

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 & Beyond

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JUNE 2025



Personal Anecdote: Hotels & Decision-making

Research: **Exploring the**

Law: **Sustainable Finance Disclosure Regulation (SFDR)**

Context: **in Hotel Capital Markets**

An exploration of 3 tales

1

A story about how we can **respond to climate change**

2

A story about **a law**, its goals and its shortcomings

3

A story about **decision-making**

The Key Problem

Climate Change



Paris Agreement: Act Now!



Transition towards Sustainable Dev.



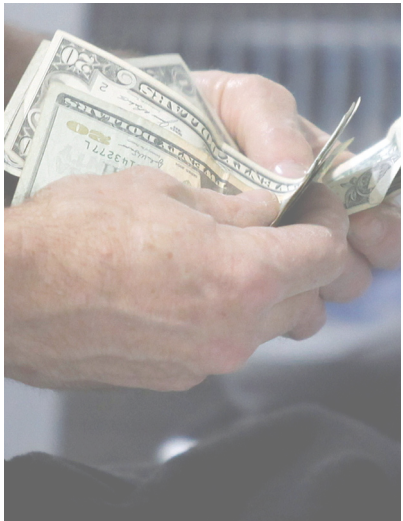
Sustainability **means living in a way that doesn't hurt the planet or future generations.**

Cost of Transition



Example: building wind/solar power plants, and designing buildings that use less energy.

Investment Gap



The Key Problem

How do we **make sure money is going towards**
sustainable things?

Mechanisms to Bring Money into Sustainable things

1

Public Pressure

People and investors demand action and honesty about sustainability.

2

Market Incentives

Money rewards green choices, like tax cuts, cheaper loans, or better property values.

3

Laws and Regulation

Governments create rules that force businesses and investors to act sustainably.

What is being done in the EU?

EU Green Deal } EU Climate Law

Climate Neutrality } Commitment to Net-Zero Emissions

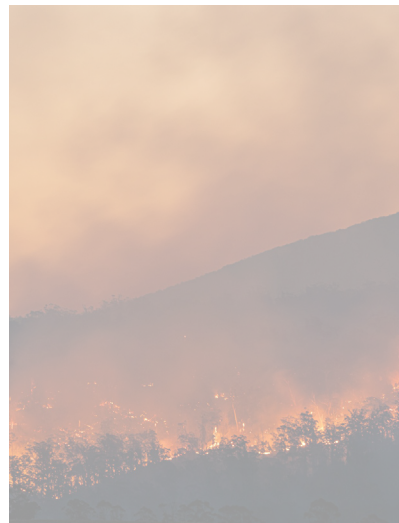
EU Action Plan on Sustainable Finance

Mobilize Capital Flows Toward Sustainable Investments

Sustainable Finance Disclosure Regulation

Objective: To enhance Transparency & Harmonized Reporting

Climate Change



Paris Agreement



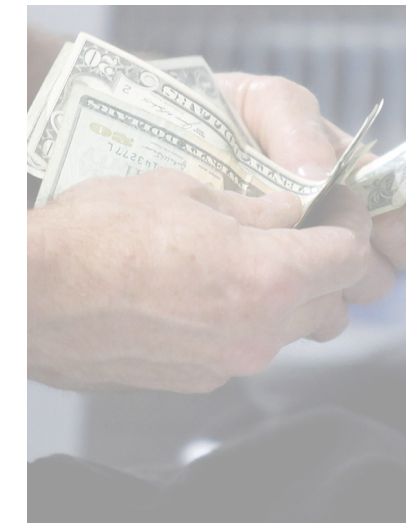
Net-Zero Transition



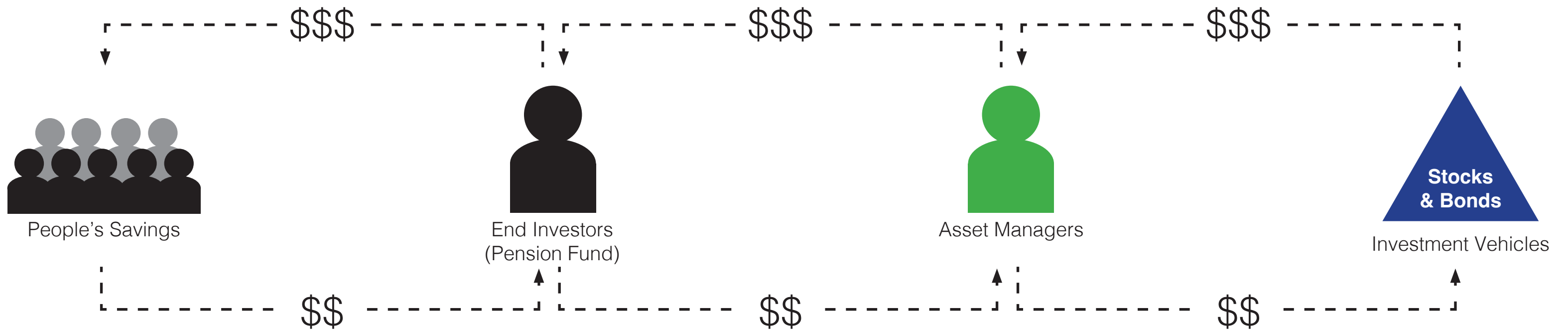
Cost of Transition



Investment Gap



Investment Chain: Public Financial Market Example (Pension Fund)



Understanding the Sustainable Finance Disclosure Regulation (SFDR)

1

What?

SFDR is a European rule that makes investment managers explain how sustainable their investments are.

2

How?

It classifies funds into three groups, article 6, 8, 9

3

Format

SFDR results in a multi-page report showing whether those funds really help the planet or are just pretending to be green.

