

Prot. 46/2024

Rome, may 21, 2024

Subject: VSME ED Public Consultation - accompanying note

With this accompanying note, the undersigned Fedart Fidi intends to provide its own contribution to the consultation in subject by integrating the considerations already formulated when filling out the online questionnaire.

For the sake of clarity, it should be noted that the considerations on the proposed *standard* will be preceded by a brief presentation of the undersigned Federation and an illustration of the work that it has conducted, internally, on ESG *disclosure* of SMEs not subject to the CSRD.

It is believed, in fact, that the preliminary exposition of the role played by Fedart Fidi and the reasons behind the start of the aforementioned work may be useful to this Authority in better understanding the observations on the *standard* under consultation.

1. Fedart Fidi's role in the credit market

Fedart Fidi participates in this consultation as a Unitary Federation representing Confidi.

Confidi are cooperative or consortium societies with mutual purposes, whose institutional *mission* is to facilitate access to credit for member SMEs through the granting of private guarantees and small loans, as well as the provision of consultancy and welfare services aimed at better finding available resources.

To date, Fedart Fidi has registered the membership of 13 Confidi supervised by the Bank of Italy and 61 Confidi supervised by the Organismo dei Confidi minori, qualifying as the largest representative Federation at national level and, **as such, the bearer of the requests of about 600,000 Italian companies**. Companies that, in almost all cases, are characterized by the very small size of their organizational structure.

Therefore, the *target* of companies towards which Fedart Fidi has been directing its representative action for thirty years now⁽¹⁾ coincides with the target of the *standard* under consultation.

2. "Fedart Fidi ESG Questionnaire" Project

As also pointed out by this Authority, SMEs still face considerable difficulties in accessing credit. In fact, the small size of the company does not facilitate the assessment of its creditworthiness for reasons mainly related to the lack of certain and reliable data.

The difficulty represented is, today, more than ever aggravated by the regulatory framework that is emerging in the field of ESG commitments.

Indeed, the measures adopted at international level require the credit system to disclose its positioning on the path towards greater sustainability through the publication of *performance* indicators referring, among others, to the composition of the credit portfolio.

In general terms, the setting of quantitative *targets* aims to contain activities within boundaries capable of mitigating the potential risks involved. With reference to ESG, sustainability KPIs and KRIs represent a tool for controlling credit activity, as well as directing it to favour "virtuous" counterparties.

In the opinion of the undersigned Federation, however, in a medium-long term horizon, the approach adopted by the European legislator could make it difficult to achieve the objectives to combat the current crisis, as, in fact, it favors the phenomenon of the so-called *credit crunch* to the detriment of very small businesses.

On closer inspection, the banking system submits quantitative sustainability questionnaires to its counterparties which, in the national context, are mainly SMEs. The information thus obtained allows lenders, on the one hand, to comply with the

⁽¹⁾ It should be noted that the Federation was established in 1994 at the behest of the Confederations of companies Confartigianato, CNA and Casartigiani.

aforementioned disclosure obligations and, on the other hand, to assess ESG creditworthiness for the purposes of granting or not granting credit.

The Federation analysed the ESG questionnaires submitted by the main banking partners of the Confidi. The examination revealed the presence on the market of very different questionnaires, substantial and clearly not constructed taking into account the size and complexity of the target companies. The questions, in fact, present the following critical issues:

- they are structured according to a risk-based approach;
- they are linguistically complex;
- they are inspired by those intended for large companies, extending "material" ESG issues to small companies for the former;
- they are difficult to enhance independently, without the help of an external subject.

Critical assessments of the content of these questionnaires were confirmed by the results of the subsequent survey conducted by the Federation on their effectiveness. In particular, the analysis revealed the tendency for companies to provide data that is not fully compliant or, very often, incorrect, or to request the help of external professionals and, in the most extreme cases, to desist from compiling it.

As anticipated, the consequence is that, due to an unproportionate request for information, the resulting lack of data has led, in some cases, to the lack of access to credit for small but deserving companies.

