



Social
Enterprise UK

SOCIAL ENTERPRISE & CLIMATE CHANGE:

WHAT WE KNOW, WHAT WE NEED TO FIND OUT

SOCIAL ENTERPRISE UK



As the immediate COVID-19 crisis eases and we face the challenges of long-time adjustment to new realities, the need for social enterprises to address climate change is clear. Potential opportunities for social enterprises as leaders of the climate agenda are plentiful.

At SEUK, we have begun to explore information on social enterprises and climate change. This paper sets out what we have found so far – the starting point for a journey to better understand – and support – social enterprises as they engage increasingly with climate change.

We set out to conduct a review of existing literature and found little that directly related both to UK social enterprise and climate change. However, we did identify a few reports, plus a wider set of literature addressing climate change and traditional businesses which includes useful initial information of relevance to social enterprises. We have also conducted initial research through our membership – surveys and membership data – on engagement with climate change.

This report summarises findings directly linking climate change and social enterprise, plus wider literature of potential relevance to social enterprise. We primarily looked at environmentally-friendly measures, rather than the ‘green economy’ – or businesses that operate to deliver climate-smart products and services. It then analyses data from three SEUK surveys regarding climate and social enterprise and from SEUK membership data. Finally, the report sets out resources, gaps and further information required to support social enterprises as they strive to do more to address the climate crisis – and make themselves resilient to climate change.

Key messages:

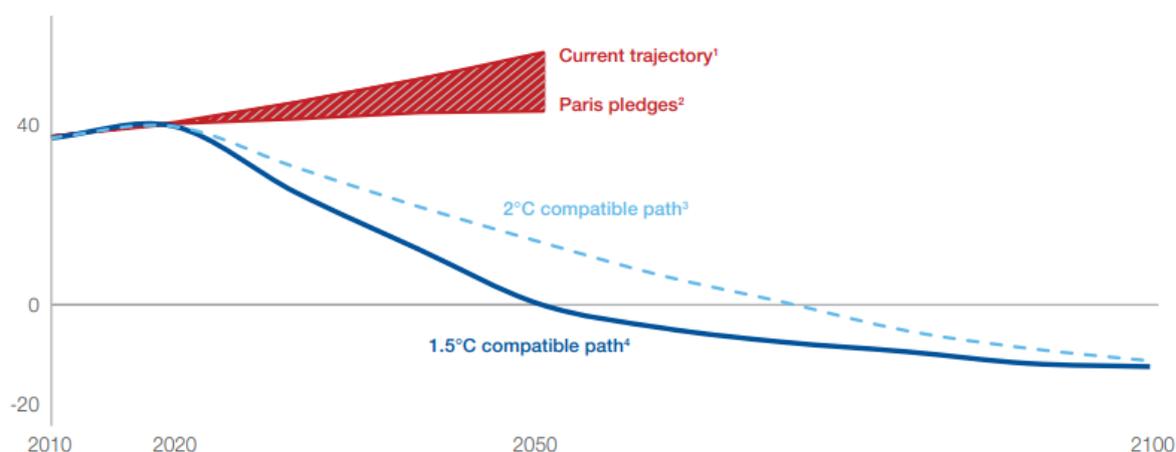
- Existing academic and sector-wide research on climate change and social enterprises is minimal, however there is a body of research, resources and tools on SMEs and traditional business and how they engage on climate change
- Social enterprises are uniquely positioned to play a lead role on climate. They are more engaged and more likely to be acting already than traditional SMEs are. Further, many social enterprises have an environmentally-focused mission that drives environmental pivotal change through their core activities.
- Social enterprises hold a wealth of untapped information about how to achieve environmental impact through socially-minded business models.
- Evidence of what social enterprises are – and can – achieve is important in understanding how the sector addresses climate change, and the support it requires to do so.

