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## Integrating Environmental, Social and Governance (ESG) Concepts in the Context of Sustainable Development Goals (SDGs) and the Impact on Managerial Decisions

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**Abstract: Objectives:** This paper examines the integration of environmental, social, and governance factors within the context of sustainable development objectives and analyzes their role in shaping managerial decision-making. This study aims to clarify the conceptual foundations of these factors, explore their interconnection with global development priorities, and assess their strategic relevance for organizations. **Prior Work:** The research builds on existing literature on sustainable management, responsible investment, and corporate governance, which highlights the transition from traditional financial performance metrics to multidimensional evaluation frameworks. Previous studies emphasize the growing importance of sustainability practices and the influence of institutional pressures, stakeholder expectations, and regulatory developments on organizational behavior. **Approach:** This study adopts a qualitative and analytical approach based on a comprehensive review and synthesis of

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theoretical and empirical contributions. It examines the main dimensions of environmental, social, and governance factors, their alignment with sustainable development objectives, and their incorporation into organizational strategies and decision-making processes. **Results:** The findings indicate that integrating these factors enhances the quality of managerial decisions by expanding the evaluation framework beyond financial indicators. This integration supports risk management, improves resource allocation, and strengthens stakeholder relationships. However, significant challenges persist, including the lack of standardized indicators, high implementation costs, difficulties in measuring impact, and the risk of superficial adoption practices. **Implications:** The study highlights the need for a strategic and authentic integration of sustainability principles within organizational structures and decision-making processes. It also underscores the importance of improving measurement tools and harmonizing reporting practices to enhance transparency and comparability. **Value:** This paper contributes by providing a comprehensive and critical perspective on the role of environmental, social, and governance factors in modern management, emphasizing their potential to support long-term value creation and sustainable development.

**Keywords:** sustainable strategy; decision-making; corporate governance; risk management; stakeholder value

**JEL Classification:** M14; Q01; G34

## 1. Introduction

The global economy is going through a period of profound transformation. Climate change, environmental degradation, social inequalities, and governance crises have become systemic challenges. They affect both society and the business environment. Organizations can no longer ignore the impact of their activities on the environment and society. Pressures from investors, authorities, and consumers are constantly increasing. In this context, sustainability is becoming a strategic priority.

The concept of environmental, social, and governance emerged in response to these challenges. Initially, it was associated with responsible investment. Later, it evolved into a complex framework for assessing organizational performance. The integration of these dimensions reflects a paradigm shift. Performance is no longer evaluated exclusively through financial indicators. The effects on the environment, society, and corporate ethics are also included.

The origin of the concept is linked to the Principles for Responsible Investment initiative promoted by the United Nations (UN PRI, 2006). This highlighted the need to integrate non-financial factors into economic decisions. Currently, environmental, social, and governance reporting has become a global standard in financial markets (Chopra et al., 2024). Investors use this information to assess long-term risks and

opportunities. Organizations use it to demonstrate their responsibility and transparency.

The growing interest in these practices is supported by the dynamics of sustainable investments. Global assets allocated to sustainable strategies have increased significantly in the last decade (Chopra et al., 2024). This evolution reflects the changing preferences of investors. More and more economic actors consider that financial performance is closely linked to sustainability. Consequently, the integration of these dimensions becomes essential for competitiveness.

At the same time, organizations are facing increasingly complex risks. Climate change generates economic uncertainty. Social inequalities affect the stability of markets. Governance issues can lead to reputational crises. These risks can no longer be managed through traditional tools. An integrated approach is needed. Environmental, social, and governance factors provide an appropriate framework for this approach.

Reporting on these factors plays a central role. It ensures the transparency and accountability of organizations. It also facilitates communication with stakeholders. By disclosing relevant indicators, companies provide a picture of their impact on society and the environment (SAP, 2023). At the same time, reporting contributes to improving internal performance. Organizations can identify risks and opportunities. They can set goals and monitor progress.

However, the effectiveness of reporting is hotly debated. Some studies suggest that the real impact on sustainability is limited. There is a risk that these practices are used to improve the image without real change. This phenomenon is known as “greenwashing” (Delmas & Burbano, 2011). The lack of standardization and comparable data intensifies these problems. As a result, the credibility of reporting may be affected.