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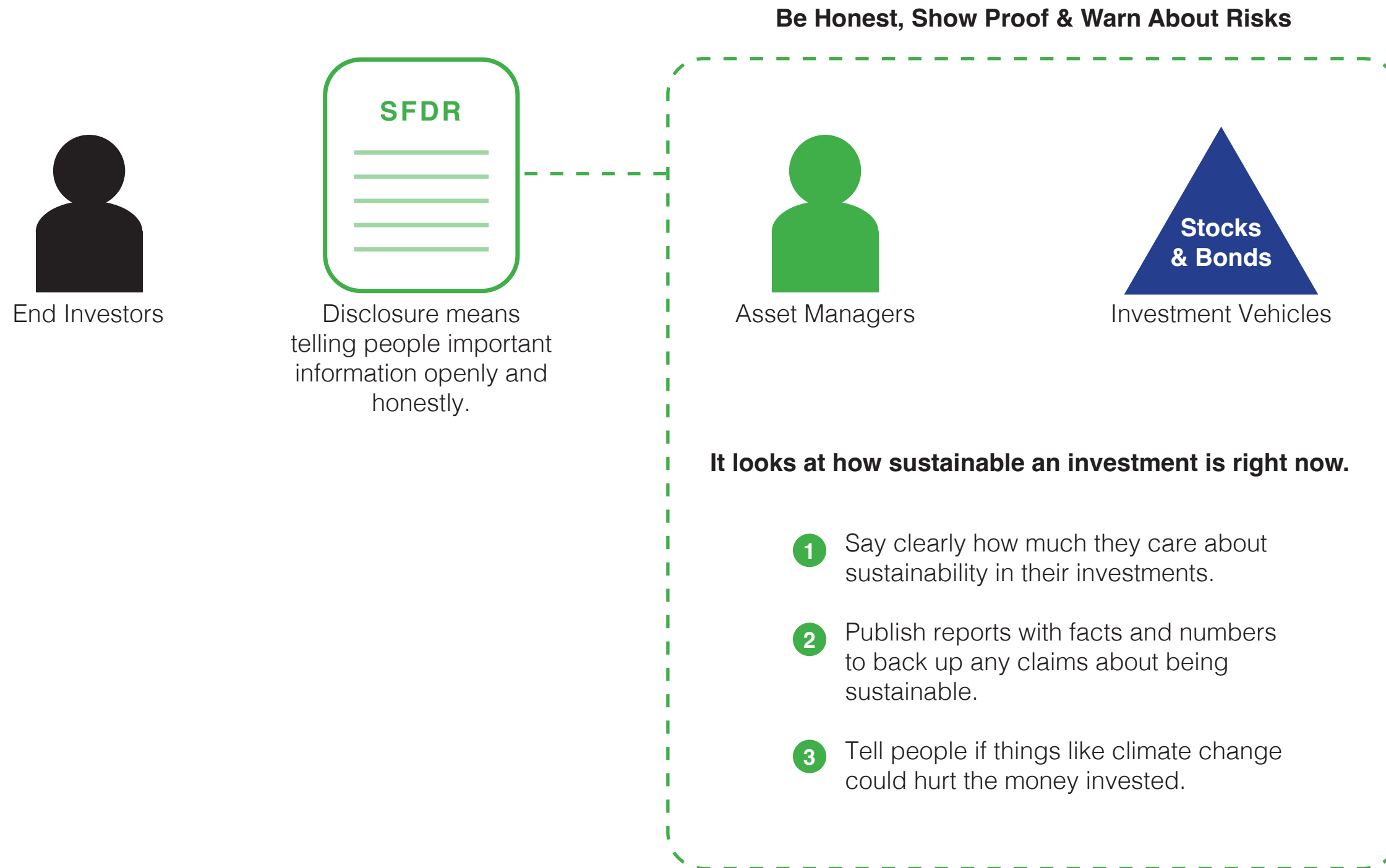
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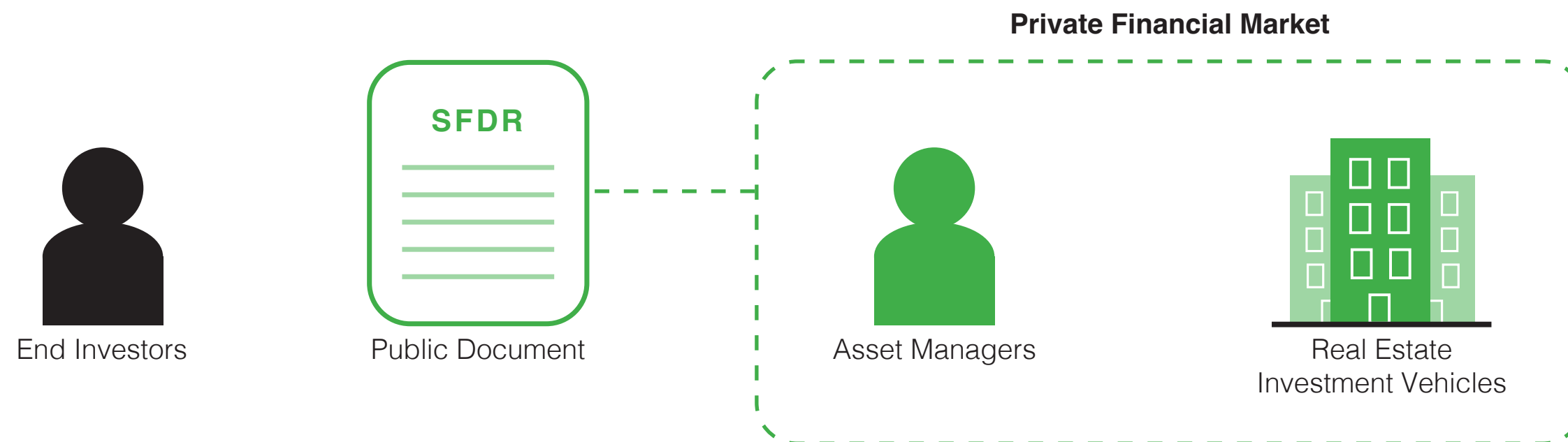
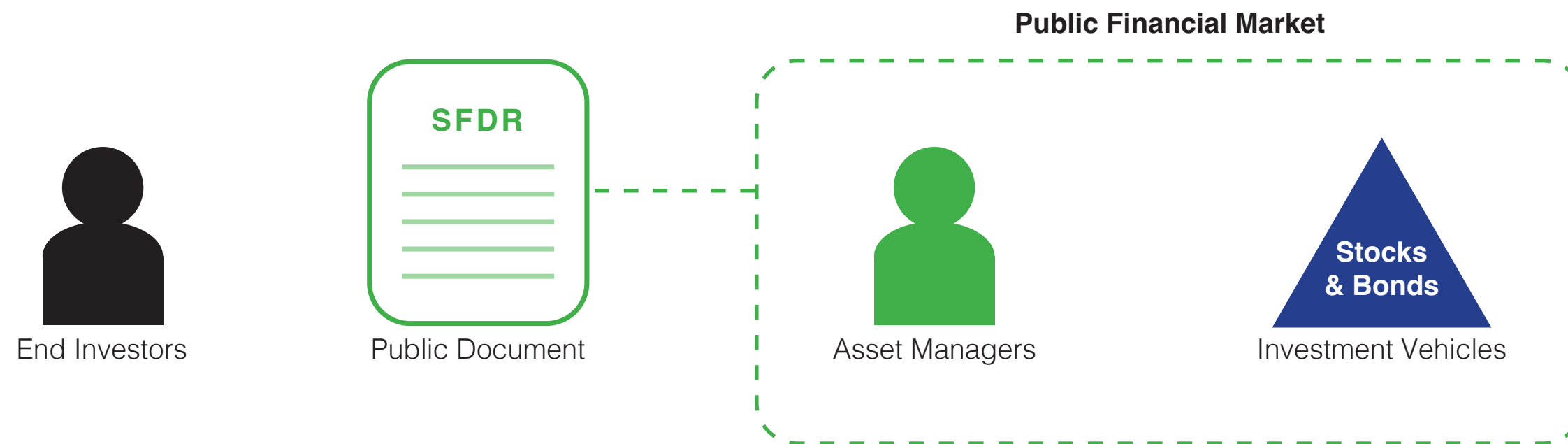
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These products are fully focused on sustainable investments. **100% of the money must go into assets that meet strict sustainability standards** — from day one and throughout.

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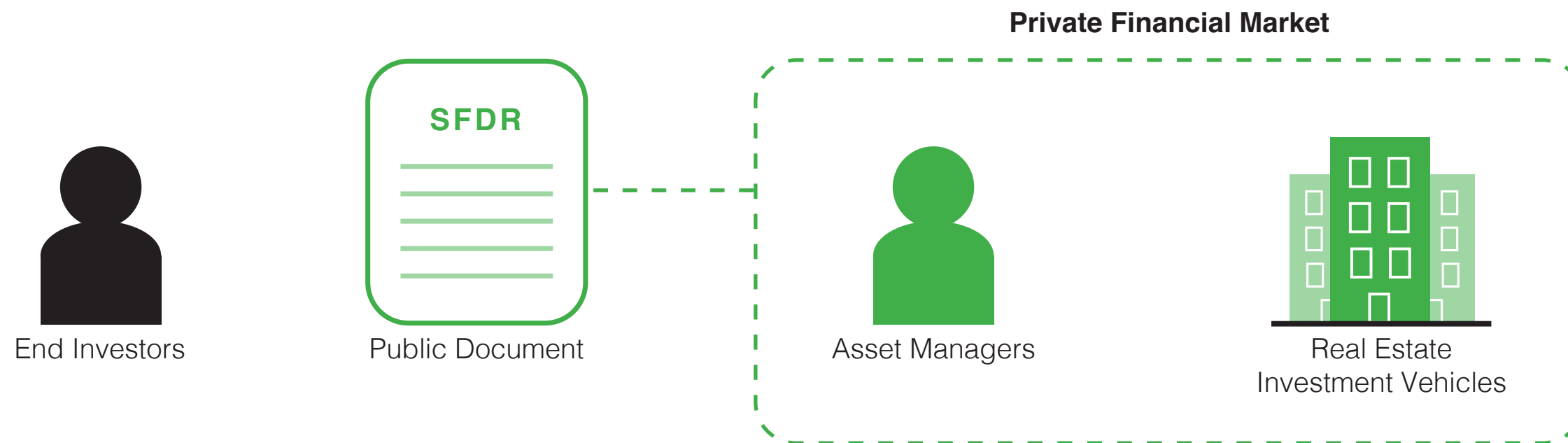
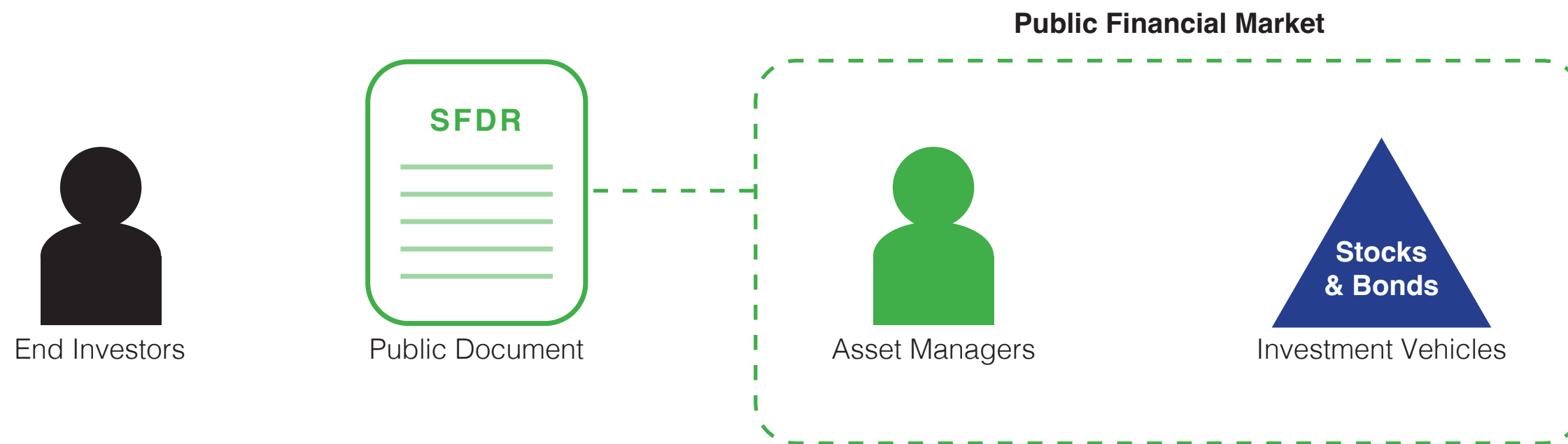