Climate change – the big picture

This year marks the fifth anniversary since the 2015 Paris Agreement where 121 countries committed to keeping the global temperature rise below 2 degrees by the end of this century. A mismatch of commitment and actions, exacerbated by the failure of major polluting nations to make significant change means that emissions have continued to rise and a reduction of 3-6% per year to 2030 is now required to meet the vision of the Paris agreements¹². This looks unlikely to happen and the consequences for all are serious.

Global net CO₂ emissions pathways

Gt per year



Source: *The Net Zero Challenge*, WEF

Business response to the crisis has been mixed and predominantly minimal. Since 2019, large companies in the UK have been required to report their carbon dioxide emissions and energy efficiency measures in their annual reports under the Government's streamlined energy and carbon reporting (SECR) framework³. These regulations require an estimated 11,900 UK companies to disclose their energy and carbon emissions - a far greater number than were required to act under previous legislation⁴.

The SECR framework builds on – but does not replace – existing requirements that companies may face, such as mandatory greenhouse gas reporting for quoted companies, the Energy Saving Opportunity Scheme, Climate Change Agreements Scheme, and the EU Emissions Trading Scheme⁵. SECR extends reporting requirements for quoted companies and mandates new annual disclosures for large unquoted and limited liability partnerships.

¹ http://www3.weforum.org/docs/WEF_The_Net_Zero_Challenge.pdf

² <https://wedocs.unep.org/bitstream/handle/20.500.11822/30798/EGR19ESEN.pdf?sequence=13>

³ <https://uk.reuters.com/article/uk-britain-carbon-reporting/uk-to-require-big-companies-to-report-co2-emissions-from-april-2019-idUKKBN1K81M4>

⁴ <https://www.carbontrust.com/news-and-events/insights/secr-explained-streamlined-energy-carbon-reporting-framework-for-uk>

⁵ Due to be replaced with a UK-only system post-Brexit <https://www.gov.uk/government/consultations/the-future-of-uk-carbon-pricing>

Social enterprise and climate change – information from literature

We conducted a brief informal review of existing literature on climate change and social enterprise using online searches for key words 'social enterprise' and 'environment' and 'climate change'. We found three papers and some case studies. We also noted that a number of social enterprises are researching and writing progressive and interesting content in this field.

Looking at environmentally-motivated social enterprises (ESEs), Vickers and Lyons (2014) explored different approaches to growth, the missions and values that underpin them and resources and capabilities needed to effectively implement such strategies. They identified three distinct approaches with reference to the motivations and capabilities:

1. Small is beautiful: Focus on addressing needs and deepening impact within the specific communities and locales within which they are embedded.
2. Green Knowledge Economy Ventures: These seek to achieve a wider impact through the provision of knowledge-intensive services and advice to others.
3. Green Collar Army: Enterprises that prioritise employment and/or training position creation in labour intensive sectors/activities and has particular resonance in the context of arguments for government-led stimulus packages to support employment creation while also addressing sustainability challenges.

They noted that much of the literature on sustainability has drawn attention to the enabling role of governments in shaping the regulatory environment and incentives facing businesses and consumers, and that social enterprises have been affected by financial incentives for renewable energy, by waste management legislation and investment in 'green jobs'.

IISD (2012) looked at social and environmental enterprises in the green economy globally. The following findings are of potential relevance to UK social enterprises:

- There is a disconnect between the macro level approach to building the Green Economy and the micro level actions of social and environmental enterprises.
- The presence of national environmental legislation and regulations is one of the key enabling factors and one of the most significant barriers for these enterprises is the absence of local level environmental monitoring and enforcement.
- Public environmental education is not just values driven – it is a business issue for SMMEs.
- Research into new processes, the development of intellectual property (IP) and the use of IP as assets to attract investment need enabling policy environments.
- The green economy requires a wide variety of skills. Lack of technical knowledge in particular is a significant barrier in getting products to a certain quality to be competitive in the marketplace and lack of skilled people is a general barrier for social and environmental enterprises.

