A thesis submitted in partial fulfillment of the requirements for the degree of Master of Science at Delft University of Technology

Exploring the Sustainable Finance Disclosure Regulation (SFDR) in Hotel Capital Markets:

Insights from Across Europe & Globally

CARL CALIVA

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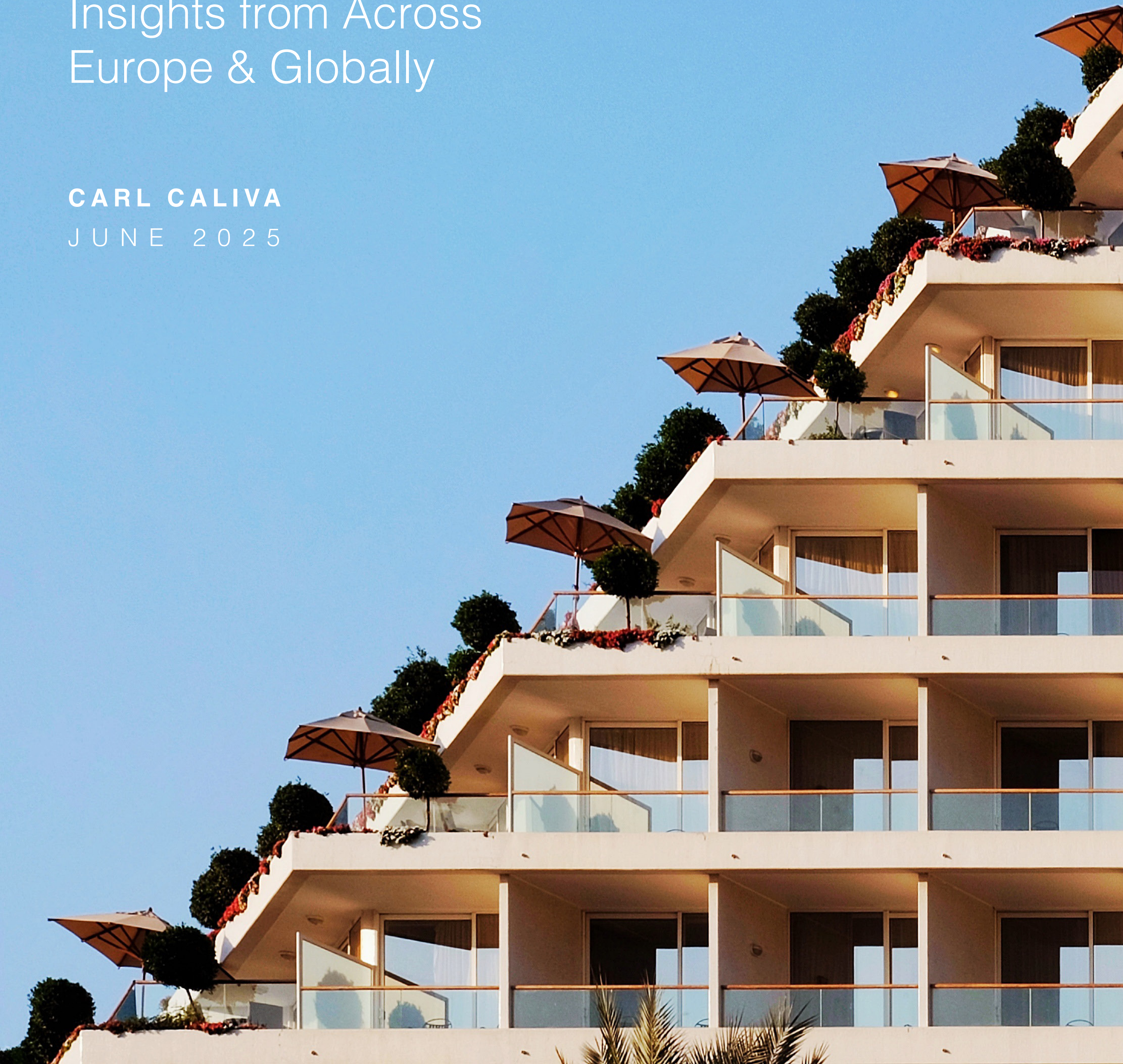

TU Delft
BK Bouwkunde

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Master of Science
in Architecture, Urbanism and Building Sciences
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Department of
Management in the Built Environment

by

Carl Xavier Jules Baclig Caliva
BArchSc (Hons)
TU Delft Student Number: 6020461

Graduation Committee:
Dr. Ir. Michaël U. J. Peeters - First Supervisor (Real Estate Management)
Dr. Zac J. Taylor - Second Supervisor (Urban Development Management)

Abstract

While SFDR reduces greenwashing, legal ambiguity, data gaps, & sector complexity make implementation challenging in real estate.

Purpose - This thesis explores how financial market participants (FMPs) in hotel capital markets experience the Sustainable Finance Disclosure Regulation (SFDR). It aims to identify how ESG disclosures influence investment decision-making and to assess where regulatory intent diverges from practical implementation.

Methodology - Semi-structured interviews were conducted with 10 FMPs, representing 6 stakeholder types active in European hotel capital markets, between March and April 2025.

Findings - Investors and lenders prioritize ESG (Environmental, Social & Governance) indicators such as energy performance certificates (EPCs) and operational KPIs – particularly energy consumption data – though ESG integration remains largely driven by "financial-first logics." SFDR implementation is uneven: "highly professional investors" possess the capacity to meet the directive's demands, whereas smaller actors, including "mom-and-pop" hotel owners and operators, often lack the necessary resources, data infrastructure, or expertise. While SFDR classification increasingly shapes fund structure and capital raising, its influence on individual asset transactions remains limited but is expected to grow.

Research Limitations/Implications - Semi-structured interviews with a small, diverse sample enabled context-specific insights but limited comparability and replicability. Findings should be viewed as exploratory and indicative rather than representative of the sector.

Practical Implications - The findings underscore that ESG alignment is increasingly tied to both financial and operational leverage in commercial real estate, yet many investors still overlook its influence on cost of capital and asset-level performance. A persistent "wait-and-see" mindset – amplified by geopolitical uncertainty – continues to delay capital flows into at-risk hotel assets. To advance transition finance, SFDR must be recalibrated to avoid reinforcing divestment from stranded assets and instead incentivize their decarbonization.

Originality/Value - This is the first empirical investigation into how FMPs experience SFDR and ESG within the distinct context of hotel capital markets.

Keywords - Sustainable Finance, SFDR, Hotel Capital Markets, Investment Decision-making

Executive Summary

SFDR's blind spot on embodied carbon leaves hotels struggling to align, despite retrofits being central to real estate decarbonisation.

Mobilizing capital toward sustainable investments is essential for achieving global climate targets. Yet much of the financial system remains structurally misaligned with the urgency of the climate crisis. In response, the Sustainable Finance Disclosure Regulation (SFDR) was introduced by the European Supervisory Authorities (ESAs), including the European Securities and Markets Authority (ESMA), to enhance transparency, reduce greenwashing, and direct capital toward sustainable outcomes – primarily within public market instruments such as equities and bonds.

SFDR functions as a disclosure-based regulatory framework, requiring financial market participants to report how sustainability risks and objectives are embedded in investment processes. It aims to provide end-investors with consistent ESG data for product comparison. However, its standardized metrics – designed for liquid securities – translate poorly to private markets, particularly real estate, where investments are illiquid and typically span long-term business plans of 5 to 10 years or more. As a result, short-term reporting frameworks often fail to capture asset-level sustainability performance.

This disconnect is critical given real estate's pivotal role in climate mitigation: while smaller in capital market share, the sector is one of the largest emitters and offers outsized decarbonization potential. Within this space, hotels are especially exposed due to their high energy demands, fragmented ownership, and persistent difficulty in operationalizing ESG commitments at the asset level.

Hence, this regulatory misfit forms the foundation for a critical inquiry:

Figure 1

How do financial market participants in hotel capital markets experience SFDR (and ESG) in their decision-making processes?

Institutional Investors

SFDR is used strategically to attract capital and shape hotel investment portfolio alignment.

Private Equity

Financials-first thinking dominates; ESG upgrades are pursued only when they support target returns.

Investment Management

SFDR compliance pursued quietly; ESG seen as cost-saving strategy, not a promotional differentiator.

Lenders

Loans hinge on a clear green trigger – strong building ESG performance unlocks more favorable financing terms.

Advisors

Due diligence scope is evolving – SFDR drives demand for deeper data and ESG alignment.

Hotel Franchise

Franchise agreements increasingly mandate ESG data collection, improving reporting quality industry-wide.

Building on this exploratory analysis, the following eight insights distill the underlying patterns, tensions, and contradictions that surfaced across interviews. These lessons from inside the industry reveal how ESG and SFDR are actively interpreted, contested, and reconfigured in hotel capital markets.

Figure 2

Lessons Learned From the Interviews & Looking Ahead

1 ESG matters...but only when it pays

Despite growing ESG momentum, hotel investors remain anchored to traditional KPIs – financial returns, prime location, and asset quality. ESG factors gain attention only when they enhance profitability or protect value. Evolving valuation methods can bridge this gap, aligning investment strategy with long-term ESG integration.

2 Finance with a Green Trigger

ESG is entering lending but remains uneven – driven by discretion, not regulation. Some banks treat ESG as a decision-making filter; others adopt it symbolically. Standardized criteria and targeted incentives are essential to secure climate-aligned financing and address banks' risk aversion to costly, complex, and long-term transition projects.

3 Everyone's job - no one's job

ESG responsibility in hotel capital markets is fragmented and frequently shifted to operators who often lack the authority, incentives, or resources to drive meaningful change. Without clear governance structures and aligned incentives across stakeholders, ESG efforts remain superficial, resulting in accountability gaps and inconsistent implementation.

4 A framework built for a different sector

SFDR implementation in hotel capital markets reveals a misfit between regulatory ambition and industry readiness. Hotels face fragmented data, complex ownership, and inconsistent ESG maturity, making compliance burdensome and often symbolic. Better alignment with sector challenges is needed to drive meaningful ESG transformation.

5 We'll wait for more clarity

ESG progress stalls as many adopt a "wait and see" approach, fearing regulations may be revoked. This uncertainty delays meaningful action. Clear, practical SFDR guidance – easy to understand – could transform perceptions, shifting it from a burdensome compliance task to an effective tool supporting genuine environmental progress.

6 Do we mean it, or just say it?

Many organizations adopt ESG to meet investor demands rather than create real change, risking long-term goals by focusing on optics. True progress starts by weaving ESG into organizational and societal culture as a shared value, transforming sustainability from compliance into a catalyst for lasting innovation.

7 When green means letting go

Despite good intentions, ESG transitions deepen market divides – pushing investors to offload older, harder-to-upgrade assets instead of improving them. This burdens smaller owners and concentrates risks in larger portfolios. Real progress needs policymakers to frame clear incentives that unlock capital – because when the right signals come, money will flow.

8 When politics shape your portfolio

Geopolitical shifts push many firms to sway with changing winds, weakening ESG consistency and fueling uncertainty. True success demands a strong strategic compass – rooted in core values and long-term vision – enabling organizations to navigate volatility confidently rather than merely reacting to external pressures.

Preface

When starting this thesis, the question seemed deceptively simple: do investors actually pay attention to sustainability reports?

At first glance, it felt easy to assume the answer was no. But the more I explored, the more the question revealed its complexity. What began as a yes-or-no question became a study of how firms balance reputation, returns, and market position in the real estate game. Ultimately, sustainability enters the decision-making process when it offers financial or operational leverage – this insight became the foundation of the thesis.

This emerging line of inquiry was shaped by both personal and academic influences. During a study trip to Singapore and Malaysia, I had the opportunity to engage in many conversations with Professor Michael Peeters – conversations that, at the time, I didn't realize would later lead to him becoming my thesis mentor. These exchanges sparked an early interest in exploring a topic at the intersection of real estate management and sustainable finance.

Although sustainable finance initially felt somewhat abstract, it soon revealed itself as a domain that closely aligned with my existing interests. It combined real estate decision-making with broader questions around regulatory change, investment behavior, and the evolving role of ESG in capital markets.

This intellectual curiosity was reinforced by my professional experience. Having previously worked at an architectural firm in Toronto, I observed how sustainability, though often discussed in early design or feasibility phases, tended to lose momentum in later stages such as design development. This mirrored a broader pattern in certain North American contexts, where sustainability was viewed more as an optional feature than a foundational principle.

As my thinking evolved, the first version of this study's title referenced "Eurocentric sustainability reporting," drawing on the observation that the European Union's approach to sustainability is not only regulatory but also deeply embedded in cultural, financial, and institutional systems. While both North American and European investors prioritize financial returns, existing research shows that European market participants tend to place greater strategic weight on sustainability objectives.

Indeed, comparative studies highlight stark differences: European investors operate within more advanced regulatory frameworks, allocate more capital to sustainable investment vehicles, and demonstrate stronger ESG stewardship – including active engagement with portfolio companies. For instance, 73% of European pension schemes identify climate change as a top priority, compared to just 53% in the U.S. (Cowlrick, 2024; Datafisher, 2024; Ferrarini & Siri, 2023; Jessop et al., 2024; Verberk, 2023).

Given this context, the research is grounded within a European academic and regulatory framework. While location is not determinative, it inevitably shapes the analytical lens. Conducted at a European technical university, this thesis adopts an inside-out perspective: it begins with how financial market participants within the EU are experiencing the Sustainable Finance Disclosure Regulation (SFDR) and then extends outward to consider how international actors are responding. Recognizing the embedded assumptions of this context is essential when evaluating contrasting behaviors across jurisdictions – especially where divergences are shaped by differences in regulatory exposure, institutional culture, and investment ideology.

Originally, this study focused on the Corporate Sustainability Reporting Directive (CSRD). However, as the research progressed, the regulatory landscape shifted quickly. The European Commission's omnibus amendment package influenced market sentiment, and leading firms such as Deloitte and BlackRock began reassessing their ESG narratives. On platforms like LinkedIn, commentary surged around retreating commitments and growing uncertainty. These shifts coincided with broader geopolitical developments – including Donald Trump's return to the political stage and the ongoing Russia–Ukraine conflict – that altered investor confidence and reframed the sustainability discourse (Furness, 2025).

In fact, a recent J.P. Morgan Private Bank survey found that 34% of investors now rank geopolitical risk as their top concern, ahead of inflation and recession fears (Seydl, 2024). In light of this volatility, the research scope was redirected toward the SFDR, which, at the time, offered a more stable framework for qualitative inquiry. However, it must be noted that the SFDR too is under review, with proposed revisions expected by the end of 2025. This underscores a key theme of the thesis: sustainability disclosure regimes are not static. They are evolving structures that both shape and are shaped by shifting political, economic, and institutional pressures.

Acknowledgements

To my mother, the Maestra and my father, the Chef. Your tireless support is something I'm forever grateful for. I love and admire you both deeply – read these words as your own, for this is your world through my lens.

To my wider family – my sister, Mamang & Nanay, titos and titas, my cousins – you inspire me. Thank you for the conversations that gave my mind a break and reminded me that life continues beyond a master's thesis.

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To Max and Tommy, some of my closest friends. TU Delft would not be the same without you two. I look forward to more adventures – so long as they end with a kapsalon in hand.

I also thank all interview participants – your shared experiences enriched this research.

Carl Caliva
Delft, South Holland
June 2025

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List of Abbreviations

ADR	Average Daily Rate
AIFM	Alternative Investment Fund Manager
ALFI	Association of the Luxembourg Fund Industry
BREEAM	Building Research Establishment Environmental Assessment Method
BRANDCO	Brand Company
CAPEX	Capital Expenditure
CRE	Commercial Real Estate
CRREM	Carbon Risk Real Estate Monitor
CSRD	Corporate Sustainability Reporting Directive
DD	Due Diligence
DNSH	Do No Significant Harm
EBITDA	Earnings Before Interest, Taxes, Depreciation, and Amortization
EMDEs	Emerging Markets and Developing Economies
EPA	Environmental Protection Agency
EPCs	Energy Performance Certificates
EROC	Economic Return on Capital
ESG	Environmental, Social, and Governance
ESA	European Supervisory Authorities
ESMA	European Securities and Markets Authority
FMPs	Financial Market Participants
FMAs	Financial Market Advisors
GHG	Greenhouse Gas
GOP	Gross Operating Profit
GRESB	Global Real Estate Sustainability Benchmark
HMA	Hotel Management Agreement
IBIP	Insurance-Based Investment Product
IDD	Insurance Distribution Directive
INREV	European Association for Investors in Non-Listed Real Estate Vehicles
IPO	Initial Public Offering
IORP	Institutions for Occupational Retirement Provision
IRR	Internal Rate of Return
KPIs	Key Performance Indicators
LEED	Leadership in Energy and Environmental Design
LTV	Loan to Value
MiFID	Markets in Financial Instruments Directive
NFRD	Non-Financial Reporting Directive
NOI	Net Operating Income
NPV	Net Present Value
OPEX	Operating Expenditure
OPCO	Operating Company
PAIs	Principal Adverse Impacts
PBR	Principles Based Requirements
PROPCO	Property Company
RE	Real Estate
REIT	Real Estate Investment Trust
REVPAR	Revenue Per Available Room
RTS	Regulatory Technical Standards
SDR	UK's Sustainability Disclosure Requirements
SEC	Securities and Exchange Commission
SFDR	Sustainable Finance Disclosure Regulation
SWF	Sovereign Wealth Fund
TPO	Third-Party Operator
WLO	White Label Operator
WTP	Willingness to Pay

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1 Introduction

The urgent need to align global capital with climate goals – and SFDR's potential as a regulatory catalyst in real estate.

Chapter Note

This opening chapter introduces the urgency of mobilizing private capital to meet climate goals, positioning sustainable finance – and specifically the SFDR – as a key regulatory tool. It narrows in on the real estate sector, with a focus on hotel capital markets, to frame the study's central research question. The problem, scope, and key contributions are introduced to set up the analysis that follows.

1.1 Problem Background

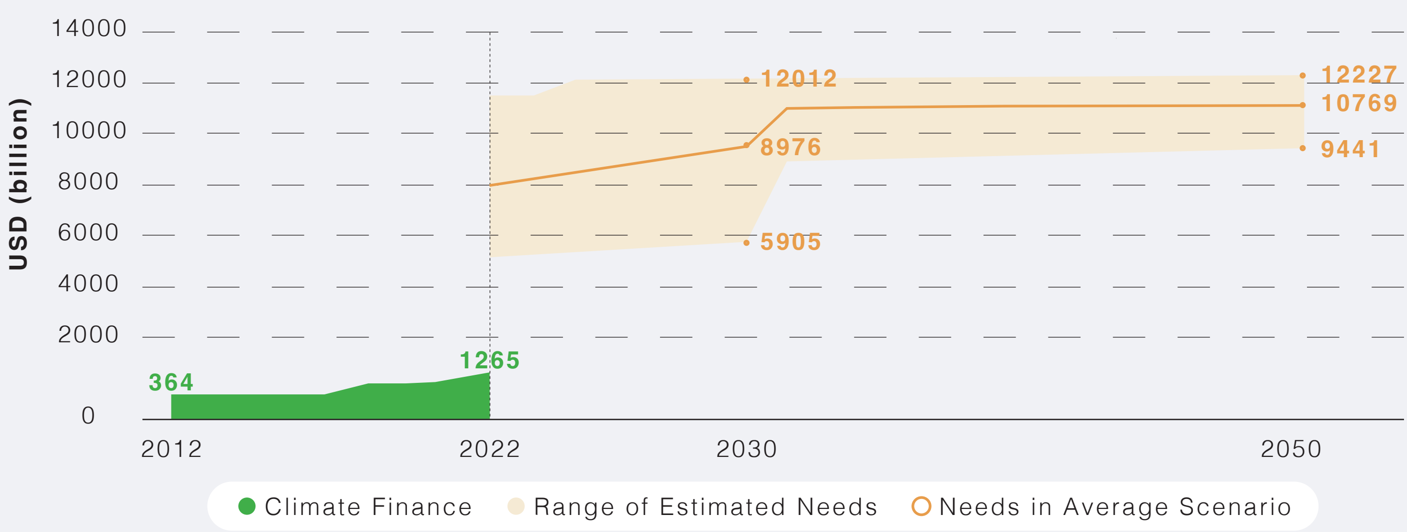
This research is driven by the objective to clarify how industry practices are evolving in response to contemporary global challenges. One issue that remains consistently at the forefront of global discourse – from discussions among heads of state, policymakers, and industry leaders to academic researchers – is climate change. Climate change operates according to the principles of natural science – governed by biological, chemical, and physical processes that are unaffected by political or economic timelines. Consequently, a key consideration, is not whether to respond, but how effectively societies and institutions will adapt to its accelerating impacts.

According to the World Economic Forum (2025) climate-related risks have consistently ranked among the top five global risks in terms of both likelihood and impact for the past decade. Though not a new concern, it has defined multiple eras of environmental thought and continues to shape strategic decision-making across markets. A McKinsey report found that over 70% of global executives consider climate-related risks in long-term investment decisions, signaling an institutional shift toward environmental accountability (2022).

❝ The central challenge, therefore, lies in aligning global finance with the goals of the Paris Agreement.

In light of this, while financial viability remains fundamental to every business model, climate change is exerting growing pressure for this paradigm to evolve toward broader environmental responsibility. Achieving the transition to a net-zero economy requires a coordinated, cross-sectoral effort underpinned by effective policy infrastructure. While both public and private actors play essential roles, the scale and pace of this transformation necessitate substantial capital mobilization – most of which is expected to originate from the private sector (Alexander et al., 2024a). This investment gap is exemplified in the figure below, annual investment must increase five-fold – from less than \$2 trillion today to over \$9 trillion by 2030 – and exceed \$10 trillion each year through 2050 (Climate Policy Initiative [CPI], 2023).

Figure 3 **Global Climate Finance Flows vs. Projected Annual Requirements Through 2050**



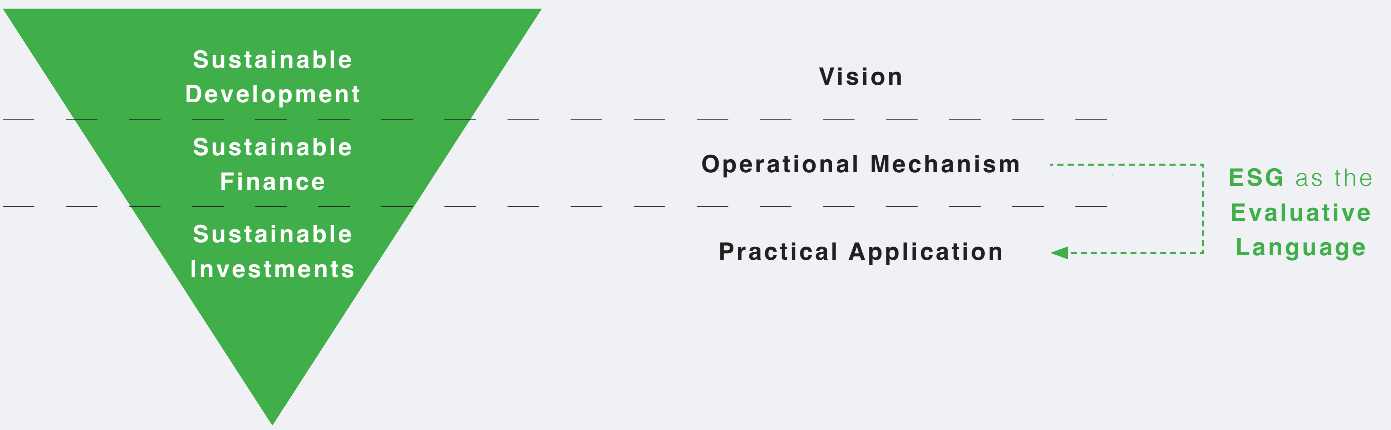
Source: Climate Policy Initiative (CPI). (2023). *Global Landscape of Climate Finance 2023.*

Considered a prominent milestone in global climate action, the Paris Agreement – an accord adopted at COP21 in 2015 – is designed to limit global warming to well below 2°C, with efforts to pursue 1.5°C above pre-industrial levels (United Nations Framework Convention on Climate Change [UNFCCC], 2015). The term "Paris proof" has since become part of the professional vocabulary, often used to signal alignment with the Agreement's climate targets. This term is relevant throughout this thesis as it reflects how market participants frame their sustainability ambitions in reference to the Paris goals. Despite adoption by 196 countries, current global investment patterns fall short of what is needed, and while public and private climate finance nearly doubled between 2011 and 2020, trajectories still suggest the Paris targets are unlikely to be met (Calvin et al., 2023, Naran et al., 2022).

This scaling must be accompanied by a structural shift: the private sector's share in Emerging Markets and Developing Economies (EMDEs) must rise from 40% to 90% of total climate finance (Black et al., 2023). As emphasized by the Independent High-Level Expert Group for COP28, without accelerated and strategically deployed investment in developing countries, climate ambitions will remain out of reach (Bhattacharya et al., 2023).

Additionally, this treaty aligns with the broader objective of sustainable development, a concept formally introduced at the 1972 United Nations Conference on the Human Environment. It was later defined by the Brundtland Commission as: development that meets the needs of the present without compromising the ability of future generations to meet their own needs" (World Commission on Environment and Development [WCED], 1987). Sustainable development provides the conceptual foundation for what is now termed sustainable finance – a field concerned with integrating environmental, social and governance considerations into financial decision-making. One of the primary mechanisms through which this integration occurs is the application of Environmental, Social, and Governance (ESG) criteria, which enable investors to assess the non-financial performance and long-term impact of both companies and assets.

Figure 4 **Sustainable Development, Sustainable Finance, Sustainable Investment & ESG**



Sustainable development defines the goal, sustainable finance provides the means to achieve it, and ESG criteria offer the tools to measure progress along the way.

And within this framework, sustainable investments then represent the practical application of sustainable finance principles. These are investments explicitly intended to generate measurable positive environmental or social outcomes alongside financial returns. To ensure such investments are effectively mobilized and directed toward verifiable sustainability objectives, strong policy infrastructure is essential.

An icon considered at the forefront of sustainable development implementations is the European Union (EU). Their alignment has been increasingly formalized through comprehensive regulatory frameworks designed to embed sustainability principles into the core of financial markets. Based on market share analysis, Europe continues to lead the ESG investment landscape, accounting for approximately 83% of global ESG assets – significantly ahead of the USA and Asia (Association of the Luxembourg Fund Industry [ALFI] et al., 2022).

This thesis specifically focuses on the SFDR as a lens through which the interaction between regulation and market behavior is examined.

Beginning with the European Green Deal, launched in 2019, which sets the strategic vision for achieving climate neutrality by 2050. This ambition was codified through the European Climate Law, establishing a legally binding commitment to net-zero emissions. Subsequently, EU Action Plan on Sustainable Finance was introduced. It seeks to mobilize capital flows toward sustainable investments in support of a low-carbon, resource-efficient, and socially inclusive economy. A central objective of these measures is to enhance transparency and establish harmonized reporting standards to reduce greenwashing and enable more informed investment decision-making. As seen in figure 5, the Sustainable Finance Disclosure Regulation (SFDR) is considered and instrumental building block of the action plan. The SFDR mandates uniform disclosure requirements for financial market participants to clarify the sustainability characteristics of financial products.

Figure 5 **EU Sustainable Finance Action Plan's Building Blocks**

1 EU Taxonomy Regulation	The EU Taxonomy provides a standardized classification system that defines which economic activities can be considered environmentally sustainable, offering a shared framework for businesses and investors.
2 Corporate Sustainability Reporting Directive (CSRD)	The CSRD expands the non-financial reporting framework (NFRD) by requiring all large and listed companies to meet stricter reporting standards, including third-party assurance and broader disclosure requirements.
3 Sustainable Finance Disclosure Regulation (SFDR)	SFDR requires financial market participants to examine and publicly report their environmental, social, and governance (ESG) strategies and actions.
4 Markets in Financial Instruments Directive (MiFID) and Insurance Distribution Directive (IDD)	MiFID II and IDD incorporate ESG factors into investment advice related to both investment funds and insurance-based financial products.
5 EU Benchmark Regulation	The benchmark is designed to strengthen governance and oversight of the previous process by reducing conflicts of interest, enhancing data quality and methodologies, and applying consistent controls to contributors.

Jan. 2022	Jan. 2023	Jan. 2023	Dec. 2023
Application of Level 1 and L2 First DA	Application of L2 Regulator Technical Standards comes into effect	Second reference period starts	Start of disclosure of full KPIs on taxonomy alignment

Dec. 2023	2024	2025	2026
EU NFRD Annual Reporting period ends	FY2024 (reports published in 2025) for undertakings which were subjectto NFRD	FY25 (reports published in 2026) for all large undertakings	SMEs are included through simplified reporting standards (reports published in 2027)

Figure 5 | **EU Sustainable Finance Action Plan's Building Blocks (continued)**

Apr. 2022
European Commission adopted final version of Regulatory Standards

Dec. 2022
First reference period ends

Jun. 2023
FMPs need to report for the first time

Mar. 2021
Effective date of Level 1 SFDR regulation

Jul. 2022
First reference period of indicators of various disclosures

Jan. 2023
Second reference period starts

Dec. 2023
Second reference period ends

Jul. 2022
First reference period for indicators of various disclosures

Aug. 2022
Sustainability related provisions under MiFID and IDD DAs apply

Nov. 2022
Sustainability related provisions on product governance under MiFID apply

Jan. 2016
Benchmark Regulation text published in European Official Journal

Jan. 2018
Benchmark Regulation officially applicable.

Nov. 2019
Benchmark Regulation was amended as regards to EU Climate Transition Benchmarks, EU Paris Aligned Benchmarks and sustainability related disclosure for benchmarks.

Jan. 2022
The ESAs Review gave ESMA the official mandate to supervise the EU critical benchmarks' administrators recognized third country administrators from this date

Source: Amundi Asset Management. (2022). *EU Sustainable Finance Action Plan: State of Play*

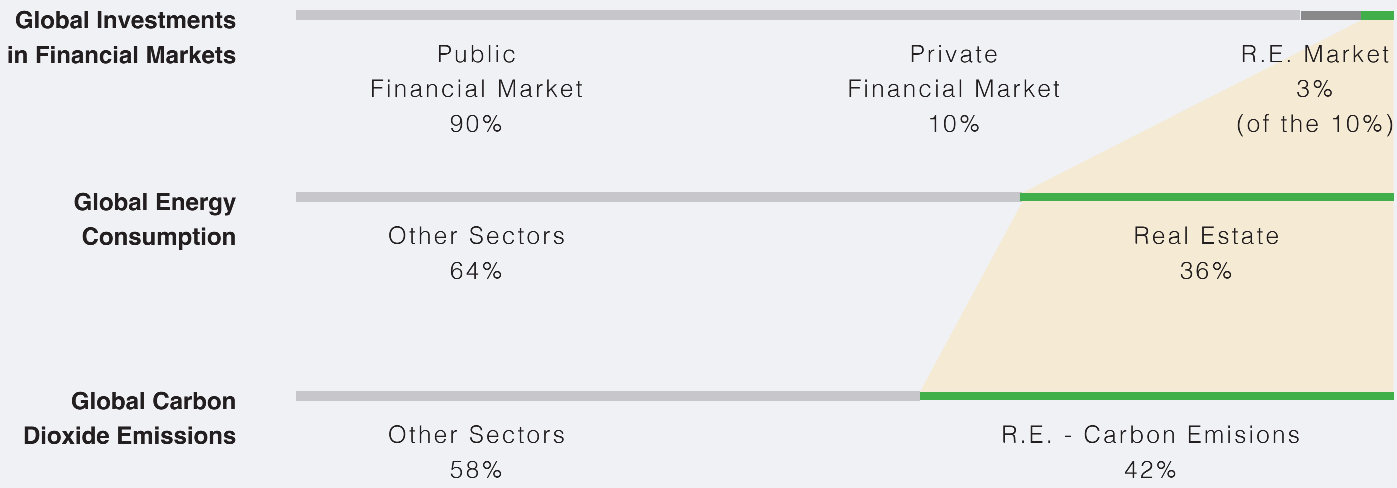
❝ The SFDR was developed with public markets in mind – characterized by high liquidity and short investment horizons – yet it is applied uniformly to sectors like real estate, where investments are typically long-term and asset-specific.

During its conception, the SFDR was initially developed by the European Supervisory Authorities (ESAs), including the European Securities and Markets Authority (ESMA), with a primary focus on public financial markets. These instruments – primarily listed equities and bonds – account for approximately 90% of global investments (McKinsey & Company, 2022). As such, prioritizing them as the initial focus of regulatory measures is a logically grounded approach. Nevertheless, while the real estate sector comprises merely around 3% of total financial capital, it is responsible for approximately 42% of global carbon dioxide emissions and accounts for 36% of overall energy consumption (Architecture 2030, 2025; Wiedman, 2025) (see figure 6).

Despite representing a relatively small portion of total financial capital, the real estate sector – particularly the built environment – holds disproportionate potential to contribute to regulatory objectives and substantially accelerate the transition toward a more sustainable European economy.

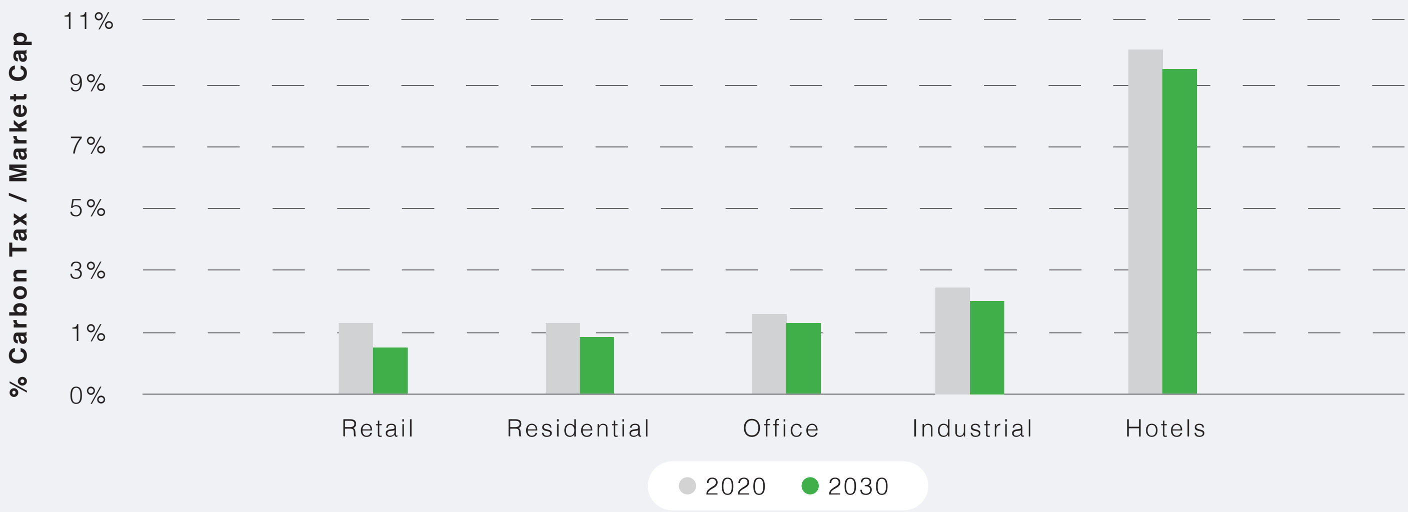
It is therefore important to critically assess whether a regulatory framework initially developed for public markets – characterized by higher liquidity and shorter investment horizons – can be effectively applied to private markets such as real estate, where investment strategies are typically long-term and asset-specific in nature. This question forms the basis of the study's central exploration.

