



BALANCE
green and stable

**GREEN POLICIES & FINANCIAL
SUSTAINABILITY
TRAINING PROGRAM
IO2 – A6
Module 2**

Author(s): EMPHASYS CENTRE

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Module 2

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Module 2:

Introduction:

This module aims to help companies and specifically SMEs alter their productivity and distribution mechanisms, in order to ensure sustainability and greener methods of operation.

Therefore, this module is initiated with an introduction to the principal European Policies that serve to protect and preserve the environment, including its natural habitats and the organisms living within it. Once you complete the EU Policies designed to protect the environment, the module describes the specific policies that have been devised for helping SMEs manage their firms. Finally, concluding the first unit (Unit 1), additional national and European policies aiming at supporting SMEs and simultaneously the environment are presented.

Subsequently, the second unit (Unit 2) is initiated with the explanation of a significant concept that SMEs should acquire, identified as 'Corporate Social Responsibility'. However, a significant component of this unit is the presentation of the beneficial outcomes that accompany the Green Transition. Evidently, an explanation of the term 'Green Job' is included, concluding the second module of this training material.



Learning outcomes:

Decision Makers should:

- Comprehend the current environmental policies and the importance of mitigating the environmental pressures.
- Acknowledge which policies might be effective for their firm.
- Learn how to implement these policies and activities into their firm.

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Unit 1: European Small to Medium Enterprises (SMEs) and Environmental Policies

1. Introduction to the EU Green Deal and EU Policies on Environmental Assessment and Management of SMEs



The European Green Deal (EGD) is an innovative, developing strategy that proposes the transformation of the European Union (EU) into an equitable and ambitious society, via the implementation of a resource-efficient and competitive economy. The EU Green Deal aims to **reach zero net emissions of greenhouse gases by the year 2050, produce an economy where its success is independent from resource use and maintain equal accessibility and inclusion for all individuals**. Additionally, another principal outcome from this strategic plan is to achieve the **protection, conservation and enhancement of the EU's natural capital**. This measure is vital for human survival, since the “natural capital” represents the raw materials that are utilized for building a functional civilization, such as wood, water, air etc.

EU Policies for Environmental Assessment

Hence, the EU presented the procedure of *Environmental Assessment*, that prioritizes the sustainability of the environment prior impactful decision making. This process can be applied when trying to produce individual projects such as developing a motorway or an airport, by utilizing the Directive 2011/92/EU, also known as the *Environmental Impact Assessment* (Figure 1). Contradictory, a different Directive that administers a more general approach and focuses on public plans or projects, such as agriculture or forestry, is the *Strategic Environmental Assessment* (Directive 2001/42/EC). The common fundamental of these two Directives, is their aim to ensure that the projects that are more likely to impact the environment, are thoroughly assessed prior their approval or authorization and are consulted with the public as well (Environmental Assessments in the EUs environmental policy, 2022).



Figure 1. The stages of the EIA procedure

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Environmental Impact Assessment

The EIA process involves specialized assessment procedures and several stages, that are applied depending on the type of the project. When referring to the word “project”, the EIA directive explained that the term implies construction operations or any other execution that intervenes nature’s surroundings and landscape, including the processes requiring the extraction of mineral resources. Therefore, the first type of project that undergoes mandatory EIA, involves the plans that exert a significant impact on the environment, either because of their nature (e.g., crude oil refineries) or their size (e.g., airports with a basic runway length of 2100 meters and more). Contradictory, the second type of projects include the programs that do not reach the thresholds established in the first type by their nature or they do not carry an equal level of environmental detriment to be evaluated by a mandatory EIA (Environmental Assessments in the EUs environmental policy, 2022).



Strategic Environmental Assessment

The SEA Directive covers a wide range of public plans and projects, but does not refer to the policies that represent the highest level of strategic planning. Hence, the plans or the projects that are subcategorized into the scope of the SEA Directive, must either prepared or adopted by an authority (national, regional or local level). The projects that are submitted for a mandatory SEA are the programs prepared for agriculture, forestry, energy, water consumption, waste etc.

The primary objective of these Directives is to provide qualitative protection of the environment and to promote environmental consideration throughout the process of project implementation, by reducing their detrimental emanations. However, a key component in this process, is the involvement of the public in the process of decision-making, in order to strengthen the quality and objectivity of these settlements. Nonetheless, the projects or programs that are co-financed by the EU, such as Agricultural or Fishing Policies, must follow the EIA and the SEA Directives, in order to receive their approval, illustrating the significance of these tools in environmental protection (Figure 2).

The EU devised laws and regulations that aim to preserve this capital and ensure that these resources remain viable for future generations. For instance, in regards to the preservation of water, the EU documented the “***Water Framework Directive***” that focuses on fresh water or the “***Marine Strategy Framework Directive***” that specializes for the seas. Similarly, there is the “***Air Quality Directive***” that ensures that the air remains clean from harmful substances and the “***Habitats and Birds Directives***” that address the importance of wildlife and the environment it requires for survival (Environmental Assessments in the EUs environmental policy, 2022).

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Brainstorming Activity:

- What more examples of projects can you think that are impactful in their *nature* and *size*?

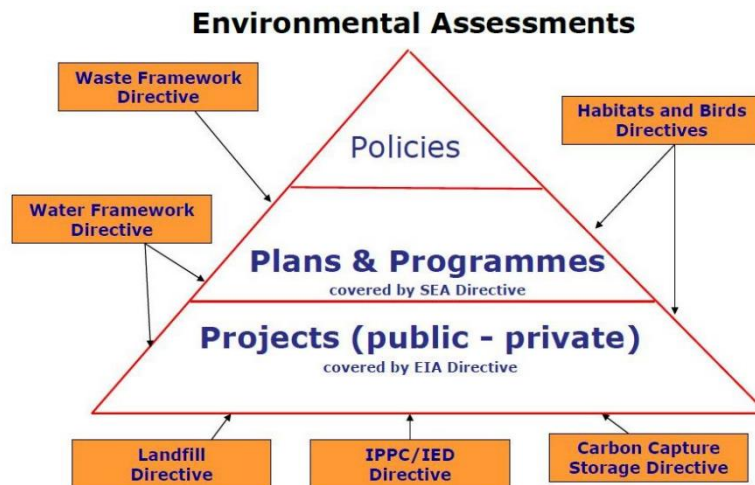


Figure 2. The Policies involved in Environmental Assessment Procedures

EU Policies for SMEs Management

A major percentage for the successful growth of Europe, is dedicated to the 23 million SMEs and represent the 99.8% of all European companies. The European Commission (EC) views SMEs and entrepreneurship as the vital elements that contribute to the economic growth, innovation, employment and social integration of the EU. Hence, one of the main objectives of the EU, is to increase the number of small-businesses that prioritize environmentally-friendly methods of operation, by developing policies that can benefit SMEs (Interreg Europe, 2016).



The Small Business Act

The EU aimed to develop a comprehensive policy and concluded to the implementation of the Small Business Act (SBA) in 2008. This specific policy acts as the foundational framework for the EU policy on SMEs and was intended to improve the approach and perception of entrepreneurship in the EU. Additionally, the SBA prioritized the simplification of complex regulations and the removal of barriers for SMEs, by implementing the “Think Small First” philosophy in politics and administration. It incorporates ten principles with several individualized measures that aim to strengthen the quality of SMEs by facilitating financing, provide increased

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access to procurement processes and encourage women to develop their own start-up businesses. Ultimately, in addition to the activities performed by the European Commission itself, it also provided recommendations and suggestions as to how each Member State can implement these principles into their system (Dilger, 2016).



