements that are likely to optimize returns on cash and other resources (Maula et al., 2005). Prospective investors are more willing to invest in new companies when they are vigilant (Wong and Ho, 2007). Thus, the quality of sustainability reporting, therefore, influences the investor's behavior on investment, as explained by the theory of reasoned action framework.

Additionally, concentration on corporate market risk is crucial because a lack of trust deters investors from buying or holding onto a company's shares (Abdelsalam et al., 2024). So, companies looking to stay on top of the competition, increase their market value, and obtain access to finance must strategically cultivate trust with investors (Bondar et al., 2024). Thus, as the capital markets reach a turning point fueled by the shift to a world that is more sustainable, business executives have a strategic chance to improve their connection with investors (Bondar et al., 2024). Meqdadi et al. (2017) provide distinctive and comprehensive insights into the role of power and trust in spreading sustainability as a change process that impacts various supply network actors. Findings indicate that trust has a big influence on how involved actors are in sustainability projects and how widely they are used in supply networks (Meqdadi et al., 2017).

The study aims to examine The Moderating Effect of Investor Trust on the Relationship between the Disclosure of Environmental, Social, and Governance Practices and Sustainable Investment. So, the trust that stakeholders have in the company's ability to disclose all relevant information—whether it be environmental, social, or governance—is essential to the presentation of sustainability reports. However, if the sustainability reports contain any misleading information, they may deter stakeholders—investors in particular—from funding these businesses, hinder the effectiveness of attracting investments, and increase risks. That means investors and other stakeholders are more likely to want to invest in these businesses when there is greater trust in sustainability reports. So, it's important to remember that investors' decisions to invest in these companies are influenced more by high-quality sustainability reports, which support corporate investment efficiency and improve performance. Therefore, Figure 1 shows the conceptual model for the investigation. To understand this link better, the following hypotheses were tested:

Hypothesis 1: A positive relationship exists between environmental, social, and governance (ESG) practice disclosure and sustainable investment (SI).

Hypothesis 2: A positive relationship exists between Investor Trust (IT) and sustainable investment (SI).

Hypothesis 3: Investor Trust (IT) moderates the link between environmental, social, and governance (ESG) practice disclosure and sustainable investment (SI).

