

# SRI Ready Initiative

Swedish Institute Sustainability Forum 2016: Money Talks  
November 23-24, 2016  
Balingsholm, Huddinge  
Stockholm, Sweden

**Swedish Institute**

## Executive Summary

Approximately half of the global gross domestic product (GDP) and two-thirds of job worldwide are provided by small and medium-sized enterprises (SMEs). The current credit gap for formal SMEs is estimated to be US\$1.2 trillion; the total credit gap for both formal and informal SMEs is as high as US\$2.6 trillion. In emerging markets alone, there are between 365 and 445 million micro, small and medium-sized enterprises. Across Asia, rapid development of national policy and regulatory frameworks is enhancing environmental, social and governance (ESG) disclosure and reporting requirements.

The SRI Ready initiative builds and leverages a socially responsible investment (SRI) ecosystem with the primary objective to improve access to finance for SMEs in emerging markets. The main activities of this initiative will include Capacity building, Promotion of international, regional and national visibility and Risk mitigation.

## Introduction

Small and medium-sized enterprises (SMEs) play a significant role in the global economy. In emerging markets alone, there are between 365 and 445 million micro, small and medium-sized enterprises. Approximately half of the global gross domestic product (GDP) and two-thirds of jobs worldwide are provided by SMEs. However, the current credit gap for formal SMEs is estimated to be US\$1.2 trillion; the total credit gap for both formal and informal SMEs is as high as US\$2.6 trillion. Across Asia, rapid development of national policy and regulatory frameworks is enhancing environmental, social and governance (ESG) disclosure and reporting requirements.

200 million businesses worldwide need financing to invest, grow and create new jobs. Nevertheless, there are currently two main gaps; getting SMEs SRI Ready and finding SRI investors willing to provide SMEs with capital.

## SRI Ready Initiative

The SRI Ready initiative builds and leverages a socially responsible investment (SRI) ecosystem with the primary objective to improve access to finance for SMEs in emerging markets. The main activities of this initiative will include capacity building, promotion of international, regional and national visibility and risk mitigation. More specifically, the project consists of creating a consultancy firm and a platform that could support SMEs with finding the resources needed to become SRI ready. The resources should cover the needs of the SME in this regard and could thus be provided in the form of technology and IT infrastructure support, financing advisory services and/or financial means needed to acquire necessary competence, for example by hiring an accountant. Initially, this service would be provided free of charge to SMEs, but once they are SRI ready, different services, such as financial planning, identification of resources, provision of a platform for discussion, and trend spotting, would be available for a fee.

The platform would also function as a source of networking, that could create opportunities for SMEs to expand their network and as a national matchmaker for SMEs that work with ESG and seek international leverage. Furthermore, the idea of the platform is that it would generate a database of SMEs in emerging markets working with ESG.



*Figure 1: key components of the SRI Ready Initiative platform*

The database would be used as a rating tool, to rank SMEs on their ESG performance, i.e. how well they comply with standards. The SMEs would be monitored by the consultancy and a rating agency (i.e. EY). Moreover, the database rating would provide investors with SME investment opportunities based on their selected matching criteria. This will allow investors, e.g. banks, to choose SMEs to invest in, according to their level of risk willingness – given that the higher the score the SME gets, the lower the risk will be for potential investors to get ROIs from the SMEs they are willing to fund. The rating would also provide SMEs with incentives to maintain their ranking (or strive for a higher ranking) and it would give information on what they need to improve, what is lacking, etc.

---

### About the Swedish Institute Sustainability Forum

SRI Ready was inaugurated as part of the Swedish Institute Sustainability Forum (SISF) 2016.

SISF is an exclusive and highly creative 48-hour global think-tank with a selected sustainability theme. It is held annually in the tranquil outskirts of Stockholm, Sweden. High-level individuals from all over the world gather to share experiences and discuss new solutions for current global sustainability challenges in an informal and productive atmosphere.

Known for its low-key and inclusive approach, the Forum serves a dual purpose: to help companies deal effectively with some of the key sustainability challenges of the 21st century, and to address pressing societal issues. The Forum's objective is to foster engagement and commitment towards collective action and co-creation of open-source innovation.

In 2016, the Swedish Institute organised SISF 2016 in content collaboration with International Integrated Reporting Council (IIRC), Centre for Responsible Business, India, with input from Mistra Financial Systems.

For more information about SISF, please visit [www.si.se/sisf](http://www.si.se/sisf) or contact us at [sisf@si.se](mailto:sisf@si.se)

---

# Swedish Institute Sustainability Forum



Swedish  
Institute  
Svenska  
institutet  
Slottsbacken 10  
SE-103 91  
Stockholm Sweden  
T +46(0)8 453 78 00