10 principles of the Small Business Act

1. *Entrepreneurial learning and women entrepreneurship*
2. *Bankruptcy and second chance*
3. *Regulatory Framework for SME policy making*
4. *Operational Environment*
5. *SME Support Services and Public Procurement*
6. *Access to Finance for SMEs*
7. *Standards and technical regulations*
8. *Enterprise skills and Innovation*
9. *SMEs in a Green Economy*
10. *Internationalisation of SMEs*

Figure 3. The ten principles of the SBA.



The SME Performance Review

The Performance Review is one of the basic tools that the EC utilizes to monitor and evaluate the countries' progress, regarding the level of success when implementing the SME strategy and the SBA. The Review emphasizes the priorities listed by the SME strategy and the SBA and provides comprehensive information on the performance of SMEs in the Member States and other partner countries. This practical tool is comprised of two parts; the Annual Report on European SMEs and the SME country fact sheets (Kwaak, 2010).

Activity:



- Check your country's factsheet and compare the results with the other EU countries. What are your conclusions?
- What other SME-related strengths and challenges can you think of?

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The Green Action Plan

The Green Action Plan (GAP) was devised in July 2014, with their target to aid SMEs exploit the opportunities provided through the transition of the EU to a green economy. Initially, this program consisted of five thematic sections that delineate the objectives and corresponding actions that SMEs can complete to strengthen their businesses (Switchtgreen, 2017).



1. Greening SMEs for more competitiveness and sustainability

A fundamental method that can aid SMEs become stronger entrepreneurs is to improve resource efficiency, by decreasing production costs and simultaneously increasing gains originating from productivity. An improved utilization of resources within the EU, can lead to an aggravated amount of savings, plausibly reaching €630 billion per year. The activities that can lead to such propitious outcomes can be achieved by providing adequate information, advice and support to SMEs and eventually facilitate access to finance and to advancement in technology transfer mechanisms (EC, 2014).



2. Green entrepreneurship for the companies of the future

Transitioning to a green economy involves actions that promote resource efficient solutions and aim to impede environmental damage. Furthermore, such movements offer a variety of business opportunities for the enterprises that wish to be introduced into the environmental goods and services market. The GAP wishes to support SMEs and help them strive, by offering a business environment, in which green ideas can be effectively developed, financed and adopted into the market. For instance, these activities concentrate on the notion of eco-innovation, including practices such as eco-innovative clusters, in addition to the promotion of business partnering and exchange of knowledge and skills (EC, 2014).



3. Opportunities for SMEs in a greener value chain



Watch this video for additional information:

<https://www.youtube.com/watch?v=V1Tszs48xCI>

In order to achieve a greener value chain, we must introduce the concept of Circular economy, which involves ending humans' reliance on rubbishing, and instead converting waste materials into resources. Hence, activities such as manufacturing, repair, maintenance, recycling and eco-design could become the latest drivers towards economic expansion and job creation, by maintaining the key principle of addressing existing environmental challenges. An appropriate,

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qualified environment is essential for SMEs and entrepreneurs to effectively engage in greener value chains. Thus, the activities presented in the GAP aim to tackle the barriers of the green value chain collaboration and promote innovative business models that are built on resource efficiency. Finally, the ultimate objective of the GAP is to promote the reuse of materials or waste and advocate cross-sectoral cooperation, in order to achieve a circular economy (EC, 2014).



4. *Access to the markets for green SMEs*

In agreement with the EU's international commitments, there are multiple occasions in which European SMEs with green competences, have the opportunity to gain access to several markets in fields such as climate change cooperation or neighbourhood policies. Research presented that almost nine out of ten SMEs are able to sell their green technologies, equipment, products and services in national markets only. This identification clearly marks the need for additional supportive framework and more international collaboration, in order for the European SMEs to be fully integrated into the universal value chains. Hence, other GAP activities involve furthering SMEs to a greener internal market, facilitate the utilization of green technology in Member States and promote access to transnational markets (EC, 2014).



5. *Governance*

Fortunately, the GAP has received global support by EU Member State Administrations and by SME relevant stakeholders, involving consultations regarding the forthcoming SME policies and assistance in meetings with the Network of SME representatives and other business institutions. This activity of governance, benefits SMEs since it manages to monitor and update the actions that support SMEs. Additionally, it provides coordination, cooperation and offers exchange of knowledge and best practices at a European, national and regional level. The Governance body includes a GAP Task Force, an Inter-Service Group, the Network of SME representatives, and the EcoAP High Level Working Group, with relevant activities being recorded in the GAP implementation report (EC, 2014).

Main objectives of the EU Green Deal

The ambitious targets of the EGD cannot be achieved solely by the European Union, but by the cooperation of drivers and decision makers that process climate change and biodiversity loss issues, on a global level. Through the EU's expertise and financial resources, alliances can be built, to mobilize relevant stakeholders and continue the international efforts of partnerships to vicariously conserve the environment. Moreover, in order to simplify these procedures for the individuals that will be involved in this operation, the EU developed a roadmap that entails the principal policies and measures that need to be implemented in order to achieve the EU Green Deal. The roadmap will be rapidly evolved and updated, depending on the needs and abilities of

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each partner, with the primary objective to maximize benefits for health, quality of life, resilience and competitiveness (CBI, 2021)



The figure below presents the various components of the EU Green Deal.



Figure 4. The European Green Deal.

The EGD will incorporate several key policies and measures such as the “Farm to Fork strategy” and the “New Circular Economy Action Plan”, that will eventually affect the trade within and imports to the EU. In other words, these modernized measures can lead to stricter environmental sustainability standards, indicating that the businesses exporting to the EU and are located in developing countries, will be facing more requirements. Therefore, these culminating decisions will definitely exert an impact on SMEs, increasing the urgency for informing these businesses about the EGD’s targets and prepare them for complying to these standards (CBI, 2021).

A roadmap towards a climate-neutral Europe



Eventually, the EGD’s objective is to reach a carbon-neutral Europe, by providing a comprehensive roadmap with listed actions that will effectively decrease the emission levels of greenhouse gases (GHG) by at least 55% until 2030. It wishes to transform the current climate crisis into a more sustainable future, through the implication of various investments and financing tools, in addition to the plausible development of alternative policies, in order to ensure the success of this transition (Climate Target Plan, 2022).

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Key elements of the EGD

During the initial presentation of the EGD on the 11th of December 2019, the EC presented a set of legislative proposals that listed a series of series of actions to design and implement cross-cutting strategies that would facilitate this climate transition (CBI, 2021). These actions are to be implemented on a variety of economic aspects such as energy, industry, mobility, pollution, biodiversity and food. The EGD strategy is compromised by these sections:

1. A higher level of EU climate ambition for 2030 and 2050.
2. Achieve zero pollution in an environment without toxic substances.
3. Clean, affordable, and safe energy supply.
4. Preservation and restoration of ecosystems and biodiversity.
5. Industry mobilization for a clean and sustainable economy (Circular Economy Action Plan).
6. Achievement of a fair, healthy, and environmentally friendly food system (Farm to Fork strategy).
7. Efficient use of energy and resources in construction and renovation.
8. Acceleration of the transition to sustainable and smart mobility (EC, 2019).

