



ESG Strategy Integration in SME Development: Pathways to Sustainable Growth

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Abstract

In the context of the reconfiguration of the global economy and the establishment of Sustainable Development as the dominant paradigm, small and medium-sized enterprises (SMEs) are becoming essential actors in the transition towards sustainable economic models. This article investigates the integration of Environmental, Social and Governance (ESG) principles into SME development strategies, critically analyzing both the constraints and opportunities associated with this process. The research is based on a mixed methodological design, including a survey conducted among SMEs in the Republic of Moldova and a correlation of the results with established European ESG indicators. The obtained results allow for the formulation of a conceptual and applicative framework that can guide the elaboration and implementation of robust ESG strategies across various economic sectors. Through the proposed approach, the study contributes to the academic literature on SME sustainability and provides empirical support for policymakers involved in promoting a sustainable economy.

Keywords: Sustainable development, ESG, SME, strategy, sustainability.

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1. Introduction

In recent decades, Sustainable Development has become a strategic priority for economies worldwide, while ESG strategic principles have emerged as fundamental pillars of responsible corporate management (KPMG, 2023).

The ESG strategy involves defining, implementing, and monitoring objectives and actions that relate to:

- E – Environmental: combating climate change, reducing CO₂ emissions, improving energy efficiency, managing natural resources, and protecting biodiversity;
- S – Social: human rights, working conditions, diversity and inclusion, local community impact, health and safety;

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- G – Governance: transparency, ethics, anti-corruption, leadership structure, and corporate responsibility.

The term *ESG* was first introduced in 2004 in the report “*Who Cares Wins*”, developed by the United Nations Global Compact in collaboration with a group of major financial institutions at the initiative of UN Secretary-General Kofi Annan. The purpose of this report was to encourage the integration of sustainability criteria into investment analysis and financial decision-making, promoting a responsible approach to capital allocation ([United Nations Global Compact, 2023](#)).

The definition of ESG was later strengthened by the *Principles for Responsible Investment (PRI)*, launched in 2006 under the auspices of the UN, which provided investors with a voluntary framework for integrating ESG factors into their portfolios. Since then, ESG has become a central concept in evaluating corporate performance not only from a financial but also from an ethical, social, and ecological perspective ([UNDP, 2022](#)).

The role of ESG strategy in promoting Sustainable Development:

- Integration of sustainability into decision-making – ESG provides a standardized framework for strategic decisions in companies and institutions.
- Access to green financing – Investors prefer companies with high ESG scores, while banks offer favorable conditions for sustainable projects.
- Increased resilience – “ESG-ready” organizations are better prepared for crises (climatic, social, economic).
- Transparency and public trust – ESG reporting enhances the confidence of consumers, investors, and partners.
- Contribution to the Sustainable Development Goals (SDGs) – ESG principles translate SDG commitments into practical and measurable actions.

The implementation of the ESG strategy materializes through a set of practices adopted by economic, institutional, and financial actors. At the company level, this is reflected in the elaboration of ESG reports that ensure transparency regarding environmental, social, and governance performance; the adoption of ethical codes guiding organizational behavior; and the transition toward circular production models that reduce environmental impact and increase resource efficiency.

Governments and public administrations promote ESG principles by developing favorable legislative frameworks for sustainable investments, establishing ESG criteria in public procurement, and implementing measures to enhance institutional social responsibility ([World Bank, 2022](#)). Meanwhile, investors increasingly integrate ESG criteria into their capital allocation strategies, through specialized funds that assess ESG risks and direct investments toward companies with sustainable performance, thereby encouraging responsible economic behavior.

According to international studies, reporting standards for sustainable development strategies based on ESG have been adopted in over 70 countries worldwide and are oriented toward creating a long-term sustainable socio-economic system.

In the current economic and social context, SMEs face the challenge of integrating sustainability principles into their operational strategies, despite limited financial, technological, and human resources compared to large corporations. Consequently, SMEs are increasingly adopting policies that not only respond to contemporary environmental and social demands but also enhance long-term resilience and competitiveness.

2. ESG in the EU: Regulatory framework, trends, analysis, and best practices

The European Union (EU) is the global leader in promoting and implementing ESG principles, providing a robust regulatory framework, standards, and initiatives for integrating sustainability into public policies, financial markets, and economic activity ([European Commission, 2023](#)).

