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ESG implementation process – stakeholders influence on European "Green Deal" politics

Abstract

RESEARCH OBJECTIVE: The aim of this study is to demonstrate the interdependencies between the broader external environment and the immediate environment, by identifying the main stakeholders in influencing actions related to the European Union Green Deal (GD) and the implementation of ESG standards.

RESEARCH PROBLEMS AND METHODS: In order to achieve the assumed goal, the stages of implementation of both the GD and the processes related to the implementation of ESG in the sphere of reporting entities will be analyzed. The cause-and-effect relationship between elements of the closer environment (stakeholders) and elements of the more distant environment will be assessed.

THE PROCESS OF ARGUMENTATION: The article begins with a review of the literature in the area of sustainable development and the stakeholder concept. Then the EU sustainable development policy and examples of stakeholder activities and their impact on EU policies were analyzed. Finally the PEST method was used to analyze the cause-and-effect relationship of stakeholders on sustainable EU policy.

RESEARCH RESULTS: The implementation of the objective will allow for the identification of the impact of stakeholders and their behavior on the EU policy.

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The article shows that based on the assumptions of the stakeholder concept, it is possible to determine the degree of influence of the main stakeholders of the GD project on factors of the further environment.

CONCLUSIONS, INNOVATIONS, AND RECOMMENDATIONS: The analysis of the success of implementing a project related to the implementation of the GD requires a combination of techniques related to the organization's environment. Sustainable policy can only be effectively implemented through dialogue with all major stakeholders whose behavior significantly affects the further environment.

Keywords:
ESG, Green Deal, sustainability, stakeholders

INTRODUCTION

Stakeholders play a key role in shaping the European Union's (EU) sustainable development policy, influencing the decisions and actions of European institutions through a variety of mechanisms and tools. The EU has positioned itself as a global leader in addressing climate change and promoting sustainable development through two significant policy frameworks: the European Green Deal (GD) and the Action Plan on Sustainable Finance, often referred to as Environmental, Social, and Governance (ESG) policy. The GD, introduced in 2019, sets an ambitious target of making the EU climate-neutral by 2050, aiming to transform the economy while addressing environmental challenges like biodiversity loss and pollution (European Commission, 2019; Kastrinos & Weber, 2020). Meanwhile, the EU's ESG framework is part of a broader regulatory agenda to integrate sustainability into financial systems, encouraging businesses and investors to incorporate environmental, social, and governance criteria into decision-making processes (Lightfoot & Burchell, 2005; European Commission, 2018). Both frameworks rely heavily on the input and influence of a broad range of stakeholders, whose involvement shapes the trajectory of these policies.

Stakeholders – ranging from EU institutions, national governments, and businesses to non-governmental organizations (NGOs), financial institutions, and civil society – play a pivotal role in determining the

success of both the GD and ESG policies. EU institutions set the overarching goals and legislative frameworks, but their implementation often depends on member states and industry compliance (Camilleri, 2020; Knill & Tosun, 2020). For example, the business sector, particularly industries heavily reliant on carbon-intensive practices, actively lobbies to ensure regulatory frameworks are economically feasible and do not compromise their competitiveness (Bailey & Maresh, 2021). On the other hand, financial institutions, driven by the ESG framework, are crucial in redirecting capital flows toward sustainable investments, but they often negotiate to limit the regulatory burden (Eckhart, 2020: Pisani-Ferry, 2020). NGOs and environmental groups push for more aggressive action on sustainability, urging for stricter rules and transparency measures in both the GD and ESG frameworks (Zito et al., 2021; Tice, 2024).

The aim of this study is to demonstrate the interdependencies between the broader external environment, analysed in the PEST framework, and the immediate environment, by identifying the key stakeholders in influencing actions related to the EU GD and the implementation of ESG standards. This objective is important because it highlights how the integration of political, economic, social and technological factors can influence the implementation of projects related to the EU GD and the implementation of ESG principles.