The Farm to Fork Strategy

The Farm to Fork Strategy (F2F) is identified as one of the crucial steps that the EU must complete to achieve a neutral climate by 2050. The foundation of this plan is to provide and incorporate fair, healthy and ecological food systems that include both regulatory and non-regulatory approaches to advocate this transition. In other words, the release of the F2F strategy maintains the objective to reduce the EU's environmental and climate footprint that originates from the food system and preserve biodiversity (CBI, 2021). Additionally, this plan aims to aid the community by reducing the amounts of food waste and provide a sufficient and affordable supply of food, whilst simultaneously promising that farmers will still gain a fair profit from their products (Figure 4). Hence the main five objectives of the F2F by 2030 are to:

1. Reduce the use and risk of chemical pesticides by 50%.
2. Reduce nutrient losses by at least 50%.
3. Reduce the use of fertilizers by at least 20%.
4. Reduce sales of antibiotics for farm animals by 50%.
5. 25% of agricultural land is to transition to organic production (Organic Action Plan, 2021)

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Figure 5. The summative Farm to Fork (F2F) Strategy.



Activity:

- Find two companies in your country that implement the *Farm to Fork Strategy*.

The Circular Economy Action Plan

Watch these two videos for additional information:



https://www.youtube.com/watch?v=IK00v_tzkCI&t=39s

<https://www.youtube.com/watch?v=zCRKvDyyHml&t=6s>

As explained before, the Circular Economy Action Plan (CEAP) consists of a series of interdependent initiatives that desire to attenuate the pressure on natural resources by renovating the design, production and consumption processes of products, to eliminate waste. However, since there was a CEAP in 2015, the current CEAP is identified as the new CEAP, as it was built on the initial version. Evidently, these approaches are designed to tackle the different commodities used for transportation of the products such as packaging, technology, vehicles and textiles (Circular economy, 2015). Certain measures included in the new CEAP (Figure 5) intend to:

- Make sustainable products the norm in the EU;
- Empower consumers and public buyers in the EU;

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- Focus on the sectors that use the most resources and where the potential for circularity is high, including packaging, plastics and textiles;
- Ensure less waste;
- Make circularity work for people, regions and cities;
- Lead global efforts on a circular economy.

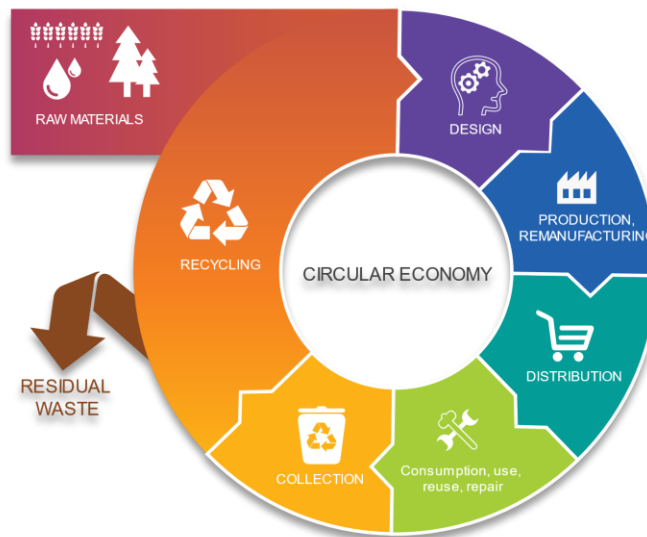


Figure 6. The concept of Circular Economy.

Many of the measures important to developing-country SMEs, involve examining existing regulations, estimating the impact of converting to a circular economy, and undertaking public discussions. In 2021, the Commission proposed three new legislations, which will need to be examined before declaring them as law. If these plans are examined and approved, they will most likely be implemented by 2023 or later.

Table 1. Summary of the measures declared by the EC to enforce the CEAP (CBI, 2021).

n	Timeline	Impacted sectors
Mainstreaming circular economy objectives in free trade agreements, in bilateral, regional and multilateral processes and agreements and in EU external policy funding instruments	As of 2020	All
Mainstreaming circular economy objectives in the context of the rules on non-financial reporting, and initiatives on sustainable corporate governance and on environmental accounting	2021	All
Proposal for a regulation on substantiating green claims	Q2 2021	All

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EU Strategy for Textiles	Q3 2021	Apparel, Home Textiles
Proposal for a directive on reducing (over)packaging and packaging waste	Q4 2021	All
Proposal for a directive on sustainable product policy initiative	Q4 2021	Apparel, Home Textiles

Evidently, the ultimate goal of the CEAP in the long-term (3-10 years) is to implement laws and regulations that determine how products are being developed, packaged and reported on the EU market (Circular Economy Action Plan, 2020). The main concepts that SMEs will be required to adjust to are the:

- Laws on producing sustainable products which will overall eliminate waste;
- Laws restricting how much packaging and what type of packaging you can utilize for your products;
- Demands for additional information on processing and production method, in order for buyers to be able to request green claims;
- Need to inform the EU citizens about their purchasing options (Circular Economy action plan, 2020).

Essentially, the method of which can describe the CEAP is by the seven distinct pillars that manage to encompass the objectives of this strategy (GreenBiz, 2022):

- **Materials are cycled and used in a way that sustains their high value:** The main aim is to preserve materials complexity and qualities. This means that materials are not mixed and used in a way that no longer can be separate and recovered.
 - **Renewable energy:** The design of the system aims to maximize the energy efficiency without compromising on the performance or output. Energy preservation is main element of the system. Conversion between energy types is avoided.
- **Priority on biodiversity preservation:** This pillar translates to preservation of ecological diversity as a core source of resilience of the planet. Rare habitats are not used or damaged through any human activities.
- **Preservation of human society and culture:** Activities that can structurally undermine the well-being or existence of unique human cultures are avoided.
 - **The health and wellbeing of humans and other species is highly valued:** Economic activities never threaten human health or well-being. Toxic and hazardous substances are

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eliminated and whenever transition phases are needed; they are kept in a highly controlled environment.

- **The generated value measures beyond its financial value:** Different forms of value are introduced alongside the financial one. Green impact, emotional and societal value are as well considered while planning an activity.
- **The economic system is inherently adaptable and resilient:** This pillar refers to the distribution of power, the structure of information networks and ensuring that back-ups exist in the case of failure of parts of the system, which all has governance systems, incentives and mechanisms that allow to respond to crises.

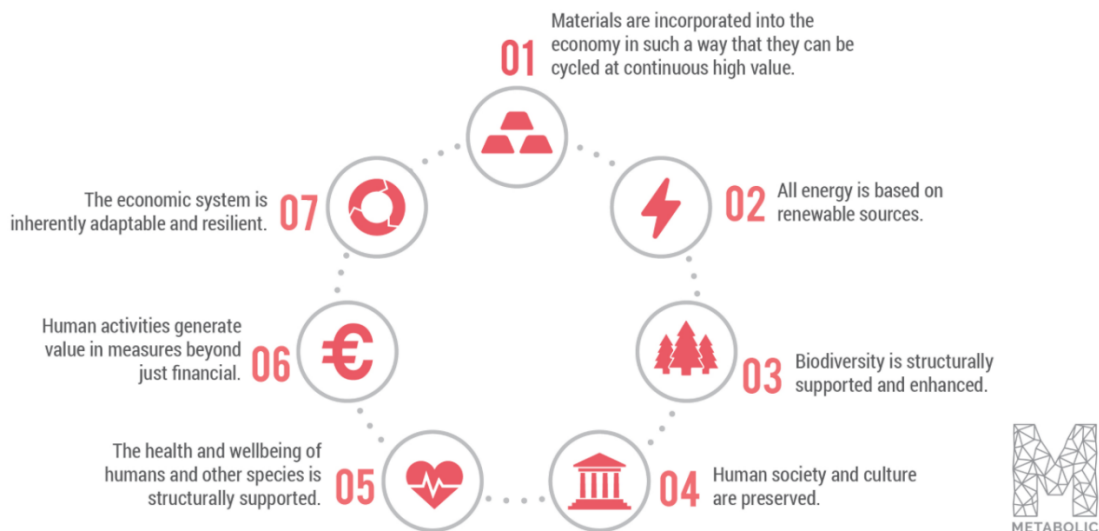


Figure 7. The seven pillars of the CEAP.


