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ONE IN FOUR BRITISH SMALL BUSINESSES SAY SUSTAINABILITY IS A TOP PRIORITY FOR 2014

- *A quarter of British small businesses cite sustainable business practices as one of their top priorities for the coming year*
- *A third expect to increase their investment in sustainable business practices over the next five years*
- *Over half recognise the cost benefits of implementing sustainable business practices and some have seen improved profitability as a result*
- *However, most still think of 'green' initiatives rather than broader sustainable business practices*

A quarter (25 per cent) of Britain's Small and Medium Sized Enterprises (SMEs) say sustainability is one of their top three priorities for 2014, reflecting a renewed confidence and a desire to focus on developing their businesses' in the New Year, according to new research from **Lloyds Bank Commercial Banking**.

However the findings show that many businesses are still focused on traditional 'green' activities, including energy saving and recycling rather than the broader range of sustainable business practices relating, for example, to supply chains and sourcing. It also highlights the fact that there are still businesses who do not believe there are any benefits to be gained from implementing such practices.

Stephen Pegge, External Relations Director, Lloyds Banking Group, said: "Businesses clearly see the benefits of sustainability, and they are carrying out their environmental responsibilities through recycling and being energy efficient.

“But for SMEs, sustainability also means interacting with charities, social enterprises and the community in which they operate; working responsibly within their supply chain and engaging with the next generation, through, for example, apprenticeship schemes.

“Some sectors are really leading the way and other industries across the UK economy can follow their example and help underpin the growth we are now seeing with practices that will give us all a sustainable future.”

The benefits reported

Most businesses that have implemented sustainable business practices (87 per cent) believe there are clear benefits in doing so:

- Over half (54 per cent) believe it helps reduce their costs
- More than two fifths (42 per cent) cite that it makes a positive contribution to the environment
- Just under a third (30 per cent) believe it increases their profitability
- Over a quarter (27 per cent) feel it makes them a more attractive employer
- A quarter (26 per cent) believe it makes a positive contribution to the community

The risks of overlooking sustainability

Similarly, nearly nine out of ten businesses (87 per cent) believe that ignoring sustainable business practices can be a risk:

- Nearly half (49 per cent) believe it could have a negative impact on their costs
- Just under a half (43 per cent) think it may harm their profits
- Over a third (39 per cent) believe it will have an impact on their brand perception
- A third (33 per cent) cite that it could have an impact on compliance with relevant legislation
- A fifth (21 per cent) believe it will impact on their competitive edge
- Just under a third (32 per cent) believe it could mean they are excluded from tender processes

- A fifth (20 per cent) believe it improves their brand perception

The current focus

However, the research does show that businesses do still tend to focus their efforts on more traditional sustainable business practices, including environmental activities (89 per cent) such as recycling and energy saving. SMEs are less likely to offer a clear business code of conduct (46 per cent); work responsibly within a supply chain (42 per cent); operate an ethical sourcing policy (25 per cent); work with local charities (24 per cent); or offer apprenticeship schemes (17 per cent).

The sector view

There is also a clear difference in terms of levels of engagement across different sectors. All healthcare companies (100 per cent) state that they engage in some sort of sustainable practice compared to just nine out of ten in the Leisure (90 per cent) and Professional Services (91 per cent) sector and just under nine out of ten (88 per cent) in financial services.

Level of investment

Whilst just under two thirds of businesses (63 per cent) were unable to clarify how much they spend on sustainable practices, three quarters (78 per cent) of those that could, said the level of investment was below five per cent of the company's turnover.

Future prospects

Looking forward, a third (33 per cent) expect to increase their investment in sustainable business practices over the next five years, while two fifths businesses (42 per cent) expect their investment to remain flat. Only a small minority (two per cent) think they will cut back on spending in this area.

Of those businesses that still have no sustainable business practices, more than two fifths (44 per cent) say they will start investing over the next five years. The key motivations of these future investors are to reduce costs and increase profitability (52 per cent); and also to make a positive contribution to the community (28 per cent).

The key practices these businesses plan to take on are similar to those focused upon by current sustainable businesses. They relate to the environment (79 per cent) and being a responsible company (48 per cent). Engaging in charitable projects and working with the local community are not mentioned as a priority by any businesses who are intending to invest for the first time.

Stephen Pegge, added: “We are committed to doing all we can through mentoring and broader support to help small and medium sized business succeed, including recruiting over a thousand apprentices a year. Our sustainability website includes an interactive sustainability action planning tool to help businesses navigate the risks and opportunities and we also run a programme of nationwide business seminars on how to run a fully sustainable business.”

ENDS

Notes to editors

Responses from 1008 SMEs with a turnover of up to £25 million were collated by Gusto Research in October 2013.

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