RESEARCH METHODS

The purpose of this article was to explore how stakeholders and their actions can influence policy-making related to the implementation of the GD and ESG concepts in Europe. As a first step, the main stakeholder groups related to these activities will be identified. In the next step, using the PEST methodology, an identification will be made of the various groups of factors that can have the greatest impact on the actions and decisions of the various stakeholder groups. As a first step, a literature review will be conducted on sustainability, green management and ESG concepts. Relevant academic sources, industry reports and policy documents that address the role of stakeholders in shaping public policies will be analyzed. This allow to identify key theories and models that describe the interactions between different

stakeholder groups and EU policies. Then identification of both stakeholders and downstream environment factors conducted on the basis of a preliminary literature review will be processed. For each case, the roles within each factor that each identified stakeholder group may create in the context of green governance and ESG implementation will be indicated. The PEST analysis will allow us to understand the impact of political, economic, social, technological factors on stakeholder actions and decisions in the context of ESG and green governance. This approach will enable the identification of patterns and trends affecting the effectiveness of sustainability policies. The final stage of the research method will be the synthesis of the collected data and the results of the analysis. On this basis, conclusions will be formulated on the role and influence of stakeholders in shaping green governance and ESG policies in the EU.

THEORETICAL FOUNDATIONS OF SUSTAINABLE DEVELOPMENT AND THE ROLE OF STAKEHOLDERS

Sustainable development is a multi-dimensional concept that balances economic growth, environmental protection, and social equity. The most widely accepted definition comes from the Brundtland Report (1987), which defines sustainable development as "development that meets the needs of the present without compromising the ability of future generations to meet their own needs" (World Commission on Environment and Development, 1987). This concept was built upon three interconnected pillars: economic viability, environmental sustainability, and social inclusiveness, often referred to as the triple bottom line (Elkington, 1997; Purvis, Mao & Robinson, 2019). These pillars highlight the necessity of integrating ecological concerns with economic and social systems to ensure long-term global prosperity and environmental stewardship. Over time, specific goals were assigned to these pillars, referred to as SDGs (Sustainable Development Goals). This allowed for the assessment of progress in implementing the concept in individual countries (Pradhan et al., 2017; Chmielewski et al., 2024).

One of the foundational theoretical frameworks for sustainable development is ecological modernization theory which posits that

economic development and environmental protection are not inherently in conflict but can be mutually reinforcing through technological innovation, policy reform, and market mechanisms (Spaargaren & Mol, 1992). Ecological modernization emphasizes the role of stakeholders – governments, businesses, and civil society – working together to achieve sustainability. This theory challenges earlier environmental perspectives, which often viewed economic growth as detrimental to the environment, by proposing that industrial development can be more sustainable through the adoption of clean technologies (Mol & Spaargaren, 2000; Dryzek, 2013).

Another relevant theoretical perspective is stakeholder theory, which argues that businesses and organizations are responsible not only to shareholders but also to a broader range of stakeholders, including employees, communities, customers, and the environment (Freeman, 1984; Parmar et al., 2010). Stakeholder theory corresponds with sustainable development by intensifying the importance of engaging diverse actors in decision-making processes that affect environmental and social outcomes. According to this concept, long-term business advance is linked to the creation of value for all stakeholders, not just financial returns (Freeman et al., 2010). This approach highlights the role of multi-stakeholder obligation in shaping sustainable development policies and practices, and is an essential to frameworks of the European GD and ESG strategies (Nonet et al., 2022).

The role of stakeholders in sustainable development is also rooted in responsible innovation concept, which involves the inclusion of diverse public, private, and non-governmental actors in policy formulation and implementation (Śledzik et al., 2023). In the context of global sustainability challenges, stakeholders such as governments, international organizations, private sector actors, non-governmental organizations (NGOs), and local communities play a crucial role in shaping innovations policies and driving action toward sustainability goals (Blok & Lemmens, 2015).