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Examples of measures in different sectors based on the CEAP (Communication, 2022).

ELECTRONICS and ICT

 **Electrical and electronic equipment** is one of the fastest growing waste streams in the EU.

Two in three Europeans would use their digital devices for longer provided performance is not significantly affected.



 Products placed on EU market will be designed to **last longer, to be easier to repair, recycle and reuse**.

Providing incentives for **product-as-a-service**: companies will keep the ownership and responsibility for the product throughout its lifecycle. **Eco-design** will apply to a broader range of products.

FOOD and PACKAGING

 In 2017 packaging waste reached in Europe a record of **173 kg per inhabitant**.



 New legislative initiative on reuse to **substitute single-use packaging**, tableware and cutlery by reusable products in food services, as well as targets for reducing packaging waste will be proposed.

TEXTILES

 Worldwide, a full truck of **textiles** is sent to incineration or landfilled every second. It is estimated that less than 1% of all textiles worldwide are recycled into new textiles.



 **Driving new business models** will boost sorting, reuse and recycling of textiles, ensure circularity in the sector and allow consumers to choose sustainable textiles.



WASTE

 Each citizen produces nearly **half a tonne of municipal waste per year**.



 Measures will be introduced for **waste prevention and reduction**, increasing recycled content, minimising waste exports outside EU.

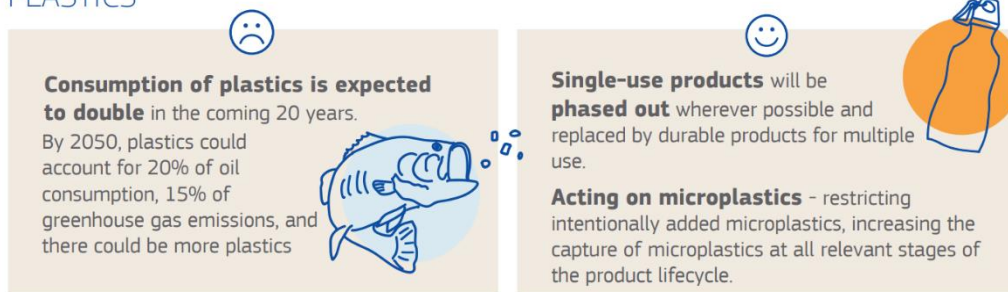


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PLASTICS



The infographic is divided into two columns. The left column has a sad face icon at the top and a fish eating a plastic bag icon at the bottom. The right column has a happy face icon at the top and a plastic bottle icon at the bottom.

Consumption of plastics is expected to double in the coming 20 years. By 2050, plastics could account for 20% of oil consumption, 15% of greenhouse gas emissions, and there could be more plastics

Single-use products will be **phased out** wherever possible and replaced by durable products for multiple use.

Acting on microplastics - restricting intentionally added microplastics, increasing the capture of microplastics at all relevant stages of the product lifecycle.

However, in order to fully transmit the knowledge of the Circular Economy to SMEs and for them to comprehend the benefits arising from this strategy, a comparison with the current methods of production must be completed. Hence, Linear Economy is the current model of production and accompanies a wide range of severe and insufficient impacts on the environment (Ellenmacarthurfoundation, 2022).

The main benefits of the implementation of circular economy are the following:

- **Reduces the use of non-renewable resources:** Through a circular economy, practices like reusing resources and refurbishing old products (rather than throwing them away) are the norm. This ensures that we use fewer non-renewable resources. **A true circular economy will boast zero waste, meaning nothing gets thrown away.**
- **Regenerates natural systems:** In a circular economy, food is produced regeneratively. This improves the overall health of the local ecosystem, promoting good human health and protecting natural habitats. Whether all crops are harvestable, or some are grown year-round, crop diversity can provide health, environmental, and business benefits.
- **Combats climate change:** A circular economy for food could reduce the sector's greenhouse gas emissions by 49%, or 5.6 billion tonnes of CO₂, by 2050. By planting cover crops that grow for long periods of time, employing agroforestry, or other regenerative methods that allow for photosynthesis to take place year-round, CO₂ is drawn from the atmosphere into the roots of plants and the soil microbes around them.
- **Improves access to nutritious food:** By reconnecting cities with surrounding peri-urban areas, a circular economy for food builds resilience in the food system and improves food security. More than 40% of the world's irrigated cropland is located in peri-urban areas, yet the food produced on this land is often flown to consumers on the other side of the world while similar products are imported into neighbouring cities.
- **Aims for zero waste:** A cornerstone of a circular economy is to reuse resources and products leading to a zero-waste model. This is beneficial for everyone. Zero waste means

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fewer ocean-bound plastics, less trash in our oceans, and fewer landfills. It also means that there's less of a need to mine finite resources; we reuse them instead. While many environmental models require reduction in order to achieve zero waste, the circular economy model actually encourages growth. This makes it an ideal goal for industry, individuals, and governments alike all while achieving much-needed environmental goals.

- **Opens new business opportunities:** Existing companies can enjoy a more secure supply of resources as we reuse the resources that we already have rather than depending upon finite resources. This may decrease the cost of materials allowing companies to run more efficiently. The practice may also improve customer loyalty. Today's consumers want to support companies whose philosophies align with their own, and green initiatives are among the most important ideals for customers. By adopting a more environmental business model, you may widen your consumer base and create more loyal customers.
- **Supports local communities:** In addition to providing millions of people with food security, a circular economy for food builds resilience in local communities. Around 70% of all the food we eat comes from smallholder farms, of which there are approximately half a billion globally. As countries become more affluent, more often than not agriculture is industrialized, which threatens the livelihoods of smallholder farmers with possible knock-on effects including depopulation of rural areas.



Figure 8. Linear VS Circular Economy.

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Activity:

Discuss the following questions:

- Which components of your Business contain elements of linear economy and which of circular?
- What type and estimated quantity of waste does my business produce? How can my SME reuse the generated waste?
- In which areas can technology be implemented in order to save resources?
- How can my SME advertise and reach potential customers generating less pollution?
- Can my SME introduce renewable energy sources to its production? (Example: solar panels)

2. Other National/ Regional Policies to achieve environmental sustainability



Activity:

- Search for other policies for SME management in your country.

The Green Employment Initiative



Watch this video for additional information:

<https://www.youtube.com/watch?v=ZWVqmm7jvRo&t=1s>

According to the International Labour Organization (ILO), they verified that more than 1.2 billion occupations rely on a stable environment and diverse ecosystems. Hence, the Green Employment Initiative prioritizes to upgrade the ILO's knowledge, their policy response and their capacity to manage an efficient transition towards greener economies and an enduring future. In other words, a healthy and viable planet is a necessity to guarantee decent occupations, productive enterprises and sustainable livelihoods (The Green Employment Initiative, 2022). The Green Initiative concentrates on three crucial aspects:

1. Advance research and comprehensions of the difficulties and opportunities for the world of work arising from a green transition.
2. Forge policy responses in all occupational sectors to ensure decent work and social justice for all.
3. Develop strategic partnerships at national, regional and international levels.

