

# NEW BUSINESS VENTURE: ESG CONSULTING IN THE HOSPITALITY INDUSTRY IN THE NETHERLANDS



## LYCAR COMPANY PROJECT

SASSEN RESEARCH AND CONSULTANCY

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# Preface and acknowledgements

Dear reader,

During the past nine months, I have embarked on my graduation journey with a challenging yet inspiring topic, named Environmental, Social and Governance (ESG). My graduation path is not over yet however completing my graduation thesis, has set me one step closer to obtaining my bachelor's degree and to Launching my Career.

My drive to concentrate my thesis on the topic of ESG has firstly, emerged during the minor "Future of Business", where the issues surrounding the subject have been a central theme that caught my attention, and secondly because of my personal motivation for environmental and social conduct. My gratitude goes to Mr Sassen, who has allowed me to carry this project for his consultancy company with the aim to create a business plan to enter the ESG advisory market in The Netherlands. I embarked on this journey, motivated, to not only design an action plan for my commissioner's company, but to contribute to the general knowledge of the ever-developing theme of ESG and perhaps shed awareness of the utmost importance for the hospitality industry to take environmental, social and governance issues into consideration for the years to come.

The past months have been the most challenging yet rewarding during my time at Hotelschool The Hague. I would like to take the opportunity to express my gratitude to everyone involved in my graduation journey. Firstly, I would like to thank once again my commissioner, Mr Sassen, for his dedication, continuous support, valuable advice, and cheerful attitude. I am deeply grateful to be given the chance to work alongside and gain knowledge from an expert as him. Second, I would like to thank Mr Heijblom for his guidance, valuable feedback, and flexibility. I wish to express my thanks to my three peer group colleagues who have kept me motivated and engaged during the past months. I would also like to thank all study participants involved in this project, whose cooperation allowed me to successfully finalize this study. I am beyond thankful to all lecturers involved in the graduation courses for sharing their knowledge and always being available for assistance. Last but not least, I would like to express my utmost gratitude to my family and friends who have encouraged and believed in me throughout each step of my Hotelschool journey.

I am beyond proud to present this final milestone of my graduation journey. I wish you a pleasant reading!

Kind regards,

*Madlen Zheleva*





# Executive summary

The final deliverable of Hotelschool The Hague's "Launching my Career" (LYCAR) graduation course is a well-rounded thesis which follows the logic flow of the Design Based Research (DBR) cycle. The point of departure being a problem definition, followed by an analysis and diagnosis through which a feasible solution is designed, and subsequently implemented and evaluated.

The starting point and a central theme of this research proposal is **Environmental, Social and Corporate Governance (ESG)**. The issues surrounding the topic are not contemporary, however have recently been brought to societal attention following the newly adopted by the EU Commission regulations that mandate on ESG integration and reporting as part of the path towards a sustainable future, namely the **Sustainable Finance Disclosure Regulation (SFDR)**, the **Corporate Sustainability Reporting Directive (CSRD)** and the **EU Taxonomy Regulation (EU TR)**.

Preliminary research, along with a review of empirical and generic literature, highlights the utmost importance for businesses to prioritize the development and execution of a well-rounded ESG strategy to be able to access capital, satisfy stakeholder demands and attain competitive advantage. The focal point of this project is the hospitality industry, which appears dormant in its ESG journey, despite the advancement of ESG advisory services. The pressure of the newly adopted regulations, however, drives the demand for ESG and sustainability consulting, indicating a potential for market entrances. As a result, the following Main Research Question is formulated:

***How can "Sassen Research and Consultancy" enter the ESG advisory market in The Netherlands by leveraging the growing demand for ESG consulting services in the hospitality industry?***

For the MRQ to be answered and a feasible business plan to be created, an exploratory research design is undertaken, as the topic of ESG and its relations to the hospitality industry have not yet been studied in depth. The nature of the study is qualitative; thus 11 semi-structured interviews were conducted to reach a point of data saturation. The study participants represented three quotas: Quota 1: Hospitality Professionals, Quota 2: Finance experts and Quota 3: ESG Consultants.

The primary data confirms the literature findings and reveals that the hospitality industry in The Netherlands is lacking the knowledge and the capabilities to adhere to the newly adopted ESG-related regulations. The study participants, however, agree that ESG would be a crucial aspect that has to be considered for the years to come because of the increasing demand for environmental and social awareness showcased by the industry stakeholders. The interest in ESG Consulting is highlighted with all interviewed hoteliers agreeing on the need for hiring a company to assist them adopt ESG mindset, which signals the market opportunity to enter the ESG Consultancy market in The Netherlands, consequently answering the MRQ.

Upon co-designing the solution with the study participants, the business plan for "Sassen Research and Consultancy" includes three business lines: **Analytics, Advisory and Assurance**. Analytics includes two service offerings, **ESG risk assessment** and **ESG Compliance Gap Analysis**. Under the "Advisory" business line two services will be offered one proactive **ESG Policy and Strategy Development** and one reactive **ESG**



**Reporting.** Last but not least, Assurance as the new legislations obligate companies to have performed assurance on the disclosed ESG reports.

“Sassen Research and Consultancy” will enter the market with a penetration pricing strategy, meaning lower pricing than the competition due to the retaliation power of the competitors and the rapidly growing market, which makes the consultancy seekers more price sensitive.

The implementation plan will take six to seven months for execution and includes crucial aspects such as people, business processes, technology, partnerships, knowledge and resources and marketing and sales. The implementation plan outlines the critical points and time considerations. The evaluation of the solution will take place a year after the implementation. The business plan will be evaluated against aspects such as customer reference, customer base, total revenue size and in-house performance and will be benchmarked against the industry average.

Furthermore, upon the identification of the study’s relevant stakeholders, two acts of dissemination were created to share the research findings of the project. Firstly, an interactive infographic was posted on LinkedIn and second, a blog post article was shared on HTH Intranet, together with the weekly HTH newsletter.

The study concludes with an academic reflection.



## List of abbreviations

<b>LYCAR</b>	Launching your Career
<b>HTH</b>	Hotelschool The Hague
<b>DBR</b>	Design Based Research
<b>ESG</b>	Environmental, Social and Corporate Governance
<b>EU</b>	European Union
<b>MRQ</b>	Main Research Question
<b>SFDR</b>	Sustainable Finance Disclosure Regulation
<b>CSRD</b>	Corporate Sustainability Reporting Directive
<b>NFRD</b>	Non-Financial Reporting Directive
<b>EU TR</b>	European Taxonomy Regulation
<b>EMEA</b>	Europe, Middle East, Africa
<b>GDP</b>	Gross Domestic Product



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# Chapter 1: Problem definition

## 1. Introduction

"Sassen Research and Consultancy" provides financial advisory services. The owner has obtained the certificate "ESG and Impact Investing", which has set the backbone of this project.

## 2. Context

Despite the last century economic development, several trends have proven to be detrimental to communities, environments, businesses, and the overall economic prosperity (CISL, 2017). Given the concerns about global inequality, degraded ecosystems and depleted natural resources, a revolutionary path towards sustainable economic development was set (ibid.). Several international agreements have emerged creating the blueprint to achieve a better and more sustainable future that considers the three ESG pillars: Environmental, Social and Governance (UN, 2022).

This research study concerns three regulations, namely **the Sustainable Finance Disclosure Regulation, the Corporate Social Reporting Directive, and the EU Taxonomy Regulation**, as part of the EU Sustainable Agenda towards sustainable economic prosperity.

The Sustainable Finance Disclosure Regulation is a fundamental pillar of the EU Sustainable Agenda (Forrest, 2022). It imposes sustainability disclosure requirements to the financial market participants, including banks, investment firms, pension providers, insurers, credit institutions, etc., (J.P.Morgan, 2021; KPMG, 2021; Forrest, 2022). The participants must disclose the potentially negative consequences an investment decision may have on sustainability factors and how this impact has been mitigated (ibid.). Second, firms need to publicly disclose to what extent the financial products meet the ESG criterion, meaning the extent to which the financial products make a positive impact on society or the environment through sustainable investment (ibid.). Despite the regulation being applicable to finance institutions only, companies who wish to access funding from the aforementioned institutions will be required to present ESG data.

The EU Taxonomy has been developed with the aim to provide a common standard, by the means of a classification system, clarifying which economic activities can be considered sustainable and which not (Celsia, 2022). It has been initiated after the noticeable lack of sustainability considerations due to the absence of a common framework for defining when a company is operating sustainably (ibid.). The Regulation will require companies to report on their taxonomy alignment by assessing how their activities perform against the criteria and disclose the outcome publicly (Pettingale et al., 2022). The Taxonomy interlinks with the Sustainable Finance Disclosure Regulation, as it sets the criteria for whether and which financial products qualify as sustainable.

Finally, the Corporate Sustainability Reporting Directive will require small and medium sized companies to disclose sustainability risks, impact on the society and the environment as well as targets and progress towards more sustainable operations, as of 2023 (Pettingale et al., 2022).

Despite that, now, the aforementioned regulations, apply to financial institutions and large companies only, financial experts claim "it will apply to other businesses in two-three years' time" as to meet the new reporting requirements set by the EU, financial institutions have to request this information, from the companies they are financing or investing in, otherwise they themselves will not be able to present the reports based on the regulations (Brisson, 2022; Sassen, 2022). Therefore, even though not all firms are obligated to disclose their ESG compliance by law yet, companies, including the ones in the hospitality industry, which rely on capital from investors and/or creditors will be pushed to provide ESG information.

ESG will affect the capital flows, making "low ESG-scored" companies more expensive to finance as they present a bigger risk, while "high ESG-scored" companies will face the exact opposite: having lower risk, thus lower cost of capital, with cost of equity and debt following the same relationship, as well as more business opportunities and greater value for stakeholders through environmental commitment (Brisson, 2022; Brooks and Oikonomou, 2018; Pettingale et al., 2022).

To showcase a difference between a "low-ESG" and "high-ESG" scored companies in practice and clarifying the financial terms used above the following example will be demonstrated using the cost of capital (minimum rate of return or profit a company must earn before generating value) formula.

Hotel A's capital (wealth either in the form of money or assets of an individual or a company) comes from 75% equity, meaning the amount of capital invested or owned by the shareholders and 35% debt coming from creditors, as presented below:



Fig. 1, (CPA, 2021)

Hotel A's profitability depends on the cost of capital, which on the other hand depends on the cost of debt (interest rate/debt obligations) and the cost of equity (expected return for ownership/shareholders). If the cost of capital is high Hotel A will not be profitable as the amount earned does not exceed the cost of being funded. If the cost of capital is low the company will benefit from profits after it repays the equity shares and the interest on the debt (Fig.2).



Fig.2, (CPA, 2021)

Back to the theory, “ESG will affect the capital flows, making “low ESG-scored” companies more expensive to finance as they present a bigger risk, while “high ESG-scored” companies will face the exact opposite” (Fig.3):



Fig.3, (Lodh, 2020)

Back to the example, Hotel A is a “low-ESG” scored company and Hotel B is a “high-ESG” scored company. They have the same capital structure, 75% equity and 25% debt. However, due to Hotel B’s ESG integration efforts, the company is more lucrative for creditors and banks and benefits from lower interest rates (thus lower cost of debt) and is less risky for shareholders, therefore they will not require high rate of return to compensate for the risk (thus lower cost of equity). Hotel A faces the exact opposite due to its “low ESG” scoring, the debt cost will be high due to the high interest rates and the cost of equity will be high due to the shareholders expecting a higher return to compensate for the risk they are undertaking. As a conclusion despite that both hotels expect the same percentage annual return, company A’s cost of capital will be higher therefore not profitable, as the costs of capital funding will exceed the returns.

The scope of this study is the hospitality industry and according to industry experts, however, the sector is still dormant of the impact the ESG regulations will soon expose (JLL, 2021; Martin, 2022; Sassen, 2022). The sector is associating the ESG implementation and reporting as extra costs and administrative burden. The pressure from regulators, investors, creditors and the wide public rapidly drives the demand for ESG and sustainability consulting, which indicates a market entrance potential (Makower, 2021; Deloitte, 2022; Whyte, 2021; Brisson, 2022).



### 3. Reason for research

#### 3.1. Goal of the client

The goal of the client is to enter the ESG consulting market with a focus on the hospitality businesses in The Netherlands.

#### 3.2. Goal of the research

The preliminary research indicates a market potential for the development of ESG advisory services due to the growing demand arising from the adopted ESG-related regulations. The literature aims to explore in detail further:

- How are the newly adopted ESG regulations impacting the business landscape, and precisely the hospitality industry in The Netherlands?
- What is the current and future potential state of the ESG consulting market in EU?

### 4. Main research question (MRQ)

***How can "Sassen Research and Consultancy" enter the ESG advisory market in The Netherlands by leveraging the growing demand for ESG consulting services in the hospitality industry?***



# Chapter 2: Analysis and diagnosis

## 2.1. Literature Review

### 2.1.1. Origin

The abbreviation ESG stems from Environmental, Social and Corporate Governance. The "E" dimension measures companies' environmental impact, the "S" covers companies' direct and indirect stakeholder relations and the "G" captures the systems for safeguarding stakeholder rights (Matos, 2020).

Despite the recent spike in popularity and information, the issues surrounding ESG first emerged in the 2006 report "Who Cares Wins" (Atkins, 2020). The publication drew the guidelines and recommendations on how to better integrate ESG issues (Brisson, 2022). The year 2019, however, was the steering wheel due to the extreme weather conditions affecting the daily life and business operations worldwide, COVID-19 blemishing the global economy, changing the way people live and work (JLL, 2021; Hermes, 2020; Matos, 2020). The latter environmental, societal, and economic concerns have accelerated the need for concrete actions (Li et al., 2021).

### 2.1.2. Regulations

Driven by societal expectations and environmental concerns, the EU authorities realized the need for concrete actions and acted accordingly with the inclusion of mandatory requirements and taxes for the ESG-related concerns (Toh and Fua, 2022). The EU strategy concentrated its efforts on leveraging the financial institutions role, investors and the corporate sector to re-orient investments towards sustainable development (Bengo et al., 2022). The strategy led to the adoption of three main regulations: the Corporate Sustainability Reporting Directive, previously the Non-Financial Reporting Directive, the Sustainable Finance Disclosure Regulation and the EU Taxonomy Regulation, all aiming to ensure the effective protection of human rights and the environment (Kamann et al., 2022).

The **Sustainable Finance Disclosure Regulation** officially effective as of March 2021, aims to address the ESG issues by "mobilizing capital through the financial sector" (Becker et al., 2022). The regulation provides entry and product level disclosure obligations to the financial market participants, including banks, investment firms, pension providers, insurers, credit institutions, etc. (Becker et al., 2022; Bengo et al., 2022). Entry level disclosure requires the financial participants to publish their policies regarding ESG factors on their websites (Forrest, 2022). While product level disclosure requires reporting on the extent to which their financial products (*Fig.4*) meet the environmental and social characteristics (ibid.).

## Classification of Products

SFDR distinguishes between three types of product classification:

Article	Description
<a href="#">Article 6</a>	> Products that do not integrate ESG considerations into the investment decision-making process or explain where the integration is not relevant, where products do not meet the criteria of Article 8 or 9.
<a href="#">Article 8</a>	> Products that promote environmental and/or social characteristics amongst other characteristics and the companies in which the investments are made have good governance practices. This implies that ESG investing is not core to these products.
<a href="#">Article 9</a>	> Products that have sustainable investment as their core objective.

Fig. 4, (Forrest, 2022)

The financial market participants must collect and report ESG data, then implement policies and disclose how sustainability risks are integrated into the investment decisions (BNP Paribas, 2021). However, to manage their disclosure obligations, the financial market participants need ESG data from the businesses that they are funding. While larger companies develop competences in this respect and are able to provide the ESG data required to the financial participants, the issue arises from small and medium size entities where the amount of ESG data is either sheer or non-existent (BNP Paribas, 2021). This makes the ESG disclosure a significant exercise for the financial participants (ibid.). Upon realization of the issue, in April 2021 the EU Commission proposed an extension to the **Non-Financial Reporting Directive**, which now lays down the rules for all listed, large and insurance companies with 500 employees, including banks to publish information regarding the environmental and social matters as presented in Fig.5. (EU Commission, 2022a; Kamann et al., 2022; J.P.Morgan, 2021).



Fig.5, (Noonan, 2022)

The extension proposed is the **Corporate Sustainability Reporting Directive**, which will extend the scope of the Non-Financial Reporting Directive (Fig. 6 and 7) and

therefore will require all small and medium size companies with minimum of 250 employees to also report according to the mandatory EU standards on their environmental and social impact activities (ibid.).