Figure 6 | **Global Investments, Energy Consumption & Emissions Comparison**



Source: Architecture 2030 (2022). *Why the Built Environment.*, McKinsey & Company (2022), *Private Markets Annual Review,* Blackrock (2023). *Private Markets Outlook*

Figure 7 | **Comparing the Impact of Cumulative Carbon Tax on Each Asset Class**



Note: Hotels are most at risk due to slower adoption of ESG and climate-aligned measures, making them vulnerable to carbon pricing impacts.

Source: Robeco (2021). *Sustainable Investing: The financial risk of carbon footprint in the real estate sector*

1.2 Problem Statement

❝ The process of mapping SFDR requirements onto their product offerings described as "an exercise in fitting a square peg in a round hole."

This study seeks to empirically examine how financial market participants and market advisors are experiencing the Sustainable Finance Disclosure Regulation in the real estate sector. More specifically, the aim is to assess how investors experience different ESG indicators included in the disclosures today and thus try to identify how the intentions of the EU regulation differ from what is actually happening in practise. A recent study by European Association for Investors in Non-Listed Real Estate Vehicles [INREV] (2023a) noted that even institutional managers, considered to be frontrunners in sustainability integration, described the process of mapping SFDR requirements onto their product offerings as "an exercise in fitting a square peg in a round hole."

Furthermore, this study draws understanding on how the producers of sustainability disclosures differ from the expectations of disclosure end-users. Rather than seeking to develop a normative framework for sustainability reporting, this research is diagnostic in nature. It investigates how sustainability considerations are currently embedded in investment decision-making across the real estate value chain, capturing the perspectives of both data producers (e.g., ESG professionals, fund managers) and end-users (e.g., investors, lenders).

To contextualize the analysis, the study focuses specifically on hotel assets. While offices, retail, and residential assets have received considerable attention in real estate sustainability research, the hospitality sector remains relatively under-explored.

Moreover, hotel capital markets provide a compelling research setting due to their dual operational and investment complexity, where ESG factors influence both asset-level performance and broader portfolio-level decision-making. Additionally, a recent report on listed real estate sub-industries identifies the hotel and resort sector as the most exposed to net-zero transition risks, facing the highest projected financial impact and the lowest anticipated decarbonisation rate by 2030 – further underscoring the relevance of this sector as the study's focal point (Robeco, 2021) (see figure 7).

Thus, the main research question is:

How do financial market participants in hotel capital markets experience SFDR (and ESG) in their decision-making processes?

To address this, four sub-questions are proposed:

1. **What specific ESG information is important for hotel investors to support their decision making processes?**
2. **What specific ESG information is missing (or needs to be changed) in current ESG disclosures?**
3. **To what extent do ESG disclosures shape investment proposals and asset valuations in hotel capital markets, and how is reputational risk factored into these decisions?**
4. **How do financial market participants assess ESG information when evaluating hotel transactions, and how does SFDR influence this assessment?**

1.3 Delimitations

To maintain feasibility and ensure the research remained focused within the scope of a master's thesis, the study was deliberately delimited to avoid an overly broad investigation. These boundaries were established to allow for a manageable and timely exploration of the topic, while still providing sufficient depth to yield meaningful insights.

Research Scope

Although the study is anchored in a European regulatory context, it does not seek to conduct a detailed comparative analysis of how SFDR is implemented at the national level across EU Member States. Nevertheless, interview participants frequently draw upon their national experiences, thereby contextualizing their responses in relation to local regulatory frameworks and market conditions.

While the SFDR primarily targets EU-based financial market participants, its scope may extend to non-EU entities conducting business within the Union. As a result, certain U.S.-based firms, particularly those with operations or investments linked to the EU, may also be subject to SFDR-related obligations. In this context, the study incorporates limited perspectives from international actors to explore whether they are aware of, influenced by, or responding to the regulation. The purpose of this inclusion is not to analyze international viewpoints in depth but to better understand the positioning and perceived relevance of SFDR beyond EU borders.

In addition, international policy developments – such as the United States Securities and Exchange Commission's (SEC) emerging sustainability disclosure standards – are acknowledged to provide broader context. These references serve to situate the SFDR within a global policy landscape, rather than to engage in a systematic comparison of international regulatory frameworks.

Stakeholder Focus

This research focuses on stakeholders directly engaged in investment decision-making processes within hotel capital markets. These include institutional investors, banks and lenders, fund managers, hotel asset managers, hotel operators, hotel franchise representatives, investment advisory firms, and ESG professionals. By concentrating on these actors, the study aims to capture practical insights from individuals with direct influence over capital allocation, investment strategy and ESG integration.

Conversely, stakeholders not directly involved in financial transactions – such as regulators, policymakers, legal advisors, sustainability certification bodies, and advocacy organizations – were excluded from the interview process. While these groups play an important role in shaping the broader regulatory and normative context, their exclusion reflects the study's objective to investigate the operational experiences and perspectives of financial market participants specifically.

Time Frame

Data collection was conducted between October 2024 and June 2025, a period marked by heightened regulatory activity concerning the European Union's sustainable finance agenda. During this time, the European Commission announced its intention to review key components of the sustainable finance framework, including the Corporate Sustainability Reporting Directive (CSRD), with preliminary discussions also emerging regarding potential revisions to the Sustainable Finance Disclosure Regulation (SFDR). Given the dynamic and evolving nature of the regulatory landscape – particularly in relation to enhancing regulatory clarity, transparency and accountability – any developments occurring after June 2025 fall outside the scope of this research.

Thematic Focus

This thesis focuses on the practical implications of SFDR on decision-making within capital allocation, investment strategy and ESG integration and does not assess the technical accuracy of reported ESG data or compliance audits.

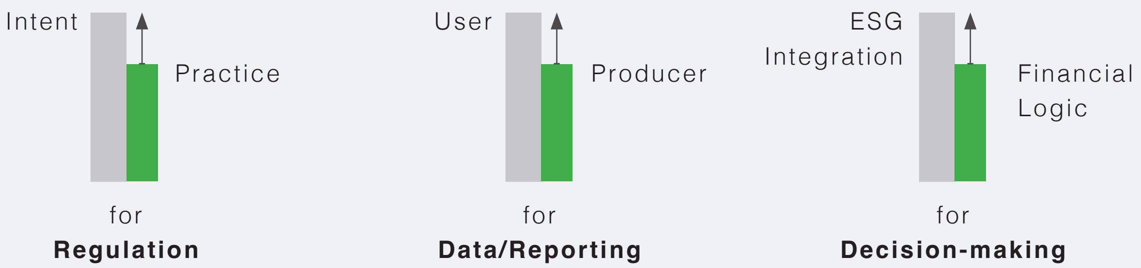
1.4 Expected Contributions of the Study

The majority of previously reported studies within the field of sustainability emerged in the early 21st century, coinciding with the rise of non-financial reporting as a recognized practice. More recently, in response to the adoption of the Sustainable Finance Disclosure Regulation (SFDR), a growing body of literature has focused on its practical implications. These studies primarily examine drivers, barriers, stakeholder perceptions, and engagement levels, often through the lens of fund management or financial accounting (Becker et al., 2022; Birindelli et al., 2023; Fricke & Schlepper, 2024; Hummel & Jobst, 2024; Marszk & Lechman, 2024a, 2024b; Martinez-Meyers et al., 2024; Park, 2023; Reboredo & Otero, 2021; Scheitza & Busch, 2024). Much of this research is situated within finance, economics, and accounting journals.

However, to the best of current knowledge, no academic studies have explicitly examined the application of SFDR within hotel capital markets or the broader European real estate sector. Furthermore, existing research rarely adopts a multi-stakeholder lens that includes institutional investors, lenders, and advisory professionals, leaving a gap in understanding how SFDR is experienced across the investment ecosystem.

The shift from ESG as a voluntary practice – so-called 'soft law' – to a binding regulatory requirement – 'hard law' – has introduced significant implementation challenges. As SFDR remains in its early stages, many financial actors are navigating a transitional period characterized by regulatory ambiguity and iterative policy updates. In the absence of clear guidance, the implementation landscape often resembles a case of "the blind leading the blind," as both practitioners and regulators interpret and operationalize the regulation in real time.

Figure 8 **Key Mismatches Being Addressed**



This study seeks to contribute to three key knowledge gaps (see figure 6):

A. **the divergence between regulatory intent and practice,**
B. **the disconnect between producers and end-users of sustainability disclosures, and**
C. **the integration of sustainability principles into real estate investment decision-making.**

The hotel investment landscape occupies a particularly vulnerable position, as regulatory attention has largely concentrated on office and residential real estate. Consequently, actors within hotel capital markets often find themselves operating in a regulatory grey area, relying on time-consuming and resource-intensive trial-and-error approaches to interpret and implement sustainability requirements.

In conclusion, this research holds relevance for a range of stakeholders. Beyond the investment professionals directly involved in the study, the findings may be particularly relevant for the European Commission, especially in the context of its ongoing revisions of the SFDR framework. The insights may be especially useful for European real estate fund and portfolio managers, who are responsible for ESG data reporting and ensuring regulatory alignment. Moreover, the research may serve as a practical reference for international investors, particularly those based outside the EU, by clarifying the implications of SFDR and offering guidance for the development of their own sustainability reporting practices.

“ Although foreign market actors may be phased into compliance at a later stage, they are well-positioned to proactively adapt and set benchmarks for effective disclosure.

Furthermore, should this research yield actionable and feasible insights, institutional investors may benefit from improved clarity, enhanced disclosure quality, and the integration of reporting features aligned with their informational needs. However, it is important to recognize that such insights are not intended as one-size-fits-all solutions. Rather, they should be viewed as indicative characteristics that can inform context-specific adaptations – whether by sector, firm, or geography. Ultimately, the goal is to contribute toward a financial system where capital flows actively support climate objectives, investors are incentivised to engage in the net-zero transition, and regulatory frameworks are structured to drive tangible outcomes through investment. Lastly, this study aspires to support more informed and constructive dialogue among financial market participants and policymakers.

2

Preliminaries

Financial market participants assess risk differently, shaping how they integrate sustainability into investment decisions.

Chapter Note

The following chapter outlines key concepts, terminology, and structural components related to regulatory frameworks and the distinct characteristics of the hotel sector, providing foundational context for the analysis presented in this thesis.

2.1 Defintion of Key Concepts

Sustainability Reporting

This paper uses Erkens et al. (2015) definition of sustainability reporting: disclosure provided to outsiders of the organization on dimensions of performance other than the traditional assessment of financial performance from the shareholders' and debtholders' viewpoints.

Financial Market Participant

Derived directly from the published regulatory document Article 2(1) (Regulation (EU) 2019/2088, 2019):

A. an insurance undertaking which makes available an insurance-based investment product (IBIP).
B. an investment firm which provides portfolio management.
C. an institution for occupational retirement provision (IORP).
D. a manufacturer of a pension product.
E. an alternative investment fund manager (AIFM).
F. a pan-European personal pension product (PEPP) provider.
G. a manager of a qualifying venture capital fund registered in accordance with Article 14 of Regulation (EU) No 345/2013.
H. a manager of a qualifying social entrepreneurship fund registered in accordance with Article 15 of Regulation (EU) No 346/2013.
I. a management company of an undertaking for collective investment in transferable securities (UCITS management company); or
J. a credit institution which provides portfolio management

Sustainable Investment

Defined in Article 2(17) as an investment in an economic activity that contributes to an environmental objective, as measured, for example, by key resource efficiency indicators on the use of energy, renewable energy, raw materials, water and land, on the production of waste, and greenhouse gas emissions, or on its impact on biodiversity and the circular economy, or an investment in an economic activity that contributes to a social objective, in particular an investment that contributes to tackling inequality or that fosters social cohesion, social integration and labour relations, or an investment in human capital or economically or socially disadvantaged communities, provided that such investments do not significantly harm any of those objectives and that the investee companies follow good governance practices, in particular with respect to sound management structures, employee relations, remuneration of staff and tax compliance (Regulation (EU) 2019/2088, 2019).

Sustainability Risk

Defined in Article 2(22) as an environmental, social or governance event or condition that, if it occurs, could cause an actual or a potential material negative impact on the value of the investment (Regulation (EU) 2019/2088, 2019).

Sustainability Factors

Defined in Article 2(24) as environmental, social and employee matters, respect for human rights, anti-corruption and anti-bribery matters (Regulation (EU) 2019/2088, 2019).

Sustainability Certifications Overview

The following certifications are commonly discussed tools/labels within the commercial real estate industry:

Table 1 **Relevant Sustainability Labels & Tools**

Label/Tool	Scope	Use Case	Region of Origin
Energy Label (A to G Rating)	Individual Building	Regulatory Compliance, energy benchmarking	EU
Carbon Risk Real Estate Monitor (CRREM) Analysis	Individual Building Stock (Carbon Alignment)	Climate risk assessment, decarbonization target alignment	EU
Leadership in Energy and Environmental Design (LEED)	Building Design and operation	Green building certification, global benchmarking	USA
Building Research Establishment Environmental Assessment Method (BREEAM)	Building lifecycle	Sustainable building assessment, EU-focused	UK
Green Key	Hotel & Tourism operations	Sustainable operations certification in hospitality	Denmark
Global Real Estate Sustainability Benchmark (GRESB)	Portfolio-Level ESG	ESG performance benchmarking for investors	Netherlands

2.2 Investment Ecosystem

Commercial Real Estate Investment Market Players

Hotel real estate is part of a global, financialized market where assets are layered with complex debt, equity, and ownership structures. To understand how SFDR is experienced in hotel capital markets, it's essential to first understand how this ecosystem works.

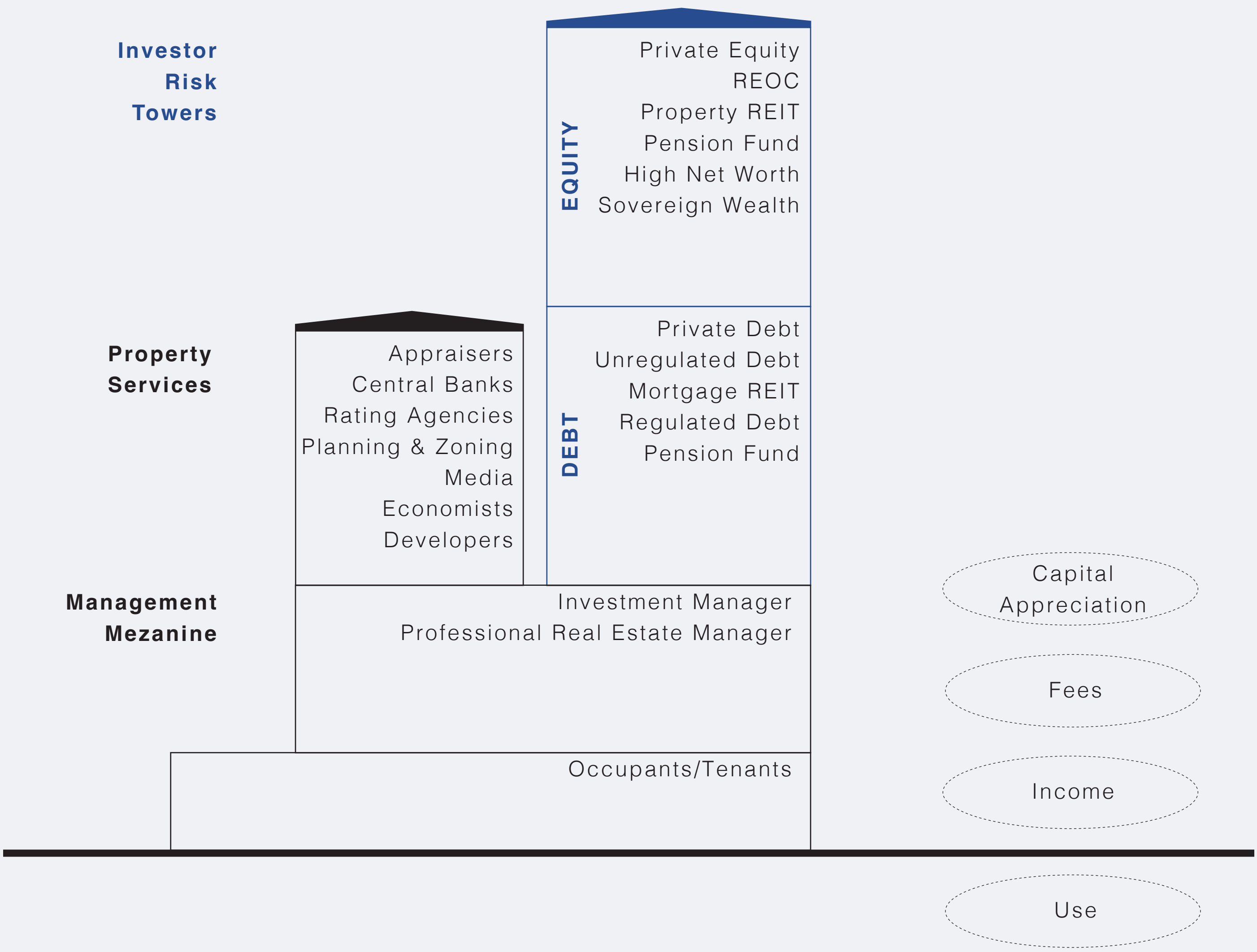
A report by Buehler & de Almeida (2016) uses the metaphor of a building to describe the commercial real estate (CRE) ecosystem (see figure 9). The commercial real estate ecosystem can be thought of as a multi-level structure composed of two key groups: market actors and external influencers. At its base are tenants, whose rental payments form the financial foundation of the asset. The higher the occupancy, the stronger and more stable the income stream, which in turn supports the property's value.

This base is financed through a diverse mix of debt and equity investors, each positioned along a capital structure that reflects their appetite for risk and expected returns. Generally, as one moves upward in the capital stack, the tolerance for risk – and the demand for returns – increases. These investors typically operate independently, but they all channel their capital through investment managers, who are responsible for allocating funds to assets that match each investor's strategy. Once investments are placed, operational responsibility shifts to real estate managers, who manage the asset in alignment with those strategic goals.

Supporting these activities is a wider set of external influencers – regulators, policy bodies, appraisers, economists, and media – who shape market expectations, valuations, and behavior from outside the direct investment chain. These actors are akin to a supporting structure that surrounds the building.

Over time, as market dynamics shift, each participant monitors the asset from their own vantage point. Some focus on generating income, others prioritize capital gains, operational efficiency, or space utilization (see figure 8). Their distinct objectives lead to different performance indicators, creating a diverse set of benchmarks across the ecosystem. Even small decisions or adjustments – whether financial, regulatory, or operational – can set off ripple effects that amplify across the system, influencing stability, pricing, and market confidence (Buehler & de Almeida, 2016).

Figure 9 **Commercial Real Estate Investment Ecosystem Building**



Source: Buehler & de Almeida (2016). *Understanding the C.R.E Investment Ecosystem*

Furthermore, the study adopts Buehler & de Almeida (2016) definitions for the following financial market participants:

Table 2 **Defining Financial Market Participants**

Equity Investor	Description
Private Equity Fund	A private equity fund is a collective investment structure used for making investments in various equity and debt securities and/or assets according agreed to investment strategies. Private equity funds are typically limited partnerships with a fixed term of 10 years.
REOC (Real Estate Operating Company)	A real estate operating company (REOC) is similar to a real estate investment trust (REIT), except that an REOC will reinvest its earnings into the business, rather than distributing them to unit holders like REITs do. REOCs can be private, public non-traded, or publicly traded.
Property REIT (Real Estate Investment Trust)	Real Estate Investment Trust (REIT) is a type of entity that invests in real estate through property or mortgages. It can be privately or publicly traded. REITs distribute 90% of taxable net income. Equity REITs invest in and own properties. Public REITs can provide investors with a liquid stake in real estate.
Pension Fund	A fund established by an employer to facilitate and organize the investment of employees' retirement funds contributed by the employer and employees.
High Net Worth & Family Office	High Net Worth is a classification used by the financial services industry to denote an individual or a family with high net worth. Although there is no precise definition of how rich somebody must be to fit into this category, high net worth is generally quoted in terms of liquid assets over a certain figure and access to private equity funds, hedge funds, pre-IPO and IPO (initial public offering) shares, etc. There is an ability to purchase large properties or portfolios with little to no liquidity issues or need for debt financing. "Family Office" generally refers to the group charged with managing the High Net Worth individual or family.
Sovereign Wealth	A sovereign wealth fund (SWF) is a state-owned investment fund investing in real and financial assets such as stocks, bonds, real estate, precious metals, or in alternative investments such as private equity fund or hedge funds. Sovereign wealth funds invest globally.

Debt Investor	Description
Private Debt	Private debt is issued by private companies when they borrow using simple loans in order to raise funds for expansion or operations.
Unregulated Debt	The financial intermediaries involved in facilitating the creation of credit across the financial system that are not subject to regulatory oversight. Also known as "shadow" banks. The shadow banking system can also refer to unregulated activities by regulated institutions. Unregulated debt can include Insurance Companies that provide debt for stabilized real estate investments in order to generate income to cover annuity payments from annuity buyers.
Mortgage REIT (Real Estate Investment Trust)	Real Estate Investment Trust (REIT) is a type of entity that invests in real estate through property or mortgages. It can be privately or publically traded. REITs distribute 90% of taxable net income. Public REITs can provide investors with a liquid stake in real estate.
Regulated Debt (e.g. Commercial Bank)	Regulated debt covers a broad spectrum of organizations where there are regulatory laws and guidelines associated with investing practices and procedures. A commercial bank is one of several institutions that fall under this broad category. A commercial bank often specializes in originating and/or servicing commercial property mortgage loans.
Pension Fund	A fund established by an employer to facilitate and organize the investment of employees' retirement funds contributed by the employer and employees.

Source: Buehler & de Almeida (2016). *Understanding the CRE Investment Ecosystem*

Table 3 | **Defining Other Key Financial Market Players**

Players	Description
Investment Managers	Investment managers decide how to allocate money to a variety of investment and asset types based on investment strategies. Investment Managers that invest in real estate seek to maximize the performance and value of a portfolio of real estate assets.
Professional Real Estate Manager	Professional Real Estate Managers are advisors that manage real estate assets consistent with agreed to performance and value objectives. Profes-sional Real Estate Managers are often concerned with increasing the oper-ational utility of individual assets through increasing occupancy.
Appraisers	Company or institution that performs property valuation for a third party. Often done by researching historical market transactions to approximate current market values.
Central Banks	A central bank, reserve bank, or monetary authority is an institution that manages a state's currency, money supply, and interest rates. The Federal Reserve System (also known as the Federal Reserve, and informally as the Fed) is the central banking system of the United States.
Real Estate Developers	Create, imagine, control and orchestrate the process of real estate development (and redevelopment) from the beginning to end. A developer often buys the land through a combination of debt and equity and is therefore often a property owner/investor – however a developer can also offer individual a-la-carte services for specific projects.

Source: Buehler & de Almeida (2016). *Understanding the CRE Investment Ecosystem*

Figure 10 | **Focus & KPIs of Each Financial Market Participants Matrix**

		Focus					KPIs																		
		Capital Preservation	Capital Appreciation	Income	Fees	Use	Internal Rate of Return	Multiple on Invest Capital	Total Return to Sharhldrs.	Return on Invested Capital	Earnings before Interest, Taxes, Dep and Amortization, Gross Asset Value (EBITDA/GAV)	Funds from Operations	Share Price	Yields	Credit Spreads	Net Operation Income	Portfolio Growth	Portfolio Diversification	Loan To Value (LTV)	Transaction Volume	Assets Under Mgmt.	Vacancy & Utilization	Net Effective Rent	SM/Person	Favorability of Contract
Equity Investors	Private Equity Fund		●	●			●	●																	
	REOC		●	●					●	●	●														
	Property REIT		●	●							●	●	●												
	Pension Fund	●	●											●											
	High Net Worth		●	●												●	●	●							
	Succeeding Generations		●	●												●	●	●							
	Sovereign Wealth		●	●										●			●	●							
Debt Investors	Private Debt		●	●										●	●				●						
	Unregulated Debt		●	●										●	●				●						
	Mortgage REIT			●															●						
	Regulated Debt		●	●										●	●				●						
	Pension Fund			●										●					●						
Mgmt.	Investment Manager		●	●	●											●				●	●				
	Prof. RE. Manager			●	●											●				●	●				
	Occupant/Tenant					●																●	●	●	●

Source: Buehler & de Almeida (2016). *Understanding the CRE Investment Ecosystem*

As seen in figure 10 depending on the actor, their focus can range from, capital preservation, capital appreciation, income, fees and use. Coherently, the KPIs that inform decision-making also differ, to name a few: internal rate of return, share price, net operating income, portfolio growth, loan to value and vacancy and utilization.

The following are key financial metrics that were discussed the most during data collection:

Table 4 **Defining Key Financial Metrics**

Equity Investor	Description
Capital Expenditures (CapEx)	Refers to major investments in physical assets or improvements that extend the life or value of a property, such as structural renovations or system replacements. These are typically non-recurring and capitalized on the balance sheet.
Operating Expenditures (OpEx)	Recurring expenses necessary for the day-to-day functioning of a property, including maintenance, utilities, insurance, and property management fees. These are deducted from gross income to calculate net operating income.
Capitalization Rate (Cap Rate)	A key valuation metric that expresses the expected annual return on a real estate investment, calculated as the ratio of a property's net operating income to its market value. It reflects both perceived risk and market pricing.
Cash-on-Cash Return	Measures the annual pre-tax cash flow produced by a property relative to the actual cash invested. Unlike the cap rate, it considers financing and reflects the investor's equity performance.

Source: Buehler & de Almeida (2016). *Understanding the CRE Investment Ecosystem*

Understanding the Investment Ecosystem & Sustainable Investing

The European Association for Investors in Non-Listed Real Estate Vehicles (INREV) (2015) identifies the following three as the most common ways individuals invest in real estate. First, through direct investment, by acquiring physical properties. Second, by purchasing shares in publicly listed real estate companies or REITs, which offer liquid, market-traded exposure, also known as an indirect investment. Third, by allocating capital to non-listed (private) real estate funds, which are typically managed by institutional fund managers and involve longer-term, less liquid commitments. These investment pathways sit within a broader financial system where capital flows from individuals – often unknowingly, through pensions or insurance premiums – to companies and governments via layers of intermediation. Asset owners such as pension funds, insurers, and mutual funds act as key allocators of capital, but their ability to prioritize environmental or social goals is shaped by legal duties and market norms, such as fiduciary obligations. Additionally, asset managers, acting on behalf of these owners, determine where and how capital is deployed.

Companies typically receive capital through two main channels: equity (ownership shares) and debt (fixed-income instruments like bonds). Equity can be either private or publicly traded, offering varying levels of access and liquidity. Investors accept different levels of risk depending on the asset class – public equity, private equity, public debt, private debt, and real assets like infrastructure and property – all of which may form part of a diversified portfolio. Although climate change poses a systemic risk to long-term investment returns, the path for investors, and market players in general, to support the transition is often indirect and constrained by structural barriers. Barriers include (Alexander et al., 2024b):

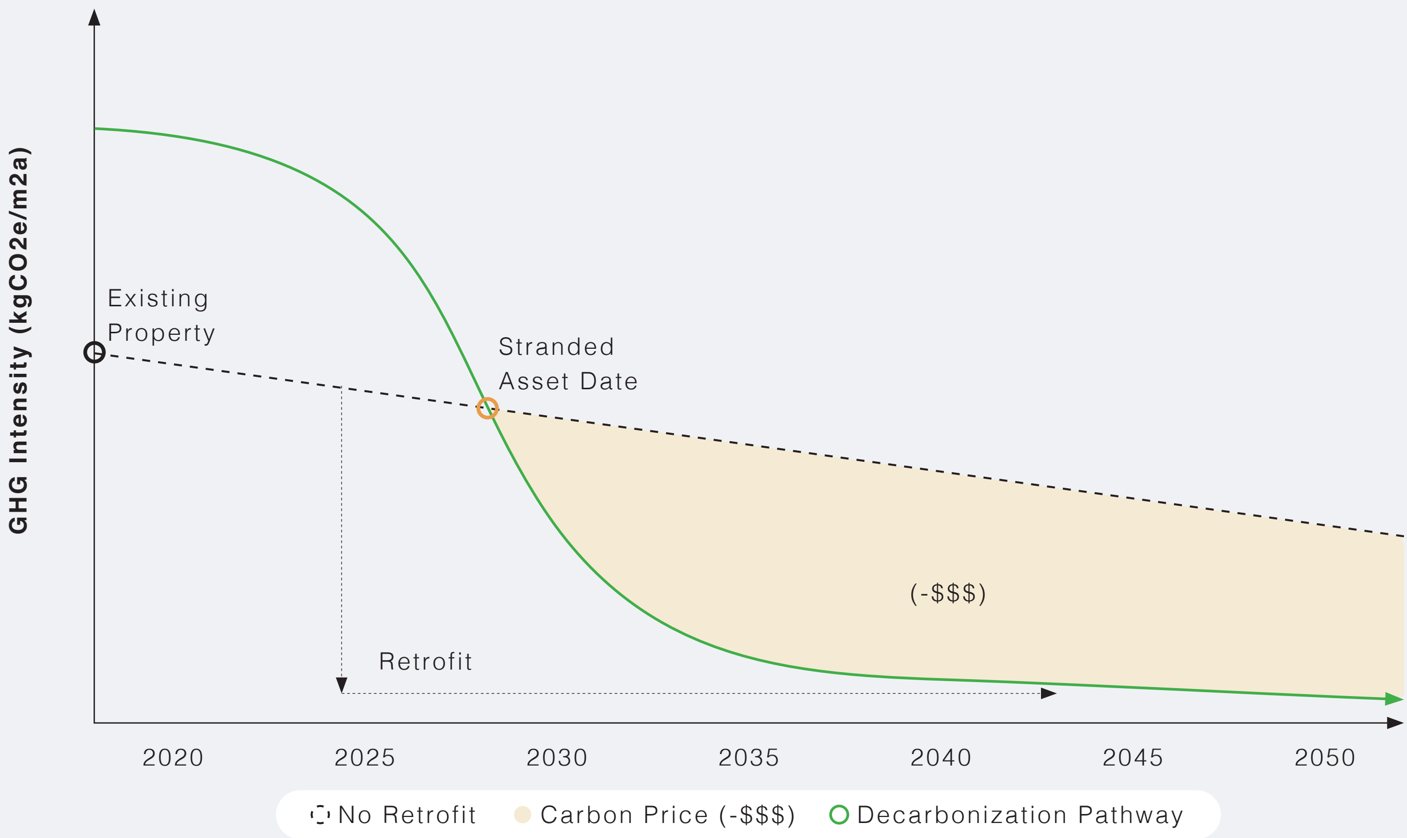
+ Lacking in policy progress, limiting alignment between portfolios & sustainability outcomes.
+ Shortage of investable environmental solutions that offer market-competitive returns.
+ Misinterpretation of legal frameworks, including fiduciary duties & concerns around acting in concert.
+ Inadequate sustainability disclosures by companies, reducing transparency & comparability.
+ Inadequate expertise and resourcing.
+ Short-termism and short-term reporting requirements.

Transition Risk & Stranded Assets

These barriers not only slow the pace of sustainable capital allocation but also heighten exposure to transition risks – particularly in carbon-intensive sectors like real estate. When assets fall short of emerging environmental standards or fail to align with evolving investor mandates, they risk becoming stranded: declining in value or becoming unmarketable well before the end of their expected economic lifespan. As regulations tighten and ESG scrutiny increases, the risk of asset stranding is becoming a material concern for investors navigating the shift to a low-carbon economy.

Within this thesis, stranded assets emerged as a recurring point of concern across interviews and analysis. To illustrate this, the following graph presents two diverging pathways: one where no investment is made to improve an asset's environmental performance – leading to early obsolescence or write-down – and another where targeted capital expenditure delays or avoids stranding altogether. This visualization helps clarify the financial implications of (in) action under decarbonization scenarios..

Figure 11 **Carbon Risk Real Estate Monitor Analysis Identifying Stranded Date of Assets**



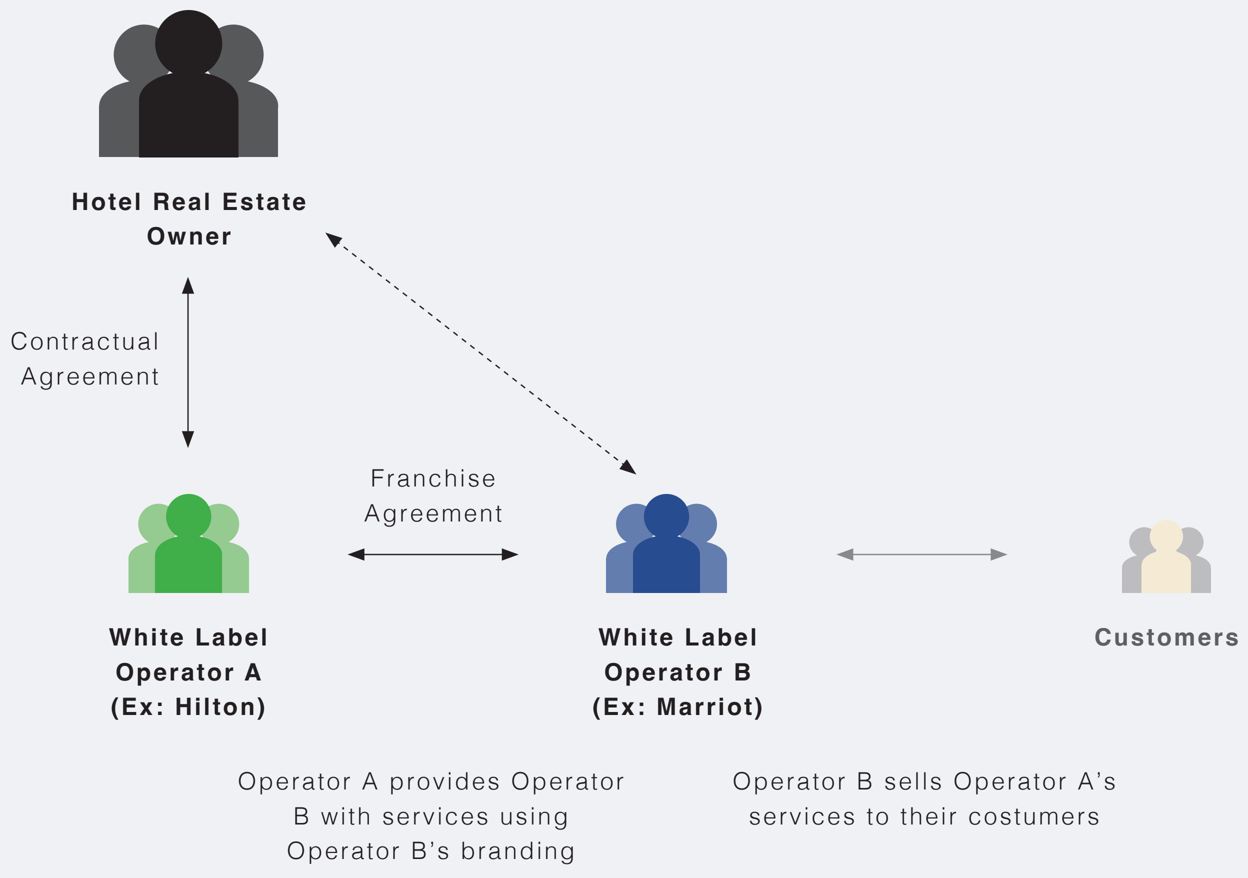
Note: When assessing an existing property at risk of misalignment with low-carbon goals, the graph illustrates the impact of inaction (i.e., no retrofit). In this scenario, the asset reaches its "stranded date" sooner. Conversely, taking proactive measures and allocating capital for a retrofit can delay or even prevent the asset from becoming stranded, thereby preserving its value.