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The Green Employment Initiative is a complementary action to support the EU Circular Economy Action Plan and the Green Action Plan for SMEs, by labelling green jobs as the integrative component that will ensure green growth and employment. Evidently, this specific strategy outlines various policy actions to be incorporated at a European and National level (The Green Initiative, 2022). Some of these measures include:

- Bridging existing skills gaps by developing skills and improved forecasting skills needs across sectors and industries;
- Anticipating change and transitions by examining and developing sector initiatives on anticipation and managing restructuring, by supporting peer reviews on adequate labour market policies, and by facilitating occupational mobility to meet specific labour market needs in the green economy;
- Enhancing job creation by ensuring efficient use of EU funding, by shifting taxes away from labour towards pollution, and by promoting green public procurement, entrepreneurship and social enterprises;
- Inducing the quality of data and monitoring of labour market developments by providing financial support and training to national statistical offices;
- Encouraging social dialogue at cross industry and sector levels as a pre-requisite to facilitate the greening of the economy. As advised by the European Resource Efficiency Platform (EREP), the Commission supports workers' involvement in issues regarding environmental management, energy and resource use and emerging risks at the work place, enhance workers' rights to information and consultation, and develop sector-wide resource efficiency roadmaps; and
- Reinforcing international cooperation by engaging in the Green Growth Knowledge Platform released in 2012 by the Global Green Growth Institute, OECD, UNEP and World Bank.



The Eco-Innovation Action Plan

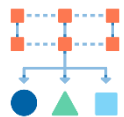
Eco-Innovation is an essential component to deliver various aspects of the circular economy such as industrial symbiosis or ecologies, cradle-to-cradle design and innovative business models. In order to accelerate its market uptake, an Eco-innovation Action Plan (EcoAP) was adopted in 2011 by the EC, that informed about the relevant barriers and drivers (Eco-innovation, 2022). Overall, the EcoAP supports firms and consumers to reduce negative impact on the environment with a positive impact on the economy and society, aiming to:

- Incorporate eco-innovation in environmental and industrial policies, by concentrating on its contribution to economic growth, job creation and EU industry competitiveness;

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- Secure appropriate funding for market replication and demonstration projects, clusters and public-private partnerships, and networks implementing innovative public procurement;
- Distinguish the fields where standards and performance targets could have the biggest impact and to propose their development;
- Support SMEs from the public sector and financial intermediaries and accelerate the take-up of eco-innovation in the private sector, with strategies such as the establishment of a European network of eco-innovation financiers, new funding instruments that provide targeted debt and equity facilities, and expansion of other services to SMEs, to help find and exploit eco-innovation opportunities;
- Promote sustainable consumption and production, technology transfer and exchange of best practices with developing and emerging economies to help European eco-innovators access international markets;
- Secure that the labour force is equipped with the appropriate skills and knowledge to manage the green economy transition;
- Integrate public and private sectors to promote advanced innovations with big market potential in key sectors that could contribute to greater resource efficiency (Eco-innovation – An EU Action Plan, 2022).



The Taxonomy Regulation (2020)

The EU's regulation that was launched on June 22nd in 2020 that aimed to establish a framework that would facilitate sustainable investment is the Taxonomy Regulation (IEEP, 2022). This specific policy organized a classification system i.e., taxonomy, that offers to various businesses a "glossary" that explains which economic activities are identified as "environmentally sustainable". Subsequently, these guidelines aid companies determine the extent to which an investment is environmentally sustainable or even green (Environmental Bureau, 2022). The principal objectives of this Taxonomy plan are to:

- Facilitate investment in environmentally sustainable economic activities;
- Help economic operators attract investment from abroad more easily.

The activities that will be subcategorized as "environmentally sustainable" must adhere to the following:

- Generate substantially to any of a series of defined "*environmental objectives*";
- Does not harm any of the environmental objectives;
- Abide by a list of minimum social safeguards;
- Abide by the designated performance thresholds identified as "technical screening criteria" (or TSC).

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The “*environmental objectives*” defined by the Taxonomy Regulation involve the:

- Mitigation of climate change - January 2022;
- Adaptation of climate change - January 2022;
- Sustainable utilization and protection of water and marine resources - January 2023;
- Transition to a circular economy - January 2023;
- Prevention and control of pollution rates - January 2023;
- Protection and restoration of biodiversity and ecosystems - January 2023 (Simmons & Simmons, 2022).

The EU Taxonomy encompasses a standard set of definitions for sustainable activities centered around six environmental objectives:



Figure 9. The ‘Environmental Objectives’ of the Taxonomy Regulation.



Activity:

- Think about some *environmentally sustainable activities* that your firm could implement.
- To which *objective* from the Taxonomy Regulation Strategy does that activity belong?

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Environmental Action Programs

Throughout the years, the European Commission has launched several Environmental Action Programs (EAPs) that established legislative proposals for EU environmental policy. During 2020, the Commission documented its proposal for the **8th EAP** that will be implemented from 2021 to 2030.

The new EAP assimilates the EU's commitment to the 7th EAP's vision for 2050 and restates its principal objectives (Environmental policy, 2022). However, the final program advocates and elaborates on the environmental and climate objectives of the European Green Deal and provides a framework, targeting six priority objectives:

- Achieving the 2030 greenhouse gas emission reduction target and climate neutrality by 2050;
- Promoting adaptive capacity, strengthening resilience and reducing vulnerability to climate change;
- Progressing towards a regenerative growth model, decoupling economic growth from resource use and environmental degradation, and accelerating the transition to a circular economy;
- Pursuing a zero-pollution target, including for air, water and soil and protecting the health and well-being of Europeans;
- Protecting, preserving and restoring biodiversity, and amplifying natural capital (i.e., air, water, soil, and forest, freshwater, wetland and marine ecosystems);
- Alleviate environmental and climate pressures related to production and consumption (particularly in the areas of energy, industrial development, buildings and infrastructure, mobility and the food system).

Horizontal Strategies

- i. *Sustainable Development Strategy (SDS)*



Watch this video for more information: https://www.youtube.com/watch?v=M-iJM02m_Hg

The EC released a communication in 2016 entitled 'Next steps for a sustainable European future – European action for sustainability', delineating how to integrate the Sustainable Development Goals (SDGs) into EU policy priorities. Proceeding to the 30th of January in 2019, the EC published

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a reflection paper on sustainable development goals entitled '*Towards a Sustainable Europe by 2030*', which introduces three scenarios for the future. The three scenarios include:

1. An overarching EU SDGs strategy to guide all actions by the EU and Member States;
2. Continued implementation of the SDGs in all relevant EU policies by the Commission, but not enforcing Member States' action;
3. Allocating enhanced focus on external action while consolidating current sustainability ambition at EU level.

The European Parliament expressed its advocacy for the scenario that goes the furthest, which proposes guiding all EU and Member State actions by defining specific SDG implementation targets, proposing concrete deliverables for 2030, and establishing a mechanism of reporting and monitoring of SDG progress (A Sustainable Europe by 2030, 2022).



