



## Italian SMEs and sustainability



Forum per la  
Finanza Sostenibile

Study carried out by



in collaboration with



with the support of



# 1. Introduction

Since 2013, Forum per la Finanza Sostenibile (the Italian Sustainable Investment Forum - ItaSIF) has been conducting surveys in collaboration with Doxa in order to analyze saving/investment attitudes in Italy, with a focus on retail Sustainable and Responsible Investment (SRI) products. The findings of these surveys have been presented during SRI weeks (the annual events that ItaSIF has been promoting and organizing since 2012<sup>1</sup>).

In 2020, ItaSIF and BVA Doxa extended their reference target to include Italian **Small and Medium Enterprises (SMEs)**, with deep-dives on the companies that are more conscious of sustainability themes. In Italy, SMEs account for 92% of the companies and for 82% of the total workforce<sup>2</sup>. Therefore they are **key for the economy**: hence, it is indispensable to involve them in order to attain the 2030 Agenda Sustainable Development Goals (SDGs).

In 2020, human societies have been faced up with **multiple crises**, particularly intense for healthcare, the economy, society as well as the environment, as evidenced by fires, floods and other climate-change-related catastrophic events. **Next Generation EU** is the plan established by the European Commission to ensure an effective response to the social and economic crises linked to the COVID-19 pandemic: the areas of investment will be in line with the EU Green Deal (i.e., environment, digitalization and resilience of economic and social systems). Against this background, **sustainable finance has an essential function** in terms of both providing strategies and instruments that are able to integrate Environmental, Social and Governance (ESG) aspects in investment choices and finding the resources needed to finance activities that are aligned with stimulus plans for a sustainable economy. Only an effective **public-private partnership** and recovery plans aiming for decarbonization of economic activities will enable to seize the opportunities linked to sustainable development, thus improving the societies' response to future crises.

Considering the pivotal role of the SMEs in Italy and the importance of having them participate actively in the pursuit of the goals mentioned above, this survey has examined **the sustainability policies of SMEs in Italy and their propensity towards SRI products** for financing their activities.

1. [www.settimanasri.it](http://www.settimanasri.it); all research is available on ItaSIF official website at: <https://finanzasostenibile.it/tipio-attivita/ricerca/>

2. 2017 data relating to companies with up to €50 million of revenues: <http://bit-ly/3dvJ0gB>

## 2. Methodology

The two-stage study was carried out from **June to August, 2020**, as follows:

### Qualitative survey

In-depth interviews were conducted (approximately one hour each) with **10 SMEs that are mindful of sustainability** and have put in place good practices, implemented projects or made small investments in view of sustainability. The companies were selected by the organizations that supported this research and are evenly distributed in terms of size of the organization and macro-sector of the activity carried out.

### Quantitative survey

Computer-Assisted Telephone Interviews (CATIs) and Computer-Assisted Web Interviews (CAWIs) were used to **interview 477** companies, with **3-250 employees**, located across Italy and operating in the following macro-sectors (or with core business activities relating to these macro-sectors): **farming and livestock breeding, manufacturing, construction and logistics (transport and shipment)**.

In both stages of the study, **persons with roles of responsibility in the company** (owners, associates, partners, Managing Directors) or related to financial/administrative functions **were interviewed**. The pages below illustrate the **key results of the two surveys**, as integrated and presented by company size and macro-sector of activity.

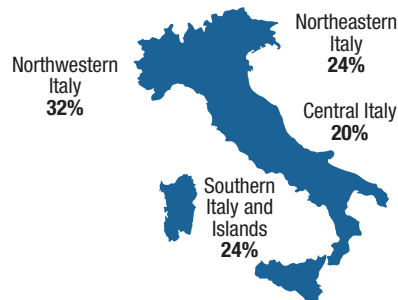
## Sample

The 10 companies interviewed during the qualitative survey:

| Macro Sectors    |   | Size                      |   |
|------------------|---|---------------------------|---|
| Farming          | 3 | Micro (3-9 employees)     | 2 |
| Manufacturing    | 5 | Small (10-19 employees)   | 2 |
| Construction     | 1 | Medium (20-250 employees) | 6 |
| Digital Services | 1 |                           |   |

The 477 companies interviewed during the quantitative survey:

| Macro Sectors                  |     | Size                      |     |
|--------------------------------|-----|---------------------------|-----|
| Farming and livestock breeding | 13% | Micro (3-9 employees)     | 46% |
| Manufacturing*                 | 42% | Small (10-19 employees)   | 36% |
| Construction                   | 35% | Medium (20-250 employees) | 18% |
| Logistics**                    | 10% |                           |     |



\* Manufacturing: metallurgy (22%); plastics/chemicals processing (14%); machinery/components (17%); textile (15%); paper/wood processing (10%); food (9%); other (12%).