The observation of the dynamics represented has, therefore, determined the undersigned Federation to start work on the development of an ESG questionnaire tailored to SMEs.

The "Fedart Fidi ESG Questionnaire" project involved the Heads of the Risk Management and Compliance Functions of the 13 Confidi supervised by the Bank of Italy that are members of the undersigned Fedart Fidi.

The specificities of the SMEs have been taken into account both in the identification and formulation of the requests for information to be submitted, and in the choice of the approach to be followed.

In particular, the Federation has deemed it appropriate to develop 2 questionnaires, with a set of information that is gradually enriched as the turnover of the recipient company increases, so as to reflect the complexity of the company and be sufficiently proportionate:

- n. 1 questionnaire for companies with a turnover \leq € 1 million;
- n. 1 questionnaire for companies with a turnover between € 1 million and € 5 million.

The questionnaires in question were subjected to a test phase involving a sample of companies selected by each of the above-mentioned Confidi participating in the work.

The test phase was deemed necessary to verify that the questionnaires developed did not lead to the onset of the same dynamics observed during the examination of the bank questionnaires. For this reason, the distribution of the questionnaires drawn up by the Federation was aimed at testing their effectiveness in the following terms:

- ease of comprehension;
- simplicity and speed of compilation;
- degree of cooperation between companies.

The results of the test phase showed that the SMEs involved:

- **they were able to answer all the questions independently, as well as within a reasonable time frame and without impacting on the business commitments⁽²⁾;**
- **they have demonstrated a high degree of cooperation, even providing, in the "notes" field, additional information to that obtainable from the questions in the relevant questionnaires.**

⁽²⁾ The timescales recorded correspond to approximately 7 minutes for the questionnaire \leq € 1 million and approximately 12 minutes for the \leq questionnaires and $>$ € 5 million.

In the Federation's opinion, the positive results of the test phase depended on the following factors:

- **the questions reach an ever-increasing degree of depth and complexity of information as the size of the company increases.** This approach allowed companies to devote time and resources proportional to their organizational reality to the questionnaire;
- **questions require qualitative data.** The availability and continuous monitoring of quantitative data - such as, for example, those on GHG - are not yet easy for companies. At present, there are no active databases to refer to and the quantitative information usually required must be "reconstructed" by companies. This means that SMEs have to incur additional costs in order to appoint external consultants to carry out these activities, or to allocate ad hoc resources to them. On the other hand, the request for only qualitative information allowed companies with small organizational structures to fill in the questionnaire independently and without additional costs;
- **the questions relate only to "material" ESG issues for SMEs.** The in-depth knowledge of SMEs by the Confidi has made it possible to identify the sustainability issues that are actually relevant for companies in the target of the questionnaire, with a consequent reduction in requests for information. In particular, the topics related to environmental, social and governance factors relevant to the activity and organization of SMEs were identified and the questions were built on the basis of the results of the selection.

In addition to the above, it should be added that, again in the opinion of the Federation, a further advantage of the questionnaires developed must be seen in the purpose that was intended to be pursued in the process of identifying the questions to be submitted: **to abandon the logic of risk control and transform ESG issues into an opportunity for SMEs, training them, raising awareness and spreading awareness of sustainability even among those businesses that have not yet embarked on a path of transition.**

As a matter of continuity, therefore, the questions were formulated in an attempt to bring out that purpose from the wording of those questions. This approach seems to have led companies not to perceive the questionnaire as an additional tool for "judging" their work, but, rather, as a means through which to train on the importance of certain sustainability issues, as well as to become aware of the relevance of initiatives already implemented. In fact, the test phase has shown that many

companies, especially very small ones, do not have a real understanding of ESG issues related to their operations, with the consequence that they do not yet have the necessary tools to define strategic and investment objectives aimed at starting a path towards transition. In other words, the test found that, in the majority of cases, companies that have not yet embarked on such a path have done so because of a lack of knowledge, not because of a lack of will.

For the sake of clarity, the undersigned Federation attaches to this note the questionnaires elaborated.