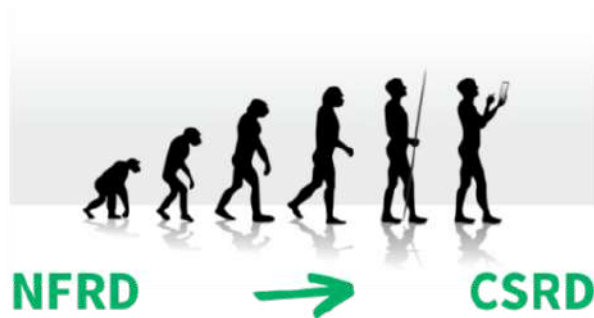


Fig. 6, (DataGovernance et al., 2022)

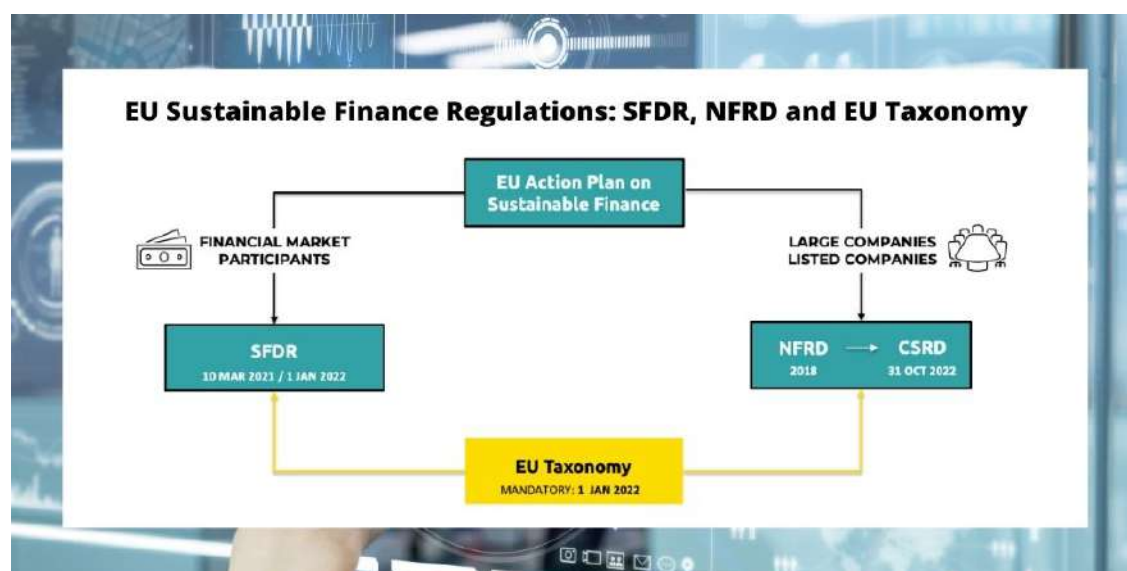
	NFRD Non-Financial Reporting Directive	CSRD Corporate Sustainability Reporting Directive
<b>How many companies are affected?</b> 	11,700	50,000
<b>Which companies are affected?</b> 	<ul style="list-style-type: none"> <li>Large public interest entities with more than 500 employees including: <ul style="list-style-type: none"> <li>Listed companies</li> <li>Banks, insurers, etc.</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>Listed companies</li> <li>All large companies that meet 2 of these criteria: <ul style="list-style-type: none"> <li>More than 250 employees</li> <li>Net turnover exceeding EUR 40 million</li> <li>Assets that exceed EUR 20 million</li> </ul> </li> <li>Non-EU companies that have net turnover exceeding EUR 150 million and at least one subsidiary in the EU.</li> </ul>
<b>When will it apply?</b> 	2018	If adopted by the end of 2022, reporting would start (based on prior year data): <ul style="list-style-type: none"> <li>2024 for companies already subject to the NFRD</li> <li>2025 for all other companies</li> <li>2026 for small and medium enterprises that request an extension</li> </ul>
<b>What must be disclosed?</b> 	Information related to: <ul style="list-style-type: none"> <li>Environmental matters</li> <li>Social matters and treatment of employees</li> <li>Respect for human rights</li> <li>Anti-corruption and bribery</li> <li>Diversity on company boards (age, gender, etc.)</li> </ul>	Amends/adds these requirements to the NFRD: <ul style="list-style-type: none"> <li>Mandatory external audit of reported information</li> <li>Apply "double materiality" to consider "outside-in" (ESG impacts on business value) and "inside-out" (business impacts on people and planet)</li> <li>Integrate into management reporting</li> <li>More detailed requirements according to EU Sustainability Reporting Standards (ESRS)</li> <li>Digitally tag reported information</li> </ul>

Fig. 7, (DataGovernance et al., 2022)



The development of comprehensive methodologies and extended disclosures to maximize the ESG information flow is further enhanced by the **EU Taxonomy** which went into effect as of 1<sup>st</sup> January 2022 (van de Werve, 2021). The Taxonomy plays a pivot role towards integrated ESG regulatory framework and coordinates with both the Sustainable Finance Disclosure Regulation and the Corporate Sustainability Reporting Directive (Bengo et al., 2022). It's aim is to scale up sustainable investment by providing companies, investors and policy makers with a clear criterion, as classification system, whether or not an economic activity could be deemed sustainable (Bengo et al., 2022; EU Commission, 2022b). As of 2023, all large and listed on the stock exchange companies have to report on their Taxonomy alignment along with any relevant information regarding their ESG performance (Celsia, 2022).

As a conclusion, all companies either now or over the near term need to be aware that their businesses and activities will be labelled according to their ESG performance (Pettingale et al., 2022). The bottom line is, financial and large companies must report, small companies shall report on a voluntary basis now, however financial institutions will anyhow request the relevant ESG data, thus the development of all three regulations will impact every business directly and/or indirectly as shown in *Fig.8*.



*Fig. 8,*(GemmaFord, 2021)

For better understanding of the regulations' reporting framework, please refer to *App. 1*.





### 2.1.3. Business Impact

Despite that the newly adopted regulations do not directly impact all companies yet, financial institutions' interest in ESG has become universal, leading to growing expectations for businesses to develop ESG capabilities (Kirby, 2021). Soon, if a company intends on borrowing money, as part of the screening criteria, it will be asked to disclose the type of sustainable activities involved in the business (Alexis, 2022). Those companies ignoring ESG, will face reputational costs and potential flight of capital towards firms working on their ESG strategy (Alicia Karspeck, 2021). A company's ESG scoring will also affect the cost of borrowing, as banks already provide lower interest rates to companies operating in compliance with the ESG regulations (Celsia, 2022; Rebecca Zhang, 2021; Raimo et al., 2021). Notably, businesses scoring poorly on ESG might soon face difficulties to access capital completely, placing them at competitive disadvantage (Aboud and Diab, 2019). Furthermore, McKinsey's regulatory lead, argues about a positive relationship between ESG scoring and financial returns (Nuttall, 2020; Kim and Li, 2021). The literature indicates that better ESG scoring translates to about 10% lower cost of capital, as the risks affecting the business are reduced, as discussed previously in *Chapter 1.Context*. (Giese et al., 2019; Whelan et al., 2020; Nuttall, 2020; Moro visconti, 2020; Kim and Li, 2021; Brooks and Oikonomou, 2018; Brisson, 2022).

The ESG reporting will have a lasting impact on how business gets done as the regulations respond to the deeper societal need for change (Poole and Sullivan, 2021). The increasing stakeholder expectations drives the need for ESG commitment (ibid.). Moreover, recent study indicated that ESG commitments are driving consumer loyalty and employee engagement, supported by other studies which have proven a positive correlation between ESG performance and stakeholder value creation (Henisz et al., 2019; Signori et al., 2021; Zumente and Bistrova, 2021; PricewaterhouseCoopers, 2021). As government legislations and stakeholder expectations have accelerated the need for ESG compliance, investors renewed their focus, leading to an explosion of growth in sustainable investing (JLL, 2021; J.P.Morgan, 2020). Harrington, Colliers' Director Research states that ESG considerations are prominent on the investor agenda for the upcoming years (Colliers, 2022). As investors interest is driven towards high scoring ESG companies, incorporating ESG would be vital for any company which aims at being lucrative for funding (JLL, 2021).

## 2.1.4. Hospitality Industry

The hospitality industry is a massive driver for the global economy, accounting for 10,3% of the global GDP (WTTC, 2020). With the projected industry growth, the position and responsibility of the sector to the global ecosystem and the society will only grow bigger (Yoong, 2021; Slattery and Wasserstein, 2022). The ESG aspects in the industry are summarized below:



Fig.9, (Yoong, 2021)

The consideration of these depends on the impact of the hotel development and design, the impact of hotel guests on the local communities, the impact of operating 24/7 business and the impact on the stakeholders, notably aspects such as working conditions, equality and governance (JLL, 2021). Despite that, leading hospitality groups announced strategies to address ESG, namely Hilton's LightStay, Marriott's "360 Report" and IGH's "Green Engage", the Land Institute's Hotel Sustainability Report indicated that the hospitality sector hit the highest energy, water and carbon emission expenditure compared to other properties in 2020 (ibid.). Furthermore, hospitality sector faces great uncertainty in terms of labour, thus the social aspect of ESG will remain a priority (JLL, 2021; El Hajal and Rowson, 2021). Concerning governance, the diversity and inclusion factors have remained imbalanced compared to other sectors (ibid.). Consequently, the hospitality sector displays as dormant in its ESG journey in comparison to other industries (Martin, 2022; Colliers, 2022). However, experts argue that the ever-changing regulatory landscape, the investors re-orientation towards sustainable investment and the stakeholders' demand will change the industry's journey (Martin, 2022).

Following the adopted regulations, the investment community's fund flows are hitting record heights, driven by the eager to invest in sustainable hotel real estate (JLL, 2021). The investors' appetite for the hospitality sector remains, as the amount of unallocated capital is still at record levels and interest rates are low (Pettit, 2022). Kadel, Collier's Capital Markets Head adds that "the EU's hotel sector is on the investor radar" (Colliers, 2022). The ESG compliance will dictate the money flow towards the sector due to the ESG factors now being central to every financial transaction (HVS, 2022; Patterson, 2020).

Adhering to the ESG standards is regarded as financially necessary for the industry, (Yoong, 2021). The literature argues that, operationally, strong ESG position leads to cost reductions (lower energy consumption, reduced water intake, lower turnover), reduced business risk (easing regulatory pressure, avoiding fines and penalties), top-



line (revenue) growth associated with capturing the growing consumer interest in ESG, thus boosting occupancy, posing price premiums (higher sale prices), employee productivity and satisfaction uplift (attract talent through greater social credibility), (Henisz et al., 2019; Yoo and Managi, 2022). Moreover, the hotel asset value is directly linked to its operational cash flows (the amount of cash generated by a company's normal business operations), thus ESG compliant assets generate higher cash flows, consequently achieving higher real estate exit value (resale value of a property), (Yoong, 2021; Feng and Wu, 2021; Ionescu et al., 2019; Investopedia, 2022). Consequently, some hospitality businesses would be valued higher due to their ESG investment, with prospect of outlasting their non-ESG-compliant competitors (Sassen, 2022; PWC, 2022; Feng and Wu, 2021; Koehler and Hespenheide, 2013).

Despite that major hotel groups are already falling under the regulations, obligating on ESG reporting, some private and small company owners, and operators under the scope of the directives will soon face difficulties raising capital, satisfying stakeholders, and achieving competitive advantage, in case they do not proactively work towards ESG integration. The Taxonomy and Sustainable Finance Regulation will also have an indirect impact on all hospitality businesses as the ESG information requested by the financial market participants (as themselves must report) is relayed to the companies, they are financing.

### **2.1.5. ESG Market**

Driven by the pressure from regulators, creditors, investors and consumers, the demand for ESG and sustainability consulting has grown rapidly over the past two years, while the supply is inadequate as the market is rather scarce for talent and expertise (Makower, 2021; Deloitte, 2022; Whyte, 2021). Coping with the shortage of supply, the ESG service provider market indicated 13 acquisitions of ESG and sustainability consultant firms in 2021, compared to just four in 2020 (Shah, 2022; Renshaw and Knickle, 2022). The biggest players in the ESG advisory market are: Accenture, Deloitte, ERM, EY, Jacobs, KPMG, McKinsey, and PwC (Renshaw and Knickle, 2022). Upon a combination of interviews, discussions and desk research, the researchers from Verdantix (*App.2*) identify EY as the market leader across the following categories: ESG strategy, Climate change strategy, Risk and Governance management (*ibid.*). Moreover, the analysis shows that Deloitte, KPMG and PwC are building vast expertise in ESG financial accounting and regulatory services (Russell, 2022). Renshaw, Industry Analyst adds that the ESG advisory servers face a choice between "specializing in a segment of the market or attempting to provide a holistic service across the multiple sub-segments" (*ibid.*).

The ESG consulting market, however, is still evolving indicating an opportunity for market entrances, especially given the range of sub-services requested by the consultancy seekers (*ibid.*).



### **2.1.6. Conclusion and knowledge gaps**

The literature has indicated a significant growth and notable importance of the three ESG dimensions: Environmental, Social and Corporate Governance. The demand towards the integration of ESG considerations arise following the reporting regulations imposed by the EU, the financial institutions and investors' interest as well as the growing stakeholders' expectations. The future outlook indicates that soon each business and activity will be labelled according to the achievement of the sustainability and social objectives set by the EU. Thus, ESG will shape the way business gets done and will dictate the profitability, development opportunities, stakeholder value, market value and a company's ability to raise capital. The hospitality sector, however, appears dormant in its ESG implementation journey, despite its global strategic position in addressing it. The literature stresses on the importance of integrating ESG factors in the hospitality industry, however, is abundant on the challenges the sector faces and the reasons of the industry lagging on its ESG journey.

The growing pressure from financial institutions, investors and stakeholders led to noticeable demand for ESG advisory providers. Contrastingly, a supply shortage was indicated as the dearth of talent and expertise led to many ESG advisory firms acquiring others to boost the inhouse expertise and cope with the growing demand. The ESG consulting market is still in its evolving phase, thus presenting significant opportunity for market entrances, especially in the hospitality industry due to the sector underdevelopment.

## 2.2. Research questions

Based on the knowledge gaps indicated previously, 13 research questions have been developed and listed in *App.3*.

## 2.3. Conceptual framework

The following framework draws the concept behind this study.

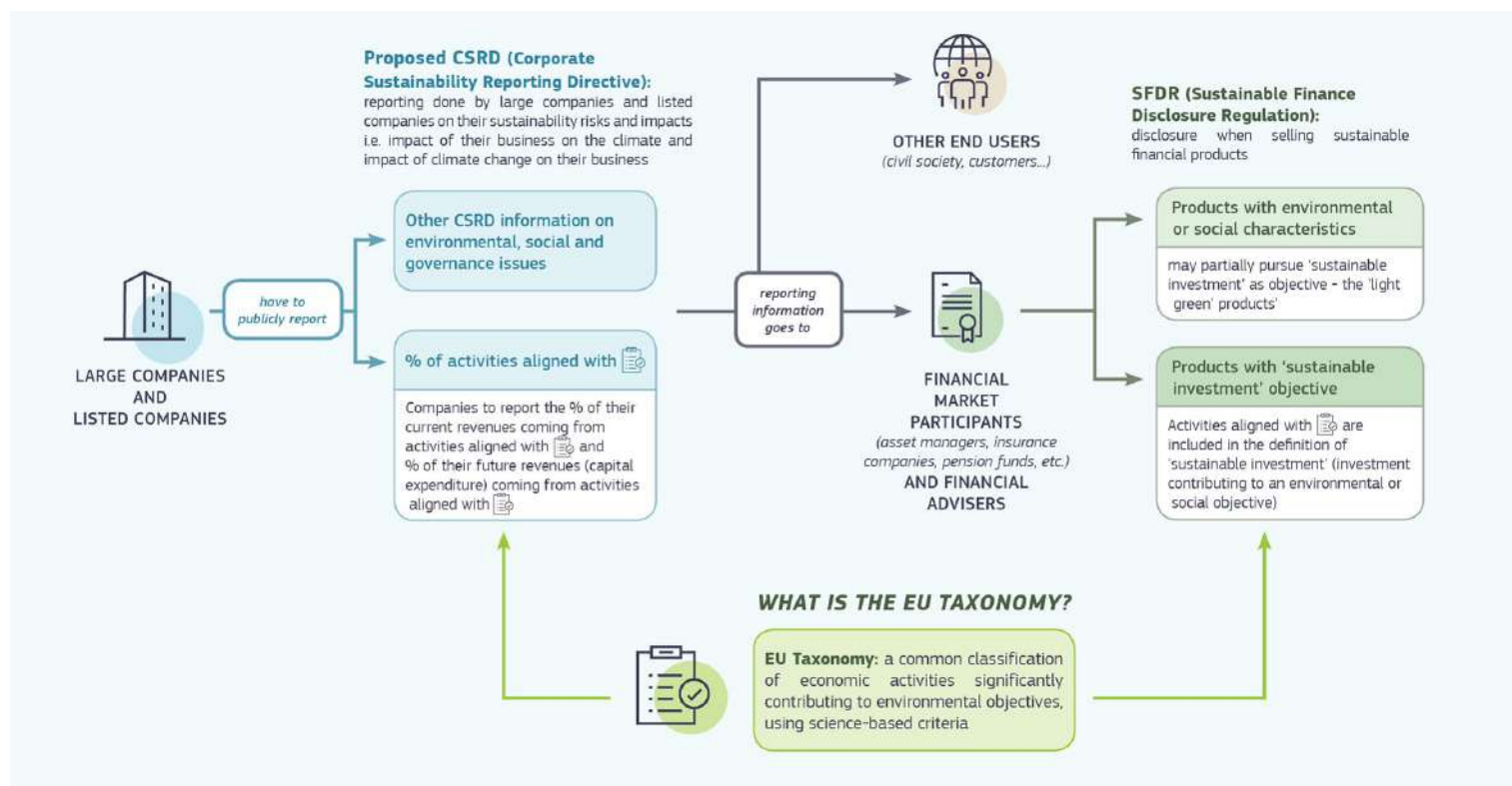


Fig.10, (Bengo et al., 2022)



## Chapter 3: Methodology

This chapter introduces the methodology adopted for this qualitative research study. The research plan includes, research design, population and sampling, data collection, data analysis and limitations.