Main EU regulatory framework and initiatives:

- The European Green Deal (2019): Establishes the objective of making the EU the first climate-neutral continent by 2050. ESG serves as a key instrument for achieving this goal.
- EU Taxonomy Regulation: A classification system for sustainable economic activities, defining what is considered environmentally sustainable.
- Sustainable Finance Disclosure Regulation (SFDR): Requires investors and financial institutions to disclose information about the environmental and social impact of their activities.
- Corporate Sustainability Reporting Directive (CSRD): Expands ESG reporting requirements to over 50,000 EU companies starting in 2024, enforcing rigorous standards of transparency and accountability.
- Sustainable Finance Action Plan: Promotes green investments and directs private capital toward sustainable activities.

In recent years, the EU has made remarkable progress in applying ESG principles, reflected in several strategic directions. One of the most visible trends is the increase in non-financial reporting: more and more European companies, especially publicly listed ones, publish ESG or sustainability reports in accordance with new transparency requirements ([OECD, 2023](#)).

Likewise, ESG integration into supply chains has become a frequent practice, particularly in industries with high environmental impact, where sustainability standards are applied throughout the production chain.

The sustainable finance market is expanding continuously, with Europe leading globally in green bonds and Socially Responsible Investments (SRI), driven by EU regulations and growing investor demand.

In this context, SMEs play an important role: although they are not directly targeted by all ESG regulations, they are indirectly influenced through supply chains, business partner requirements, and the increasing expectations of consumers regarding social and environmental responsibility.

Several EU member states provide relevant examples of effective ESG implementation, serving as models for other countries transitioning toward a sustainable economy.

Sweden and the Netherlands stand out through advanced public policies and clear ESG regulations, being pioneers in promoting sustainability. Both countries run concrete initiatives supporting SMEs in their green transition through financial tools, consultancy, and public-private partnerships.

Germany took an important step in 2023 by adopting the Supply Chain Due Diligence Act (*Lieferkettengesetz*), requiring large companies to monitor and respect human rights and environmental standards across their global supply chains. This regulation emphasizes extended corporate responsibility and establishes a robust framework for controlling the social and ecological impact of business activities.

France has been a trailblazer in climate reporting, being the first country, as early as 2015, to require large companies to report climate-related risks through the *Law on Energy Transition*. This approach encouraged corporate transparency and accountability, later influencing EU-wide sustainability reporting policies.

Portugal launched its National Strategy for Sustainable Finance in 2022, focusing on integrating ESG criteria into the financial system and supporting companies – including SMEs – in their green transition. The Bank of Portugal collaborates with European regulatory authorities to monitor climate risks in the banking system. Moreover, the government has introduced preferential financing lines for enterprises investing in energy efficiency and carbon reduction.

Austria was among the first countries to issue sovereign green bonds to finance renewable energy and sustainable public transport projects. Additionally, the Austrian Federal Economic Chamber provides SMEs with personalized consultancy for ESG planning, significantly increasing their interest in sustainability.

Spain adopted in 2021 a Law on Climate Change and Energy Transition, requiring large companies to publish information about the impact of their activities on the climate and biodiversity. SMEs benefit from grants for digitalization and the adoption of green technologies under the *National Recovery and Resilience Plan*.

Belgium created a national digital platform dedicated to corporate sustainability, enabling businesses – including small ones – to evaluate their alignment with ESG standards. The federal government actively collaborates with NGOs and trade unions to promote inclusive and sustainable business models.

Ireland has focused on developing a sustainable business ecosystem by supporting green start-ups and creating an *ESG Hub* in Dublin. The Industrial Development Agency provides SMEs with consultancy and tools to integrate ESG standards into their business strategies. The Irish government also launched an educational initiative to train sustainability managers in the private sector.

In Greece and Italy, ESG principles have been integrated into sustainable tourism. Both countries have promoted strategies aimed at minimizing tourism's environmental impact and encouraging responsible tourism. Their green infrastructure projects – such as the creation of protected areas and eco-certification support for tourism businesses – have successfully attracted environmentally conscious visitors.

In Central and Eastern Europe, several countries have begun adopting ESG policies. For example, Poland and the Czech Republic have implemented measures to support SMEs in integrating ESG principles, particularly through the development of information platforms and financial instruments that help assess the social and environmental impact of businesses. Slovakia has integrated green financing strategies to support the transition to a low-carbon economy through green infrastructure projects and tax incentives.

Romania has also made significant progress in adopting ESG principles, with the active involvement of companies from various sectors. OMV Petrom invests in renewable energy and green hydrogen, committing to reduce CO₂ emissions by 30% by 2030 and applying ESG criteria in the evaluation of suppliers and projects. GreenTech Romania, part of the GreenGroup, is a regional leader in PET recycling and a promoter of the circular economy through advanced technologies. Holcim Romania launched ECOPact, a line of low-carbon concrete, and uses intelligent systems to enhance energy efficiency.