Hotel Ownership & Operation Structure

In the hotel sector, ownership and operations are often divided among multiple entities. The PropCo owns the physical asset, the OpCo operates the hotel day-to-day, and the BrandCo (or franchisor) licenses the hotel brand, systems, and standards. The franchise sits at the BrandCo level, earning fees based on revenue or profit, without owning or operating the asset directly. These roles are typically defined through contractual agreements – such as lease contracts, management agreements, and franchise licenses – that formalize responsibilities, financial terms, and brand standards (Hubbard & Li, 2022). In some cases, non-contractual relationships or informal partnerships may also exist, particularly in early-stage deals or within family-owned portfolios. This structural separation allows risk to be distributed, operational efficiency to be optimized, and branding to remain consistent across multiple ownership scenarios, but it also creates challenges for aligning ESG responsibilities and regulatory compliance.

The following figures illustrate the layered structure through which control over decision-making is either retained or delegated. These governance arrangements often form the foundation for whether actors remain aligned – or misaligned – with ESG objectives.

Figure 12 **Triangle Relationship & The Use of White Label Operators**



White label operators, also known as third-party operators (TPOs), are hotel management companies that are independent from both the property owner and the hotel brand. Common in the UK and originating in the U.S., this model allows owners to secure brand affiliation through a direct franchise agreement while outsourcing daily operations to a separate specialist (Miljković & Critchley, 2023). Though traditionally associated with smaller or limited-service hotels, TPOs are increasingly being used in upscale and luxury segments due to their operational expertise and flexibility across multiple brand portfolios (Miljković & Critchley, 2023). The following table provide an overview of the advantages of such arrangements.

Table 5 **The Advantages of White Label Operators**

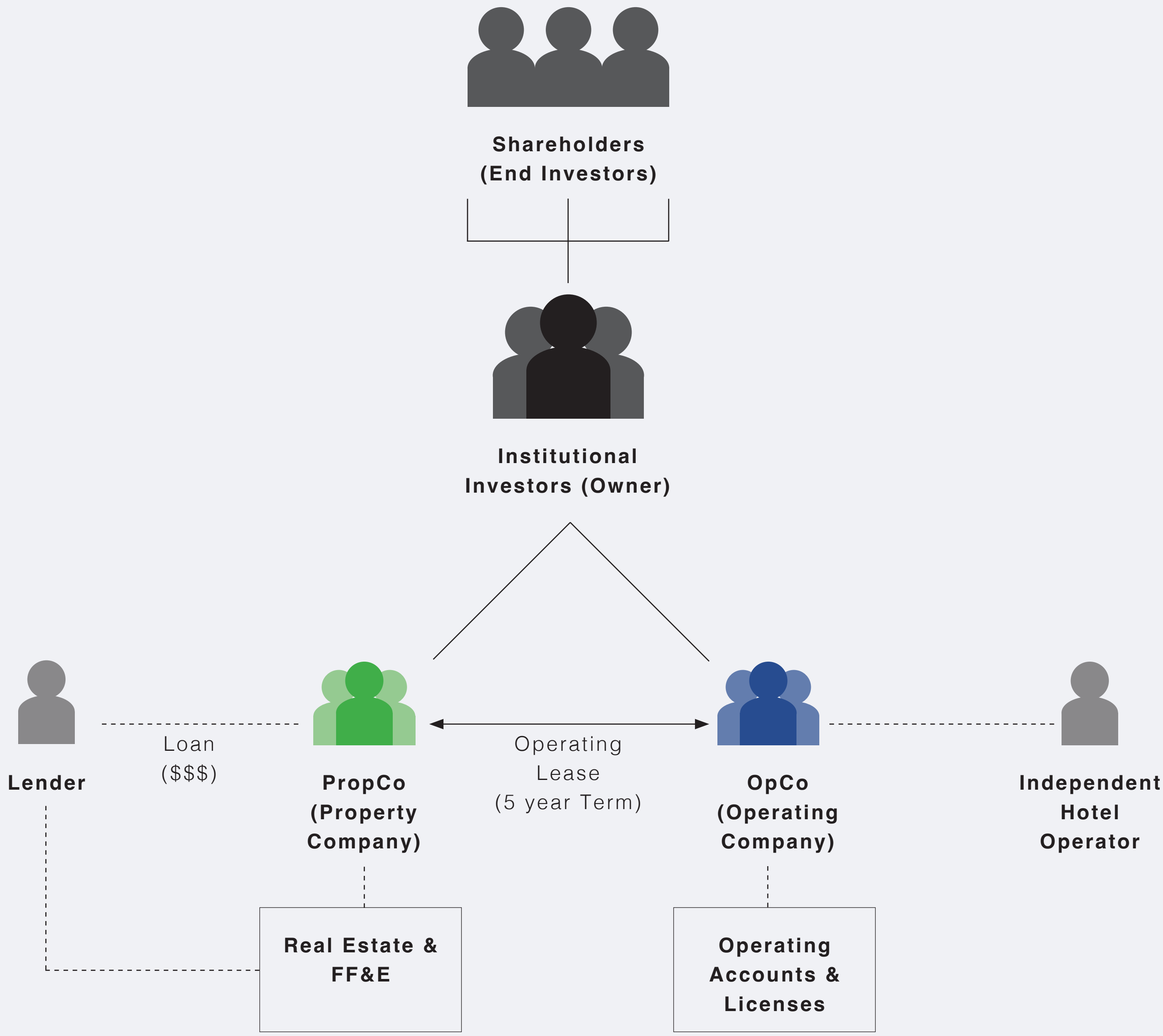
Players	Description
Term	Due to competition for new owners and markets, third-party operators (TPOs) often accept shorter contract terms than traditional brand-managed agreements. While brand management contracts typically span 20–30 years, TPO agreements usually range from 5–10 years, with some as short as one year in turnaround situations. Automatic renewal clauses are generally rare in these arrangements.
Termination Rights	Termination clauses in branded operating contracts are often rigid and costly, involving significant termination fees or liquidated damages. In contrast, third-party operator (TPO) agreements tend to be more flexible and owner-friendly, frequently allowing termination at a lower cost – especially in cases of ownership change. This flexibility enhances asset liquidity by making properties more attractive to potential buyers seeking unencumbered investments.
Horizontal Management Structures	Horizontal management structures are common among third-party operators (TPOs), where there are fewer layers between contract negotiation and operational oversight. Often, the same regional teams that develop financial projections are also responsible for day-to-day performance, resulting in greater accountability and typically more reliable forecasting compared to brand-managed models.
Owner Engagement	Traditional brand management contracts often limit the owner's ability to influence staffing decisions, except during the annual budgeting process. This can create tension if the owner views staffing as excessive while the manager sees it as essential for maintaining brand standards. In contrast, some third-party operator (TPO) agreements include regular owner meetings and offer more favorable approval rights, allowing owners to provide input on staffing and, in some cases, initiate managerial changes in cases of underperformance.
Challenging Brand Position	While both branded operators and third-party operators (TPOs) value brand standards, TPOs are often more willing to challenge brand requirements that impose unnecessary costs or constraints on the owner. Unlike brand managers, who strictly follow corporate brand directives – even when they primarily serve the brand's interests – TPOs tend to prioritize initiatives that directly enhance hotel profitability and may push back against standards they view as financially burdensome.
Fees	Hotel management agreements (HMAs) typically include a base fee tied to total revenue and an incentive fee linked to gross operating profit (GOP). In brand-managed setups, base fees range from 2–4% of revenue, while in TPO agreements, they are often lower at 1–3%. Incentive fees reward profitability, typically ranging from 6–10% of GOP for branded operators and 5–8% for TPOs. Brand agreements often include additional system charges (e.g. for marketing, software, or audits), which are usually reduced or absent in TPO models. Although TPOs may involve both franchise and management fees, they often justify this through improved revenue and leaner operations.
Focus on Value	While both brand managers and third-party operators (TPOs) aim to drive revenue and profitability, TPOs often place greater emphasis on maximizing the overall value of the owner's investment. This focus has led some TPOs to expand their role, offering services such as asset management, investment advisory, and development support. In certain cases, TPOs contribute 'sliver equity' or accept lower management fees in exchange for a share of future sale or refinancing proceeds – aligning their interests more closely with those of the owner.
Operational Advantages	While TPOs don't consistently outperform brand managers, larger ones often benefit from greater operational flexibility. Free from strict brand protocols, they can adapt faster, set independent pricing, and choose which brand programs to join. They also offer more competitive procurement options and may be required to pass supplier discounts to owners, improving transparency and cost efficiency.

Source: Miljković & Critchley (2023). *The Rise of Third-party Hotel Operators in Europe*

To further illustrate the layered nature of hotel ownership and operations, the following figure introduces the PropCo/OpCo model, where the property company (PropCo) owns the physical asset and the operating company (OpCo) manages day-to-day hotel operations. Once again, this separation allows for risk distribution, financing flexibility, and targeted asset management (Ratino & Schneider, 2015).

The subsequent figure expands the view to include shareholders and fund structures, specifically highlighting how Invesco structures their hotel fund. It shows how investors, fund managers, and asset-level entities are interconnected within the broader real estate investment ecosystem.

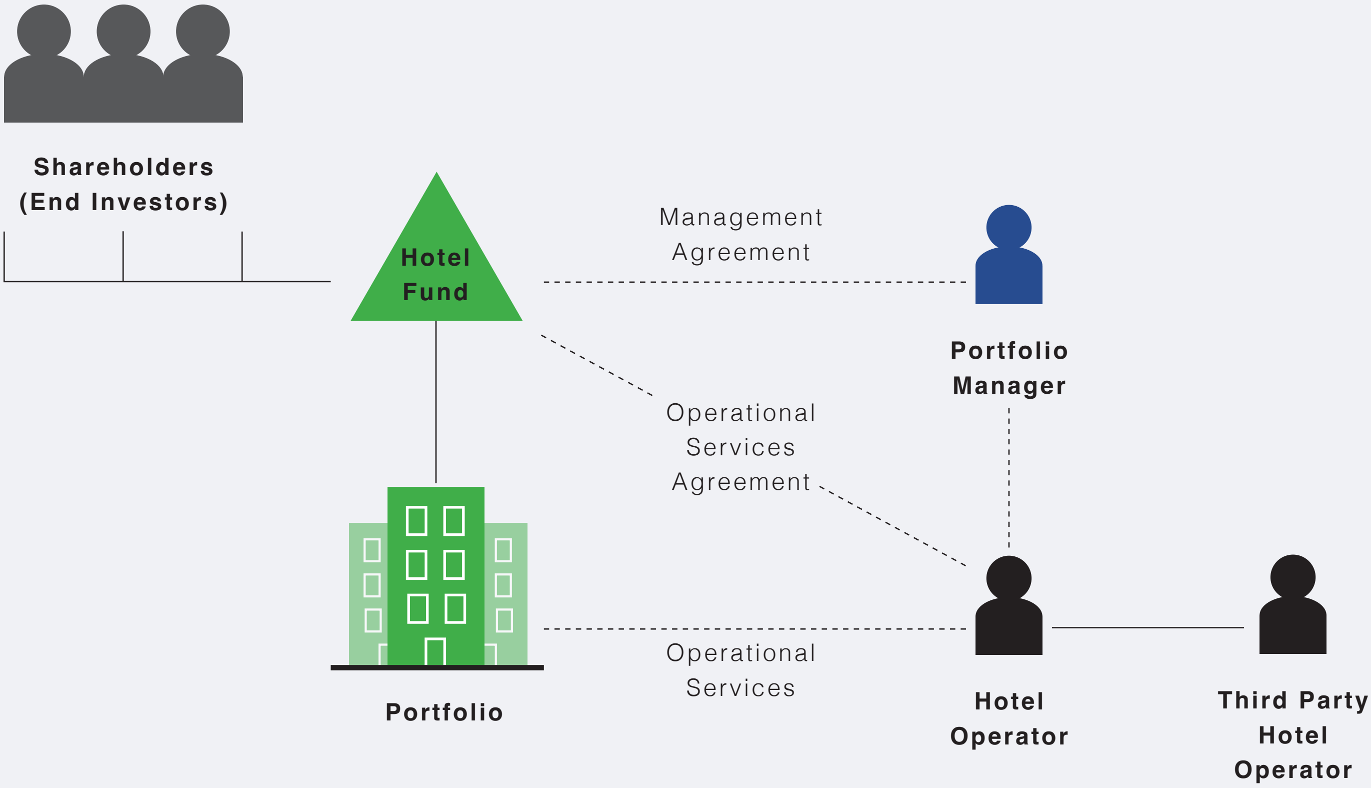
Figure 13 **Complex Stakeholder Structures in Hotels (Propco & Opco)**



Note: The separation between PropCo and OpCo in hotel structures enables financial and operational specialization but can also fragment decision-making and dilute accountability for ESG performance. Since ESG responsibilities are often passed between entities, their effectiveness ultimately depends on how well incentives and governance structures are aligned across both ownership and operational layers.

Source: Ratino & Schneider (2015). *Accessing International Equity: A Primer on Private REITs in the Hotel industry*

Figure 14 | **Invesco's Hotel Fund Investment Structure: Third Party Owned Operator**



Note: This structure reflects a preference among fund managers and investors to lease hotel assets to a third-party operator, securing both a minimum guaranteed rent and a share of profits. The hotels operate under long-term franchise agreements with brands such as IHG and Hilton, which require the operator to uphold specific brand standards. This model aligns the interests of owners and experienced operators in a specialized segment, while also enabling operational transparency and oversight without necessitating direct management involvement.

Source: European Association for Investors in Non-Listed Real Estate Vehicles (INREV) (2024). *Operational Real Estate Case Study C: Hotels*

Table 6 | **Invesco's Hotel Fund: Real Estate & Asset Management Characteristics**

Real Estate	Description
Portfolio	Consisting of 11 hotels across seven German cities, totaling 2,300 rooms.
Existing Assets	All properties were built between 1972 and 2002.The assets are distributed across three funds managed by Invesco Real Estate (IRE): two separately mandated accounts and one open-ended pooled fund.
Asset Mgmt.	**Description**
Hybrid Lease Structure	Combines minimum guaranteed rent with profit sharing, offering higher leverage and flexible termination on sale to maximise value.
Operator Co-Investment & Incentives	Operator holds a stake at discount and earns promote incentives for surpassing IRR targets.
Branding Adjustments	Negotiations with IHG enabled rebranding, with two Amsterdam hotels sold vacant and one in Heidelberg converted to Hilton.
Franchise Flexibility	IHG agreements align with leases but are terminable at a future date, allowing future sales on a vacant possession basis.

Source: INREV. (2024). *Operational Real Estate Case Study C: Hotels*

Average Daily Rate & Revenue per Available Room

Average Daily Rate (ADR) and Revenue per Available Room (RevPAR) are fundamental financial performance indicators used in the valuation and benchmarking of hotel assets (Hargrave, 2020).

A. ADR is calculated by dividing total room revenue by the number of rooms sold, reflecting the average income earned per occupied room.
B. RevPAR is computed by multiplying ADR by the occupancy rate or by dividing total room revenue by the number of available rooms, thereby integrating both pricing and utilization efficiency.

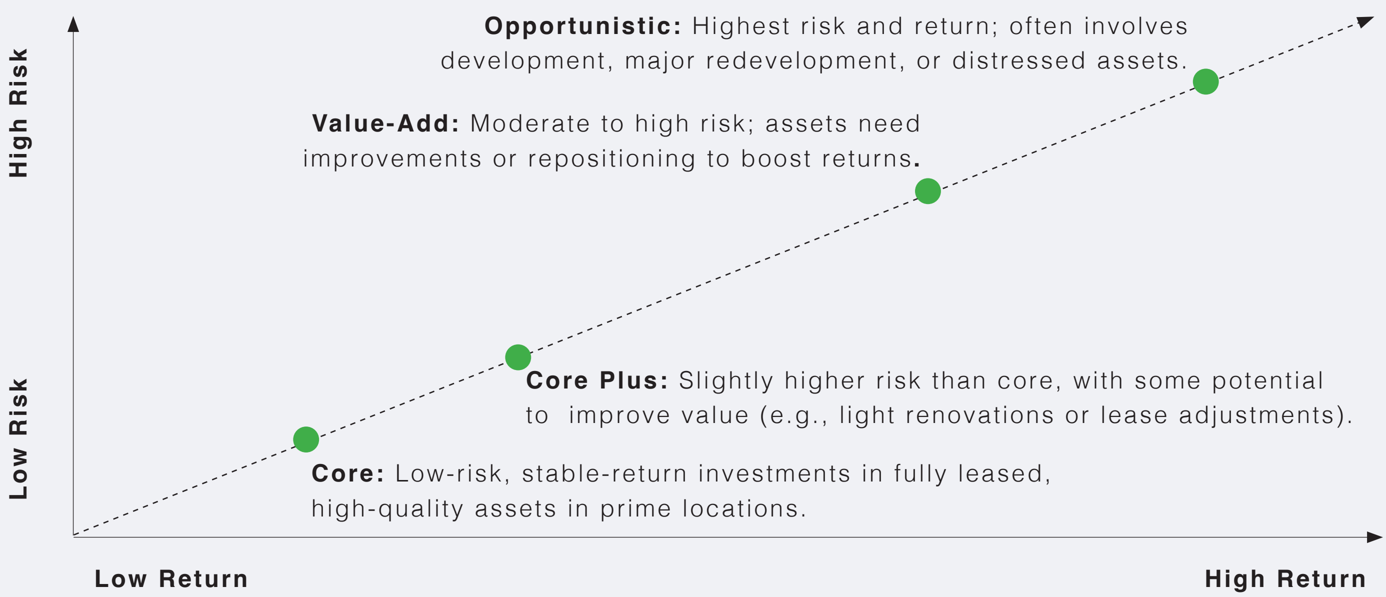
In the context of this study, these indicators are crucial for assessing the operational performance and income-generating potential of hotel properties, which directly impacts asset valuation and investment decisions. From a sustainability and ESG perspective, higher operational efficiency – evident through stable or growing ADR and RevPAR – can enhance investor confidence and reduce perceived risk. Furthermore, incorporating sustainability certifications or energy-efficiency upgrades may positively influence these metrics by attracting ESG-conscious clientele and reducing operating costs, thus reinforcing the financial rationale for ESG integration in hotel investment strategies.

The Sharpe Ratio & Investment Strategies

The Sharpe Ratio, introduced by Sharpe (1966), is a foundational concept in finance used to evaluate the efficiency of an investment's return relative to its risk. By comparing excess returns to the volatility of those returns, the ratio provides a standardized measure of risk-adjusted performance. It is widely applied in both public and private markets to assess whether an investor is being adequately compensated for the level of risk taken (Bailey & Lopez de Prado, 2011; Sharpe, 1994).

In hotel real estate, where risk is distributed across ownership, operations, and branding, the Sharpe Ratio can be particularly insightful. It allows investors to benchmark different asset or operational models – such as fixed leases versus managed hotels – based on how effectively they convert risk into return. Understanding how this ratio informs investment efficiency lays the groundwork for categorizing real estate strategies by their risk-return profiles, such as Core, Core Plus, Value-Add, and Opportunistic approaches. The figure below uses Baum & Hartzell's (2011) definitions:

Figure 15 **Defining Risk Profiles**



The Research Participants & Their Profiles

Building on the preceding stakeholder overview, the following table outlines the six participant types central to this study. Each represents a distinct role within hotel capital markets and is considered a financial market participant (FMP) under SFDR. Their inclusion reflects both their functional relevance to ESG integration and their exposure to the regulatory mandates introduced by the mandate.

Table 7 **Overview of Stakeholder Profiles in Hotel Capital Markets**

Archetype	Description
Institutional Investor	Manage hotel portfolios for pension funds and insurers; focus on core strategies, long-term value, and ESG integration at fund and asset levels.
Private Equity	Engage in value-add or opportunistic hotel investments funded by high-net-worth individuals; prioritize returns, operational flexibility, and timely exits.
Investment Management	Manage hotel assets on behalf of private clients; align assets with brand standards and investor mandates while navigating ESG disclosures and lender expectations.
Lenders	Provide financing for real estate assets; integrate ESG into risk assessments and underwriting criteria, emphasizing energy performance and sustainability-linked lending.
Advisors	Support developers and investors through technical due diligence and ESG advisory; translate ESG regulations into actionable investment strategies.
Hotel Franchise	Oversee brand standards and ESG implementation across franchises; limited asset ownership but significant influence through brand protocols and data collection frameworks.

3

Status Quo: Regulatory Overview

SFDR is well-intentioned but not yet suited to real estate, and at times may even encourage misaligned sustainability strategies.

Chapter Note

This chapter outlines the Sustainable Finance Disclosure Regulation (SFDR) and its implications for real estate market participants. It examines how industry actors engage with the regulation in practice – highlighting the operational tasks, reporting responsibilities, and interpretive challenges that shape their experience.

Given the direct alignment between the scope of this study and the European Association for Investors in Non-Listed Real Estate Vehicles [INREV] (2023b) report *Falling Through the Cracks: SFDR's Impact on Real Estate Investment*, this section draws directly on its findings. The report presents the only structured, professionally published investigation to date into the practical implementation of SFDR in real estate markets, based on interviews with ten institutional investors and asset managers operating at the forefront of ESG integration.

3.1 SFDR in Commercial Real Estate

The Sustainable Finance Disclosure Regulation (SFDR) is widely regarded as a constructive advancement in encouraging ESG and sustainability-oriented investment practices within the European Union – an ambition that is broadly supported by real estate investors and asset managers. Introduced in November 2019 as part of the European Commission's 2018 Action Plan on Financing Sustainable Growth, SFDR was developed to enhance transparency and consistency in how financial institutions integrate sustainability considerations into their decision-making processes. Specifically, it seeks to address the limited clarity surrounding how institutional investors, asset managers, and financial advisors account for environmental and social factors, as well as the principal adverse impacts (PAIs) of their investment activities.

The regulation establishes a two-tiered framework:

+ Level 1 outlines high-level, principles-based requirements (PBR), while
+ Level 2 introduces detailed Regulatory Technical Standards (RTS) that specify the format, metrics, and methodology for ESG-related disclosures.

SFDR is binding for Financial Market Participants (FMPs) and Financial Market Advisors (FMAs) operating within the EU. However, it can also extend to non-EU entities, depending on how their financial products are marketed within the European market. Importantly, the regulation mandates disclosure obligations at both the entity and product levels.

The SFDR's high-level disclosure obligations (Level 1) have been in effect since 10 March 2021, requiring financial market participants to report on product sustainability and principal adverse impacts (PAIs). The European Commission adopted the detailed Regulatory Technical Standards (RTS) in April 2022, which became applicable on 1 January 2023. These RTS establish standardized templates for both (1) entity level reporting of PAI of investment decisions on sustainability factors, (2) and product level pre-contractual and website disclosures and periodic reports (.ee figure 15).

The Annex breakdown is as follows:

+ Annex 1: Template of reporting PAIs on sustainability
+ Annex 2 and Annex 3: Template of pre-contractual information for financial products referred to in Articles 8 and 9 of SFDR
+ Annex 4 and Annex 5: Template of periodic information for financial products referred to in Article 8 and 9 of SFDR.

Figure 16 | **Visualizing SFDR's Purpose**

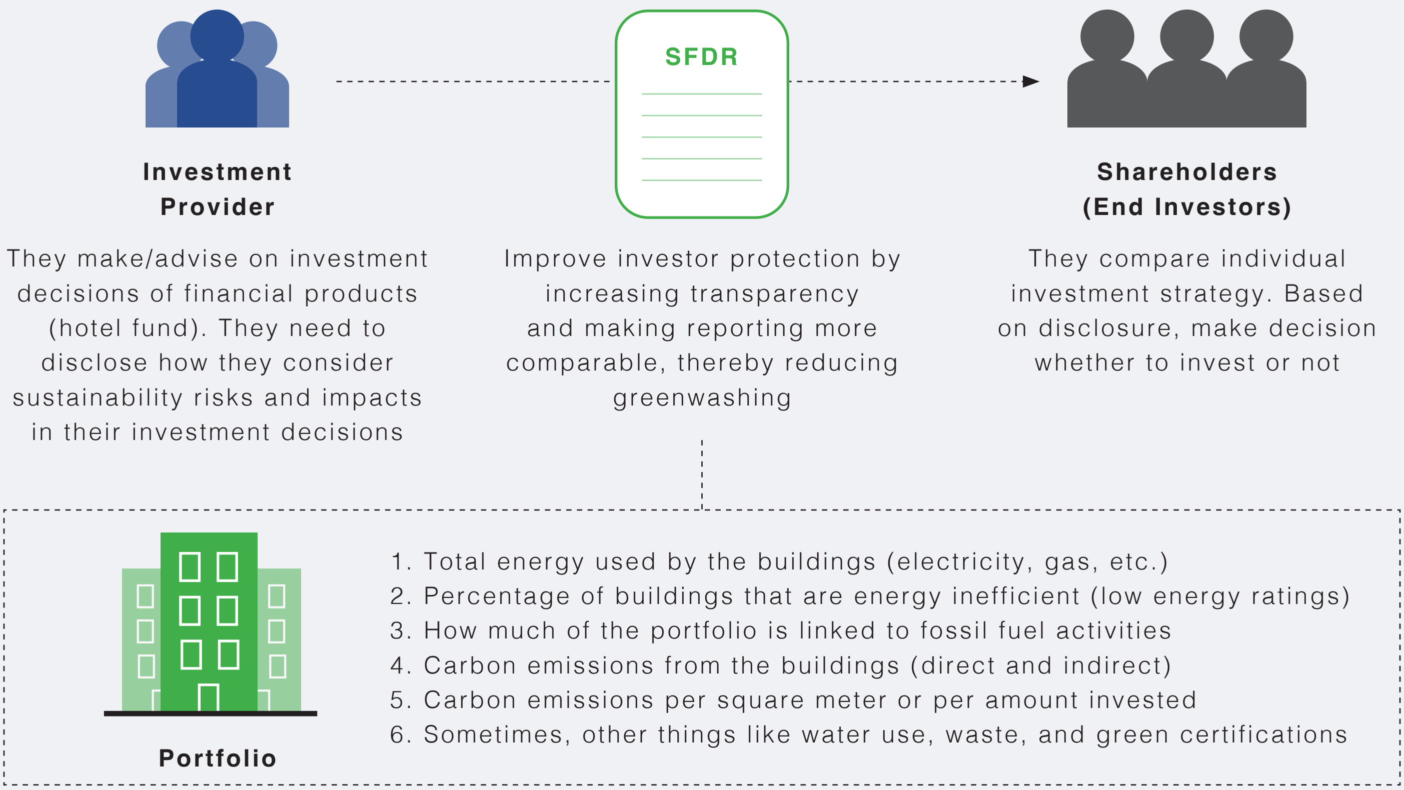


Figure 17 | **SFDR Article Breakdown**

		LEVEL 01 - PBR
Definitions	Article 1	Subject Matter and Scope
	Article 2	Definitions
Core disclosure requirements for financial market participants and financial advisers	Article 3	Transparency of sustainability risk policies
	Article 4	Transparency of Adverse Sustainability Impacts
	Article 5	Transparency of Remuneration Policies
	Article 6	Transparency of the integration of sustainability risks
	Article 7	Transparency of adverse sustainability impacts at financial product level
	Article 8	Transparency of the promotion of environmental or social characteristics
	Article 9	Transparency of sustainable investments in pre-contractual disclosures
	Article 10	Website Product Disclosures
	Article 11	Periodic Reporting
	Article 12	Consistency of Disclosures
	Article 13	Marketing Communications
Final provisions, entry into force, and transitional arrangements	Article 14	Application to Financial Advisers
	Article 15	Application to Insurance-based Investment Products
	Article 16	Application to Pension Product Manufacturers
	Article 17	Exemptions
	Article 18	Review
	Article 19	Amendments to Other Regulations
	Article 20	Entry into Force and Application
		Level 02 - RTS
Mandatory Disclosure Templates	Annex I	Template for the Principal Adverse Impact (PAI) Statement
	Annex II	Pre-contractual disclosure template for Article 8 products
	Annex III	Pre-contractual disclosure template for Article 9 products
	Annex IV & V	Periodic disclosure templates for Article 8 and Article 9 products

3.2 Level 1: Principles-based requirements

Under SFDR, FMPs and FMAs are required to classify financial products into one of three disclosure categories. The INREV study notes that while these categories were not originally intended to serve as sustainability labels, they are often misinterpreted as such – an issue further complicated by the UK's Sustainability Disclosure Requirements (SDR), which explicitly frame categorization as labeling. This presents particular challenges for the real estate sector, where ESG strategies span a diverse range – from "do no harm" to thematic and impact-oriented approaches – that do not easily conform to SFDR's disclosure framework.

Table 8 **Principles-Based Requirements (PBR) Classification**

Equity Investor	Description
Article 6	Products must (a) integrate environmental, social and governance (ESG) risk considerations into the investment decision-making process, or (b) explain why sustainability risk is not relevant and (c) not meet the additional criteria of Article 8 or Article 9 strategies
Article 8	Products promote environmental/social characteristics, and may invest in sustainable investments, but do not have sustainable investing as a core objective
Article 9	Products have a sustainable investment objective. 100% of assets must meet sustainable criteria on day 1 and continuously demonstrate such criteria during the hold period

The INREV study identifies three key challenges in applying SFDR to real estate:

A. Regulatory uncertainty: SFDR relies on evolving and inconsistent metrics (e.g., EPCs), which are difficult to apply across long-term real estate business plans and increase compliance costs.
B. Misaligned reporting format: SFDR's static, snapshot-based disclosures fail to reflect the dynamic, multi-year nature of real estate investment and risk management.
C. ESG mis-signalling: By overlooking embodied carbon and focusing on operational emissions, SFDR may unintentionally favor new construction over the sustainable transformation of existing assets – hindering net-zero goals.

The studies' participants like the rest of the industry, express that most real estate portfolios consist of existing buildings requiring deep retrofitting to meet climate goals. However, SFDR's disclosure framework, which relies heavily on static, operational metrics like EPCs, fails to reflect the dynamic, long-term nature of real estate investment and the complexity of transitioning legacy assets. Operational barriers – such as lease constraints, high retrofit costs, and insufficient regulatory incentives – further complicate these efforts.

This is a central critique that was raised is the SFDR's disregard for embodied carbon. By prioritizing operational performance, the framework may unintentionally favor new development over the transformation of existing assets – paradoxically increasing overall emissions and undermining decarbonization efforts.

Additionally, the study concludes that the numerical structure of SFDR's disclosure categories (Articles 6, 8, and 9) creates a perceived hierarchy of sustainability ambition, despite official guidance to the contrary. Interviewees highlighted that Article 9's requirement for all assets to be aligned at all times effectively excludes real estate impact strategies, which evolve over time. As a result, many ambitious real estate funds default to Article 8, placing them in the same category as less sustainability-driven products. This creates a risk of mis-signaling, where deeply transformative strategies are penalized and investor capital may be directed toward superficially greener – but potentially more carbon-intensive – new developments.

RTS and Existing Stock

The INREV study highlights that many legacy real estate assets lack the systems and contractual provisions needed to meet SFDR Level 2 reporting requirements. Emission data is often unavailable due to outdated infrastructure and lease agreements that don't mandate tenant resource reporting – especially in multi-tenant buildings. As a result, even ESG-focused funds may be categorized under Article 6, not due to intent but due to reporting infeasibility.

Interviewees noted that national policies like France's Décret Tertiaire, which mandates energy data sharing, support SFDR compliance. However, fragmented regulations across jurisdictions complicate implementation for diversified portfolios. Some participants warned that legacy funds – central to decarbonizing the built environment – risk exclusion from Article 8 or 9 classifications, discouraging capital investment and potentially leading to premature asset disposals.

Affordable Housing and Article 6 Limitations

The study also presents challenges for affordable and social housing under SFDR. Despite meeting EU Taxonomy thresholds (e.g., EPC B) and integrating sustainable construction practices, these assets often cannot comply with SFDR's reporting rules due to tenant privacy laws and restrictions on owner data collection. In some jurisdictions, landlords are legally barred from monitoring occupant energy use. As a result, such products default to Article 6 – even when their sustainability performance is strong. Interviewees raised concerns that this misclassification may deter investment, as many institutions now consider Article 8 the baseline. Without regulatory flexibility or enhanced data-sharing frameworks, SFDR may inadvertently hinder funding for essential, high-impact housing.

Challenges for Non-EU Real Estate Products

First, the regulation's evolving nature creates legal uncertainty. Thus, non-EU investors and partners are hesitant to commit to frameworks with incomplete requirements and undefined future obligations. INREV states the even where ESG is core to the strategy, such products are often designated as Article 6. Second, the required RTS metrics – like EPCs – are unavailable or inconsistent in many non-EU markets. Interviewees report relying on modeled data or CRREM pathways, but cultural and regulatory gaps, along with political sensitivities around ESG, make disclosure difficult or impractical in several jurisdictions.

Social Value and SFDR

SFDR is currently leaving social value reporting due to a lack of standard metrics, despite real estate's inherent social impact. Many managers integrate social goals alongside environmental ones, often funded through efficiency gains. However, SFDR does not support this combined approach, limiting recognition of broader ESG outcomes.

Application of the PBR

Throughout 2022, real estate FMPs and FMAs navigated SFDR disclosures cautiously. While many initially aimed for Article 9 classification – particularly for impact-driven products – concerns about the practical fit of Level 2 requirements led compliance teams to favor Article 6 as a safer default. Despite these challenges, all interviewed organizations positioned sustainability as core to their mission and sought to align not just with the regulation, but its underlying intent – promoting transparency, limiting greenwashing, and supporting decarbonization. Where feasible, they aimed for disclosures requiring Level 2 reporting.

Following ESMA's clarification that Article 9 requires 100% alignment with SFDR's definition of sustainable investment, most participants recognized Article 8 as the more appropriate category for real estate. Some investors now view Article 9 designations as risky due to potential reclassification, which could destabilize funds. The study notes that this issue is broader than real estate, with many European funds shifting from Article 9 to Article 8 post-clarification. Uncertainty within Level 2 RTS remains a key concern – particularly for long-term, private-market strategies less adaptable to ongoing regulatory changes.

