

# Supporting SMEs to create a more sustainable future





## Working together to deliver change

With a community of more than 59,000 members - over 80 per cent of which are small and medium-sized enterprises (SMEs) - spanning retail, healthcare and many other sectors, GS1 UK is uniquely positioned to help drive progress on sustainability.



We are one of 116 neutral, not-for-profit and independent organisations operating across 150 countries.

Our globally recognised standards are used to identify, capture and share data on vast swathes of products, providing us with the capacity to help businesses understand, monitor and share invaluable insights on their supply chains.

We've already used this data to support businesses in adopting ambitious new commitments on sustainability, and make demonstrable improvements on emissions, energy, heat, transport, waste, water and biodiversity

But we also know, that when it comes to solving the big challenges of biodiversity loss, climate change and inequality, collaboration is key.

That's why we've partnered with FuturePlanet. By working together we hope to create a comprehensive picture of the challenges that small business owners and the self-employed face when it comes to taking action on climate change. We want to get to grips with that all-important gap between awareness and action, and make recommendations on how these businesses can transform.

For this first phase of the partnership, we surveyed both GS1 UK and FuturePlanet members to build a solid understanding of the issues, perspectives and priorities, and identify where support is most needed.

Armed with this insight we can drive meaningful change, just when it's most urgently needed.

"The health of ecosystems on which we and all other species depend is deteriorating more rapidly than ever."

Robert Watson, chair of the IPBES

## Time is running out

Our planet and way of life is under threat.



Carl Pratt founder of Future Planet

In 2022, we all saw first-hand the devastating impact of climate change as wild fires broke out around the world, from European cities to the outback of Australia, the grasslands of Africa and the tropical forests of Brazil. Elsewhere, melting Himalayan glaciers contributed to major floods in Pakistan, and rising sea levels wrought catastrophe on lowlying Islands, coasts and communities.

As a landmark UN report recently concluded, the evidence paints "an ominous picture" with one million animal and plant species now threatened with extinction, many within decades, and more than ever before in human history.

"The health of ecosystems on which we and all other species depend is deteriorating more rapidly than ever," summed up IPBES chair Robert Watson. "We are eroding the very foundations of our economies, livelihoods, food security, health and quality of life worldwide."

Unabated climate change will continue to have dramatic effects on inequality, poverty and economic opportunity. And time is running out. In the UK, we have just seven years to hit ambitious net zero targets if we're to keep global temperature rises under 1.5 degrees celsius and preserve the planet for ourselves and generations to come.

Against this backdrop, SMEs are in a unique position to drivechange. It is estimated that SMEs account for half of all UK business-driven emissions, and almost a third (30 per cent) of all current UK greenhouse gas emissions including those from households, industry and government.

While SMEs can lack the resources of larger organisations, (30 per cent of those surveyed for this report have a turnover of £100k or less) they can be far more agile, making it easier to implement change and lay the foundations for sustainability early on.

But so far too few are taking clear action to make a change. In fact, of more than 5.5 million SMEs operating in the UK, research suggests that more than 4 million lack any ambitious carbon targets.

At FuturePlanet, we're on a mission to accelerate our transition to a circular, equitable and regenerative future through intentional community, knowledge sharing, peer support, activating influential networks and collaboration.

That's why we've partnered with GS1 UK, to pool our knowledge and networks to understand what is holding small business leaders back – and how we can support them to take their actions on sustainability to the next level.



#### Our purpose

The aim of this first phase of the partnership between GS1 UK, FuturePlanet and our member communities was multifaceted.

Not only was the aim to engage an initial group of pioneering professionals, but also to identify the fundamental challenges and opportunities faced by SMEs in taking action on climate change by building up a solid baseline understanding of the current barriers and gaps in support.

This insight will be used going forward by both GS1 UK and FuturePlanet to help empower SMEs to act and identify opportunities to accelerate action through systemic change.

To achieve these aims, both GS1 UK and FuturePlanet members were asked a series of questions on the action they were taking and the challenges they faced surrounding biodiversity, climate, inequality and sustainability.

#### What motivates change?

Understanding what beliefs, values and motivations encourage both individuals and businesses to act on sustainability is a fundamental part of helping to drive change.