### 3.1. Research design

**Exploratory research design** was utilized as the approach for the primary data collection and analysis. This method is beneficial for research questions that have not been previously studied in depth, applicable to this study due to the still evolving stage of the issues surrounding ESG and particularly its relations to the hospitality industry on which the literature is abundant (George, 2021). Exploratory research design requires qualitative approach, thus suiting the nature of the MRQ ("How" question), which cannot be addressed with quantitative methods (Busetto et al., 2020).

**The researcher** has six years' experience in the hospitality industry. Through the span of obtaining a bachelor's degree in Hospitality Management, the researcher has been trained the skills needed to carry out a qualitative research study.

### 3.2. Population and sampling

As the purpose of the study is to enter the ESG consultancy market with a focus on delivering the services to the hospitality industry in The Netherlands, the study's **population** of interest included:

- **Hospitality professionals** (incl. hotel owners, hotel managers and general managers)
- **Finance professionals** (incl. investors, creditors, and real estate advisors)
- **ESG consultants**

The reasoning behind the population is as follows:

- **Hospitality professionals** to understand the current and potential state of the hospitality industry regarding ESG, along with the challenges they are facing to be compliant with the regulations
- **Finance professionals** to understand how ESG impacts funding decisions and what information they require from the companies they provide capital to as well as how they evaluate businesses on ESG
- **ESG consultants** to understand the type of services offered and strategies to enter the ESG consultancy market

The following selection criteria has been followed:

- Holding a bachelor's degree in Hospitality, Finance and/or Sustainability
- Fluency in English
- Age and gender were no constraint

Due to the regulations under the scope of this study being the **same for all EU countries** with no exception, the geographical location was no constrain for the following:



- Finance professionals** (incl. investors, creditors, and real estate advisors)
- ESG consultants**

However, as the aim is to enter the consultancy market in The Netherlands the following selection criteria has been followed for **Hospitality professionals**:

- Employed full-time in The Netherlands, holding a bachelor's degree in Hospitality
- Employed as hotel owner, hotel manager and/or general manager

The **sampling methods** used by the researcher were quota and chain referral. Quota sampling was utilized as the population of interest included target participants from sub-groups with different characteristics, therefore the prescribed quotas were the following (DeCarlo, 2018; CSS, 2022):

- Quota 1: **Hospitality professionals**
- Quota 2: **Finance professionals**
- Quota 3: **ESG consultants**

Due to the qualitative nature of the data collection, the point of data saturation was difficult to define, however an academic study has noted that saturation occurs between 10-12 interviews (Boddy, 2016). Therefore, for each quota, the researcher anticipated four participants.

The participants were recruited through the researcher's existing professional networks, including the HTH community, LinkedIn, and previous work experience. Firstly, the researcher requested assistance through a post on LinkedIn (*App.4*). Second, the researcher emailed contacts in her professional network that fit the selection criteria (*App.4*). These methods have aided in recruiting seven participants, not leading to saturation. Thus, a chain referral sampling was utilized as a second sampling method. The researcher relied on the initial participants to help identify additional study participants through referral, which has increased the number of participants to the final 11, as determined by saturation.



### 3.3. Data collection

The researcher conducted 11 **semi-structured interviews** (App.6). This qualitative method allowed greater interaction between the researcher and the study participant (CSS, 2022). The method was particularly beneficial for the exploratory research design of this study as the participants responded more elaborately giving the researcher the flexibility to tailor subsequent questions (ibid.). The interviews' approach was online through MS Teams due to the study's large geographical area and the range of participants (OLI, 2022). Each interview took place in a single session and lasted on average 30 minutes. The sessions were recorded and transcribed electronically with the app "Otter". No interview was recorded nor transcribed without a pre-signed written (App.9) and verbal informed consent form.

The interviews began with an introduction to the study and reminder of the participant rights and anonymity. Finally, the participants were asked to add or reflect upon the conversation. The interviews followed a semi-structured form thus a set of guiding questions, depending on the participant's quota, was prepared beforehand (App.5).

### 3.4. Data analysis

The interviews will be analysed with an **inductive approach**, due to the topic broadness and the chosen research design that requires open-ended approach, thus allowing the unstructured data gathered to dictate the coding themes (George, 2021). The coding technique utilized was **thematic coding**, following the seven steps (Maguire and Brid Delahunt, 2017):

1. Transcribe interviews
2. Search for themes
3. Review themes
4. Define themes
5. Give themes a colour
6. Colour code interviews according to defined themes
7. Reanalyse interviews and conclude findings

After the seventh interview, the researcher started to analyse the data and identify themes. After each subsequent interview, the researcher reanalysed and compared the new data to the existing one to discover relationships. After, the themes were given a colour and the interviews were manually colour coded. The participants were not taking part in writing or editing of the analysis.





### 3.4.1. Thematic colour coding

The researcher identified ten themes. After the saturation occurred, the themes were assigned the following colours:

1. Awareness of upcoming regulations
2. ESG journey in the hospitality industry- current state
3. ESG journey in the hospitality industry-looking forward
4. Challenges to integrate ESG in the hospitality industry
5. ESG impact on the business
6. **ESG Evaluation methods**
7. Interest in ESG Consulting
8. Development of the ESG Consulting market
9. Range of ESG services offered on the Consultancy market
10. Entering the ESG Consulting market strategy

After the colour coding, a two columned table was created, the first column indicating the theme and the second, the interviews' quotes which corresponded to the respective theme (*App.7*).

## 3.5. Data ethics

Throughout this report, the researcher followed the HTH Data Ethics Management procedure and the Confidentiality Agreement (*App.8*).

The study participants' data was anonymous and confidential, personally identifiable information was not collected. The interviewees were assigned a random number. The participants were free to opt in or out of the study at any point of time and were informed about the purpose of the study in advance, giving them the choice to agree or decline to join (*ibid.*).

Due to trademarked information of the study certain information is sensitive to the research commissioner, thus the planned project dissemination will exclude the full details of the study.

## 3.6. Limitations

The study has potential limitations. Firstly, the regulations were constantly evolving, and new information emerged throughout the time frame of this research, which limits the validity of the literature review. Second, the recruitment of the participants through online platforms limited the researcher confidence in capturing data that is representable for the entire population, which associates with sampling bias. This was tackled with the adoption of a chain referral sampling, which aided the researcher in accessing larger interviewee pool outside the own network.

To increase the validity of the study by avoiding availability bias, the interviews were scheduled well in advance. The online nature of the interviews, however caused interruptions due to poor connection and inability to catch on non-verbal cues. To increase the reliability of the study the researcher prepared a set of guiding questions to set a clearer direction and avoid asking leading questions (*App.5*). However, the



flexibility to tailor subsequent questions may have caused the emergence of leading questions on certain occasions.

A major limitation for the study came from the interviewed ESG consultants, which did not elaborate extensively due to protecting trade secrets and proprietary information of their consultancy business.

The researcher bias was limited by, first, ensuring no participant had a relationship of any sort with the researcher and second, by using an electronic tool to collect and transcribe the data therefore preventing the researcher from adding or excluding any data from the interviews. The thematic coding was regarded as a limitation due to its subjectivity and open interpretation.



## 3.7. Findings

The chapter presents the primary data findings, structured per theme, as identified in 3.4.1. *Thematic colour coding*. Finally, a conclusion is presented answering the MRQ.

### 3.7.1. Awareness of the upcoming regulations

A crucial topic discussed primarily with Quota 1: Hospitality professionals is the awareness of the upcoming regulations. From the four interviewees under the Quota, three have stated that they are not aware of the regulations: *"not something I'm aware of", "I have not read it somewhere, not received this information", "I personally have not received this information..."*. One of the interviewees, a hotel owner added *"the companies that are really committed with sustainability, actually are aware, there are many others that are not really interested in ESG, or they do but superficially, I don't think you are aware of these regulations."*

While Quota 2 and 3 were asked to elaborate on their observation of the awareness that businesses have on the regulations, the experts have stated: *"I see only the big chains with international presence are aware...", what I see is that smaller companies don't care at all. They have no clue.", "...there's so little awareness in the industry (hospitality)..."*.

Moreover, they have added that *"...they are totally overwhelmed with those legislations, totally lost the overview of what's happening.... many companies do not take the time to understand them. Or think they're so complicated, that they're just giving up..."* and *"it is difficult to comply and to understand that they have to comply"*.

### 3.7.2. ESG journey in the hospitality industry- current state

The researcher explored the current ESG approach of the hospitality industry. The main point of discussion came from Quota 1. The interviewees shared their efforts in integrating ESG in their business operations by *"carbon dioxide reduction waste, food, and health for both our guests and employees."*, *"...reports monthly considering how much water or electricity we have used ..."*. Interestingly, however the main reason behind the sustainability choices mentioned above is: *"...How do you make money, you get clients, how do you get clients, you go along by giving the right impression and the right message about being eco-friendly, hotels need to go along with the green demand from the clients..."*.

The statement was confirmed by Quota 3: ESG Consultants, when asked about the demand from their hospitality industry clients: *"...they are looking into how they can attract sustainable tourists.... people attach importance ESG as they want to see a sustainable transition by the hospitality sector..."*.

Another crucial aspect discussed is the ESG urgency in the industry. One of the interviewees from Quota 1 mentioned: *"...not yet really approaching that as mandatory..."*, while the statement was confirmed by three interviewees from Quota 3: *"they don't see the urgency..."*, *"... for some reason many hotel owners still feel like they are not that much under pressure than other industries..."*, *"...they will postpone these stuff... and say, "Why are you bothering me with administrative stupidities..."*.



### 3.7.3. ESG journey in the hospitality industry-looking forward

The theme explored how the hospitality industry sees ESG developing in the future. Moreover, Quota 2: Finance Professionals and Quota 3: ESG Consultants were asked to elaborate on the importance of ESG in the hospitality industry's future.

Two interviewees from Quota 1 stated: *"what is demanded by guests and clients and by other stakeholders, employees.... we're all aware that we need to have like an ESG chapter..."*, *"ESG should be part of your total business structure."*. According to an interviewee from Quota 2: *"it will be one of the first sectors (hospitality) that we will be affected and that we will be required to implement all these requirements..."*, as well confirmed by an interviewee from Quota 3: *"They (hospitality businesses) will be required; they will be even more heavily regulated by the European Commission than the hospitality sector itself"*

### 3.7.4. Challenges to integrate ESG in the hospitality industry

The researcher aimed to understand the challenges and barriers the industry is facing to be able to integrate ESG and comply to the newly adopted regulations.

The hoteliers stated that ESG *"...causes a lot of additional reporting issues"* and shared two perspectives on the challenges they are facing, firstly, financing and second time and manpower as follows: *"...should invest a lot of money in..."*, *"Everything comes with big financial fees that you need to pay or investments to make... takes a lot of time"*, *"I think it's really the financial reasons."*, *"Perhaps it's funding..."*. When asked where the representative from Quota 2 and 3 see the industry struggling two confirmed the above by stating: *"...problem with talent...gigantic energy prices...cost a lot of money. And the mindset ...since people still often think that ESG is a trend which will be gone in five or 10 years..."*, *"....(ESG) costs money and what costs money and doesn't give direct outcome, they won't do."*

### 3.7.5. ESG impact on the business

The theme is primary addressed by Quota 2 and Quota 3, as the aim was to showcase the direct impact that ESG would have on the business, by discovering the benefits coming from complying to ESG and the dangers of not.

From the interviewed bankers (debt providers) it was discovered that ESG is crucial part of the money lending decision-making process: *"customers should apply with all applicable regulations...we require each customer to give evidence that they are compliant."*, *"...the requirements of these regulations are harder applied and much stricter."*, *"...if the customer wants the financing, he shall provide information on the way he complies"*.

Moreover, it was confirmed that companies complying to the regulations will benefit as *"...banks are giving lower interest rates and also other kinds of incentives to companies which are moving further of those regulations...."*. One ESG consultant stressed the financial benefits *"the investors and the banks putting this on the agenda.... companies want to do that because they will get better loan rates. And that is a financial benefit of doing the work and usually the benefit is larger than what the costs to have the consultant..."*.



For non-compliant companies one of the interviewed bankers shared: *"There were cases with companies which had incidents due to lack of policy, lack of practice in this area, and it has negatively affected their reputation and relationship with not just our bank but with others"*.

The interviewed investors (equity providers) confirmed that ESG is a vital aspect to get funding as: *"from capital providers point of view, both banks for providing debt and equity providers, they will be more demanding with respect to the company's sustainability agenda"* as well as *"you cannot hide because banks will ask for it, equity investors will, insurance companies will. Everyone."*

From real-estate perspective ESG has highlighted to be of a crucial importance as *"ESG is important for lenders...if you do more on ESG...you get a better rate or it's easier to get a loan."*, *"tenants sustainability labels from the landlord. So, you're out of business if you don't..."*.

As well, ESG has an impact on the valuation of the real estate *"...value of hotels when it comes to selling and buying is already linked to ESG measures."*

The major topic of discussion when it comes to ESG impact was risk. All interviewees from Quota 2 and 3 mentioned the risk factors coming along with non-ESG complying. One interviewee explained in depth: *"in terms of risk and risk are defined as climate risk and financial risk because if you own a hotel in the on these areas, there will be a moment that an owner or any other insurance company will charge you higher fees because you are a bigger risk for them from a business model point of view. So apart from financing, the risks are also in terms of other financial costs, like insurance costs, potentially could be operational costs where you buy your food products and is the area in which you'd buy them or, or the logistics to get them to your hotel..."*.

Others confirmed as follows: *"...not focusing on sustainability becomes an increasing risk in general for society, but also on a corporate level. You cannot allow yourself to deny", "Risks are increasing, banks care, pensions funds care, investors care..."* as well as *"it could be a huge a reputational risk"*.

### 3.7.6. ESG Evaluation methods

Several interviewees mentioned the difficulty in gathering ESG data *"...all smaller companies...The companies with small number of employees, small turnover. There we have difficulties to gather this data"* and *"...a lot of the data we need for those assessments are not written anywhere"*.

From the information gathered it became noticeable that there is no official standard to evaluate on ESG performance, rather the experts created internal of the institution methods such as *"very concrete, comprehensive questionnaires..."*, *"questionnaire and an ESG rating tool"* and *"we screen them based upon the investment criteria..."*.

The interviewees willingly shared evaluation examples with the researcher, which are included in the *Solution* chapter.



### 3.7.7. Interest in ESG Consulting

The theme explored on the market potential of entering the ESG Consultancy market in The Netherlands.

All four interviewees under Quota 1 agreed that *"will need consultant to help", "open to hire an external consulting company"* as well as *"hotels for sure will need consultancy especially independent smaller properties and small hotel chains."*

Interestingly, the debt providers (banks) mentioned *"we tell them about consultants..., if they want to be fully compliant, be supported in their process of implementing the ESG requirements, it's good to use such services"*. The ESG consultants agreed that they see a noticeable *"increase for the need in consulting"*.

The above statements confirmed the interest in ESG consulting indicating a potential for market entrance. However, to gain further understanding, Quota 1, were asked to elaborate on the type of services they might seek help with.