In this context, the Sustainable Development Goals provide a coherent global framework. They were adopted to address the major challenges facing humanity (United Nations, 2015). They include economic, social, and environmental dimensions. Organizations are encouraged to align their strategies with these goals. The integration of environmental, social, and governance factors facilitates this alignment. Thus, a link is created between organizational performance and sustainable development.

The relationship between these concepts is complex. The environmental dimension contributes to climate and natural resource objectives. The social dimension supports inclusion and well-being. The governance dimension ensures transparency and effective institutions. Together, they form an integrated framework. This framework enables organizations to contribute to sustainable development in a systematic way.

Integrating these dimensions is not just a moral obligation. It is also a strategic opportunity. Studies show that organizations that adopt these practices can achieve superior performance. These include reducing risks, increasing efficiency, and improving reputation (Farag, 2026). Integration can also facilitate access to financing. Investors prefer companies with solid sustainable performance.

Transforming sustainability into a management strategy requires the systematic integration of environmental, social, and governance (ESG) factors across all organizational functions, as illustrated in Figure 1. Strategic, financial, and operational decisions must consistently reflect these principles, embedding sustainability into the core decision-making process rather than treating it as a peripheral or secondary activity (Farag, 2026).

Management theories provide essential conceptual support for this approach, with stakeholder theory emphasizing the importance of addressing the interests of all relevant parties (Freeman, 1984), while institutional theory highlights the role of external pressures in shaping organizational behavior (Suchman, 1995). These insights explain why organizations adopt sustainable practices. They contribute to legitimacy and long-term performance. However, integrating these factors is challenging. The lack of common standards limits comparability. Implementation costs can be high. Organizational resistance can slow down change. Measuring social impact is also complex. These challenges require innovative solutions and collaboration between actors.



**Figure 1. Integrating ESG into managerial decisions**

At the same time, recent developments indicate a clear trend. Sustainability is becoming a central element of modern management. Organizations can no longer ignore these aspects. External and internal pressures require change. The integration of environmental, social, and governance factors is becoming a condition for success.

The main issue that emerges is related to how these concepts influence managerial decisions. Although the literature highlights their importance, practical implementation is variable. Some organizations integrate them deeply. Others treat them superficially. This difference influences the results obtained.

Therefore, a thorough analysis is needed. The relationship between these concepts and sustainable development goals must be understood. The impact on management must also be assessed. This analysis helps clarify the role of these factors in organizations.

The purpose of this article is to examine the integration of environmental, social, and governance concepts in the context of sustainable development. It aims to define and clarify these concepts. It also analyzes the relationship with the sustainable development objectives. Finally, the impact on managerial decisions is highlighted.

## **2. Theoretical Foundations Regarding the Concepts of Environment, Social and Governance**

### **2.1. Definition of Concepts**

The concept of environmental, social, and governance has evolved as a multidimensional framework for assessing organizational performance beyond traditional financial indicators. It reflects a reconceptualization of the role of business in society by integrating environmental responsibility, social equity, and corporate governance mechanisms into the logic of economic value. In recent literature, these dimensions are considered determinants of long-term performance and organizational resilience (Gillan et al., 2021).

The origin of the concept is closely linked to the development of responsible investment and the institutionalization of sustainability in global financial markets. The launch of the Principles for Responsible Investment in 2006 was a landmark moment, marking the formal integration of non-financial criteria into investor's decision-making processes (UN PRI, 2006). Subsequently, the expansion of the conceptual framework was accelerated by institutional pressures, emerging regulations, and increasing awareness of systemic risks associated with climate change and social inequalities (Flammer, 2021). Thus, the concept evolved from a voluntary tool to an emerging standard of global corporate governance.

From a conceptual perspective, the three dimensions of the framework are interdependent and reflect an integrated approach to sustainability. The environmental dimension addresses the ecological externalities of economic activities, including carbon emissions and resource use. The social dimension addresses the organization's relationships with stakeholders, including employee rights and impacts on communities. The governance dimension focuses on institutional structures, transparency, and decision-making accountability. The literature highlights that the value of this framework derives from its ability to integrate these dimensions into a coherent view of risk and performance (Kotsantonis et al., 2016).

