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# Toolkit Zone 3 Practical Modules

# Biodiversity & Nature

Green and Circular Economy in Business by  
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## Chapter 17 - Biodiversity and Nature for SMEs

Biodiversity and nature are increasingly shaping the business environment in which SMEs operate, not as abstract environmental concerns but as factors that directly influence costs, continuity, risk and market access. Dependence on water, soil, climate regulation and natural materials is built into many everyday business activities, while ecosystem degradation exposes enterprises to supply disruptions, regulatory pressure and reputational risk. This chapter positions biodiversity as a core management issue for SMEs, closely linked to resilience and long-term competitiveness. It introduces the policy and market context driving nature-related expectations, clarifies how SMEs can identify their most relevant dependencies and impacts, and presents proportionate, practical approaches—such as the TNFD LEAP framework—to translate nature-related risks into manageable actions, indicators and business decisions.

### 17.1 Why nature belongs on an SME manager's agenda

Biodiversity is not limited to protected species or conservation areas. It forms the living infrastructure behind many business fundamentals, including reliable water supply, soil fertility, pollination, climate regulation, flood protection, pest control, and the availability of natural materials. When these systems degrade, SMEs experience higher input costs, supply instability, production disruptions, and growing scrutiny from customers, insurers, and lenders.

Nature loss is a systemic economic risk. The Global Assessment of the Intergovernmental Science-Policy Platform on Biodiversity and Ecosystem Services (IPBES) shows that biodiversity is declining globally at unprecedented rates, with around one million species threatened with extinction due to land-use change, climate change, pollution, overexploitation, and invasive species (IPBES, 2019). For SMEs, this translates into tangible operational and financial exposure rather than an abstract environmental concern.

Nature-related risks typically affect SMEs through three main channels. First, physical risks arise from water scarcity, flooding, heat stress, soil degradation, and pest or disease pressure that disrupt operations and logistics. Second, transition risks emerge from evolving standards, procurement requirements, and customer expectations related to deforestation-free sourcing, water stewardship, chemicals management, and habitat impacts. Third, liability and reputational risks can result from non-compliance with environmental permits, conflicts with local communities, or sustainability claims that cannot be substantiated.

### *The European Policy Context*

European policy increasingly links economic resilience with ecosystem restoration. The EU Biodiversity Strategy for 2030 frames nature restoration as a prerequisite for long-term competitiveness and sets the objective of placing biodiversity on a recovery path by the end of the decade (European Commission, 2020). This direction is reinforced by the EU Nature Restoration Regulation, which establishes binding restoration targets across terrestrial and marine ecosystems (European Union, 2024).

Although most SMEs are not directly regulated by these instruments, their effects are felt indirectly through spatial planning, permitting conditions, sector-specific rules, and value-chain requirements imposed by larger clients. As a result, biodiversity considerations are becoming part of everyday business risk management rather than a niche environmental issue.

### *A practical way to understand dependencies and impacts*

For many SMEs, biodiversity feels too broad to manage. A more effective entry point is to focus on a limited set of business-relevant dependencies and impacts.

Dependencies describe what a business needs from nature to function. Common examples include water availability and quality, soil health, pollination services, climate and hazard regulation, and access to natural materials. Impacts describe how business activities affect ecosystems, such as land disturbance, water abstraction, pollution, waste leakage, or upstream sourcing impacts like deforestation and overfishing.

Clarifying these links allows SMEs to concentrate on areas where ecological degradation could directly affect costs, continuity, or market access.

### *Applying the TNFD LEAP approach at SME scale*

The Taskforce on Nature-related Financial Disclosures (TNFD) provides a structured framework for identifying and managing nature-related risks and opportunities. Its LEAP approach consists of four steps: Locate, Evaluate, Assess, and Prepare. The TNFD explicitly encourages organisations to start with existing data and progressively deepen analysis over time (TNFD, 2023).

A proportionate LEAP application for SMEs can be summarised as follows:

**Locate:** Identify key operational sites and sourcing regions and assess whether they overlap with areas of high biodiversity value, water stress, flood risk, or deforestation exposure.

**Evaluate:** Prioritise the most significant dependencies and impacts based on business

criticality, potential severity, and ability to influence outcomes.

**Assess:** Translate priority issues into concrete risks and opportunities, such as supply disruption, cost volatility, compliance exposure, efficiency gains, or preferred supplier status.

**Prepare:** Define a small number of actions, responsibilities, timelines, and indicators, supported by simple documentation and evidence.

This approach transforms biodiversity from a vague concept into structured, decision-relevant information.

### *Low-effort biodiversity actions with high relevance for SMEs*

Effective biodiversity management does not require complex conservation programmes. Practical actions include improving water efficiency and wastewater quality, reducing hazardous substances and pollution risks, enhancing site-level habitats through native planting or reduced mowing, and prioritising certified or verified raw materials where biodiversity risks are high.

Logistics and packaging choices also matter. Reducing unnecessary transport, improving load efficiency, and minimising packaging waste can significantly reduce pressure on ecosystems while lowering costs.

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### *A focused KPI set for biodiversity management*

SMEs benefit from using a small number of defensible indicators linked to their priority issues. Examples include water withdrawal and intensity, number of environmental incidents affecting soil or water, share of high-risk suppliers covered by environmental requirements, waste generation and diversion rates, and basic site-level indicators such as managed habitat area or pollinator-friendly measures.

The objective is not exhaustive measurement but credible tracking of material risks and improvements.

### *Positioning biodiversity management in the market*

Nature-related expectations are increasingly embedded in procurement, finance, and sustainability reporting. SMEs that can clearly explain where they operate and source, what their main dependencies and impacts are, which actions they are taking, and how progress is tracked are easier to retain in value chains and less exposed to reputational risk.

Using a structured framework such as TNFD LEAP enables SMEs to provide consistent, auditable information and to demonstrate that biodiversity is being managed as a business issue rather than treated as an afterthought (TNFD, 2023).

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## References

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Below is a **fully rewritten Chapter 18**, deliberately designed to **avoid repetition** with earlier chapters on CSRD, EU Taxonomy, ISO standards, and EMSs. The focus is **exclusively on communication, marketing, credibility, and green-claims risk**, while using reporting frameworks only as *background evidence sources*, not as topics to be explained again.



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