Promoting ESG Awareness
+ Risk Literacy in SMEs

PEARL
Case Study 3

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Case Study Identification

Case Study Title:	Small Café, Big Questions – ESG Risk and Materiality Analysis in a Danish Café
Partner Institution:	EUEI
Country:	Denmark
Sector /Industry:	Food & Beverage
SME Profile:	A café serving coffee and baked goods, popular among both locals and tourists. The owner wants to operate in a more sustainable way - reducing waste, using eco-friendly and fair-trade products, and improving working conditions for baristas - but is unsure which actions are most important and where to start.

Company size (micro / small / medium):

Small (12)

Ownership structure (family-owned, partnership, etc.):

Family-owned

Market scope (local / regional / international):

Local

2. Relevant PEARL Curriculum Module(s)

*(**Select one primary module and, if relevant, secondary modules:** Module 1 – Introduction to ESG, Module 2 – ESG Onboarding, Vision and Responsibility, Module 3 – ESG Risk Analysis and Materiality Assessment, Module 4 – ESG Strategy and Implementation, Module 5 – Reporting, Communication and Branding, Module 6 – Sustainable Financing and Funding Options for SMEs)*

Primary Module:

Module 3 – ESG Risk Analysis and Materiality Assessment

Secondary / Supporting Modules (if any):

3. Learning Purpose of the Case

What ESG challenge, decision, or dilemma does this case illustrate?

Lack of a structured approach to identifying ESG risks and no formal materiality assessment - the company does not know which actions are most important for its business and customers.

Why is this case relevant for SMEs?

Small companies often lack the resources and knowledge to carry out a full risk analysis, but simple prioritization can help them start ESG actions in a practical way.

Which competence gaps (knowledge, skills, attitudes) does it address?

- Knowledge: lack of knowledge about ESG risks and materiality
- Skills: lack of ability to assess which actions have the greatest impact
- Attitudes: uncertainty and concern that ESG requires significant resources

4. Case Context and Background

Provide a concise but concrete description of the SME's situation:

(Business model and core activities, ESG maturity level at the start of the case, Regulatory, market, or stakeholder pressure (if any), Key internal constraints (resources, knowledge, resistance, finance)

The SME is a small, family-owned café located in central Copenhagen, employing 12 staff members and operating in the hospitality sector, serving coffee and baked goods to both local residents and tourists. The business model is based on high customer turnover, product freshness, and a strong focus on customer experience, with increasing informal expectations from customers regarding sustainability, including eco-friendly packaging and ethically sourced coffee. At the start of the case, the café has a low ESG maturity level. Sustainability actions are mostly ad hoc and unstructured, without a formal ESG strategy, risk assessment process, or materiality analysis in place. Decisions related to environmental and social issues are reactive rather than planned or data-driven. The café is experiencing growing stakeholder pressure, mainly from customers asking about waste reduction, packaging choices, fair-trade coffee, and working conditions for staff. While there is no direct regulatory pressure specific to ESG reporting at this size, market expectations and reputation risks are becoming increasingly relevant due to its location in a highly competitive urban and tourism-driven environment. Key internal constraints include limited ESG knowledge among staff and management, lack of structured tools for risk assessment, limited time and financial resources typical for a small business, and uncertainty about where to start and which ESG actions should be prioritized.

5. ESG Challenge / Problem Statement

Clearly describe the central ESG-related issue, for example:

(Lack of ESG awareness or strategy, Need for ESG onboarding and internal alignment, ESG risks in the value chain, Materiality prioritisation challenges, ESG reporting and communication difficulties, Financing ESG investments)

Task 1 – Identify and structure ESG risks in café operations
Your first task is to identify ESG-related risks that appear in the daily operations of the café.
Start by observing all key areas of the business (e.g. purchasing, service, waste management, staff management, communication with customers) and list potential ESG risks that may arise in each of them.
Then:
assign each risk to one ESG category: Environmental (E), Social (S), or Governance (G)
distinguish between:
operational risks (short-term, day-to-day issues)
structural risks (long-term or systemic issues affecting the business model)

Task 2 – Materiality assessment from multiple perspectives
Based on the identified ESG risks, conduct a simple materiality assessment.
Evaluate each risk from two perspectives:
Business perspective
impact on costs, efficiency, reputation, customer satisfaction, and potential future risks
Stakeholder perspective
importance for customers, employees, suppliers, and the local community
For each selected risk:
assign a score from 1 (low) to 5 (high) for both dimensions
briefly justify your scoring based on the café context
Task 3 – Prioritised ESG action plan under real-world constraints
Based on your materiality assessment, design a realistic ESG action plan for the café.
Your plan should take into account the real constraints of a small business:
limited financial resources