3. ED VSME Standard Remarks

The Federation is pleased that the purpose of supporting companies that it has decided to pursue in the context of the work illustrated is shared by this Authority.

The standard under consultation, in the paragraph entitled "*Objective of this [draft] normally and to which enterprises it applies*", clarifies, in fact, that "*the objective of this [draft] which is normally voluntary is to support micro, small and medium-sized enterprises in:*

- a) contribute to a more sustainable and inclusive economy;*
- b) Improve the management of the sustainability issues they face, i.e. environmental and social challenges such as pollution, health and safety of the workforce. This will support their competitive growth and strengthen their resilience in the short, medium and long term;*
- c) provide information that helps meet the demand for data from lenders/lenders and investors, thus helping businesses to access finance;*
- d) provide information that helps meet the data demand needs of large enterprises that require sustainability information from their suppliers."*

The Federation is also pleased that the Authority's intent is to develop an information standard that can replace the multiple ESG questionnaires circulating on the market.

The study of the text under consultation has, however, stimulated some reflections on its effective ability to induce SMEs – especially very small ones – to voluntarily allocate time and resources for the preparation of the consequent sustainability reporting.

The following are the aspects on which the Federation intends to formulate its considerations.

3.1. Purpose pursued

In the opinion of the undersigned, the content of the requests contained in the standard under consultation could make the purpose of meeting the information needs of financiers and business partners prevail over the priority of supporting SMEs on the path towards sustainability, with consequent reduced use of the same.

The Federation is well aware of the obligations on the banking system and the value chain and, therefore, cannot deny the importance of future reporting capable of dealing with them.

The Federation, however, is equally aware of the current need for SMEs to feel accompanied on the path towards transition. A path that, in order to be undertaken effectively, requires the development of technical knowledge, first of all, for the definition of long-term strategies and, secondly, for the concrete implementation of the same.

The current level of awareness and knowledge of ESG issues on the part of companies - especially very small ones - leads Fedart Fidi to believe that it is more appropriate, at least in this first phase, to structure a standard that pursues, mainly, the purpose of supporting SMEs in the formation of an ESG awareness.

In these terms, the undersigned Federation believes that it could be useful to formulate the requests for information in such a way as to clearly reflect, on a literal level, the relevance of specific environmental, social and government issues.

By way of example, in the "social" section of the questionnaire intended for companies with a turnover \leq € 1 million, the Federation has identified a series of interventions aimed at supporting the territory or employees. The aim was to highlight to the companies that completed the questionnaire the importance of similar initiatives from the point of view of human rights.



3.2. Nature of the data requested

In the writer's opinion, given the current difficulties in easily finding quantitative data, it may be appropriate to develop a quality standard.

In these terms, the standard could consist of a single form with information requests exclusively for qualitative content that the companies in the target should always enhance following the criterion of "relevance", currently present in the Basic Module.

As already described, there are still no databases available that can help companies – especially very small ones – in the acquisition of the quantitative data usually required. The consequence is that companies are forced to appoint third parties to carry out the aforementioned collection activity, but also for the subsequent monitoring activity.

At least in this first phase, qualitative information could be sufficient to achieve the purpose of supporting SMEs in starting the transition process and improving the path already undertaken for those companies with a good level of ESG knowledge.

4. Conclusions

As anticipated, the Federation has elaborated the considerations set out taking into account what has been observed during the work carried out for the construction of the ESG questionnaire. The results of the test phase lead Fedart Fidi to believe that the revision proposals formulated can contribute to the development of a standard capable of incentivizing VSMEs to make sustainability disclosures to a greater extent than the certainty of satisfying, with it, the information needs of banks and commercial partners. The suggested approach, in fact, would place the same companies that should make disclosure the center of attention, but not with an evaluation purpose, but for the improvement and development of their business. A qualitative questionnaire, in fact, starts the process of improvement, transposition, understanding and training of ESG issues for micro and small enterprises.

The considerations reported here seem, among other things, to find support in the results of the survey recently conducted by the European Commission and illustrated in the document "SME disclosure on Taxonomy alignment: Cost/benefit analysis".