On the social component, Banca Transilvania invests in financial education, supports inclusion, and promotes diversity in leadership. Carrefour Romania supports healthy eating, short supply chains, and the fight against food waste.

In the area of governance, Electrica SA publishes an annual sustainability report in accordance with international standards and enforces strict policies on ethics and ESG risks. In addition, the Bucharest Stock Exchange launched in 2023 the first ESG index in Romania, promoting responsible investments and supporting listed companies in ESG integration.

These examples (PwC, 2023) reflect a positive trend among EU states in adopting and implementing ESG principles, contributing to the modernization of the economy and strengthening social and environmental responsibility among economic actors.

The strategic directions regarding ESG principle development in companies from six EU member states

are presented in Tab. 1 below. The data indicate the percentage of SMEs that have implemented ESG strategies and the structure of those strategies by main areas as of 2023 (Boston Consulting Group, 2024).

Table 1. Implementation of ESG strategies in six EU countries (%)

ESG Strategy Directions	Austria	Czechia	France	Hungary	Italy	Spain
ESG Strategy	20	23	19	11	31	31
Resource Recycling	74	76	76	74	67	71
Improved Working Conditions	80	92	74	80	59	82
Energy Efficiency & Renewables	76	57	54	59	59	65
Reduced Material Consumption	72	58	55	73	51	67
Diversity, Inclusion, Equal Opportunities	75	65	56	73	44	63
Development of Sustainable Products	63	61	48	60	46	62

Source: Authors' elaboration based on data from The Fourth Edition of the White Paper "Fostering Sustainability in Small and Medium-Sized Enterprises"

As shown in Tab. 1, on average, 26% of SMEs have implemented ESG strategies, of which 74% focus on recycling and material reuse (circularity), 64% on energy efficiency projects, 62% on improving material use efficiency, and 58% on developing sustainable products or services.

At the country level, more than seven out of ten SMEs have invested in recycling and material reuse: France (76%), Czechia (76%), Austria (74%), and Hungary (74%).

Energy efficiency is considered a priority, especially in Austria (76%), while initiatives to improve material efficiency are concentrated in Hungary (73%), Austria (72%), and Spain (67%).

A total of 77% of SMEs have implemented initiatives to improve employee working conditions, with the most active countries being Czechia (92%), Spain (82%), Austria (80%), and Hungary (80%).

Additionally, 63% of SMEs have launched projects promoting diversity, inclusion, and equal opportunities, with Austria (75%) and Hungary (73%) being the most active in this area.

The ranking of factors that contribute to the implementation of ESG principles in EU companies is presented in Fig. 1 below.

As seen in Fig. 1, the main factors supporting ESG implementation in SMEs are long-term strategic objectives and international legal requirements.

3. ESG in the Republic of Moldova

3.1. ESG at the governmental level

In the Republic of Moldova, the integration of ESG principles into SME development strategies is still at an early stage but is making significant progress, supported by both national initiatives and international partnerships.

The Government of the Republic of Moldova promotes the green transition through various policies and projects. For example, the project "Enabling an Inclusive Green Transition" supports the Government in promoting a low-carbon and resource-efficient economy by raising awareness and strengthening institutional capacity (UNDP Moldova, 2024).

Between 2023–2025, the National Bank of Moldova (NBM) integrated ESG principles into its strategy and is developing a framework for sustainable finance aligned with international and European best practices. A strategy and action plan, including a taxonomy for sustainable finance, are currently being drafted. The NBM is strengthening its internal capacity to manage climate risks and collaborates with authorities