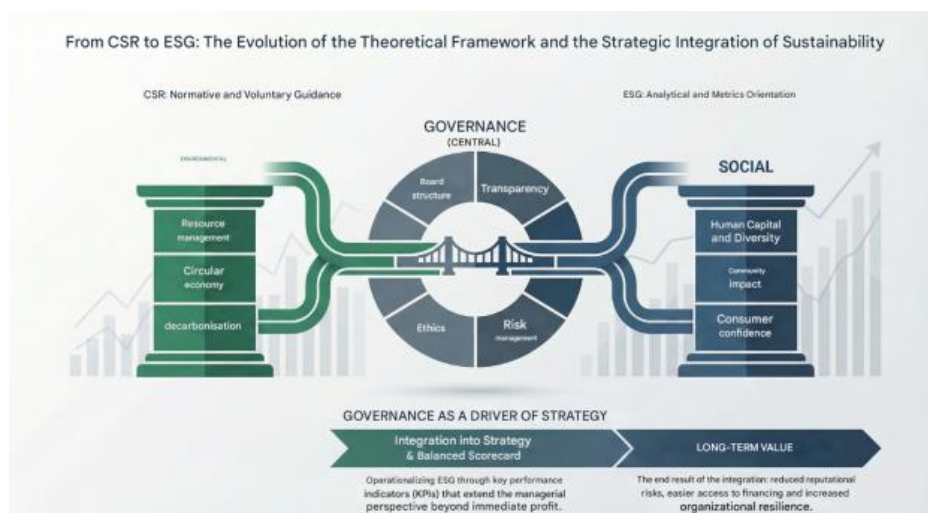
In relation to corporate social responsibility, the conceptual differences are significant and reflect a maturation of approaches to sustainability. Corporate social responsibility is traditionally characterized by a normative and voluntary orientation and is associated with philanthropic and ethical initiatives. In contrast, the environmental, social, and governance framework introduces an analytical and

operational dimension, based on measurable indicators relevant to investors. This transition indicates a shift from symbolic legitimacy to the integration of sustainability into the economic logic of the firm (Carroll, 1999; Eccles et al., 2014). At the same time, critical literature highlights the risk that this financialization of sustainability reduces the complexity of social and environmental issues to simplified metrics (Bebbington et al., 2020).

The role of investors is central in consolidating and disseminating these practices. Institutional investors use environmental, social, and governance criteria to assess systemic risks and to guide capital allocation towards sustainable entities. Empirical meta-analyses indicate a positive, albeit heterogeneous, relationship between performance in these areas and financial performance (Friede et al., 2015). At the same time, investors contribute to standardizing practices through reporting requirements and active involvement in corporate governance.

Regulations play a complementary role, contributing to the institutionalization and standardization of reporting. Recent initiatives, such as the European directives on sustainability reporting and emerging international standards, aim to increase comparability and reduce information asymmetries (European Commission, 2021). However, the literature highlights the fragmentation of the reporting framework and the lack of global harmonization, which limits the effectiveness of these tools (KPMG, 2020).

Environmental, social, and governance (ESG) concepts reflect a fundamental transformation in the way organizational performance is conceptualized, marking a shift from traditional corporate social responsibility approaches toward a more integrated and strategic perspective (Figure 2).



**Figure 2. Evolution from CSR to ESG: Theoretical Framework Development and Strategic Integration of Sustainability**

They go beyond the paradigm of corporate social responsibility and become essential tools for assessing risks, creating value, and substantiating strategic decisions. However, their development is marked by tensions between standardization and complexity, between economic objectives and social imperatives, which justifies the need for continuous critical analysis.

## 2.2. Environmental Dimension

The environmental dimension is a fundamental component of the environmental, social, and governance framework, focusing on the impact of economic activities on ecosystems and natural resources. It reflects the responsibility of organizations to manage resources efficiently, reduce negative externalities, and contribute to environmental protection. In recent literature, environmental performance is considered a key determinant of long-term sustainability and the reduction of systemic risks associated with climate change (Bolton & Kacperczyk, 2023; Krueger et al., 2020).

Natural resource management is a central pillar of the environmental dimension. Organizations are increasingly under pressure to use resources such as water, energy, and raw materials efficiently, in the context of their limitation and increasing global demand. Sustainable practices include optimizing consumption, reducing waste, and

adopting less resource-intensive technologies. Recent research highlights that resource efficiency strategies are closely correlated with operational performance and reduce organizational vulnerability to external shocks (Hickel et al., 2023; UNEP, 2024).