Three out of four interviewees highlighted the risk factor: *".... the risks...how important this will be for the whole company concerning the risks that might arise from our actions."*, *".... risk assessment is important because, we want to avoid risk, risk assessment to be aware of where's my risk, and how can I mitigate it."*, *"...it is more tangible to talk about risk, not simply climate activism but if you translate it to risk factors and relate it to financial consequences, then it will become more concrete."*. The other major discussion regarding the type of services requested under Quota 1 was regulatory, *".... bigger training or like an idea of how to fill in this report"*, *"The regulatory one is really interesting ...."*, *"...the priority would be regulations, framework, criteria, and requirements related to the new directives, the law perspective...an analysis of what is the current situation."*, *".... what does this regulation say and then compare the existing measurements or the actions that they are implemented and need to be in place."*, *".... focus should lay on ESG regulatory"*. According to an expert from Quota 3, the need for consultancy arises from *"...the different legislations...many companies don't take the time to understand them...think they're complicated, that they're just giving up right away and trying to find consultants..."*.

### 3.7.8. Development of the ESG Consulting market

The ESG consulting market has experienced a significant growth with the introduction of the newly adopted regulations. Three interviewees shared that they see the prospective of entering the market as *"there is a great potential for consultants to tap in this market especially in EU."*, *"...lot of companies who will jump on this because they see the market opportunity."*, *"...it's a marketing niche and an open market."*

Upon the confirmation of the above the researcher dived deeper into the extent to which the ESG Consulting market can be deemed "open". The findings suggest that the market can be grouped in two main service lines "advisory" and "assurance/ "audit", which will be discussed in detail in the following theme. According to the ESG Consultants, the market is "open" since the EU Commission did not limit the scope of who is allowed to perform ESG audit and assurance, meaning that *"You can enter the market because it's allowed and even if you're not an audit company, you can do audit."*. However, two of the interviewees from Quota 2 and 3 have agreed that this opportunity for entrance presents a barrier as well as *"makes the market more diverse and more competitive"* and *"...the competition is rising very fast..."*.



However, two of the interviewees under Quota 3 shared that the audit and assurance can be carried out under a "standard called ISAE 3000.", which presents "requirement on audit companies for quality control and privacy matters...". Upon this information the researcher investigated further on the requirements for performing audit and assurance, which led to the conclusion that "ISAE 3000" is not obligatory for the assurance provider (ISAE 3000, 2021).

Moreover, the ESG Consulting is still a new topic which constantly evolves, therefore two interviewees from Quota 3 shared "it's really difficult because the consultancy industry needs to learn together with their clients...which makes advisory really difficult...", however "those big companies shouldn't scare small companies because this topic is so new to them, they are not necessarily having an advantage to others."

### 3.7.9. Range of ESG services offered in the Consultancy market

The theme explored the range of ESG services offered in the consulting market. The findings emerged upon the interviewees with the four ESG Consultants from Quota 3.

According to the consultants the consultancy business can be separated in between two business lines "one is advisory, the other one is assurance/audit".

The advisory business line includes services such as: **Gap Analysis** "related to regulations or what they have to do so that later they will comply.", **Risk Identification/Scenario Analysis** "what risk could arise and in which way it can affect the business, how to mitigate it", **Strategy Development and Implementation** such as "creating materiality matrix based on our assessment, then an action plan and roadmap and setting targets", "...materiality assessments, what is material, important for companies. Then making a strategy or a policy recommendation, define goals and targets and how they should measure the progress, that's on a strategic level."

On the assurance and audit side, however, the consultants "provide assurance services or small consultations or gap analysis which are related to the quality of the audit you will do afterwards.", "checking what the company is lacking according to the regulations". The aim for the assurance and audit is "bringing the level and quality of this information to a higher high level, verifying that the information disclosed comply with the regulations".

According to the EU Commission "...the new legislation will require companies to have limited assurance within a few years on the whole sustainability report...", therefore two of the interviewees under Quota 3 mentioned the difference between the two types of **assurance: limited and reasonable**: "the limited assurance, is scanning the information, it's it doesn't have the same kind of completeness as a financial audit...you will have to start by doing limited assurance...in the future, you will have to move into reasonable assurance...where you're getting closer to the financial audit, and that is more likely to be around 2027-2030."

Important to note is that "if you have an audit client, you cannot advise them because it's conflict of interest. It's forbidden by law." and "you can't have a company to make the ESG report and then provide the assurance, it has to be on the other side of the table...either help the companies make a report or you provide them assurance."

When asked for advise on where the researcher should focus on while developing the business plan, one of the consultants shared "focus first on ESG regulation, because this is something obligatory. It's very reactive....but the main business will come from there."



### 3.7.10. Entering the ESG Consulting market strategy

The aim of the theme was to explore how to approach the market and attract potential clients.

Two out of four interviewees representing Quota 1 mentioned that the decision-making power when it comes to ESG is in the headquarters, meaning the C-level management *"if you have the headquarters aligned and then knowing that this is something that they need to implement, they can easily spread it out throughout the different properties", "sustainability requirements... requested from the headquarters"*.

According to one of the interviewed ESG Consultants the approach to be adopted matches the aforementioned: *"speak to their CEO say, "...this will come, would be interested in us to assess what gaps we can find and assist you on how to improve the situation so you can get ready for it". The consultant also highlighted other methods to attract clients such as "starting with campaigns, making webinars, inviting clients to open doors, making brochures, events, Q&A discussions"*. A sample marketing brochure was shared from the consultant in App. 10.

### 3.7.11. Conclusion and recommendation for future research

From the findings it can be concluded that the hospitality industry in The Netherlands is lacking the knowledge and the capabilities to adhere to the newly adopted ESG-related regulations. The hospitality professionals, however, agree that ESG would be a crucial aspect that has to be considered for the years to come because of the increasing demand for environmental and social awareness showcased by the industry stakeholders. The main barriers the industry faces that prevent the incorporation of ESG aspects are discovered to be two: financing and manpower. However, the negligence of ESG, according to the interviewed capital providers and ESG Consultants might lead to inability to acquire financing, reputational risk, unsatisfied stakeholders, and less business opportunities. The interest in ESG Consulting was highlighted with all interviewed hoteliers agreeing on the need for hiring a company to help them integrate and report on ESG, which signals the market opportunity to enter the ESG Consultancy market in The Netherlands, consequently answering the MRQ. The main services which the hospitality professionals have interest in are related to ESG strategy development, ESG reporting and ESG risk management. An important consideration for the marketing strategy would be to pitch the value proposition and attract the headquarters, meaning the C-level management as they possess the decision-making power when it comes to environmental and social issues.

For future research, the researcher would recommend obtaining further information regarding how businesses are evaluated on ESG as the interviewed practitioners were brief on the topic. Future research can also explore the various ESG ratings and frameworks existing on the market, as there are too many providers which use different metrics, which creates an issue with transparency and ability to benchmark data. Another interesting option for future study would be applying financial analysis to diagnose how ESG impacts the financial performance of a hotel operator as well as the impact on stakeholder satisfaction to cross check the validity of the literature review.







## Chapter 4: Solution

Based on the insights derived from the literature and the conducted interviews (*App.6*), a solution emerged to enter the ESG advisory market. The solution was co-designed with the research commissioner. The solution for "Sassen Research and Consultancy" represents a three folded business plan, including a market entrance strategy, product development and a pricing strategy.

### 4.1. Market entrance

The idea is to enter the market by providing holistic ESG services across multiple segments rather than specializing in a single segment. The reason behind this choice comes from the fact that the main ESG consulting firms, also known as the Big Four (Deloitte, Ernst & Young, KPMG, and PricewaterhouseCoopers/PWC) have developed vast expertise specializing in single segments as described previously. Therefore, adopting a business strategy that promotes competing the market incumbents will lead to expected retaliation, meaning the current market players will be able to retaliate against the new entrant to retain stable oligopoly (few players dominate the market). Moreover, providing multiple service offerings will yield higher customer base, due to the various needs for ESG services requested by the hospitality industry professionals, as discovered in *Chapter 3 "Findings"*.

### 4.2. Product

"Sassen Research and Consultancy" will enter the market with three business lines: **Analytics**, **Advisory** and **Assurance**.

#### 4.2.1. Analytics

Firstly, the business line "Analytics" will include two product offerings **ESG risk assessment** and **ESG Compliance Gap Analysis**.

The importance of **ESG risk** was strongly highlighted by the interviewed practitioners. The demand for ESG risk assessment was confirmed as the interviewed hospitality professionals claimed that they would seek consultancy engagement to help analysing the potential risks that arise from their business operations to avoid reputation damage and detrimental effect on the overall profitability of the business. The ESG risk analysis methodology (*Fig.11*) was adopted from one of the interviewed practitioners. Another version of the methodology is presented in *Fig.12*.



Topic	Indicator	Indicator-based assessment
<b>Human rights</b>		
Defence expenditure	Share of defence expenditure in a country's budget	The lower the better
Corruption	Risk of corruption	The lower the better
Income inequality	Difference between highest and lowest income groups	The lower the better
Development aid	Share of development aid in government spending	The higher the better
Freedom of speech	Risk of limitation of freedom of opinion	The lower the better
Child labour	Risk of the occurrence of child labour	The lower the better
Forced labour	Risk of the occurrence of forced labour	The lower the better
Discrimination	Risk of discrimination	The lower the better
Freedom of association	Risk of low freedom of association	The lower the better
<b>Climate Change</b>		
Greenhouse gases	Per capita emission of greenhouse gases (measured in CO2 equivalents)	The lower the better
Renewable electricity	Share of renewable electricity generated in total electricity generated	The higher the better
<b>Biodiversity</b>		
Nuclear energy	Quantity of nuclear energy produced per capita	The lower the better
Protected habitats	Surface area of nature reserves in total nature	The higher the better
Air pollution	Per capita sulphur oxide (SOx) emissions	The lower the better
Waste disposal	Waste disposed on land per capita	The lower the better

Fig. 11, (ASN Investors, 2022)

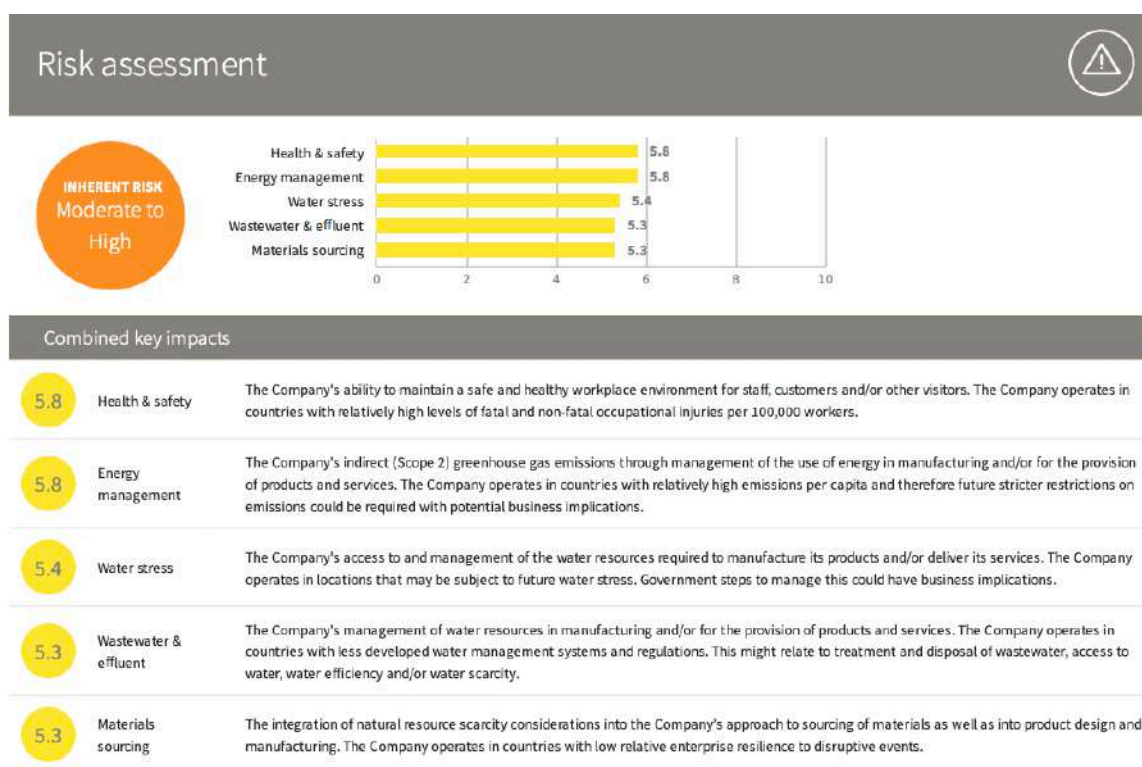


Fig.12, (RiskHorizon, 2022)



**Gap Analysis** in relation to the disclosure regulations will be the second service offering under the business line “Analytics”. The reason behind the choice of adopting the service comes from firstly, the rising demand from the hospitality professionals to seek consulting an ESG consultant due to lack of in-house expertise and internal knowledge about the new legislations and second, upon the confirmation from the interviewed ESG Consultants that the main business comes from helping the industry comply with the law, as the regulations have become obligatory. The service will include an analysis of the current state of the business regarding the regulations and an action plan development for disclosure readiness. A sample methodology is presented in *Fig. 13*.

S.No.	Gap Analysis	Regulatory/ Standard Guidance	Current Practice	Identified Gap	Severity of Risk	Action Taken	Review (After 1 month)

*Fig.13, (Choudhary, 2022)*

#### 4.2.2. Advisory

Under the “Advisory” business line two services will be offered one proactive **ESG Policy and Strategy Development** and one reactive **ESG Reporting**.

Upon discussion with the interviewed practitioners in the hospitality industry, some businesses have adopted a sustainability mindset and are aiming at transforming their operations in an environmental and socially mindful way, while others simply wish to comply with the law and prepare their disclosures at the end of the year. “Sassen Research and Consultancy” would offer both service options to cater to the advisory needs of the two identified types of hospitality business models.

With **ESG Policy and Strategy Development** “Sassen Research and Consultancy” will offer support in developing a long-term sustainable ESG-centered strategy by firstly, conducting a maturity assessment to identify material for the company issues and define the strengths and weaknesses against the industry and best practises (*Fig.14*). Second, development of an implementation road map, policies and KPIs to evaluate the company’s ESG performance.



<b>General questions about environmental issues</b>			
Is an internal ESG framework in place	No	Ok	Ok
Does the counterpart has an external ESG rating	No	Ok	Ok
How many ESG linked debt instruments have been issued so far	No	Ok	Ok
What is the CO2 footprint of the counterpart	No	No	No
Does the counterpart measure and monitor the CO2 footprint of individual operations/divisions	No	No	No
<b>Specific questions about environmental issues</b>			
How much of investment/CAPEX is dedicated to environmental improvements	OK	Ok	Ok
From which countries/industries are raw materials or components are imported	OK	Ok	Ok
Which kind of energy sources are used for own production	OK	Ok	Ok
How much drinking water is spent for own production (measurement l per EUR 1 ml. sales)	No	No	No
How disposal waste arise in course of production ( measurement t per EUR 1 ml. sales)	No	No	No
Running initiatives to improve the CO2 footprint	No	Ok	Ok
How many of supplier portfolio have a an ESG rating - which of them in the prime area	No	No	Ok
Any initiatives to change the supplier portfolio related to ESG considerations	No	No	Ok
Is the counterpart intending to sell operations or assets due to ESG considerations - Which	No	No	Ok
Is the counterpart intending to increase investments into operations or assets due to ESG considerations	OK	Ok	Ok
Does the counterpart has a exclusion policy regarding suppliers/assets or off-takers due to ESG considerations	No	No	Ok
What is strategy of the counterpart when facing ESG related restriction for his Business Model	No	No	On voluntary basis
<b>Social and Governance Issues</b>			
Negative press in terms of social incidents about counterpart and its Management	OK	Ok	Ok
Law suits against the counterpart and its Management for ESG related issues	no	Ok	Ok
Does the counterpart operate in sanctioned countries or has contact to sanctioned persons	OK	On voluntary basis	Ok
Has the counterpart relationship to suppliers or off-takers with negative press related to child labor/corruption/money laundering or connection sanctioned natural persons	OK	On voluntary basis	Ok

Fig. 14, (Stamatov, 2022)

**ESG Reporting**, on the other hand, will offer companies assistance on preparing and issuing the mandatory reports against the disclosure requirements and assess the readiness for assurance. The full set of the reporting data requirements and frameworks for each regulation can be found in *App. 1*.

### 4.2.3. Assurance

According to interviewed practitioners and the new legislations, the companies will soon be obligated to have performed a limited assurance on the disclosed ESG report. Limited assurance will assist companies in providing credibility of their disclosures. According to a survey executed by one of the Big Four, KPMG, "across 52 countries, a significant 80% have reporting on ESG, with up to 61% of those reporting also obtaining assurance." (O'Se, 2022). The significant percentage of entities requesting ESG assurance highlights the increasing demand for this service, therefore, "Sassen Research and Consultancy" would catch on this explicit market demand and build an experience curve in providing the service. According to the practitioners and the literature, any company, now, can provide limited assurance as this service does not require reviewing financial information. Yet, building strong assurance credentials, would require obtaining the International Standard on Assurance Engagements (ISAE) 3000 certification, which includes requirements for all stages of an assurance engagement in accordance with the independence and other ethical requirements of the Code of Ethics for Professional Accountants (ISAE 3000, 2021). Sample assurance report can be found in *App. 1*.

