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ESG and SMEs —Beyond Dichotomies: Overcoming Challenges and Building Collaborative Solutions

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Abstract: *This paper explores the structural interplay between Environmental, Social and Governance (ESG) frameworks and Small and Medium-sized Enterprises (SMEs) within the evolving European sustainable finance architecture. It argues that the prevailing ESG regulatory framework—designed for large corporations and financial institutions—creates a regulatory asymmetry that, while formally exempting SMEs from direct obligations, exposes them to indirect pressures through supply-chain integration and financial intermediation. Building on the ESG cascade effect (Câmara, 2023), the paper conceptualizes how supervisory expectations, market incentives, and reporting standards propagate sustainability requirements across economic networks, creating a de facto compliance environment for SMEs.*

Drawing on a doctrinal and policy analysis of key EU instruments (Taxonomy Regulation, CSRD, SFDR, CSDDD) and a case study of the Portuguese ESG Ecosystem, the paper advances three contributions. First, it redefines SMEs as crucial agents in the sustainable transition. Second, it identifies proportionality, data comparability, and access to transition finance as essential for regulatory legitimacy and inclusion. Third, it proposes collaborative governance mechanisms—aligned with Sustainable Development Goal 17—that mitigate information asymmetries and foster ESG capacity-building.

The paper concludes that the integration of ESG considerations within SME governance frameworks transcends regulatory compliance, emerging as a strategic enabler of competitiveness, financial robustness, and sustained value creation throughout the economic value chain.

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Introduction

In the face of climate and environmental crises, social inequalities, and increasing calls for corporate accountability, the integration of environmental, social, and governance (ESG) factors into business strategy has transitioned from optional to imperative.

While the financial sector and large companies have been the traditional focus of ESG frameworks, Small and Medium-sized Enterprises (SMEs) are crucial actors in the sustainable development agenda. Given their role as the backbone of the European economy—especially in countries like Portugal, where SMEs account for 99.9% of all enterprises, employ approximately 76% of the workforce, and generate over 62% of the gross value added¹—their progressive alignment with ESG standards is essential for driving sustainable economic growth and reinforcing environmental stewardship. Notably, SMEs are responsible for up to 60% of all business-sector GHG emissions², highlighting their central importance in achieving climate goals. Yet, despite their importance, SMEs are frequently neglected and grapple with the complex demands of ESG integration.

This paper explores three core dimensions of the ESG-SME relationship: first, SMEs are not directly bound by the regulatory framework shaping ESG integration; second, ESG engagement is becoming an essential lever for SME competitiveness and access to finance, particularly in light of cascading expectations³ along the supply chains; and third, while the transition offers strategic opportunities, it is also hindered by significant bottlenecks—including limited resources, high compliance costs, and pervasive data challenges—that necessitate collaborative action from stakeholders —exemplified by initiatives like the Portuguese ESG Ecosystem⁴—that reflects the collaborative ethos enshrined in UN Sustainable Development Goal 17.

¹ Instituto Nacional de Estatística (INE), Estatísticas das Empresas 2023, Lisboa, 2024.

https://www.ine.pt/xportal/xmain?xpid=INE&xpgid=ine_publicacoes

² World Economic Forum. (2025). Fast-Tracking SME Sustainability Could Accelerate Global Climate Targets and Unlock Economic Value. <https://www.weforum.org/press/2025/06/fast-tracking-sme-sustainability-could-accelerate-global-climate-targets-and-unlock-economic-value-says-new-report/>

³ Câmara, Paulo, *The Systematic Interaction Between Corporate Governance and ESG: The Cascade Effect*, Lisbon, (2022). <https://ssrn.com/abstract=4474337>

⁴ <https://esg.sibs.com>

I. Regulatory Dichotomies

Although the European Union accounts for around only 6% of global greenhouse gas emissions⁵, it made a deliberate choice to lead the global sustainable transition —an objective that, in fact, is heavily focused on the “E” (Environmental) pillar of ESG frameworks, reflecting the dramatic urgency of the current context marked by accelerating climate impacts, biodiversity loss, and growing systemic risks to economic and financial stability. As Christine Lagarde aptly warned in her capacity as Managing Director of the International Monetary Fund, *“If we don’t do anything about climate change, we will be toasted, roasted and grilled”*⁶.