Table 9 **INREV's Study Results – Participants Translating the Level 1 to Their Products**

Equity Investor	Description
Article 6	– Products integrating ESG risks into investment decision-making but without access to required reporting metrics – Non-EU products – Can include very low to very high ESG ambition – Risk: New investors have a minimum of Article 8 as criteria; Disposal instead of transformation of legacy assets
Article 8	– Broad category encompassing bare minimum "do no harm" through to Impact ESG strategies, with access to metrics required for reporting – Risk: Institutional investors without real estate specialist knowledge and retail investors do not understand that for private market and dynamic investments, impact and sustainability rich strategies are Article 8 (and sometimes 6) investing as a core objective
Article 9	– Sustainable real estate strategies rarely meet the requirements of Article 9, with limited exceptions where new construction is warranted and securing metrics on operational energy use is permissible – Risk: Products comprising solely newly constructed, efficient real estate assets may be misconstrued by underlying investors without real estate knowledge as sustainable, regardless of embodied carbon involved or if new construction is warranted in context of supply of existing assets. In principle, this should conflict with the DNSH principle. Potential to impede decarbonisation progress, result in stranded assets and cause urban decay

Source: INREV, (2023). *Falling Through the Cracks: SFDR's Impact on Real Estate Investment*

3.3 Level 2: Regulatory Technical Standards

For products marketed at Article 8 or 9, they are required to report on Level 2 RTS. While Level 2 RTS aim to enhance ESG disclosure consistency, real estate managers face challenges due to unclear definitions and misalignment with the EU Taxonomy. SFDR's broader definition of "sustainable investment" requires firms to set their own thresholds, leading to inconsistent reporting and limited comparability. The interviewees warned this self-definition risks enabling greenwashing.

The DNSH (Do No Significant Harm) requirement, tied to EPC thresholds, discourages investment in inefficient buildings – even though retrofitting them is key to decarbonization. Snapshot reporting further misrepresents long-term transformation strategies. Many managers reported disclosing minimal or zero alignment in initial reports, anticipating regulatory revision. Market-wide data confirms this cautious approach: over two-thirds of Article 8 funds disclose <10% alignment. Proposed thresholds by ESMA (80% for ESG-named funds; 50% for "sustainable" ones) would intensify challenges for real estate strategies focused on upgrading existing stock.

PAIs and DNSH in Real Estate

“ PAI indicators standardizes ESG metrics that financial firms must use to measure and disclose how their investments negatively affect people and the planet.

SFDR requires fund managers to disclose how sustainability risks are integrated into investment processes through the Principal Adverse Impact (PAI) indicators. For real estate, it includes five optional ones and two mandatory indicators:

Mandatory:
+ Fossil Fuels - exposure to fossil fuels through RE assets
+ Energy Efficiency - exposure to energy inefficient assets

Voluntary:
+ Greenhouse Gas Emissions
+ Energy Consumption
+ Waste
+ Resource Consumption
+ Biodiversity

The INREV study shows strong support for greater transparency, though approaches vary. Some managers report only on mandatory indicators, while others aim to include all relevant metrics, often substituting more precise or applicable data. Many highlighted limitations in using EPC ratings, which vary by country and can be unreliable. Alternative metrics, such as CRREM alignment or BREEAM scores, are increasingly used to reflect actual emission performance.

Interviewees also expressed uncertainty about how to define fossil fuel exposure, particularly when tenant energy behavior is beyond their control. This is especially complex in multi-tenant or residential buildings with legal constraints on data access. Despite challenges, many managers view the PAI process as a useful tool for identifying relevant ESG data, tracking progress, and aligning disclosures with long-term portfolio decarbonization goals.

4

Literature Review

ESG integration provides a durable competitive advantage by aligning long-term value with market and regulatory shifts.

Chapter Note

This chapter reviews the evolving landscape of sustainable finance in capital markets, with a focus on how regulatory frameworks, valuation tools, and governance practices shape ESG implementation. It compares the divergent approaches of the US and EU, outlines persistent systemic barriers using the PIVOT framework, and explores how ESG is integrated within commercial real estate (CRE) investment, particularly through recent findings on disclosure, greenwashing, and data asymmetries. It also considers how shifting geopolitical dynamics are influencing CRE markets. Together, these strands provide a critical foundation for understanding how sustainability is framed, measured, and contested in the financial sector.

4.1 Sustainable Finance in Capital Markets

Capital markets are central to advancing sustainable finance, especially as institutional investors increasingly adopt ESG principles to align returns with broader social outcomes (MacNeil & Esser, 2022). These markets accommodate a spectrum of strategies – from traditional risk-based investing to impact-oriented approaches that may prioritize social value over financial return (Brest et al., 2019; Lehner, 2017). Yet, the diversity and complexity of ESG risks make standardization and measurement difficult, limiting comparability and complicating policy implementation (Brest et al., 2019).

Regulators have responded in three key ways. First, they promote transparency through ESG disclosures, though the effectiveness of disclosure alone remains debated (Bruner, 2022; IOSCO, 2020). The SFDR directly addresses this by mandating structured sustainability reporting at both entity and product levels to reduce greenwashing and improve market clarity (Chiu, 2021). Second, sustainable finance implicates fiduciary duties, yet shareholder primacy still constrains governance shifts toward long-term sustainability (MacNeil & Esser, 2022; Sjåfjell, 2021). Third, to preserve the credibility of ESG-labeled products, initiatives such as green bonds are increasingly guided by regulatory taxonomies and independent verification (Park, 2018; Zetzsche & Anker-Sørensen, 2022).

Looking at the US and EU Approach

Regulatory intervention in sustainable finance is accelerating, with market and policy developments evolving in tandem. While specific measures differ, the regulatory strategies adopted – particularly by the US and EU – signal broader trajectories shaped by political, legal, and market-specific dynamics.

The U.S. approach to sustainable finance relies heavily on disclosure obligations and investor-initiated enforcement mechanisms. Historically shaped by market-driven norms and voluntary ESG standards, U.S. regulation reflects a tradition of private ordering and a strong shareholder value orientation (Harper Ho & Park, 2019; Sjåfjell et al., 2015). Nonetheless, regulatory attitudes are evolving. While the SEC's authority is confined to national securities law, its influence on global markets is notable (Brummer, 2010). Under the Securities Acts of 1933 and 1934, companies must disclose material risks, though the definition of materiality remains narrow and investor-focused, based on U.S. Supreme Court precedent (Basic v. Levinson, 1988; Hazen, 2022).

Recent SEC initiatives mark a shift toward more prescriptive ESG disclosure. These include targeted rules on human capital, conflict minerals, and, most significantly, climate risk (Harper Ho, 2022; Park, 2014b). The proposed 2022 climate disclosure rules mandate detailed reporting on governance, risk management, targets, and GHG emissions (SEC, 2022a). While Scope 1 and 2 emissions must be disclosed regardless of materiality, Scope 3 emissions are subject to a materiality threshold.

These proposals, though facing likely legal challenges, could open new channels for enforcement and litigation under Rule 10b-5, including by sustainability-oriented stakeholders (Lipton, 2020; Setzer et al., 2021).

The second component of U.S. sustainable finance regulation is shareholder engagement through proxy proposals. Although non-binding, such proposals are increasingly used to raise ESG issues, including climate, human rights, and political spending (Hirst, 2018). Rule 14a-8 under the Exchange Act governs the inclusion of shareholder proposals, but corporations often invoke the "ordinary business exception" to exclude ESG-related submissions (Harper Ho, 2019). Recent amendments in 2020 tightened eligibility requirements, reducing the number of proposals, especially those centered on sustainability concerns (Williams & Nagy, 2021).

In contrast, the EU adopts a more integrated regulatory strategy under the Sustainable Finance Action Plan and its successor, the Renewed Sustainable Finance Strategy (European Commission, 2018; 2020). Rather than direct command-and-control mechanisms, the EU emphasizes hybrid governance – combining state-led frameworks with market practices (Chiu, 2021; Park, 2018a). Central to this system is the Taxonomy Regulation, which sets classification standards for sustainable economic activities and links financial products to measurable sustainability objectives (Zetzsche & Anker-Sørensen, 2022). Supporting regulations include the CSRD (expanding corporate sustainability reporting), SFDR (regulating ESG disclosures by financial intermediaries), SRD II (linking ESG to shareholder voting), and the Green Bond Standard, which aligns issuances with taxonomy criteria under ESMA oversight. These frameworks collectively aim to institutionalize ESG across the EU's capital markets, potentially extending the EU's regulatory influence globally (Janse & Bradford, 2021).

4.2 Why financial markets struggle to support climate goals?

While regulatory responses in both the US and EU are gaining momentum, a more systemic analysis reveals that policy interventions alone are insufficient to fully redirect global capital flows toward sustainable outcomes. This gap between intent and implementation has been conceptualized in the PIVOT framework by Alexander et al. (2024b) which outlines five interconnected barriers that prevent financial markets from aligning with climate goals.

(P) – Policy Vacuum

A persistent policy vacuum continues to hinder climate finance by creating regulatory uncertainty, weak market signals, and misaligned incentives. Barriers include fragmented disclosure rules, inconsistent carbon pricing, legal constraints on collective investor action, and under-resourced governments with limited fiscal capacity (Alexander et al., 2024). These gaps discourage long-term investment and reinforce short-termism. To address this, the report calls for clear, coordinated national transition plans, elimination of fossil fuel subsidies, harmonized taxonomies, and mandatory corporate transition strategies. Investor engagement, innovation in financing tools, and systemic stewardship are key to restoring market confidence and enabling capital to flow toward net-zero goals.

(I) – Self Interest

Short-termism, misaligned incentives, and inadequate risk pricing remain major self-interest barriers that prevent capital from flowing toward sustainable outcomes. Financial markets traditionally prioritize quarterly performance over systemic resilience, leading to undervaluation of long-term climate risks and sidelining of economy-wide benefits. Executive compensation structures often reinforce this short-term focus, while fragmented accountability mechanisms allow institutions to signal ESG commitments publicly while lobbying against climate policies behind the scenes (Alexander et al., 2024).To realign incentives, the report proposes reforms such as carbon pricing, updated fiduciary duty definitions, and tax incentives for long-term R&D investments. Investors are urged to embed sustainability into risk models, revise compensation to favor long-term outcomes, and collaborate across the sector to tackle systemic sustainability issues. By shifting from firm-level gain to macroeconomic impact, self-interest can become a driver – not a deterrent – of climate-aligned finance.

(V) – Mis-valuation

Mis-valuation stems from outdated regulatory tools, weak ESG methodologies, and limited integration of sustainability in financial models. Many valuation frameworks rely on backward-looking data, exclude natural capital, and apply discount rates that undervalue long-term climate risks – distorting capital allocation and discouraging investment in low-carbon opportunities. Inconsistent ESG ratings and poor data quality further amplify investor uncertainty and can bias capital flows away from emerging markets. Compensation systems also reinforce short-termism, undermining long-term value creation.To address these issues, the report recommends revising valuation models to reflect climate and nature-related risks, promoting standardized ESG metrics, and aligning remuneration with long-term sustainability goals (Alexander et al., 2024).

(O) – (In)-Active Ownership

A major obstacle to scaling sustainable finance is the lack of active ownership. Underfunded stewardship efforts, misaligned fiduciary duties, and a passive investing culture hinder long-term systemic change. Asset managers often prioritize asset gathering over beneficiary outcomes, while long intermediation chains and regulatory ambiguity weaken accountability. Cultural resistance, particularly the belief that sustainability is solely a government responsibility, further limits corporate and investor engagement. These dynamics perpetuate short-termism and prevent coordinated action on systemic issues like climate change.To unlock capital flows, reforms must incentivize long-term stewardship, clarify fiduciary duties to include sustainability risks, and encourage investors to engage beyond traditional governance roles. Asset owners should evolve mandates to include systemic risk considerations, collaborate on stewardship efforts, and push for regulatory structures that reward meaningful, impact-driven engagement (Alexander et al., 2024).

(T) – Transition Misalignment

Transition misalignment arises from political barriers, fragmented national strategies, and weak collaboration across stakeholders. A ‘home-first’ mentality, anti-ESG backlash, and support for high-emission industries hinder national alignment with global climate goals. Simultaneously, short-termism in financial markets, inadequate fiscal incentives, and underdeveloped low-carbon projects obstruct capital flow into sustainable transitions. Legal structures and governance frameworks often fail to incentivize long-term climate action. Addressing this requires integrated transition plans, legal and fiscal reforms, and strong public-private partnerships. Policymakers and investors must collaborate to align market mechanisms with sustainability goals, support high-emission sector transitions, and build accountability through global coordination and just transition strategies (Alexander et al., 2024).

The PIVOT framework by Alexander et al. (2024) will be used as a set of sensitizing concepts to guide the thematic analysis in this study. Each pillar – Policy vacuum, (Self-)Interest, (Mis) Valuation, (In)active ownership, and Transition misalignment – offers a lens for interpreting how financial market participants experience and respond to SFDR in the hotel investment space. These concepts will not only inform the initial coding but will also be revisited during

4.3 ESG In CRE Decision-Making

A recent empirical study conducted by Zhao (2023) at MIT investigated how leading real estate companies operationalize ESG integration across various investment strategies and asset lifecycles. Based on interviews with ESG leaders from nine U.S.-based firms, the study concludes that while all participating companies have dedicated ESG teams, their influence on investment decision-making varies significantly – particularly in relation to voting rights and formal involvement in in-vestment committees.

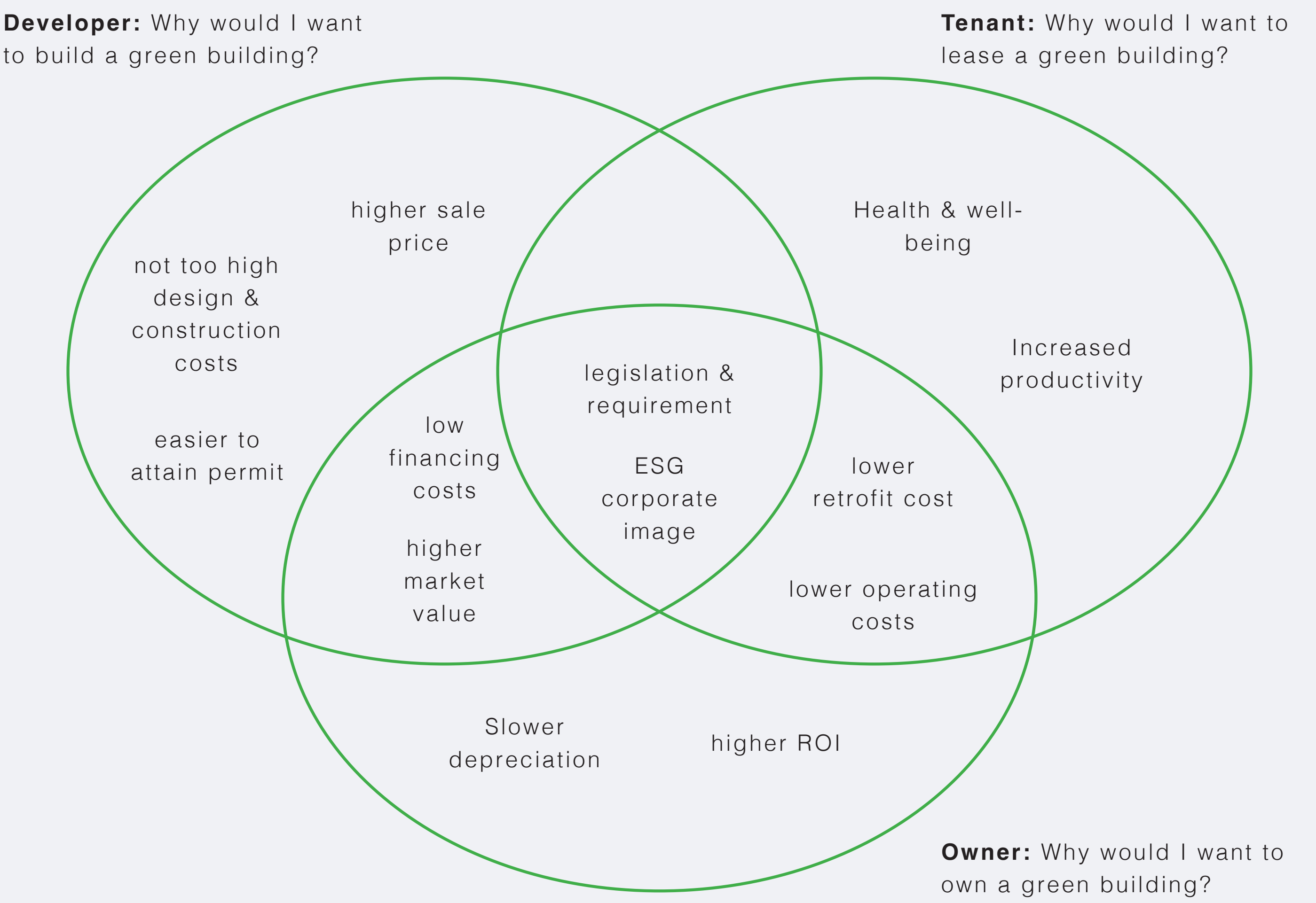
Governance structures, policy frameworks, and the use of ESG-specific due diligence tools (e.g., CRREM for climate risk) are common across firms, although implementation diverges depending on factors such as ownership structure, geographic exposure, and investment strategy. Notably, acquisition-focused firms tend to adopt more standardized processes, whereas development-focused firms often engage ESG teams on a discretionary basis.

The study also highlights sector-specific practices, such as green leasing in Class-A offices, and underscores that while ESG considerations influence asset-level CapEx and disposition decisions, embodied carbon re-mains largely unaddressed. Zhao's findings reinforce the importance of governance and systematic integration for aligning ESG objectives with real estate investment outcomes. Zhao (2023) identi-fies the following ESG metrics most useful for real estate companies when informing their deci-sion-making:

+ Scope 1, 2, and 3 GHG Emissions: Total tCO2e at 100% ownership share.
+ Operational Energy Data Coverage: % of gross SF for which the fund receives utility reporting data divided by the gross SF of assets in operation.
+ Like-for-like water intensity: L/SF, based on those assets reported on applicable performance data for the entire assets (incl. both tenant-occupied premises and common areas) for at least 24 months.
+ Construction Waste Diverted from Landfill: million metric tonnes
+ Renewable Energy: MW of installed capacity
+ Renewable Equity Investments: million USD
+ Building Certification: % of new development projects or % of gross SF
+ Average Energy rating: # / 100, on assets with at least 12 months of stabilized operational data, and that can be rated under either EPA Energy Start or EPC.
+ Workforce Training: total number of people trained
+ Ethics Training: % of full-time employees
+ Average Walkability score: #/100

While these metrics serve as tools for internal decision-making, the motivations driving ESG adoption vary widely across stakeholder groups (see figue 16). These range from regulatory compliance and risk mitigation to brand value, tenant attraction, and long-term asset resilience.

Figure 18 | **Why Would I want to Own/Build/Lease a Green Building?**



Asset Owner's Cash Flow Items	Impact on Value	
Potential Gross Income Vacancy Allowance Effective Gross Income	**Increase** **Decrease** -	(Tenant) Health + Productivity + Energy Savings
Operating Expenses (OpEx) Net Operating Income (NOI)	**Decrease** -	Energy Savings
Capital Improvement Expenditures (CapEx) Net Cash Flow	**Decrease** -	Lower Depreciation
PV @ X% NPV	**Decrease** **Increase**	Lower Risk, Lower Cost of Capital Higher NPV = higher WTP
Cap Rate (%)	**Decrease**	Lower Risk, Higher Demand, Lower Cap Rate Asset is priced higher relative to generated income

Note: From the owner's perspective, green buildings influence key inputs in the cash flow model – such as operating expenses, vacancy rates, and exit yields – ultimately improving net operating income and enhancing asset value over time.

Source: Zheng, (2024). *The Economics of Green Buildings*

Principal Agent Theory

Principal–agent theory provides a foundational lens to understand investor protection mechanisms in financial markets. Originating from Jensen and Meckling's (1976) work, the theory frames in-vestment service providers as agents acting on behalf of principals (investors), with delegated au-thority but potential misaligned incentives. This misalignment, coupled with information asymme-tries, creates risks that agents may not act in the investor's best interest (Crockett et al., 2003). Ei-senhardt (1989) further refines this view by conceptualizing the relationship through contract theo-ry, emphasizing the need for mechanisms that align behavior and reduce uncertainty. Since invest-ment providers typically possess more information about financial products than their clients, dis-closure standards have become central to investor protection (Hoppu, 2004).

Asymmetric information can result in moral hazard and adverse selection – both of which under-mine market efficiency. In adverse selection, investors lack sufficient pre-contractual information to evaluate product quality, leading to potentially suboptimal investment decisions (Vizzotto, 2012). Moral hazard, on the other hand, arises when agents exploit informational advantages to pursue self-interest without bearing full consequences (Kotowitz, 1989). Regulatory frameworks attempt to mitigate these risks by mandating timely, accurate disclosures and sanctioning misinformation, thereby aiming to rebalance the informational divide between principals and agents (Sunit, 2014; Crockett et al., 2004).

Information Asymmetry and Greenwashing

In sustainable investing, information asymmetry emerges when end investors rely on intermediaries to evaluate and communicate ESG performance. As Rhodes (2009) explains, asset managers must first assess the ESG credentials of target companies before relaying this information to investors, a process that is highly subjective and variable. The inconsistency and limited availability of ESG ratings further complicate this, as rating providers apply differing methodologies, leading to significant divergence across ratings – even within similar regulatory contexts (Li & Polychronopoulos, 2020; Zumente & Lace, 2021). Candelon et al. (2021) show that ESG-labelled mutual funds do not always differ in underlying ESG performance from conventional funds, highlighting how fund names can serve as misleading signals. These findings echo concerns about the effectiveness of current disclosure frameworks and emphasize the need for regulatory standardization to reduce greenwashing and enhance transparency (Connelly et al., 2011; Ruggie & Middleton, 2019).

Greenwashing, or the misrepresentation of a product's environmental credentials, is an increasingly prominent concern. Ottman (2017) and Furlow (2011) define it as marketing that overstates sustainability benefits, which can mislead investors and consumers alike. Silvola and Landau (2021) note that superficial strategies – such as excluding low-scoring regions – can artificially boost a fund's sustainability score without real ESG improvements. Furthermore, Lashitew (2021) warns that firms may selectively disclose SDG-related achievements to appear sustainable, creating further information asymmetry. As Schroders (2021) reports, the lack of standardized definitions and reliable data is a major concern among institutional investors, who fear that greenwashing undermines trust in ESG investing and hinders capital allocation toward genuinely sustainable outcomes. Concurrently, a recent study by Abouarab et al. (2025) find that the Sustainable Finance Disclosure Regulation (SFDR) effectively reduces greenwashing among Article 9 equity funds – measured via a novel Greenwashing Index – primarily through portfolio tilting, while Article 8 funds show no comparable effect.

Geopolitical Risk and Commercial Real Estate Performance

Commercial real estate is inherently vulnerable to geopolitical uncertainty, which impacts asset valuation, financing costs, and investor confidence. Studies show that political instability – such as elections or trade policy shifts – significantly suppresses property values and transaction volumes due to heightened uncertainty and risk aversion (Nguyen & Vergara-Alert, 2023). Similarly, analyses of the Brexit referendum demonstrate that regions with high EU-dependent populations experienced disproportionate real estate market declines, underlining the sensitivity of CRE to political shocks (Monfared & Pavlov, 2019).

In tourism-oriented assets like hotels, the dependency on cross-border travel exacerbates this risk. Empirical evidence indicates that rising geopolitical tensions measurably reduce international tourism demand, directly curbing hotel occupancy and revenues (Jaisinghani et al., 2024). Concurrently, political and macroeconomic turmoil are shown to escalate financing costs by widening risk premiums, diminishing new investment, and slowing capital deployment (Pástor & Veronesi, 2013).

Moreover, crisis such as the COVID-19 pandemic, which combined public-health restrictions with heightened geopolitical unease, inflicted a dual shock on hotels – collapsing both demand and credit availability (Colmekcioglu et al., 2022).These disruptions reveal a critical paradox: hotels' long-term investment horizons leave them exposed to both cyclical political risks and persistent volatility in the cost of capital.

This literature underscores the necessity of considering geopolitics in ESG integration and regulatory responses. For hotels – whose valuation and operational performance are geopolitically sensitive – robust risk frameworks are not optional but essential components for sustainable investment decision-making.

Figure 19 **Current Affairs & Their Impact on Commercial Real Estate**

2020–2022

COVID-19 Pandemic

Global lockdowns halted travel and tourism. Commercial real estate values fell sharply – especially in hotels – due to occupancy collapses

2022 - Prsnt.

Interest Rate Hikes by Central Banks

Rapid interest rate hikes raised borrowing costs, reducing affordability, slowing transactions, and decreasing property values across global real estate markets.

2022 - Prsnt.

Russia-Ukraine War & Energy Grid Stress

Energy supply disruptions and rising costs led to elevated cap rates and financing hurdles, particularly for energy-intensive hotel properties .

Sept 2024

U.S. Presidential Election

Pre-election uncertainty dampened investor sentiment, slowing transactions and increasing cap rates in CRE, including hotels .

Jan 2025

Inauguration of Trump & Tariffs

New tariffs on building materials spiked construction and renovation costs, delayed hotel upgrades, and induced a downturn in CRE investment volumes .

Feb–Mar 2025

New EU Commission & EU Omnibus

Streamlined reporting rules lowering compliance burdens, but raised concern that weaker ESG standards could reduce sustainability focus in real estate .

Note: The events highlighted above are not exhaustive of all geopolitical developments; rather, they are selected to provide an overview of the most recent and impactful occurrences.

5 Methodology

Semi-structured interviews exposed the unseen frictions and calculated trade-offs shaping how sustainability is negotiated in real estate finance.

Chapter Note

This chapter outlines the study's methodological foundations, including its interpretivist epistemology, qualitative exploratory research design, and data collection methods. It details the use of semi-structured interviews and targeted literature review, followed by an explanation of the analytical framework grounded in New Institutionalism. The chapter concludes with sections on thematic analysis, trustworthiness, and ethical considerations.

5.1 Epistemological Positioning, Research Approach, Research Design

Interpretivism – Qualitative – Exploratory Research Design

This study adopts an interpretivist epistemological stance, recognizing that reality is socially constructed and that understanding emerges through the subjective experiences of individuals within their specific contexts. Interpretivism posits that knowledge is co-created through interactions between the researcher and participants, emphasizing the importance of context and meaning in the research process (Ryan, 2018). This paradigm attributes are critical for exploring complex phenomena like sustainability disclosures in real estate, where practices and interpretations vary and evolving across different stakeholders and institutional settings.

Aligned with this epistemology, a qualitative research approach is employed to gain in-depth insights into the perceptions, experiences, and practices of professionals engaged with the SFDR. Qualitative methods are effective in capturing the richness of human behavior and the meanings individuals ascribe to their actions, which are essential for understanding the nuances of ESG reporting in the real estate sector (Creswell & Poth, 2018). This approach facilitates the exploration of how sustainability principles are ultimately interpreted and implemented.

An exploratory research design underpins this study, aiming to investigate areas where limited prior research exists and to uncover patterns, themes, and relationships that inform the understanding of SFDR's application in hotel capital markets. Exploratory research is appropriate when the objective is to explore a phenomenon in its natural setting, especially when existing theories or frameworks are insufficient to explain the observed behaviors or outcomes (Stebbins, 2001). Moreover, such a design minimizes the risk of researcher bias by avoiding premature theoretical commitments and encourages analytical transparency. As noted in recent methodological discussions, exploratory research can reduce researcher prophecy bias and enable more meaningful peer review by keeping analytical conclusions open until data patterns are robustly identified (M. Rubin & Donkin, 2024).

While the study is predominantly inductive in nature, aiming to build theory from the empirical insights gathered through qualitative, semi-structured interviews, it also exhibits deductive elements. The research design is guided by sensitizing concepts derived from existing literature – such as regulatory intent, information asymmetry, and ESG decision-making – which shape the initial thematic scope of inquiry. However, the emphasis remains on allowing themes to emerge from participant narratives, reflecting the exploratory and theory-building orientation of this study (Bryman, 2016). The integration of both approaches enables a flexible, iterative process, where data collection and analysis inform each other and refine the research focus over time.

5.2 Data Collection Method

This study employed a multi-method qualitative design, integrating semi-structured interviews as the primary method of data collection and a targeted literature review as a secondary method. Together, these methods facilitated a comprehensive understanding of sustainability disclosures in the context of hotel capital markets.

Primary Method: Semi-Structured Interviews

Semi-structured interviews were selected for their capacity to yield rich, contextual data while maintaining thematic consistency across respondents (Kallio et al., 2016). This approach enabled flexibility to probe emergent topics and adapt questions to the specific expertise of each participant. Prior to formal interviews, several pilot interviews were conducted to test and refine the interview guide, enhancing its clarity, relevance, and sequencing.

The sampling strategy followed a purposive and snowballing approach (Noy, 2008), targeting professionals involved directly in sustainability reporting, hotel asset investment, and financial decision-making. Interviewees included institutional investors, fund and asset managers, ESG consultants, lenders, and advisors. Access to some stakeholders was facilitated through the researcher's internship at Colliers EMEA (Netherlands Division), while some were from other sources. Colliers served solely as an access point and was not itself studied.

These interviews proved instrumental not only for generating insights but also for deepening understanding of role-specific responsibilities across the investment chain and identifying practitioners most exposed to SFDR-related disclosure demands. The quality of the main interviews was strengthened by the preliminary phase, which helped ensure the final sample included individuals with decision-making authority and direct experience with sustainability frameworks.

The interview process was conducted sequentially, allowing each discussion to inform the next. At the end of each interview, participants were asked about gaps they encountered or issues they believed merited further exploration. This dynamic sequencing enabled iterative refinement of questions and helped uncover disconnects between disclosure producers and end-users. Such feedback was especially valuable in tracing divergences along the ESG reporting value chain, where expectations and deliverables are often misaligned – a challenge noted throughout sustainability disclosure literature (Cho et al., 2015; Hummel & Schlick, 2016).

Lastly, the study has made the distinction between CRE Market Players with the following types for a more in-depth analysis:

Table 10 **Market Player Types**

Type	Description	Occurrences
Type A	Institutional Investors	2 Interviews
Type B	Private Equity	2 Interviews
Type C	Investment Management	1 Interviews
Type D	Lenders	2 Interviews
Type E	Advisors	2 Interviews
Type F	Hotel Franchise/Operator	1 Interviews

Table 11 **Interview Participants**

Interview	Transcript Pseudonym	Time/Date
Interview 1	A001	13:00 - March 28th
Interview 2	A002	14:00 - April 3rd
Interview 3	A003	10:45 - April 4th
Interview 4	A004	15:30 - April 4th
Interview 5	A005	11:00 - April 9th
Interview 6	A006	17:00 - April 9th
Interview 7	A007	15:00 - April 11th
Interview 8	A008	10:00 - April 15th
Interview 9	A009	15:00 - April 15th
Interview 10	A010	14:00 - April 16th

Table 12 **Participant Description**

Transcript	Type	Role	Organization
A001	Type E	Director - Hotel Capital Markets	Advisory
A002	Type A	Sr. Asset Mngr - Hotel Impact Fund	Institutional Investor
A003	Type B	Associate, Underwriter	Private Equity
A004	Type B	Hotel Investment Manager	Private Equity
A005	Type D	Sector Manage - Real Estate Finance	Commercial Banks - Lender
A006	Type C	Managing Director	Private Asset Mngmt.
A007	Type D	Asset/Portfolio Manager	Commercial Banks - Lender
A008	Type A	Director - Hotel Fund Manager	Investment Mngmt.
A009	Type E	Head of Hospitality	Advisory
A010	Type F	Director of Development	Hospitality Group

Secondary Method: Literature Review

The secondary data component consisted of a structured literature review focused on five goals:

1. Identifying existing decision-making frameworks in hotel capital markets,
2. Understanding how sustainability and ESG criteria are embedded into these processes, and
3. Establishing foundational sector-specific knowledge, particularly concerning hotel investment structures, actor roles, and contractual relationships.
4. Overview of regulatory framework and Sustainable finance literature
5. The current state of SFDR and identified Real Estate Implications

Sources were drawn primarily from peer-reviewed journals via ScienceDirect, complemented by industry white papers, EU legislative documents, regulatory guidance, and technical reports from real estate associations and financial institutions. The literature helped map the theoretical and practical landscape of ESG integration and highlighted gaps in application within non-listed hotel investments.

5.3 New Institutionalism as The Analytical Framework

Given the highly regulated yet evolving landscape of sustainable finance in Europe, and the sector-specific ambiguities in real estate ESG implementation, New Institutionalism is especially apt for this study. It allows for a nuanced interpretation of how different actors – investors, lenders, and advisors – strategically navigate, resist, or reconfigure their practices in response to SFDR.

Emerging in the late 20th century as a critical response to rational-actor and classical institutional models, New Institutionalism shifts the focus from formal structures and economic optimization to the role of embedded norms, cultural scripts, and legitimacy-seeking behavior (DiMaggio & Powell, 1983; Scott, 2014, Lang, 2018). Furthermore, it frames institutions as socially constructed environments that shape how actors interpret rules, enact roles, and generate meaning. Institutions, in this sense, are not only material but symbolic – providing templates for what constitutes legitimate, appropriate, or even imaginable action in a given field.

Table 13 **Old vs. New Institutionalism Theory**

Old Institutionalism	New Institutionalism
Studying institution as distinct autonomous political entities.	Study institution in relation to individual behaviour (micro) and social structure (macro), and other institution.
Formal, legal, descriptive, normative, philosophical, historical.	Analytical, explanatory, empirical.
Less focus on explanatory theory/hypothesis.	Focus more on explanation and explicit theory building.
Focus on hard institution, formal aspect.	Focus on soft institution, informal aspect as well as hard institution.
Confined mostly to studying liberal democratic institutions of west ethnocentric.	Much wider geographical spread, attempt to study institutions of overall socio-economic context.
Considered as traditional approach to comparative politics.	More inter-disciplinary.
No systematic cross country or cross culture comparison is done.	Aims at deductive reasoning.
Aims at inductive reasoning.	Much more comparative focus.

Source: Ray, (2022). *New Institutionalism*

This perspective is especially relevant in this research, which centers on the experiences of financial market participants. "Experience" is not examined in a positivist sense – as an objectively measurable outcome – but rather through an interpretivist lens, understood as a socially constructed, context-dependent process shaped by institutional pressures and professional sense-making. These interpretations reflect varying levels of engagement, compliance, skepticism, or adaptation, providing insight into how sustainability disclosure frameworks are internalized or resisted (Greenwood et al., 2011).

Figure 20 **Main Research Question Breakdown**

How do **financial market participants** in hotel capital markets → **experience** → **SFDR (and ESG)** in their decision-making processes?

Institutional Logics: The Three Axes of Meaning

Institutional logics provide the overarching belief systems that structure cognition and guide decision-making within a field (Thornton, Ocasio & Lounsbury, 2012). In this study, the ESG practices observed across hotel capital markets are understood to operate at the intersection of three primary logics:

1. Market Logic – Centers on efficiency, profitability, and return metrics (e.g., IRR, RevPAR). ESG is interpreted through the lens of value creation or risk management, often subordinated to financial imperatives.
2. Professional Logic – Rooted in norms and standards of expertise, such as engineers, ESG analysts, or sustainability consultants. It emphasizes technical due diligence, compliance verification, and process integrity.
3. Regulatory Logic – Defined by formal rules and mandates (e.g., SFDR, EPC requirements). Here, ESG becomes an administrative requirement tied to reporting, disclosure, and compliance metrics.