### 4.3. Pricing Strategy

According to one of the experts, the advantage of a small consulting company as "Sassen Research and Consulting" would be the reduced number of overheads (business costs that are related to the day-to-day running of the business) such as salaries, accounting, rental, office costs, etc. (CFI, 2022). Therefore, adopting penetration pricing will allow entering with a lower margin, meaning lower pricing than the competition to attract higher customer pool, therefore greater volume of sales. The pricing strategy has been chosen due to the rising competition in the ESG Consulting market which gives the potential clients a buying power as they have range of consulting firms' options which are easily comparable with no switching costs. In markets with the aforementioned characteristics the buyers become more price sensitive and are prone to make decisions based on price.

According to the interviewed ESG Consultants, the pricing structure of the business takes into account the hourly rate, the engagement team size and the seniority level of the consultants working on the project (Fossum, 2021). Therefore, "Sassen Research and Consultancy" competitors' pricing strategy was further investigated to determine the industry average rates. The literature was abundant on the pricing rates adopted specifically for the Dutch market, as well the interviewed practitioners did not share this information due to keeping proprietary secret.

Fig.15 represents a comparison between the major consultancy firms and the hourly rates depending on the seniority level in the UK. The graph was adopted since the UK and the Dutch ESG Consulting markets are comparable due to first, both being a representation of the Western market, and second due to similar market share and percentage growth (Consultancy.org, 2022). Important to note is that Level 1 represents engagement team of junior analyst and consultants', while Levels 6-7 represent a team of executives.

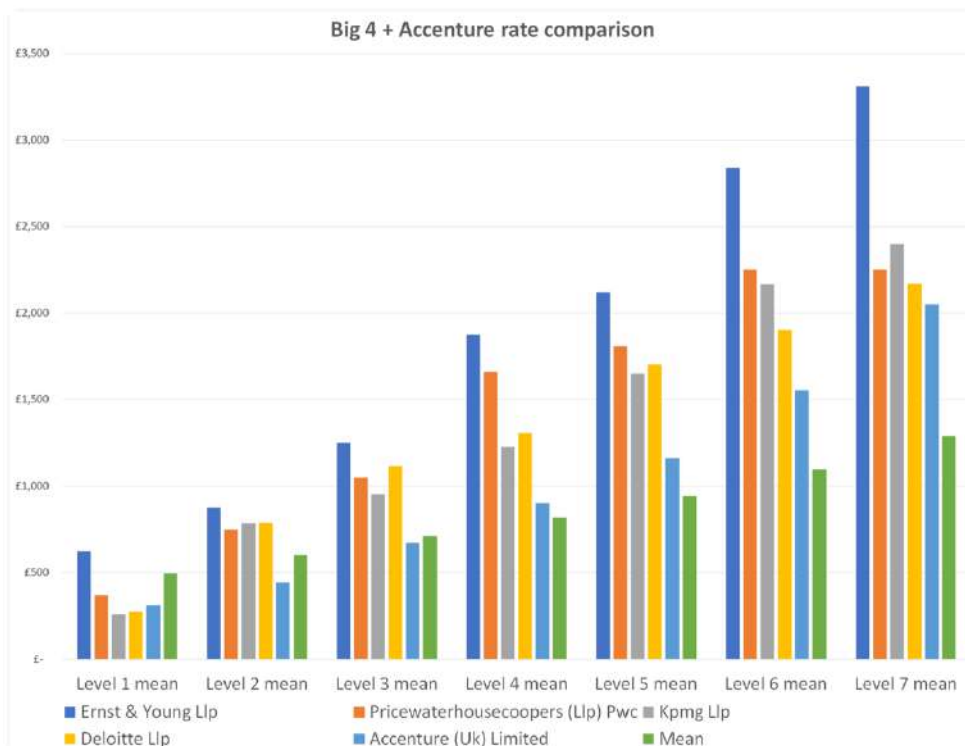


Fig. 15, (Moore, 2021)



Another two sources were cross-checked to verify the information provided by *Fig.15*, an article, and an interview with a consultant from one of the Big Four. According to the sources, the average rate for the sector is estimated at 200 €/hr with an administrative fee of around 5-8%, which sets the average price at 216 €/hr. The Big Four, on the other hand, price their services at the range from 300€ to 1,200 €/hr (Fossum, 2021; Nataliya, 2022).

Considering that "Sassen Research and Consultancy" is a new entrant on the market with no experience in ESG consulting and only one ESG credential obtained from the owner's side, the average price can be discounted by 20%. Combining the two sources referenced above and considering that "Sassen Research and Consultancy" represents a Level 1 of seniority level, the average market rate would be 300€/hr including the administrative fee of 8%. This average discounted by 20% would sum the rate of 240€/hr as a starting point for "Sassen Research and Consultancy".

### 4.3.1. Cost structure

The cost structure of the solution includes predominately variable costs rather than fixed. The solution fixed costs are led to minimum as the business plan does not require securing a building or an office, rather it can be executed completely online thus the fixed expenses would come from telephone, and internet service only. The variable cost will be dependent on the volume of sales, meaning the increase in sales will lead to an increase in costs and vice versa. Example of variable cost include, employee billing time (cost of labor), cost of raw materials (photocopying, contracting, supplier negotiations) as well as additional costs depending on the requirement for a project such as: costs for research, software, cloud-based services, licenses, trainings, advertising, travel expenses, etc. The cost structure makes the solution feasible and comes along with advantages. Firstly, having a bigger proportion of variable costs in comparison to fixed ensures low operating leverage, meaning that "Sassen Research and Consultancy" can adjust costs in response to the demand and survive periods of low revenue in a weak economy, as when there is no sales, there is no occurring costs (Babar and Habib, 2022). According to both the consulted ESG experts and the academic literature, this structure would lower the barrier for entering the market for a small, unexperienced company and will give a prospect for outperforming in the competitive market (ibid.).

One of the interviewed ESG Consultants shared the below cost template to help the researcher in adopting it to the solution.

Cost Template

	BaseLine	Worst	Best
<b>Total Sales</b>			
Analytics: ESG risk assessment			
Analytics: ESG Compliance Gap Analysis			
Analytics total			
Advisory: ESG Policy and Strategy Development			
Advisory: ESG Reporting			
Advisory total			
Assurance			
<b>Subcontractors &amp; Directly Attributable Costs</b>			
<b>Personnel Costs</b>			
<b>Contribution Margin</b>			
<b>Overheads</b>			
- Salaries (Management)			
- Salaries (Admin Personnel)			
- Salaries (bonuses)			
- Social perks			
- Rental costs			
- Marketing & Business Development			
- Accounting Costs			
- Other Office Costs			
- Royalties			
- Training			
<b>Profit Before tax</b>			
<b>Tax</b>			
<b>Net Profit</b>			

Fig.16, (Mazars, 2022)





## Chapter 5: Implementation

For the feasible implementation, the hospitality consulting firm “Krisnen Management Consulting”, operating in the same geographical market was consulted, together with the interviewed ESG consultants (Nenchev, 2022).

The implementation plan (*Table 1*) will take approximately six to seven months for execution.

### 5.1 People

Following the example of “Krisnen Management Consulting” a recruitment of potential employees is possible by utilizing the owner’s own network and the HTH community.

### 5.2. Processes

One of the most crucial steps in starting the business venture would be the development of the yearly budget, considering the investment cost. The researcher has identified a set of questions which can guide the owner in the development of the budget as follows:

- *How much can be sold in Year 1?*
- *How much will sales grow in the following years?*
- *How will the products and/or services you are selling be priced?*
- *How much will it cost to produce your product? How much inventory will you need?*
- *What will your operating expenses be?*
- *How many employees will you need? How much will you pay them? How much will you pay yourself? What benefits will you offer? What will your payroll and unemployment taxes be?*
- *What will the income tax rate be?*

(Inc, 2015)

Upon finalizing the financial aspects, the company should officially announce the change in business activities in the Chamber of Commerce. Another legal perspective to be considered would be a consultation with a legal entity for the development of a consent form. The form will act as an engagement contract between the clients and “Sassen Research and Consultancy” and will provide the permission to access and review sensitive for the client information.



### 5.3. Technology

Technology in ESG, also known as ESG-tech is a crucial part of the business venture as it allows identifying and collecting vast number of data points, achieving visualisation and identification of clients' lagging and risk areas (Subramania, 2022). For example, one of the Big Four, EY utilized technology developed by Enablon, a sustainability software provider to create a centralized repository for EY clients to track ESG data and strategies (Renshaw and Knickle, 2022). The adoption of an enterprise will assist "Sassen Research and Consultancy" to deliver its services in a more streamlined manner by improving data auditability (ibid.).

### 5.4. Partners

The new business venture requires interdisciplinary approach thus partnership engagements would be crucial. Firstly, as previously discussed, an ESG software would be a must for the effective service delivery of the new venture. A partnership with an IT specialist for the development and maintenance of the digital architecture would be necessary. Second, upon the advice of the interviewed ESG Consultants, cross-sectorial partnerships with an environmental expert and a rating agency would help to better assess the current ESG performance of the potential clients.

### 5.5. Knowledge and materials

The topic of ESG is constantly developing and requires a solid understanding of the regulations and their business impact, thus an extended training of the potential employees would be required.

Due to the constant development of the market, the company would need to obtain the "ISAE 3000" certificate for assurance. Despite that now, it is deemed as voluntary, soon the company might face difficulties in delivering this service in case it lacks the credentials.

### 5.6. Marketing and sales

Upon the discussion with the interviewed hospitality professionals, the decision-making power when it comes to considerations about environmental and social aspects comes from the C-level management, meaning the headquarters. This was confirmed by one of the ESG consultants, whose advice was to approach the market by pitching the value proposition to potential clients at a C-level management. Furthermore, the company must consider creating brochures, organizing webinars, and participating in an ESG events and forums to attract potential clients and partners. A list of upcoming events with a central topic ESG is presented in *App. 11*.



# implementation plan

name Sassen Research and Consultancy

**Business idea** ESG Analytics, Advisory and Assurance

	Actions	Critical	Responsible	Deadline
People	Recruitment is through the HTH community due to both their hospitality background and the intense focus on ESG of the new curriculum		Owner	01.04.2023
	Recruitment through existing owner's networks		Owner	01.04.2023
	Potential employees need to register in the Chamber of Commerce as freelancers, after, they become subcontracted to the client's firm		Potential employees and owner	01.05.2023
Processes	Decide on an investment budget and approve the pricing strategy	✓	Owner	01.03.2023
	Submit form number 14 "Changes of business activities" in Chamber of Commerce	✓	Owner	01.03.2023
	Legal entity to develop an informed consent form for clients to give permission for reviewing confidential non-financial information	✓	Owner	01.04.2023
Technology	Sustainability-focused digital technology software to amalgamate data for strategic monitoring	✓	IT Partners	01.05.2023
	Cloud based enterprise		IT Partners	01.05.2023
Partners	IT specialist/s to develop the digital architecture required for the newly developed activities	✓	Owner	01.05.2023
	Cross sectoral partnerships: cooperating with companies/environmental experts for energy assessment and carbon footprint assessment.		Owner and employees	01.05.2023
	Cross sectoral partnerships: cooperating with an ESG Rating agency		Owner and employees	01.05.2023
Knowledge or materials	Obtain the ISAE 3000 certification for assurance		Company	01.07.2023
	Onboarding and training of the employees	✓	Owner	01.08.2023
Marketing or sales	Research and make a list of potential clients: own network, social media platforms and HTH Community		Owner and employees	01.08.2023
	Develop marketing materials such as brochures, organize webinars, participate in ESG events		Owner and employees	01.08.2023
	Market penetration strategy: pitch the value proposition to potential clients at a C-level management	✓	Owner and employees	01.09.2023

date 01.11.2022



Table 1, Implementation



## Chapter 6: Evaluation

The evaluation will take place a year after the implementation. The evaluation criteria was selected upon consulting with the "Verdantix Methodology" for assessing ESG and Sustainability consulting firms (Renshaw and Knickle, 2022). The criteria are presented in *Table 2* and will be assessed from zero ('no capability') to three ('best in class').

As a new market entrant, the goal for the first evaluation moment would be to achieve parity with the industry average. For an unbiased evaluation, the researcher advise would be to hire an independent researcher.

Criteria	Questions	Industry average (as of 2021) *	Target for first yearly evaluation*
Customer Reference and Brand Perception (20%)	How strong is the brand awareness for the firm's ESG and sustainability consulting offering? What is the brand perception for the firm's ESG and sustainability consulting offering?	2,08	2
Total Revenue Size (2023/2024) (10%)	How many consulting engagements have you delivered within the last 12 months or most recent reporting period? How many consulting clients have you delivered engagements for within the last 12 months or most recent reporting period? How much revenue have you generated from consulting engagements within the last 12 months or most recent reporting period? What is the average cost per consulting engagement signed or delivered during the last 12 months or most recent reporting period?	1,67	2
ESG and Sustainability Revenue Size (2023/2024) (30%)	How many ESG and sustainability consulting engagements have you delivered within the last 12 months? How many ESG and sustainability consulting clients have you delivered engagements for within the last 12 months? How much revenue have you generated from ESG and sustainability consulting engagements within the last 12 months? What is the average cost per ESG and Sustainability consulting engagement signed or delivered during the last 12 months?	1,53	1,50
Current Customer Base (15%)	What percentage of your customers spend <\$100k, \$100k-\$500k, \$500k-\$1m, and >\$1m on ESG and Sustainability consulting services? What percentage of your ESG and Sustainability consulting engagements are completed within <3 months, 3-6 months, 6-12 months, >1 year from client kick off?	1,49	1,50
Consulting Practice Organization (15%)	How many partners and managing directors are focused full-time on ESG and sustainability consulting engagements? How many employees are focused full-time on ESG and sustainability consulting engagements? When did you first successfully engage heads of ESG/Sustainability on consulting projects? Who do you have established partnerships with for ESG and sustainability? What firms have you acquired within the past two years to enhance your ESG and sustainability consulting capabilities?	1,50	1,50
Consulting Vendor In-House ESG and Sustainability Performance (10%)	How big is your in-house ESG and Sustainability team and when was it established? What are your ESG and sustainability objectives, targets and KPIs? How have you performed against your ESG and sustainability objectives, targets and KPIs to date? Do you publish a sustainability or integrated report and when was it first published?	1,73	2

*Table 2, Evaluation, (Renshaw and Knickle, 2022)*



**\*Scoring framework**

**3:** Vendor provides evidence of market-leading capabilities, supported by a broad set of references to customer examples

**2:** Vendor provides evidence of strong capabilities supported by a broad set

**1:** Vendor provides evidence of moderate capabilities, with limited references to customer examples

**0:** No response provided or lack of publicly available information demonstrating capabilities

(Renshaw and Knickle, 2022)



# Chapter 7: Stakeholders and Dissemination

## 7.1. Stakeholder management

The relevant stakeholders for this research project were identified after performing a stakeholder analysis (Fig.16). Two categories of stakeholders were identified: **primary**, those having high interest and ability to influence the project and **secondary** who can benefit from the project's knowledge, however not being directly involved in, or impacted by it.