Figure 10. The Sustainable Development Goals (SDGs).



ii. Biodiversity Strategy

In 2011, the EU embraced its Biodiversity Strategy to 2020, reflecting the commitments expressed within the UN Convention on Biological Diversity (CBD), the principal international agreement on biodiversity, to which the EU is a member. As a contribution towards the discussions on a post-2020 global biodiversity framework (Kunming Conference), the Commission presented its **Biodiversity strategy** for 2030 in May 2020 as a comprehensive, aspiring

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and continuous plan to protect nature and reverse the degradation of ecosystems (Food Safety, 2022). In June 2021, the European Parliament authorized this strategy and made further suggestions for strengthening it. Once the pandemic is managed, the strategy aims to build our societies' resilience to future threats such as;

- The impacts of climate change;
- Forest fires;
- Food insecurity;
- Disease outbreaks - including by protecting wildlife and fighting illegal wildlife trade (Biodiversity strategy for 2030, 2022).

Unit 2: Impact of the Environmental Policies on SMEs

4. Society, citizenship and responsibility: introduction to the environmental aspects of Corporate Social Responsibility



Environmental aspects:

Small and medium-sized enterprises (SMEs) face challenges when trying to comply with the environmental legislations, as opposed to larger companies. However, it is an often phenomenon that SMEs are not aware of the hidden benefits of turning green, nor about their environmental obligations, that can actually provide new market opportunities and cost savings. The EC suggested an Environmental Compliance Assistance Program to help SMEs adjust to their obligations and improve their environmental performances (GREEN Paper, 2022). For instance, the measures included in this program include:

- Minimizing the administrative burden on companies;
- Helping SMEs integrate environmental concerns into their businesses;
- Supporting regional and national networks;
- Building up local know-how;
- Improving communication;
- Providing funding.

Despite the fact that the environmental footprint of SMEs might be relatively low, as opposed to large companies, evidence depicted that SMEs are responsible for 60-70% of industrial pollution

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in the EU. Hence, it is vital for SMEs to be involved in green growth, since they are the key drivers of eco-innovation and crucial participants in emerging green industries. Currently, the globe's regular state is suffering, and green growth strategies should be rapidly introduced to reduce environmental degradation and mitigate the climate change crisis. By ensuring the conservation of natural resources, the commodities of the globe's natural capital increase and effectively allow the distribution of these resources into the production processes (OECD, 2018). In other words, green growth is an urgent movement that must be implemented to:

- Improve air and water quality;
- Eliminate pollution and waste;
- Maintain biodiversity;
- Prevent resource depletion;
- Improve the health and well-being of the population;
- Strengthen energy security by reducing dependence on imported fossil fuels (Green Growth Knowledge Platform, 2022).

Additionally, growing concerns about the environmental sustainability of the previous economic growth patterns and increased awareness of a potential future climate crisis, clarify that the environment and the economy can no longer be considered as two distinct entities. By delaying the global shift to a low-carbon, resource-efficient economy, the globe is dangerously approaching an increase in greenhouse gas (GHG) emissions by 70% by 2050, and temperature rises of 4-6 °C by the end of the century. To supply the expected world population in 2050, food production will need to be incremented by 70%, placing additional pressure on already over-used natural resources. A further 1 billion people are expected to live in severe water-stressed areas by 2030, raising a challenge in terms of the policies and financing needed to ensure access to clean water.



Corporate Social Responsibility



Watch these two videos for more information:

<https://www.youtube.com/watch?v=Zc102xiah1M>

https://www.youtube.com/watch?v=E0NkGtNU_9w&feature=emb_logo



Brainstorming Activity:

- Write down three words that come to mind when hearing the phrase '*Corporate Social Responsibility*'.

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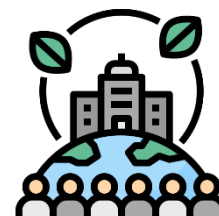


Corporate social responsibility (CSR) is a management ideology whereby businesses integrate their social and environmental concerns in their firms' operations and interactions with their stakeholders. Overall, CSR is comprehended as being the method which a company achieves a balance of economic, environmental and social imperatives ("Triple-Bottom-Line- Approach"), while simultaneously addressing the expectations of shareholders and stakeholders. Essentially, it is significant to distinguish CSR, which can also be a strategic business management concept, and charity, sponsorships or philanthropy. Even though the latter can also help achieve poverty reduction, enhance the reputation of a company and strengthen its brand, the concept of CSR clearly goes beyond that (UNIDO, 2022).

Encouraging the implementation of CSR amongst SMEs, requires approaches that fit the respective needs and capacities of these firms, but do not adversely affect their economic viability. The United Nations Industrial Development Organization (UNIDO) established its CSR programme on the Triple Bottom Line (TBL) strategy, which has been proven to be a successful tool for SMEs. Specifically, in the developing countries, it can be used to assist them in meeting social and environmental standards without compromising their competitiveness (Corporate Social Responsibility: environmental impact, 2022)

The TBL approach is used as a framework for estimating and reporting corporate performance against economic, social and environmental performance. It is an attempt to align private enterprises to the objective of sustainable development, by offering them with a more comprehensive series of working objectives than just profit alone (UNIDO, 2022). In other words, for an organization to be sustainable, it must be financially secure, minimize its negative environmental impacts and act in conformity with societal expectations. Some of the activities include:

- Environmental management;
- Eco-efficiency;
- Responsible sourcing;
- Stakeholder engagement;
- Labour standards and working conditions;
- Employee and community relations;
- Social equity, gender balance and human rights;
- Good governance;
- Anti-corruption measures.



Evidently, a properly implemented CSR approach can lead to a variety of competitive advantages, such as enhanced access to capital and markets, increased sales and profits, operational cost

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savings, improved productivity and quality, efficient human resource base, improved brand image and reputation, enhanced customer loyalty, better decision making and risk management processes. The following figure depicts the responsibilities SMEs must fulfil for the successful adoption of an CSR strategy (UNIDO, 2022).



Activity:

- Think about how you would like to include CSR activities in your company and write down three examples.

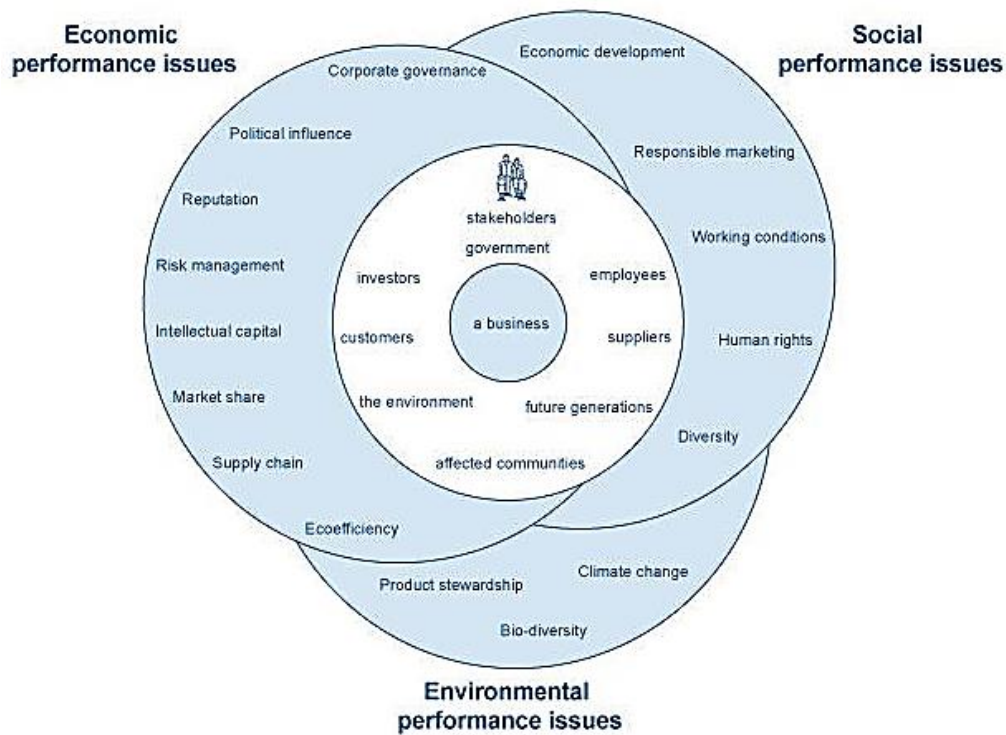


Figure 1. Factors affecting an SME.



