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Promoting ESG Awareness
+ Risk Literacy in SMEs

PEARL
Case Study
Module 3
Germany

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Case Study Identification

Case Study Title: Materiality Assessment in a Regional Food Wholesaler

Partner Institution: **TVW GmbH**

Country: **Germany**

Sector /Industry: **Food Wholesale and Distribution**

SME Profile: The company is a medium-sized food wholesaler supplying restaurants, cafés, small hotels and catering companies with fresh and packaged food products. It employs 50 people and operates from one warehouse with a small fleet of delivery vehicles. The company is privately owned by two business partners and has grown steadily over the past thirty years. Its market scope is regional, with some cross-border purchasing from suppliers in other EU countries.

Company size (micro / small / medium): SME

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

Market scope (local / regional / international): **Regional, with EU-based supplier relationships**

2. Relevant PEARL Curriculum Module(s)

Primary Module: Module 3 – ESG Risk Analysis and Materiality Assessment

Secondary / Supporting Modules: Module 1 – Introduction to ESG; Module 4 – ESG Strategy and Implementation; Module 5 – Reporting, Communication and Branding

3. Learning Purpose of the Case

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

This case illustrates the practical challenge of applying double materiality in an SME with a broad product range, multiple (international) suppliers and strong exposure to customer expectations. The company must decide which ESG topics are most material for its business and stakeholders. Possible topics include food waste, refrigeration energy use, vehicle emissions, packaging, supplier labour standards, product traceability, employee working conditions and food safety. The dilemma is that many topics appear important, but the company cannot address all of them at once with the same intensity.

Why is this case relevant for SMEs?

The case is relevant for SMEs because businesses in food distribution often operate with tight margins, high logistical complexity and strong customer pressure. They are affected by environmental issues such as energy use, waste and packaging, but also by social and governance issues such as supplier practices, product safety, working conditions and traceability. The case demonstrates how an SME can move from a broad ESG issue list to a focused materiality matrix that supports practical decision-making.

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

The competence gaps addressed include the ability to develop an ESG topic longlist, gather stakeholder input, assess impact and financial relevance, use simplified scoring, and translate materiality results into priorities for future strategy. The case also addresses the attitudinal gap of moving away from reactive customer-questionnaire responses towards proactive ESG risk literacy.

4. Case Context and Background

HL Food GmbH. is a regional food wholesaler serving approximately 430 customers, including cafés, restaurants, care homes and small hospitality businesses. Its business model is based on reliable delivery, a wide product range and long-term relationships with local food producers, larger distributors and international specialty producers. The company operates a refrigerated warehouse and eight refridegareted delivery vehicles. Its ESG maturity level at the start of the case is mixed. Food safety and quality procedures are strong because they are central to the business and highly regulated. However, environmental and broader social governance topics are not systematically assessed. The company has recently faced growing pressure from several customer groups. Hotels and restaurants increasingly ask about packaging reduction, local sourcing and food waste. Larger catering clients request information on supplier standards and environmental performance. Employees have raised concerns about workload during peak delivery periods and the physical demands of warehouse work. At the same time, energy costs for refrigeration and fuel costs for deliveries have increased significantly.

HL Food has no formal sustainability strategy. The operations manager tracks fuel use for cost control, and the warehouse manager tracks spoiled goods for inventory reasons, but these data points are not connected to ESG analysis. The two owners disagree on priorities. One believes that local sourcing and customer communication should come first because they create a visible market advantage. The other argues that refrigeration efficiency, food waste and delivery route optimisation are more important because they directly affect costs and emissions. Both perspectives are valid, but the company needs a structured materiality process to decide where to focus.

5. ESG Challenge / Problem Statement

The central ESG challenge is materiality prioritisation. HL Foods faces many ESG-related risks and opportunities, but it lacks a systematic method to decide which topics are most relevant from both an impact perspective and a financial perspective. The company risks making fragmented improvements that do not address the most material issues.

From an impact perspective, key questions include how the company contributes to food waste, emissions from transport and refrigeration, packaging waste, and working conditions in its own operations and supply chain. From a financial perspective, the company needs to consider rising energy and fuel costs, potential customer loss if ESG expectations are not met, supplier disruption, reputational risks linked to product origin, and possible future requirements for sustainability-related documentation.