To address the challenge of climate change and pursue its ambition of becoming carbon neutral by 2050, the European Union launched a series of striving regulatory initiatives that were subsequently consolidated and broadened under the European Green Deal⁷, establishing a comprehensive framework for decarbonization and sustainable development.

The European Commission ambition was initially anchored in the “Action Plan: Financing Sustainable Growth⁸” published in 2018, much focused on the financial sector, and which launched an ambitious and comprehensive strategy on sustainable finance, with a clear objective to reorient capital flows towards sustainable investments. A cornerstone of this framework was the EU Taxonomy Regulation⁹, which defined criteria for environmentally sustainable economic activities across six objectives: climate change mitigation, climate change adaptation, sustainable use and protection of water and marine resources, transition to a circular economy, pollution prevention and control, and protection and restoration of biodiversity and ecosystems. Although its primary focus is environmental, the regulation also acknowledged the importance of minimum social safeguards and governance standards as essential conditions for classifying activities as sustainable. The Taxonomy Regulation required large companies and financial market participants to disclose the extent to which their activities conformed to a technically complex binary classification—sustainable versus non-sustainable—thereby establishing a common reference

⁵ https://edgar.jrc.ec.europa.eu/report_2024#emissions_table

⁶ Lagarde, C. (2019, January). Remarks at the World Economic Forum Annual Meeting. Davos, Switzerland.

⁷ European Commission. The European Green Deal. Communication from the Commission to the European Parliament, the European Council, the Council, the European Economic and Social Committee and the Committee of the Regions. COM(2019) 640 final, Brussels, 11 December 2019. <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:52019DC0640>

⁸ European Commission, Action Plan: Financing Sustainable Growth, Brussels, (2018).

<https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:52018DC0097>

⁹ [Regulation \(EU\) 2020/852 of the European Parliament and of the Council of 18 June 2020](https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:52020R0852) on the establishment of a framework to facilitate sustainable investment, and amending Regulation (EU) 2019/2088 (OJ L 198, 22.6.2020, p. 13–43)

point to combat greenwashing, even though the taxonomy itself applied to only a very limited subset of economic activities and the companies engaged in them.

Complementing the Taxonomy, the Corporate Sustainability Reporting Directive¹⁰ (CSRD) expanded and strengthened reporting requirements by replacing the Non-Financial Reporting Directive, whose designation was considered outdated (as sustainability information is no longer seen as “non-financial” but rather as integral to corporate financial performance). The CSRD extended detailed, standardized, and assured sustainability reporting to a much broader range of companies, using the European Sustainability Reporting Standards (ESRS)¹¹.

The Sustainable Finance Disclosure Regulation (SFDR)¹² required financial institutions to disclose how sustainability risks and principal adverse impacts (Article 7) were integrated into their processes and to classify financial products under Article 6 (products without sustainability ambition), Article 8 (products promoting environmental or social characteristics), or Article 9 (products with a sustainable investment objective), based on their ESG criteria.

Additionally, the Corporate Sustainability Due Diligence Directive (CSDDD)¹³ established obligations for large companies to identify and mitigate adverse human rights and environmental impacts across their value chains.

Collectively, these instruments—and numerous other measures (e.g. MiFID, Benchmarks, SRD II, Green Bonds) —demonstrate the EU’s determination, under the overarching framework of the European Green Deal, to embed sustainability in a consistent and systemic way throughout economic and financial policy.

SMEs were excluded from the EU ESG regulatory framework primarily due to concerns that imposing demanding requirements would create a disproportionate administrative burden and significant compliance costs for smaller businesses. This approach is consistent with the principles

¹⁰ Directive (EU) 2022/2464 of the European Parliament and of the Council of 14 December 2022 amending Regulation (EU) No 537/2014, Directive 2004/109/EC, Directive 2006/43/EC and Directive 2013/34/EU, as regards corporate sustainability reporting (OJ L 322, 16.12.2022, p. 15–90). <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A32022L2464>

¹¹ Commission Delegated Regulation (EU) 2023/2772 of 31 July 2023 supplementing Directive 2013/34/EU of the European Parliament and of the Council as regards sustainability reporting standards (OJ L 2023/2772, 22.12.2023). <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:32023R2772>

¹² Regulation (EU) 2019/2088 of the European Parliament and of the Council of 27 November 2019 on sustainability-related disclosures in the financial services sector (OJ L 317, 9.12.2019, p. 1–16). <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:32019R2088>