Finally, Touchette et al (2019) looked at best practice in Denmark for social entrepreneurs addressing climate related challenges, identifying creative ways that they have overcome these challenges. Interesting findings include that even climate-focused social enterprises don't necessarily address their own 'green' credentials (such as their energy supplier), that public engagement on climate is a driver of social enterprise engagement and innovation in the green economy. And that the circular economy (the lifecycle of production) is vital to survival for social enterprises.

We also identified a number of case studies on social enterprises and climate⁶ and survey findings in Scotland show that 30% of social enterprises have an explicit remit to protect or improve the environment, 21% to reducing waste and 18% improving built or natural heritage⁷.

There are also a number of social enterprises which research and write about the environmental aspects of their own work – and how this relates to wider business practice. For example, luxury lifestyle accessories producer Elvis and Kresse have written about their approach to disrupting the ‘failed, disengaged, industrial recycling system’.⁸ Similarly, Ethical Stationery – a cooperative providing office supplies, has researched and engaged with key actors (e.g. Greenpeace and Friends of the Earth) on product lifecycles and carbon counting and trading. Many environment-mission social enterprises produce high-quality impact reports too, for example Belu⁹ and Office Odyssey¹⁰. Future research into the details of expertise and evidence collected by and for social enterprises would be valuable.

Wider evidence of relevance to social enterprise

Whilst social enterprise specific literature is minimal, there is a growing volume of information and resources for traditional businesses, much of which holds relevance for social enterprises. Here we set out some key examples of this.

Financial incentives to address climate change

There are clear – and growing – financial incentives for businesses to make their operations greener, including energy and resource efficiency. A business that reduces costs from materials, energy, water and waste is more efficient, productive and profitable (ILO, 2017).

“Saving energy is one of the simplest ways to increase profits. A 20% cut in energy represents the same bottom line benefit as a 5% increase in sales.” Carbon Trust

Efficiency is not the only financial driver. Consumer behaviour is being transformed owing to growing public awareness around climate change and the environment. The Carbon Trust (2018) found that for a majority of consumers, it is important that the company they purchase from is taking action to reduce their carbon footprint and two-thirds of consumers are more attracted to companies that have a reduced carbon impact on their products. B Lab (2018) found that 70% of millennials - who represent \$2.5 trillion in spending power globally – are willing to spend more with brands that support their cause and Deloitte (2020) found that climate change dominates concerns with 31% reporting that it is their top concern. A similar result was also found for Gen Z.¹¹ 4 of every 5 respondents believe businesses should make greater efforts to protect the environment. Overall, Kronthal-Sacco and Whelan (2019) found that sustainably marketed products grew 5.6x faster than conventionally marketed products.

⁶ For example, <http://www.seforis.eu/news/2015/12/27/discover-17-social-enterprises-that-fight-climate-change> And <https://www.theukdomain.uk/7-uk-based-environmental-social-enterprises/>

⁷ <https://thirdforcenews.org.uk/blogs/social-enterprise-solutions-to-the-climate-emergency>

⁸ <https://www.elvisandkresse.com/blogs/news/whats-next>

⁹ https://belu.org/wp-content/uploads/Belu_Impact_Report_2017_Final-1.pdf

¹⁰ <https://www.office-odyssey.co.uk/our-impact>

¹¹ Millennials and Gen Z are those born between 1981-1996 and 1997-2012 respectively.

Future-proofing

Innovation is important for businesses, especially when considering the rapid growth of societal change being accelerated by climate change. More flexible business models able to adapt to change and for example by implement sustainable practices, will save time and resources. There is expectation that start-ups and social enterprises may lead the way as larger and older businesses struggle to respond¹².

Collaboration

Collaboration can lead to leveraging collective resources to influence the operating environment, averting the problems caused by each business starting from scratch and ‘reinventing the wheel’ (Rockefeller Foundation). Forming green networks and partnerships allows the sharing of guidance, support, best practices, findings and tools to be shared, for example, and is at the core of initiatives like Business Declares¹³ and B-Lab’s playbook for declaring a climate emergency (B-Lab, 2019).