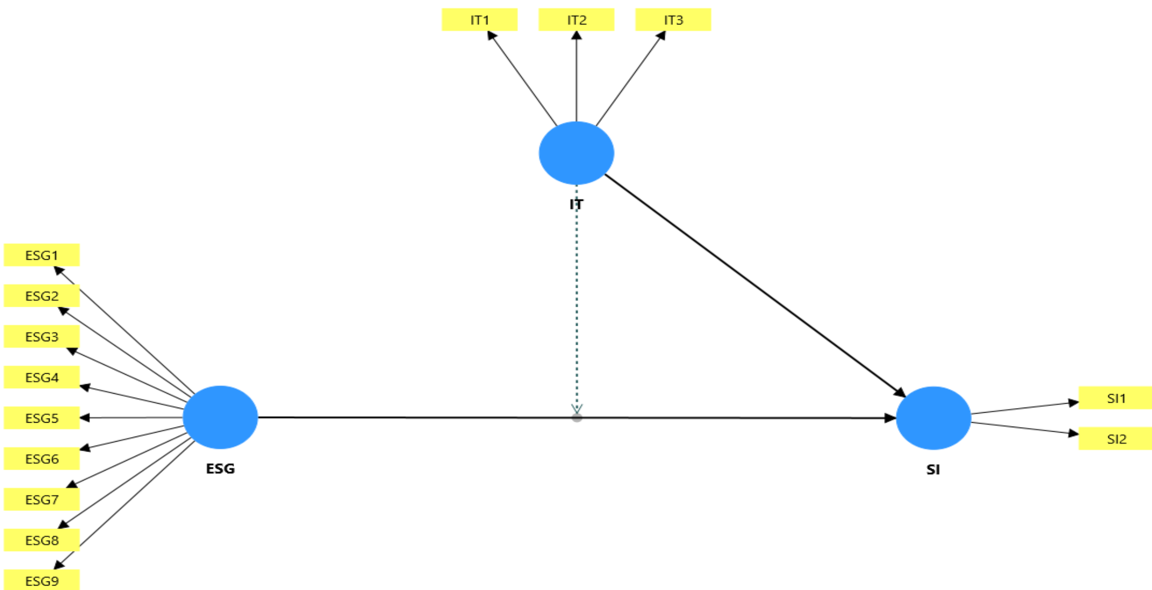

Figure 1. Research model

2. METHODOLOGY

2.1 Sample and Data Collection

As a study society, ASE lists a number of sectors, including banking, insurance, industry, and services. Since 56 industry businesses, 16 banking, 22 insurance, and 140 services companies make up the study population, there are 234 companies listed on the ASE. 39% of businesses are large, 38% are medium-sized, and 23% are small (Al Frijat et al., 2024). But, as a study sample, a diverse range of managers, analysts, executives, and board members who work for companies listed on the ASE are represented. The sample employed in this study was given a questionnaire, and 169 participants' replies were judged appropriate for detailed statistical analysis. To capture the subtleties of the participants' opinions, a Likert scale with a range of 1 to 5 was used for data analysis. Particular interest is given to those who have a direct connection to sustainability reports within these companies, as they are familiar with ESG practices disclosure, which is crucial to the preparation and presentation of sustainability reports. The foundation for sustainability in Jordan is still being developed, nevertheless. This shows that, prior to 2019, most companies were not obligated to publish sustainability indicators in their financial statements because they were not legally required to do so or to recognise the importance of these indicators.

On the other hand, the methodology for response analysis, the study uses the PLS-SEM technique to validate the suggested connection between ESG practices disclosure, IT, and SI. Many different commercial domains make substantial use of PLS-SEM (Ringle et al., 2023). Additionally, many studies that integrate primary and secondary data make extensive use of SEM techniques (Rajesh, 2020).

2.2 Demographic Data Analysis

The study's demographic data revealed a 76% response rate. This group was chosen in particular because of their noteworthy contributions to "corporate sustainability reporting", which incorporates "governance, social, and environmental metrics". Thirty-four percent of respondents were between the ages of thirty and forty, thirty-one percent were between the ages of forty and fifty, and ten percent were beyond fifty. This indicates that this group has enough reporting experience in sustainability. Of the sample, 42% were administrative and financial managers, who made up the majority of the category. Gender-wise, 93% of the participants were men, making them the majority. Although there was a wide range in the educational backgrounds of the participants, 61% of them had bachelor's degrees in business.

2.3 Descriptive Analysis

The findings of the descriptive analysis make clear how crucial it is to Investor Trust (IT) as a moderating variable in its strategy and vision in relation to the relationship between disclosing environmental, social, and governance ESG practices and improving sustainable investments (SI). Additionally, the results of the descriptive statistics show how important ESG practice disclosures are to organizations' success, which benefits their sustainable investments indirectly. See Table 1.

Table 1. Descriptive Analysis

Construct	Items	Mean	Standards Deviation
Environmental, Social, and Governance (ESG) practices disclosure	ESG1	3.266	1.149
	ESG2	3.343	1.066
	ESG3	3.426	1.075
	ESG4	3.225	1.053
	ESG5	3.083	1.174
	ESG6	3.467	1.264
	ESG7	3.284	1.010
	ESG8	3.367	1.149
	ESG9	3.361	1.164
Investor Trust	IT1	3.213	1.232
	IT2	3.355	1.213
	IT3	3.320	1.101
Sustainable Investments	SI1	3.201	1.159
	SI2	3.420	1.271