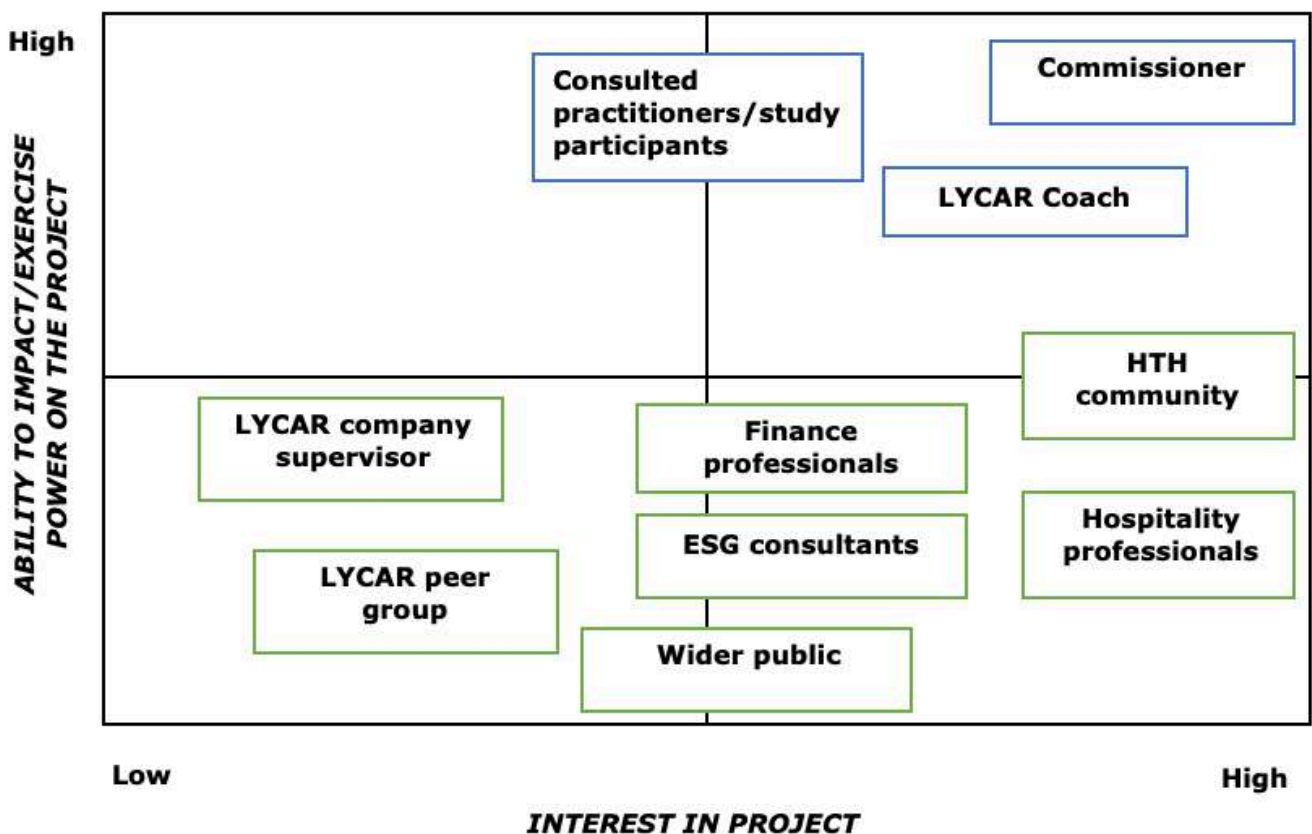


Fig.16, Matrix



## 7.2. Dissemination

Based on the identified stakeholder groups, two dissemination acts were selected.

Firstly, an **infographic** (App. 12) showcasing the key findings posted on LinkedIn providing the opportunity for a brief yet informative information sharing. As LinkedIn being the largest business-oriented website, sharing the infographic to introduce the main research findings allowed dissemination to a wider audience, reaching representatives from each stakeholder group. The infographic was shared on December 4<sup>th</sup> and by December 11<sup>th</sup> has reached 2,876 people, two of which have reposted it. The viewers' titles include Founder, General Manager and Managing Director with 80% being from The Netherlands, and 90% representing the hospitality industry. Moreover, the infographic provoked great interest as seven hospitality professionals engaged in a discussion in the comments section.

With respect to the secondary stakeholders, a **blogpost article** (App. 12) was shared on the HTH intranet and the weekly HTH newsletter. The blogpost article disseminated the knowledge of this project with the entire HTH community. The post was shared on the December 5<sup>th</sup> and achieved two reactions by the December 10<sup>th</sup>.



# Chapter 8: Academic Reflection

## 8.1. Research Topic

The research topic has been challenging yet meaningful. My drive to write about Environmental, Social, Governance first emerged during the minor "Future of Business" where multiple guest speakers were invited to present the topic's importance for the natural ecosystem and the economic prosperity. My passion for environmental and social conduct has met me with Mr Sassen, the thesis research commissioner. Together we took on the challenge to create a plan to help businesses with consultancy on how to integrate the ESG aspects in their business operations. I believe that the hospitality sector has a crucial strategic position in addressing the topic, therefore I decided to focus my study on this industry.

The major challenge throughout the span of this study were the constantly changing ESG regulations. The EU commission is continuously updating the legislations, which has made me re-write my literature findings several times consequently resulting in a time-consuming process. Nevertheless, I believe that obstacle helped me better understand the concept behind the legislations and I believe I have succeeded in creating a reliable study given the time frame and the availability of resources.

## 8.2. Research Design

I believe that the research design was overall successful as I was able to obtain findings from a large enough sample leading to saturation, consequently answering the MRQ and achieving my research goals. The process of obtaining the data, however, came with its challenges. Firstly, the quota sampling method has not succeeded to obtain enough study participants and did not lead to data saturation, therefore I had to adopt a second sampling method last minute- chain referral sampling. Regarding the data collection, the online method of gathering the primary data has come with setbacks due to poor internet connection on several occasions which did not allow me to capture valuable information. Furthermore, I have faced a challenging time with the data analysis, as I underestimated process and did not allocate sufficient time. Due to its open interpretation the colour coding was time consuming as I had to re-read the interviews multiple times to uncover the themes which link to each other. Nevertheless, these obstacles have helped me to better understand how to conduct qualitative research.





## 8.3. Research Dissemination

The research topic is not a simple to address due to its complexity, difficult terminology, and ever-changing legislative landscape. This research study addresses both the ESG business perspective and the moral dilemmas with societal implications, which I decided to highlight as part of my dissemination. I shared both implications of ESG with two dissemination acts, an interactive infographic, and a blog post article. The choice of the format of the dissemination acts followed after I faced the challenge of how I can disseminate the information in a manner that is easily understandable for people which face the topic for a first time and are not aware of the ESG vocabulary. I believe I have achieved raising awareness on the topic as the selected acts provoked great interest, the evidence being the multiple comments following a discussion on ESG under the disseminated infographic. Moreover, I have kept strict confidentiality by excluding a major part of my study due to the sensitivity of the information for the commissioner, concerning aspects such as entering the consultancy market, pricing, and marketing strategy.



# Chapter 9: Appendices

## App. 1. Data requirements and reporting frameworks

### 1.1. Sustainable Finance Disclosure Regulations (SFDR)

The below figures represent a sample SFRD reporting framework, further understanding of the terms has been provided with the glossary on the left side of the figures.

**Sustainable investment** means an investment in an economic activity that contributes to an environmental or social objective, provided that the investment does not significantly harm any environmental or social objective and that the investee companies follow good governance practices.

The **EU Taxonomy** is a classification system laid down in Regulation (EU) 2020/852, establishing a list of **environmentally sustainable economic activities**. That Regulation does not lay down a list of socially sustainable economic activities. Sustainable investments with an environmental objective might be aligned with the Taxonomy or not.

**Sustainability indicators** measure how the environmental or social characteristics promoted by the financial product are attained.

Product name: [complete]      Legal entity identifier: [complete]

### Environmental and/or social characteristics

Does this financial product have a sustainable investment objective? <i>[tick and fill in as relevant, the percentage figure represents the minimum commitment to sustainable investments]</i>	
<input checked="" type="radio"/> <input type="radio"/> <b>Yes</b>	<input checked="" type="radio"/> <input type="radio"/> <b>No</b>
<input type="checkbox"/> It will make a minimum of sustainable investments with an environmental objective: ____% <div style="margin-left: 20px;"> <input type="checkbox"/> in economic activities that qualify as environmentally sustainable under the EU Taxonomy               </div> <div style="margin-left: 20px;"> <input type="checkbox"/> in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy               </div>	<input type="checkbox"/> It promotes Environmental/Social (E/S) characteristics and while it does not have as its objective a sustainable investment, it will have a minimum proportion of ____% of sustainable investments <div style="margin-left: 20px;"> <input type="checkbox"/> with an environmental objective in economic activities that qualify as environmentally sustainable under the EU Taxonomy               </div> <div style="margin-left: 20px;"> <input type="checkbox"/> with an environmental objective in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy               </div> <div style="margin-left: 20px;"> <input type="checkbox"/> with a social objective               </div>
<input type="checkbox"/> It will make a minimum of sustainable investments with a social objective: ____%	<input type="checkbox"/> It promotes E/S characteristics, but <b>will not</b> make any sustainable investments

**What environmental and/or social characteristics are promoted by this financial product?** *[indicate the environmental and/or social characteristics promoted by the financial product and whether a reference benchmark has been designated for the purpose of attaining the environmental or social characteristics promoted by the financial product]*

● **What sustainability indicators are used to measure the attainment of each of the environmental or social characteristics promoted by this financial product?**



**Principal adverse impacts** are the most significant negative impacts of investment decisions in sustainability factors relating to environmental, social and employee matters, respect for human rights, anti-corruption and anti-bribery matters.

**What are the objectives of the sustainable investments that the financial product partially intends to make and how does the sustainable investment contribute to such objectives?** *[include, for financial products that make sustainable investments, a description of the objectives and how the sustainable investments contribute to the sustainable investment objective. For the financial products referred to in Article 6, first paragraph, of Regulation (EU) 2020/852, list the environmental objectives set out in Article 9 of that Regulation to which the sustainable investment underlying the financial product contributes]*

**How do the sustainable investments that the financial product partially intends to make, not cause significant harm to any environmental or social sustainable investment objective?** *[include a description for the financial product that partially intends to make sustainable investments]*

**How have the indicators for adverse impacts on sustainability factors been taken into account?** *[include an explanation of how the indicators for adverse impacts in Table 1 of Annex I and any relevant indicators in Tables 2 and 3 of Annex I, are taken into account]*

**How are the sustainable investments aligned with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights? Details:** *[include an explanation on the alignment with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights, including the principles and rights set out in the eight fundamental conventions identified in the Declaration of the International Labour Organisation on Fundamental Principles and Rights at Work and the International Bill of Human Rights]*

*[Include statement for financial products referred to in Article 6, first paragraph, of Regulation (EU) 2020/852]*

The EU Taxonomy sets out a “do not significant harm” principle by which Taxonomy-aligned investments should not significantly harm EU Taxonomy objectives and is accompanied by specific EU criteria.

The “do no significant harm” principle applies only to those investments underlying the financial product that take into account the EU criteria for environmentally sustainable economic activities. The investments underlying the remaining portion of this financial product do not take into account the EU criteria for environmentally sustainable economic activities.

*Any other sustainable investments must also not significantly harm any environmental or social objectives.*



**Does this financial product consider principal adverse impacts on sustainability factors?**

☐ Yes, \_\_\_\_\_ *[if the financial product considers principal adverse impacts on sustainability factors, include a clear and reasoned explanation of how it considers principal adverse impacts on sustainability factors. Indicate where, in the information to be disclosed pursuant to Article 11(2) of Regulation (EU) 2019/2088, the information on principal adverse impacts on sustainability factors is available]*

☐ No





**The investment strategy** guides investment decisions based on factors such as investment objectives and risk tolerance.

**Good governance** practices include sound management structures, employee relations, remuneration of staff and tax compliance.



**Asset allocation** describes the share of investments in specific assets.

*[Include note only for financial products referred to in Article 6 of Regulation (EU) 2020/852]*  
Taxonomy-aligned activities are expressed as a share of:

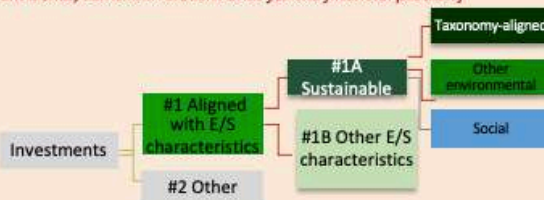
- **turnover** reflecting the share of revenue from green activities of investee companies
- **capital expenditure** (CapEx) showing the green investments made by investee companies, e.g. for a transition to a green economy.
- **operational expenditure** (OpEx) reflecting green operational activities of investee companies.

**What investment strategy does this financial product follow?** *[provide a description of the investment strategy and indicate how the strategy is implemented in the investment process on a continuous basis]*

- **What are the binding elements of the investment strategy used to select the investments to attain each of the environmental or social characteristics promoted by this financial product?**
- **What is the committed minimum rate to reduce the scope of the investments considered prior to the application of that investment strategy?** *[include an indication of the rate, where there is a commitment to reduce the scope of investments by a minimum rate]*
- **What is the policy to assess good governance practices of the investee companies?** *[include a short description of the policy to assess good governance practices of the investee companies]*

**What is the asset allocation planned for this financial product?** *[include a narrative explanation of the investments of the financial product, including the minimum proportion of the investments of the financial product used to meet the environmental or social characteristics promoted by the financial product in accordance with the binding elements of the investment strategy, including the minimum proportion of sustainable investments of the financial product where that financial products commits to making sustainable investments, and the purpose of the remaining proportion of the investments, including a description of any minimum environmental or social safeguards]*

*[Include only relevant boxes, remove irrelevant ones for the financial product]*



**#1 Aligned with E/S characteristics** includes the investments of the financial product used to attain the environmental or social characteristics promoted by the financial product.

**#2 Other** includes the remaining investments of the financial product which are neither aligned with the environmental or social characteristics, nor are qualified as sustainable investments.

*[include the note below where the financial product commits to making sustainable investments]*

The category **#1 Aligned with E/S characteristics** covers:

- The sub-category **#1A Sustainable** covers sustainable investments with environmental or social objectives.
- The sub-category **#1B Other E/S characteristics** covers investments aligned with the environmental or social characteristics that do not qualify as sustainable investments.

- **How does the use of derivatives attain the environmental or social characteristics promoted by the financial product?** *[for financial products that use derivatives as defined in Article 2(1), point (29), of Regulation (EU) No 600/2014 to attain the environmental or social characteristics they promote, describe how the use of those derivatives meets those characteristics]*



*[Include note only for the financial products referred to in Article 6, first paragraph, of Regulation (EU) 2020/852]*

**Enabling activities** directly enable other activities to make a substantial contribution to an environmental objective.

**Transitional activities** are activities for which low-carbon alternatives are not yet available and among others have greenhouse gas emission levels corresponding to the best performance.

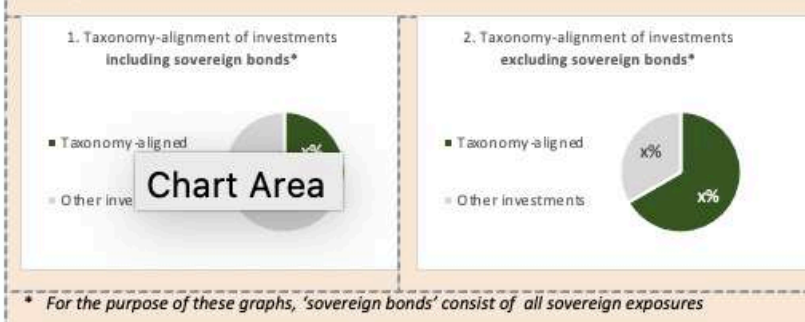
*[Include note for financial products referred to in Article 6, first paragraph, of Regulation (EU) 2020/852 that invest in environmental economic activities that are not environmentally sustainable economic activities]*

 are sustainable investments with an environmental objective that **do not take into account the criteria** for environmentally sustainable economic activities under the EU Taxonomy.



**To what minimum extent are sustainable investments with an environmental objective aligned with the EU Taxonomy?** *[include a section for the financial products referred to in Article 6, first paragraph, of Regulation (EU) 2020/852 and include the graphical representation referred to in Article 15(1), point (a), of this Regulation, the description referred to in Article 15(1), point (b), of this Regulation, a clear explanation as referred to in Article 15(1), point (c), of this Regulation, a narrative explanation as referred to in Article 15(1), point (d), of this Regulation and the information referred to in Article 15(3) of this Regulation]*

The two graphs below show in green the minimum percentage of investments that are aligned with the EU Taxonomy. As there is no appropriate methodology to determine the Taxonomy-alignment of sovereign bonds\*, the first graph shows the Taxonomy alignment in relation to all the investments of the financial product including sovereign bonds, while the second graph shows the Taxonomy alignment only in relation to the investments of the financial product other than sovereign bonds.



 **What is the minimum share of investments in transitional and enabling activities?** *[include section for the financial products referred to in Article 6, first paragraph, of Regulation (EU) 2020/852]*



**What is the minimum share of sustainable investments with an environmental objective that are not aligned with the EU Taxonomy?** *[include section only for the financial products referred to in Article 6, first paragraph, of Regulation (EU) 2020/852 where the financial product invests in economic activities that are not environmentally sustainable economic activities and explain why the financial product invests in sustainable investments with an environmental objective in economic activities that are not Taxonomy-aligned]*



**What is the minimum share of socially sustainable investments?** *[include section only where the financial product includes sustainable investments with a social objective]*



**What investments are included under “#2 Other”, what is their purpose and are there any minimum environmental or social safeguards?**



*[include note for financial products where an index has been designated as a reference benchmark for the purpose of attaining the environmental or social characteristics promoted by the financial product]*

**Reference benchmarks** are indexes to measure whether the financial product attains the environmental or social characteristics that they promote.