Evidence from social enterprise data

SEUK has collected climate-related data from three sources: the 2019 State of Social Enterprise survey¹⁴, a short survey of members in November 2019¹⁵ and questions in the first Social Enterprise Advisory Panel survey¹⁶. We also hold data on our 2,700+ members.

Social enterprises and climate engagement

5% of SEUK’s members report ‘environment’ being part of their social/environmental mission and 9% report that they engage on climate, recycling/reuse, biodiversity and sustainability as part of their principle activities and trading activities¹⁷. We expect that this data under-reports the proportion of members with climate as a core mission due to data gaps although 2019 SOSE data found that only 3% of social enterprises had ‘environmental - recycling, re-use, awareness etc’ as their principle trading activity.

In spite of the fact that social enterprises with explicit focus on climate are modest in number, the vast majority of social enterprises are engaged on environmental issues in some way – and this engagement is expected to increase over the next 2-3 years, and much faster than traditional business.

SOSE 2019 found that 65% of social enterprises expected the focus on sustainable and environmentally friendly processes within their organisation to increase in the next two to three years - significantly higher than traditional SMEs more widely (49%). In comparison, only a fifth of social enterprises considered cost to be more important than environmental impact when procuring products, compared to 76% of SMEs.

¹² <https://www.forbes.com/sites/devinthorpe/2018/12/22/if-billionaires-are-a-cause-of-climate-change-social-entrepreneurs-are-a-solution/#60130eff123e>

¹³ <https://businessdeclares.com/>

¹⁴ <https://www.socialenterprise.org.uk/wp-content/uploads/2019/11/Capitalism-in-Crisis.pdf>

¹⁵ An SEUK member-only survey with 52 responses.

¹⁶ <https://www.socialenterprise.org.uk/wp-content/uploads/2020/07/SEUK-SEAP-First-Survey-June-2020.pdf>

¹⁷ Source: SEUK membership data, March 2020

Perceptions of the impact of climate change on social enterprise

The November 2019 survey data found that 73% of respondents believe climate change will affect their business and 21% are not sure. On a scale of 0-10 where 10 is the most important issue we face, respondents to the survey averaged 9 for how important they think climate change is. 67% said it was the most important issue, compared to poverty (12%), inequality (10%) and Brexit (8%).

“It's hard to imagine how it won't — our business is in the world, after all! So much will need to change, especially in the areas of power and transport, which will impact how we operate, and how we find and work with customers” Survey respondent

Actions: towards business sustainability and staff engagement

We asked social enterprises in the November 2019 survey what they were doing ‘towards environmental sustainability’ – and actions they take to ‘encourage your employees to be more environmentally responsible’.

What steps are you taking to minimise the environmental impact of your business?	
More strongly weighted environmental impact when buying goods or services	65%
Switched to using recycled materials for products	60%
Eliminated single use plastics	48%
Bought new low carbon/energy saving equipment	37%
100% renewable energy sourcing	33%
Carbon offsetting	29%

Procurement and recycling were particularly important in terms of steps currently being taken, with renewable energy sourcing being high on the ‘to do’ list for future actions. 56% reported that they use environmentally responsible banks, investments and pensions.

Policies/systems you intend to put in place in the next few years	
More strongly weighting environmental impact when buying goods or services	58%
100% renewable energy sourcing	52%
Buying new low carbon/energy saving equipment	52%
Eliminating single use plastics	50%
Switching to using recycled materials for products	38%

Respondents are also planning to consider:

- Carbon footprint measuring and creating green spaces
- Reviewing their environmental policy in the hopes of becoming a carbon neutral business
- Finding ways to reduce carbon emissions when transporting goods
- Training and supporting employees to embrace sustainable lifestyles
- Carbon offsetting or insetting (buying carbon-offset assets)

We asked environmentally focused SEs what measures they were taking to encourage employees to be more environmentally responsible. The most-cited were:

- Cycle to work schemes

- Staff engagement events
- Lift sharing to events
- Working from home
- Reducing paper use/printing
- Use of public transport
- Candidates are assessed based on their alignment with our values on environment
- Climate perks scheme
- Education