Source: Own

2.4 Construct Measurement

According to Construct Measurement, the questionnaire included questions about ESG practice disclosures as the independent variable, IT as a moderating variable, and SI as the dependent variable in order to quantify the study variables. ESG practices disclosure items were measured as an independent variable by corporate sustainability reporting: Firstly, Environmental practices disclosure includes Carbon Footprint (GHG Emissions), Energy Consumption, Waste Management, and Biodiversity Preservation. Secondly, the Social Report practices include Employee Satisfaction and Turnover Rates, Health and Safety Measures, Community Engagement, and Education and Training. Finally, the Governance Report includes Board Composition, Diversity Compliance and Ethics, and Risk Management. Also, Mordi's measurement of trust (2023) represented: "Engage Stakeholders; Set Ambitious Goals; and Share Success Stories; Be Transparent About Failures". In addition, the measurement of sustainable investment performance represented the prediction of future risks and opportunities (Vu, Thanh, et al., 2025) and the attraction of new investors.

3. RESULTS

3.1 Factor Loading and Collinearity

For the Factor Loading and Collinearity results, the measuring "model's validity and reliability are demonstrated" by the outer loadings of the constructs utilized in this study, which are displayed in Table 2. According to Hair et al. (2019), loading values between 0.4 and 0.7 are also considered appropriate, provided that removing markers that fall within this range does not negatively impact the "composite constructs' reliability or average variance extracted".

At this level, concerns of "collinearity" between independent latent variables are also examined. Using a "Variance Inflation Factor" measure, it may be difficult to determine the exact amount of change in the dependent latent variable caused by a single predictor variable because of the rising degree of collinearity (Hair et al., 2019). Also, "predictor constructs" must not be collinear, and the Variance Inflation Factor value must fall between 0.2 and 5.00. As a result, the results of the study's Variance Inflation Factor, which ranged from 0.2 to 5.00, demonstrated that the "prediction structures" are not parallel. As shown in Table 2, the study's results show no problems with associations related to the model that was employed.

Table 2. Factor Loading and Collinearity

Construct	Items	Loading	Variance Inflation Factor (VIF)
Environmental, Social, and Governance (ESG) practices disclosure	ESG1	0.799	2.498
	ESG2	0.798	2.775
	ESG3	0.775	2.530
	ESG4	0.799	2.790
	ESG5	0.839	2.839
	ESG6	0.831	2.750
	ESG7	0.752	2.637
	ESG8	0.878	4.385
	ESG9	0.775	2.552
Investor Trust	IT1	0.884	2.185
	IT2	0.854	1.893
	IT3	0.875	1.961
Sustainable investments	SI1	0.898	1.554
	SI2	0.889	1.554

Source: Own

3.2 Measurement Model Assessment

The "Measurement Model Assessment" demonstrates that "Cronbach's alpha", a widely used metric that looks at the intercorrelations between measures, was utilized to evaluate "internal consistency reliability". It is based on the notion that the loading on the related constructs should be equal for each indication. The study's continuously strong "Cronbach's alpha" scores for every variable demonstrated internal solid "consistency dependability". According to Hair et al. (2019), the reliability of internal consistency was confirmed by the fact that none of the Cronbach's alpha values were higher than one or fell below 0.70. See Table 3.

In addition to the "average variance" collected, each indication's dependability was considered. The degree of relationship between measuring indicators and their respective constructs is measured by the "average variance" retrieved. An outside loading value of 0.7 is typically acceptable due to its proximity to the necessary threshold. High loading levels indicate that a sizable portion of the indicator's variance can be explained by the underlying idea. "Convergent validity" was confirmed by the average variance recovered for each of the study's constructs, as shown in Table 3. Each displayed indices with values greater than 0.5.

Table 3. Measurement Model Assessment

	Cronbach's alpha	Composite reliability (rho_a)	Composite reliability (rho_c)	Average variance extracted (AVE)
ESGPD	0.932	0.936	0.943	0.650
IT	0.841	0.843	0.904	0.758
SI	0.748	0.749	0.888	0.798

Note: ESGPD; Environmental, Social, and Governance (ESG) practices disclosure; IT; Investor Trust; SI; Sustainable Investments
Source: Own

Thus, as shown in Figure 2, the earlier evaluations significantly improved the validity and reliability of the measurement model, guaranteeing the data's resilience for ensuing route analysis and predictive modelling.