In conclusion, the theoretical foundations of sustainable development are built upon the integration of economic, environmental, and social dimensions, with stakeholder engagement being a central element in achieving long-term sustainability. Presented theories emphasize the importance of multi-actor participation in the inquiry of sustainable outcomes, as evidenced by the increasing role of

stakeholders in shaping major sustainability frameworks such as the European GD and global ESG initiatives.

EU SUSTAINABLE DEVELOPMENT POLICY VS STAKEHOLDERS ACTIONS AND THEIR IMPACT ON EU POLICIES

The EU's sustainable development policy has evolved significantly since its inception, marked by an integration of environmental and sustainability goals into its legal and political framework. The foundation of this development can be traced back to the 1957 Treaty of Rome, which primarily focused on economic integration but laid the groundwork for future environmental policies by establishing the common market (Lenschow, 2006; Hildebrandt, 2014). Environmental concerns were officially identified with the adoption of the Single European Act (1987), which included environmental protection as a core objective of EU policymaking (Johnson & Corcelle, 1995; Knill & Liefferink, 2013). A major milestone in creating sustainability political framework was the Maastricht Treaty (1992), further strengthened by the Amsterdam Treaty (1997) and finally Lisbon Treaty (2009).

The next milestone in implementing GD process was established a comprehensive set of Sustainable Development Goals (SDGs) aligned with the United Nations' 2030 Agenda but tailored to the European context. These goals aim to achieve climate neutrality, promote economic growth, and foster social equity while ensuring the protection of the environment.

One of the crucial stakeholder in ESG and GD implementation process are Non-governmental organizations (NGOs). They play a critical role in shaping and advancing sustainable development policy within the EU by raising awareness, mobilizing public opinion, and pressuring policymakers. NGOs often serve as intermediaries between stakeholders and governments, advocating for stronger environmental protections and more ambitious sustainability targets. Their influence is evident in several key campaigns, including for example: the anti-GMO (genetically modified organisms) movement and the Fridays for Future movement (Carpenter, 2001). The anti--GMO campaign, led by environmental NGOs such as Greenpeace

and Friends of the Earth Europe, successfully influenced EU policy by fostering public skepticism about the safety of genetically modified crops. Through lobbying efforts, public campaigns, and litigation, these NGOs pressured the EU to adopt one of the world's most precautionary approaches to GMOs, leading to stringent regulations that restrict GMO cultivation and labeling in member states. Their ability to mobilize public opposition played a significant role in shaping by stakeholders the EU's cautious stance on biotechnology and food safety (Ansell et al., 2016; Bernauer, 2016).

The private sector as a stakeholder also plays a substantial role in shaping EU sustainable development policy, particularly in areas such as CO_2 emission regulations, where industries have lobbied to protect their economic interests. One extrusive case of private sector influence is the automobile industry's involvement in shaping CO_2 EU emissions regulations. In the early 2010s, European automakers, represented by industry groups like the European Automobile Manufacturers' Association (ACEA), lobbied intensively to delay and dilute stricter emissions standards. Automakers argued that the proposed regulations, which included mandatory CO_2 emission reduction targets for new vehicles, would impose excessive costs on the industry and harm competitiveness (Thiel et al., 2010; Helm, 2020). While the EU ultimately adopted the regulations, the industry's efforts led to concessions, including more flexible timelines for compliance and financial incentives for adopting low-emission technologies (Berggren & Magnusson, 2012; Johnson & Turner, 2016).

Another example of the stakeholders actions and their impact on EU politics is the influence of the energy sector, particularly fossil fuel companies, in shaping carbon pricing and energy policies. Major energy firms, including those involved in coal and natural gas, have historically lobbied against aggressive carbon pricing mechanisms such as the EU Emissions Trading System (ETS). By emphasizing the potential economic disruptions and job losses in energy-dependent regions, these companies have successfully slowed the pace of reforms and secured compensatory measures like free emission allowances for energy-intensive industries (Dogan & Aslan 2017; Skjærseth & Wettestad, 2018).

