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PRESS RELEASE

SUSTAINABILITY IS IMPORTANT TO SMES, BUT 40% DO NOT UNDERSTAND IMPACT OF NET ZERO

- Most SMEs (91%) see sustainability as important
- 40% of SMEs don't know how Net Zero will impact them
- Smallest businesses face the biggest challenge to reach Net Zero

Though the vast majority see sustainability as important, millions of the UK's small businesses could be struggling to understand and meet the demands of achieving Net Zero goals, according to research by Lloyds Bank.

The challenges of the last year have not dimmed the UK's 6 million¹ small businesses' views of sustainability. Nine out of ten SMEs (91%) see sustainability as an important consideration, and almost half (45%) say that the Covid-19 pandemic has made them think more about its role in their business.

Paul Gordon, Managing Director, SME & Mid-Corporates, Lloyds Bank, said: "It is encouraging to see that small business owners and leaders recognise the importance of sustainability. To ensure the nation achieves Net Zero, every sector and segment will need to make changes in how it procures, creates, and delivers goods and services, which will take a strategic outlook."

ACHIEVING NET ZERO

In June 2019, legislation passed requiring the Government to reduce UK net greenhouse gas (GHG) emissions by 100% on 1990 levels by 2050. Achieving this will make the UK a 'net zero' emitter. Most SMEs say that they are aware of this commitment to "Net Zero", with just one quarter (25%) admitting they do not.

Where greater challenge arises is with understanding and action. A significant proportion of SMEs (40%) said they did not know how the Net Zero goal would affect their business. This lack of insight also reflects in SMEs not fully recognising the opportunities of Net Zero beyond the benefits of protecting the environment and cost savings. When asked what benefits there may be, just one-in-five listed employee engagement and attraction (21%), customer expectation (19%), or new investment as opportunities (15%) from Net Zero.

A MATTER OF SIZE

In addition to the themes across all sizes of SME, the research showed a consistent pattern when looking at how the size of business affected results. In each response, the level of awareness, understanding and activity increased with

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the size of workforce. In every instance, the smaller the business the less likely they are to be in a position to adapt to and benefit from a Net Zero economy.

A third (36%) of “near-microbusinesses” (10-19 employees) admitted to not being aware of the Government’s Net Zero commitment, whereas amongst the largest SMEs (200-249 employees) that figure falls to just a quarter (27%). And of those near-microbusinesses that are aware of Net Zero, only a third of (33%) understand its impact on them, compared to 76% amongst the largest SMEs.

When looking at the progress made towards Net Zero so far, almost half (47%) of the smallest businesses surveyed (10-19 employees) said they have no commitment, nor any current plans to commit, to Net Zero, compared to just 5% of the largest SMEs. Similarly, of those that say they are already net zero for greenhouse gases, this represents just one-in-twenty-five near-microbusinesses (4%) in contrast with one-in-seven large SMEs (14%).

Paul Gordon, Managing Director, SME & Mid-Corporates, Lloyds Bank, continued: “The larger a business is the more likely they understand and grasp the opportunities that come from Net Zero. Their size affords them greater flexibility within their business model and workforce, greater choice and influence over suppliers, and can mean more customers and clients directly questioning their sustainability credentials.

“For the smallest of SMEs, many of which will be focused on their immediate needs and recovery from the impact of the pandemic, it’s important not to lose sight of the value they themselves recognise in sustainability. Demand from government, customers, and suppliers to be ethical, and sustainable will only increase and eventually become expected rather than a unique selling point.

“The good thing is that there is still time for them to act, and there are many resources available to help them understand, plan and change their business for the better. Whether it is through the Lloyds sustainability hub, government websites, or trade and industry bodies, tools and guidance are available.”

GETTING HELP

For support on Net Zero, most SMEs say they would turn to the internet (71%) and Government (70%) as key sources. Many of the small businesses have yet to take advantage of resources available from banks, such as Lloyds’ sustainability hub: www.lloydsbank.com/business/sustainability. On average, only four-in-ten SMEs (42%) would turn to their bank, a figure that falls to just one-in-five among near-microbusinesses (20%).

Notes to editors

¹Source: Federation of Small Businesses estimates there were 6.0million small businesses in the UK in 2020

The survey was carried on behalf of Lloyds Bank by Yonder Consulting Ltd. Yonder interviewed 1,053 financial decision makers (non-board level Directors and above) from SMEs across the UK between April and May 2021.