¹³ European Union. Directive (EU) .../... of the European Parliament and of the Council on Corporate Sustainability Due Diligence and amending Directive (EU) 2019/1937. Final text adopted 24 April 2024. https://www.europarl.europa.eu/doceo/document/TA-9-2024-0197_EN.html

of the EU's Small Business Act¹⁴, which emphasizes the need to consider the specific characteristics and capacities of SMEs and to design legislation in line with the "Think Small First" principle. Accordingly, the ESG framework was initially targeted at large companies and financial market participants, whose operations have broader systemic impacts and whose resources make them better equipped to comply with legal and regulatory requirements.

Ironically, this exclusion has not shielded SMEs from ESG pressures – many are indirectly affected in two critical ways: (i) through their participation in the value chains of large enterprises, which must report on the sustainability performance of their entire supply chains; and (ii) through financing by financial institutions, which have to disclose the environmental performance of their financed portfolios. This dynamic reinforces the cascade effect, intensifying demands on SMEs to provide credible sustainability information even without direct legal mandates.

While most SMEs remained formally outside the scope of mandatory ESG reporting obligations such as those introduced by the CSRD, this did not mean they were unaffected. Listed SMEs—those with securities admitted to trading on EU regulated markets—were required to prepare simplified sustainability reports after a transitional period. In contrast, non-listed SMEs continued to fall outside the direct reach of these requirements, though they often faced indirect pressures through supply chains and financing relationships, to submit information on a voluntary basis (for instance using the Voluntary Standard for non-listed SMEs [VSME] developed by the EFRAG).

Due to their roles in supply chains and dependence on bank (and to a lesser extent on market-based financing), SMEs are undoubtedly indirectly impacted by ESG factors. This phenomenon, that can be related to a 'cascade effect'¹⁵, where "*ESG governance affects several types of entities and persons in successive waves of influence*" and there is a "*potential aptitude for companies to engage in ESG-based decisions and to systematically influence others to do so, including investors, investee companies and their respective supply chain and community*"¹⁶.

In addition to regulations, the role of supervisory authorities has proved crucial to the effective adoption of ESG practices, creating cascading expectations that extend well beyond directly regulated entities. Institutions such as the European Central Bank (ECB), the European Insurance and Occupational Pensions Authority (EIOPA), and the European Securities and Markets Authority

¹⁴ European Commission (2008). "Think Small First" – A "Small Business Act" for Europe. COM(2008) 394 final. Brussels, 25.6.2008. <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:52008DC0394>

¹⁵ CÂMARA, PAULO, The Systemic Interaction Between Corporate Governance and ESG: The Cascade Effect (2023), Governance Lab Working Paper No.04/2023, Available at SSRN: <https://ssrn.com/abstract=4474337> or <http://dx.doi.org/10.2139/ssrn.4474337>

¹⁶ Câmara, Paulo, *The Systematic Interaction Between Corporate Governance and ESG: The Cascade Effect*, Lisbon, (2022). <https://ssrn.com/abstract=4474337>

(ESMA) have rapidly evolved their mandates to embed climate and environmental considerations into the financial system—a shift that also has significant implications for SMEs. On November 2020, the ECB published its Guide on climate-related and environmental risks¹⁷, setting out detailed supervisory expectations for the banking sector. The Guide requires institutions to systematically integrate climate and environmental risks into their governance, strategy, risk management, and disclosure practices. In doing so, the ECB has established a clear framework that pushes banks to identify, measure, and manage exposures across their entire client base—including smaller companies.

In 2022, the European Banking Authority (EBA) also released its Implementing Technical Standards (ITS) on ESG disclosures under Pillar 3¹⁸. These standards introduced the Banking Book Taxonomy Alignment Ratio (BTAR), a metric requiring banks to evaluate and disclose the proportion of their exposures—including loans to SMEs—that align with the EU Taxonomy for sustainable economic activities. While SMEs themselves are not directly required to report taxonomy-aligned data, the BTAR in fact creates strong incentives for banks to collect and assess ESG information from their SME clients, although on a bilateral and best-efforts basis.