Another essential aspect is the reduction of emissions and mitigation of environmental impacts. Greenhouse gas emissions, pollution, and ecosystem degradation continue to represent major challenges globally. Organizations are encouraged to adopt decarbonization strategies, use renewable energy sources, and implement technologies with low environmental impact. Recent literature highlights that the integration of climate objectives into corporate strategies significantly reduces financial risks and increasing economic resilience (Pástor et al., 2021; NGFS, 2024).

In parallel, the circular economy and energy efficiency are becoming central concepts in the sustainable approach to economic activities. The circular economy involves moving from a linear model to a regenerative one, based on reuse, recycling, and waste reduction. This approach reduces the pressure on natural resources and creating more resilient economic systems. Recent studies show that the adoption of circular models is associated with organizational innovation and the development of sustainable competitive advantages (Kirchherr et al., 2023; OECD, 2024).

Integrating these practices into organizational strategies reflects a paradigm shift from compliance to sustainable innovation. Organizations that implement advanced environmental strategies not only reduce their negative impact, but also strengthen their competitive position by capitalizing on the opportunities associated with the transition to low-carbon economies (Flammer, 2021). In addition, integrating sustainability criteria into decision-making processes contributes to improving long-term performance and adapts to structural changes in financial markets (Pástor et al., 2021).

Pressure from institutional investors plays a key role in accelerating the adoption of these practices, as they integrate climate risks into capital allocation strategies and influence corporate behavior (Krueger et al., 2020). In parallel, international sustainability regulations and initiatives contribute to the institutionalization of the environmental dimension and the creation of a coherent framework for the transition to circular and resource-efficient economic models (OECD, 2024). In this context, the environmental dimension is becoming a central element of modern corporate

governance, integrated into organizational strategies and risk management mechanisms.

The environmental dimension highlights the critical role of organizations in managing their impact on ecosystems and promoting sustainable development. By managing resources efficiently, reducing emissions, and adopting circular economy principles, companies can help reduce climate risks and create long-term value. At the same time, these processes are influenced by regulatory dynamics, investor pressures, and structural transformations in the global economy.

### **2.3. Social Dimension**

The social dimension is a key component of the environmental, social, and governance framework, focusing on organizations' relationships with employees, communities, and other stakeholders. It reflects the responsibility of companies to contribute to social well-being, respect human rights, and promote fair and inclusive practices. In recent literature, social performance is considered a determinant of organizational legitimacy and long-term sustainability (Edmans, 2023; Grewal et al., 2019).

A central element of the social dimension is employee relation management. Occupational health and safety practices, diversity and inclusion, and professional development contribute to creating a sustainable work environment. Recent studies have highlighted that organizations that invest in human capital achieve significant benefits in terms of productivity, employee retention, and overall performance (Edmans, 2023; OECD, 2023). In addition, transparency and fairness in employment relationships are associated with increased trust and organizational commitment.

Community impact is another important dimension. Organizations are increasingly involved in social initiatives, such as community development, education, and reducing inequality. Recent literature highlights that active community involvement contributes to strengthening reputation and creating shared value (World Bank, 2023; UNDP, 2024). Thus, companies are no longer perceived as mere economic entities but as social actors with extended responsibilities.

Responsibility toward consumers is also a relevant aspect of the social dimension. This includes ensuring product quality, data protection, and promoting ethical marketing practices. Recent research highlights that consumer trust is directly

influenced by the social behavior of organizations, which can affect financial performance and market positioning (Grewal et al., 2019; Deloitte, 2026).

The integration of the social dimension into organizational strategies reflects a transition from reactive approaches to proactive models of social value creation. Organizations that adopt responsible social practices strengthen their relationships with stakeholders and improve their ability to adapt to changes in the economic and social environment. At the same time, pressures from civil society and investors contribute to raising standards of social responsibility. The social dimension highlights the role of organizations in promoting equity, inclusion, and social well-being. By responsibly managing relationships with employees, communities, and consumers, companies can contribute to sustainable development and long-term value creation.

#### **2.4. Governance Dimension**

The governance dimension is a central element of the environmental, social, and governance framework, focusing on the structures and mechanisms through which organizations are led and controlled. This includes management structure, ethics and transparency, as well as risk management and compliance. Recent literature highlights that effective governance is essential for integrating sustainability into organizational strategies and creating long-term value (Velte, 2023).

The structure of the board directly influences the quality of the decision-making process and the ability of organizations to integrate sustainability criteria. The composition of the board of directors, the independence of members, and their diversity contribute to more effective oversight of management and to improved organizational performance. Recent studies show that board diversity is positively associated with sustainability performance and the reduction of organizational risks (Abdullah et al., 2024).