**Is a specific index designated as a reference benchmark to determine whether this financial product is aligned with the environmental and/or social characteristics that it promotes?** *[include section where an index has been designated as a reference benchmark for the purpose of attaining the environmental or social characteristics promoted by the financial product and indicate where the methodology used for the calculation of the designated index can be found]*

- **How is the reference benchmark continuously aligned with each of the environmental or social characteristics promoted by the financial product?**
- **How is the alignment of the investment strategy with the methodology of the index ensured on a continuous basis?**
- **How does the designated index differ from a relevant broad market index?**
- **Where can the methodology used for the calculation of the designated index be found?**



**Where can I find more product specific information online?**

**More product-specific information can be found on the website:** *[include a hyperlink to the website referred to in Article 23 of this Regulation]*

(EU Commission, 2022)





## 1.2. EU Taxonomy

The below Figures represent a sample EU Taxonomy report.

### Company ABC

Multi-Utilities Italy MIL:ABC



### Climate Change Mitigation

The process of holding the increase in the global average temperature to well below 2 °C and pursuing efforts to limit it to 1,5 °C above pre-industrial levels, as laid down in the Paris Agreement.

#### Alignment Overview

Updated 30 Jun 2021

	<b>Revenues</b> \$8,203 M	<b>7.56%</b> Aligned	<b>38.89%</b> Not Aligned	<b>53.55%</b> Not Eligible
	<b>CapEx</b> \$702 M	<b>2.23%</b> Aligned	<b>33.65%</b> Not Aligned	<b>64.12%</b> Not Eligible
	<b>OpEx</b>	No evidence of involvement		



#### Revenues



Total Company Revenues  
\$8,203 M



Fiscal Year  
2019

#### Revenues From Activities That Contribute to Climate Change Mitigation

Revenues are evaluated to determine whether they are eligible to be classified in terms of Substantial Contribution criteria. Eligible activities are assessed as aligned or not aligned.

<b>Aligned</b> <b>7.56%</b>	<b>Not Aligned</b> Eligible <b>38.89%</b>	<b>Not Aligned</b> Not Eligible <b>53.55%</b>
Estimated <b>7.56%</b> Reported - Taxonomy <b>0.00%</b>	Estimated <b>38.89%</b> Reported - Taxonomy <b>0.00%</b>	Revenues not associated with any Taxonomy activities are 'not eligible' for classification and therefore also 'not aligned'.
Own Contribution <b>7.56%</b> Enabling <b>0.00%</b> Transition <b>0.00%</b>	Breaching Minimum Safeguards, DNSH, or not meeting Technical Requirements. Minimum Safeguards <b>0.00%</b> Do No Significant Harm <b>0.00%</b> Technical Requirements <b>38.89%</b>	



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a Morningstar company

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Page 1 of 38



## Company ABC

Multi-Utilities Italy MIL:ABC



Climate Change Mitigation



Revenues

### Taxonomy Criteria

Aligned activities must make a substantial contribution to one of the Taxonomy's objectives, not harm any of the others and have minimum safeguards in place to comply with international norms and standards.

Do No Significant Harm - Any Breach

No

Minimum Safeguards

Pass

No Non-Compliant Principles

No Significant Events

### Activities

Name	Eligible Revenues	Alignment (%)	Substantial Contribution Type	Do No Significant Harm
Production of Electricity from Hydropower	7.37%	7.37%	Own Performance	Pass
Production of Electricity from Solar PV	0.19%	0.19%	Own Performance	Reasonable Assurance
Cogeneration of Heat/cool and Power from Gas (not exclusive to natural gas)	0.57%	0.00%	Own Performance	Pass
Production of Electricity from Gas (not exclusive to natural gas)	12.90%	0.00%	Own Performance	Pass
Storage of Thermal Energy	No Data	0.00%	Enabling	Reasonable Assurance
Water collection, treatment and supply	0.62%	0.00%	Own Performance	Pass
Centralized wastewater treatment	0.58%	0.00%	Own Performance	Pass
Transmission and Distribution of Electricity	18.80%	0.00%	Own Performance	Reasonable Assurance
Installation and operation of Electric Heat Pumps	0.10%	0.00%	Own Performance	Pass
Data processing, hosting and related activities	No Data	0.00%	Own Performance	Pass
Production of Heat/cool using Waste Heat	0.02%	0.00%	Own Performance	Pass

(Sustainalytics, 2021)





### 1.3. Non-Financial and Corporate Sustainability Reporting Directives

The directives do not have a set by the EU specific format of disclosure. Nevertheless, the EU Commission has approved the following:

**Table 6: Most used frameworks/standards/guidance**

FRAMEWORKS/STANDARDS/GUIDANCE	NUMBER OF PREPARERS THAT USE THEM <sup>23</sup>
National standards, including the national transposition of the EU NFRD	53%
Global Reporting Initiative (GRI) Standards	54%
United Nation Global Compact (UNGC) – Sustainable Development Goals (SDGs)	39%
Task Force on Climate-related Financial Disclosures (TCFD) – TCFD Recommendation	38%
United Nation Global Compact (UNGC) – UNGC Guidelines/Framework	37%
International Labour Organization (ILO) – ILO Guidelines and Standards (e.g. Labour Standards)	28%
Carbon Disclosure Project (CDP) – CDP Guidance	17%
Organisation for Economic Co-Operation and Development (OECD) – OECD Guidelines	17%
United Nation Global Principles (UNGP) – UN Guiding Principles Reporting Framework	9%
International Integrated Reporting Council (IIRC) – The International Integrated Reporting Framework (IIRF). This is mainly related to financial information.	6%
International Organization for Standardization (ISO) – ISO 26000 – Social Responsibility Guidance Standard	5%
European Commission – Guidelines on non-financial reporting	5%
Sustainability Accounting Standards Board (SASB) – Sustainability Accounting Standards (77 industry-specific)	3%
Climate Disclosure Standards Board (CDSB) – Framework for reporting environmental and climate change information	1%
Others	40%

Sources: *Insights Into Integrated Reporting 4.0: The Story So Far*, ACCA (2020); *An analysis of the sustainability reports of 1 000 companies pursuant to the EU Non-Financial Reporting Directive*, The Alliance for Corporate Transparency (2019)

(European Financial Reporting Advisory Group, 2021)



The topics which have to be presented in the disclosure report:

**Table 7: 2019 ACT report classification of topics**

CATEGORY	SUBCATEGORY
<b>Environment</b>	Climate change
	Use of natural resources
	Polluting discharges
	Waste
	Biodiversity and ecosystem conservation
<b>Employee and social matters</b>	Employees and workforce
	Social matters
<b>Human rights</b>	General human rights reporting criteria
	Human rights in supply chains
	High risk areas for civil and political rights
	Impacts on indigenous and local communities
	Conflict resources
<b>Anti-corruption and whistleblowing</b>	Data protection
	Anti-corruption
	Whistleblowing channels
<b>General positive impacts</b>	General and sectorial positive impacts by products/sources of opportunity

Source: *An analysis of the sustainability reports of 1 000 companies pursuant to the EU Non-Financial Reporting Directive*, The Alliance for Corporate Transparency (2019)

(European Financial Reporting Advisory Group, 2021)



Further information regarding the different formats:

**Table 10: Non-financial reporting initiatives and disclosure production/consumption resources**

Reporting initiative	Name of guideline or framework	Topic	Sector specific	Guidance for reporting	Normalised metrics	Digital format	Reporting platform/ tools	Data repository
European Commission	Guidelines on non-financial reporting (2017/C 215/01)	Business Model, Policies due diligence, Outcomes, Opportunities, and risks, Environmental, social and employee matters, Respect for human rights, Anti-corruption and bribery matters, Supply chain, Conflict minerals						
Global Reporting Initiative (GRI)	GRI framework	Sustainability						
Carbon Disclosure Project (CDP)	Guidance for reporting (Climate change, Water, Forest, Supply Chain)	Climate change, Water, Forest				(XBRL, 2017)		
Sustainability Accounting Standards Board (SASB)	SASB framework	Environment, Social capital, Human capital, Business model and innovation, Leadership and governance				(XBRL, 2020)		
Task Force on Climate-related Financial Disclosures (TCFD)	TCFD recommendations	Financial impacts of climate related risks and opportunities						
EU Eco-Management and Audit Schema (EMAS)	EMAS Framework	Energy efficiency, Material efficiency, Water, Waste, Biodiversity, Emissions						



Reporting initiative	Name of guideline or framework	Topic	Sector specific	Guidance for reporting	Normalised metrics	Digital format	Reporting platform/ tools	Data repository
Spanish Association of Accounting & Business Administration (AECA)	Integrated Reporting Model: Financial, Environmental, Social and Governance (IRM-FESG)	Business model, Due diligence, Risk management, Performance (Financial, Social Environmental, Governance)				(XBRL, 2006, 2009, 2013)		
European Federation of Financial Analysts Societies (EFFAS)	EFFAS-ESG Guidelines	Environmental, Social and Governance						
Global Impact Investing Network	IRIS framework	Environmental, Social and Governance						
International Standards Organization ISO 26000	ISO 26000 Guide on social responsibility	Social responsibility						
Japanese Environmental Ministry	Environmental reporting platform pilot project	Environmental						
International Integrated Reporting Council (IIRC)	The International Integrated Reporting Framework	Capitals (financial, manufactured, natural, social, human, intellectual organisational) overview, Governance, Business model, Risk and Opportunities, Strategy and resource allocation, Performance, Outlook						
International Labor Organization (ILO)	Tripartite Declaration of Principles on Multinational Enterprises and Social Policy	Social						
Organisation for Economic Co-operation and Development (OECD)	OECD Guidelines for Multinational Enterprises	Human rights, Labour rights, environment						
United Nations Human Rights Office of the High Commissioner	The Reporting Framework of the Guiding Principles on Business and Human Rights	Human rights						



Reporting initiative	Name of guideline or framework	Topic	Sector specific	Guidance for reporting	Normalised metrics	Digital format	Reporting platform/ tools	Data repository
United Nations Global Compact	Model Guidance on Reporting ESG Information to Investors: A Voluntary Tool for Stock Exchanges to Guide Issuers	Environmental, Social and Governance						

Source: An analysis of reporting initiatives and their efforts in providing resources to facilitate the disclosure, accessibility, and analysis of non-financial information (provided by AECA for this assessment report)

(European Financial Reporting Advisory Group, 2021)



## 1.4. Assurance



KPMG Asesores S.L.  
Pº. de la Castellana, 259 C  
28046 Madrid

### Independent Limited Assurance Report on the Consolidated Non-Financial Information Statement of NH Hotel Group, S.A. and subsidiaries for the year 2018

To the shareholders of NH Hotel Group, S.A.:

Pursuant to article 49 of the Spanish Code of Commerce, we have provided limited assurance on the Consolidated Non-Financial Information Statement (hereinafter NFIS) for the year ended 31 December 2018, of NH Hotel Group, S.A. and subsidiaries (hereinafter the Group) which forms part of consolidated Group's Directors' Information.

The NFIS includes additional information to that required by prevailing mercantile legislation on which it is not possible to provide assurance as it was not prepared using adequate criteria. In this regard, our assurance work was limited only to providing assurance on the information contained in "Table showing relationship between legal requirements and GRI standard indicators" of the accompanying NFIS.

#### Directors' responsibilities

The Board of Directors of the Group is responsible for the preparation and presentation of the NFIS included in Group's Directors' Information. The NFIS has been prepared in accordance with prevailing mercantile legislation and selected Sustainability Reporting Standards of the Global Reporting Initiative (GRI Standards), in accordance with that mentioned for each subject area in the "Table showing relationship between legal requirements and GRI standard indicators" of the Statement.

This responsibility also encompasses the design, implementation and maintenance of internal control deemed necessary to ensure that the NFIS is free from material misstatement, whether due to fraud or error.

The directors of NH Hotel Group, S.A. are also responsible for defining, implementing, adapting and maintaining the management systems from which the information necessary for preparing the NFIS was obtained.

#### Our independence and quality control

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants (IESBA), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

KPMG Asesores S.L., a limited liability Spanish company and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.  
Paseo de la Castellana, 259C - Torre de Cristal - 28046 Madrid

Reg. Mer Madrid, T. 14.972, F. 53, Sec. 8, H. M-249.480, Inscrip. 1ª  
N.I.F. B-62488650

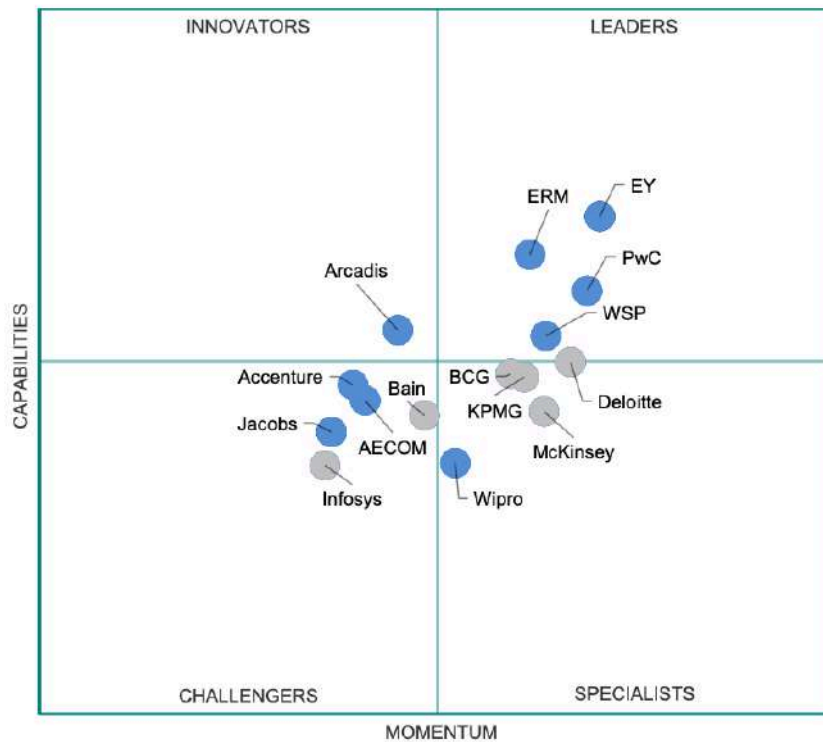
(NH Hotel Group, 2018)



## App. 2. Competitor analysis

FIGURE 11

### Green Quadrant For ESG And Sustainability Consulting 2022



**Capabilities** This dimension assesses capabilities for the following: ESG and sustainability programme strategy; transformation (business model); transformation (operational resource and impact); transformation (digital infrastructure); ESG reporting and target-setting; climate change strategy and risk; GHG emissions and carbon management; environment and resource management; social performance management; governance performance management; ESG and sustainability programme management; product stewardship and circular economy; supply chain risk and traceability management; mergers and acquisitions ESG due diligence; investment portfolio ESG integration and impact assessment.

**Momentum** This dimension assesses the following strategic success metrics: customer reference and brand perception; total revenue size; ESG and sustainability revenue size; current customer base; consulting practice organization; consulting vendor in-house ESG and sustainability performance.

Note: A grey plot indicates a non-participating ESG And sustainability consulting firm

Source: Verdantix analysis

(Renshaw and Knickle, 2022)



## App.3. Research questions

1. What is the current approach towards ESG showcased by EU hotel owners and operators?
2. What is the planned future approach towards ESG according to EU hotel owners and operators?
3. What is the current and future approach of EU investors towards ESG in the hospitality industry?
4. What is the current and future approach of EU creditors towards the hospitality industry taking into consideration the ESG issues?
5. To what extent is the hospitality industry in The Netherlands aware of the way ESG is changing the business landscape?
6. To what extent is the hospitality industry in The Netherlands aware of the ESG impact on operations and real estate?
7. What are the challenges the hospitality industry in The Netherlands is facing that prevent it from incorporating the ESG factors?
8. What are the reasons behind these challenges according to hospitality professionals in The Netherlands?
9. How are the ESG advisory services assisting the hospitality businesses in EU with ESG?
10. What services do the ESG advisory providers offer?
11. Which ESG-related services are currently demanded the most by the EU hospitality businesses according to consultants?
12. Which ESG-related services are expected to be demanded the most by the EU hospitality businesses?
13. What are the barriers for entering the ESG advisory market?





## App.4. Recruitment strategy

Articles, posts & more...

I activity
Articles
**Posts**
Documents
Inter

**Madlen Zheleva** • You

Business and Hospitality Management 4th year student  
6mo • Edited •

I am excited to share that for my Bachelor thesis at Hotelschool The Hague I am diving into a challenging yet inspiring topic which will soon change the EU business landscape- namely ESG (Environmental, Social and Corporate Governance).

My research is concentrated on the ESG development and implementation in the broad hospitality industry in the EU. As the newly adopted EU regulations (namely the SFDR, EU Taxonomy and CSRD) are changing the way business gets done, many hospitality organizations will need to comply and report accordingly, thus I am looking for the following professionals to get up-to-date insights from in the means of a short interview:

- Hospitality professionals (hospitality in its broader sense)
- Finance experts
- Real estate advisors
- ESG advisors/ service providers
- anyone involved with ESG/CSR/ Sustainability

Your input would be crucial for gathering valuable information which will assist many hospitality professionals in understanding the importance of adopting an ESG-concentrated strategy!