\*\* Logistics: transport and shipment activities or trade and services activities with packaging, shipment and/or transport as their core business.

## 3. Key findings

### COVID-19 and sustainability

The survey showed that COVID-19 caused a partial loss of market shares in 45% of the SMEs and a dramatic loss of sales in 23% of the companies interviewed (with this incidence achieving 31% in micro enterprises).

Furthermore, **one company in three believes that integrating sustainability in the criteria that drive strategic choices will help a faster recovery once the current crisis is over** (with this figure increasing to 39% in relation to companies with at least 50 employees, against 29% for the entire sample). 37% believe that **the new social and economic scenario will be more focused on ESG themes**.

**Among the companies that already before the spread of COVID-19 had taken sustainable initiatives, the effect of the health emergency appears to have been ambivalent. Indeed, on the one hand it forced companies to halt a number of projects**, such as for example local awareness-raising initiatives during trade fair exhibitions or festivals due to the restrictions entered into force and the need to pay attention to present circumstances and protect workers. Most respondents said they are going to resume the projects after the pandemic. **On the other hand**, the COVID-19 crisis **helped increase companies' focus on the social sustainability** towards workers in terms of both financial support and use of smart working – with several companies introducing smart working during lockdown as a long-term measure.

### The importance of sustainability: challenges and opportunities

As regards the SMEs' view of sustainability and of its importance, **the situation in Italy is extremely varied and variable, especially depending on the sector of activity**. While sustainability plays an important role for 48% of farms, ESG is a driver of strategic and investment choices for as few as 14% of companies in the construction sector. Regardless of the sector, however, **over 50% of Italian SMEs maintain that they want to extend sustainability-related considerations to encompass all of the company's activity** in view of integrating them in the overall corporate strategy.

The main obstacles and **challenges** that the SMEs believe they have to address in order to work sustainably are mostly **exogenous** and relate to higher **costs** (52% of the sample) or **bureaucracy** for example for obtaining and maintaining certifications (50%). The latter issue is a major source of concern for micro enterprises, farms and construction companies<sup>3</sup>. Besides, 38% of the companies interviewed complain that **the market is not yet mature** to adequately address sustainability themes. **Internal and organizational factors are less impactful**, including the difficulty in changing value systems (26%) and the vision of top executives (17%) who are still little inclined to act sustainably.

With respect to these issues, companies see mostly **mid- and long-term opportunities** with, however, only one company in five associating them to increased profits or financial strength. 73% of the SMEs see benefits connected to sustainability in terms of **marketing and product strategies** (better product quality and more product value as well as better competitive positioning). 52% of companies believe that company **reputation and attractiveness** can benefit from ESG factors but only 27% of them believe that sustainability entails a **decrease in costs in the mid- and long-term** (including thanks to a reduction in the damage caused by events such as floods, overflowing watercourses, landslides or fires – mentioned by 9% of respondents).

**Still, Italian SMEs appear to behave more sustainably than they realize**. This is likely due to the fact that in some cases they take an approach that is not yet structured and codified, especially in relation to corporate governance.

3. In particular, this refers to the answers to multiple-choice questions.

## SMEs and Sustainable Finance

The survey showed that **Italian SMEs do not know much about sustainable finance**. The reasons for this are to be found first in the **limited promotion of SRI products**: 70% of respondents have never been proposed these products by financial advisors and partners.

However, **only one in three companies requested support for or advice on sustainable investments**; in general, as regards corporate sustainability strategies, the SMEs hardly view financial players as partners and advisors and classify them only as creditors or investors with speculative goals (in the case of private equity/debt). As such, **banks emerge as the main point of reference**: most SMEs believe that banks have an important function as regards both the choice of financial instruments (41% of the sample) and the promotion of SRI products (35%).

The survey also found encouraging signals: **four companies in five believe that financial players should use ESG indicators alongside traditional ones** in view of adequate credit rating assessment and 33% of the SMEs believe that sustainable projects and, more broadly, sustainable companies should benefit from better lending conditions.

Having regard to the **assessment and reporting of sustainability performance**, 27% of the SMEs interviewed used at least one of the following instruments: legality rating, ESG/sustainability rating, social rating or Non-Financial Reporting (NFR).

Finally, the SMEs expressed the need to receive more information on sustainable finance through clear, accessible and complete disclosure of the benefits of SRI products. It is therefore necessary to **convey the notion of “convenient sustainability”**, by involving companies through the promise of practical benefits (economic ones especially) and illustrating solutions, instruments and products using simple and straightforward language.