Attachment 1 – Questionnaire for companies with turnover ≤ €1 million

01. E(SG) – Environmental		
1	<p>Has the company planned or made investments and/or activities aimed at improving its environmental impact?</p> <p><i>[Multiple answers may be given]</i></p>	<input type="checkbox"/> Yes, through the production of renewable energy <input type="checkbox"/> Yes, through energy efficiency measures (ex LED light bulbs, more efficient air conditioners, etc.) <input type="checkbox"/> Yes, through the use of low impact materials and products <input type="checkbox"/> Yes, by selecting supplies that guarantee a lower environmental impact <input type="checkbox"/> No
2	<p>Does the company carry out separate waste collection at its locations?</p> <p><i>[Multiple answers may be given]</i></p>	<input type="checkbox"/> Yes, it differentiates paper <input type="checkbox"/> Yes, it differentiates plastic <input type="checkbox"/> Yes, it differentiates glass <input type="checkbox"/> Yes, it differentiates IT material <input type="checkbox"/> Yes, it differentiates other material <i>[specify the type of material]</i> <input type="checkbox"/> No
3	<p>Is the company insured against catastrophic events (floods, earthquakes, etc.)?</p> <p>Is it insured against IT risks?</p> <p><i>[Select one or more answers]</i></p>	<input type="checkbox"/> Yes, it is insured against catastrophic events <input type="checkbox"/> Yes, it is insured against IT risks <input type="checkbox"/> Yes, it is insured against both <input type="checkbox"/> No
4	<p>Would the company consider opening a loan / guarantee to make investments in plants / machinery / structures in order to make them more efficient from an environmental point of view (less emissions, less waste, less space occupied, etc.)?</p>	<input type="checkbox"/> Yes <input type="checkbox"/> No
02. (E)S(G) - Social		
1	<p>Has the company supported social initiatives in the last five years?</p>	<input type="checkbox"/> Yes, with company volunteering programs <input type="checkbox"/> Yes, with discounts for families and/or employees (kindergarten / summer camp, etc.) <input type="checkbox"/> Yes, with initiatives to promote gender equality in the workplace <input type="checkbox"/> Yes, with initiatives to support the territory (country team sponsorships, promotion of local craft events, etc.) <input type="checkbox"/> Other <input type="checkbox"/> No

2	Does the company participate in agreements with bilateral bodies aimed at guaranteeing employees corporate welfare tools and/or integrated healthcare and/or training and/or income integration?	<input type="checkbox"/> Yes <i>[specify the type of bilateral body]</i> <input type="checkbox"/> No
3	Does the company adhere to collective agreements recognized at national level?	<input type="checkbox"/> Yes <i>[specify the contract]</i> <input type="checkbox"/> No
03. (ES)G - Governance		
1	<p>The start-up can be classified as an INNOVATIVE START-UP / INCUBATOR according to the Legislative Decree. 179/2012?</p> <p><i>[An innovative start-up is a particular form of joint-stock company provided for in Italian law. The definition is contained in the art. 25 of the Legislative Decree 18 October 2012, n. 179, converted with amendments by Law 17 December 2012, n. 221. The Legislative Decree 179/2012, art. 25, paragraph 4, also includes a particular category of innovative start-up: the innovative start-up with a social vocation. This is a company that, in addition to complying with the requirements of art. 25, paragraph 2, also operates in those sectors that are considered of particular social utility. These sectors are listed exhaustively in the art. 2, paragraph 1 of the Legislative Decree. 24 March 2006, n. 155 and, for simplicity, reported below:</i></p> <ol style="list-style-type: none"> 1. social assistance; 2. health care; 3. social and healthcare assistance; 4. education, instruction and training; 5. protection of the environment and the ecosystem; 6. valorization of cultural heritage; 7. social tourism; 8. university and post-university education; 9. extra-curricular training; 10. instrumental services to social enterprises] 	<input type="checkbox"/> Yes <input type="checkbox"/> No