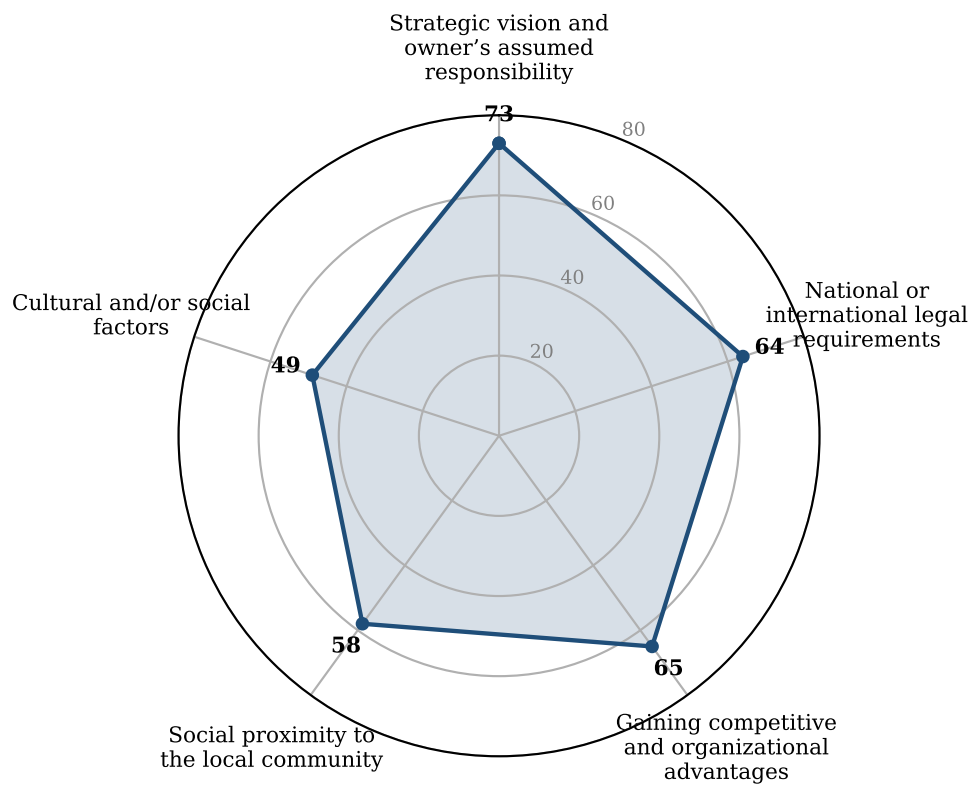


Figure 1. Factors determining the implementation of ESG principles (%)

Source: Authors' elaboration based on The Fourth Edition of the White Paper "Fostering Sustainability in Small and Medium-Sized Enterprises"

and experts on this issue. The National Commission for Financial Markets (NCFM) is also improving its regulatory framework to support the development of a sustainable capital market ([International Monetary Fund, 2023b](#)).

The “Facilitating an Inclusive Green Transition” project, launched in May 2024, funded by the European Union and implemented by UNDP Moldova, assists the Government in adopting a green transition agenda ([European Union and UNDP, 2024](#)). The project focuses on:

- Raising awareness and strengthening institutional capacity;
- Promoting investments in a low-emission and resource-efficient economy;
- Supporting the development of new business models for the circular economy and innovative green solutions.

In August 2024, Moldova launched its first auction for the construction of wind (up to 105 MW) and solar parks (up to 60 MW), aiming to reduce dependence on “Russian” energy and enhance energy security ([Reuters, 2024](#)).

In September 2023, the “Green Agenda” project was launched in Moldova ([Stockholm Environment Institute, 2024](#)) as part of a regional initiative that also includes Armenia, Georgia, and Ukraine. The project focuses on:

- A comprehensive assessment of Moldova’s green transition;
- Developing a roadmap for achieving climate neutrality by 2050;
- Awareness-raising and capacity-building activities.

Furthermore, in March 2025, over 200 teachers, students, and officials gathered to discuss the future of education in the fields of energy, climate, circular economy, and sustainable lifestyles in the Republic of Moldova ([United Nations in Moldova, 2025](#)). The event took place within the “Facilitating an Inclusive Green Transition” project, funded by the EU and implemented by UNDP in partnership with the Ministry of Education and Research, the Ministry of Energy, the Ministry of Environment, and the Presidency of the Republic of Moldova.

By 2030, Moldova aims to stimulate domestic production of renewable energy, including the development of green hydrogen projects ([Ministry of Energy of the Republic of Moldova, 2025](#)). The country has significant potential in this area due to its renewable resource base.

In conclusion, ESG application in the Republic of Moldova is still in a consolidation phase, but the progress made confirms that the direction is favorable and sustainable, laying solid foundations for a modern, fair, and environmentally responsible economic model.

The integration of ESG principles into SME development strategies in Moldova reflects an upward trend toward alignment with European and international sustainability standards. Despite persistent challenges – particularly limited resources, lack of expertise, and restricted access to green financing – public authorities, economic actors, and financial institutions increasingly demonstrate openness toward promoting responsible and sustainable business models.

3.2. ESG at the SMEs level

To systematize the factors and indicators reflecting the implementation of ESG strategies within Moldovan SMEs, the authors conducted a survey involving 50 small and medium-sized enterprises from various economic sectors.

The main objectives of the survey were to:

- Determine respondents awareness level regarding ESG;
- Identify respondents attitudes toward ESG implementation and its potential effects on entrepreneurial activity;
- Highlight practices for implementing ESG in SMEs business processes;
- Assess the level of interaction among respondents for ESG-driven business transformation;
- Identify the main challenges related to ESG practices in SME management.