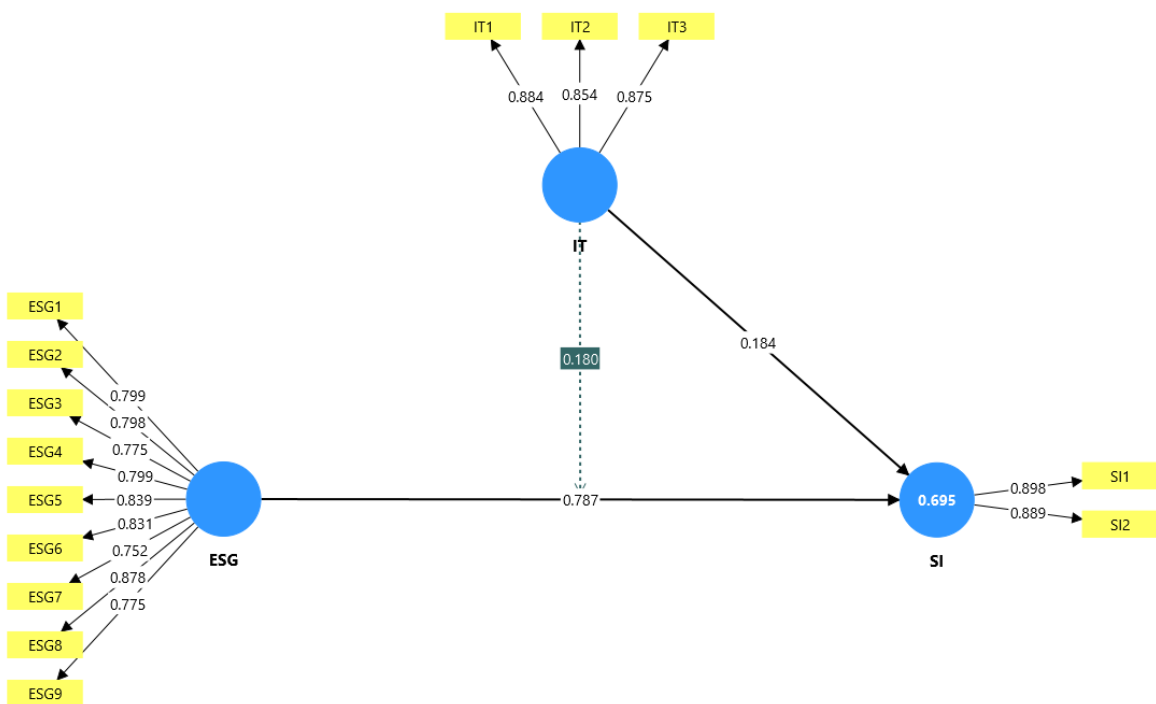

Figure 2. The Smart Pls model

3.3 Discriminant Validity

The "discriminant validity", an essential part of measurement model analysis, was thoroughly assessed using Fornell and Larcker's (1981) criteria. A modern standard for evaluating "discriminant validity in partial least squares (PLS)" models. It provides robust protection to ensure that structures are distinct. For discriminant validity, the test value must be smaller than 0.90. The results show the discriminant validity of the constructs. This bolsters the resilience of the "measurement model and the quality of the data" for additional analysis. By verifying that the constructs satisfied this requirement, the results show the discriminant validity of the constructs. See Table 4.

Table 4. Discriminant Validity

Construct	ESGPD	IT	SI
ESGPD	0.806		
IT	0.803	0.871	
SI	0.723	0.770	0.894

Note: ESGPD; Environmental, Social, and Governance (ESG) practices disclosure; IT; Investor Trust; SI; Sustainable Investments
Source: Own

3.4 Hypothesis Testing

For hypothesis testing, the results of the regression analysis for the proposed associations are shown in Table 5, indicating a positive correlation between disclosure of ESG practice and sustainable investments (SI). H1 is supported by "path coefficients of 0.787, a T value of 8.692, and a p-value of 0.000", which are significant at the 0.05 level, according to structural model test findings. This suggests that the disclosure of environmental, social, and governance practices and sustainable investments is positively correlated. H1 is, therefore, accepted. See Table 5 and Figure 3.