This context effectively extends sustainability expectations along the financing chain, as banks need robust data to demonstrate their own alignment with regulatory standards and to manage climate-related risks in their portfolios. As a result, SMEs are increasingly being asked by their lenders to provide information on their environmental policies, carbon footprint, and plans to adapt to the green transition.

This means that even without legal or regulatory requirements, SMEs are asked to align with ESG principles by their larger corporate partners or financing institutions.

The Corporate Sustainability Due Diligence Directive (CSDD) reinforces this trend by mandating that large companies identify and address adverse human rights and environmental impacts throughout their global value chains. While the CSDD does not directly impose obligations on SMEs, it indirectly affects them by establishing new compliance expectations for the larger companies they supply or finance.

¹⁷ European Central Bank. Guide on climate-related and environmental risks: Supervisory expectations relating to risk management and disclosure. Frankfurt am Main: European Central Bank, November 2020. <https://www.bankingsupervision.europa.eu/ecb/pub/pdf/ssm.202011finalguideonclimate-relatedandenvironmentalrisks~58213f6564.en.pdf>

¹⁸ Commission Implementing Regulation (EU) 2022/2453 of 30 November 2022 laying down implementing technical standards for the disclosure of environmental, social and governance risk pursuant to Article 449a of Regulation (EU) No 575/2013 of the European Parliament and of the Council (OJ L 323, 7.12.2022, p. 4–72). <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:32022R2453>

Mounting expectations from clients, business partners, financial stakeholders, and global supply chains therefore amplify the cascading pressure, compelling SMEs to align with sustainability standards to remain competitive and retain access to markets, capital, and commercial relationships.

II. Challenges and Opportunities

The transition to a low-carbon economy, with its vast scale and rapid pace, poses significant challenges. These are compounded by a dynamic and at times unstable legal framework, characterized by early regulatory overshooting in ESG legislation followed by corrective simplification efforts (such as the recent Omnibus Package for Sustainable Finance¹⁹). Further complexity arises from inconsistencies in the very definition of sustainability, misaligned reporting schedules across regulations, and frequent postponements and delays relative to the EU's original legislative roadmap.

One central and widely acknowledged limitation is the lack of large-scale ESG data that is reliable and comparable. This gap hampers effective ESG integration and impairs transparency across all company sizes, but it is especially burdensome for SMEs. Due to their size and limited resources, SMEs often struggle to understand the strategic implications of ESG factors for their operations and to absorb the costs associated with reporting, certification, and labeling. The consequences of these challenges are already becoming visible. Some large companies based in the EU have begun cancelling contracts with SMEs unable to report adequately on their sustainability performance, reflecting the new demands arising from the Corporate Sustainability Reporting Directive (CSRD).

Furthermore, it is important to recognise that SMEs' performance on the Social (S) and Governance (G) pillars can potentially drag down their overall ESG score, with direct implications for both their access to financing and the cost of capital. Deficiencies in areas such as labour practices, stakeholder engagement, or governance structures can therefore compound environmental shortcomings and further constrain their ability to attract sustainable investment.

¹⁹ European Commission. *Omnibus Package for Sustainable Finance: Simplification Measures and Reduction of Reporting Burden*. Brussels: European Commission, 2025.

https://finance.ec.europa.eu/publications/omnibus-package-sustainable-finance_en

Sustainability data and ratings rely mainly on self-reported or proxy data that is often not verified or audited. This raises questions about the objectivity, comparability, and reliability of the information, with negative implications for SMEs' credibility and access to finance. Similarly, in the absence of verification and auditing, this can allow for considerable greenwashing.

The lack of comparability also affects the ability of financial institutions to aggregate data for their own reporting obligations, further entrenching barriers to sustainable finance.

As previously discussed, although SMEs are generally exempt from many formal ESG reporting obligations, in practice they are significantly affected. This is particularly true for SMEs that serve as suppliers to larger corporations and those that rely on external financing for growth.

SMEs need to finance their transition and stand to benefit from demonstrating robust sustainability performance, especially as evidence shows a positive association between corporate sustainability and SMEs' financial outcomes²⁰. However, many SMEs face high upfront costs and limited access to finance, which are consistently cited as the main constraints to adopting greener business models. Uncertainty is another pervasive barrier, stemming from rapidly changing technologies, evolving regulations, volatile markets, and the broader unpredictability of climate impacts themselves. This combination of challenges often delays or deters investment in sustainable practices.