Possible financial outcomes for greening SMEs

Nonetheless, there are numerous benefits an SME can gain by converting to green and environmental management techniques. Initially, environmental management is identified as the activities a business can incorporate into their methods of operating that can positively impact the globe (Green Energy Advice Bureau, 2022). In essence, environmental management reflects a

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sustainable and successful business, since by improving the company's environmental performance, simultaneously, the overall performance and productivity of the SME are refined (Starkey, 1998). The following list includes seven diverse advantages of becoming a green SME:

1. Cost savings;
2. Ensuring legislative compliance and anticipating future legislation;
3. Reduced environmental risk;
4. Meeting supply chain requirements;
5. Improved relations with regulators;
6. Improved public image and increased market opportunities;
7. Employee enthusiasm.

1. *Cost Savings:*

The plurality of the population aims to implement strategies into their daily tasks that aid and the environment. However, many SMEs fear that protecting the environment by improving their environmental performance will require a great sacrifice, in terms of money. They fear there will be a conflict between their desire to protect their surroundings and their desire to minimize and eliminate their costs, in order to maintain a successful business. However, recent evidence gathered from several SMEs, presented that irrespective from the improved environmental performance, becoming green actually reduces costs. Figure 1 depicts the material and energy flow through a firm. Cost savings within a firm can be achieved through changes in areas such as; process efficiency, product design, waste disposal, sourcing of raw materials, infrastructure and packaging and transport (Starkey, 1998).

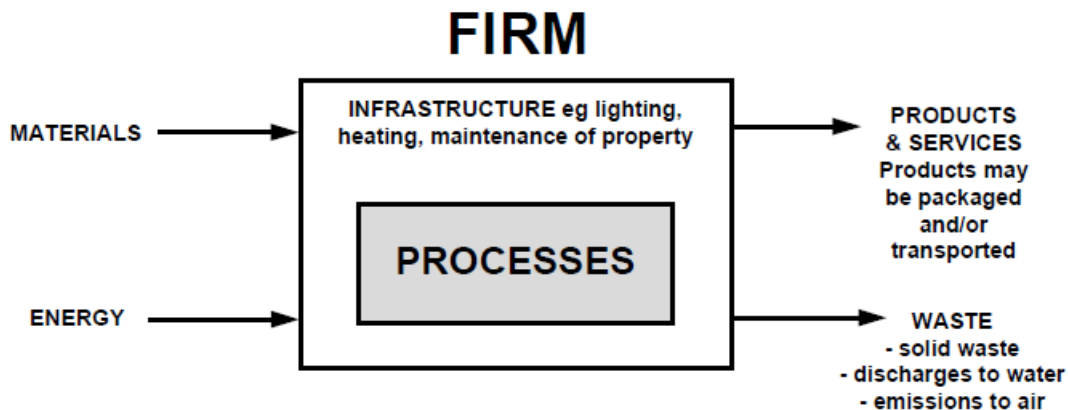


Figure 2. Material and energy flow through a firm.

For instance, a case study for a company that was responsible for the production of disposable nappies incorporated into their production techniques an innovative method. Through that they

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managed to use more of their raw material in their product and minimize the waste, reducing both raw material and waste disposal costs. The nappy absorption pads used to be cut with high pressure water jets which not only consumed large quantities of water but also dragged pulp fibres from the pad. The resultant water and fibre slurry was sent to landfill. By switching to moulding instead of cutting, the company no longer needed the water jets. Slurry, which used to amount to 5 tonnes per day, is no longer produced, saving £20,000 per year in landfill costs. By finding ways to use its raw materials more efficiently, the firm not only reduced its waste disposal costs but substantially reduced the amount it needed to spend on purchasing pulp (Starkey, 1998).



2. *Ensuring legislative compliance and anticipating future legislation:*

An effortless benefit of switching to environmental production strategies, is the avoidance of paying any activity that is unaligned with the country's/EU's policy framework. By ensuring that it complies with relevant environmental legislation, a firm can avoid the possibility of being fined by the regulatory authorities for noncompliance and the adverse media publicity that can accompany such fines. Similarly, another proactive technique that will allow SMEs to prevent future costs if not complying with the period's legislation is to be informed about the decisions surrounding the environmental aspect.

Cultivating an awareness of the plausible alterations in environmental legislation, allows SMEs to organize for these changes and implement the appropriate investment decisions. If an SME is inattentive towards the proposed legislation, it may proceed with investments that are not pertinent to the if and when of the enactment of the new jurisdiction. Eventually, a firm that might learn about a legislative change at the last minute, will be forced to undertake rapid, additional investment to comply with its requirements. Prior knowledge of likely changes allows a longer time period over which to make the necessary investment and prevents possible cash flow problems. By responding creatively to the upcoming EU Packaging Directive, SA Labels gained a number of business advantages (Starkey, 1998).



3. *Reduced Environmental Risk:*

Environmental risk is the single largest hidden risk for the plurality of SMEs. By introducing environmental risk assessment as a component of the environmental management process, it is plausible to lessen the risk of the occurrence of events, that could create adverse environmental consequences. Banks, insurance companies and investors all base their decisions on an assessment of risk. The higher the risk, the less likely a bank is to lend, the less likely investors are to invest and the higher insurance premiums are likely to be. Therefore, a reduction in

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environmental risk is likely to be viewed favourably by all these parties, placing a firm in a better position to obtain loans and insurance cover and to attract investment (Starkey, 1998).



4. *Meeting supply chain requirements:*

Incorporating environmental management into the SME's system, can increase the quality of the company's partnerships as well. Various large organizations ask their suppliers to verify that they operate with adherence to environmental regulations and are prepared to exclude the suppliers that fail to do so. However, in certain circumstances the mere existence of an environmental policy is not enough proof, and sufficient evidence might be required to validate that the company is taking action to adhere to their policies. Therefore, incorporating an effective environmental management strategy will become a necessity, to gain or maintain partnerships as a supplier with larger organizations (Starkey, 1998).



5. *Improved relations with regulators:*

The ability to establish that an SME operates with substantial environmental management methods, may lead environmental regulators to provide some flexibility to the level of complying to their regulations. For instance, if a regulator observes that an SME is following and actually enforcing their environmental policies, the regulator might reduce the number inspection visits required per year (Starkey, 1998).