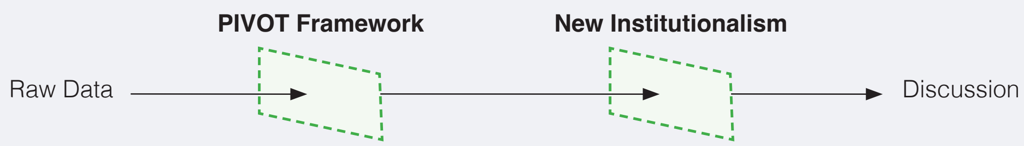
These logics are not mutually exclusive – they coexist and compete. Understanding their interaction is essential to unpacking how ESG is practiced, performed, or resisted within hotel investment contexts.

Key Conceptual Tools for Thematic Analysis

Building on the foundational literature (e.g., Scott, 2001; Greenwood et al., 2011; Hwang, 2023), several conceptual tools from New Institutionalism will be employed to interpret the data in this study. These serve as analytical concepts to help explore how institutional pressures manifest in experience:

+ Isomorphism (DiMaggio & Powell, 1983): This refers to the homogenizing forces that lead organizations to resemble each other. It includes:
+ Coercive isomorphism – Pressure from regulation or dominant actors (e.g., SFDR compliance).
+ Mimetic isomorphism – Imitation under uncertainty (e.g., smaller firms adopting practices of large asset managers).
+ Normative isomorphism – Influence of professional norms and educational standards.
+ Decoupling (Meyer & Rowan, 1977): Organizations may formally adopt ESG practices without integrating them into operational reality – what is stated in reports diverges from what is done.
+ Ceremonial Conformity: Related to decoupling, it describes ESG implementation done symbolically to maintain legitimacy while avoiding substantive change.
+ Embeddedness (Granovetter, 1985): ESG decisions are often shaped by informal relationships, trust-based networks, and unwritten rules – especially relevant in real estate transactions.
+ Interpretive Drift: Over time, actors may reinterpret regulatory or ESG concepts in ways that deviate from their original intent, especially under ambiguity or conflicting institutional logics.
+ Path Dependence: Legacy financial models and industry conventions limit the capacity for new sustainability tools to gain traction, reinforcing old routines despite regulatory shifts.
  Institutional Complexity (Greenwood et al., 2011): Organizations operate in overlapping institutional environments with conflicting demands, such as reconciling investor interests with regulatory burdens and operator constraints.

Figure 21 **Analytical Lens**



5.4 Data Analysis Method

This study utilized thematic analysis, using a simplified version of a framework proposed by Braun & Clarke (2006), to systematically identify, interpret, and organize patterns of meaning within the interview data. This method enabled the exploration of implicit and explicit perceptions regarding sustainability reporting practices, aligning with the study's interpretivist foundations.

All interviews were transcribed using intelligent verbatim – a transcription method that maintains the integrity of content without unnecessary filler words. This approach improves readability and analytical clarity while retaining participants' intended meaning (Sandelowski, 1994).

Although the initial aim was to conduct between 12 and 15 interviews, thematic saturation was observed during the 8th to 10th interviews, when no substantially new information or insights were emerging (Guest et al., 2006a). This indicates that the dataset was sufficiently rich to answer the research questions with confidence.

The analysis was conducted using Atlas.ti, a qualitative data analysis software. A sensitizing concepts approach was adopted (Blumer, 1954) drawing on constructs from New Institutional Theory (e.g., coercive, normative, mimetic logics) and the PIVOT framework, which helped ground and structure emerging insights.

Figure 22 **Thematic Analysis & Coding Process Breakdown**

Step 0

Data Familiarization & Reflexive Memos

Close reading of transcripts and reflective notetaking to capture preliminary insights.

Step 1

Open Coding: Initial

Interview data is segmented and examined line by line in Atlas.ti. It captures action-oriented codes include verbs such as adapting, exploring, evaluating, and responding.

Step 1.5

PIVOT Logic

Roughly organized by topic using the PIVOT framework logic as sensitizing concepts

Step 2

Axial Coding: Focused

Following open coding is axial, the stage where codes are organized into larger categories. Once action-oriented codes are established, categories may arise depending on overarching conditions, context or consequence.

Step 3

Selective Coding: Thematic

Lastly, this step examines categories against categories and integrates them in the theory. Building the core category is central to the theory.

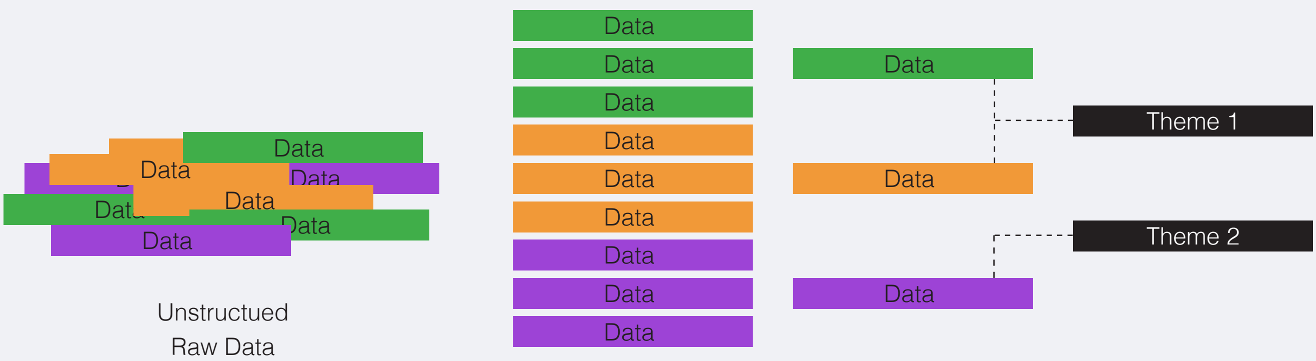
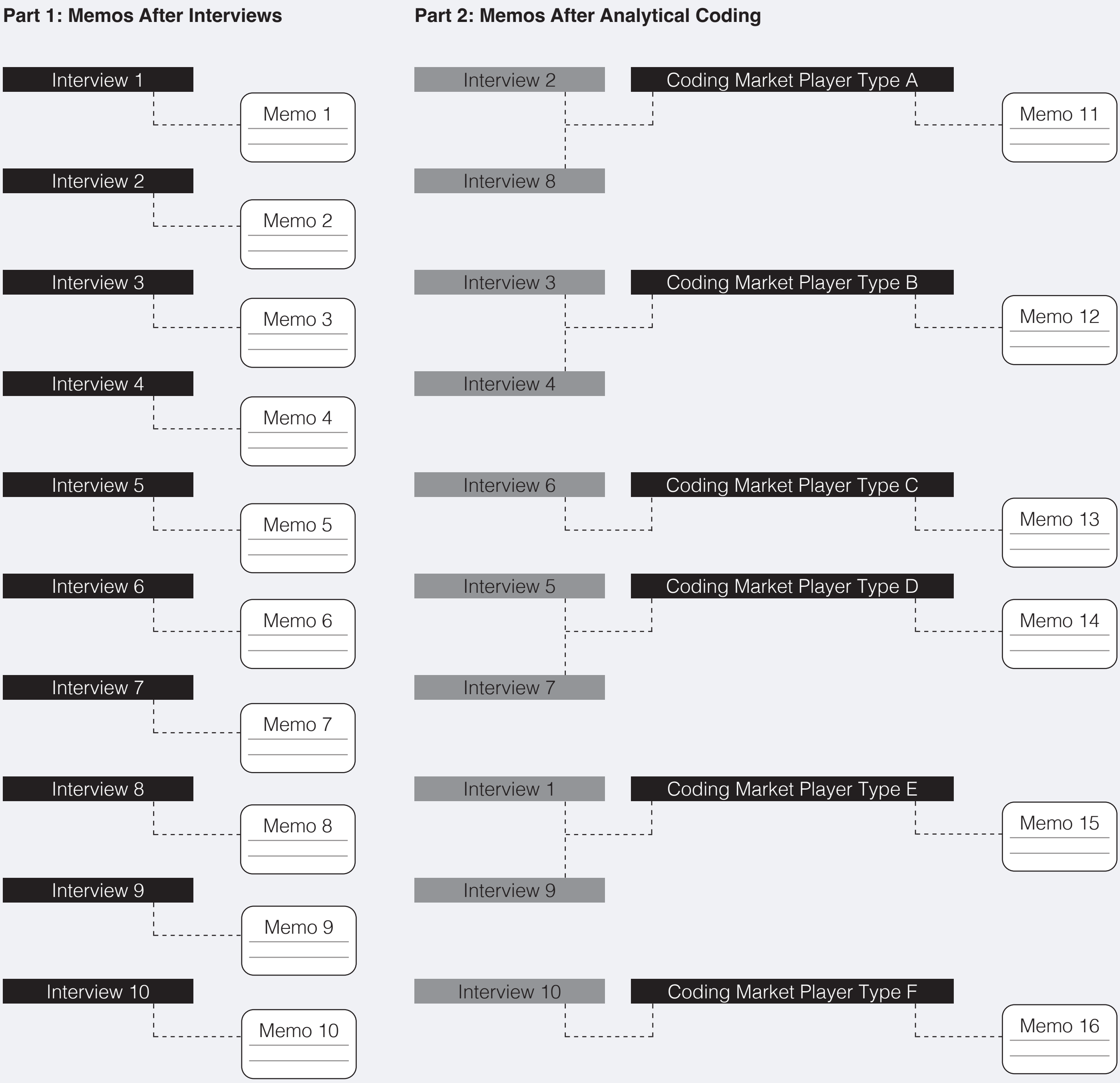


Figure 23 | **Reflexive Memo-writing Process Breakdown For Audit Trail**



5.5 Trustworthiness & Reflexivity

To ensure the credibility and transparency of the research process, this study adopted multiple strategies to enhance trustworthiness in line with qualitative research best practices (Lincoln et al., 1985a). Central to this effort was the use of reflexive memo-writing, which served as an iterative tool to document evolving thoughts, track analytical decisions, and critically assess potential biases throughout data collection and analysis (Nowell et al., 2017a). These memos also enabled transparency in theme development and strengthened the audit trail of the study's interpretive decisions.

Triangulation was employed through the use of diverse data sources – including semi-structured interviews, academic literature, policy documents, and professional market reports – to cross-validate findings and increase robustness (Flick, 2018). This methodological pluralism helped reduce reliance on any single viewpoint and grounded findings within a broader empirical context.

Researcher reflexivity was actively acknowledged, particularly in light of the author's previous experience at an architectural firm in Toronto and current affiliation with Colliers EMEA in the Netherlands. While this affiliation provided access to a broad range of industry professionals, the firm itself was not studied, and no internal policies were examined. All participants were informed of this affiliation prior to the interviews, in accordance with ethical guidelines, and interviews were conducted independently to mitigate potential influence (World Medical Association, 2013).

The study's inside-out approach – beginning with the EU regulatory environment and extending outward to international reactions – was not designed as a comparative cross-jurisdictional analysis. Rather, the global context is included to position the SFDR within the broader sustainability discourse, not to benchmark regulatory effectiveness across regions.

Finally, participant selection was guided by relevance to the research objectives. Emphasis was placed on identifying individuals with direct responsibility for, or experience with, sustainability disclosures and investment decision-making. This purposive sampling ensured that interviewees could meaningfully contribute to the research aims while enabling exploration of both the producer and end-user sides of ESG reporting.

5.6 Ethics

This research was conducted in accordance with the ethical standards established by the Human Research Ethics Committee (HREC) at TU Delft. Formal approval was obtained prior to data collection, ensuring compliance with institutional protocols and legal requirements for working with human participants.

All interview participants were fully informed about the study's purpose, scope, and how their insights would be used. Informed consent was obtained prior to each interview, with participants reminded of their right to decline or withdraw at any point. This approach was intended to promote transparency and uphold participants' autonomy.

To ensure confidentiality, all data were pseudonymized during transcription and analysis – allowing for the separation of identifying information from the responses while retaining necessary contextual detail. Only participants' organization type and professional role were retained to provide analytical relevance without compromising anonymity. As a further safeguard, participants were given the opportunity to review their pseudonymized transcripts to identify any content they considered sensitive, particularly given that many held positions involving capital management. Transcripts were revised and finalized based on participant feedback to ensure both accuracy and discretion.

All data were securely stored using TU Delft's OneDrive, in line with the Data Management Plan (DMP) developed through the DMPonline platform. These procedures are fully aligned with the General Data Protection Regulation (GDPR), which governs the ethical and secure handling of personal data within the European Union.

Throughout the research process, particular attention was given to presenting participants' views respectfully and accurately. This study was not only designed to generate insight but to do so in a manner that upheld ethical integrity, participant dignity, and mutual trust.

6 Results

SFDR disclosures are most effective at the fund level but often miss the asset-level nuances vital to real estate decisions.

Chapter Note

This chapter presents the empirical findings from the interviews, structured by stakeholder type to ensure comparability across market participants. Each subsection offers a focused account of how SFDR and ESG are experienced across investor categories, lenders, advisors, and operators. The chapter concludes with a synthesis of the thematic coding results derived from the full data set.

6.1 Market Player Type A: Institutional Investors

This group includes senior professionals managing hotel investment portfolios on behalf of pension funds, insurers, and other institutional capital sources. They oversee core and core-plus strategies through Article 8-aligned funds, prioritizing stable returns, long-term value, and ESG integration at both fund and asset levels.

Their Experience of SFDR and Sustainability

Institutional investors reported that ESG criteria are systematically embedded within due diligence processes and asset-level governance. Early-phase evaluations incorporate tools such as ESG checklists, energy audits, and CRREM analysis, typically supported by internal control or sustainability teams. Article 8 alignment was standard, though SFDR reporting responsibilities remained separate from day-to-day investment execution.

Environmental compliance was emphasized through fixed thresholds – such as minimum EPC ratings – with underperforming assets either upgraded post-acquisition or excluded during screening. Participants highlighted the role of governance infrastructure, including screening committees and investment boards, in integrating sustainability with broader fund mandates.

Most sustainability-related reporting remained internal and technically focused. Operator cooperation was a prerequisite for data delivery, and energy costs were seen as an emerging motivator for compliance. External certifications (e.g., BREEAM, GRESB) were used selectively to enhance credibility, with limited reliance on third-party advisors. Social and governance dimensions were less formally structured, though acknowledged as part of broader ESG awareness.

Notable Observations

Institutional investors consistently referenced energy performance certificates as foundational to investment screening. “If we cannot reach our sustainability KPIs, we’re not buying the asset,” one participant stated, emphasizing how energy label thresholds and CRREM modeling informed early go/no-go decisions. While ESG alone was rarely the deciding factor, it played a clear gatekeeping role. Fund classification under SFDR was described as a strategic tool to attract or deter investors, with Article 8 used to “signal intention.” Data collection was seen as “essential,” though often constrained by operator capacity (resources). Overall, sustainability was viewed not as a marketing asset but as a structural component of fiduciary alignment.

6.2 Market Player Type B: Private Equity

This group includes professionals from private equity firms investing in European hotel real estate. Their strategies are value-add or opportunistic, funded by high-net-worth individuals or smaller institutional investors. They focus on return-driven acquisitions, operational flexibility, and timely exits.

Their Experience of SFDR and Sustainability

Private equity firms approached ESG and SFDR through a pragmatic, return-oriented lens. While ESG frameworks were acknowledged, their influence was mediated by fund structure, deal size, and asset complexity. SFDR compliance was treated as an administrative obligation, often addressed through internal templates or external advisors, rather than a driver of strategic differentiation. Regulatory familiarity was limited, and adaptation timelines were shaped more by investor expectations than legal mandates.

Due diligence processes prioritized core financial risks such as construction, timing, and market volatility. ESG assessments were embedded into workflows where required – particularly in development or refurbishment scenarios – but were not uniformly structured across portfolios. Rather than applying a dedicated ESG filter, most firms integrated sustainability factors through standard investment processes.

Disclosure challenges often emerged during transactions involving smaller or non-institutional sellers. These gaps were particularly pronounced in deals where operational data, including environmental or building-level metrics, had not been systematically collected. Some firms implemented internal tools to structure this information post-acquisition, while others relied on third-party consultants to support compliance reporting.

Organizationally, ESG responsibilities varied. Larger funds assigned ESG oversight to internal specialists, while smaller teams relied on flexible arrangements, balancing cost with credibility. Across interviews, there was consensus that ESG requirements were becoming more embedded – but not yet transformative – in how value-add strategies were executed and communicated.

Notable Observations

Private equity investors framed ESG as a tool for managing risk and preserving liquidity. “You do it because they want it (end-investors)” one noted, highlighting compliance over conviction. Certifications and ESG KPIs were applied in refurbishments, but decisions remained IRR-driven: “If Grade B yields 15% and Grade A yields 18%, the 3% isn’t always worth it.” ESG was seen as key to financing access: “No ESG credentials means no financing – at least not at favorable terms.” One participant recalled using ESG upgrades to raise asset value: “You lease faster and at higher rents, which improves yield at exit.” Consumption data was increasingly tracked, but embodied carbon remained largely unaddressed. ESG was often a “box to tick,” yet still shaped capital flows, investor confidence, and future resale options.

6.3 Market Player Type C: Investment Management

This stakeholder manages hotel real estate assets for private clients, including family offices. Their role includes coordinating with lenders and aligning assets with brand or franchise standards.

Their Experience of SFDR and Sustainability

The investment manager described ESG and SFDR considerations as present but not promotional in their current portfolio strategy. While internal ESG alignment was actively pursued, formal classification under SFDR Articles 6, 8, or 9 was not made visible in marketing materials or investor communications. The approach was described as pragmatic – where full alignment was not yet achieved, it remained an internal target. The participant emphasized that Article classification, though not advertised, could be confirmed if queried.

A key point of friction was identified in the relationship with lenders. While lenders increasingly incentivize environmental upgrades through favorable interest rates, the participant noted a disconnect: lenders often lack a working understanding of how sustainability integrates into day-to-day hotel operations – especially in areas like waste management or broader governance measures. This gap led to challenges in meeting institutional expectations, particularly when required disclosures extend beyond environmental factors.

Data reporting was another recurring concern. The participant anticipated significant administrative pressure resulting from SFDR and related regulations. Though the necessary operational data was seen as generally available, the burden of formal reporting was expected to grow. The need to potentially create new roles for ESG data collection and coordination was seen as a likely response, especially given the uniformity of disclosure demands across hotels regardless of size. Advisors and digital tools were identified as potential solutions, though smaller assets or leaner teams were expected to face disproportionate difficulty.

Notable Observations

This investment manager approached ESG as a practical tool for both cost reduction and value creation. “If it’s not already part of the hotel we invest in, we ensure that it’s implemented,” the participant explained, referencing measures such as solar panel installation and label improvements. The rationale was twofold: lower operating expenses and stronger exit positioning. ESG also played a role in attracting corporate clients and meeting franchisor requirements. “Large hotel brands are increasingly focused on sustainability... we aim to stay ahead of the rules,” they noted. Although Article 6, 8, or 9 classification was not publicized, the firm-maintained compliance where feasible. Challenges included limited understanding of ESG from lenders and the increasing data burden on smaller operations: “You’ll receive the same questions whether you’re a 10-room hotel or a hotel with 150 rooms.”

6.4 Market Player Type D: Lender

This group includes credit professionals at commercial banks responsible for underwriting and approving real estate loans. Their roles involve assessing borrower risk, asset quality, and alignment with internal portfolio strategies, including evolving sustainability criteria.

Their Experience of SFDR and Sustainability

Lenders integrated ESG into loan evaluation processes primarily as part of evolving credit risk management frameworks. While business model viability, asset type, and financing structure remained the core focus, ESG criteria were routinely embedded into underwriting standards. Both respondents confirmed that energy performance was the starting point in assessments, and in most cases, properties needed to meet specific label requirements or demonstrate a clear transition plan.

Although SFDR itself was not formally reviewed, lenders observed that institutional clients and funds frequently referenced SFDR classifications in their loan documentation. In such cases, lenders rely on “sustainability scores”, rather than conducting in-depth analysis. Internally, ESG information was reviewed by dedicated sustainability managers who also set performance targets and adjusted expectations across client types.

Data quality varied significantly depending on the borrower. Larger institutional clients were more likely to submit comprehensive ESG roadmaps, while smaller investors or private landlords often required support from third parties. Interviewees reported that, although some applicants lacked readiness, expectations were rising. Conversations around sustainability had shifted from optional to routine, and regulators’ influence – such as through central banks and supervisory guidelines – was beginning to shape internal policies.

Overall, ESG considerations were treated as part of long-term portfolio de-risking, tied to asset resilience, tenant demand, and compliance planning.

Notable Observations

Lenders emphasized energy performance as a minimum financing threshold – “if they don’t meet the criteria, it’s not financeable” – but increasingly viewed energy consumption (not performance) as the more critical long-term metric. ESG was considered a secondary filter after business fundamentals yet growing in influence. Interviewees applied sustainability-linked discounts or “green premiums” to interest rates. While SFDR classifications (Article 6, 8, 9) were not formally assessed, lenders acknowledged more sophisticated clients referenced them. Reputational risk was tightly managed through KYC protocols, and sustainability was seen as “already a driver” that would become more central over time. One lender stated: “We only want to provide financing when there is a clear trigger for sustainability” – a principle they referred to internally as a “green trigger.”

6.5 Market Player Type E: Advisor

This group includes consultants and technical advisors who support hotel developers, investors, and operators throughout the investment lifecycle. Their work spans early-stage feasibility analysis, technical due diligence, risk assessment, and strategic ESG advisory, often bridging the gap between market requirements and implementation.

Their Experience of SFDR and Sustainability

Advisors described a clear transition in how ESG is approached within hotel transactions. Over the past five years, ESG considerations have evolved from optional assessments to default components of technical due diligence – now included in the majority of their services. This shift has been driven by lenders, regulatory expectations, and market pressure around green certifications.

While SFDR classification (Articles 6, 8, 9) is not yet consistently applied to hotel assets in the Netherlands, advisors anticipate its growing relevance. Clients are increasingly required to demonstrate alignment with CRREM pathways, provide high-level ESG assessments, or outline milestone-based improvement plans to secure financing or meet buyer expectations.

The advisory role has expanded to include more proactive scenario modeling. Clients are guided through various repositioning strategies, capital expenditure scenarios, and ESG-linked investment decisions. Climate-related risks, especially location-based threats such as coastal erosion, melting snow, have become standard considerations in technical reviews, though often assessed at a high level. Regulatory uncertainty and lack of clarity on ESG documentation remain major client pain points, underscoring the advisor's role in translating evolving standards into actionable frameworks.

Notable Observations

Advisors emphasized the increasing role of ESG in hotel development and investment. Technical due diligence now routinely includes climate risk assessments, particularly flooding or coastal erosion, and has become relevant even in urban areas. SFDR compliance, while not yet standardized for hotels, was seen as inevitable – clients are increasingly planning for future alignment. "80% of our technical due diligence now includes ESG," one noted, referencing the shift from a "nice-to-have" to a market standard. Older hotel stock was identified as particularly vulnerable to becoming stranded assets without clear ESG upgrade plans and market incentives. ESG-driven value creation and risk mitigation were viewed as interconnected: "In today's market… failing to meet ESG criteria within 2–3 years is a significant risk." Advisory roles have shifted toward scenario modeling, portfolio planning, and sustainability-linked repositioning strategies.

6.6 Market Player Type F: Hotel Franchise

This stakeholder represents the franchising division of a global hotel group operating across various markets, including Europe and the Middle East. Their responsibilities include supporting franchisees in maintaining brand standards, sustainability implementation, and compliance with evolving ESG expectations – especially in cooperation with owners and investors of individual hotel assets.

Their Experience of SFDR and Sustainability

The franchise executive described the organization's involvement in hotel development, franchise operations, and ESG integration across both new builds and asset conversions. The group's operational model involves managing OpCos on behalf of property owners or supporting third-party white-label operators under franchise agreements. This structure informs their limited exposure to asset ownership – an absence of contractual agreement.

The interviewee argues ESG concerns are increasingly shaping investment and strategic discussions. Regulatory uncertainty and compliance burdens remain prominent challenges, particularly in translating broad ESG expectations into concrete action. The interviewee described SFDR as a distant concern – "step 211" – citing a general lack of clarity in its application to hotels. Energy standards, building age, and renovation costs were flagged as primary investor risks, with return outlooks strongly tied to investment horizons and regulatory trajectories.

While ESG reporting obligations persist, the interviewee distinguished between compliance-driven reporting and strategic "ESG controlling". The latter – akin to financial forecasting – was considered critical to long-term positioning. ESG data was described not only as a reporting tool but also as a means to steer business strategy. AI-supported tools and data infrastructure were noted as enabling more forward-looking ESG integration, provided data quality improves. The executive emphasized that frameworks will likely consolidate, with practical, strategic applications ultimately prevailing over fragmented reporting standards.

Notable Observations

The franchise executive emphasized the brand's role in enforcing sustainability protocols across its network. "We want to make the hotels as green as possible, as quickly as possible," they stated, referencing software-based tracking of energy, food waste, and electricity. ESG data collection is embedded in franchise contracts and tied to group-level reporting obligations. New properties undergo pre-entry ESG screening to "keep the nest as clean as possible." Certifications such as Green Key are pursued to support GHG disclosures. Yet, sector-wide misalignment persists: "We're talking about step 211… we don't even know the rocket yet." Market readiness, fragmented data systems, and inconsistent investor appetite remain significant challenges, though operator-side reporting pressure is visibly rising.

6.7 Emerging themes & Results

There are 8 themes that emerged from the data and reveals the following:

A. The thematic structure reveals a fragmented yet interlinked ESG landscape in hotel capital markets, where financial-first thinking and location-based risk dominate ESG integration.
B. Regulatory and lending mechanisms – particularly through institutionalization and evolving enforcement logics – serve as gatekeepers, shaping both ESG uptake and disclosure depth.
C. Responsibility for ESG action is unevenly distributed across ownership and operational layers, often compounded by misalignments in SFDR application and interpretive ambiguity.
D. Barriers persist in enabling ESG infrastructure, notably in data systems, social metrics, and structural clarity.
E. ESG strategy frequently veers into symbolic territory, with stakeholder skepticism, market signaling, and partial implementation highlighting gaps between ambition and execution.
F. Transition risks – including stranded assets and scale-driven inequality – surface as critical investment variables, while geopolitical volatility and external shocks further distort ESG consistency, shaping capital flow decisions and risk appetites.

The themes presented below form a foundation for the discussion section and will be presented chronologically.

Figure 24 **Analysis & Results Breakdown**

10	268	230	35	8
Interviews	Identified Significant Quotes	Open Codes	Axial Codes	Thematic Codes

Table 14 **Using the PIVOT Framework to Contextualize the Themes**

Emergent Theme	Description	Aligning Framework
Theme 2	Lending, Regulation, & Market Enforcement	**P - Policy Vacuum**
Theme 4	SFDR Implementation & Misfit	
Theme 1	ESG Integration into Investment Logic	**I - (Self) Interest**
Theme 6	ESG Strategy, Symbolism & Compliance Posturing	
Theme 5	Barriers, Enablers & Infrastructure	**V - (mis) Valuation**
Theme 3	ESG Division of Labor & Responsibility	**O - (In)active Ownership**
Theme 7	Transition Risks & Asset Implications	**T - Transition Misalignment**
Theme 8	Geopolitical & External Context	

7 Discussion

SFDR aims to guide capital but often prompts premature divestment – posing a critical barrier to effective decarbonisation.

Chapter Note

This discussion begins by asking what is actually driving decisions today. Across interviews, it became clear that financial logic still dominates ESG integration. Climate and sustainability considerations are taken seriously – but often only when they reinforce, rather than challenge, return expectations. In this context, institutional forces shaping ESG behavior – from regulatory punishments to lender requirements – play a central role. Yet, the picture becomes more complicated when considering who actually does the ESG work. Implementation is often delegated, fragmented across owners, operators, and consultants, creating inconsistencies in practice. These tensions surface most clearly where EU policy meets messy market realities, particularly in the case of SFDR, where rigid frameworks clash with sectoral diversity and practical constraints.

The narrative then turns toward the operational choke points – the less visible, but critical, frictions that slow ESG progress. These range from data infrastructure gaps to misaligned valuation models and social ESG blind spots. At the same time, ESG is increasingly being used performatively or strategically, more as a signaling tool than a mechanism for real change. This brings into view the hidden dislocations ESG introduces, including transition risks, stranded assets, and inequalities in market participation. And finally, we must confront the macro-layer – always in the background, now unavoidable. Geopolitical instability and global policy fragmentation are no longer side notes; they are actively reshaping how ESG is understood, prioritized, and deployed across borders.

7.1 ESG Integration into Investment Logic

Table 15 **Theme 1 Breakdown**

Open Codes (53 Total)	Axial Codes	Thematic Coding
Cash Flow & Margin Dominate	Financials First Thinking	**ESG Integration into Investment Logic**
Location Still Primary Filter	Location-Driven ESG Risk Assessment	
SFDR Uncertainty for Hotel Inclusion	Sector-Specific ESG Weighting in Hotels	
ESG Ambition Depends on Hold Strategy	Investment Fundamentals	
Insurability Overrides Climate Risk Weight	ESG vs Traditional Technical Priorities	
Reputation & Relationships Drive Decisions	Relational Trust as ESG Proxy	

The integration of ESG into hotel investment logic remains predominantly shaped by short-term financial imperatives and embedded sector-specific valuation models. Across stakeholder groups, ESG is evaluated through the lens of financial-first thinking, where “ESG risk” becomes another layer of traditional risk pricing rather than a strategic driver of allocation. As revealed in interviews, sustainability is treated as material only when it tangibly affects location-driven risk assessments, exit value, or liquidity.

One investor remarked:

Table 16 | Excerpt 1

Market Player	Open Coding	Axial Codes	Thematic Codes
Transcript A003: Type B **Private Equity**	Financial KPIs Override ESG Ratings	Financials First Thinking	Theme 1: ESG Integration into Investment Logic

It's about ratings and KPIs. But to be honest, the focus is more on the KPIs related to the financial side. We used the ESG rating primarily to assess how well we could lease the property. How well can we lease the property? What is the liquidity at exit? Future buyers – what do they want? ESG ratings, A, Platinum, Gold certificates, etc.? If we find that we can't achieve the desired returns with or without the rating, we would reconsid-er our approach. Consider a building in a current portfolio and maybe we feel that its very diffi-cult to sell due to its (bad) quality. The market just isn't buying properties at this level right now, and we're unable to meet our KPIs under the current conditions.

So, what are we doing? Are we pursuing a Grade B or Grade A refurbishment? If we decide to go ahead with either option, we need to assess how much equity do we have to inject into the property (again). This becomes another equity call, and you would need to present this to the in-vestment board, saying, "The investment isn't working as expected; we need to invest more mon-ey into this."

The decision-making process then becomes about weighing the costs. For example, if I spend X to achieve a Grade B and Y to achieve a Grade A, I need to evaluate whether the extra investment is worthwhile in terms of KPIs to achieve Grade A.

If the Grade B yields 15% IRR and the Grade A yields 18%, the company may decide that the 3% difference isn't significant enough to warrant the extra investment, so we may stay with Grade B. In the end, while ESG is a part of our decision-making, it's still all about the financial KPIs. Our primary goal is to return cash to our investors, and we need to do that in the most profitable way possible.

This indicates a deeply entrenched technical priority bias, where sustainability considerations are overruled unless backed by measurable financial upside.

This logic directly aligns with the "Self-Interest" barrier within the PIVOT framework, which identifies a short-term and narrow investor focus as a central obstacle to sustainable capital flows. ESG is tolerated, but only when it harmonizes with established valuation tools, not when it challenges them.

From a New Institutionalism perspective, this reflects strong path dependence and institutional logics tied to legacy financial modeling. The investment logic in hotels is built on decades of embedded technical formulas – cap rates, ADR, RevPAR, NOI – leaving little room for ESG variables unless they are translated into financially legible terms. This highlights context-bound rationality: actors are not irrational, but their decisions are shaped by an institutional context in which ESG is not yet "common sense." ESG is further diluted by relational trust acting as a proxy: in illiquid markets like hotels, investors often rely on informal confidence in operators rather than robust ESG data, reinforcing soft institutional norms over formal sustainability metrics.

The PIVOT framework also warns of competitive market pressures and executive incentives skewing behavior toward short-termism. This was echoed by several interviewees who suggested that ESG upgrades were only pursued when linked to immediate yield compression, EPC compliance, or reputational protection at exit. As such, ESG remains decoupled from the core investment process: externally embraced for legitimacy, internally sidelined in technical underwriting.

Table 17

Excerpt 2

Market Player	Open Coding	Axial Codes	Thematic Codes
Transcript A008: Type A **Institutional Investor**	Financials of Operator as Reliable Indicator + Reputation & Relationships Drive Decisions	ESG vs Traditional Technical Priorities + Relational Trust as ESG Proxy	Theme 1: ESG Integration into Investment Logic

…the reality in hotels is that you have to work with smaller operators, white label operators that don't provide as much information because they are not publicly traded, so you can't just read their annual report. However, with these tenants, we always have information on their financial covenants, and we review their balance sheets to ensure the lease is sustainable.

Its also a small world - there's also a strong focus on reputation. We can check with advisors about the operator's reputation, especially since we've worked with operators who have over 50 hotels in Europe over the last 10-15 years. We often have prior experience with them, which helps. For example, we had a great experience working with two new tenants in Spain. We tend to replicate relationships with operators we like and trust.

This partial institutionalization reflects what Meyer & Rowan (1977) describe as ceremonial conformity – where firms "talk" ESG for external legitimacy but "walk" traditional financial logic. Here, legitimacy-seeking behavior masks the lack of substantive ESG integration, mirroring the PIVOT concern over fragmented engagement and weak accountability mechanisms in financial institutions.

Ultimately, what's clearly driving decisions today is the ability to translate ESG into financial terms investors already understand. Until that translation becomes the norm rather than the exception, ESG will continue to follow, not lead, capital flows.

7.2 Lending, Regulation & Market Enforcement

Table 18 **Theme 2 Breakdown**

Open Codes (50 Total)	Axial Codes	Thematic Coding
Contractualization of ESG Data Collection	Institutionalization in Lending Practices	**Lending, Regulation & Market Enforcement**
ESG Adds DD Complexity, Not Delay	Regulatory & Standardization Shifts	
Advisor's Scope Increasing	Strategic ESG Role Evolution	
Borrowers Need to Present Energy Roadmap	ESG Integration Across the Value Chain	

Lending practices around ESG are evolving but remain heterogeneous and unevenly applied across institutions. For some banks, ESG criteria – particularly Energy Performance Certificates (EPCs) – have become a minimum entry requirement.

One respondent described them as essential gatekeepers:

Table 19 **Excerpt 3**

Market Player	Open Coding	Axial Codes	Thematic Codes
Transcript A007: Type D **Lender**	EPCs Part of Underwriting Criteria	Institutionalization in Lending Practices	Theme 2: Lending, Regulation & Market Enforcement

For real estate, energy performance is still important, but to be honest, it's not the future. However, it is currently a standard, and we have set energy performance as part of our underwriting criteria. We require clients to meet a minimum standard. If they don't meet the criteria, it's not financeable, unless they can make a transition through milestones to reach that level.