Finally scientific institutions and think tanks as a stakeholders also play a crucial role in informing and shaping sustainable development

policy in the EU. We can mention here: Ellen MacArthur Foundation, European Environment Agency (EEA) and The Institute for European Environmental Policy (IEEP).

RESEARCH RESULTS

Implementing the PEST method in the context of green governance and ESG policy analysis requires an in-depth knowledge of the factors influencing policy decisions in the EU. PEST, which is an acronym for Political, Economic, Social, Technological, provides a comprehensive tool for examining external factors (Aguilar, 1967). Political analysis is key, as legislation and regulation directly affect GD activities (Attfield, 2014). Economic factors, on the other hand, such as economic growth, inflation and investment levels, define the financial framework for sustainability initiatives (McAllister, 1982). The social aspect, including demographics, education and social norms, affects public acceptance and support for green policies (Harris, 2017). Technological factors, including innovation and access to modern technology, are critical in achieving ESG goals (Ashford, 2018). Legislation, both domestic and international, establishes a binding framework of action for companies and institutions. Environmental issues, such as climate change and sustainable management of natural resources, are directly linked to the achievement of green governance goals (Winfield, 2015). PEST analysis identifies not only challenges, but also opportunities for sustainability policy (Grunig, 2013). The use of this method in the study of stakeholder influence on EU policy enables a comprehensive understanding of the complex dynamics between different factors (Kotler, 2009). Based on a review of the literature (Harris, 2017; McAllister, 1982; Ashford, 2018), key areas were identified for deeper analysis within the PEST method. A selection of relevant cases was made that illustrate various aspects of stakeholder influence on green governance and ESG policies (Winfield, 2015; Grunig, 2013). These analyses are particularly relevant in the context of upcoming EU regulations on sustainable finance and ESG investments (Harris, 2017). In the next stage of the study, the PEST tool was used to analyze the selected cases in detail, bringing out important findings (Kotler, 2009). The results of the analysis are intended to contribute

to a better understanding of decision-making processes in the EU and the identification of effective policies (Porter and Kramer, 2011).

Analyzing the political factors that have the greatest impact on the actions and decisions of various stakeholder groups associated with the GD and ESG requires an understanding of the specifics of their interactions with the political environment. Here is an overview of potential political factors for each proposed group.

Table 1. Roles of Stakeholders and Their Impact on the Legal Aspects of the GD and ESG

Stakeholder	Mode of action
Local and National Governments	Climate and Environmental Policy: Regulations on greenhouse gas emissions, waste management, and renewable energy sources. Financial Support: Subsidies, tax reliefs, and other forms of financial support for sustainable initiatives.
Industrial Enterprises	Environmental Regulations: Restrictions and standards on emissions, pollution, and resource use. Trade Policy: Tariffs, trade barriers, trade agreements affecting access to markets for sustainable products.
Institutional Investors	Financial Transparency Regulations: ESG reporting requirements, accountability for non-compliance with sustainability standards. Monetary and Credit Policy: Interest rates and lending conditions affecting investments in sustainable projects.
Non-Governmental Organizations (NGOs)	Freedom of Action: Rights to protest, freedom of speech, opportunities to influence legislative processes. Public Support and Grants: Funding for projects and campaigns on education or environmental protection.
Consumers	Consumer Protection Policy: Regulations on product labeling, information about their origin, and environmental impact. Educational Programs: Knowledge about sustainable development and ecological alternatives.
Employees and Their Representatives	Labor Law: Standards regarding working conditions, safety, and health at work, especially in the context of sustainable production. Social Policy: Insurance, pensions, support for employees in industries transformed for ecological reasons.
Suppliers and Business Partners	Contract Terms: Regulations affecting contract terms, obligations related to compliance with ESG standards. Import/Export Regulations: Restrictions on the import of raw materials or products that do not meet ecological standards.
Local Communities	Regional Policy: Investments in infrastructure, support for local sustainable development initiatives. Land and Natural Resources Law: Regulations on the use of natural resources, protection of areas.