In addition, the analysis results of the suggested correlations to test H2. indicating a positive correlation between investor trust (IT) and sustainable investments (SI) is supported by "path coefficients of 0.184, a T value of 2.128, and a p-value of 0.033", which are significant at the 0.05 level. H2 is, therefore, accepted. See Table 5 and Figure 3.

Table 5 displays the analysis results of the suggested correlations to test H3. Through moderating variables relevant to investor trust, they demonstrate a favorable correlation between ESG practices disclosure and sustainable investments (H3). The findings of the structural model test show that H3 is supported by path coefficients of 0.180, T-values of 2.865, and P-values of 0.004, which are significant at the 0.05 level. This suggests that investor confidence adjustment has a major impact on the connection between ESG practices disclosures and persistent investment improvement. Thus, H3 is accepted. See Table 5 and Figure 3

Table 5. Hypothesis Testing

Hypotheses	Original sample (O)	Sample mean	Standard deviation	T statistics	P values	Decision
ESGPD -> SI **(H1)**	0.787	0.786	0.091	8.692	0.000	Accepted
IT -> SI **(H2)**	0.184	0.183	0.086	2.128	0.033	Accepted
IT x ESGPD -> SI **(H3)**	0.180	0.179	0.063	2.865	0.004	Accepted

Note: ESGPD; Environmental, Social, and Governance (ESG) practices disclosure; IT; Investor Trust; SI; Sustainable Investment
Source: Own