“It feels like very new territory. I have had to learn a lot of things myself and to work things out without professional advice.” Survey respondent

“We can make more of a positive impact by having a strong network/community of businesses with similar values and goals. This could enable a solution-focused exchange (online and in the real world).” Survey respondent

“The climate crises is an existential threat that many feel is too large to respond too. It is overwhelming. Simple step by step pointers of small achievable goals, I think, would encourage change. Make it immediately relatable and something that can be achieved easily. Partnerships with recommended providers, to encourage change to make it less daunting might help.” Survey respondent

Climate change in the COVID-19 era

The COVID-19 crisis has had an enormous impact on social enterprises, but the first Social Enterprise Advisory Panel survey¹⁸ that showed only 7% of SEs have no future plans for environmental sustainability and 32% are considering new/extra measures or see opportunities to engage more on climate change in spite of the already-challenging operating environment.

Are you considering if making your business more green/sustainable might help you recover (faster), access new opportunities/funding or meet your social mission?	
We already include sustainability in our operations, nothing new planned	42%
Yes - we're considering new/extra sustainability measures and/or see opportunities	31%
Not at the moment but maybe at some point/if we knew more	20%
This is not on our radar at all	7%

Recommendations and next steps

It is clear that - globally - we are not yet winning the fight against climate change, with carbon emission reductions happening far too slowly for the drastic drop of 3-6% required. However, social enterprises offer clear beacons of hope in their degree of engagement and action on climate change. We set out here areas where we think more evidence is needed and the types of questions that need answering.

¹⁸ 378 respondents, conducted May-June 2020

General resources and best practice

This paper aimed to set out what is currently known about social enterprise and climate change in research literature and in SEUK-held data. Evidence of the interplay between social enterprises and climate change is minimal, but there is a much wider literature on business and climate change which could be further explored. To support social enterprises in addressing climate threats and opportunities, better knowledge is needed of the barriers to change and the priority of actions needed for different types of organisations to take.

At SEUK, we've begun compiling resources of potential use for members¹⁹ and intend to add to this through research and evidence, particularly from members with experience and expertise on what is most useful. Much of this information is generic across types of business, so we will look at how to understand what elements of this are relevant and useful – and where bespoke information exists – or is required – to meet specific needs of social enterprise. We hope this is something that social enterprise infrastructure and anchor organisations will increasingly engage with and partner on too.

Social enterprises as sources of evidence and expertise on net zero and climate engagement

Social enterprises themselves hold vital information to support climate engagement across the sector. This report hasn't explored this in detail, but found initial evidence that environmental-mission social enterprises hold a wealth of information, best practice and engagement opportunities that need to be explored and amplified for the benefit of other social enterprises, and for climate engagement more widely.

SEUK will continue to work with members to identify and amplify such information, to share through peer-to-peer learning, resource sharing and other methods.

Social enterprises and the green economy

Green jobs, green sectors and subsectors are set to grow significantly and understanding how effectively social enterprises are positioning to meet (and drive) this need will be important for the whole sector. We think that this could best be achieved by understanding where social enterprise sits in the green economy (perhaps by analysis of specific sectors), looking at best practice from those long-established in environment sectors and core business activity, and exploring clusters of business approach (for example those focused on resource efficiency and recycling for example).

Funding and financing climate-friendly activity

While this report does not look at funding and finance, there is a wide literature on climate finance which could be explored in the context of social enterprise needs, and social investment. As with funding in general, it is vital that social enterprises do not miss out on available support – even that they are prioritised because of their enhanced contributions. Achieving this will require detail of existing provisions and issues.

Climate policy and social enterprise

¹⁹ <https://www.socialenterprise.org.uk/climate-change-and-the-environment/>

We need to better understand how the UK climate policy affects – and can better support - social enterprises as pioneers and innovators in a greener economy. Whilst traditional business tends to wait for ‘sticks and carrots’ to act, social enterprises are at the forefront of change and this needs to be further evidenced, recognised and rewarded. Again, we’ll work with our members, partners and other key stakeholders to build evidence and explore this.