Key findings of the survey:

- The main barrier to ESG implementation among SMEs remains low awareness and lack of interest in this agenda, as well as a limited understanding of the potential consequences of ESG practices.
- Absence of ESG financing standards and high costs for SMEs.
- The most frequent client requirements faced by SMEs are compliance with fair competition principles and use of electronic documentation.
- The most common ESG implementation practices include developing and organizing social projects and enhancing environmental responsibility.
- The positive effects of ESG implementation are universally associated with reduced environmental pollution and improved consumer quality of life.
- The main risks identified by respondents are the possible market exit of some SMEs and the lack of tangible results from ESG implementation.

The analysis of ESG implementation practices and sustainable development strategies among SMEs in the Republic of Moldova led the authors to conclude that issues related to designing SME strategies based on ESG principles are still insufficiently developed.

The systematization of factors determining ESG implementation in the strategic management of SMEs is presented in Fig. 2.

As shown, the factors supporting ESG implementation in SME development strategies are primarily considered by top managers, particularly regarding investment attractiveness and financial risk management. However, aspects related to climate risks and the alignment of strategies with the Sustainable Development Goals (SDGs) remain of relatively low priority.

A motivational factor for ESG adoption among SMEs could be the introduction of tax incentives and additional government funding. At the same time, ESG priorities among Moldovan SMEs reflect the constraints of the current economic context:

- Maintaining jobs during maternity leave (73%);

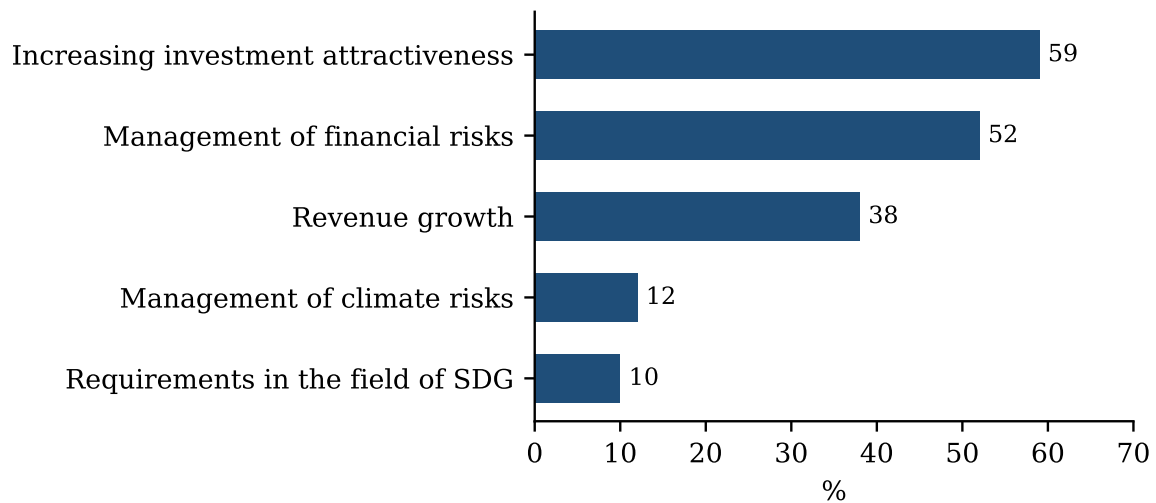


Figure 2. Factors in % determining the implementation of ESG principles in business processes in the Republic of Moldova

Source: Authors' elaboration

- Transition to sustainable production (70%);
- Professional development of employees (54%).

Thus, the ESG strategy of local SMEs remains adaptive, emphasizing social responsibility and operational efficiency. What are the obstacles and opportunities for ESG implementation in Moldova?

Main obstacles:

- Lack of applied knowledge and professional training;
- Misperception of ESG costs as prohibitive;
- Insufficient institutional support.

Identified opportunities:

- Increased attractiveness for international investors;
- Access to new markets through compliance with EU standards;
- Strengthening economic resilience through diversification and sustainable innovation.

4. Conclusions and recommendations

SMEs in the Republic of Moldova represent a strategic vector for the sustainable development of the national economy. Integration of ESG principles can generate a systemic transformation, contributing to:

- Long-term profitability;
- Social and environmental sustainability;

- Enhanced reputation and innovation capacity.

Recommendations:

- Develop a national support framework for ESG (training, consultancy, fiscal incentives);
- Adapt international best practices to local realities;
- Promote public-private partnerships in sustainable development;
- Integrate ESG principles into national economic development strategies.

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