In such cases, banks apply, what they coined as "ESG triggers," within loan conditions, signaling a shift toward procedural ESG institutionalization. However, this level of scrutiny appears specific to certain institutions, and practices differ widely across lenders. While "highly professional investors" often anticipate and exceed ESG expectations, others meet only the minimum requirements. ESG criteria are often introduced late in the process, rather than being embedded in initial loan applications – highlighting the partial, context-dependent nature of ESG enforcement in lending.

This variability illustrates the Policy Vacuum identified in the PIVOT framework, where a lack of clear and consistent regulation leads to incoherent market signals and disjointed implementation. As PIVOT notes, "fragmented regulatory systems… lead to differing expectations for investors across markets." The absence of binding ESG disclosure requirements in loan origination reflects gaps in market infrastructure, and creates barriers to consistent climate-aligned lending.

From a New Institutionalism perspective, this pattern can be understood as coercive isomorphism operating without field-level consensus. ESG requirements are adopted in response to external pressures, but institutional misalignment across lenders and borrowers results in inconsistent uptake. In some cases, ESG adoption may be symbolic – a means of signaling legitimacy to regulators or investors – rather than substantively embedded in underwriting logic. This reflects an early stage of institutionalization, where ESG norms are still being negotiated, interpreted, and selectively applied.

Respondents also noted how regulatory ambiguity and disclosure complexity contribute to compliance fatigue. Several described ESG documentation as duplicative, unclear, or disconnected from sector-specific realities – aligning with PIVOT's assertion that "policymakers' lack of understanding of the practical requirements… results in overly complex, overlapping… disclosure expectations."

While there are signs of movement toward convergence – such as alignment with SFDR classifications and voluntary market standards – the current ESG architecture remains reactionary and inconsistent. Concerns around "greenhushing" reflect how regulatory uncertainty can suppress ESG transparency, rather than enhance it.

Table 20

Excerpt 4

Market Player	Open Coding	Axial Codes	Thematic Codes
Transcript A007: Type D **Lender**	EPCs Part of Underwriting Criteria	Institutionalization in Lending Practices	Theme 2: Lending, Regulation & Market Enforcement

First, we focus on the business, the clients, the markets, ESG, and structuring. We also evaluate it with regards to our portfolio to ensure it aligns with our criteria and strategy. (The most important) The business concept comes first, followed by clients, and then ESG criteria.

Yes, it's much better. The spectrum is wider now, and with ESG now part of our underwriting, there are more criteria to review. This enables us to make better decisions. We've already seen that sustainable assets tend to maintain their value better than unsustainable ones, because ten-ants will no longer want to occupy unsustainable assets in the long run. Some tenants simply can't afford to rent non-sustainable assets.

In this light, institutional forces are shaping ESG behavior not through unified mandates, but through fragmented enforcement and uneven expectations. ESG is becoming part of the lending toolkit – but how, when, and why it is applied still depends less on systemic design than on institutional discretion. As such, ESG enforcement in lending remains structurally incomplete, shaped more by institutional interpretation than by regulatory standardization.

7.3 ESG Division of Labor & Responsibility

Table 21 **Theme 3 Breakdown**

Open Codes (21 Total)	Axial Codes	Thematic Coding
Internal & External Split in ESG Data Sourcing	Internal vs. External ESG Division of Labor	**ESG Division of Labor & Responsibility**
Hotel Operator Crucial in ESG Implementation	Operator-Related ESG Delegation	
Lenders Enforce ESG Roadmaps	Capital & Role-Based ESG Enforcement	
Fragmented ESG Responsibility in PropCo/OpCo Models	Governance Complexity in Ownership Models	
ESG Adoption Depends on Owner Receptiveness	Governance Complexity in Ownership Models	

Findings indicate that ESG responsibilities in hotel capital markets are fragmented and inconsistently enforced, often pushed downstream to operators without clear oversight from capital owners. In many cases, ESG implementation is assumed to fall within operational duties, yet operators frequently lack the mandates, incentives, or resources to act beyond surface-level compliance.

Table 22 **Excerpt 5**

Market Player	Open Coding	Axial Codes	Thematic Codes
Transcript A010: Type F **Hotel Franchise**	ESG Adoption Depends on Owner Receptiveness	Operator Dependent ESG Implementation	Theme 3: ESG Division of Labor & Responsibility

To give you the full picture, all hotel brands now aim to certify every hotel – whether it's a managed or franchise property, we aim to get certifications like Green Key or similar green hotel certifications. We need these information as well for our GHG (scope 3 – to report value chain aka franchisees) reporting responsibilities. We want to make the hotels as green as possible, as quickly as possible. To ensure this, we have our own software and we require franchisees to regularly provide data on key metrics like food waste, electricity, and energy consumption. We track how these factors improve over time and measure the changes. This has brought greater transparency into the operational side of things.

Now especially in new projects we actually (initiate) approach the hotel owners, to integrate ESG practices. Some owners are receptive to this, while others aren't interested. For those who are interested, we have ongoing discussions and phone calls about what steps they should take to improve sustainability – asking for help on actions.

This pattern reflects a misalignment of institutional logics – a core concept in New Institutionalism – where financial actors follow a market logic focused on returns, while the operational layer bears ESG delivery without equivalent authority or accountability. This mirrors the PIVOT framework's observation that "governance issues" and a "misalignment of fiduciary duties" limit systemic ESG engagement, especially when stewardship is under-resourced or viewed as a compliance obligation rather than a strategic function.

The barrier of (In)active Ownership becomes particularly visible in complex ownership models, such as PropCo/OpCo structures, where accountability diffuses across actors. Investors often acknowledged a lack of tools to enforce ESG if the operator is not aligned, due to non-contractual relationships. This reinforces PIVOT's identification of "long intermediation chains and cultural blocks" that inhibit multi-stakeholder coordination.

Table 23

Excerpt 6

Market Player	Open Coding	Axial Codes	Thematic Codes
Transcript A008: Type A **Institutional Investor**	Operator Type Limits ESG Transparency	Operator Dependent ESG Implementation	Theme 3: ESG Division of Labor & Responsibility

In hotels, it's a bit different compared to offices. In offices, you might be cautious about leasing to a company like Philip Morris due to the nature of their business, but in hotels, every tenant's goal is essentially the same: to operate the hotel. Some operators are more institutionalized than others. For example, brand operators like Hilton, Hyatt Marriott – their S&P 500 companies – in these instances of course they tick the box. However, the reality in hotels is that you have to work with smaller operators, white label operators that don't provide as much information because they are not publicly traded, so you can't just read their annual report.

Variation across investor types was also notable: institutional investors with internal ESG teams described more formalized expectations and monitoring structures, while smaller funds leaned on informal agreements or delegated ESG entirely. This dynamic is explained by the New Institutionalism concept of embeddedness, where governance behavior is shaped not by codified rules, but by relational norms and perceived roles. ESG thus operates as a socially constructed responsibility, rather than a clearly mandated one.

Table 24

Excerpt 7

Market Player	Open Coding	Axial Codes	Thematic Codes
Transcript A004: Type B **Private Equity**	Multiple ESG Indicators Delegated to Operators	Operator Related ESG Delegation	Theme 3: ESG Division of Labor & Responsibility

(Hotel Company Chain) has developed a model in collaboration with the University of Delft. I don't know the details of it, but again, it's focused on the operational side. From what I do know, every operation under that model sets very clear goals – such as reducing the use of toxic substances, sourcing locally, and other sustainability-related targets. There's a strong emphasis on local sourcing, among other aspects. Additionally, our current operator uses alternative sustainability indicators, which are integrated with their expansion targets. We trust the management team in that regard

As investors, it's fairly straightforward. We look at certifications like Green Key – although it's relatively easy to obtain a Green Key Gold label. We also consider broader sustainability ratings, such as GRESB and BREEAM. And, very simply, we look at energy labels and actual energy usage.

Table 25

Excerpt 8

Market Player	Open Coding	Axial Codes	Thematic Codes
Transcript A008: Type A **Institutional Investor**	Multiple ESG Indicators Delegated to Operators	Operator Dependent ESG Implementation	Theme 3: ESG Division of Labor & Responsibility

We only have fixed leases. So, we don't use managing companies. We have a direct lease with the operating companies and in that case it's their responsibility (if they franchise) to be connected with the parent company (the franchisee). We only have connection, maybe on financials, but oth-erwise we don't interact with the franchise itself.

Opposing expressions in Excerpt 07 and Excerpt 08 (depending on the contractual agreement), this division of responsibility results in decoupling – another key New Institutionalism concept – where ESG commitments are made in investor disclosures but are weakly implemented at the asset level. As noted in the PIVOT text, this reflects broader tendencies toward corporate and investor complacency, where ESG is treated as a public duty rather than an internalized responsibility.

In practice, ESG implementation hinges less on who claims responsibility and more on who holds operational control. Across ownership structures, that answer varies – but the pattern is clear: ESG gets delegated. Whether by default or design, operators become the de facto stewards, even when they lack the mandate or means. This isn't just a question of efficiency – it's one of accountability. Without clearer governance mechanisms or shared incentives, ESG remains fragmented: visible in policy, partial in practice.

7.4 SFDR Implementation & Misfit

Table 26 **Theme 4 Breakdown**

Open Codes (24 Total)	Axial Codes	Thematic Coding
SFDR Gap for Hotels	Sectoral Exclusion & Maturity Gaps	**SFDR Implementation & Misfit**
Lending Terms not in Sync	Regulatory & Interpretive Ambiguity	
Embodied Carbon Overlooked in SFDR	Technical & Framework Misalignment	
Policy Incentives Create ESG Paradoxes	SFDR-Induced Market Distortions	

The rollout of SFDR across hotel capital markets has produced a clear implementation misfit, exposing frictions between regulatory ambition and market infrastructure. Respondents described the regulation as setting high disclosure expectations without commensurate support, especially for sectors like hotels that face fragmented data environments, inconsistent ESG maturity, and complex ownership chains.

Table 27 **Excerpt 9**

Market Player	Open Coding	Axial Codes	Thematic Codes
Transcript A010: Type F **Hotel Franchise**	SFDR Outpaces Industry Readiness	Regulatory & Interpretive Ambiguity	Theme 4: SFDR Implementation & Misfit

I'm a developer, so I work on a lot of new projects, new builds, and conversions – hotels to hotels or even hotels converting from other real estate classes, but what I'm seeing more and more, particularly in Europe and Africa, is the focus on ESG. I have many discussions with owners about it, especially regarding green certifications.

The problem is, there are so many issues to address with ESG in the hotel industry. Specifically, when it comes to SFDR, I think it's just step #211. We have the other 210 steps that are yet to be tackled, particularly in the hotel industry – the regulation is yet to be translated where actors actually understand what it's for. It's unfortunate, and that's a big challenge – you can see it when you talk to people involved in these discussions.

This gap illustrates what the PIVOT framework defines as a Policy Vacuum, wherein "overlapping or burdensome market disclosure expectations" and a lack of sector-sensitive policy design undermine confidence and usability. From a New Institutionalism lens, this reflects coercive isomorphism – organizations adopt ESG classifications and disclosure practices not due to internalized values, but to align with an external policy logic. However, in the absence of technical clarity, this response becomes largely symbolic, with SFDR serving as a formal label rather than a reflection of operational transformation.

Across interviews, SFDR was also critiqued for creating counterproductive policy incentives that distort sustainability outcomes. Efforts to encourage sustainable investment can backfire when market actors adapt to the incentive structure in unintended ways.

Table 28 | Excerpt 10

Market Player	Open Coding	Axial Codes	Thematic Codes
Transcript A003: Type B **Private Equity**	Policy Incentives Create ESG Paradoxes	SFDR-Induced Market Distortions	Theme 4: SFDR Implementation & Misfit

Take Berlin, for example. The government has set limits on rents, which sounds good because it allows people to live affordably. But if you limit rents, who is incentivized to build new quality stock? Who's going to invest in upgrading the old stock? The new buildings, of course, are usually exempt from these rent caps. In the end, what happens is that construction slows down, which reduces supply, and as a result, prices keep rising. The original intention was to provide people with reasonably priced rents, but the result is often the opposite.

From an environmental perspective, maybe the government could offer more subsidies. However, the problem is that when you offer more subsidies and make financing cheaper, the seller will just factor that into the selling price. So, in the end, the price remains the same – it remains expensive high.

This reflects a broader institutional paradox: regulatory mechanisms designed to democratize or accelerate ESG investment can inadvertently entrench existing market inefficiencies, especially when underlying systems (e.g., pricing, valuation, subsidy absorption) are not restructured. From a New Institutionalism lens, this illustrates how institutional complexity and embedded practices mediate how new rules are absorbed, often through strategic adaptation rather than alignment. It also mirrors PIVOT's warning that "market infrastructure and policy misalignment can reduce the effectiveness of financial instruments in driving climate action."

Additionally, respondents flagged that the current SFDR focus on operational emissions and EU Taxonomy alignment overlooks key impact categories, notably embodied carbon, which is highly material in real estate investment.

Table 29 | Excerpt 11

Market Player	Open Coding	Axial Codes	Thematic Codes
Transcript A009: Type E **Advisor**	Embodied Carbon Overlooked in SFDR	Technical & Framework Misalignment	Theme 4: SFDR Implementation & Misfit

Another major issue is circularity – reusing raw materials. With materials like cement becoming ridiculously expensive and harder to source, we will eventually have to rethink reusing our existing buildings.

There might be a need for monetary motivation in the early stages, such as tax breaks or funding for specific projects. These types of projects already exist, where, for example, converting an office into housing is much less carbon-intensive than demolishing and rebuilding from scratch. However, the cost of CO_2 emissions is still not factored into development decisions, which needs to change. Simply because CO_2 emissions are yet to cost much money. Plus, the demolition of an existing building also contributes significant CO_2 emissions. Even if the new building is energy-efficient, it will never offset the CO_2 spent on demolition. If we had preserved and converted the old building, the environmental impact would have been much less. This is an area where politics need to create incentives or some form of stimulation to encourage conversion over demolition.

This technical omission reflects the broader regulatory and interpretive ambiguity embedded in the SFDR rollout. From an institutional perspective, such ambiguity fosters interpretive drift, where market actors reshape regulation based on available tools, not aligned principles – deepening fragmentation and undermining comparability.

SFDR reveals the tension between uniform regulation and sectoral specificity. Hotel capital markets, shaped by fragmented data infrastructures and long intermediation chains, struggle to absorb SFDR in ways that are both meaningful and operational. Instead of driving convergence, the regulation often amplifies divergence – between intention and application, principle and practice. This isn't simply policy lag; it's institutional friction. And unless policy design becomes more attuned to sector realities, SFDR may remain more visible in PowerPoint decks than in investment outcomes.

7.5 Barriers, Enablers & Infrastructure

Table 30 **Theme 5 Breakdown**

Open Codes (14 Total)	Axial Codes	Thematic Coding
Data Collection Strategy As Enabler	ESG Data Infrastructure & Decision Support	**Barriers, Enablers & Infrastructure**
Clarity & Delegation Enable ESG Compliance	Structural ESG Enablement Conditions	
Social ESG Critera Hard to Measure	Barriers to Social ESG Implementation	

Across interviews, ESG implementation was often described as structurally dependent on data clarity, delegated responsibility, and operational feasibility. Respondents emphasized that enabling ESG compliance is not simply about motivation, but about building infrastructure that aligns with operational reality. As one respondent noted:

Table 31 **Excerpt 12**

Market Player	Open Coding	Axial Codes	Thematic Codes
Transcript A004: Type B **Private Equity**	Clarity & Delegation Enable ESG Compliance	Structural ESG Enablement Conditions	Theme 5: Barriers, Enablers & Infrastructure

It will become more streamlined. I think there will be some rationalization in reporting requirements and more realistic expectations. At the same time, there will likely be more enforcement. With greater clarity, I believe more people will be willing to comply, of course.

When it comes to data gathering, some of the work could potentially be handled by the companies providing electricity or water. The idea would be to delegate the data collection to those who are best positioned to gather it. Or handle it all at one point in time. We have technicians for commercial buildings, so you need to decide which channel to use. I think it's about picking the right channel – perhaps the technicians, for example. Coming in through the right door with realistic asks makes more sense.

This links directly to the PIVOT barrier of Mis-Valuation, which identifies "data and valuation challenges in financial models" as a core inhibitor of sustainability investment. The difficulty lies not only in accessing data, but in identifying who within complex ownership or utility structures is responsible for producing and interpreting it. This echoes a key insight from New Institutionalism: that practices are not just shaped by formal rules, but by institutionalized roles and relational networks. Delegation mechanisms – whether to advisors, service providers, or advisors – reflect how ESG becomes operationalized through embedded expectations rather than central enforcement.

Quantification challenges also emerged, especially when distinguishing between the "E" and "G" dimensions of ESG. While environmental metrics are often actionable and ROI-driven, governance data lacks the same measurability. As one advisor explained

Table 32

Excerpt 13

Market Player	Open Coding	Axial Codes	Thematic Codes
Transcript A009: Type F **Advisor**	Measurable ESG Drives Action	Structural ESG Enablement Conditions	Theme 5: Barriers, Enablers & Infrastructure

At the operational level, the E (environmental) part is often the most tangible and cost-effective, as it's measurable. You can see a direct tangible impact on return on investment, such as from reducing energy consumption. However, the G (governance) aspect is less specific, and making it measurable and tangible for business calculations can be challenging.

This illustrates PIVOT's point that short-term metrics and model misalignment hinder long-term sustainability valuation. Existing frameworks often fail to account for externalities like governance quality or social equity due to their low immediate materiality, despite their systemic importance.

Rather than a lack of will, ESG inertia often stems from uncertainty about the "how" and "who" behind implementation. When compliance hinges on fragmented responsibilities and unclear data ownership, even well-intentioned ESG efforts risk stalling at the point of execution. Bridging that gap means addressing infrastructure as strategy – not an afterthought.

7.6 ESG Strategy, Symbolism & Compliance Posturing

Table 33 **Theme 6 Breakdown**

Open Codes (53 Total)	Axial Codes	Thematic Coding
Brand Strategy Changes to Conform to Market Expectations	Market-Conforming ESG Behavior	**ESG Strategy, Symbolism & Compliance Posturing**
SFDR as Symbolic Architecture of ESG Investing	Symbolic ESG & Compliance Posturing	
ESG Demanded, WTP Remains Low	Symbolic ESG & Market Signaling Tactics	
Impact & Reputation Drive ESG Alignment	Strategic Use of ESG for Advantage	
Fund Level ESG Viewed as Greenwashing	Stakeholder Skepticism & Symbolic ESG	
Investor Learning Curve in Hospitality Investments	ESG Knowledge & Interpre-tive Learning	
ESG Transparency Builds Market Trust	ESG as Risk Logic & Market Signal	
Proactive ESG Screening as Hotel Brand Strategy	ESG Controlling	
Partial ESG Integration	Incomplete ESG Implementation	

This theme captures how ESG strategy often operates between symbolism and pragmatism. While ESG adoption is now widespread, the motivation behind that adoption varies greatly. As one respondent put it:

Table 34 **Excerpt 14**

Market Player	Open Coding	Axial Codes	Thematic Codes
Transcript A003: Type B **Private Equity**	ESG as Risk Mitigation	ESG as Risk Logic & Market Signal	Theme 6: ESG Strategy, Symbolism & Compliance

I think everyone wants to create a better world, but at the end of the day, it's still about the money. There are organizations that genuinely pursue these goals for the greater good, but realistically, most individuals and businesses engage in ESG because it reduces risk and strengthens the business case and returns. There's a short-term and long-term return on investment, and this is often driven by regulations. We know that if we don't comply or take action, the business case for each individual business will fail.

From a New Institutionalism lens, this is emblematic of instrumental isomorphism – where firms adopt ESG frameworks to align with dominant market logics and stakeholder expectations, rather than out of intrinsic conviction. Within the PIVOT framework, this reinforces the role of self-interest: firms move when ESG affects their bottom line, not when it's merely the "right thing to do."

Yet this shift – from ESG as value creation to ESG as risk mitigation – shouldn't be dismissed as hollow. It marks a form of institutional embedding. ESG has migrated from a niche concern into the standard language of risk, return, and fiduciary responsibility. This evolution, while imperfect, is a sign of maturation – where sustainability becomes part of the business case itself. The challenge now is ensuring that risk mitigation doesn't crowd out longer-term strategic thinking.Still, symbolic ESG remains prevalent. One respondent highlighted this tension:

Table 35

Excerpt 15

Market Player	Open Coding	Axial Codes	Thematic Codes
Transcript A003: Type B **Private Equity**	ESG as Risk Mitigation	ESG as Risk Logic & Market Signal	Theme 6: ESG Strategy, Symbolism & Compliance

Yeah, I think it's more about risk mitigation. Sometimes it's just about ticking the box that investors want. You do it because they want it, but it's not because we think about it. Personally, I believe we should take care of the environment, but it's not that the business thinks we need to be the greenest company on Earth. We promised our investors specific returns, and that's what we need to deliver. So, what does it take nowadays? It takes having a solid ESG strategy in place. But sometimes, I really feel like we're doing things just for the books.

This reflects decoupling, where formal ESG policies are adopted to signal alignment but don't necessarily shape day-to-day decision-making. Symbolic compliance satisfies external scrutiny while preserving internal priorities – a rational response under short-term market pressures, but one that can stall deeper transformation.

A related insight emerged around ESG reporting. Several interviewees made a distinction between ESG data collected for external disclosures and ESG data used to inform internal strategy.

Table 36

Excerpt 16

Market Player	Open Coding	Axial Codes	Thematic Codes
Transcript A010: Type F **Hotel Franchise**	Shift from Solely Reporting to Strategy	Strategic Use of ESG for Advantage	Theme 6: ESG Strategy, Symbolism & Compliance

Look, I think there are two perspectives. One is for reporting, where you first need to understand what you have to report and then how to do it efficiently and clearly.
The second is different: you need this data to emphasize, change, or adapt your strategy. When we face the next big issue, people often see the report as just a formality. That's where the real issue lies – people see it as a task to report ESG and only ask the initial question of how to do it.

They need to understand, that OK, they have to do it and that it will impact their business. So what does it mean to have an impact on their business, that means they have to address it in their strategy. Because that strategy is their lifeline for the next 5-10-15 years. That's why you need to have "ESG controlling" implemented. Just like with regular financial bookkeeping, where controllers use tax data to assess what can be done strategically in the future, the same should apply to ESG.

Reporting might be 70% focused on meeting standards, and 30% for strategic reasons – though I feel it might be even more important strategically than we think.

This perspective introduces the idea of "ESG Controlling" – treating ESG not just as a reporting requirement but as an internal decision-making tool. Analogous to financial controlling, this approach uses ESG data as input for planning, investment filtering, and scenario analysis. When embedded well, ESG controlling allows organizations to move beyond compliance and integrate sustainability into their operational core.

But tensions remain, particularly when firms must navigate ESG frameworks that constrain their investment flexibility. One respondent noted:

Table 37

Excerpt 17

Market Player	Open Coding	Axial Codes	Thematic Codes
Transcript A008: Type A **Institutional Investor**	Article 9 Avoided for Investment Flexibility	ESG Controlling	Theme 6: ESG Strategy, Symbolism & Compliance

That doesn't mean we're not committed to ESG or that we don't take it seriously, but becoming Article 9 would limit our ability to invest in the sector as we wanted. For example, our fund strategy is to invest in key European cities with the best micro-locations. Finding new-build assets in these locations is extremely difficult, especially in city centers like Rome. It's challenging to find new developments that meet all ESG criteria. So, we've taken a more balanced approach: we focus on making sure the investment makes sense for returns while improving ESG performance through strategies like XYZ.

This highlights a broader institutional dynamic: rather than fundamentally transforming strategies, ESG criteria are often bent to fit existing investment models. In this way, ESG becomes a market signal to be managed, not a mission to be fulfilled.

ESG today occupies a liminal space – no longer optional, but not yet transformative. Across the sector, it oscillates between performance and strategy: a compliance checkbox for some, a directional tool for others. This is where ESG reveals its split identity – performative for many, strategic for a few.

7.7 Transition Risks & Asset Implications

Table 38 **Theme 7 Breakdown**

Open Codes (34 Total)	Axial Codes	Thematic Coding
ESG Burden on Smaller Firms	Scale-Driven ESG Inequality	**Transition Risks & Asset Implications**
Aging Assets Creating ESG Risk	Stranded Assets & Transition Displacement	
Decrease in Lender Risk Appetite, Lower Financing Ratios	Asset Governance and Implementation Misfit	

While the regulatory intent behind ESG is to steer capital toward sustainability, implementation on the ground often reveals a widening gap – marked by asset-level governance breakdowns, scale-driven inequalities, and unintended transition displacements. What emerges is a fractured landscape where policies designed to reduce climate risk are, paradoxically, deepening market imbalances and creating new forms of exposure.

At the asset level, decoupling is evident. Formal ESG ratings may suggest compliance, but actual usage patterns often betray inefficiencies. A triple-certified building left fully powered over the weekend remains, as one respondent put it, “not sustainable.”

Table 39 **Excerpt 18**

Market Player	Open Coding	Axial Codes	Thematic Codes
Transcript A007: Type D **Lender**	Energy Performance vs Energy Consumption	Asset Governance & Implementation Misfit	Theme 7: Transition Risks & Asset Implications

Yes, in the end, it’s the usage of the energy that matters - It’s the energy consumption. It’s one thing to have an extremely efficient/high performing/sustainable office building (with triple + certification) but its another to leave the lights and heating on all weekend. Looking at that energy usage – that’s not sustainable.

Yes, we’re currently piloting with energy companies and clients, using green leases and similar initiatives. We aim to gather the necessary data and work towards optimizing it. However, it’s still in the early stages.

This gap between formal structures and real-world behavior illustrates how institutional myths – such as “certification equals sustainability” – persist in lieu of substantive operational change. Rather than driving decarbonization through use-based reform, ESG practice frequently defaults to symbolic conformity, where the appearance of sustainability masks entrenched inefficiencies.

This logic also extends to the treatment of asset age. While regulation aspires to rehabilitate the existing building stock, capital is increasingly being redirected toward newly constructed properties, where energy performance is easier to guarantee and capex risk is lower. One interviewee noted that major players – like BlackRock – are actively offloading older assets that no longer meet emerging ESG expectations.

Table 40

Excerpt 19

Market Player	Open Coding	Axial Codes	Thematic Codes
Transcript A010: Type F **Hotel Franchise**	Old Assets Being Flushed out the Portfolio	Stranded Assets & Transition Displacement	Theme 7: Transition Risks & Asset Implications

So, now at the moment, BlackRock did it, their all throwing properties on the market – their all the old ones. They hesitate to invest in them. ESG is beginning to be considered but will get more momentum if the big market players start acting like it.

These decisions are driven not just by sustainability principles, but by slim margins, regulatory unpredictability, and cost-averse investment mandates. This reveals a misalignment between ESG's normative goals and its market application – where the most vulnerable assets are discarded rather than upgraded.

From a New Institutionalism perspective, this reflects path dependence: in the face of uncertainty, investors revert to familiar technical logics – IRR, yield-on-cost, energy labels – rather than investing in assets that require revaluation or long-horizon paybacks. Instead of mobilizing capital toward transitional assets, policy is inadvertently reinforcing capital concentration in "already compliant" stock. In this context, ESG functions less as a tool of redirection and more as a filter, excluding precisely those assets that a just transition would target. This maps directly onto the PIVOT framework's barrier of transition misalignment, where structural frictions between policy ambition and market incentives distort investment flows.

The burden of transition also scales unevenly. Several respondents emphasized how smaller owners – especially mom-and-pop operators – struggle with the technical and financial demands of ESG data compliance. Without internal systems or dedicated staff, these players face disproportionate pressure to deliver the same reporting as large institutional owners.

Table 41

Excerpt 20

Market Player	Open Coding	Axial Codes	Thematic Codes
Transcript A003: Type B **Private Equity**	High Resource FMPs Most Active	Scale-Driven ESG Inequality	Theme 7: Transition Risks & Asset Implications

Yes, definitely. It can be quite challenging – especially when the operator doesn't have their internal systems in order. With (hotel brand), for example, that structure is in place, but with other operators, the data is often missing. Producing that information can be both costly and time-consuming, which makes it particularly difficult for mom-and-pop operators or smaller players to manage effectively.

Table 42

Excerpt 21

Market Player	Open Coding	Axial Codes	Thematic Codes
Transcript A006: Type C **Investment Management**	ESG Reporting Burden Unscalable	Scale-Driven ESG Inequality	Theme 7: Transition Risks & Asset Implications

Well, I think the problem will be that you have to put everything on paper. It's about how easy it is to get all the answers to the questions in your yearly report or elsewhere. What I'm afraid of is that we might need to create a new position in the company to collect all this data. We've discussed this with advisors who specialize in this, and they can easily fabricate tools to help with reporting. So, if you're prepared for it, it's not difficult at all because all the data is (somewhat) collectable, but if you're not ready, it will be challenging. So, suppose you get this – you'll receive the same questions whether you're a 10-room hotel with just two employees or a hotel with 150 rooms. It can be pretty difficult for the smaller players to gather all this data.

These disparities are compounded by the structural inequality of ESG enablement. Larger entities can absorb the costs of advisors, consultants, and compliance tooling. Smaller actors, in contrast, must rely on third parties – energy companies, local technicians, or banks – to fill the knowledge gap.

Table 43

Excerpt 22

Market Player	Open Coding	Axial Codes	Thematic Codes
Transcript A005: Type D **Lender**	High Resource FMPs Most Active	Scale-Driven ESG Inequality	Theme 7: Transition Risks & Asset Implications

If a customer has a portfolio that isn't sustainable enough, we tell them they need to create a plan for the coming years, leading up to 2030. This plan should outline how they will reach an energy label of A (roadmap). We challenge them to improve their real estate portfolio continuously. Our goal is to support them and apply pressure to ensure they develop and follow through on this roadmap.

Interviewer:
Is this "roadmap" already a part of their submitted loan application?

A005 (Type D – Lender):
No, not always. High-resource professionals already have it, but we also have many customers – for example a single individual who owns a portfolio of residential properties. They often need help from third parties to improve and optimize their portfolios because they don't always have enough knowledge about the regulations.

This includes regulations from the European Central Bank, the Dutch National Bank, or our own bank, and even understanding our strategy for our target real estate portfolio.

This insight reflects the institutional embeddedness of ESG: outcomes are shaped not just by regulation, but by the network of relational ties, infrastructure access, and embedded technical roles that determine who can act – and how.

Transition risk is also reputational. In some cases, assets that provide social benefit – such as repurposed refugee housing – are seen as vulnerable to reputational fallout. Investors expressed concern that tenant composition, neighborhood tensions, or incidents of vandalism could lead to negative press, particularly when owners are publicly named.

Table 44

Excerpt 23

Market Player	Open Coding	Axial Codes	Thematic Codes
Transcript A003: Type B **Private Equity**	Reputational Risk Limits Social ESG	Asset Governance & Implementation Misfit	Theme 7: Transition Risks & Asset Implications

Yes. At times – I feel like we focus more on reputational risks. For example, I once looked at an investment in an old hotel that had been converted into micro-apartments. The building had a lease guarantee from the city, a well-known German city. They provided these flats to refugees and others in need, essentially offering government-subsidized housing. The issue, however, was that the government decides who lives in the building.

This creates a potential reputational risk. If, for instance, there are various socio-economic groups living together, it could lead to tensions, and the last thing you want is negative publicity. Imagine seeing a headline like "XYZ Investment owns a property where there's vandalism and social unrest." There are certain risks that you simply can't insure against, and that's something we have to carefully consider.

These concerns underscore the role of soft risk in ESG strategy: even when an asset meets social needs, it may be seen as reputationally toxic if narratives spiral outside investor control.

Finally, transition displacement arises from temporal mismatch. ESG frameworks often demand upfront costs that don't align with investor holding periods. One respondent explained that while family offices may weather 15-year horizons, private equity actors working on a 7-year exit cannot justify significant capex on uncertain regulation.

Table 45

Excerpt 24

Market Player	Open Coding	Axial Codes	Thematic Codes
Transcript A010: Type F **Hotel Franchise**	Aging Assets Creating ESG Risk	Stranded Assets & Transition Displacement	Theme 7: Transition Risks & Asset Implications

The overall issue for investors is the age of the property. Whether the building is state-of-the-art in terms of energy efficiency, heating, and overall sustainability. The older the building, the more problematic it becomes. This is a significant risk, especially given the numerous regulations, 30-40 coming from the EU, along with local government regulations and ESG requirements. The unknown factor is the future of these buildings. Investors know they must meet certain ESG requirements now, but the risk lies in future regulations that could require substantial, unforeseen investments.

Another key concern for investors is the holding period for your investment horizon. Typically, private equity investors look to sell within 7-10 years, while family offices may hold investments for a longer period. The risk is dependent on the holding period - the question is then "how much on top of the investment I have to put in to meet regulations – how much more just to meet your target returns or an appropriate amount." The challenge is balancing the need for future returns with the uncertainty of future regulations. The big unknown is whether an investment will continue to provide appropriate returns, especially if unforeseen costs arise in the coming years. For example, if weather-related issues require extensive renovations to a building's facade, the cost could be substantial – potentially 30, 40, 50 million. This is a major risk for investors, and some are putting a blind eye and ignoring for now. Some investors, however, are proactively investing in upgrades, such as one investor who recently spent €40 million on investments in order to get it up and running. Investments, first is to be status quo and the second is to actualize the returns (you've set for yourself) when the times comes to sell it – and that is the unknown. In the past, it was easier because that was not the case.

From a New Institutionalism lens, this demonstrates structural misfit – where time-bound financial models undermine long-term sustainability goals. The lack of predictability around carbon pricing, embodied emissions, or retroactive compliance pushes investors to “wait and see,” deferring action until risk becomes unavoidable – or terminal.

At the moment, ESG frameworks, while designed to align capital with sustainability goals, are increasingly implicated in producing structural dislocations – shifting risks downstream, amplifying inequalities, and reinforcing misalignments between regulatory intent and market behavior. Transition risks thus emerge not only from climate exposure, but from the fragmented and uneven implementation of the very policies meant to mitigate them.

7.8 Geopolitical and External Context

Table 46 **Theme 8 Breakdown**

Open Codes (19 Total)	Axial Codes	Thematic Coding
Asset Performance Linked to Geopolitics	Geopolitical Risk as ESG Barrier	**Geopolitical and External Context**

Although not originally framed as a core analytical lens, the role of geopolitics consistently surfaced in interviews as a cross-cutting influence shaping ESG behavior, capital flows, and investment outcomes. From both a macroeconomic and micro-spatial perspective, interviewees emphasized how political volatility, institutional divergence, and international regulatory misalignment materially affect hotel real estate – an inherently global and tourism-dependent sector. This is in line with literature, stating geopolitical risks have a direct impact on CRE performance (returns).

While ESG frameworks aspire for global consistency, the reality emerging from hotel capital markets is one of geopolitical fragmentation, regulatory asymmetry, and institutional drift. ESG is increasingly being shaped not only by internal market dynamics but also by international political realignments – redefining risk, reconfiguring investor preferences, and complicating cross-border investment decisions.