Thankfully, our survey revealed plenty of reasons to be optimistic, with action on sustainability seen as a core value for many members.



**Empowering employees**: 71 per cent of organisations said their employees 'feel empowered to take action'.



**Motivators**: Three quarters of respondents listed 'personal beliefs' as one of their top five motivators for acting on climate change. 60 per cent said it was 'the right thing to do' and 64 per cent felt acting on sustainability was 'part of our culture'.

A highly motivated employee base and organisations that empower their employees to act is a winning combination. Not least as it has the added bonus of boosting wellbeing in the workplace Research shows that a clear sense of purpose at work can boost mental and physical wellbeing and improve resilience to stress, while also improving retention.

## Picking up on key priorities

Many organisations are taking concrete steps to improve their eco-credentials.

In order to take this action to the next level, it's important to note what strategies businesses are already adopting and how this can be used to inform others at an earlier stage in their journey.

### Circularity and sustainability as an innovation tool

**65**%

of respondents have changed product designs or dropped entire ranges to reduce their environmental impact. 26%

of respondents are shifting from a product/ sales model to productas-a-service to reduce impact. 43%

of respondents are offering 'one or more' sustainable brands.

For those businesses yet to transition toward a more sustainable model, there's a clear opportunity to learn from the experiences and best practice examples of those that have already made the change.

## Packaging as a clear consumer - and regulatory - priority

**65**%

of respondents have implemented 'clear sustainable packaging priorities'. **75**%

are engaging with consumers on the sustainable attributes of their products or services, with 63 per cent of these providing information on packaging.

36%

ranked the move to ban single use plastics as the top 'regulatory impact on business', followed by the Plastic Packaging Tax and Extended Producer Responsibility (EPR). **76**%

said 'reducing plastics and harmful materials for packaging' was a priority.

Consumer demand for transparency on the sustainability of products and packaging is growing. GS1 standards have a vital role to play in facilitating this by allowing accurate data to be easily shared across the supply chain, as does support for SMEs in the selection of materials, provenance and waste streams.

It's important to note that packaging accounts for only about 5 per cent of the energy used in the life cycle of a food product. This means that, while important, packaging should be part of a broader sustainability strategy adopted by SMEs.



### Deposit return schemes could drive efficiency but add complexity



The introduction of a deposit return scheme (DRS) could fundamentally change the way both consumers and businesses recycle packaging materials.

However, it could also add cost and complexity for consumers, waste collectors and local authorities. The operational impact for businesses, compounded by a lack of awareness, creates significant challenges that will need to be addressed in the next two-years.

Our research has demonstrated that simplicity is key and needs to be at the heart of any successful scheme. It also found that a little incentive could go a long way toward encouraging consumers to return materials and recycle.

There is a limited window of opportunity to help industry prepare for such a scheme. In the meantime, much more needs to be done to inform consumers and change behaviours.

Find out more, www.gs1uk.org/DRS

## Spotlight on sustainable sourcing

71%

of respondents said sustainable sourcing was a priority. **63**%

said switching to more sustainable materials was high on their agenda. **72**%

ranked 'understanding the provenance of materials and resources' as a near term priority.

These findings illustrate that it is not simply a case of managing costs at any cost. In fact, managing environmental impact is seen as an important way to save money. GS1 standards can play a key role here too by increasing traceability across both global and regional supply chains, enabling businesses to see 'the big picture' on sourcing. Equally, by analysing efficiency and revealing hidden costs, these insights can also help businesses take the necessary steps to reduce their environmental impact through decisions based on trusted data.



### Optimising waste and energy efficiency

66%

of respondents said they were focused on 'business waste reduction'. **50**%

of organisations surveyed felt that reducing food waste was of particular importance. 34%

of respondents have no intention to switch to renewables, proving that there is still work to be done.

Optimising waste and energy efficiency can represent low-hanging fruit for businesses looking to improve their eco-credentials. According to the International Renewable Energy Agency, the combination of renewables, energy efficiency and increased electrification could achieve 90per cent of the reductions needed in energy-related emissions alone. This represents a clear opportunity to accelerate progress.



59 per cent of respondents were committed to 'implementing energy efficient measures'.