Ethics and transparency are fundamental pillars of corporate governance. Ethical practices include compliance with legal norms, preventing opportunistic behaviors, and promoting organizational responsibility. Transparency is manifested by disclosing relevant information, both financial and non-financial. The introduction of sustainability reporting requirements has contributed to increasing the quality of information and reducing information asymmetries between companies and investors (Christensen et al., 2023). In this context, transparency becomes an

essential tool for strengthening stakeholder trust and improving corporate governance.

Risk management and compliance are essential components of the governance dimension. Organizations are exposed to complex risks, including climate and financial risks, which require the integration of appropriate identification and management mechanisms. Recent research highlights that firms that integrate climate risks into governance and strategic decision-making processes are better prepared to manage uncertainties and maintain long-term performance (Sautner et al., 2023). Compliance with international regulations and standards also contributes to reducing reputational risks and maintaining organizational legitimacy.

The integration of the governance dimension reflects a transition from traditional control models to approaches oriented towards accountability, transparency, and sustainability. Organizations that adopt solid governance practices strengthen their credibility, improve relations with stakeholders, and increase their ability to adapt to changes in the economic environment. In this sense, corporate governance becomes a key mechanism for the effective implementation of sustainability strategies.

The governance dimension highlights the role of institutional structures in ensuring responsible and effective leadership. By promoting ethics, transparency, and risk management, organizations can support sustainable development and create long-term value.

### **3. Correlating Environmental, Social and Governance Concepts with Sustainable Development Goals**

#### **3.1. Presentation of Sustainable Development Goals**

The Sustainable Development Goals (SDGs) are a global framework adopted to address the economic, social, and environmental challenges of contemporary society. They were established in 2015, as part of the 2030 Agenda for Sustainable Development, adopted by the Member States of the United Nations. The context of their adoption is marked by the need for an integrated approach to development, balancing economic growth, social inclusion, and environmental protection (United Nations, 2015).

The 2030 Agenda was designed as a continuation and expansion of the Millennium Development Goals, addressing their limitations through a more comprehensive and

universal approach. Unlike previous initiatives, the Sustainable Development Goals are applicable to all states, regardless of their level of development, and involve a shared responsibility between governments, the private sector, and civil society. This approach reflects the recognition of the interdependence of global issues, such as climate change, poverty, and inequalities (Sachs et al., 2023).

The 17 Sustainable Development Goals cover a wide range of areas, structured around major priorities such as eradicating poverty, ensuring food security, promoting health and education, gender equality, access to water and energy, sustainable economic growth, reducing inequalities, and protecting the environment. They also include goals related to responsible consumption and production, climate action, and strengthening effective institutions (United Nations, 2015).

From a conceptual perspective, the objectives are interconnected and indivisible, with progress in one area influencing outcomes in other areas. This interdependence requires the adoption of integrated policies and strategies, both at the national and organizational levels. Recent literature highlights the fact that the private sector plays a key role in achieving these objectives by integrating sustainability principles into corporate strategies and aligning economic activities with global priorities (van Zanten & van Tulder, 2023).

The Sustainable Development Goals provide a coherent framework for guiding global efforts toward a sustainable development model. They constitute an essential benchmark for organizations, facilitating the alignment of environmental, social, and governance strategies with global objectives and contributing to the creation of long-term value.

### **3.2. The Relationship Between Dimensions and Objectives**

The correlation of environmental, social, and governance dimensions with the sustainable development goals highlights the complementarity between organizational practices and global priorities. Each dimension contributes to achieving specific objectives, but its impact is interdependent and systemic.

The environmental dimension is closely linked to the goals on climate action, clean energy, and natural resource management. In particular, it contributes to Goal 13 (climate action), Goal 7 (clean and affordable energy), and Goal 6 (clean water and sanitation). For example, companies in the energy sector that invest in renewable sources, such as solar or wind energy, directly contribute to reducing greenhouse gas

emissions and the energy transition. A relevant example is the decarbonization strategies adopted by major European companies, which have set climate neutrality targets by 2050 (IEA, 2023). At the same time, energy efficiency and sustainable water use practices contribute to optimizing resources and reducing environmental impacts (UNEP, 2023).