Understanding the Sustainable Finance Disclosure Regulation (SFDR)



Understanding the Sustainable Finance Disclosure Regulation (SFDR)

Capital Markets: (Buying, Selling, Funding)



ESMA & Financial Markets Characteristics - Liquidity

Public



Stocks and bonds are easy to buy and sell every day.

Investors can quickly adjust if rules or labels change.

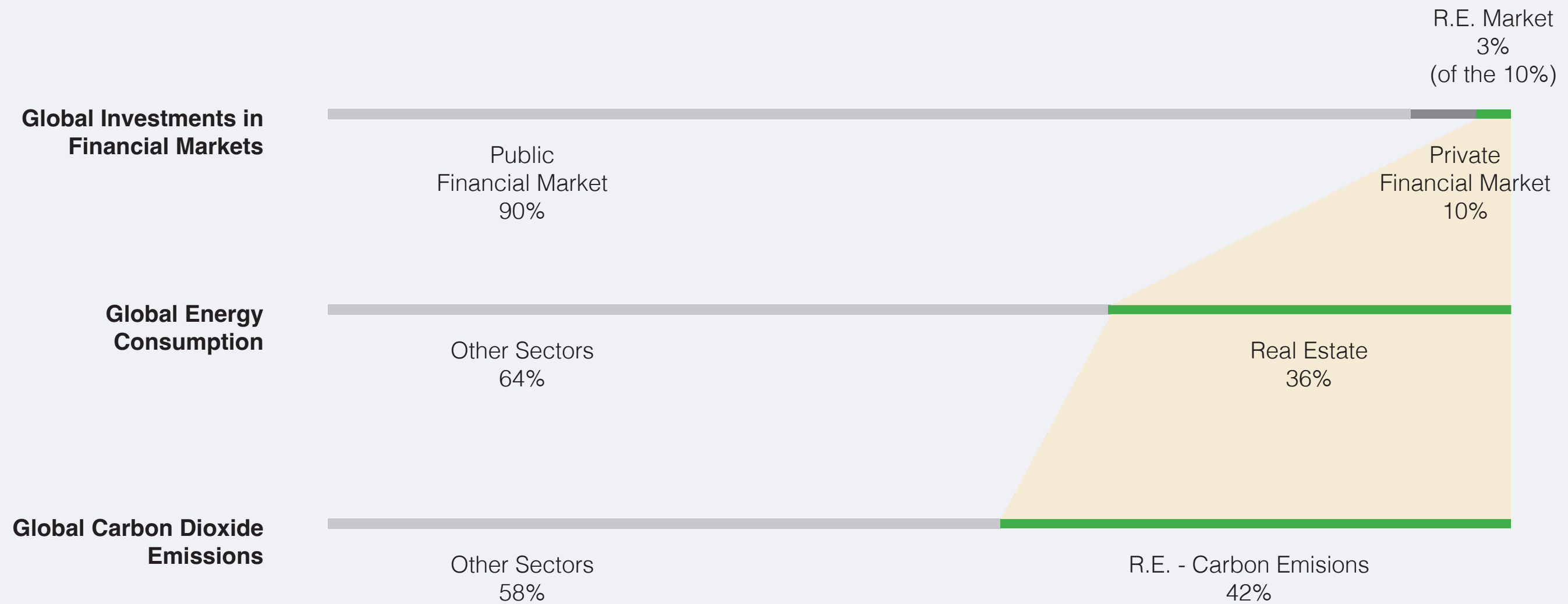
Private



Buildings take a long time to buy, improve, or sell.

Investments often last 5-10 years or longer.

Biggest Opportunity Exist in Real Estate



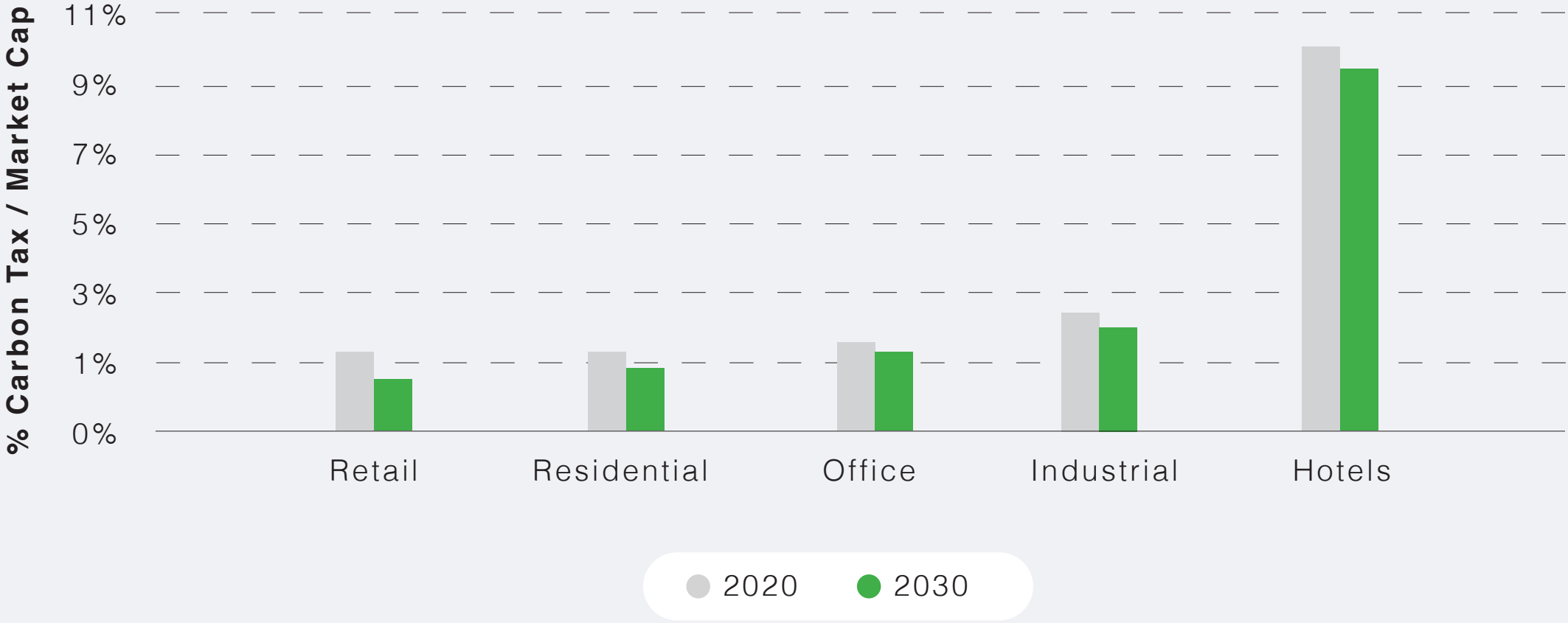
Source: Architecture 2030 (2022). *Why the Built Environment.*, McKinsey & Company (2022), *Private Markets Annual Review*, Blackrock (2023). *Private Markets Outlook*

Current Research Tells Us

SFDR currently does not translate well in real estate.