Attachment 2 – Questionnaire for companies with turnover ≤ €5 million

01. E(SG) – Environmental		
1	<p>Has the company planned or made investments and/or activities aimed at improving its environmental impact?</p> <p><i>[Multiple answers may be given]</i></p>	<input type="checkbox"/> Yes, through the production of renewable energy <input type="checkbox"/> Yes, through energy efficiency measures <input type="checkbox"/> Yes, through the use of low impact materials and products <input type="checkbox"/> Yes, through filtering systems for the emissions of fine dust into the atmosphere <input type="checkbox"/> No
2	<p>Does the company also partially contribute to the circular economy?</p> <p><i>[By circular economy we mean the reuse, repair, conditioning and recycling of components and materials within the production cycle. Actions relating to the circular economy, in fact, reduce or eliminate the production of waste and, therefore, waste]</i></p>	<input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> Partially
3	<p>Does the company carry out separate waste collection at its locations?</p> <p><i>[Multiple answers may be given]</i></p>	<input type="checkbox"/> Yes, it differentiates paper <input type="checkbox"/> Yes, it differentiates plastic <input type="checkbox"/> Yes, it differentiates glass <input type="checkbox"/> Yes, it differentiates IT material <input type="checkbox"/> Yes, it differentiates other material <i>[specify the type of material]</i> <input type="checkbox"/> No
4	<p>Is the company insured against catastrophic events (floods, earthquakes, etc.)?</p> <p>Is it insured against IT risks?</p> <p><i>[Select one or more answers]</i></p>	<input type="checkbox"/> Yes, it is insured against catastrophic events <input type="checkbox"/> Yes, it is insured against IT risks <input type="checkbox"/> Yes, it is insured against both <input type="checkbox"/> No
5	<p>Would the company consider opening a loan / guarantee to make investments in plants / machinery / structures, in order to make them more efficient from an environmental point of view (less emissions, less waste, less space occupied, etc.)?</p>	<input type="checkbox"/> Yes <input type="checkbox"/> No
02. (E)S(G) - Social		

1	Does the company have official programming for the training and professional growth of its employees?	<input type="checkbox"/> Yes, generic <input type="checkbox"/> Yes, specific and ESG <input type="checkbox"/> No
2	Has the company supported social initiatives in the last five years?	<input type="checkbox"/> Yes, with company volunteering programs <input type="checkbox"/> Yes, with discounts for families and/or employees (kindergarten / summer camp, etc.) <input type="checkbox"/> Yes, with initiatives to promote gender equality in the workplace <input type="checkbox"/> Yes, with initiatives to support the territory (country team sponsorships, promotion of local craft events, etc.) <input type="checkbox"/> Other [specify the type of media provided] <input type="checkbox"/> No
3	Does the company participate in agreements with bilateral bodies aimed at guaranteeing employees corporate welfare tools and/or integrated healthcare and/or training and/or income integration?	<input type="checkbox"/> Yes [specify the type of bilateral body] <input type="checkbox"/> No
4	Does the company adhere to collective agreements recognized at national level?	<input type="checkbox"/> Yes [specify the contract] <input type="checkbox"/> No
03. (ES)G - Governance		
1	Does the company belong to a production chain or a district?	<input type="checkbox"/> Yes [indicate any certifications needed, see next question] <input type="checkbox"/> No
2	Indicate the safeguards / procedures / certifications that the company has equipped with	<input type="checkbox"/> Code of conduct, Code of ethics, Legality rating, Organization and management model (M.O.G. Legislative Decree 231/2001) <input type="checkbox"/> Process for monitoring the punctuality of payments to suppliers <input type="checkbox"/> ISO 14001 or EMAS certification / Energy certification (ISO 50001) / Social sustainability certification (PAS 24000) / Gender equality certification (UNI pdR 125) / Diversity and inclusion certification (ISO 30415) and governance (EASI or ISO 20121) <input type="checkbox"/> Other [specify] <input type="checkbox"/> Evaluations of further certifications are underway
3	Does the company select or intend to select its strategic suppliers according to sustainability criteria?	<input type="checkbox"/> Yes <input type="checkbox"/> No