Media	Press Law: Freedom of the press, right to information, protection of journalists investigating ESG-related issues. Support for Public Media: Funding for educational and awareness programs on sustainable development.
Educational and Research Institutions	Educational Policy: Support for research and educational programs focused on sustainable development. International Cooperation: International agreements supporting the exchange of knowledge and researchers in the field of sustainable development.
International Organizations	International Standards: Establishing international norms and standards for ESG. Diplomacy and International Cooperation: Promoting sustainable development through international cooperation and treaties.
Certifying and Auditing Organizations	Certification Standards: Establishing and enforcing international ESG certification standards. Audit Regulations: Establishing standards for audits related to compliance with ESG norms in enterprises.

Source: Scholtens (2006); Doh & Guay (2006); Mohr, Webb, & Harris (2001); Greening & Turban (2000); Krause, Vachon, & Klassen (2009); Warhurst (2001); Deephouse & Heugens (2009); Etzkowitz & Leydensdorff (2000); Kanie & Haas (2004); Conley & Williams (2005).

Identification of the factors that have the greatest impact on the actions and decisions of various stakeholder groups related to GD and ESG in interaction with the economic environment is identified and presented in the table below.

Table 2. Roles of Stakeholders and Their Impact on the Economic Aspects of the GD and ESG

Stakeholder	**Mode of action**
Local and National Governments	State Budget: Financial possibilities and limitations affecting the effectiveness of environmental and social policies. Financial Support from the EU or Other International Institutions: Access to external funds for sustainable development projects.
Industrial Enterprises	Production Costs: The impact of raw material prices and operational costs on decisions regarding sustainable production. Market Competitiveness: The influence of sustainable practices on market positioning and company competitiveness.
Institutional Investors	Expected Investment Returns: Risk assessment and potential profits from investments in sustainable projects. Macroeconomic Conditions: Interest rates and inflation that can affect investment decisions and the value of investment portfolios.

Non-Governmental Organizations (NGOs)	Availability of Funds: Changes in the availability of grants and external financing for environmental and social activities. Local Economy: Impact on local support and engagement in NGO initiatives.
Consumers	Purchasing Power: Changes in consumer income affecting the ability and willingness to purchase sustainable products. Consumer Trends: The influence of fashion and trends on the acceptance of sustainable products.
Employees and Their Representatives	Working Conditions: Salaries and benefits that affect employee satisfaction and motivation. Employment Security: Economic stability affecting job security in sectors related to ESG.
Suppliers and Business Partners	Supplier Market Dynamics: Changes in prices and availability of sustainable materials. Trade Conditions: Trade agreements and barriers that affect the costs and efficiency of the supply chain.
Local Communities	Local Employment: The impact of ESG-related investments on the local labor market. Economic Contribution of Companies: Company activities affecting the local economy and service availability.
Media	Financial Support: Advertising and sponsorship influencing the content and scope of reporting. Economic Condition of the Media Sector: The impact of the economic situation on media independence and depth of analysis.
Educational and Research Institutions	Research Funding: Availability of funds for research in sustainable development. Industry Collaboration: Industrial partnerships affecting research directions and innovations.
International Organizations	International Support Programs: Funds and initiatives supporting global sustainable development actions. Financial Stability: The impact of global economic crises on funding and priorities of international agendas.
Certifying and Auditing Organizations	Certification and Audit Fees: Costs associated with obtaining and maintaining certificates. Certification Services Market: Competition and standards in the auditing and certification industry.

Source: as above.

Identification of the factors that have the greatest impact on the actions and decisions of various stakeholder groups related to GD and ESG in interaction with the social environment is identified and presented in the table below.