**52 per cent** plan to replace 'non-renewable energy sources with renewable sources'.



**33 per cent** intend to produce their own renewable energy.



# Clarifying challenges to progress

Though it's clear that many businesses are taking action on what they see as key priorities from a regulatory and consumer standpoint, there remain significant gaps in their current action. Understanding these gaps is a critical part of mapping out the areas of support that would be most beneficial.

#### **Tackling costs**



**65 per cent** of those surveyed said the rising cost of goods represented the biggest challenge currently facing their business.



The connection between these rising costs and damage to the natural world is not yet fully understood, with the loss of biodiversity, freshwater habitats and drought ranking among the lowest climate challenges impacting their business.



Only 34 per cent said they've passed these costs on to consumers, despite evidence that UK consumers are prepared to pay on average 25 per cent extra for greener alternatives, according to research by Simon-Kucher & Partners.

This dynamic represents an opportunity to give business leaders the confidence to price the value of their products and services accordingly, and to support SMEs in building communities of conscious customers. This includes making funding available for business transformation.

Effort must also be made to clarify the connection between impact on the natural world and the impact – and therefore cost – of raw materials. Further insight could be provided on natural capital and triple bottom line accounting, for instance.

## Lack of awareness for science-based targets

42%

of respondents intend to 'implement or improve science-based targets'.



Science-based targets are a set of evidence-based goals developed by businesses to provide a clear route to reduce greenhouse gas emissions. An emissions reduction target is defined as 'science-based' if it is developed in line with the scale of reductions required to keep global warming below 2°C from pre-industrial levels.

Though they have gained in popularity, there remains a need for increased training to understand what science-based targets are and how to implement them across SMEs. Early movers are well placed to support others to do the same.

One recommendation is to make science-based targets a regulatory requirement for SMEs. The Science Based Targets initiative (SBTi) – a partnership between CDP, the UN Global Compact, World Resources Institute and WWF – has already introduced a streamlined target-setting route for small and medium-sized companies.

#### Biodiversity - a low ranking priority



Though rising global temperatures was the second highest climate concern for businesses, the loss of biodiversity, freshwater habitats and drought all ranked poorly.



Less than half (42 per cent) cited 'promoting biodiversity' as a priority while almost as many (44 per cent) claimed it was not. Nearly a third (29 per cent) cited 'regenerative agriculture' as a priority.

Our recommendations for advancing a focus on biodiversity include providing greater clarity on the environmental impact of raw materials, manufacturing processes, supply chains and highlighting the link between the cost of products and sustainable practices.

### Clearing up carbon reduction

When done well, this is a valid mechanism for investing in nature and climate solutions.

However, offsetting is only part of the solution and cannot be a substitute for reduction. Reduction of carbon emissions within **Scope 1, 2 and 3** has to be the priority.



#### What are Scope 1, 2 and 3 emissions?

Scopes first appeared in the Green House Gas (GHG) Protocol of 2001 and now form the basis for mandatory GHG reporting in the UK.

**Scope 1** covers emissions from sources that an organisation owns or controls directly - for example running boilers or a fleet of vehicles.

**Scope 2** are emissions that a company makes indirectly when the energy it purchases and uses is produced - for example, when the energy it buys to heat buildings or power electric vehicles is produced on its behalf.

**Scope 3** encompasses all emissions that are not produced by the company itself or from the assets it controls, but by those that it's indirectly responsible for up and down its value chain – for example, this would include any emissions generated when they buy, use or dispose of products from suppliers.

If part of a credible plan includes investing in nature based solutions, then choosing credible partners and projects that align with core business impact is also paramount. **Project Drawdown** is an excellent resource for understanding what type of natural investments are required.

#### **Project Drawdown**

Founded in 2014, Project Drawdown<sup>®</sup> is a not-for-profit organisation that seeks to help the world reach "drawdown" — the future point in time when levels of greenhouse gases in the atmosphere stop climbing and start to steadily decline.

Since the 2017 publication of the New York Times bestseller Drawdown, the organisation has emerged as a leading resource for information and insight about climate solutions. They continue to develop that resource by conducting rigorous review and assessment of climate solutions, creating compelling and human communication across media, and partnering with efforts to accelerate climate solutions globally.