It is therefore imperative to support small and medium-sized enterprises in this transition by encouraging the gradual and strategic integration of Environmental, Social, and Governance (ESG) factors into their core strategies and operations. This must be accompanied by the appropriate application of the principle of proportionality in regulatory frameworks, the promotion of transparency in both financial and non-financial disclosures, and the facilitation of access to competitive financing under stable and non-disruptive conditions. Ultimately, such support aims to strengthen both financial and environmental sustainability, which are increasingly recognized as two interdependent dimensions of long-term business resilience.

²⁰ "A systematic literature review of published research articles in the field of sustainability and SME financial performance between 1999 and 2018 concludes that the majority of articles empirically confirmed a positive association between corporate sustainability and SMEs' performance", in OECD (2022), in "Financing SMEs for sustainability: Drivers, Constraints and Policies", *OECD SME and Entrepreneurship Papers*, No. 35, OECD Publishing, Paris, <https://doi.org/10.1787/a5e94d92-en>.

The strategic imperative for SMEs to engage with ESG is thus not simply about regulatory compliance—it is about remaining competitive. Firms that embrace ESG practices signal resilience, reduce long-term risks, and build trust with customers and investors.

Financial performance and global sustainability are not opposing objectives; rather, they are two sides of the same coin. True sustainability rests on strong governance, respect for the social dimension, and responsible environmental stewardship. Companies that neglect any of these—whether climate and environmental commitments, social responsibilities, or governance standards—may achieve short-term financial results but cannot deliver enduring, sustainable value.

However, imposing abrupt ESG requirements without sufficient transitional support risks subjecting the business sector to a form of “intermittent fasting”—an approach that can be extremely harmful.

Support to small and medium-sized enterprises is also critical to preserve a dynamic entrepreneurial ecosystem. Innovation by SMEs plays a pivotal role in driving the transition to a carbon-neutral economy, as their agility, creativity, and proximity to local markets enable the development and rapid deployment of sustainable technologies, business models, and practices that accelerate decarbonization across sectors.

In response to the growing concerns over disproportionate burdens on smaller entities, the European Commission presented the Omnibus package in February 2025. This package aims to reduce administrative burdens associated with sustainability reporting. Specifically, it targets a 25% reduction for companies overall and an at least 35% reduction for SMEs before the end of the Commission's mandate.

These reductions are part of a broader initiative to streamline sustainability reporting requirements, including those under the Corporate Sustainability Reporting Directive and the EU Taxonomy Regulation. The goal is to alleviate compliance costs and administrative burdens, particularly for SMEs, while maintaining the EU's sustainability objectives.

III. The Case for Collaborative Solutions

The Sustainable Development Goals (SDGs)²¹ are a universal call for action adopted by the United Nations on September 2015, as part of the 2030 Agenda for Sustainable Development. The SDGs aim to end poverty, protect the planet, and ensure prosperity and peace for all people. They cover all three dimensions of sustainability: economic, social, and environmental.

Among these goals, SDG 17 – Partnerships for the Goals – is particularly important because it focuses on strengthening the means of implementation and revitalizing global partnerships. SDG 17 recognizes that achieving all other goals requires collaboration between governments, the private sector, civil society, and international organizations. Without effective partnerships, resources and knowledge cannot be mobilized at the scale needed to make real progress. By fostering cooperation and sharing technology, expertise, and financial support, SDG 17 acts as a catalyst to drive the success of the other SDGs.

In its Recommendation (EU) 2023/1425 of 27 June 2023²² on facilitating finance for the transition to a sustainable economy, the European Commission notes that “*SMEs might need the support of their financing partners, suppliers and customers in their value chain when considering their transition finance needs and accessing transition finance in practice*”.

Due to the cascading effect, supporting SMEs in building ESG capacity is essential to prevent extreme outcomes such as “floods” or “droughts” in the “cascade”, which can compound vulnerabilities. Without adequate tools, knowledge, and guidance, smaller enterprises struggle to meet evolving (and ambitious) expectations, potentially limiting their access to affordable finance. Helping SMEs understand and measure their sustainability performance will not only strengthen their own resilience but also enable the financial sector to comply with regulatory requirements and contribute to a more sustainable economy.