“an exercise in fitting a square peg in a round hole.”

Hotels are most at Risk



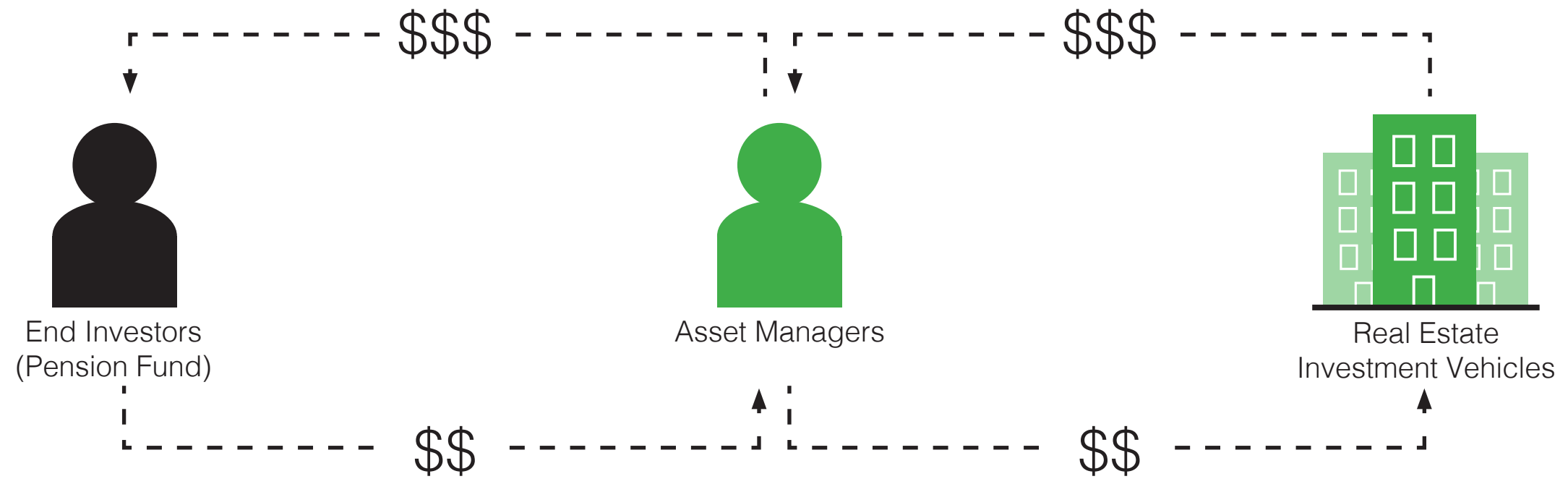
Note: Hotels are most at risk due to slower adoption of ESG and climate-aligned measures, making them vulnerable to carbon pricing impacts.