Visit **drawdown.org** to find out more.

## We are all in this together. Nearly...



Just over half of respondents cited 'environmental and social justice' as a near term priority, with a further **22 per cent** citing it as 'somewhat of a priority'.



Diversity, equality and inclusion (60 per cent), human rights - which includes modern slavery, child labour and human trafficking (64 per cent) - and equitable pay (52 per cent) all featured highly.



**54 per cent** of respondents believe that developing deeper relationships with affected communities is a near term priority and a further **48 per cent** plan to invest in community development activities in the markets they source from.



The impacts of climate change will be felt the most by the most vulnerable. That's why a 'Just Transition' is required, in which people trump prices and elements such as equitable pay and community development are moved up the agenda.

For many businesses, the desire is there but more inspiration, encouragement, investment and action are needed.



At least 25% of today's global warming is driven by methane from human actions

## Optimising exisiting opportunities

Accelerating action requires a clearer focus on those areas that represent the biggest wins - and the most pressing issues.

These emerge from an understanding of what motivates behaviour change, current actions and priorities, as well as surmountable challenges.

#### Catalysing action on emissions

**32**%

of SMEs surveyed are currently measuring Scope 1 emissions - those from company facilities and company vehicles - and only 27 per cent are measuring Scope 2 - those from the purchasing of electricity, steam, heat or cooling.

**25**%

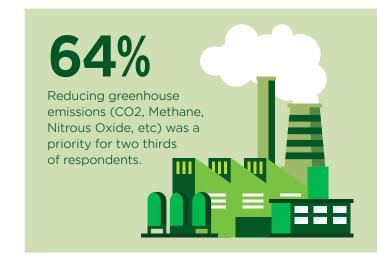
are measuring Scope 3 emissions, emissions from third parties in the supply chain. This highlights a huge opportunity. Particularly given that Scope 3 accounts for more than 70 per cent of a business' carbon footprint.

**39**%

of respondents highlighted 'measuring and reducing Scope 3 carbon emissions' as a sustainability priority for the next 12 months.

While the cost of energy crisis presents a challenge, it is also a driver for greater energy efficiency and security. Supporting the measurement and reduction of Scope 1 and 2 carbon emissions can deliver quick wins for SMEs. There is an additional opportunity to lobby the government to shift from fossil fuel subsidies to renewables.

There is a need for greater awareness and education on the impact of other greenhouse gas emissions, especially considering that methane has more than 80 times the warming power of carbon dioxide during its first 20 years in the atmosphere. At least 25 per cent of today's global warming is driven by methane from human actions.



## Responding to calls for net biodiversity gain



Biodiversity, or the variety of all living things on our planet, has been declining at an alarming rate in recent years. This is mainly due to human activities such as land use changes, pollution and climate change.

In the UK, we are starting to see recommendations for **10 to 20 per cent** net biodiversity gain with land developments. The European Commission's new 2030 Biodiversity Strategy calls for the protection of at least **30 per cent** of the EU's marine and terrestrial areas (forests, wetlands, peatlands, grasslands and coastal ecosystems), and that **10 per cent** of the EU's oceans and land, including all remaining primary and old-growth forests and other carbon-rich ecosystems, should be left essentially undisturbed. We all have a responsibility and role to play in protecting and promoting biodiversity.

## Using certification to power transformation



Enthusiasm for trusted frameworks is high, with **21 per cent** of businesses seeking BCorp certification, **24 per cent** opting for ISO and **24 per cent** Fairtrade.

While the number of successfully certified organisations is rising, more can still be done to drive change and empower action. Initial recommendations would be to lower barriers to entry, simplify the onramp to certification, encourage greater diversity and increase support for businesses through the certification process.

#### **Empowering employees**



**36 per cent** of respondents stated that their employees' KPIs directly contribute to sustainability targets.



**More than 40 per cent** have not set any sustainability KPIs.

This highlights a major opportunity to transform culture and practices. Scaling up climate clauses and KPIs in contracts and remuneration is a quick and easy way to kick-start such a transformation.