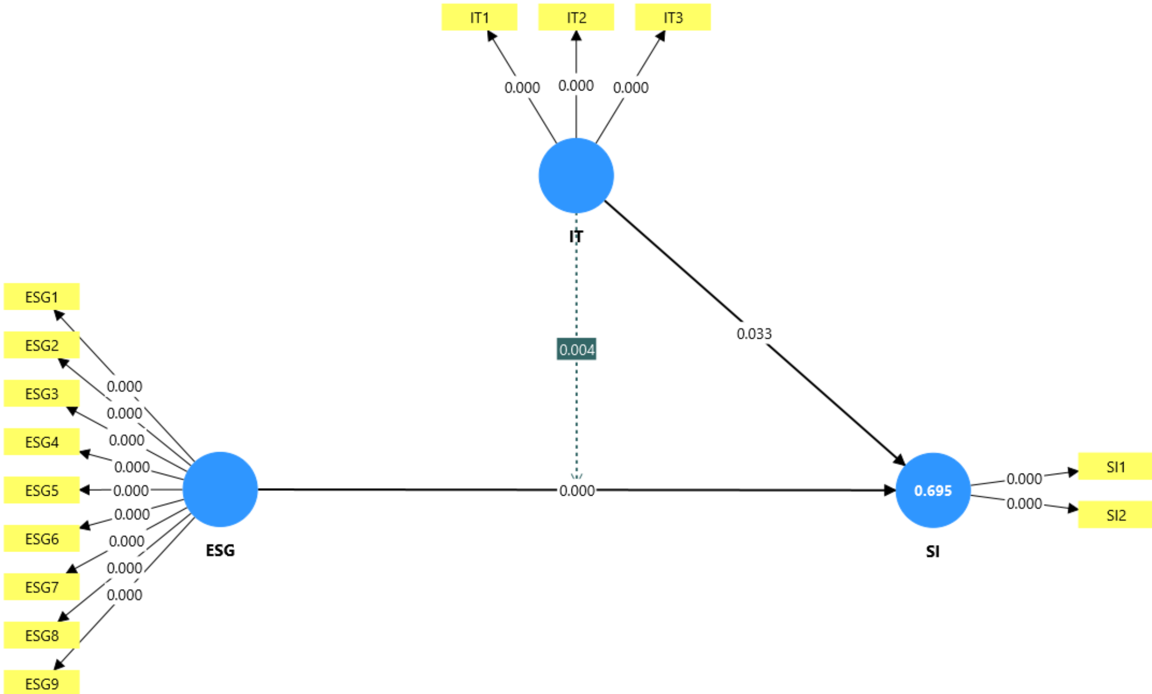

Figure 3. The Smart Pls model

Additionally, as a test of R-squared, Stone-Geisser's score is also frequently used to evaluate the "model's out-of-sample prediction power" and ability to predict unused data. 'The model's Q-squared should be greater than zero for every reflecting endogenous notion (Geisser, 1974; Hair et al., 2017). The results show the Q^2predict equal 0.535 for (SI1) and 0.511 for (SI2). Also, the R-squared values of the two reflecting endogenous constructs for sustainable investments (SI) = 0.695 and 0.689. Thus, the model has a significant predictive ability. See table 6.

Table 6. R-squared and Q^2predict

	R-square	R-square adjusted	Q^2predict	RMSE	MAE
SI	0.695	0.689	0.657	0.591	0.479

Source: own

4. DISCUSSION

In short, research offers a thorough understanding of the intricate connection between ESG practice disclosure, IT, and SI. This comprehensive understanding highlights the potential for high-impact contributions to the financial literature, particularly in emerging environments, and is crucial for investors, policymakers, and businesses navigating the shifting terrain of sustainable investments.

The study investigates the importance of disclosure of environmental, social, and governance practices in Enhancing Sustainable Investments in Jordan: the moderating role of Investor Trust-Building. To test H1, the study results showed that sustainable investments in companies are influenced by disclosure of environmental, social, and governance (ESG) criteria. This means that disclosure of environmental practices, including energy use, waste management, biodiversity conservation, and carbon footprint, as well as disclosure of social practices, including community engagement, health, and safety protocols, employee satisfaction, and volatility rates, is important and plays a key role in attracting new investors and mitigating investment risks. Furthermore, disclosure of governance measures, including risk management, compliance, ethics, board diversity and composition, and governance, plays a key role in predicting risks and creating more future opportunities and also contributes to attracting more new investors. Also, for test H2, a positive correlation between investor trust (IT) and sustainable investments (SI) is supported. Through this, it demonstrates that there is a positive relationship between investor trust and sustainable investing, meaning that trust contributes to improving and enhancing sustainable investment for companies.

To bolster the results of the research hypotheses, in terms of long-term value generation, high ESG-rated businesses are seen to be better able to predict future risks and opportunities and are more inclined to longer-term strategic thinking (Vu, Thanh, et al., 2025). Thus, financial performance can become steadier and more predictable through the efficient management of social obligations, environmental hazards, and governance frameworks (Vu Thanh, et al., 2025). Foley et al. (2024) indicate that the investors' growing interest and knowledge of ESG factors highlight how crucial sustainability is becoming to the investment landscape. Also, Liu et al. (2024) show that ESG reports have emerged as a crucial element of the investing and business markets. Grazia et al. (2022) came to the conclusion that investors are interested in how well companies perform in terms of ESG and want them to be more accountable and open about their ESG practices.

On the other hand, Investor confidence as a moderator affects investment decisions, meaning that confidence modifies their view of investments in these companies. Therefore, the more companies disclose their environmental, social, and governance practices, the more sustainable investments there are. To discuss the results of H3, the results are supported by interaction terms, demonstrating that building trust moderates the association between disclosure of ESG practices and sustainable investments. This means that companies with high ESG ratings in sustainability disclosure are less exposed to risks and climate change events, which can lead to stable operations and financial gains, as well as lower risk, and attract new investors to acquire. These classifications represented the disclosure of environmental practices, including energy use, waste management, biodiversity conservation, and carbon footprint, which was the main focus of this interest. Additionally, it emphasized the disclosure of social practices, including community involvement, health and safety protocols, and employee satisfaction and volatility rates. Disclosure of environmental data improves the value offered to investors and lowers market uncertainty (Moser and Martin 2012).