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

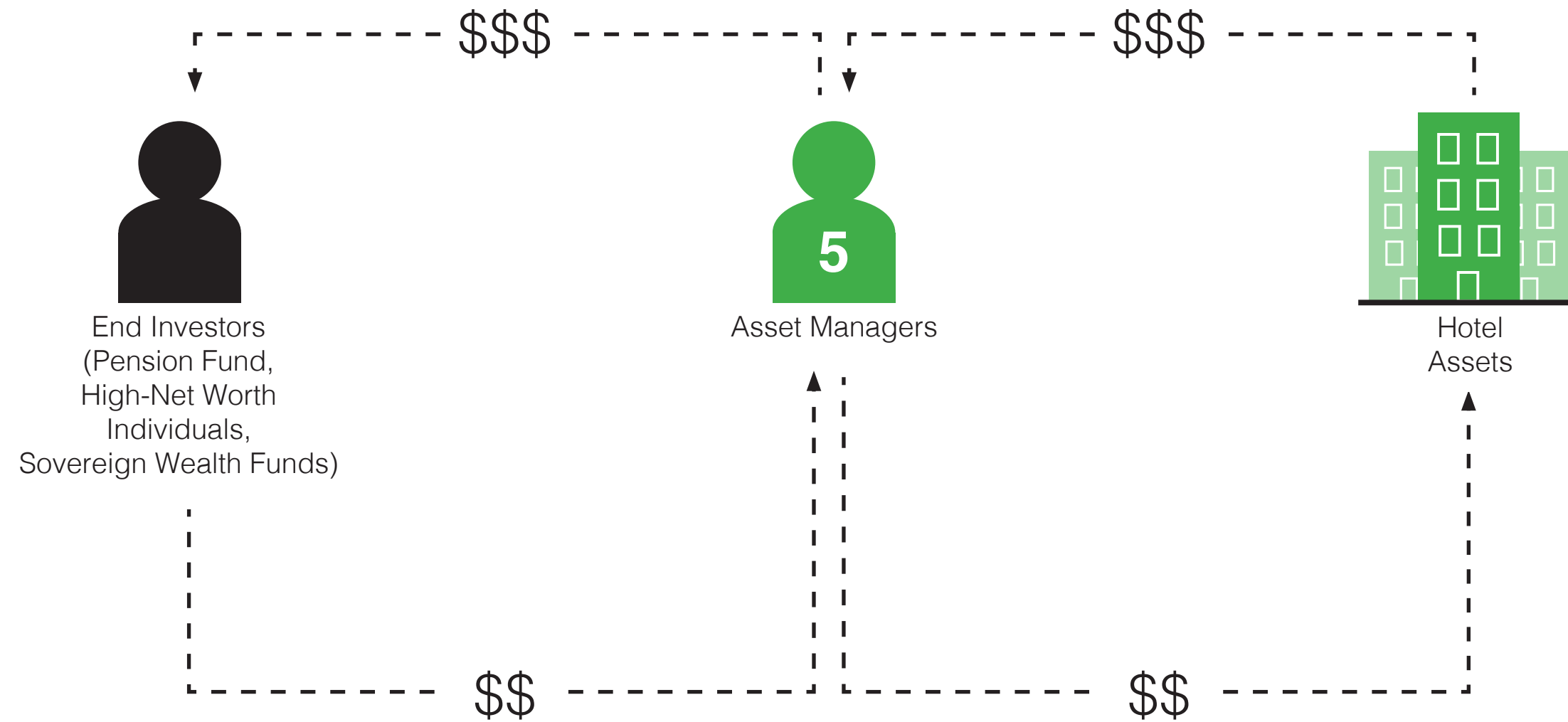
My Research

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

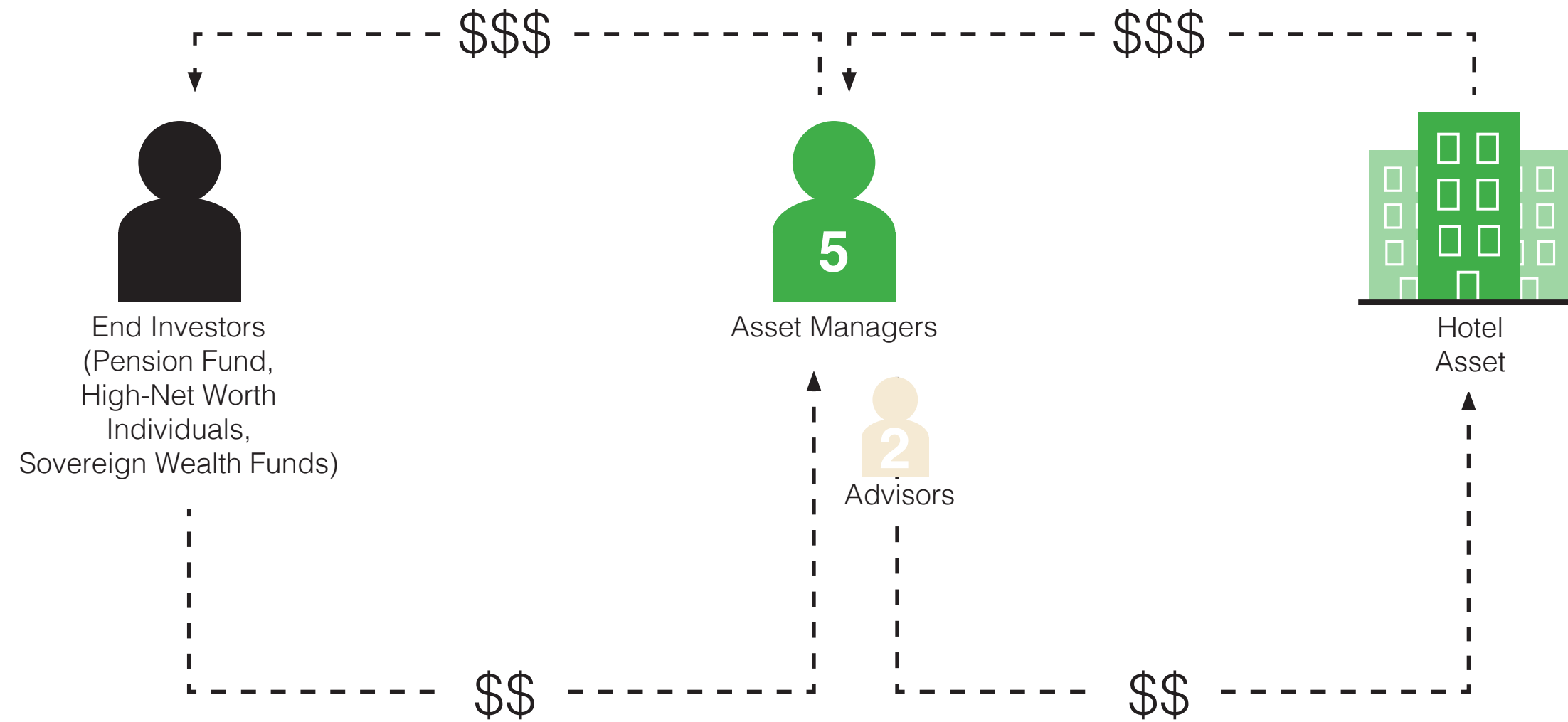
Who did I speak to?