#### Support for non-experts



**10 per cent** of respondents were sustainability professionals. The remaining **90 per cent** were time-pressed CEOs, founders and those in operational roles

This highlights the need to create support and training for non-experts and to empower sustainability professionals to share their knowledge.

## **Encouraging collaboration with suppliers**



**58 per cent** of respondents cited 'reviewing suppliers to reduce carbon footprint' as their top priority for the next 12 months.

Driving awareness, education, collaboration with suppliers and effective supply chain measurement will play a key role in reducing carbon and implementing sustainable practices.

## Eliminating blockers to action

The findings of this survey indicate some clear and concrete steps that can be taken to mitigate the barriers SMEs face in taking further action on sustainability.

Here are our recommendations for five key focus areas going forward.

#### 1 Bridging the gap between awareness and action

Though awareness of sustainability as a key business priority is high, there remains a lack of comprehensive action from many businesses to solve the crises of biodiversity loss, climate change and inequality. More must be done, at speed and at scale. There is an immediate need for widespread collaboration, knowledge sharing and collective action to ensure awareness drives change.

#### Make more proactive use of regulation as a lever for change

Regulation is an underused lever for SMEs, with only 2.5 per cent of respondents citing regulatory risks as a primary motivator for improving sustainability. Though science-based targets are not yet a regulatory requirement, a more effective regulatory framework would provide SMEs with much needed guidance and a level playing field for first movers.

The evidence shows that regulation and standards are two of the most effective levers for accelerating impact.

#### Deploying experts to make more efficient use of time

Finding time to focus on the complex topic of sustainability is a major challenge for businesses. This can be alleviated by encouraging the hiring of more dedicated sustainability professionals and/or upskilling existing team members. Currently, less than half (47 per cent) of employees receive training on how to integrate sustainability practices into their work. GS1 UK and FuturePlanet will provide a programme of activities and content to support this.

Providing simple, actionable insights and practices through expert service providers and partners will be fundamental to unlocking action and supporting the 15 per cent of respondents that are not sure where to start.

#### Providing greater access to funding

Budget constraints represent a major challenge for nearly all businesses surveyed. Two thirds (63 per cent) of respondents had either a very limited sustainability budget or none at all.

Supporting professionals to develop clear business cases that connect to risks and opportunities is one path to unlocking investment. There is also support needed to access existing funding and government grants, such as the Department for Business, Energy & Industrial Strategy's (BEIS) £5bn fund. Where there are gaps in available funding that need to be addressed, collaborative approaches with funds and funders can make a real difference.