6. *Improved public image and increased market opportunities:*

It is undeniable that consumers are increasingly aware about their personal accountability to helping the environment, opting for businesses who offer sustainable goods and incorporate greener operations, supplies and services. Elaborating only on this, focusing your efforts toward converting your SME to a greener operation, along with offering a more environmentally-focused approach to customer service, proves very sensible. To operate a more robust business, SME owners need to clarify on how they will maintain a greener strategy across every aspect of their business. Your green policy is of increasing importance to customers as they become eco-conscious, with the plurality of the population unwilling to support businesses who display no environmental ethos.

Therefore, ensuring a positive public image will effectively lead to an acceleration to the number of market opportunities. In addition to the lower production costs, arising from the environmental management, a good reputation can also create beneficial effects. Attracting new customers, an This project has been funded with support from the European Commission. This communication reflects the views only of the author, and the Commission cannot be held responsible for any use which may be made of the information contained therein.



evolving environmental outlook will strengthen customer loyalty among your existing clients. In many cases, customers are prepared to pay a premium for eco-friendly and sustainable goods and services, as they take greater responsibility for reducing their personal carbon footprint. Evidently, this improved public image, resulting from publicizing environmental concern, can increase the level of sales and ensure a greater share in the large market (Starkey, 1998).



7. *Employee enthusiasm:*

Environmental concern is a global phenomenon that not only affects consumers, but the company's employees as well. Implementing an environmental management strategy can generate a lot of motivation within the firm and allow the employees to share their concern in a practical manner. In other words, in addition to the increased levels of productivity by the employees, since the company is implementing measures for a good cause, a generation of environmental ideas will contribute eco-innovation and lower costs (Starkey, 1998).

5. Green Jobs – Definition and Role

What is a Green Job?



Watch this video for more information:

<https://www.youtube.com/watch?v=NrNQzCjI8A4>

According to the International Labour Organization (ILO), green jobs are decent jobs with the aim of contributing to the preservation or restoration of the environment and can be detected in a variety of sectors (ILO, 2022). The requirements for a decent green job are:

- Production of a fair income;
- Provision of security in the workspace and social protection for the employees and their families;
- Freely chosen;
- Offering professional prospect and social integration;
- Recognition of rights at work.



For instance, green jobs can be included in traditional sectors such as manufacturing and construction, but they can also be found in innovative, emerging fields such as renewable energy and energy efficiency. The significant role of green jobs can be identified on a wide range since they help:

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- Improve energy and raw materials efficiency;
- Limit greenhouse gas emissions;
- Minimize waste and pollution;
- Protect and restore ecosystems;
- Support adaptation to the effects of climate change.



At the enterprise level, green jobs can produce goods or provide services that help the environment, such as green buildings or clean transportation. However, these green outputs (products and services) are not always originating from green production processes and technologies. Hence, green jobs can also be differentiated by their contribution to more environmentally friendly processes. For instance, green jobs can help reduce water consumption or improve certain recycling methods, but the occupations that specialize in the production processes, do not necessarily construct environmental products (ILO, 2022).

As illustrated by Figure 2, a distinction can be identified between employment in green economic sectors from an output perspective and job functions in all sectors from an environmentally friendly process perspective. For the ILO, green jobs are all those jobs that fall in the dashed area:

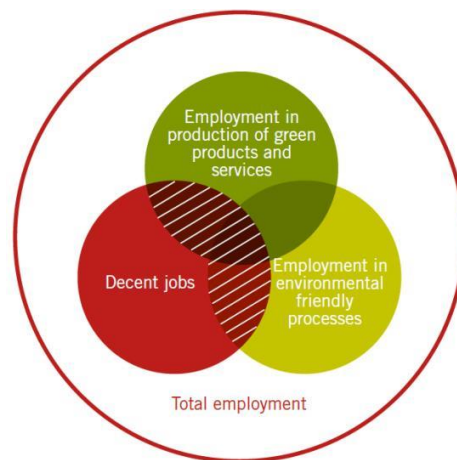


Figure 3. Distinction between green and non-green jobs.

Ultimately, not only there are numerous benefits of introducing green jobs into a company, green jobs have the ability to generate a great effect on the global economy. Evidently, The ILO notified that if there is not an environmental improvement in the future, the growth in employment, will be inadequate to satisfy the development in the workforce, specifically in developing countries. However, alterations in production and use of energy to achieve the 2 °C target, **may lead to the development of approximately 18 million jobs in the global economy.** These alterations aiming to adhere to the Paris Agreement and produce green jobs, will involve the use of energy from This project has been funded with support from the European Commission. This communication reflects the views only of the author, and the Commission cannot be held responsible for any use which may be made of the information contained therein.



renewable sources, the growth of electric vehicles and executing construction operations to achieve energy efficiency in buildings (ILO, 2022).

Booming sectors with green jobs

As a by-product of the decarbonization of the economy and the development of the circular economy, future occupations will be created, with existing jobs adapting to the new *green* reality. Research depicted that these sectors withhold the most potential to create green jobs:

- ***Energy***



According to the International Renewable Energies Agency (IRENA), renewable energies added more than 500,000 new jobs in the market during 2017, indicating an increase of 5.3% in 2016. Analyses presented that this field employs more than 10 million individuals. The professions that require advanced qualifications in the renewable energy branch, including engineers in thermosolar plants, are the highest paid green jobs in the globe (Iberdola, 2022).

- ***Agriculture***



The Research Institute of Organic Agriculture (FiBL) demonstrated that the organic agriculture market is currently expanding, reaching double digit figures. Specifically, the EU contributed to an increase of 10.5% growth, calculating a profit of 37,300 million euros (Iberdola, 2022).

- ***Design***



European regulations demand increasingly high recycling rates and inaugurated stricter eco-design criteria. Evidently, this policy increased environmental awareness, both in consumers and producers and incorporated eco-design in the holistic production process of the product. In other words, eco-design was included from packaging to building roofs and myriad products, generating additional green jobs (Iberdola, 2022).

- ***Tourism***



An increasing phenomenon in a globe where its citizens are concerned about the health of their planet, eco-tourism or ecological tourism is arising. Eco-tourism contributes to the creation of new jobs with a variety of activities such as the arrangement of adventure experiences, discovery of protected areas, renovation of rural locations that are at risk of extinction (Iberdola, 2022).

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- **Transport**



This vital tool for human communication and existence is accountable for more than 30% of CO₂ emissions in the EU, with a percentage of 72% originating from road transport. Fortunately, many countries implemented measures that aim to reduce transport emissions, with an EU objective to eliminate these by 60% for 2050. Ultimately, these will facilitate the production of new job opportunities in fields such as the construction of electrical vehicles and railways, in addition to improvements in the public transport in general (Iberdola, 2022).



Activity:

- Find one company in your country from each sector that incorporates green jobs and present it.



Examples of companies with green jobs:

- **APPLE** – dedicated in removing harmful substances from product designs and developing safer substitutes.
- **IKEA** - uses natural resources and cutting down on energy consumption. The packaging has always been compacted to minimize the amount of cardboard used.
- **Beyond Meat** - uses plant-based and vegetarian materials to develop food products that resemble the meat's taste, but maintain lower carbon footprint and overall environmental impact, as compared to real meat products.

Conclusion:

There are several resources and provisional tools that SMEs can implement to convert into a greener business. As explained by the European Union and all its relevant platforms, if SMEs do not incorporate greener production and distribution mechanisms, the globe's state will proceed to worsen. Aim to cultivate goods and services that serve a beneficial purpose, to ensure that your productivity and profits will remain high.

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