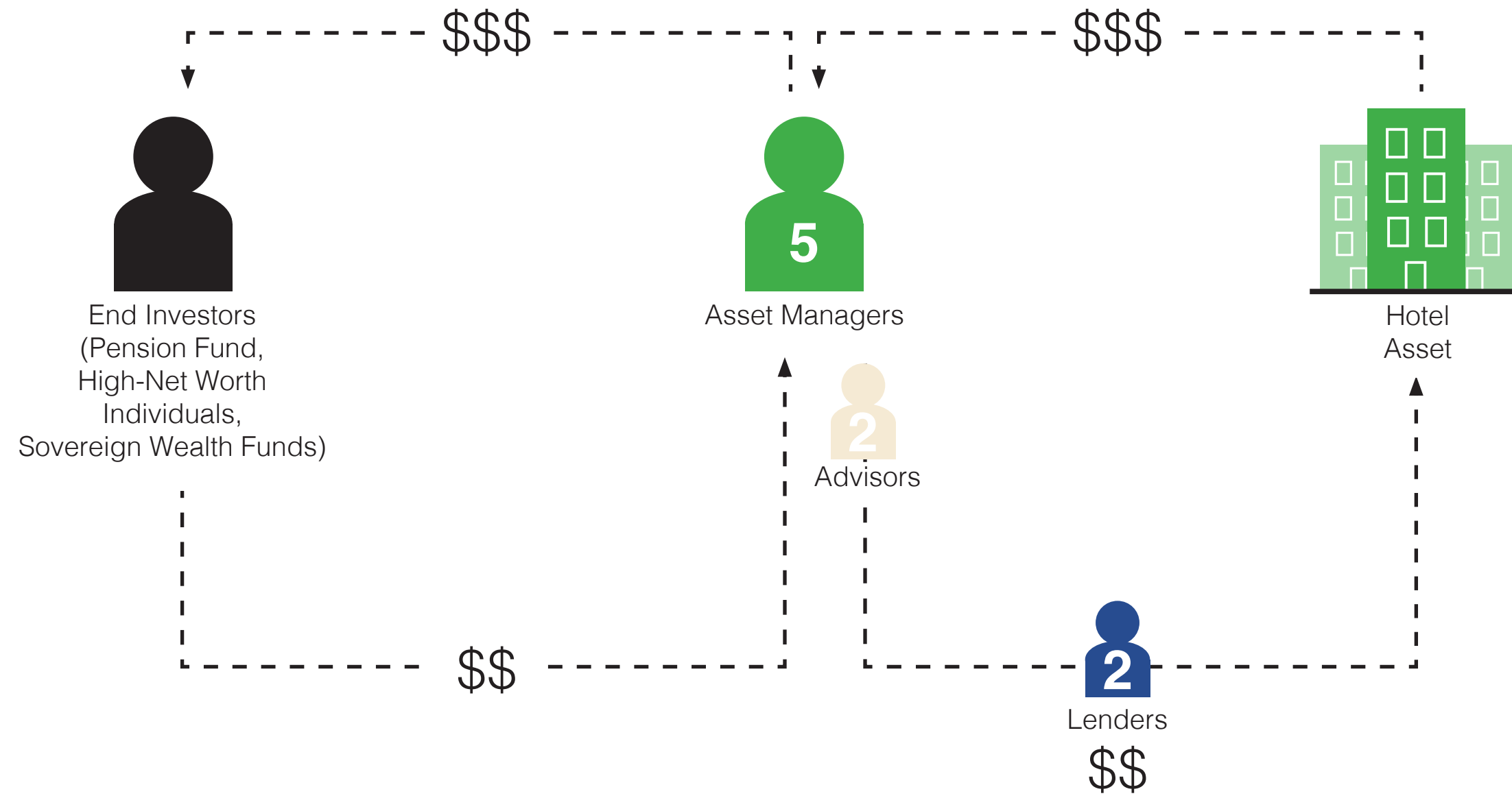
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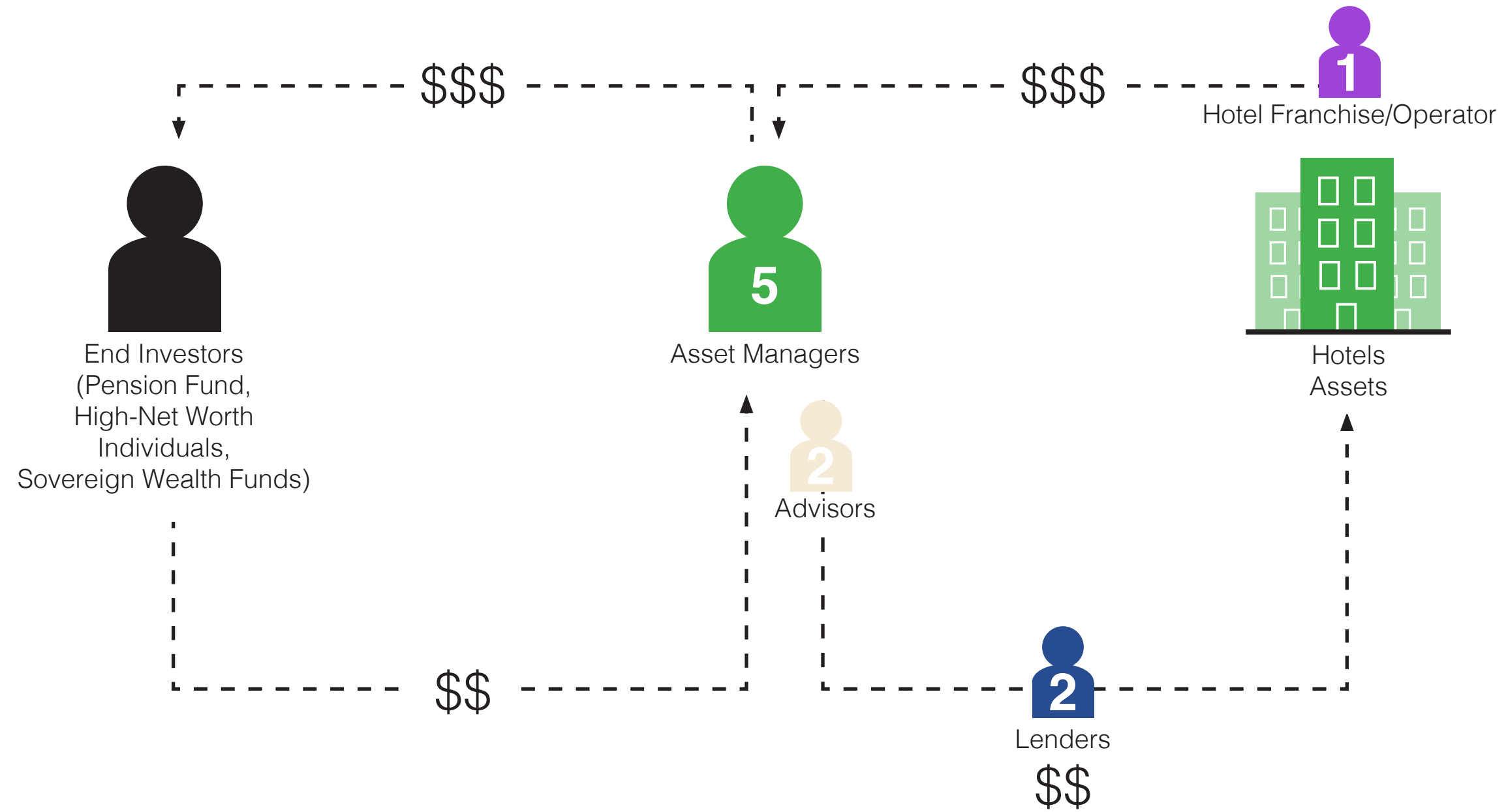
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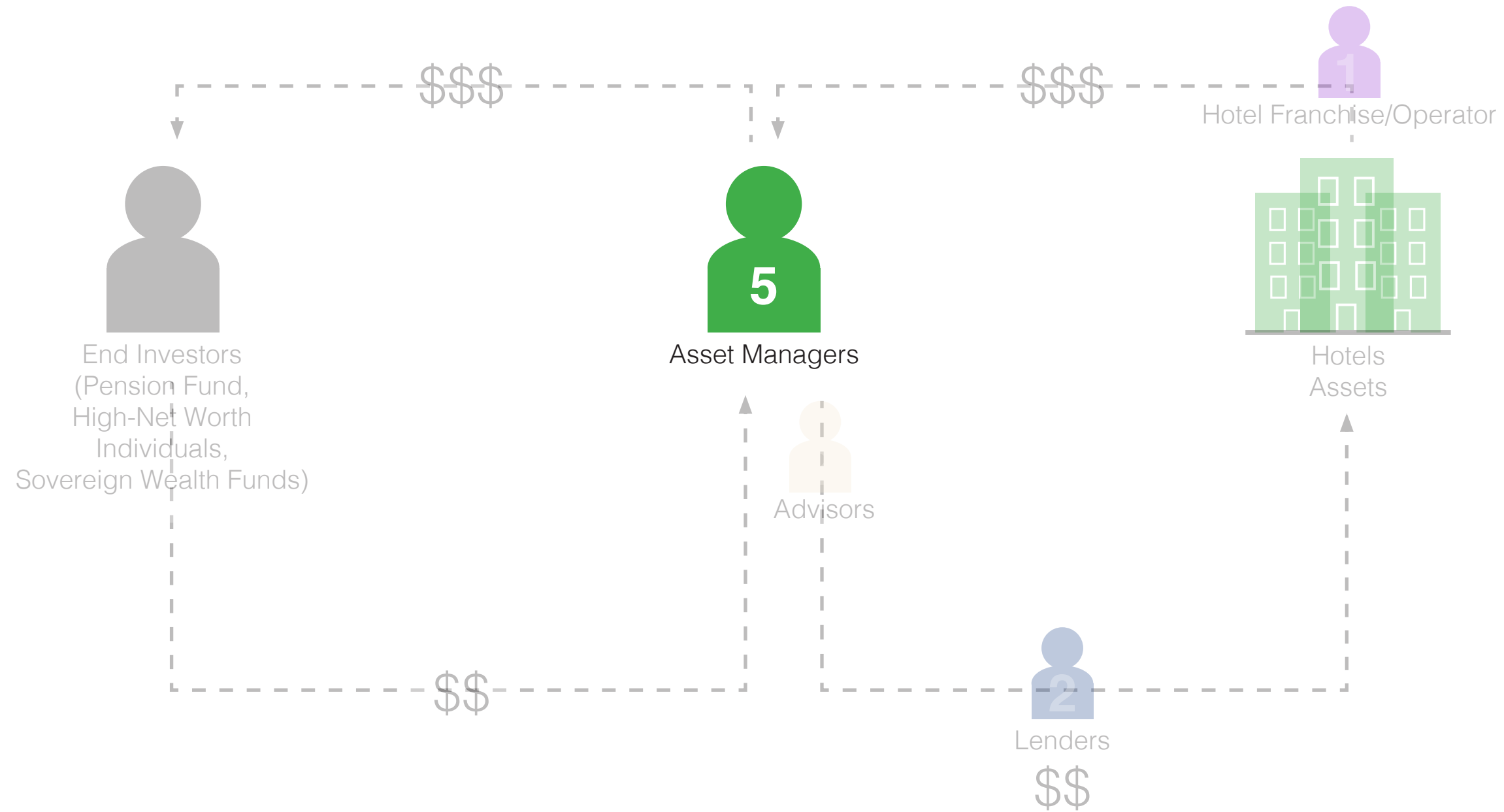
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Who did I speak to?



What did I learn from Speaking to Institutional Investors?



1

Institutional investors said sustainability is built into their entire investment process, from the very start - securing equity or selling assets