The social dimension is linked to the goals on education, health and reducing inequalities, namely Goal 4 (quality education), Goal 3 (health and well-being), and Goal 10 (reduced inequalities). Organizations contribute to these goals by investing in employee training, ensuring safe working conditions, and promoting diversity and inclusion. For example, vocational training programs implemented by companies in the technology sector contribute to the development of digital skills and increasing access to education. In addition, occupational health and safety initiatives reduce occupational risks and improve employee well-being (ILO, 2023). In addition, social inclusion and equal opportunities policies contribute to reducing disparities and strengthening social cohesion.

The governance dimension is associated with the goals on effective institutions, justice, and transparency, in particular Goal 16 (peace, justice, and strong institutions). Corporate governance practices, such as decision-making transparency, combating corruption, and managerial accountability, contribute to strengthening trust and the efficient functioning of markets. For example, the implementation of international reporting standards and independent audit mechanisms improves the quality of information and reduces the risks of fraud (OECD, 2025). Moreover, the integration of ethical principles into organizational strategies contributes to the alignment of economic activities with social and institutional norms.

Overall, the correlation between environmental, social, and governance dimensions and the sustainable development goals highlights the essential role of organizations in achieving these global goals. Integrating these dimensions into corporate strategies allows not only compliance with regulatory requirements but also the creation of sustainable value in the long term.

### **3.3. Synergies and Complementarities between Environmental, Social and Governance Dimensions and Sustainable Development Objectives**

Integrating environmental, social, and governance dimensions into organizational strategies generates significant synergies in achieving sustainable development

goals. These concepts do not act in isolation but work complementarily, contributing to an integrated approach to global challenges. Recent literature emphasizes that the coherent implementation of ESG practices allows organizations to create value simultaneously at the economic, social, and environmental levels (van Zanten & van Tulder, 2023).

Synergies arise mainly through the interdependence of objectives and organizational actions. For example, investments in renewable energy (the environmental dimension) contribute not only to reducing carbon emissions but also to job creation and local economic development (the social dimension). Similarly, the implementation of sound governance practices, such as transparency and accountability, facilitates the efficient allocation of resources and supports the achievement of the goals on effective institutions (Goal 16) (OECD, 2021). Thus, the integration of ESG dimensions allows simultaneous addressing of multiple sustainable development goals.

The complementarity between these dimensions is also evident within value chains. For example, adopting sustainable sourcing standards reduces environmental impact, improves working conditions, and strengthens corporate governance. These actions simultaneously contribute to goals such as responsible consumption and production (Goal 12), reducing inequalities (Goal 10) and promoting accountable institutions (Goal 16). In this sense, an integrated ESG approach facilitates the transition to sustainable and resilient business models (UN Global Compact, 2023).

Good practice examples highlight how organizations are capitalizing on these synergies. For example, technology companies that invest in energy-efficient data centers reduce energy consumption and emissions (environment) while contributing to the development of digital infrastructure and the creation of economic opportunities (social). At the same time, the adoption of strict governance policies on data protection and digital ethics strengthens stakeholder trust (governance). Another example is food companies that implement sustainable agricultural practices, simultaneously contributing to food security, environmental protection, and the development of rural communities (FAO, 2023).

Integrating ESG into organizational strategies not only supports the achievement of sustainable development goals but also optimizes organizational performance. Recent studies show that organizations that adopt an integrated approach to sustainability are better positioned to manage risks and capitalize on emerging opportunities (World Economic Forum, 2024). In addition, this integration facilitates

the alignment of stakeholder interests and contributes to the creation of a sustainable competitive advantage.

The synergies and complementarities between environmental, social, and governance dimensions and the sustainable development goals highlight the need for an integrated and strategic approach. Organizations that capitalize on these interdependencies can achieve global goals, while strengthening long-term performance and resilience.

## **4. The Role of Integrating Environmental, Social and Governance Factors in Managerial Decisions**

### **4.1. Integration Into Organizational Strategy**

The integration of environmental, social, and governance factors into organizational strategy marks the shift from a logic of compliance to one oriented towards value and competitive advantage. Instead of treating these dimensions as external obligations, organizations increasingly include them in strategic objectives, control systems, and performance evaluation. Recent literature shows that the integration of ESG indicators into the Balanced Scorecard extends the managerial perspective beyond financial results and supports a more coherent planning of sustainable performance (Garefalakis et al., 2025; Silva et al., 2025).