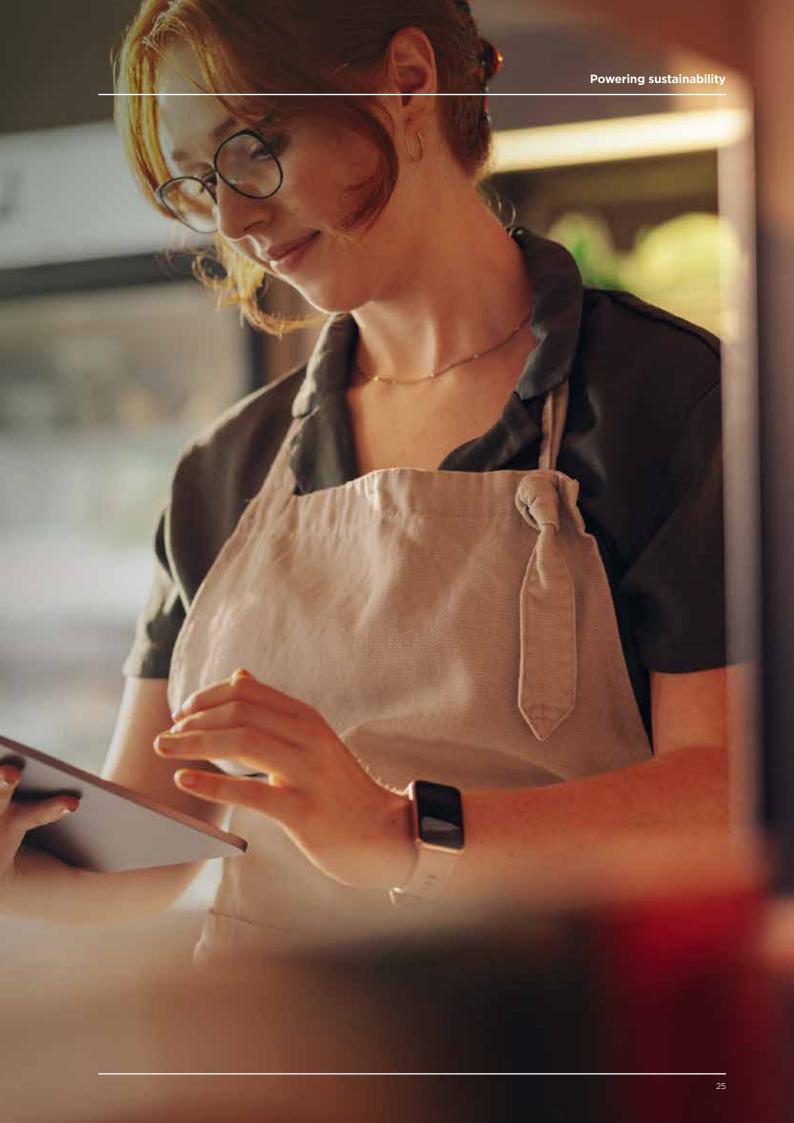
#### Making transparency the norm

We can only manage what we can measure. That's why publicly sharing targets needs to become standard for SMEs in the same way that it is required by publicly listed companies. Currently, only 17 per cent of respondents publicly share CO2 reduction targets.

Encouraging voluntary transparency could also be the first step in leading a collective call for regulation.



**GS1** standards help more than two million organisations around the world identify, capture and share information smoothly



## Standards power progress

Without trusted data, implementing meaningful and lasting change can be costly and time consuming, especially for SMEs. The capacity for businesses to support environmental and ethical claims, to manage the chain of custody, to recycle or reduce waste, all depend on the availability of data as products move through the supply chain.



Demand for sustainable choices continues to grow and GS1 standards have the power to deliver them. They provide businesses and authorities with a common, global language for sharing information on important issues such as product packaging, the provenance of raw materials, the conditions of production and the identification of harmful substances.

We believe that sustainability is powered by digitalisation and visibility across the entire product lifecycle. Obtaining the level of efficiency, inclusion, and data quality that is collectively needed is only possible if information is structured and shared through global and open standards.

Our standards already enable more than two million organisations around the world to identify, capture and share information smoothly. By creating a common language that underpins systems and processes, they make supply chains more efficient and transparent, helping businesses navigate the sustainability challenges of today and prepare for those of tomorrow.



Creating a common framework that encourages the sharing of information can support and promote innovation. This includes acting as a precursor to regulation that can affect change, allowing businesses and governments to make decisions based on reliable data rather than opinion alone.

#### Traceability and interoperability

GS1 standards create a common foundation for business by uniquely identifying, accurately capturing and automatically sharing vital information about products, locations, assets and more

There are a number of different standards that can inform sustainable choices by enabling transparency throughout the supply chain and lifecycle of products, including:



#### Global Trade Item Number (GTIN)

The GTIN, the number typically seen under barcodes, is used to uniquely identify billions of products around the world. Whether in store, online or on-site, they provide an accurate and efficient way to access and share information about a product.



#### **Global Location Number (GLN)**

A unique number that is assigned to parties and locations, allowing them to be uniquely identified worldwide. They provide a single method of location identification for all companies in the supply chain, removing the risk of unnecessary costs and errors



#### **Serial Shipping Container Code (SSCC)**

Can be used by companies to identify a logistic unit, enabling them to be tracked and traced throughout the supply chain. Logistics units can be any combination of trade items packaged together for storage and/or transport purposes; for example a case, pallet or parcel.



#### EAN-13, EAN-8, ITF-14 and GS1-128

These types of barcodes play a key role in enabling industry to automatically identify and track products as they move through the supply chain.



#### **Digital Link**

Extends the power and flexibility of GS1 identifiers by making them part of the web. This means that GS1 identifiers, such as the GTIN, can act as a gateway to consumer information that can strengthen brand loyalty, ensure compliance, reduce packaging costs and communicate important information in new and engaging ways.