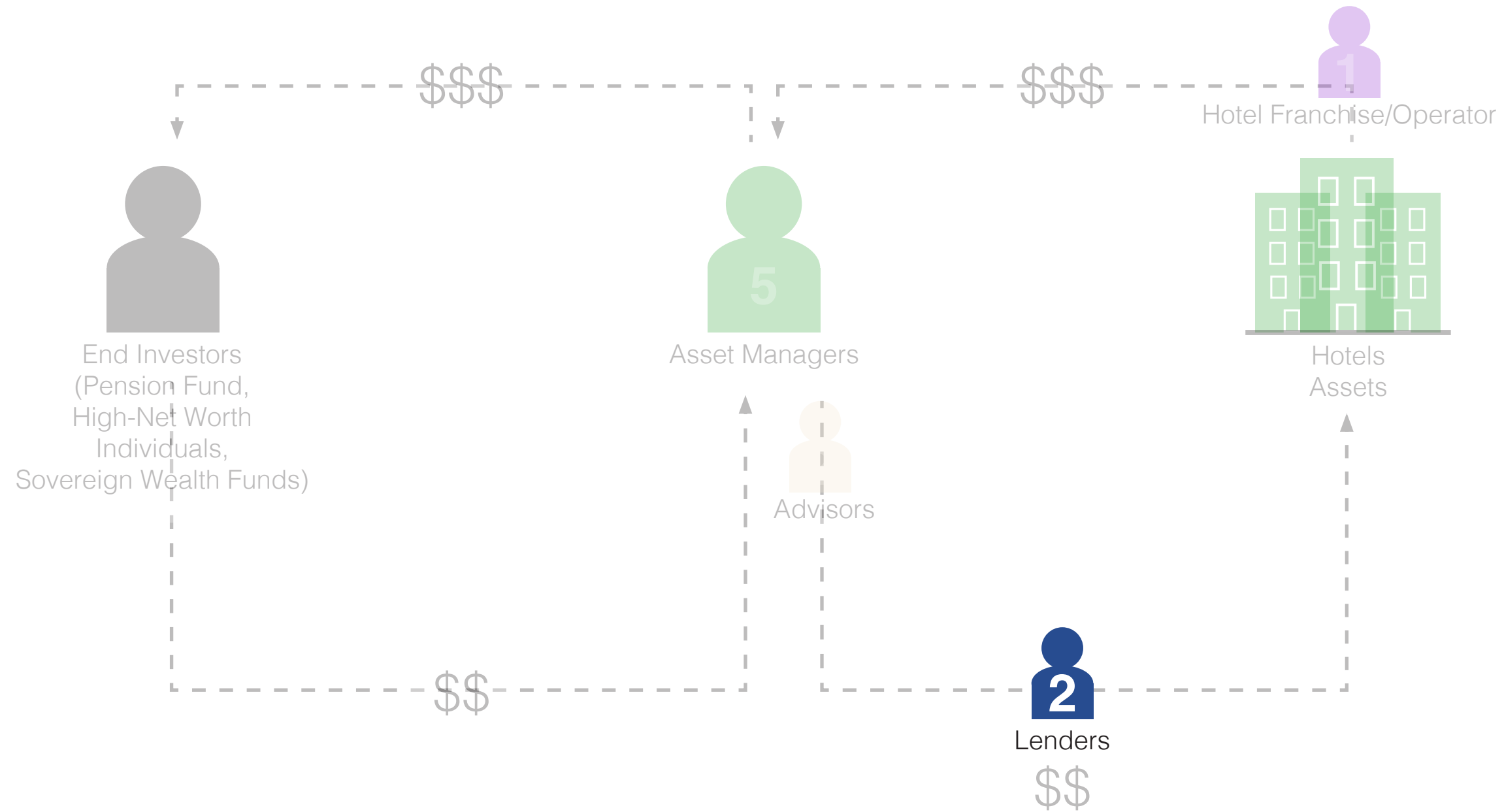
2

SFDR is Used Strategically, but Reporting is Separate from Daily Work. SFDR reporting is handled separately from the teams doing the daily investing.

3

Institutional investors stressed that energy performance data is critical for deciding whether to buy a hotel.

What did I learn from Speaking to Lenders?



1

**Energy Performance is the First Gate
“Sustainability Trigger”**

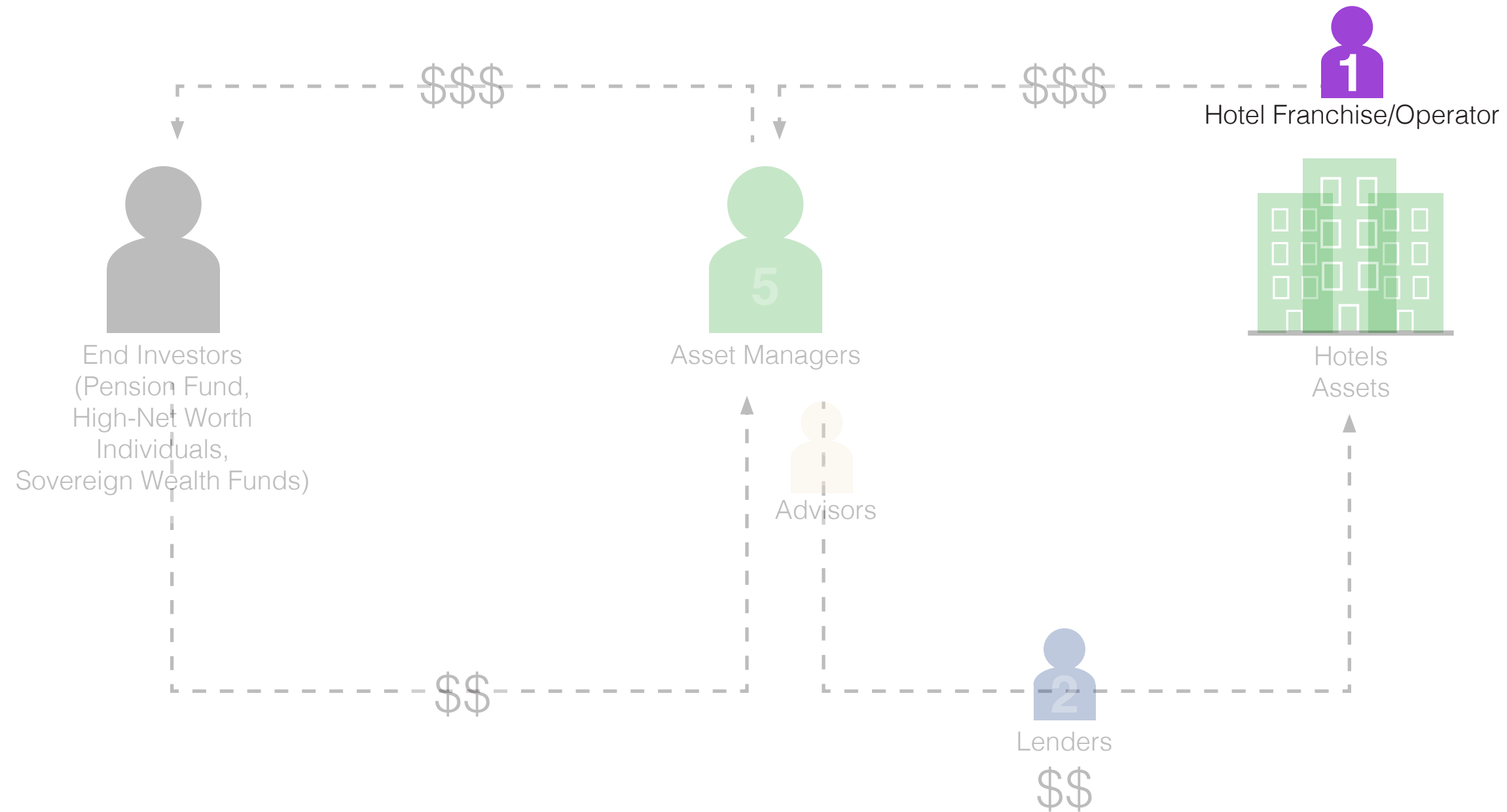
2

Sustainability means better lending terms. Lenders even adjust interest rates with “green premiums” for sustainable buildings.

3

Evolution of data criteria beyond business case: **Energy performance, to consumption and now sustainability roadmaps**

What did I learn from Speaking to a Hotel Franchise/Operator?



1

Hotels face so many practical challenges (like old buildings and high renovation costs) that **SFDR feels unclear and disconnected from operational work.**

2

“Sustainability Controlling”
This means using sustainability data like financial forecasting - to plan, invest, and stay competitive.

3

Operators are collecting more sustainability data & even build it into franchise agreements. Yet data systems are fragmented, actors often aren't aligned.

Lessons from the Research

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.

7 When green means letting go

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Its Being Wrongly Used

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Its Being Wrongly Used: Using a T-Shirt Tag For Example

Made in
China

Often gets judged as lower quality

Made in
Germany

Suggests high quality.

Made in
Italy

Sounds fancy and luxurious

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The Flaw of Article 8: “Have the intent”

SFDR is suppose to be a classification system.

Instead investors are using it as a ranking system.

“Have the intent”



Article 8 Hotel Fund A



Article 8 Hotel Fund B

Its Being Wrongly Used

Investors are learning that efficiency on paper doesn't always mean low emissions in real life.

