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Promoting ESG Awareness
+ Risk Literacy in SMEs

PEARL
Case Study

Module 6

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Case Study Identification

Case Study Title: Sustainable Financing for a Small Danish Company

Partner Institution: EUEI

Country: Denmark

Sector /Industry: Services

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

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

Private

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 6 – Sustainable Financing and Funding Options for SMEs

Secondary / Supporting Modules (if any):

3. Learning Purpose of the Case

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

Lack of knowledge about available financing options for green investments (such as loans, leasing, and grants), combined with uncertainty about investment costs, financial risks, and potential impact on the company's cash flow and budget.

Why is this case relevant for SMEs?

Small and medium-sized enterprises in Europe often have the opportunity to invest in simple green technologies, but they frequently lack knowledge of how to finance these projects in a safe and cost-effective way.

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

Competence gaps:
Knowledge: lack of awareness of financing instruments for green investments (e.g. leasing, loans, grants)
Skills: lack of ability to assess the financial viability and cost-effectiveness of investments
Attitudes: fear of financial risk and administrative complexity

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, founder-owned service company based in Copenhagen with around 10 employees. The company provides B2B design services and operates locally and nationally. The owner is considering investing in solar panels for the office to reduce electricity costs and improve the company's environmental performance and brand image. However, the company has no prior experience in financing green investments and is uncertain about the most suitable funding options. At the start of the case, ESG maturity is low to medium: the company is open to sustainability improvements but has no structured investment strategy or experience in evaluating or financing green projects. Sustainability actions are mainly driven by cost-saving potential and reputational benefits rather than a formal ESG plan. The company faces increasing energy costs and growing client expectations regarding sustainability. At the same time, internal constraints include limited financial knowledge, uncertainty about investment risks and payback time, and lack of familiarity with available financing instruments such as green loans, leasing, or public grants.

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 – Prioritise green investments
The company is considering several possible sustainability investments (e.g. solar panels, LED lighting, energy monitoring system, basic office efficiency improvements).
Your task is to: rank these investments from most to least important for the company consider the following criteria: expected cost savings, implementation difficulty, speed of return on investment; visibility for clients (brand value) briefly justify your ranking in simple business terms
Focus: *decision-making under limited budget and uncertainty*

Task 2 – Choose the best financing solution
The company needs external funding to implement at least one investment. Your task is to: choose the most suitable financing option(s) for this SME: green loan, leasing, public grants or subsidies, compare at least two options based on:
financial burden (cost, repayment)
accessibility (requirements, complexity)
flexibility for a small business
recommend the best option and explain why it fits this company
Focus: *simple financial reasoning, SME perspective*

Task 3 – Create a simple ESG investment plan
Based on your decisions, prepare a short implementation plan. Your plan should include:
which investment will be implemented first and why
how it will be financed
expected benefits (cost reduction, energy savings, ESG impact)
one simple idea on how the company can communicate this investment to clients (e.g. website message, office signage, client presentation)
Focus: *connecting finance, ESG impact, and basic communication*

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 service company in Copenhagen with around 10 employees, operating from a rented office
- Increasing electricity costs and no existing renewable energy solutions in place
- Building allows installation of solar panels, but requires high upfront investment and landlord approval
- Possible investments include solar panels (high cost, long-term savings), LED lighting (low cost, quick payback),
energy monitoring system (low to medium cost), and basic efficiency improvements (very low cost)
- No previous experience with external financing or green investment planning
- Available financing options include green loans, leasing, and public or EU SME grants
- Customers are mainly B2B and increasingly expect sustainability and energy efficiency from suppliers
- No ESG reporting obligations, but growing market expectations and voluntary frameworks like VSME are influencing the sector
- Internal constraints include limited financial knowledge, uncertainty about return on investment, and preference for low-risk solutions

7. Suggested Tools from the PEARL Toolbox

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

- *Industry & Competitor Check (M1)*

Identification of market trends in the this respective case

- *ESG Impact Assessment Matrix (M3)*

Identification and evaluation of ESG risks and opportunities in a structured format.

- *Template for ESG Report (VSME Standard) (M5)*

Standardized reporting template tailored for small and medium-sized enterprises(SMEs).

- *OKR Framework for ESG Goals with Top 5 ESG VSME Standard) (M4)*

Overview of sustainable financing opportunities and ESG funding programs.

- *Sustainable Finance Options for SMEs (M6)*

Overview of sustainable financing opportunities and ESG funding programs.

Task 1 – Prioritise green investments

The most important investment for the company is LED lighting and basic energy efficiency improvements, because it requires low upfront cost, is easy to implement, and delivers immediate savings on electricity bills. It also has low implementation risk, making it the safest first step for a small company.

The second priority is an energy monitoring system, as it helps the company understand energy usage patterns and identify further savings opportunities. It has medium cost and medium implementation effort, but supports better long-term decision-making.

The third priority is solar panels, as they provide the highest long-term environmental and financial benefits, but require high investment, longer payback time, and external approval (e.g. landlord).

The least priority is general or minor office efficiency changes, as they have limited impact compared to the other investments.

Overall, the ranking is based on balancing quick financial savings, ease of implementation, and long-term ESG impact under limited budget conditions.

Task 2 – Choose the best financing solution

The most relevant financing options are green loans and public grants, with leasing as a secondary option.

A green loan offers relatively low interest rates and allows the company to own the investment, but it requires repayment capacity and financial planning. It is accessible but still requires some documentation and credit assessment.

A public grant or subsidy is the most attractive option financially, as it reduces upfront costs significantly or fully, but it is more difficult to access due to competition, application procedures, and longer approval time.

Leasing is the most flexible option, with low upfront cost and predictable monthly payments, making it easier for small companies with limited cash flow. However, it is usually more expensive in the long term and does not provide ownership of the asset.

The best recommendation is a combination of a green loan and/or public grant, as this provides a balance between affordability, ownership, and long-term financial efficiency. Leasing should be considered only if cash flow constraints are strong or if access to grants is not possible.

Task 3 – Create a simple ESG investment plan

The company should start with LED lighting and basic energy efficiency improvements, as this provides quick cost savings, low risk, and immediate implementation. It also builds internal experience before moving to larger investments such as solar panels.

The investment can be financed through a green loan or public grant, depending on availability. If grants are accessible, they should be prioritised; otherwise, a green loan provides a stable and realistic financing solution for SMEs.

Expected benefits include reduced electricity costs, improved energy efficiency, and a lower carbon footprint. From an ESG perspective, the company strengthens its environmental performance and demonstrates commitment to sustainability in a practical and credible way.

For communication, the company can use a simple message such as:

“We are improving our office energy efficiency to reduce our environmental impact and energy consumption.”

This can be shared on the company website, in client presentations, or in email signatures, ensuring transparency without overclaiming or greenwashing.

Overall, the plan focuses on starting with low-risk, high-impact actions, combining realistic financing, and using simple communication to strengthen ESG credibility.

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9. Expected Learning Outcomes

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

(Aligned with Related competences (ref.PEARL framework)

Learners will be able to develop both entrepreneurial competences and green competences. They will learn how to proritise green solutions in order to implement quick financial savings in the company. Moreover, they will aquire knowledge of creating a simple ESG Investment plan, understand ESG finance mechanisms and economic sustainability, evaluate and manage financial resources for ESG actions, enhance capacity to access and utilize ESG-related funding and investment opportunities.

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