Get involved

At SEUK, an initial event on climate change on 22nd July 2020 highlighted both the need for support on quick wins and first steps for busy and stretched businesses to start to benefit from the opportunities of environmentally-focused actions and of the green economy – and the degree of engagement. In the coming months, SEUK aims to set out a programme of work to support social enterprises to drive forward their positive impact on climate change.

We want to work closely with social enterprises – and support organisations – to achieve this. We want to build our relationships with key actors in the green economy, in climate finance and policy.

Please get in touch if you have feedback on this paper, our recommendations and if you’d like to work with us.

Information about resources – and updates about SEUK’s climate-related work can be found on our website (socialenterprise.org.uk/climate-change-and-the-environment).

Acknowledgements

This paper was written by Gatsby Fitzgerald with Emily Darko. Thanks to all the social enterprises who provided responses to surveys included here.

This research was made possible by an internship funded through the Professional Project Fund at Imperial College, University of London.

Published July 2020.

Annex 1 – Literature

B-Lab (2019) How to Declare a Climate Emergency: a playbook for business
<https://climateemergencydeclaration.org/business-guide-how-to-declare-a-climate-emergency/>

B-Lab (2018) Just Transition: A Business Guide, <https://bteam.org/our-thinking/reports/just-transition-a-business-guide>

Carbon Trust, SMEs and energy efficiency, <https://prod-drupal-files.storage.googleapis.com/documents/resource/public/GBF%20SME%20research.pdf>

Carbon Trust (2020) Product carbon footprint labelling – consumer research 2020 <https://prod-drupal-files.storage.googleapis.com/documents/resource/restricted/Product-carbon-footprint-labelling-report-v3.pdf>

Deloitte (202) Global Millennial Survey 2020, <https://www2.deloitte.com/global/en/pages/about-deloitte/articles/millennialsurvey.html>

IISD (2012) Social environmental enterprises,
https://www.iisd.org/sites/default/files/publications/social_environmental_enterprises.pdf

ILO (2017) Green Business Booklet, https://www.ilo.org/wcmsp5/groups/public/---ed_emp/---emp_ent/---ifp_seed/documents/publication/wcms_555274.pdf

Kronthal-Sacco and Whelan (2019) Sustainable Share Index™: Research on IRI Purchasing Data,
<https://www.stern.nyu.edu/sites/default/files/assets/documents/NYU%20Stern%20CSB%20Sustainable%20Share%20Index%E2%84%A2%202019.pdf>

Makower (2014) State of green business, <http://info.greenbiz.com/rs/greenbizgroup/images/state-green-business-2014.pdf>

Rockefeller Foundation, Private-Sector Collaboration for Sustainable Development,
https://www.bsr.org/reports/BSR_Rockefeller_Private-Sector_Collaboration_for_Sustainable_Development.pdf

Touchette et al, (2019) Documenting Climate Actions of Social Enterprises,
<https://digitalcommons.wpi.edu/cgi/viewcontent.cgi?article=6584&context=iqp-all>

Trivium Packaging (2020) 2020 Global Buying Green Report,
<https://triviumpackaging.com/sustainability/2020BuyingGreenReport.pdf>

UNEP (2019) Emissions Gap Report 2019,
<https://wedocs.unep.org/bitstream/handle/20.500.11822/30798/EGR19ESEN.pdf?sequence=13>

Vickers and Lyon (2014) Beyond green niches? Growth strategies of environmentally motivated social enterprises,
<https://www.birmingham.ac.uk/Documents/college-social-sciences/social-policy/tsrc/working-papers/working-paper-108.pdf>

World Economic Forum (2020) The Net-Zero Challenge: Fast-Forward to Decisive Climate Action,
http://www3.weforum.org/docs/WEF_The_Net_Zero_Challenge.pdf