Sustainable strategic planning thus involves correlating economic objectives with environmental impact reduction, social responsibility, and governance requirements. This approach allows organizations to transform regulatory pressures and stakeholder demands into opportunities for strategic repositioning and differentiation.

### **4.2. Impact on the Decision-Making Process**

ESG integration directly influences managerial decision-making, particularly in the areas of investment, risk management, and resource allocation. In investment terms, ESG information provides signals on the quality of governance, sustainability of performance, and exposure to future risks (Figure 3). Recent studies show that ESG disclosure is associated with reduced earnings management and more prudent financial decisions, including in terms of liquidity and internal resource structure (Saleh et al., 2025; Cui et al., 2025).

From a risk perspective, ESG integration supports the identification of vulnerabilities not captured by classical financial indicators. The relationship between ESG disclosure, earnings management, and financial distress suggests that this information has direct relevance for anticipating organizational risk and calibrating managerial responses (Almubarak et al., 2023). Research also shows that governance mechanisms can limit the negative effects of earnings management on ESG performance, which confirms their role in strategic and operational decisions (Adeneye et al., 2024).



**Figure 3. Integrating ESG into Management Decisions: The Path to Sustainable Value**

#### 4.3. Tools and Indicators Used

The operationalization of environmental, social, and governance factors in organizational management is achieved through a combination of performance indicators, integrated assessment tools, and standardized reporting frameworks. The integration of ESG indicators in the Balanced Scorecard provides an efficient mechanism for correlating strategic objectives with measurable metrics, facilitating the monitoring of sustainable performance and its integration into decision-making processes (Garefalakis et al., 2025). At the same time, the Sustainability Balanced Scorecard contributes to the extension of managerial control to non-financial dimensions, allowing a multidimensional assessment of organizational results (Silva et al., 2025).

An essential role in strengthening these tools is played by ESG reporting frameworks, which ensure the structuring and comparability of information. In this context, the standards developed by the International Sustainability Standards Board (ISSB), under the aegis of the IFRS framework, provide a coherent system for reporting relevant information for investors. IFRS S1 and IFRS S2 standards allow the integration of sustainability risks and opportunities, including climate-related ones, into financial analysis, thus facilitating the assessment of performance and risk exposure.

In parallel, other reporting frameworks contribute to completing this ecosystem (Table 1). The GRI standards are oriented towards the impact of organizations on the environment and society, addressing a broad spectrum of stakeholders, while SASB offers industry-specific indicators, correlated with financial performance, and relevant to investors. Thus, the differences between these frameworks reflect two complementary perspectives: one oriented toward the impact of the organization on the external environment and the other focused on the implications of sustainability on financial performance.

The integration of these frameworks constitutes a critical mechanism for the development of robust and coherent ESG reporting systems, significantly reducing fragmentation and enhancing the reliability and comparability of disclosed information. Moreover, the adoption of internationally recognized standards plays a pivotal role in mitigating inconsistencies across ESG ratings and strengthening transparency. Within this framework, non-financial reporting extends beyond a purely informative function, assuming a disciplinary role that actively shapes managerial behavior and constrains opportunistic practices, including those associated with earnings management (Mao et al., 2024).

**Table 1. Overview of ESG Reporting Frameworks and Their Key Characteristics**

Framework	Full name	Main role	Reporting type	Target audience	The connection with the ESG
IFRS	International Financial Reporting Standards	Global financial standards	Financial	Investors and capital markets	Basis for integrating ESG into financial reporting
ISSB	International Sustainability Standards Board	Global ESG standards	Sustainability (financially relevant)	Investors	Integrate ESG into comparable

Framework	Full name	Main role	Reporting type	Target audience	The connection with the ESG
	Standards Board				reporting (IFRS S1, S2)
<b>GRAY</b>	Global Reporting Initiative	Broad sustainability standards	Non-financial (broad impact)	Stakeholders (society, NGOs)	Focus on economic, social, and environmental impacts
<b>SASB</b>	Sustainability Accounting Standards Board	Industry-specific ESG indicators	Relevant financial ESG	Investors	Connect ESG with financial performance

ESG tools and indicators, supported by reporting frameworks such as IFRS/ISSB, GRI and SASB, facilitate the integration of sustainability into management processes. This integration contributes to the foundation of decisions on a more complete basis, which includes not only financial performance, but also the risks and opportunities associated with sustainable development.