The experience of many SMEs demonstrates a growing interest in obtaining sustainability-related certifications and reporting voluntarily on their performance, even when not strictly required. However, many enterprises still lack awareness of the concrete steps they must take to decarbonise their operations or implement sustainable products and practices. In this context, non-financial support—including training, practical tools, and accessible information portals—becomes indispensable. Where tools already exist, public institutions can play a pivotal role in

²¹ United Nations. *Transforming our world: the 2030 Agenda for Sustainable Development*. Resolution adopted by the General Assembly on 25 September 2015. A/RES/70/1. <https://sdgs.un.org/2030agenda>

²² European Commission, Recommendation (EU) 2023/1425, 27 June 2023

raising awareness and promoting their uptake. They can also partner with private initiatives and non-governmental actors to expand the availability of resources that help SMEs identify and measure their environmental performance.

Reflecting this perspective, in Portugal in June 2024, the Portuguese ESG Ecosystem²³ was launched. It is a platform, fully funded by the Portuguese financial sector, designed to simplify the management of companies' sustainability information. It enables organizations to systematize and report ESG data, conduct a self-diagnosis of their starting position, and develop a transition plan accordingly.

The Ecosystem helps companies structure their ESG information in alignment with European regulations and connect with financial institutions, facilitating the integration of this data into banking processes. This platform empowers companies to adopt sustainable practices and strengthen their operations in compliance with regulatory requirements.

This ecosystem fosters collaboration among financial institutions, public authorities, and SMEs by promoting shared tools, sector-specific guidelines, and targeted training programs that enhance ESG capabilities while reducing reporting costs. Among the specific tools developed within this framework are simplified ESG reporting templates tailored to SMEs' capacities, digital platforms for accessing sectoral benchmarks and environmental data, and training programs co-developed with universities and business associations. Furthermore, the ecosystem facilitates dialogue between banks and SMEs to promote green lending criteria and cultivate mutual understanding of ESG expectations across financial and corporate stakeholders.

By enabling SMEs to understand and implement sustainability criteria effectively, the Portuguese ESG Ecosystem exemplifies a cooperative model that aligns national business competitiveness with long-term climate and social objectives.

IV. Conclusion

As ESG becomes an integral part of economic policy and business practice, it is essential that SMEs are not left behind. Although regulatory frameworks have centered on large corporate and financial institutions, the strategic importance and indirect exposure of smaller enterprises—through supply chains, financing relationships, and market expectations—makes it imperative to adopt a more inclusive approach.

²³ <https://esg.sibs.com>

SMEs face genuine challenges: limited resources, constrained access to ESG data, and an often overwhelming compliance landscape. Yet with the right support, they also stand to gain considerably. Thoughtful, proportionate ESG integration can strengthen their competitiveness, improve operational resilience, and unlock new avenues of finance and innovation.

Meeting this ambition requires a concerted effort from all stakeholders—policymakers, regulators, supervisors, financial institutions, business associations, and the SMEs themselves. It is critical to build capacity, harmonize disclosure requirements, and provide practical tools that reduce complexity rather than add to it. Governance practices within SMEs must also evolve, embedding ESG considerations into long-term strategies and day-to-day decisions.

National initiatives such as the Portuguese ESG Ecosystem offer valuable examples of how cross-sector collaboration can drive tangible progress. By integrating public policy objectives, regulatory frameworks, simplification measures, digital tools, market incentives, and targeted technical support, these programs demonstrate that it is possible to reconcile long-term sustainability ambitions with the idiosyncratic short-term objectives of diverse stakeholders.

Ultimately, empowering SMEs to play a full role in the sustainable transition is not solely a matter of regulatory compliance—it is about ensuring that the backbone of the European economy remains dynamic, resilient, and competitive. As Sustainable Development Goal 17 underscores, effective partnerships will constitute the cornerstone of this endeavor. Only through genuine collaboration between governments, financial institutions, companies, and communities can we achieve a transformation that is both systemic and inclusive—and that comprehensively addresses the cascading effect of the evolving ESG expectations throughout the entire economic value chain.

Bridging the gap between the recognition of sustainability objectives and their concrete implementation requires a combination of proportionate regulatory frameworks, appropriately targeted financial and non-financial support measures, and sustained efforts to enhance the transparency, comparability, and reliability of ESG data. By advancing along these lines, SMEs will be better positioned not only to meet evolving expectations but also to participate fully in the sustainable transition and to seize the opportunities it presents.