Furthermore, the results indicated that corporations are interested in the disclosure of governance practices, which include risk management, compliance and ethics, board diversity and composition, and governance. This contributes to risk mitigation, financial performance enhancement, and investor attraction, bolstering both theoretical arguments in the realm of sustainability. Also, the results are in line with the stakeholder theory and signaling theory, which affirms that businesses that implement ESG practices improve long-term goals, resilience, and stakeholder trust by sending signals from their corporate ESG reports to investors. This, in turn, plays a crucial role in lowering risks and enhancing the performance and stability of businesses.

However, as the study results indicated, the relationship between disclosure of sustainability practices, whether environmental, social, or governance (ESG), and sustainable investments is positive and can only be achieved by building investor trust. In fact, the philosophy of building investor trust comes from engaging stakeholders in the decision-making process, providing feedback, and listening to their concerns. Setting ambitious goals is also a trust-building factor, demonstrating the organization's determination to create a sustainable and meaningful impact. Sharing success stories is also encouraged, as is incorporating case studies and real-life examples into the sustainability report, providing tangible evidence of commitment to sustainability. Lastly, since trust is a delicate balance that transcends achievements, results must be transparent. More significant than an organization's accomplishments is how it responds to its setbacks (Mordi, 2023). As a result, companies' adoption of these changes supports investor optimism and changes their perception of their investments, which in turn contributes to promoting sustainable investments. The diversity of nationalities of investors in Jordanian markets indicates investor trust in sustainability reports (ASE, 2025), cited in (Al Frijat et al., 2025).

To bolster the results of the research hypotheses, in the worldwide economy, ESG performance has grown in significance for businesses and investors since it shows a company's sustainability, and resilience (Clément et al., 2025). Suhartini et al. (2024) concluded that social and environmental issues have the potential to undermine investor confidence and reduce firm value. By generating value and reducing uncertainty, ESG performance can support a company's long-term financial success and resilience, as demonstrated by Xueying et al. (2022). Also, Franks et al. (2009) show that informal trust connections were the primary driver of the expansion and prosperity of the "British equities markets in the early 20th century". Also, performance risk is shown to decrease when trust in a bank's abilities increases (Das and Teng, 2004).

CONCLUSION

This study aims to investigate The Moderating Effect of Investor Trust on the Relationship between the Disclosure of Environmental, Social, and Governance Practices and Sustainable Investment. Leveraging data collected through surveys at the level of Jordanian companies operating in the Jordanian market, findings reveal the importance of sustainability disclosure for environmental, social, and governance activities for its role in creating trust for inside and outside users. The study results first show a strong and statistically significant association between ESG practice disclosure and sustainable investments, highlighting that companies with high ESG practice levels tend to provide and attract highly sustainable investments. Second, research demonstrates a convincing and statistically significant positive association between ESG and IT, underscoring the potential benefits of sustainable corporate business practices. In addition, a moderation analysis is presented, exploring the ways in which the methods of IT impact the correlation between ESG practices and sustainable investments, not only as a means of addressing environmental and social challenges but also as a strategy to enhance performance and mitigate risks facing companies to provide sustainable investments.

For this reason, the study is significant because it encourages the companies that are listed on the Amman Stock Exchange to create a more appealing investment base, which will benefit the companies. This is accomplished by highlighting the transparency, legitimacy, and worth of the environmental, social, and governance reports that businesses release in an effort to boost investor confidence and entice them to make an investment or stay involved in the business with their money within the company. Hence, ESG reporting is important in fostering investor confidence to enhance firm value—especially in Jordan's developing market. According to the study's aim, stakeholder trust in sustainability reporting increases business value on its own. To put it another way, a company's dedication to creating and delivering sustainability reports with legitimacy and dependability may enhance the company's success by winning over several stakeholders.

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