#### 4.4. Benefits for Organizations

ESG integration generates relevant organizational benefits. First, it can improve reputation and credibility by reducing the perception of opacity and strengthening managerial accountability. Second, it can facilitate access to finance because investors and lenders increasingly value the quality of ESG disclosures and signals regarding managerial discipline (Saleh et al., 2025; Almubarak et al., 2023).

Third, ESG integration can increase stakeholder trust when the organization demonstrates coherence between strategy, reporting, and managerial behavior. Benefits emerge especially when measurement and control systems are well articulated, and governance reduces the risk of opportunistic use of non-financial reporting (Adeneye et al., 2024; Mao et al., 2024).

## **5. Conclusions, Challenges and Limitations Regarding the Integration of Environmental, Social and Governance Factors**

The integration of environmental, social and governance factors into organizational strategies and decision-making processes reflects a structural transformation of contemporary management. The analysis highlights that these concepts are no longer a peripheral element, but an essential framework for assessing performance and managing risks in the long term. At the same time, recent developments indicate a significant maturation of this framework, through the development of international standards aimed at increasing the coherence and relevance of ESG information.

One of the most important challenges remains the process of standardizing indicators. Although recent initiatives, such as the standards developed by the International Sustainability Standards Board (ISSB) under the auspices of IFRS, contribute to increasing comparability and transparency, the harmonization process is still under consolidation. The coexistence of several reporting frameworks, such as GRI and SASB, maintains a certain degree of fragmentation and difficulties in interpreting ESG data. Thus, although progress is evident, full comparability and information consistency are not yet fully achieved.

Implementation costs are another significant limitation. Integrating these dimensions involves profound organizational transformations, including investments in sustainable technologies, adapting reporting systems, and developing managerial skills. For some organizations, these costs may constitute a barrier to adopting authentic practices, favoring formal rather than substantive integration.

A major difficulty is related to the measurement of impact. Unlike financial performance, environmental and social impact is difficult to quantify precisely, which limits the accuracy of the assessment and the integration of these dimensions into decision-making processes. In this context, even in the presence of emerging international standards, the complexity of the phenomena analyzed remains a significant methodological challenge.

The risk of “greenwashing” remains a relevant issue. While standardization of reporting, including through ISSB, contributes to increased transparency, there is still the possibility of selective use of information to enhance organizational image. This phenomenon highlights the importance of rigorous verification mechanisms and sound governance to support the credibility of ESG reporting.

From a critical perspective, these limitations highlight a persistent tension between economic and sustainability objectives. Although ESG integration is presented as a strategic opportunity, in practice it is influenced by institutional pressures and compliance requirements. In this sense, the differences between organizations that deeply integrate these concepts and those that superficially adopt them remain significant.

At the same time, the analysis highlights the significant potential of these factors to improve the quality of management decisions. Expanding the decision-making framework beyond financial indicators allows for a more complex assessment of risks and opportunities. In particular, the introduction of ISSB standards marks the transition from predominantly voluntary reporting to one oriented towards financial relevance, facilitating the integration of ESG information into investment analysis and management decision-making processes. Linking to the Sustainable Development Goals reinforces this perspective. These goals provide an overarching framework that allows organizations to align their strategies with broader economic, social and environmental priorities. Integrating ESG factors facilitates the operationalization of these goals at the organizational level, contributing to making sustainability a central element of management.

A key point highlighted by the analysis is the need for a genuine strategic approach. ESG integration cannot be effective if it is treated solely as a reporting exercise. It must be embedded at all levels of the organization, including long-term strategy, organizational culture and decision-making processes. Leadership and stakeholder engagement play a key role in this process, contributing to increasing the relevance and legitimacy of decisions.

In terms of future directions, the analysis highlights the need to continue the process of harmonizing reporting standards and developing more robust impact measurement tools. Future research should also deeply analyze the effects of ESG integration on organizational performance and the conditions under which it generates a real competitive advantage.

In conclusion, the integration of environmental, social and governance factors represents a necessary evolution of modern management, marked by the shift from voluntary approaches to standardized and financially relevant frameworks. Although challenges related to standardization, costs, measurement and credibility persist, the development of international standards, such as those promoted by the ISSB within the IFRS, indicates a maturation of the ESG framework. The effectiveness of this

integration, however, depends on the ability of organizations to go beyond formal approaches and adopt an authentic strategic perspective, oriented towards the creation of sustainable value in the long term.

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