As one lender told me:

“It’s one thing to have an efficient building. It’s another to leave it running all weekend”

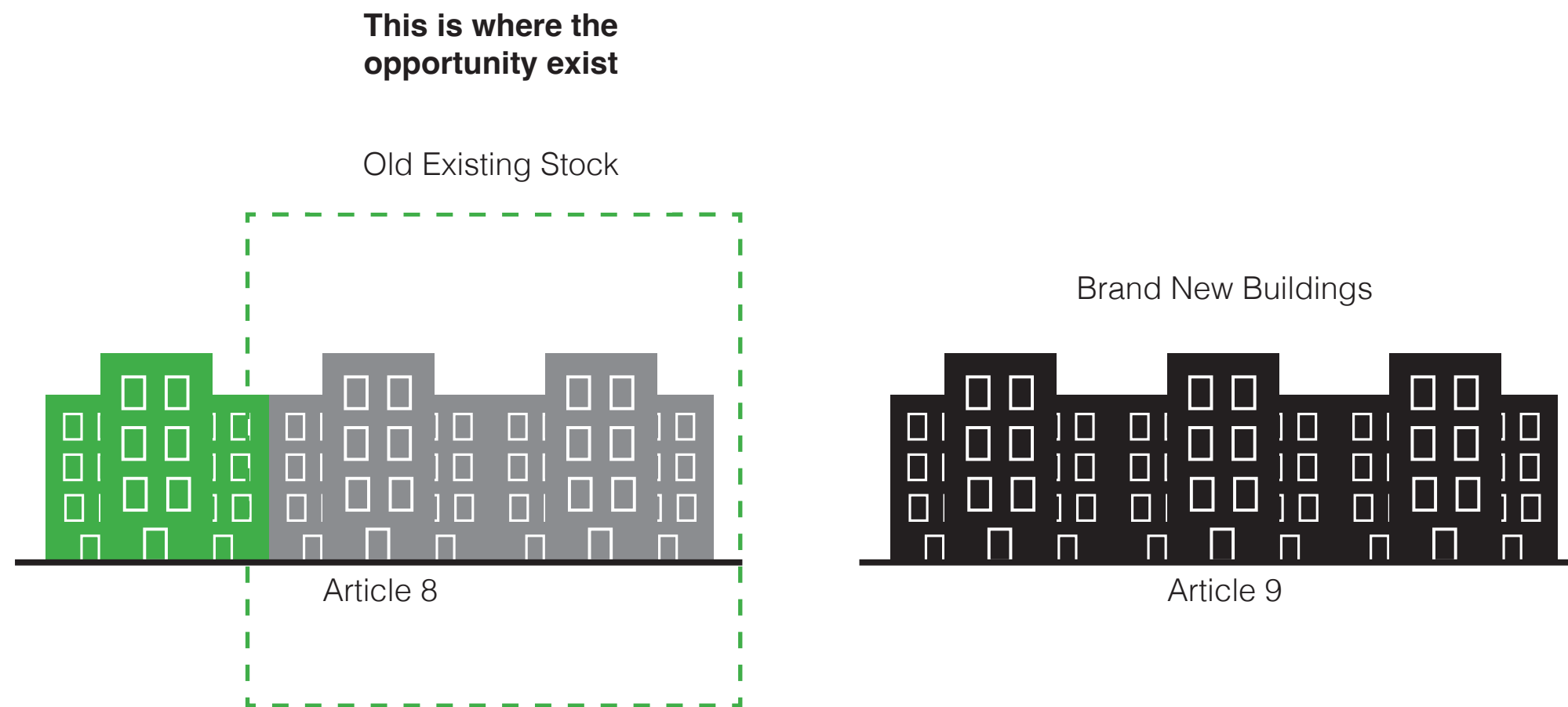
The Flaw of Article 9: “100% Sustainable”

Article 9 basically wants perfection.

And perfection often means
brand-new buildings that already
meet high standards.



Older Buildings Are Getting Left Behind

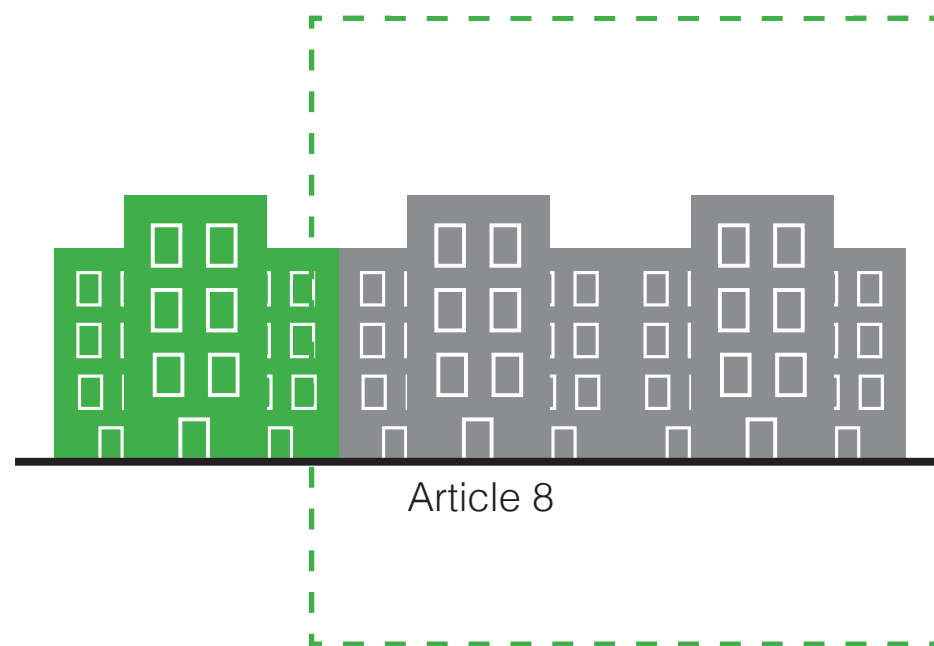


A Question That Kept Coming Up.

Who's going to provide the money to renovate those old existing buildings?

This is where the opportunity exist

Old Existing Stock



Brand New Buildings



And Who is Suffering?

Small Players Struggle Most

Big investors have teams, data tools, and consultants.

They can handle the reporting and upgrades

Tony's Bed & Breakfast



Article 6

The Social Hub



Article 8

Four Seasons



Article 9

When Green Means Letting Go

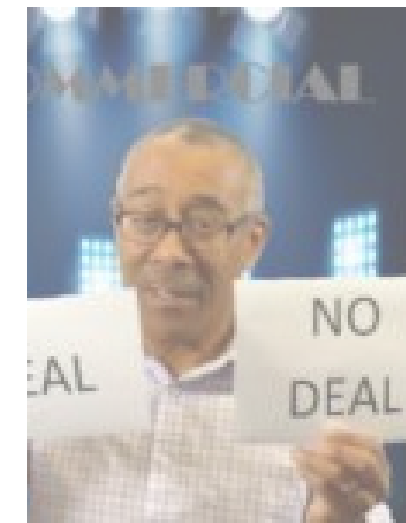
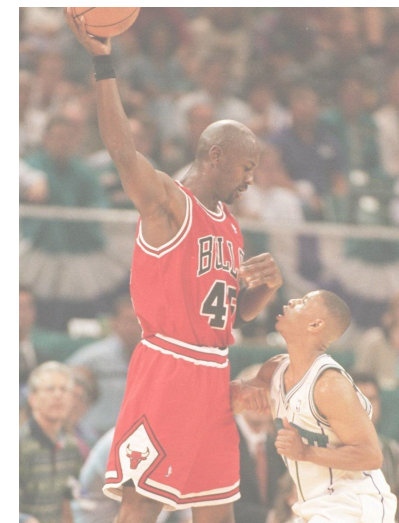
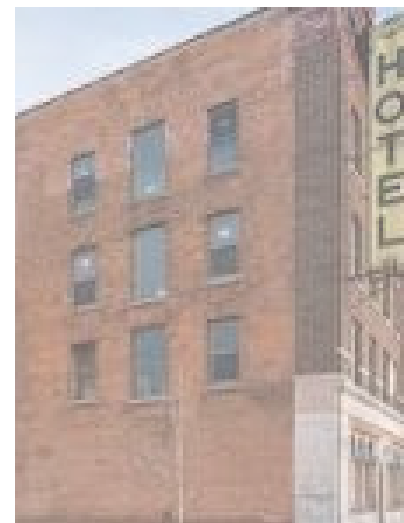
SFDR - Labels hide truth.

Article 9 - Perfect or nothing.

Old hotels - Left behind.

Small players Struggle.

Investors - Afraid to act.



Contributions of the Research

1

To Hotel Literature:
First investigation
placing SFDR in
Hotels

2

To Investors:
Sustainability means
financial/operational
leverage

3

To Policymakers:
“One-Size fits all” law
simply does not work

Thank You!