Hotels are inherently global assets, owned by international investors for diversification reasons, embedded in tourism flows and reliant on economic openness. Consequently, they are particularly sensitive to geopolitical volatility. As one respondent put it:

Table 47 **Excerpt 25**

Market Player	Open Coding	Axial Codes	Thematic Codes
Transcript A010: Type F **Hotel Franchise**	Geopolitical Instability Undermines ESG Consistency	Geopolitical Risk as ESG Barrier	Theme 8: Geopolitical and External Context

At the moment, what you can see, as reported just yesterday in the news, is that since the end of January, before the inauguration, we saw a 15-20% increase in American travelers to Europe compared to last year. Now, however, we're seeing a decrease of 20-30%, or even 40%, depending on the country, like Canada and Europe.

Geopolitical events will always affect our industry. It's the nature of the beast. We are international, so any crisis, anywhere, impacts us. On top of that, as I mentioned, there's the issue of the Trump administration's disregard for ESG, which has made things worse.

Unfortunately, most businessmen in the US seem to be a bit reactive, turning whichever way the wind blows. When the person offering them tax benefits tells them to ignore ESG, they do. And then, when another administration takes over, things might change again. This instability is the problem.

It's not just about the guest side. What does it mean for the hotel industry and ESG? Will predominantly American brands ignore ESG in the US but comply with European regulations? Since we are global, we can't change our approach. But complying with these standards will be more costly. And this will ultimately be impacted by how long these political shifts last.

Changes in American travel patterns due to political leadership shifts, rising protectionism, or international conflict immediately ripple through performance metrics, occupancy rates, and revenue forecasts. New Institutionalism's reasoning: that market logics do not operate in isolation – they are deeply embedded within broader societal, political, and cultural institutions.

This embeddedness plays out unevenly across jurisdictions. Following the U.S. withdrawal from the Paris Agreement, some firms reversed their ESG positions, while others had to recalibrate entirely depending on the jurisdiction they operated in.

Table 48

Excerpt 26

Market Player	Open Coding	Axial Codes	Thematic Codes
Transcript A009: Type E **Advisor**	Geopolitics Redirects ESG Investment Flows	Geopolitical Risk as ESG Barrier	Theme 8: Geopolitical and External Context

I think the impact of geopolitics has been significant, especially after Trump announced the U.S. would exit the Paris Agreement. Some U.S.-listed companies that were already complying with the Paris Agreement had to reverse course. This immediately affected U.S. investment firms and banks, hindering their ability to fund assets globally.

On the tourism and real estate side, geopolitical instability is deterring foreign investors to invest in the US. For example, in regions like Ukraine and Israel, it vanished all touristic investment or leisure opportunities. Such events alienate these regions to international investors for the next decade. I don't expect to see any significant hotel or tourism investments in those regions for the next 5-10 years until they stabilize. This presents an opportunity for Europe. While not a perfect safe haven, Europe remains politically and financially stable, and people will still travel within Europe for short trips.

ESG thus becomes contingent – its adoption and enforcement mediated by national political will and geopolitical credibility. For European investors, this divergence offers both opportunity and uncertainty: Europe remains more politically stable and ESG-progressive, yet the risk of regulatory misalignment with the U.S. or China raises concerns about global competitiveness and a level playing field.

Table 49

Excerpt 27

Market Player	Open Coding	Axial Codes	Thematic Codes
Transcript A004: Type B **Private Equity**	Asset Performance Linked to Geopolitics	Geopolitical Risk as ESG Barrier	Theme 8: Geopolitical and External Context

Yes, it will definitely become more relevant. However, we still don't know where the world is heading right now, especially with the rise of protectionism and isolationism, potentially moving away from globalism. If we see more fragmented markets, we could have our own reporting standards and regulations in Europe, but they might start to diverge significantly from those in the US or China.

Europe, I believe, views ESG as much more important than those two nations. The question is whether we can align these standards globally. There may be geographic differences, but ideally, we want to maintain a level playing field.

If we impose too much regulatory burden here, we could effectively harm the local industry from the inside out. It's a bit like what's happening with global warming and pollution – while Europe pushes for green energy, for instance, natural gas is suddenly considered "green" because it's necessary.

We're fully on board with LNG (Liquified Natural Gas) and similar solutions because they're the easiest and most reliable options. Meanwhile, we've banned coal here, while in places like China, they're burning more coal than ever.

What we're doing here in Europe is commendable, but wouldn't it be better to focus on education and increase the global level playing field? Right now, the US and China have cheap energy, while we face relatively expensive energy. In the end, we're likely polluting more as a world than before.

These geopolitical effects are not limited to macro strategy – they manifest directly at the asset and transaction level. Financial institutions have become markedly more risk-averse, with banks scrutinizing counterparty stability more rigorously since COVID-19 and amid increasing political-economic volatility.

Table 50

Excerpt 28

Market Player	Open Coding	Axial Codes	Thematic Codes
Transcript A009: Type E **Advisor**	Investor Risk Aversion in Perma-Crisis	Geopolitical Risk as ESG Barrier	Theme 8: Geopolitical and External Context

I'm not sure if it's entirely an implication of ESG awareness. I think it's more about the financial stability of a company or partner. Banks and investors are being more cautious, looking closely at the parties they lend money to or enter long-term agreements with. We've seen many bankruptcies and failed projects, so the focus is on ensuring stability.

With the rising costs and risks involved in getting out of these agreements, both banks and investors are being more selective in their partnerships. This is why the hurdles for borrowing and lending money are more complex than in previous years. In the past, the market was growing rapidly, and banks were more willing to take risks. However, since COVID, along with political and economic shifts, things have changed significantly. Now, there's a greater demand for security in financial transactions.

This cautious lending environment reflects institutional recalibration: when political uncertainty becomes normalized, investors retreat to lower-risk partnerships and jurisdictions, often deprioritizing ESG if it appears misaligned with economic resilience.

Moreover, market participants increasingly view geopolitical developments as core components of investment underwriting. Demand-side risks – from tariffs and shrinking American consumer savings to future central bank decisions – are assessed alongside traditional operational variables like local competition or new supply. Hotels, in particular, face a dual exposure: geopolitical risk affects not only investor sentiment but also the very guests they serve. As one stakeholder noted, tourism "inflows and outflows" are now inseparable from national policy swings and international relations.

Table 51 | Excerpt 29

Market Player	Open Coding	Axial Codes	Thematic Codes
Transcript A008: Type A **Institutional Investor**	Asset Performance Linked to Geopolitics	Geopolitical Risk as ESG Barrier	Theme 8: Geopolitical and External Context

When we look at investments, it's a bit of Economics 101, but the main driver of performance is always supply and demand. Currently, supply in Europe is almost flat because everything stopped during COVID and hasn't really recovered yet. So, we focus a lot on demand – where it's coming from. For example, there's a high proportion of US travelers at the moment, but we need to consider the risk of shrinking savings in the US and whether we could lose US travel.

We look at the big macro themes, such as how these trends impact the performance of our hotels and how we can make them resilient over time. On a micro level, we also examine whether another hotel is opening next to ours. How much is travel from China going to impact demand at our hotel? These are all things we consider.

We're also analyzing how US tariffs may impact inflation, whether the Fed will raise rates again, and how this affects debt maturity, especially in 2027.

That's all we talk about. Hotels are a global, growing sector, and we still believe in it. However, many factors impact tourism inflows and outflows, which we must carefully monitor.

This reinforces a central claim from New Institutionalism: organizations do not respond solely to efficiency pressures but to institutional environments characterized by symbolic expectations, uncertainty, and legitimacy contests. As ESG becomes entwined with national policy narratives – some embracing it, others resisting – it risks being viewed less as a coherent global movement and more as a battleground for competing interests.

Geopolitical instability has become a structuring condition within which ESG must now operate. Whether through regulatory divergence, supply chain risks, travel volatility, or energy security, geopolitics is no longer a background variable – it is a constitutive force. ESG cannot be analyzed independently of it.

7.9 Credibility, Dependability, & Transferability

To ensure methodological rigor in qualitative research, the concepts of credibility, dependability, and transferability are used in place of traditional measures of validity, reliability, and generalizability (Lincoln et al., 1985b).

Credibility refers to the plausibility and accuracy of findings from the perspective of participants and the broader field. It was strengthened through triangulation of data sources – including academic literature, EU regulatory documents (e.g., SFDR, EU Taxonomy), and field-level interview insights. Engagement with expert practitioners and the use of memo-writing supported reflexivity and reduced researcher bias during interpretation (Malterud, 2001; Nowell et al., 2017b).

Dependability concerns the consistency and transparency of the research process. While the semi-structured nature of the interviews introduced flexibility, an audit trail was maintained through systematic documentation of coding decisions and reflections. Given that interviews adapted to stakeholder roles – such as lenders or advisors – some variation in emphasis was inevitable and necessary. This flexibility reflects good practice in qualitative interviewing (H. Rubin & Rubin, 2005), not a compromise of methodological consistency. However, it also means that full replicability is limited, as the conversational nature of semi-structured interviews inherently resists standardization across respondents.

Transferability addresses the extent to which findings may apply to similar contexts. Though this study does not aim for statistical generalization, it reached thematic saturation after ten interviews, suggesting sufficient depth for analytic transfer. Thick descriptions of participant roles and institutional contexts provide the information necessary for others to assess relevance to their settings (Guest et al., 2006b; Lincoln et al., 1985b).

These practices, grounded in qualitative research standards, ensure that the insights presented are both trustworthy and contextually meaningful within the domain of ESG in hotel capital markets.

7.10 Cross-Sectoral Resonance: From Hotels to Broader Real Estate

While this research is grounded in the hotel capital markets, many of the observed ESG frictions – such as symbolic compliance, fragmented data systems, and the dominance of financial-first thinking – resonate across the wider commercial real estate (CRE) sector. However, hotels exhibit several distinctive features that sharpen or amplify these dynamics.

First, hotels are uniquely operationally intensive. Unlike offices or logistics assets, hotel value is deeply tied to daily performance metrics – such as occupancy, RevPAR, and ADR – which fluctuate with market conditions and are directly influenced by operator behavior. This operational dependency introduces an added layer of ESG opacity, particularly in cases involving third-party or white-label operators with limited disclosure capacity.

Second, ownership and operational fragmentation is more pronounced in hospitality than in most other CRE classes. Franchising models, management contracts, and hybrid lease structures create blurred lines of accountability for ESG data collection and reporting. As observed in this study, smaller “mom-and-pop” owners often lack the infrastructure to meet SFDR requirements, while institutional landlords are forced to rely on voluntary cooperation from operators – undermining the reliability and consistency of ESG disclosures.

Third, hotels are acutely exposed to geopolitical volatility, climate-linked destination risks, and reputational shocks – factors that heighten ESG materiality but also complicate how sustainability is priced. As such, ESG is not simply a matter of asset design or certification, but of dynamic operational stewardship over time. This temporal and relational complexity makes standard ESG benchmarks difficult to apply across properties and portfolios.

That said, several findings in this thesis – such as the need for sector-specific reporting frameworks, the misalignment between SFDR metrics and asset-level realities, and the persistence of short-termism in underwriting – apply well beyond hospitality. In this sense, while the hotel industry may represent an edge case, it also serves as a stress test for broader sustainability regulation in illiquid, operationally dependent real estate markets.

Ultimately, by surfacing hotel-specific dynamics, this study contributes to a more granular understanding of how ESG regulation unfolds across asset classes, and why a one-size-fits-all policy design may fall short in achieving system-wide climate objectives.

7.11 Do We Need Another Regulation, or a Better One?

A recurring question raised by practitioners and policymakers alike is whether introducing another ESG regulation – such as a real estate-specific SFDR – constitutes necessary progress or an additional reporting burden. This concern is especially relevant given the overlapping mandates of SFDR, CSRD, and the EU Taxonomy, all of which seek to institutionalize ESG within financial markets. From the perspective of hotel capital markets, the answer may lie not in duplicating regulation, but in sharpening its relevance.

Findings from this study suggest that while SFDR has catalyzed sustainability conversations, its generalist architecture limits impact in asset classes like real estate, where investment strategies are long-term, illiquid, and operationally complex. Hotel assets, in particular, involve dual layers of performance – operational and financial – that rarely align with the annualized, security-based disclosure formats embedded in current SFDR templates. The result is misfit: well-intended policy producing fragmented implementation and symbolic compliance.

Scientific literature offers compelling support for regulatory specificity. Alexander et al. (2024) argue that policy ambiguity and generic frameworks lead to "interpretive drift," where institutions shape compliance according to internal norms rather than intended regulatory logic. Conversely, clarity in scope, metrics, and applicability enables better alignment between regulatory intent and market behavior. Tailored policies act not as added burden, but as catalysts for action – especially when aligned with operational realities.

Moreover, sector-specific regulation has been shown to increase data reliability and reduce greenwashing, particularly when linked to decision-useful indicators and valuation practices (Ferrarini & Siri, 2023). Rather than prescribing a new standalone regime, one option would be to develop SFDR "sector annexes" that define appropriate metrics for real estate, including indicators such as embodied carbon, energy use intensity (EUI), and RevPAR-adjusted emissions for hotels.

In this light, the issue is not whether another regulation is needed – but whether SFDR, as currently designed, is fit-for-purpose in private, built-environment markets. Without specificity, ESG risks remaining a parallel language. With it, sustainability can become embedded in the grammar of valuation, underwriting, and investment strategy.

8 Conclusion

Energy metrics and certifications now define alignment between hotel assets, investment strategy, and decarbonization goals.

Chapter Note

In closing, this chapter answers the research questions, discuss implications, and future research.

8.1 Answering the Research Question

1. What specific ESG information is important for hotel investors to support their decision making processes?

Investors consistently prioritize energy performance certificates (EPC ratings, CRREM pathway alignment), building certifications (BREEAM, Green Key), and operational KPIs such as energy, water, and waste use. These indicators help mitigate climate and transition risks and are tied to investment thresholds. Institutional players require data-driven insights to ensure alignment with fund strategy (e.g., Article 8 status), while operators and lenders stress the cost-efficiency and regulatory compliance of energy-efficient assets.

2. What specific ESG information is missing (or needs to be changed) in current ESG disclosures?

Several gaps exist:

+ Operator data is often inconsistent or unavailable.
+ Social and governance metrics (e.g., labor practices, inclusivity) are rarely disclosed or reviewed.
+ Scope 3 emissions reporting – crucial for franchisors – is underdeveloped and challenging to obtain.
+ SFDR indicators don’t always translate meaningfully to hospitality realities, especially for legacy buildings (considering most of majority of hotel assets are legacy) or franchise models.
+ Advisors and operators noted a growing demand for standardized templates and frameworks tailored to hotels – ther scope has expanded to covering CRREM analysis for their clients.
+ Lenders now expect ESG roadmaps, yet these are regularly missing in submissions. This makes it difficult to underwrite sustainability risks and assess loan conditions tied to performance.

3. To what extent do ESG disclosures shape investment proposals and asset valuations in hotel capital markets, and how is reputational risk factored into these decisions?

ESG disclosures shape underwriting by determining access to capital and future asset liquidity.

+ For lenders, disclosures like EPCs and energy roadmaps are now minimum requirements.
+ PE and institutional investors factor ESG alignment into capex decisions, and in some cases, into whether to hold or sell assets.
+ Reputational risks are considered inconsistently: most participants monitor for controversies but rarely screen proactively for diversity, equity, or social license unless externally required

4. How do financial market participants assess ESG information when evaluating hotel transactions, and how does SFDR influence this assessment?

Assessment varies by role:

+ Institutional managers run ESG checklists, use CRREM analysis, and include ESG clauses in lease agreements - a task that is typically outsourced.
+ Advisors conduct technical due diligence that increasingly includes ESG risk.
+ Lenders require clear energy improvement roadmaps tied to financing conditions.
+ Operators use ESG to decide whether a property meets their brand standards.
+ SFDR itself remains an indirect influence. While Article 6/8/9 classifications are relevant to fund structure, they are not yet decisive for most investors when selecting assets – except in new developments or green loan contexts

Lastly, to answer the main question:

How do financial market participants in hotel capital markets experience SFDR (and sustainability) in their decision-making processes?

While SFDR plays a limited role in individual hotel investment decisions today, its influence on capital raising and fund structuring is significant.

Investors rarely select assets based on SFDR alignment alone; instead, key decision criteria include energy performance, operational efficiency, and futureproofing against regulatory risks. However, for fund managers, SFDR classification – particularly achieving Article 8 or 9 status – is now central to attracting institutional capital. It shapes how funds are marketed and how ESG policies are framed internally. Operators focus on gathering Scope 3 data to support these broader disclosures, while lenders increasingly request ESG roadmaps, which are often missing. Overall, SFDR is more impactful upstream – at the fund and capital formation level – than at the asset transaction level, though this is expected to shift as ESG data and enforcement mature.

The first step to mend SFDR in real estate, the commission simply needs to address carbon emissions. Decarbonization is the nature of the game when driving change within real estate – yet assessing carbon emissions of assets is still out of SFDR's scope.

8.2 Implications

This research shows that ESG frameworks like SFDR are most impactful at the fund structuring and capital raising level, rather than at the point of individual asset selection. This suggests that ESG remains a compliance-driven exercise upstream, rather than a strategic tool embedded throughout the investment process.

The inconsistency and absence of forward-looking ESG documentation – such as roadmaps in loan applications – highlight a critical operational bottleneck. Financial institutions are setting ESG expectations, but market participants are not yet systematically prepared to meet them. The hotel sector's fragmented ownership and operating models make ESG data collection especially complex. This underscores the need for governance mechanisms that clearly assign ESG responsibility, particularly for Scope 3 emissions and social metrics.

Finally, the findings raise questions for policy: one-size-fits-all disclosure regulations like SFDR may be ill-suited to real estate and hospitality assets. Tailoring regulatory frameworks to the specific challenges of private markets could improve both compliance and capital flow.

8.2 Future Research

Future research could expand beyond the hotel sector to assess how ESG and SFDR are experienced across other real estate segments such as logistics, residential, or mixed-use assets. This would help clarify how sector-specific dynamics influence ESG integration and regulatory alignment. Likewise, a comparative regulatory analysis – examining frameworks in jurisdictions like Singapore (MAS), the U.S. (SEC), or Canada – could provide perspective on whether Europe's SFDR regime is fostering leadership, alignment, or regulatory divergence in the global capital markets landscape.

Second, while quantitative research into how ESG factors affect financial performance, loan pricing, and exit liquidity exist – its often discussed as a discount if low ESG score is achieved. On paper "green premiums" is an attractive incentive but interview evidence points instead to a prevalence of "brown discounts" – penalties for poor ESG performance – rather than proactive incentives for exceeding sustainability benchmarks. Research on ESG penalization versus ESG rewarding would be of high interest in real estate transactions.

Third, the concept of a "sustainable investment" under SFDR remains inconsistently applied, especially in asset-heavy sectors like real estate. Further research could unpack how this term is operationalized by different financial market participants, and whether evolving SFDR guidance brings clarity or further ambiguity.

Fourth, given that a core goal of sustainable finance is to redirect capital toward environmentally and socially beneficial outcomes, future studies should evaluate whether frameworks like SFDR are truly shifting investment flows – or merely reshaping disclosure practices without driving systemic change. This would help determine whether regulatory efforts are catalyzing real market transformation or primarily influencing transparency without affecting allocation behavior.

Lastly, lending terms represent an important and underexplored area. Research could investigate how banks are integrating ESG into underwriting standards, covenant structures, and pricing mechanisms – particularly whether ESG-linked conditions are becoming standardized or remain ad hoc and relationship-driven. Shedding light on borrower's perception, whether they see the criteria as achievable, too challenging or low threshold.

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Disclosure

Internship During the Study: An internship with the ESG team at Colliers EMEA (Netherlands Division) - a real estate services firm active in domestic and international markets - provided valuable access to industry professionals relevant to the study. While Colliers facilitated this access, it was not the subject of the research, and its internal policies or decisions were not examined. Participants were selected solely for their relevance to the research question, and all were informed of the researcher's Colliers affiliation, in line with ethical guidelines (World Medical Association, 2013). The study was conducted independently, and interviewees' insights reflected their own professional views, though it is acknowledged these may be shaped by their organizational contexts.

Use of AI Tools in the Study: Open AI's ChatGPT, was used to either rephrase or shorten text. The research acknowledges its practical applications while ensuring that independent logic and critical analysis are rigorously applied.

Appendix 1

Interview Protocol & Questions

Introduction/Formalities

PROVIDE CONSENT FORM FIRST

Research Title: Sustainable Finance – Exploring SFDR in Hotel Capital Markets

Research Purpose: The purpose of this study is to explore how financial market participants (FMPs) and financial market advisors (FMAs) in hotel capital markets are experiencing the Sustainable Finance Disclosure Regulation (SFDR) and broader ESG data practices, particularly in relation to capital flows, investment decisions, risk assessment, and reporting challenges.

Interview Purpose: To gather data from a wide spectrum of real estate practitioners like yourself, the data gathered will only be used for academic and research purposes.

Process Overview: Only I will have access to the raw data meaning the audio file and transcript. The process – (1) the interview will be audio recorded, (2) transcribed verbatim & will be pseudonymized using only your [Role and Organization Type], (3) the audio file will be deleted, (4) the pseudonymized transcript will be sent to you for approval (change or adjust answers), (5) reiterate if needed, (6) use necessary quotes within the results and analysis section of the paper.

Your rights: This interview contents will remain confidential and is entirely voluntary, and you can stop participation whenever you feel like. There are no wrong or right answers. You are also free to omit any questions you don't feel comfortable answering. And lastly you have the right to access, correct or request deletion of your personal data at any point during the research.

Any questions or comments before we begin?

START AUDIO RECORDING & LIVE TRANSCRIPT

Introductory Questions:

1. What type of organization do you represent? (E.g., investment firm, brokerage, asset management, private equity, REIT, developer, institutional investor, bank, operator of hotel, advisory firm)

2. What is your role in hotel capital markets? (E.g., investor, broker, underwriter, lender, asset manager, etc.)

3. How familiar are you with Sustainable Finance Disclosure Regulation (SFDR)? (Use a Likert scale (1-5): 1 = Not at all familiar, 5 = Very familiar)

a. Follow-up (if high familiarity, score 4-5): Can you describe a situation where SFDR directly influenced your work?

b. Follow-up (if low familiarity, score 1-2): Have you encountered SFDR indirectly, such as through investors or regulatory requirements?

4. Technically, under the SFDR definitions, how would you categorize your organization – a financial market participant or financial market advisor?

Investment Decision-Making & SFDR:

5. How do you evaluate risks for hotel investments or transactions?

a. Follow-up: How do you typically do technical due diligence of hotel investments or transactions?
b. Follow-up: What do you consider important risks?
c. Follow-up: How do climate risks, such as flooding in coastal locations, influence your investment decisions?

6. What does sustainability mean in your decision-making process?

a. Follow-up: How does this compare to how SFDR defines sustainability?

7. How do reputational risks factor into your hotel investment decisions? Do you assess elements like brand perception, social engagement, or inclusivity?

8. When reviewing hotel investments, do you consider SFDR-aligned (or ESG-aligned) disclosures?

a. If yes: Which aspects are most relevant?
b. If no: What alternative sustainability indicators or frameworks do you rely on?

SFDR Fund Classification & Market Perception (For Investors):

A. How relevant is the SFDR fund classification (Article 6, 8, 9) in your work?

a. Follow-up: Do you or your clients actively consider this classification when evaluating or marketing hotel investments?

B. Do you see fund owners aiming to qualify their funds as Article 8 or 9?

a. Follow-up: Is this ambition driven by regulatory, investor, or reputational considerations?

C. In your view, how are "grey" hotel assets perceived in the market compared to "green" ones?

a. Follow-up: Are grey assets still transacted? Under what conditions?
b. Follow-up: Do these classifications (grey vs. green) affect buyer confidence or the due diligence process?

D. Have you observed any pricing implications tied to sustainability performance or SFDR classification?

a. Follow-up: Or does location remain the dominant factor in valuation decisions?

Experience with SFDR & Reporting Challenges

9. How do you receive sustainability-related data in hotel transactions? Where are they coming from?

10. Are there gaps in SFDR-aligned (or ESG-aligned) reports that make them difficult to use in hotel transactions? (Mainly for investors, brokers)

11. Have you observed any effects of SFDR (or ESG regulations) on hotel valuations or transaction timelines?

a. Follow-up (if yes): Can you provide an example?
b. Follow-up (if no): Do you expect this to change in the future?

Future Adaption & Strategic Outlook

12. Has your organization made any changes (or does it plan to make changes) in response to capital market expectations?

13. What challenges do financial market participants face in integrating SFDR (ESG factors) into hotel capital markets?

14. Looking ahead, how do you think stakeholders will adapt to sustainability reporting? Are you planning on doing it yourself or outsourcing?

Final Wrap-up

15. What do you think of the frameworks for sustainability reporting that exist today?
a. Do you think SFDR will become a central factor in hotel capital markets?

Outro

Ending: Thank you for sharing about that. I just need a few seconds to think if I have any further questions for you.

Lastly: Is there anything you'd like to add that maybe I haven't even thought about asking?

And: what is one aspect about the research that you are most interested in finding out as I speak to other practitioners like institutional investors or hotel investment groups?

STOP AUDIO RECORDING & LIVE TRANSCRIPT

Appendix 2

Open Codes & Coding Memos

Open Codes for Institutional Investors (Type A)

Net Zero not yet Enforced By Finance
Social ESG Criteria Hard to Measure
Article 9 Avoided for Investment Flexibility
Fund Strategy Drives Investment Screening
Data Collection Enforced as ESG Clauses
Financials of Operator as Reliable Indicator
Integrated ESG-Financial Investment Screening
Balanced Approach to ESG Implementations
ESG Disclosure Drives Capital Access
Asset Performance Linked to Geopolitics
Operator Type Limits ESG Transparency
Post-COVID ESG Operator Alignment
Hotel Operator Crucial in ESG Implementation
Investor & Lender
GRESB Scores Converging Across Sector
Reputation & Relationships Drive Decisions
High-Resource FMPs Most Active
Technology & Infrastructure Limits Stranded Assets
Data Collection Strategy as Enabler
KPIs Shaped by Data Availability
Disclosure Framework Seen with Good Intent
Climate Risk Addressed as Environmental Terms
Operator-Related Risks Significant in Hotels
ESG Influence Limited by Lease Structure
Financial Upsides Driving Decision-Making
Internal Mechanism for Disclosure Review
Mix of Internal and External Sourcing
ESG Responsibility Varies by Lease Model
Location as Dominant Factor in Investments
Location Still Primary Filter
Market-Oriented Organization Strategy
Investor & Hotel Operator
Disclosures as a Factor in Investments
Green Premium is not Guaranteed
New Disclosures not Affecting Timelines
SFDR Gap for Hotels
Core Strategy Prefers Paris-Aligned Assets
SFDR Classification Shapes Fund Strategy
Stranded Asset Risk
Transition Risks/Stranded Asset = Sell
Strategic ESG Certification Enforcement
Selective ESG Reporting in Article 8
SFDR as Symbolic Architecture of ESG Investing
ESG KPIs Negotiable

Memo #11 After Open Coding Institutional Investors (Type A)

A. Institutional investors exhibit a pragmatic, financially anchored approach to ESG, integrating sustainability considerations within fund strategy, operator selection, and disclosure practices.

B. ESG screenings are shaped by available data, operator alignment, and location-based risks, while Article 9 classifications are often avoided to retain investment flexibility.

C. Although ESG disclosures – especially energy metrics – are increasingly required for capital access, challenges persist in standardizing social criteria, understanding PAI indicators, and enforcing net-zero commitments.

D. Operator-related factors, lease structures, and geopolitical volatility influence asset performance and ESG transparency.

E. Strategic certification, reputation, and internal review mechanisms guide implementation, yet symbolic compliance remains common.

F. Stranded asset risks and data limitations further complicate SFDR alignment, especially in hotel-specific contexts where maturity gaps persist.

Open Codes for Private Equity (Type B)

Reputational Risk Limits Social ESG
Financing Market Conditions Drives ESG Uptake
ESG as Risk Mitigation
Data Collection Strategy As Enabler
ESG Data Availability Risk
Energy Consumption Data for T-DD
Outsourcing Evolved Into Internal ESG Capability
Financial-First Decision Making
Insurability Overrides Climate Risk Weight
Traditional Priorities in Technical DD
Financial KPIs Override ESG Ratings
Liquidity Of Asset Tied to ESG Quality
Capital Allocation Follows Geopolitical Shifts
FX Risks Shapes Investment Outcomes
Perceived Geopolitical Risks Drives Disinvestment
ESG Certifications Mandated in Value-Add
ESG Certifications Now Expected
ESG Rating Affects Capital Raising
ESG Required for Debt Access
Green Bonds Reward ESG Alignment
Asset Quality Critical for Core Exit Strategy
Asset Quality Critical for Fund Type
Timing and Tenant Risk Dominate
ESG Adds DD Complexity, Not Delay
ESG Compliance Enabled by Scale
High Resourse FMPs Most Active
ESG as Value Creation Lever in Opportunistic
Policy Incentives Create ESG Paradoxes
Fund Level ESG Viewed as Greenwashing
ESG Staff Hired to Meet Market Pressure
Reluctant but Compliant ESG Adoption
ESG Data Use Remains Discretionary
ESG Done for Optics
Limited CapEx Enables Only Symbolic ESG Upgrades
Social ESG As Marketing Gesture
Cash Flow & Margin Dominate
ESG Viewed Through Financial Utility
Sustainability Risk (CapEX) Reflected in Pricing (Discount)
Climate Risk Evaluated via Tourism Impact
Global ESG Misalignment Risks Local Backlash
Disclosures Essential for Capital Raising
ESG Risk Triggers Deal Rejection
ESG Strategy Adjusted to Capital Pressure
Private Capital, Optional/Discretionary ESG Alignment
Reliance on Operator for ESG Data
ESG Integrity in Operator Selection
Multiple ESG Indicators Delegated to Operators
Investor & Incentives
Investor & Lender
ESG Hindered by Regulatory Ambiguity
Small Operators Lack ESG Infrastructure
ESG State Shapes Valuation
ESG Complexity Risks Market Consolidation
Institutional Constraints Enforce ESG Compliance
Wait & See Approach to Regulation
Regulations Are Well-Intended but Practise Disconnect
Non-Paris Assets Avoided, Seen as Risk
ESG KPI's Not Strategically Internalized
Substantive ESG Prioritized Over Certification
Impact & Reputation Drive ESG Alignment
Clarity & Delegation Enable ESG Compliance
Sustainability framed as Operational Efficiency of Asset

Memo #12 After Open Coding Private Equity (Type B)

A. Private equity stakeholders approached ESG as a secondary but growing consideration, primarily guided by financial returns.

B. ESG compliance was often framed as risk mitigation or a reputational safeguard rather than a strategic driver.

C. Data collection practices varied, with reliance on operator input and ad hoc integration into decision-making.

D. Regulatory ambiguity, limited internal ESG capacity, and symbolic compliance behaviors were frequently observed.

E. Although ESG ratings and certifications influenced capital access and investor perception, implementation remained uneven, with limited impact on core financial metrics or underwriting standards.

F. Overall, ESG adoption reflected market pressure and capital expectations rather than deep institutional integration.

Open Codes for Investment Manager (Type C)

Environmental ESG Prioritized for Signaling
Proactive Alignment with EU ESG Regulation
ESG Embedded in Holistic Strategy
Climate Risk Anchored in Infrastructure
ESG Sensitivity to Political Shifts
Infrastructure Bottleneck in Energy Transition
Substantive ESG Yields Business Value
ESG Lowers Cost of Capital
Internal & External Split in ESG Data Sourcing
Investment Logic Remains Primacy
Value-Add Strategy Prioritizes Turnaround Potential
Franchisors Drive ESG Compliance
ESG Adds DD Complexity, Not Delay
ESG Reporting Burden Unscalable
Green Key Seen As Greenwashing
SFDR Viewed as Procedural Compliance
Brown Discounts Over Green Premiums
SFDR Compliance without Signaling Strategy

Memo #13 After Open Coding Investment Manager (Type C)

A. Investment managers acknowledged ESG as a value lever when aligned with turnaround potential, though traditional financial logic remained dominant.

B. ESG compliance lowered capital costs but often lacked strategic depth, with SFDR seen more as a procedural box-tick than a signal of conviction.

C. While franchisors supported ESG enforcement, internal data gaps and reporting burdens limited effective execution.

D. Climate and geopolitical risks were recognized, particularly in infrastructure and regulatory volatility, yet were not fully priced.

E. Symbolic compliance, such as with labels like “Green Key”, was met with skepticism.

F. Ultimately, ESG strategies were fragmented, with implementation shaped more by capital markets than holistic transformation.

Open Codes for Lender (Type D)

Decrease in Lender Risk Appetite, Lower Financing Ratios
Lenders Enforce ESG Roadmaps
ESG Transparency Builds Market Trust
Portfolio Strategy As Investment Control
Banks Cascade ESG Downstream
Energy Efficiency Anchors ESG Lending
Lenders Active Role - ESG Enforcement
Value Chain Now Being Assessed in New Developments
Financial-First Decision Making
ESG Offers Marginal Loan Incentives
Credit Committee Appetite More Critical
ESG Becomes Lending Prerequisite
Both Internal and External Sourcing
Asset Type Drives Lending Risks
ECB ESG Guidelines Reshape Lending
Borrower's Reputation Critical in Decision-Making
High resource FMPs Most Active
Capital Allocated to Assets that Enhance Overall Portfolio
Multi-Stakeholder ESG Ambition Drivers
Energy Performance vs Energy Consumption
ESG as Risk Mitigation
Holistic Data Collection for Better Decision-Making
Borrowers Need to Present Energy Roadmap
ESG Divides Deepen Across Regions
Geopolitical Instability Undermines ESG Consistency
Geopolitical Turmoil Affecting Investment Appetite
Market Showing Increase ESG Ambition
EPCs Part of Underwriting Criteria
ESG Embedded in Lending Criteria
Internal Mechanism for Disclosure Review
Brown Premiums Shape Loan Pricing
Financing Decisions Dependent on Fund Strategy
Intent to Expand Underwriting Criteria
New Regulation Creating More Holistic Lending Criteria
Reputation & Relationships Drive Decisions
ESG as Driver but not Central in Decision-Making
ESG Panels Define Financeability
ESG Scores as a Tick-box
Brown Discounts Over Green Premiums
Need to Address Stranded Assets
Transition Finance Requires Green Ambition
New Financial Mechanisms to Drive Capital Allocation
Financial Modeling Needs to Improve
E in ESG Most Addressed

Memo #14 After Open Coding Lender (Type D)

A. Lenders are increasingly integrating ESG considerations into credit decision-making, yet financial performance remains the primary driver.

B. Regulatory pressure, particularly from the ECB, is formalizing ESG into underwriting criteria, with tools like EPCs and borrower ESG roadmaps becoming standard.

C. Transparency, reputation, and data quality play a central role in securing favorable terms, though ESG incentives remain limited in scope.

D. Geopolitical instability and asset-specific risk challenge ESG consistency across regions. Lenders are enforcing ESG compliance more directly, particularly in new developments, where value chain assessments and energy efficiency benchmarks are prioritized.

E. While ESG is frequently embedded in portfolio control strategies, its application often lacks depth – appearing procedural or as a checkbox exercise – underscoring the need for improved financial modeling and strategic alignment.