Table 3. Roles of Stakeholders and Their Impact on the Social Aspects of the GD and ESG

Stakeholder	Mode of action
Local and National Governments	Environmental Awareness of Society: The increase in environmental awareness influences social pressure for the adoption and enforcement of stricter environmental regulations. Demographics: Demographic changes, such as population aging or urbanization, which affect the needs and expectations for public policies.
Industrial Enterprises	Social Norms and Consumer Expectations: There is increasing pressure on businesses to adopt sustainable practices and be transparent with their customers. Corporate Culture: An organizational culture that promotes sustainable development and social responsibility influences internal decisions and strategies of the company.
Institutional Investors	Socially Responsible Investing (SRI): Investors are increasingly incorporating ESG factors into their investment strategies, impacting investment decisions. Shareholder Activism: Investors and shareholders can exert pressure on corporate boards, demanding greater transparency and better ESG practices.
Non-Governmental Organizations (NGOs)	Local Community Cooperation: NGOs often collaborate with local communities, which may support or oppose their activities, depending on the social benefits or threats. Public Opinion: The influence of public opinion on the effectiveness of campaigns conducted by NGOs, especially in the areas of environmental protection and human rights.
Consumers	Social Trends: Trends such as minimalism, zero waste, or veganism can influence consumer purchasing preferences. Education and Awareness: The level of knowledge about sustainable development and its benefits can influence consumer purchasing decisions
Employees and Their Representatives	Working Conditions: Job satisfaction and safety, which are crucial for maintaining high productivity and employee engagement. Equality and Diversity: Policies promoting diversity and equality in the workplace can affect an employer's attractiveness.
Suppliers and Business Partners	Ethical Standards: Requirements for adhering to ethical standards in the supply chain, which influence the choice of suppliers. Supplier Relations: Long-term and trusted relationships with suppliers can improve the quality and reliability of supplies.
Local Communities	Social Engagement: The degree to which companies engage in local initiatives can affect their perception and acceptance within the community. Impact on Local Employment and Economy: ESG-related projects can create new jobs and impact the local economy.
Media	Social Responsibility of Media: Societal expectations regarding ethical reporting and promoting sustainable practices can influence their content. Access to Information: The availability and transparency of information can shape public opinion and social awareness about ESG

Educational and Research Institutions	Educational Trends: The interest of students and academic staff in research and education in sustainable development, which influences curricula and research projects. Academic Social Responsibility: Pressure on universities to act as socially responsible institutions that disseminate knowledge and promote sustainable development.
International Organizations	International Cooperation: Cooperation between countries and international actors in achieving sustainable development goals, which can affect the efficiency and scope of actions. Global Social Norms: Establishing international standards and practices in social responsibility, which impact actions at the national and local levels
Certifying and Auditing Organizations	Credibility and Trust: The degree to which these organizations are perceived as credible and reliable, affecting their effectiveness and market acceptance of certificates. Ethical Standards: Societal expectations that these organizations operate transparently and ethically, impacting their operations and relationships with clients.

Source: as above.

Identification of the factors that have the greatest impact on the actions and decisions of various stakeholder groups related to GD and ESG in interaction with the technical environment is identified and presented in the table below.

Table 4. Roles of Stakeholders and Their Impact on the Technical Aspects of the GD and ESG

Stakeholder	Mode of action
Local and National Governments	Availability of Advanced Environmental Monitoring Technologies: Enables effective tracking of emissions, pollutants, and other environmental indicators. Data Management Systems: Improved management and analysis of large data sets related to sustainable development and regulations.
Industrial Enterprises	Innovations in Clean Production Technologies: Development and implementation of technologies that minimize the environmental impact of production. Automation and Robotization: Increasing automation of production processes, which can enhance efficiency and reduce waste.
Institutional Investors	ESG Evaluation Analytical Tools: Advanced software and algorithms for analyzing and assessing compliance with ESG criteria. Online Investment Platforms: Technologies that make investing according to ESG principles easier and more accessible.