6. Data, Evidence, and Inputs

(Use realistic but simplified data where needed)

(ESG-related qualitative information, Basic quantitative indicators (where applicable), Stakeholder inputs or assumptions, Regulatory or market references (e.g. CSRD, VSME, customer demands)

- Small family-owned café with around 12 employees in central Copenhagen, serving locals and tourists
- No formal ESG strategy or structured sustainability management
- Some use of single-use packaging and regular food waste, without systematic measurement
- Informal staff training and no formal health and safety procedures
- Owner-led decision-making with no formal ESG policies or supplier criteria
- Growing customer demand for sustainable practices (e.g. packaging, fair-trade coffee)
- Increasing market pressure in the hospitality sector, influenced by EU sustainability expectations (e.g. CSRD, VSME)

7. Suggested Tools from the PEARL Toolbox

Indicate which PEARL tools can be applied in this case and how?

- *Industry & Competitor Check (M1)*
- *ESG Team Setup & Responsibilities (M2)*
- *Stakeholder Analysis (Internal & External) (M2)*
- *Value Chain Analysis (M3)*
- *ESG Impact Assessment Matrix (M3)*
- *ESG Materiality Analysis (M3)*
- *Onboarding Tool for Internal Decision-Makers(M2)*
- *ESG Gap Analysis (M3)*
- *ESG Risk-Opportunity Matrix (M3)*

Task 1 – ESG risk identification and structuring
The café’s main ESG risks can be grouped into three areas. Environmental risks include the use of single-use packaging and insufficient management of food waste, which leads to unnecessary environmental impact and potential inefficiencies in operations. Social risks relate mainly to informal staff training, lack of structured onboarding, and absence of formal health and safety procedures, which may affect employee wellbeing and consistency of service. Governance risks include the lack of formal ESG policies, unstructured decision-making, and supplier selection based mainly on cost rather than sustainability criteria.
Some risks are clearly visible in daily operations, such as waste generation and packaging use, while others are less visible but important in the long term, such as employee retention, reputational risk, and supplier dependency.

Task 2 – Materiality assessmentFrom a business perspective, the most important risks are those that directly affect operational efficiency, costs, and reputation. These include packaging waste (cost and customer perception), food waste (inefficiency), and employee wellbeing (service quality and staff retention).From a stakeholder perspective, customers place high importance on sustainable packaging and fair-trade sourcing, while employees prioritise clear training, safe working conditions, and structured support. Suppliers influence materiality through the availability of more sustainable product options.The most material ESG issues for the café are therefore: packaging waste, sourcing of coffee (fair-trade expectations), and employee working conditions. These issues combine both high stakeholder expectations and significant business relevance.A key insight is that stakeholder priorities and business priorities are largely aligned in this case, especially around sustainability and employee wellbeing, which supports focused action.

Task 3 – ESG action plan under constraints Given limited resources, the café should prioritise simple, low-cost, and high-impact actions. In the short term, quick wins could include reducing single-use packaging by introducing reusable or alternative materials, improving waste separation and introducing basic food waste reduction practices, and clearly communicating existing sustainable choices (e.g. fair-trade coffee) to customers. In the medium term, the café could implement basic staff training on health, safety, and service standards, and introduce more structured supplier selection criteria that include sustainability considerations alongside cost. If only one action can be implemented first, the most effective starting point would be reducing single-use packaging, as it has visible environmental impact, is easily communicated to customers, and directly responds to stakeholder expectations. Overall, the suggested approach focuses on prioritisation rather than doing everything at once, ensuring that ESG actions are realistic, visible, and aligned with both business needs and stakeholder expectations.

9. Expected Learning Outcomes

After working on this case, which KSAs will learners be able to develop?

(Aligned with Related competences (ref.PEARL framework)

The main areas of competence that learners will be able to develop are Entrepreneurial Competences such as: spotting opportunities ability, creativity, vision, valuing ideas, ethical and sustainable thinking, self-awareness and self-efficacy, motivation and perseverance, planning and management. Also Green Competences of the following areas: embodying sustainability values, embracing complexity in sustainability, envisioning sustainable futures, acting for sustainability will be developed.

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