GS1 standards are both system and device agnostic, allowing vital data to be shared between systems and organisations to facilitate system-wide interoperability.

### The action plan

As we've highlighted throughout this report, though action on sustainability can be complex and costly for SMEs, there are myriad ways in which they can accelerate progress and boost their green credentials.

Here are some of the top actions that SMEs can take early on. If we all follow these actions and support others to do the same, together we can achieve our climate, nature and social goals.

#### **SME** checklist



Switch to a credible renewable energy provider	
Measure and reduce Scope 1 and 2 carbon emissions	
Collaborate with suppliers to measure and reduce Scope 3 emissions	
Explore and implement ways to reduce methane emissions	
Collaborate to share knowledge and support other companies to act	



#### **Employees**

Engage and empower influential stakeholders within your business	
Create an internal 'green team' to empower colleagues to act	
Include climate KPIs in employment contracts	
Inspire and inform employees to reduce their personal carbon emissions	
Facilitate collaboration between departments	



#### **Product and packaging**

Build up internal expertise in sustainable materials
Find a suitable certifications or frameworks for your business to adopt
Make preparations for regulatory changes, e.g. the introduction of DRS
Consider the lifecycle of a product and its packaging in all decisions. I.e. examining the carbon footprint from sourcing to disposal rather than assessing packaging in a silo
Share knowledge and collaborate with other businesses on sourcing and buying





## The time to act is now

The findings of this report give plenty of reasons to be optimistic.

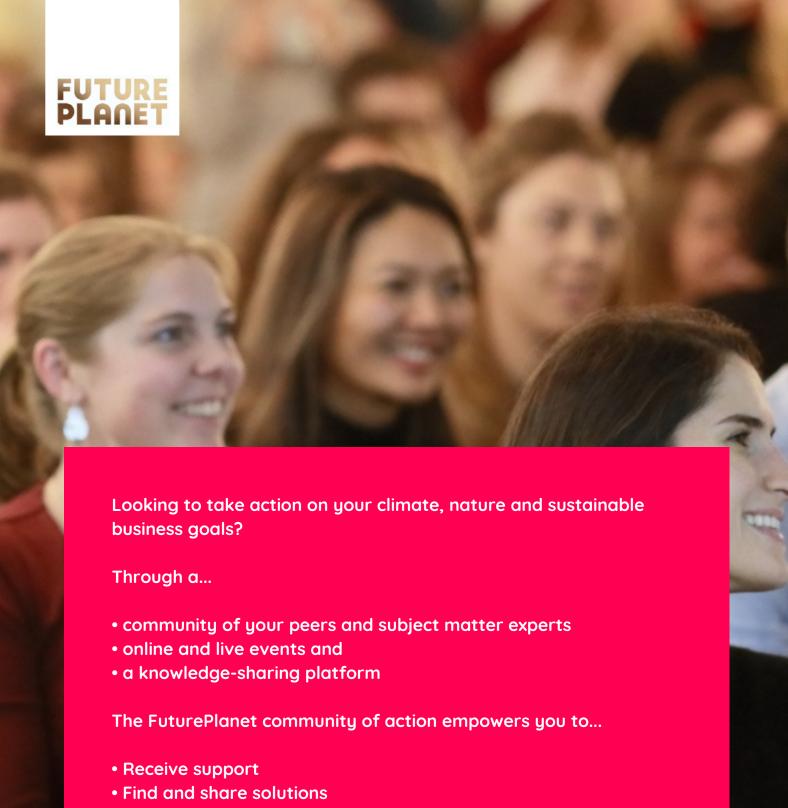


Across SMEs there is a huge amount of appetite – both at organisational and individual levels – to improve sustainability, be it motivated by personal ethics, commercial benefits or regulatory pressures.

Our survey highlights the current barriers and challenges these businesses face in delivering meaningful change. This includes the threat of added costs amidst an already challenging economic landscape, and a lack of knowledge or the expertise required to grapple with complex topics such as greenhouse gas emissions.

With the right support, targeted at the key points in a businesses' sustainability journey, it is possible to bridge the gap between desire and action, leveraging the huge potential SMEs have to help protect this planet.





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