The problem is intensified by limited management capacity. The company cannot create a complex ESG department, but it can establish a practical materiality assessment process that helps it identify the most important ESG topics and define priorities for the next 12 to 24 months.

6. Data, Evidence, and Inputs

HL Foods reviews simplified data from the previous year (e.g. Electricity consumption and Diesel used b the fleet). Recorded food spoilage amounted to 41 tonnes, including damaged packaging, expired stock and temperature-sensitive goods that could no longer be sold. Approximately 62% of packaging waste consisted of cardboard, 24% plastic film and 14% mixed materials. The company currently recycles cardboard but has no clear reduction target for plastic packaging.

The supplier base includes 76 regular suppliers. Twenty-two are local or regional producers, while the rest are national or EU-based distributors. Only 14 suppliers have provided written information on environmental or social standards. For several imported products, the company cannot fully trace the origin beyond the immediate distributor. Customer feedback shows rising interest in local products, low-waste packaging and evidence of responsible sourcing. Three larger customers have asked whether HL Foods can provide a basic ESG statement within the next year.

Internal HR data shows that the company employs 50 full time people, including 20 warehouse employees, 10 drivers, 12 sales and customer service staff, and 8 administrative and management staff. Two minor manual-handling accidents and six near-miss incidents were recorded during the year. Employee interviews indicate that staff value job stability but would like better shift planning, more training and clearer communication from management.

Stakeholder input is collected from owners, managers, warehouse staff, drivers, customers, suppliers, a local waste contractor and the company's bank. Customers prioritise product quality, responsible sourcing, packaging reduction and reliable delivery. Employees prioritise safety, workload, training and fair scheduling. Management prioritises cost control, customer retention and operational efficiency. The bank asks whether the company understands its exposure to energy costs and climate-related transition risks.

7. Suggested Tools from the PEARL Toolbox

The Value Chain Analysis can be applied to map ESG issues from sourcing and supplier selection through warehousing, refrigeration, delivery, customer use and waste handling. This helps learners see that material ESG issues are not limited to the company's own premises but extend across upstream and downstream activities.

The ESG Impact Assessment Matrix can be used to assess the severity, scale and scope of the company's impacts. Food waste, transport emissions, refrigeration energy and employee safety would likely receive high relevance scores because they occur regularly and are linked to measurable operational activities.

The ESG Materiality Analysis is central to this case. It can help learners position topics such as food waste, packaging, fuel use, supplier traceability, employee safety and energy efficiency on a double materiality matrix. Topics with high impact relevance and high financial relevance should become strategic priorities.

The Stakeholder Analysis can be used to distinguish between stakeholders affected by HL Foods' operations and stakeholders using ESG information. Employees, drivers, suppliers and local communities are affected stakeholders, while customers, banks and public-sector procurement bodies use ESG information for decisions.

The Supply Chain Risk Check can help assess supplier-related risks, especially where imported products, insufficient documentation or unclear labour and environmental practices create exposure.

The Climate Risk Check for SMEs can be applied to examine both physical risks, such as heatwaves affecting refrigeration and product quality, and transition risks, such as rising fuel prices, customer decarbonisation expectations and possible future logistics restrictions.

9. Expected Learning Outcomes

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

(Aligned with Related competences (ref.PEARL framework)

After working on this case, learners will be able to conduct a simplified ESG materiality assessment for a medium-sized SME with a complex value chain. They will be able to identify ESG topics across sourcing, operations, logistics, workforce and customer relationships and organise these topics into a structured longlist.

Learners will understand how to apply double materiality in an SME context. They will be able to assess how the company affects the environment and people through food waste, emissions, packaging and working conditions, while also assessing how these topics create financial risks or opportunities for the company through costs, customer requirements, financing and reputation.

Learners will develop skills in using qualitative and quantitative evidence for ESG prioritisation. They will work with simplified data on electricity consumption, diesel use, food spoilage, packaging waste, accident records, supplier documentation and customer feedback. They will learn that perfect data is rarely available at the beginning and that SMEs often need to start with pragmatic, transparent assumptions.

Learners will also be able to explain why stakeholder engagement is necessary for materiality assessment. They will recognise that owners, employees, customers, suppliers, banks and local stakeholders may prioritise different ESG topics and that a credible materiality process must consider these perspectives without losing strategic focus.

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