F. Notably, capital allocation is increasingly guided by asset enhancement potential rather than ESG compliance alone, with high-resource financial institutions leading the charge.

Open Codes for Advisor (Type E)

ESG Data Availability Risk
Financial Upsides Driving Decision-Making
ESG Insufficient to Offset Market Forces
Infrastructure Bottleneck in Energy Transition
Investor Risk Aversion in Perma-Crisis
Partial ESG Integration
Asset-Operation Interdependence
Location as dominant Factor in Investments
Location-Based Climate Risk
Location-Dependent Brown Discount
Societal Pressure & ESG Risk
Lending Terms not in Sync
Regulatory Transition Uncertainty
High Resourse FMPs Most Active
SFDR Gap for Hotels
SFDR Uncertainty for Hotel Inclusion
Gap between ESG Intent & Practise
Stranded Asset Risk
ESG Driven by Developer
Monetizing Mandatory ESG Compliance
Existing Vs New-Build ESG Roadmap
Embodied Carbon Overlooked in SFDR
Market-Enforced ESG Expectations
More Considerations from Lenders
Climate Risk Visibility in Business Cases
ESG as Risk Mitigation
Data Collection Strategy As Enabler
Measurable ESG Drives Action
Hospitalty Positioned as Resilent Asset
Financial-First Decision Making
Reuse Evaluated, Risk Aversion Wins
Geopolitics Redirects ESG Investment Flows
ESG Noncompliance as Value Risk
ESG Ambition Depends on Hold Strategy
Organizational Strategy Follows Market Shifts
Sustainabilty Trade-Offs in Global Expansion
(GAP) Advisor & Hotel Group
ESG Integrated in Technical D.D.
Evidence Based Criteria for Disclosures
ESG Burden on Smaller Firms
ESG Added Complexity in Decision-Making
Regulatory Barriers to Building Reuse
Brown Discount Market Norm
Advisor's Scope Increasing
Optional ESG Risk Assessment
Need for ESG Regulatory Clarity

Memo #15 After Open Coding Advisor (Type E)

A. Advisors face a complex and evolving ESG landscape characterized by regulatory ambiguity, data limitations, and market inconsistencies.

B. While ESG is increasingly seen as a value risk – especially when noncompliance or brown discounts are present – practical implementation remains fragmented due to partial integrations and inadequate data availability.

C. Advisors are navigating a shift in expectations as SFDR classification gaps and embodied carbon exclusions raise concerns about standardization and disclosure depth.

D. Location-based climate risks and energy bottlenecks further complicate ESG-driven valuations, particularly in hotel inclusion assessments.

E. Despite growing societal pressure and sustainability trade-offs in global expansion, ESG remains insufficient to offset dominant market forces.

F. Advisors must balance client demands, market trust, and regulatory expectations while recognizing their expanding role in interpreting ESG performance, shaping disclosures, and initiating cross-stakeholder alignment.

Open Codes for Hotel Franchise (Type F)

Lease Expectations Gap Between Owner/Operator
Asset Operational Data Used as Portfolio Filter
Proactive ESG Screening as Hotel Brand Strategy
Tech-Driven ESG Consolidation Ahead
Contractualization of ESG Data Collection
Institutional Buyers Drive ESG Pressure
Fragmented ESG Systems, Shared Obligation
Investor Learning Curve in Hospitality Investments
Climate Urgency Meets Institutional Lag
Cultural and Generational ESG Gap
Geopolitical Instability Undermines ESG Consistency
Fragmented ESG Responsibility in PropCo/OpCo Models
Green Finance Ambition vs Execution
Holding Period Shapes ESG Risk
Brand Strategy Changes to Conform to Market Expectations
ESG Adoption Depends on Owner Receptiveness
SFDR Outpaces Industry Readiness
ESG Adds DD Complexity, Not Delay
High Resourse FMPs Most Active
Hospitality ESG Still Maturing
Global Capital Reconfigures Hotel Investments
Green Financing Incentivizes Exit Divergence
Gap between ESG Intent & Practise
Aging Assets Creating ESG Risk
Old Assets Being Flushed out the Portfolio
Franchise-Wide ESG Tracking for Scope 3
Multi-Stakeholder ESG Ambition Drivers
New Strategy - Initiating ESG Conversations with Owners
Shift from Solely Reporting to Strategy
ESG Demanded, WTP Remains Low
ESG Ambition Outpaces Market Readiness

Memo #16 After Open Coding Hotel Franchise (Type F)

A. Hotel franchises are operating within a fragmented and transitional ESG environment, where internal misalignments – such as lease expectation gaps and PropCo/OpCo responsibilities – create barriers to consistent implementation.

B. While institutional buyers and brand strategies are exerting growing ESG pressure, adoption is contingent on owner receptiveness and varies across asset maturity.

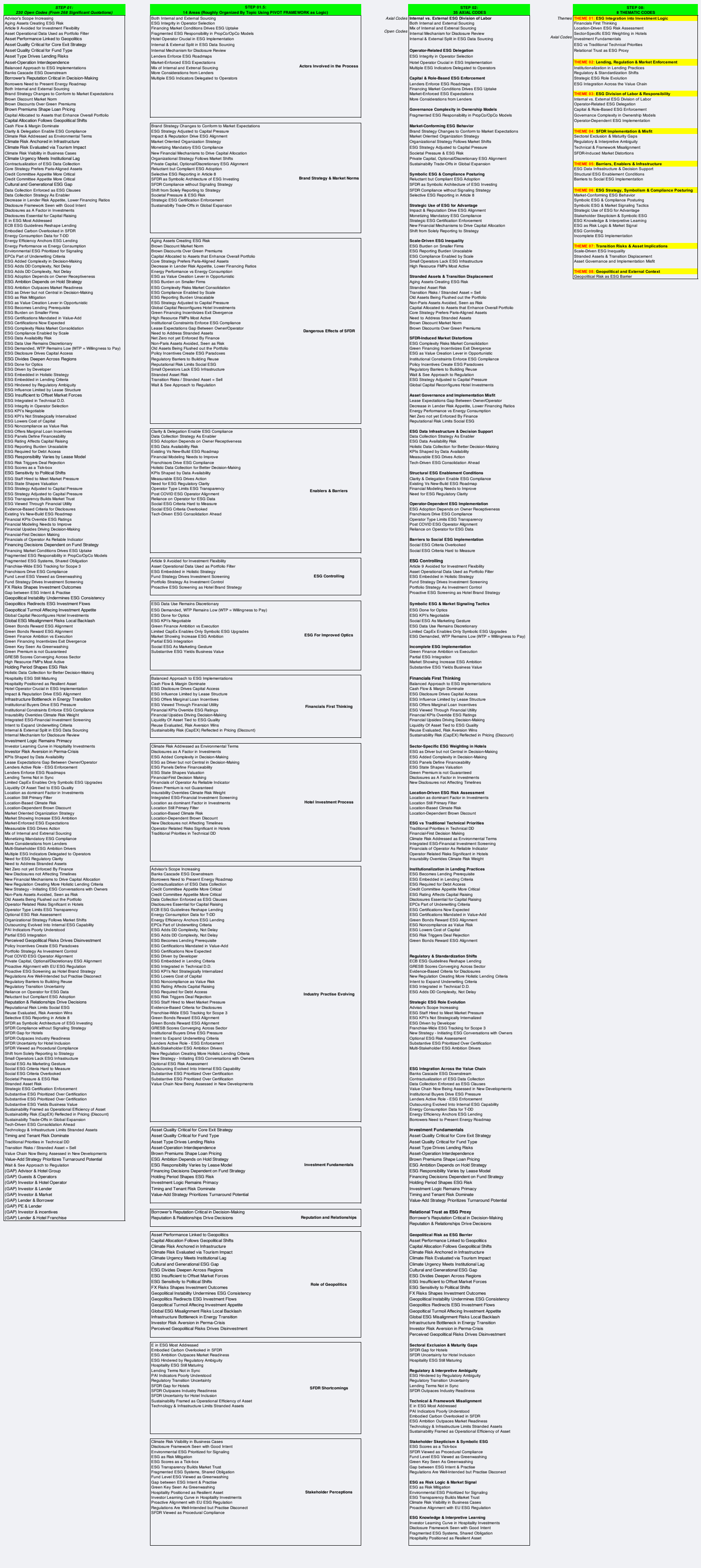
C. Efforts like franchise-wide ESG tracking and Scope 3 integration indicate ambition, yet the sector still grapples with execution gaps, an evolving investor learning curve, and a lack of readiness to meet SFDR demands.

D. Geopolitical volatility, generational divides, and aging asset portfolios further complicate alignment.

E. Although ESG is becoming integral to branding and portfolio strategies, operational execution is lagging, hindered by readiness deficits and weak willingness-to-pay signals from the market.

Appendix 3

Full Thematic Coding Progression



Appendix 4

Memos After Each Interview

Memo #1 After Interview A001

General Impressions

The interview went smoothly, and most questions were answered satisfactorily. The responses were somewhat expected, given the advisory background of the participant. As anticipated, answers reflected the nature of their role, which tends to focus more on high-level insights than operational details.

The tone was conversational, and the pace was comfortable. Toward the end, the discussion became more philosophical, which added depth to the exchange. Overall, it was a productive and engaging session.

Key Takeaways

+ The participant expressed genuine interest in the overall research, particularly in how SFDR regulation may affect transaction timelines and hotel valuation processes.
+ While insightful, the participant did not have direct experience with some of the more technical aspects of Section 4 of the interview guide (focused on SFDR-related reporting challenges).
+ Questions about how sustainability-related data is integrated into hotel transactions remained partially unanswered, especially regarding the source and reliability of that data.
+ A critical insight was that SFDR reporting is perceived as more tailored toward investors and brokers, and less suited for evaluating existing stock or operational hotel assets. This misalignment appears to be a significant limitation in applying SFDR in hotel transactions.

Reflections & Recommendations

+ Consider revising the interview protocol to include supporting materials such as case studies, diagrams, or examples, especially when dealing with abstract regulatory topics. This could help participants better contextualize and engage with the questions.
+ For further depth on valuation implications, a conversation with someone in hotel valuation is warranted. Suggested contact: Volkan Aksoy, who may offer relevant insights on valuation timelines and SFDR's impact.
+ It may also be worth reviewing recent Q&A documents or annexes from the EU Commission to see if concerns regarding SFDR's application to existing building stock have been formally addressed.

Additional Notes

+ Clarify in future interviews that this study is independent and not conducted on behalf of Colliers, although the research is informed by prior internship experience there.
+ Plan to compare insights from this interview with the upcoming session scheduled with [investor] on April 3rd.

Memo #2 After Interview A002

General Impressions

The interview was steady but marked by moments of hesitation, likely due to language translation challenges, particularly around technical SFDR terminology. The participant was engaged but required prompting to clarify responses. Insights were framed more from an ESG or asset-level perspective than a regulatory or fund-compliance viewpoint.

Key Takeaways

+ The participant does not handle SFDR reporting directly and indicated limited familiarity with the technical execution of disclosure requirements. SFDR-specific questions were interpreted more through a sustainability/climate lens than a legal or procedural one.

+ Article 8 classification was discussed as a means to attract institutional capital, but with limited insight into the internal mechanics of how assets or funds qualify or are managed post-certification. Once the assets are aligned and operators are in place, asset managers reportedly have minimal ongoing engagement with the physical asset unless necessary.

+ Operational risk assessment and ESG due diligence were described more in terms of “gathering data” than deep integration into transactional decision-making. While the participant acknowledged ESG risks, their management appears abstracted or delegated – primarily through operator partnerships or external certifications (e.g., EPCs, Paris Proof).

+ The interview provided a clear distinction between asset management and fund strategy: the participant answered strictly from the asset manager’s perspective. Capital sourcing, Article 8 fund design, or portfolio-level strategy seemed to lie with other departments or roles within BouwInvest.

Reflections & Recommendations

+ Consider rephrasing questions to distinguish between fund-level strategy and asset-level responsibilities. Some confusion stemmed from asking reporting-heavy questions to someone whose role is focused on asset oversight, not fund classification or compliance.

+ The language barrier slightly impeded depth and fluency. Future interviews with non-native English speakers may benefit from offering pre-interview glossaries or example-based prompts (e.g., diagrams of the reporting flow or simplified Article 6/8/9 comparisons).

+ To deepen understanding of capital allocation logic and Article 8 fund structuring, a follow-up interview with a fund manager or head of ESG strategy at BouwInvest (or a comparable institution) is recommended.

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Additional Notes

+ The participant confirmed that no changes or improvements were needed in the research protocol and was comfortable with the questions overall.

+ Looking ahead, a contrasting perspective from a private equity firm or fund sponsor could offer more clarity on SFDR alignment at the investment proposal level. This will also help triangulate the asset-level vs. fund-level divide.

Memo #3 After Interview A003

General Impressions

The interview was clear and insightful, with a strong focus on financial structuring and private equity strategies. The participant provided articulate, detailed responses without significant communication barriers, offering a distinctly finance-driven perspective.

Key Takeaways

+ Clearly differentiated private equity strategies (core, core-plus, value-add, opportunistic) and their associated risk profiles.
+ Emphasized strict financial discipline and necessity for meeting stakeholder returns.
+ Confirmed sustainability and ESG integration primarily as risk mitigation, linked closely to financial outcomes.
+ Identified sustainability certifications as having evolved from optional to industry-standard requirements.

Reflections & Recommendations

+ Clarify distinctions between fund-level and asset-level ESG considerations in future questions.
+ Maintain structured, clear questions for finance-oriented participants.
+ Further engage finance-focused respondents to enrich insights on capital sourcing and ESG-financial alignment.

Additional Notes

+ Participant confirmed comfort with the current interview protocol, no adjustments necessary.
+ Recommend future interviews with fund managers or ESG leads for deeper insights into fund-level compliance and strategic ESG integration.

Memo #4 After Interview A004

General Impressions

The interview offered insightful perspectives from a smaller private equity firm, particularly regarding the flexibility and dynamics that differ from larger institutional players. The participant was articulate and engaged, with a clear focus on financial outcomes, but also expressed personal interest in social and environmental impact. There was limited operational detail on SFDR itself, but useful generalizations about ESG practices were made. The relationship between asset owners and hotel operators (OpCo) was a valuable angle raised for further exploration.

Key Takeaways

+ Highlighted the importance of flexible capital structures in smaller private equity firms, particularly those backed by high-net-worth individuals and family offices.

+ Emphasized the resource limitations of smaller firms in meeting regulatory or disclosure demands, affecting how seriously they respond to frameworks like SFDR.

+ Identified strong operator relationships and active management of hotel operations as key distinctions from more passive fund models.

+ Provided useful insights into ESG motivations beyond financing – such as reputational considerations, perceived social impact, and the idea of ESG as a hygiene factor.

Reflections & Recommendations

+ Further explore actor relationships – specifically between building owners, hotel operators, and franchise agreements – to understand investment structuring.

+ Clarify the regulatory engagement and capital sourcing dynamics of smaller firms to contrast with institutional approaches.

+ Engage more deeply with fund managers focused on boutique or flexible capital models to capture underrepresented viewpoints in the ESG implementation landscape.

Additional Notes

+ The participant offered validation that green-certified assets currently dominate market appetite, though regulatory uncertainty tempers enthusiasm for strict ESG compliance.

+ Suggested further investigation into perceived incentives for ESG alignment beyond capital access, such as government-backed programs or strategic positioning.

Memo #5 After Interview A005

General Impressions

The interview offered highly informative insights from a banking perspective, particularly around internal lending policies and risk frameworks. While there was a slight language barrier, it did not obstruct the overall clarity or depth of responses. The participant provided useful references to institutional lending standards and pointed toward further reading materials related to EU loan origination standards.

Key Takeaways

+ Lending decisions are primarily shaped by internal bank policies, but always anchored to minimum EU regulatory thresholds.
+ Banks exercise significant discretion in risk appetite and are selective in choosing borrowers, focusing heavily on internal risk scoring models
+ The lender's evaluation of real estate investments hinges on conservative practices, especially regarding loan-to-value ratios across asset classes.
+ EU-originated guidelines influence practice, but implementation is filtered through the bank's own governance and compliance systems.

Reflections & Recommendations

+ Future interviews (with debt providers) should clarify the specific EU loan origination standards referenced and explore their practical impact on real estate lending criteria
+ Incorporate questions that differentiate internal policy frameworks versus external regulatory compliance in bank interviews
+ Consider integrating more questions around how risk classifications differ across real estate asset types and the role ESG may play within those.

Additional Notes

+ Participant was efficient and clear despite the short timeframe, offering high-value responses within a 30-minute window
+ Translation of Dutch loan standard documents may yield further insights for connecting EU-level policy to real-world underwriting behavior

Memo #6 After Interview A006

General Impressions

The interview was engaging and insightful, providing a clear perspective on the asset management side of hotel investments. The participant conveyed a practical, no-frills approach to ESG, focusing more on operational sustainability and financial performance rather than regulatory compliance. While the conversation was candid and real, there were moments of hesitation around certain topics, particularly around the nuanced application of ESG standards.

Key Takeaways

+ Financials drive investment decisions, with a focus on buying low and selling high. ESG is secondary but considered in decision-making.
+ Operational sustainability, particularly energy efficiency, plays a key role in reducing operational expenditures (OpEx).
+ ESG alignment helps secure better financing terms, lowering capital costs for investments.
+ The company adopts a realistic approach to ESG, aligning with market needs without prioritizing ESG as a central goal.

Reflections & Recommendations

+ Clarify the role of ESG at the asset vs. fund level to better understand its integration in investment strategies
+ Investigate how geopolitical factors, like U.S. leadership changes, influence investment confidence and market conditions.
+ Focus more on the financial impact of ESG alignment, especially its effect on capital costs and long-term sustainability

Additional Notes

+ The focus remains on financial performance, with ESG seen as a means to improve capital access rather than a driving goal.
+ Further interviews with lenders would help explore how ESG fits into broader investment strategies

Memo #7 After Interview A007

General Impressions

This interview served as a validation of previously collected data, with limited new insights due to both participants being from the same company. The discussion reaffirmed existing themes about lenders' focus on sustainability in real estate investments, especially regarding loan terms and underwriting criteria.

Key Takeaways

+ Loan Terms and Thresholds: Lenders' sustainability criteria are challenging for borrowers, with a need for clearer understanding of how these thresholds are perceived.
+ Operational Sustainability: Lenders prioritize operational sustainability, particularly energy performance and energy labels, in their loan assessments.
+ Internal Policy and Data: Rabobank's internal policies shape loan decisions, with a strong emphasis on unified sustainability data collection for evaluating assets.
+ Reputational Risks: Lenders are concerned with reputational risks tied to non-compliance with sustainability standards and emphasize financing for building transitions.

Reflections & Recommendations

+ Borrower Perceptions: Future research should explore how borrowers perceive the difficulty of meeting sustainability thresholds for loan terms.
+ Premiums and Discounts: Further analysis is needed on the factors influencing premiums and discounts for sustainable assets in loan agreements.
+ Data Collection Systems: Investigate the role of internal tools in collecting sustainability data to improve loan assessments and enforcement.

Additional Notes

+ SFDR and Capital Allocation: There is a need to better allocate capital towards building transitions under SFDR, though current incentives are insufficient.
+ Reputation and Compliance: Reputational risks related to sustainability compliance are significant for lenders and should be considered in loan negotiations.

Memo #8 After Interview A008

General Impressions

The interview with the fund manager provided insightful validation regarding the role of ESG in hotel investments. While ESG is not a pivotal factor in investment decisions, it plays an important role when raising capital. The conversation highlighted how hotel investments are influenced by external factors like geopolitical risks and tourism trends. The fund manager is well-versed in SFDR, particularly Article 8, and has a solid understanding of the industry, with a clear focus on financial performance.

Key Takeaways

+ ESG in Hotel Investments: While ESG is not a primary driver for hotel investments, it significantly influences capital raising and investor decisions.

+ Geopolitical Risks: Hotels, being heavily reliant on tourism and travel, are vulnerable to geopolitical risks and shifting market conditions, particularly post-COVID.

+ Reputational Risk: ESG concerns, especially around stranded assets, are crucial. If an asset's value is expected to decline due to poor sustainability practices, it will likely be excluded from consideration.

+ Sustainability Reporting: While ESG terms are not a significant part of loan negotiations, funds are doing more than required in terms of ESG reporting, driven by internal policies rather than external regulations.

Reflections & Recommendations

+ Clarifying ESG's Role: Further explore how ESG criteria are integrated into loan agreements and the impact of sustainability measures on financing terms.

+ Geopolitical Sensitivity: It would be useful to investigate how geopolitical factors are explicitly accounted for in hotel investment strategies and how this affects asset performance

+ Sustainability as a Strategic Priority: Continue focusing on how funds go beyond regulatory requirements in terms of ESG efforts, as this could be an area of competitive advantage.

Additional Notes

+ Validation of Trends: This interview serves as confirmation of trends observed in other discussions about the importance of ESG in capital raising.

+ Hotel-Specific ESG Practices: The role of ESG in hotel investments requires more nuanced understanding given the direct impact of tourism and travel trends on hotel profitability.

Memo #9 After Interview A009

General Impressions

The conversation was insightful, though largely a validation of previously gathered information. There was a strong focus on the role of sustainability in decision-making, particularly within the context of lending terms and frameworks like CRREM analysis. The discussion also emphasized the challenges of aligning real estate strategies with evolving regulations and the pressure to incorporate sustainability into development projects.

Key Takeaways

+ Sustainability in Lending: Sustainability is becoming an increasingly important factor in lending decisions, with frameworks like CREAM analysis guiding those choices.

+ Realistic Roadmaps: Their clients are asking for realistic roadmaps and milestones to ensure they achieve sustainability goals in a practical manner.

+ Risk Mitigation vs. Value Creation: The focus has shifted from value creation to risk mitigation, particularly as firms align with new regulations to avoid potential risks

+ ESG Certification and Strategy: Core and core-plus strategies prioritize long-term ESG goals to prevent stranded assets, whereas value-add and opportunistic firms meet minimal ESG thresholds with a short-term focus on quick exits.

Reflections & Recommendations

+ Integration of ESG: A stronger integration of ESG into all real estate strategies could drive more sustainable practices across the industry.

+ Long-Term vs. Short-Term Focus: It's crucial to distinguish between long-term investment strategies that drive higher ESG standards and short-term strategies focused on rapid exits.

+ Addressing Innovation Gaps: Real estate innovation is still slow to evolve. More work is needed to bridge the gap between sustainability and innovation in property development.

Additional Notes

+ Reputational Risk: Reputational risk remains a key consideration in investment decisions, with firms aiming to avoid being associated with non-sustainable projects.

+ Hotel-Specific Insights: Hotel investments are particularly sensitive to market dynamics and ESG standards, highlighting the need for tailored sustainability strategies in this sector.

Memo #10 After Interview A010

General Impressions

The interview with the hotel operator/franchisor was insightful and served as a validation interview. The discussion provided a lot of valuable insights into the role of geopolitics in hotel investments, industry standards, and the disconnect between regulations and their practical application in real estate. The conversation reaffirmed many of the themes explored in previous interviews, especially in terms of ESG and energy performance certificates (EPCs)

Key Takeaways

+ Geopolitics & Hotel Investments: The impact of geopolitics on hotel investments is significant, and understanding this dynamic is key when evaluating hotel markets.

+ Importance of EPCs: The most critical element in hotel investments concerning ESG is the energy performance certificates (EPCs), as they are seen as a primary indicator of environmental performance.

+ Regulatory Disconnect: While regulations have good intentions, there remains a significant gap in their implementation and enforcement, creating challenges for the industry.

+ Cost-Benefit Analysis: When upgrading hotels to meet ESG standards, the cost-benefit analysis is essential. Most decisions revolve around meeting the minimum standards required, with limited investment beyond that.

Reflections & Recommendations

+ Focus on Geopolitics: Further explore the role of geopolitics in shaping hotel investments and how these factors are integrated into investment strategies.

+ Evaluate Regulatory Gaps: Investigate how regulations can be better aligned with practical implementation to reduce the existing gaps.

+ Reassess Minimum Standards: Examine how the industry can be incentivized to exceed minimum ESG standards, beyond just cost-benefit evaluations.

Additional Notes

+ Franchise Agreement and Data Collection: A notable point was that franchise agreements now include clauses for data collection on ESG performance, which is becoming more strictly upheld.

+ Insight for Final Analysis: This interview provides crucial insights for the analysis and conclusion sections of the thesis, offering a clearer view of current industry practices and challenges.

Appendix 6

Reflection

This reflection adopts a personal, introspective tone rather than a formal scientific style.

At this current moment, looking at my results, I feel satisfied. Early on in the study, after speaking with my mentors, I had to accept the possibility that actors in real estate might not care all that much about sustainability, ESG, climate change, or any framework addressing it. And truthfully, I was prepared to accept that. But now, looking at the results and understanding why these actors are sometimes seen as playing the “villain” role, I’ve developed a much deeper understanding of their “why.”

Sure, returns and profitability are still the first things on their minds. But when you have people who’ve invested in you – hundreds of shareholders relying on your decisions – I get why financial performance comes first. The real question becomes: how do you deliver that while also doing right by the world?

Talking to practitioners about these issues was a true highlight of the whole process. It made me realize even more how much I want to work in this field. I want to go into CRE, sustainable investments – I don’t yet know where or how exactly, but I now understand the “why.” That’s huge. This whole journey made me approach academic work more like a professional: sit down, read properly, ask the right questions, stay open and curious. And treat every person you talk to as someone you can learn from. That mindset made me a better academic, student, friend, son, brother, and grandson. I’m honestly grateful for that. As cheesy as it sounds, I really do live by the idea of always seeking growth.

Regarding the research method – it was challenging. Semi-structured interviews are something I could do again and again; it’s the data processing that takes weeks, if not months. But every time I read the transcripts, new insights would unravel – things I completely missed the first, second, or even third time. Those moments were genuinely enlightening.

Thematic coding, too, was an uphill battle. But once you’re at the top of that mountain, the view is worth it. It probably took me 3–4 weeks to transcribe everything and really familiarize myself with the material. Typing out the raw Teams transcripts myself helped a lot. I developed a memo after each one, and that made a huge difference. Seeing recurring themes, connections to literature, even echoes of reports – it was deeply gratifying.

Memo writing and interviewing became a feedback loop that helped me dig deeper into emerging themes. The semi-structured approach really worked for me – it fits how I communicate. The argumentation for my research is still evolving. Honestly, I’d spend another month just making diagrams if I could. I’m a visual person, and seeing things in relational structures – inputs, outputs, hierarchies – makes it all click for me.

The theory I used – New Institutionalism – was pretty eye-opening. Looking at how actors and markets are shaped by a mix of social and institutional influences was fascinating. It was satisfying to be able to label things I observed with actual academic concepts.

Talking to professionals also showed me that a one-size-fits-all solution won’t work. The insights I gathered felt fresh, especially because I focused on hotels – a small and under-researched asset class in academic literature. But it’s also incredibly complex, in the best way. In terms of transferability, I know my focus was niche, but there are nuances that apply to other sectors – like entertainment assets, for example. Context is everything, but some insights may still be operational in other settings.

One scary moment was when I shifted my focus from CSRD to SFDR. I mention this in the preface, but at the time it really shook me. In hindsight, though, diving into financial mechanisms in real estate felt like picking up a new book I didn't know I'd love until I was halfway through. It took about a month to adjust, and I had to rewrite a lot. But like they say: "I didn't come this far to only come this far." I came here to learn – and so I do. My dad always said I was ambitious. And as Wayne Gretzky said, "You miss 100% of the shots you don't take." I'm aiming for a thesis I can look back on and say: yup, I gave it my all. I want that feeling. I don't want to leave anything unturned.

As for my mentors – I was lucky. They sit on different ends of the academic spectrum, which gave me a more holistic view. It helped me assess the data better and see the bigger picture. I really appreciated that balance.

SFDR, to me, has genuinely good intent. But it needs to evolve to reflect the specific realities of real estate products. Watching laws shift from soft law to hard law takes time. If we want this to actually work, we need to ensure the framework evolves. That became a core validation of my thesis: here's a framework with great intentions, but it's not working in practice. And that's a problem. Because unlocking capital for things that truly matter should be at the top of our list. This realization shaped how I approached my final recommendations. It shifted how I saw SFDR – not just as a reporting tool, but as something that could guide capital if adapted to real-world industry constraints. The interviews helped me focus on what's useful in practice, not just in theory.

From a societal perspective, the goal is to help improve transparency and accountability – to support investors and real estate organizations in aligning with global climate goals. Academically, I think this study adds something critical: it explores how investors engage with sustainability reports through a real estate lens. That's pretty rare. And from an MBE perspective, it reinforces that sustainability reporting isn't just about compliance – it's a strategic tool that can drive durable asset performance, innovation, resilience, and regulatory alignment in the built environment.

Appendix 7

Interview Consent Form

Participant Information Statement, Consent Form, & Explicit Points
for Semi-Structured Interview – Master's Thesis Research

You are invited to participate in a master's thesis research study titled: *"Sustainable Finance – Exploring SFDR in Hotel Capital Markets."* This study is being conducted by Carl Xavier Jules Caliva, Master's student at Delft University of Technology (TU Delft), under the supervision of Dr. Ir. Michael U.J. Peeters (first mentor) and Dr. Zac J. Taylor (second mentor), within the Management in the Built Environment (MBE) track of the MSc Architecture, Urbanism & Building Sciences program.

During the research period, the researcher held an internship with Colliers' ESG team, which facilitated access to professionals in real estate investment and capital markets. Colliers is not the subject of this study, and no internal policies or decision-making processes were examined. Additional interviews were conducted independently via other professional networks.

Purpose and Participation. The purpose of this study is to explore how financial market participants (FMPs) in hotel capital markets are experiencing the Sustainable Finance Disclosure Regulation (SFDR) and broader ESG data practices, particularly in relation to capital flows, investment decisions, risk assessment, and reporting challenges. The research is exploratory in nature and aims to root its insights from varying practitioners.

Participation involves a semi-structured interview lasting approximately 35-45 minutes. You will be asked to reflect on how sustainability factors influence your work – specifically how SFDR or ESG considerations shape hotel investment decisions, due diligence processes, reporting, and long-term strategy.

Data Use, Confidentiality, and Storage. Personally identifiable data (only your name and email address) will be stored only for administrative purposes on the TU Delft OneDrive and will be deleted after the research concludes.

The interviews will be audio-recorded for transcription purposes and then transcribed. Audio recordings will be deleted immediately after transcription. During the interview, role and profession-related data will be collected to provide contextual understanding.

Only your role and organization type (e.g., "Investment Manager – Institutional Investment Firm" or "Hotel Capital Markets Professional – Real Estate Advisory Firm") will be referenced in the research. As full anonymization is not possible due to the specificity of roles in this sector, participants should be aware of a potential risk of re-identification. However, all interview data will be pseudonymized to mitigate this risk. Transcripts will be returned to participants for review and approval before being stored or cited.

The TU Delft OneDrive is suitable to store confidential data and can only be accessed by the research team containing researcher and both supervisors.

Voluntary Participation & Your Rights. Your participation in this study is entirely voluntary and you may withdraw at any time without any consequences. You are free to omit any questions. You have the right to access, correct, or request deletion of your personal data at any point during the research.

Participant Information Statement, Consent Form, & Explicit Points
for Semi-Structured Interview – Master's Thesis Research

Contact Details. In case you have questions or complaints you can reach out to the researcher and responsible supervisor under the following.

(Researcher) **Carl Xavier Jules Caliva**

(Responsible Supervisor) **Dr. Ir. Michael U. J. Peeters**

Explicit Consent Points. Read and tick 12 points in the following chart.

Please Tick The Appropriate Boxes	Yes	No
A: General Agreement – Research Goals, Participant Tasks &Voluntary Participation		
1. I have read and understood the study information dated [*DD/MM/YYYY*], or it has been read to me. I have been able to ask questions about the study and my questions have been answered to my satisfaction.	☐	☐
2. I consent voluntarily to be a participant in this study and understand that I can refuse to answer questions, and I can withdraw from the study at any time, without having to give a reason.	☐	☐
3. I understand that taking part in the study involves: a semi-structured interview, conducted either in person or via video call, and will be audio-recorded with the participant's consent. The recording will be used solely for transcription and analysis purposes. No video recordings will be made. Audio recordings will be transcribed as text, and the recordings will be permanently deleted after transcription. Transcriptions will be pseudonymized, with names replaced by roles and organization types (e.g., Investment Manager, Institutional Investor). Written notes may also be taken during the interview to support transcription accuracy. No survey questionnaires will be used, and no personally identifiable data beyond name and email (used for scheduling and communication) will be collected. These will be stored securely on TU OneDrive and deleted after the research concludes. Efforts will be made to minimize personal data collection and to protect confidentiality in line with TU Delft's research ethics policy.	☐	☐
4. I understand that the study will end on June 30, 2025.	☐	☐

Participant Information Statement, Consent Form, & Explicit Points
for Semi-Structured Interview – Master's Thesis Research

Please Tick The Appropriate Boxes	Yes	No
B: Potential Risks Of Participating (Including Data Protection)		
5. I understand that taking part in the study also involves collecting specific personally identifiable information (PII) [Name & Email] and associated personally identifiable research data (PIRD) [Role & Organisation Type] with the potential risk of my identity being revealed.	☐	☐
6. I understand that the following steps will be taken to minimise the threat of a data breach, and protect my identity in the event of such a breach: To the best of our ability, your responses in this study will be kept confidential. Interviews will be audio recorded for transcription purposes, and recordings will be deleted after transcription is completed. During the interview, information such as your role and organization type (e.g., Hotel Capital Markets Advisor, Institutional Investor) will be collected to provide context. As full anonymization is not possible due to the specificity of professional roles in this sector, participants should be aware of a potential risk of re-identification. However, all transcripts will be pseudonymized to mitigate this risk. Transcribed data will be stored securely on the TU Delft OneDrive and will not be published in full. Only selected direct citations may appear in the thesis and will be shared with participants for review and approval prior to inclusion (see point 10).	☐	☐
7. I understand that personal information collected about me that can identify me, such as [Name & Email], will not be shared beyond the study team.	☐	☐
8. I understand that the (identifiable) personal data I provide will be destroyed when the research has ended (see point 4.)	☐	☐
C: Research Publication, Dissemination And Application		
9. I understand that after the research study the de-identified information I provide will be used for coding of data for interpretation and publishing in the master thesis report.	☐	☐
10. I agree that my responses, views or other input can be quoted anonymously in research outputs	☐	☐
D: (Long-term) Data Storage, Access And Reuse		
11. I give permission for the de-identified data [pseudonymized interview transcripts] that I provide to be archived in the Education repository as part of the thesis report so it can be used for future research and learning.	☐	☐
12. I understand that access to this repository is open.	☐	☐

Participant Information Statement, Consent Form, & Explicit Points
for Semi-Structured Interview – Master's Thesis Research

Signatures

Name of Participant	Signature	Date

I, as researcher, have accurately read out the information sheet to the potential participant and, to the best of my ability, ensured that the participant understands to what they are freely consenting.

Name of Researcher	Signature	Date

Study contact details for further information:

(Researcher) Carl Xavier Jules Caliva *Email:* c.x.j.caliva@student.tudelft.nl

(Responsible Supervisor) Dr. Ir. Michael U. J. Peeters *Email:* m.u.j.peeters@tudelft.nl