Non-Governmental Organizations (NGOs)	Communication Technologies: Development of tools and platforms that enable more effective campaigning and community engagement. GIS and Remote Sensing: Technologies for environmental monitoring and data collection that can support conservation efforts.
Consumers	Mobile Applications and Information Portals: Enable consumers to better inform themselves about products and their environmental impact. New Packaging Technologies: Solutions that reduce waste, such as biodegradable packaging materials.
Employees and Their Representatives	Technologies Supporting a Safe Work Environment: Systems that ensure better working conditions, such as ergonomic workplace solutions. E-learning Training: Platforms and programs for training employees in ESG practices and safety.
Suppliers and Business Partners	Supply Chain Management Systems: Software and technologies that support managing the supply chain in accordance with ESG standards. Material Processing Technologies: Innovations enabling more efficient and environmentally friendly raw material processing.
Local Communities	Energy Technologies: Local installations using renewable energy sources, which can reduce dependence on traditional sources. Water Management Systems: Technologies that optimize water usage and recycling at the local level.
Media	Digital Platforms for Disseminating Information: Tools that enable the spread of knowledge about ESG and the GD. Visualization Technologies: Solutions for creating engaging and educational multimedia content that help convey complex concepts.
Educational and Research Institutions	Data Analysis Tools for Scientific Research: Software and technologies supporting research on sustainable development. Research Laboratories: Modern technologies and research equipment that support the development of new solutions in sustainable development.
International Organizations	Information Exchange Systems: Technologies supporting global cooperation and data exchange between countries and organizations. Project Monitoring and Implementation Technologies: Tools that allow effective management and monitoring of international ESG initiatives.
Certifying and Auditing Organizations	Certificate Management Systems: Technologies supporting the certification and auditing process for ESG. Risk and Compliance Analysis Tools: Advanced solutions for assessing compliance with ESG standards by enterprises.

Source: as above.

The PEST analysis highlighted the complexity of factors influencing the EU's GD and ESG policies, emphasizing the multi-faceted role of stakeholders in shaping these initiatives. The approach not only underlines the interdependencies between political, economic, social, technological, legal and environmental dimensions, but also illustrates the interactions that define the environment both further and closer to the organization.

CONCLUSIONS AND RECOMMENDATIONS

The PEST method is a robust framework for analyzing external factors influencing EU sustainable policies, highlighting its usefulness in capturing the wide range of stakeholder influences that belong to each organization's proximate environment. Stakeholder engagement, from government bodies to NGOs and industry sectors, plays a key role in the development and implementation of the EU GD and ESG framework. Political factors, such as regulatory frameworks and compliance requirements, significantly shape the strategies and actions of industries and investors toward sustainability. Economic factors, including market conditions and investment flows, are critical in determining the feasibility and implementation of sustainable practices. The broader external environment analyzed in PEST has a profound impact on various stakeholder groups, significantly shaping their operational strategies and policy responses in the context of the GD and ESG. Each element of the PEST analysis does not operate in isolation, but dynamically impacts stakeholders, influencing their ability and willingness to adopt sustainable practices. At the same time, stakeholders have a significant impact on changing the downstream environment – there is a kind of feedback loop between both factors of the downstream environment – the downstream environment and the upstream environment.

The study shows how integrating the PEST framework can explain the complex interaction between external factors and key stakeholders influencing the European GD and ESG standards. This approach provides a focused perspective to assess the potential impacts and interdependencies that are crucial for implementing effective and sustainable policies. The analysis conducted identifies the key roles

played by different stakeholders, from government bodies to NGOs and the industry sector. Further research is recommended to investigate the impact of other stakeholder groups that may have been underrepresented in this study. Broadening the scope of the analysis can provide deeper insight into other potential impacts and increase the effectiveness of GD and ESG initiatives. Continuous dialogue and cooperation between all stakeholders is recommended to align different objectives and maximise the collective impact on sustainable development in the EU. This should include periodic reviews of the strategy based on evolving PEST factors and stakeholder feedback to effectively adapt and refine policy measures. The analysis also indicates that stakeholder influence can shape the face of the downstream environment – stakeholders with high influence on decision-makers can significantly influence the downstream environment.

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