Thank you for the consideration!

Of course, anyone interested in getting information on the development of ESG is more than welcome to contact me!

Best regards,  
Madlen Zheleva

Home
 My Network
 Post
 Notifications
 Jobs

**ESG**  
ENVIRONMENTAL SOCIAL GOVERNANCE

(Zheleva, 2022)



## Articles, posts & more...

Activity

Articles

Posts

Documents

Interests



**Madlen Zheleva** · You



Business and Hospitality Management 4th  
year student  
3mo · 🌐

"The demand for integration of ESG (Environmental, Social and Governance) considerations has been enhanced following the ESG reporting regulations imposed by the EU, the financial institutions, and investors' interest as well as the growing stakeholders' expectations for leveraging the environmental and social benefits of ESG. The future outlook of ESG development indicates that soon each business and activity will be labeled according to the achievement of the sustainability and social objectives set by the EU. ESG will shape the way business gets done and will dictate the profitability, development opportunities, stakeholder value, market value, as well as a company's ability to raise capital. "

With this quote from my Bachelor thesis, I would like to briefly introduce my research on ESG development and implementation in the hospitality industry in the EU. My aim is to explore how the newly adopted EU regulations are changing the business landscape. I am actively looking for the following professionals to get up-to-date insights from:

- Hospitality professionals
- Finance experts
- Real estate advisors
- ESG advisors/ service providers
- Anyone involved with ESG/CSR/ Sustainability

Your input would be crucial for gathering valuable information which will assist many hospitality professionals in understanding the importance of adopting an ESG-concerned strategy!

Thank you for your consideration!

Of course, anyone interested in getting information on the development of ESG is more than welcome to contact me!



Home



My Network



Post



Notifications



Jobs

(Zheleva, 2022)







Dear Ms Sietsma,

My lecturer Mr Bonder has given me your contact details.

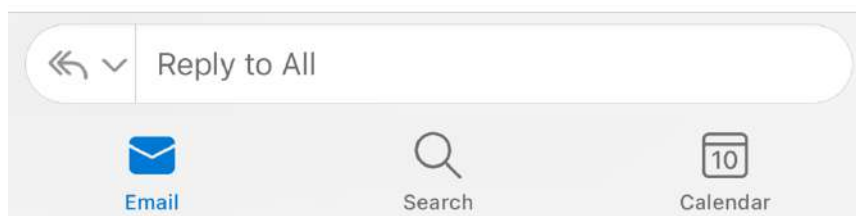
My name is Madlen Zheleva and I am a student at Hotelschool The Hague. I have decided to choose a challenging yet inspiring topic for my graduation thesis, namely ESG, which sparked my interest half a year ago, while doing the minor Future of Business Development.

Currently, I am at the stage of gathering primary data for my thesis. As the newly adopted by the EU ESG-related regulations namely the Finance Disclosure Regulation, the Corporate Sustainability Reporting Directive and the EU taxonomy are changing the way business gets done, the hospitality industry will soon be affected. I am researching about how the industry, and in general the businesses, will be affected, to what extent is the industry aware of the upcoming mandatory reporting standards and in general where the sector lacks capabilities in respect to the ESG.

I was wondering if you will be able to help me by being an interviewee for a 30 minutes brief session. Your input would be crucial for my primary data collection!

Thank you in advance!

Looking forward to hearing from you!





Dear Mr Atienza,

My colleague Mariya has given me your contact details.

Firstly, I would like to thank you for your willingness to assist me with my graduation thesis!

My name is Madlen Zheleva and I am a student at Hotelschool The Hague in the Netherlands.

I am conducting my thesis regarding the topic of ESG. As the newly adopted by the EU ESG-related regulations namely the Finance Disclosure Regulation, the Corporate Sustainability Reporting Directive and the EU taxonomy are changing the way business gets done, the hospitality industry will soon be affected. I am researching about how the industry will be affected, to what extent is the industry aware of the upcoming mandatory reporting standards and in general where the sector lacks capabilities in respect to the ESG.

I hope you can assist me further. Your input is crucial for my primary data collection.

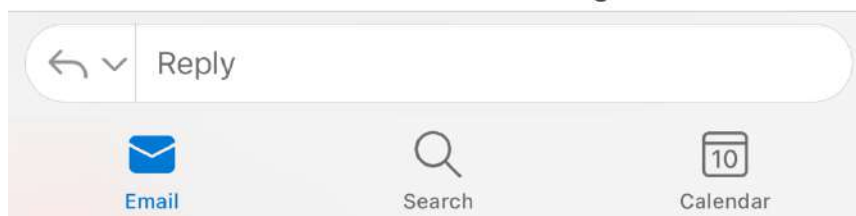
Thank you in advance!

Looking forward to hearing from you!

Best wishes,

Madlen Zheleva

Bachelor student at Hotelschool The Hague





< Sent Sustainability/ ESG audit an... ^ v

On 21 Nov 2022, at 17:00, Oorschot, van Mark  
<[Mark.vanOorschot@pbl.nl](mailto:Mark.vanOorschot@pbl.nl)> wrote:

Dear Madlen

We did some work on transparency and reporting a few years ago, published in a policy report.

“Reflections on transparency” – by Annelies Sewell et al.

<https://www.pbl.nl/en/publications/reflections-on-transparency-expectations-about-transparency-as-an-instrument-to-stimulate-corporate-social-responsi>

Supervision on stocklisted companies in the Netherlands is a task for the AFM – the national Authority on Financial Markets.

My contact at AFM was – until a few years ago - Mohamed el Harchaoui [harchaoui@afm.nl](mailto:harchaoui@afm.nl).

Regards Mark

---

**Van:** Madlen Zheleva

<[madlen.zheleva99@gmail.com](mailto:madlen.zheleva99@gmail.com)>

**Verzonden:** zaterdag 19 november 2022 09:10

**Aan:** Persvoorlichting <[persvoorlichting@pbl.nl](mailto:persvoorlichting@pbl.nl)>

**Onderwerp:** Sustainability/ ESG audit and assurance

Dear Mike Barkers,

My name is Madlen Zheleva and I am a student at Hotelschool The Hague, currently conducting my bachelor thesis on the topic of ESG consulting, audit



## App.5. Data collection: Guiding questions

**Introduction:** Welcome and thank you for agreeing to meet with me. Firstly, I would like to let you know once again that this interview is completely anonymous and confidential, no personal data will be collected as well as displayed. For confidentiality reasons, you will be given a number such as Interviewee 20, instead of your name. As also mentioned, after the interview I will send you a confidentiality form with which you are giving an informed consent about this interview and basically it serves as an allowance for me to publish your words in my thesis but as a reassurance for you that anonymity is granted. The interview will be recorded for transcription purposes and after it will be permanently deleted. Do you have any questions?

Let me quickly introduce you to my thesis topic. I am working for a Dutch consultancy company which aims at entering the ESG advisory market with a scope of delivering the services to the hospitality industry in EU.

Following the recently adopted by the EU commission, ESG regulations, namely the SFDR, CSRD and the EU Taxonomy, large companies and financial institutions are bound to report on their ESG compliance. What happens is that they already rely on the companies they are financing to provide this information, so even though not bound yet, financial institutions are already requesting the ESG data. Also, despite the fact that smaller companies are not impacted directly yet finance experts expect in 1-2 years' time each company regardless of scale of operations to be bound to disclose the integration of the three ESG dimensions: environmental, social and governance. Companies not integrating the ESG components might face difficulties to raise capital, satisfy the growing stakeholder expectations, be lucrative for debt and equity providers etc. Banks provide lower interest rates and investors interest in ESG assets are growing rapidly. Thus, ESG will shape the way business gets done and will dictate the profitability, development opportunities, stakeholder value, market value and a company's ability to raise capital. The hospitality sector, however, appears dormant in its ESG implementation journey, despite its global strategic position in addressing the issues surrounding the topic.

My aim is to understand why the hospitality industry is lagging behind, what capabilities does it need to respond to the demand for ESG showcased by creditors, investors and primary stakeholders, as well as how and what services an ESG advisory firm has to develop to respond to the ESG demand and fulfil on these industry lacking capabilities.



## Guiding questions hospitality professionals:

Now that I have shared how the regulations will impact the hospitality industry in EU.

1. To what extent were you aware that this is coming/ this will have an impact on the way you do business?
2. In your opinion to what extent is the hospitality industry aware of the way ESG is changing the business landscape?
3. How do you think the ESG impact the business operations? What about the real estate value? Do you believe people in the industry realize this? In your opinion to what extent is the hospitality industry aware of the ESG impact on operations, meaning profitability and simply the way you raise capital and real estate valuation?
4. Do you see the hospitality industry lagging behind on ESG compared to other industries? How?
5. Now that we have discussed the ESG impact on hospitality businesses, what is your current approach towards ESG?
6. What is the planned future approach towards ESG?
7. Who would be responsible for the integration of ESG factors?
8. What capabilities do you believe you miss currently to fully integrate to ESG compliance rules?
9. Where do you lack knowledge/expertise?
10. To what extent would you consider seeking external advisory help?
11. What type of ESG advisory services would you be seeking for, from consultants? Examples of services include: ESG strategy, ESG financial accounting, ESG regulatory, Climate change strategy, ESG risk, Governance management, etc.

To link back to where we started saying that the industry is still dormant on the ESG considerations and conclude on a general note:

12. What are the main challenges the hospitality industry is facing that prevent it from incorporating the ESG factors, in your opinion?
13. What are the reasons behind these challenges, in your opinion?





## **Guiding questions creditors:**

1. Why is ESG important for creditors/banks?
2. To what extent do you agree with the financial experts that in 1-2 year's time all companies will have to report on ESG?
3. How do the new regulations change the way creditors/banks do business?
4. How do the ESG regulations imposed by the EU impact the way creditors/banks finance industries in general? (risk, interest rate, cost of capital)
5. What type of ESG related information do you currently seek from businesses?
6. How do you access and assess the ESG related information from businesses?
7. In what way the high ESG scoring companies have competitive advantage?
8. What do you believe to be the most important ESG related considerations that businesses have to consider if they want to raise capital from creditors?
9. Where/in which areas do you see businesses lacking the capabilities to fully integrate the ESG factors?
10. From your experience, what is the current ESG approach of the broad hospitality industry? In what way do you see differences in the way different industries develop ESG capabilities?
11. What is the current approach of creditors towards the hospitality industry, given the ESG factors?
12. What is the future approach of creditors towards the hospitality industry, given the ESG factors?
13. How important would be for hospitality businesses to integrate ESG into their strategic priorities? Why?



## **Guiding questions investors:**

1. Why is ESG important for investors?
2. How does ESG impact the investment decisions?
3. How do you see ESG capabilities in businesses develop in general?
4. Do you see positive progress towards the ESG direction showcased by businesses?
5. What type of ESG related information do you currently seek from businesses?
6. How do you access and assess the ESG related information from businesses?
7. What do you believe to be the most important ESG related considerations that businesses have to consider if they want to get funding?
8. Where do you see businesses struggling the most when it comes to ESG?
9. Where/in which areas do you see businesses lacking the capabilities to fully integrate the ESG factors?
10. From your experience, what is the current ESG approach of the broad hospitality industry? In what way do you see differences in the way different industries develop ESG capabilities?
11. What is the current approach of investors towards the hospitality industry, given the ESG factors?
12. What is the future approach of investors towards the hospitality industry, given the ESG factors?
13. From an investor's perspective, what services do you think businesses should seek from ESG advisors? (to be lucrative for investors)
14. From the following services which ones are crucial to be adopted by businesses: ESG strategy, Climate change strategy and risk, Governance management, ESG financial accounting and regulatory services, M&A ESG due diligence, etc.

## **Guiding questions real estate professionals:**

1. How are the ESG factors affecting the hotel real estate valuation?
2. How do you evaluate the extent to which the ESG factors have been implemented? What do you base your judgement on?
3. How important is ESG for real estate advisors?
4. How do you see ESG develop in general? And in the hospitality sector?



### **Guiding questions ESG consultants:**

1. How are the ESG advisory services assisting the hospitality businesses in EU with the integration of ESG?
2. What services do the ESG advisory providers offer?
3. Which ESG-related services are currently demanded the most by the EU hospitality businesses?
4. Which ESG-related services are expected to be demanded the most by the EU hospitality businesses?
5. How do you see the ESG advisory service market develop?
6. What are the barriers for entering the ESG advisory market?



## App.6. Interviews transcriptions

**Introduction:** Welcome and thank you for agreeing to meet with me. Firstly, I would like to let you know once again that this interview is completely anonymous and confidential, no personal data will be collected as well as displayed. For confidentiality reasons, you will be given a number such as Interviewee 20, instead of your name. As also mentioned, after the interview I will send you a confidentiality form with which you are giving an informed consent about this interview and basically it serves as an allowance for me to publish your words in my thesis but as a reassurance for you that anonymity is granted. The interview will be recorded for transcription purposes and after it will be permanently deleted. Do you have any questions?

Let me quickly introduce you to my thesis topic. I am working for a Dutch consultancy company which aims at entering the ESG advisory market with a scope of delivering the services to the hospitality industry in EU. Why ESG? Following the recently adopted by the EU commission, ESG regulations, namely the SFDR, CSRD and the EU Taxonomy, large companies and financial institutions are bound to report on their ESG compliance. What happens is that they already rely on the companies they are financing to provide this information, so even though not bound yet, financial institutions are already requesting ESG data. Moreover, despite the fact that smaller companies are not impacted directly yet finance experts expect in 1-2 years' time each company regardless of scale of operations to be bound to disclose the integration of the three ESG dimensions: environmental, social and governance. Companies not integrating the ESG components might face difficulties to raise capital, satisfy the growing stakeholder expectations, be lucrative for investors and creditors. Furthermore, banks are already providing lower interest rates and investors interest in ESG assets is growing rapidly. Thus, ESG will shape the way business gets done and will dictate the profitability, development opportunities, stakeholder value, market value and a company's ability to raise capital. The hospitality sector, however, appears dormant in its ESG implementation journey, according to the consulted literature. Therefore, my aim is to understand why the industry is lagging, what capabilities does it lack and how an ESG advisory firm can develop services to serve on these lacking capabilities.



## 6.1. Interviewee 1: Hospitality Professional (Quota 1)

**Madlen Introduction:** See above

**Interviewee:**

I'm aware that regulations are changing. But I'm not that aware already for the examples you mentioned and what the impact will be on the hospitality industry.

**Madlen:**

All right. So for example, you're not aware that the ESG would impact the real estate valuation of the hospitality, business or even the profitability and the way that you raise capital. Not that much in detail?

**Interviewee:**

No, I know that I mean, ESG is important for lenders. I mean, if you do more on ESG, and if you tick the box on several issues, you get a better rate or it's easier to get a loan. Of course, the environmental label of real estate is also important for this for lenders and also in general.

But if you look for what you said, like financial disclosing, etc, etc. But that's not something I'm already totally aware of.

**Madlen:**

All right. Well, yeah, in my research shows the same that in general hospitality businesses, they do not expect that these regulations would actually be applicable to them, but in two to one to three years, maximum, actually, every business has to report on how they incorporated ESG into the decision making. So that's why I'm gathering insights on the topic. And do you believe that in general, the people in hospitality industry are aware that ESG will change the way that business gets done?

**Interviewee:**

Yes, I think but in a comparable way, as other businesses, I think, I think most in the hospitality industry, most businesses just follow and try to be a little bit ahead of what's happening on what is demanded by guests and clients and by other stakeholders, employees, or governmental issues. So, I think we're all aware that we need to have like an ESG chapter and to report but I think not many companies already see it as a requirement...

**Madlen:** All right, all right. I understand.

**Madlen:**

Well, as I've mentioned in the hospitality industry is lagging behind a little bit, not only with the energy expenditure as we discussed also during "future of business" minor, but in general, with the social aspect as well and the shortage of staff. So, in these three components of ESG the industry's seems lagging, thus I wonder what is your current approach towards ESG at the moment, at your company?

**Interviewee:**

It will, if you look at in general, we have from we started from a sustainability perspective, and we have the four pillars taken from the Sustainable Development Goals.

Carbon dioxide reduction waste, food and health. So that had to do okay, health for both our guests and our employees. Food also to see okay, fair trades from seasonality.

Where does it come from?



Waste also important to prevent spillage. And of course, carbon dioxide and that's, I mean, that's where a lot of these discussions started.

Just okay, how do we have a more water saving shower, whatever, and that is what started like a few years ago, but I think it's and there's where you see where it goes to ESG where it goes to all stakeholders, social responsibility, governance issues. So, take into account all the stakeholders and that is that is where it's headed. Also with diversity, of course, in all the different manners. So ESG is, again, much broader than, like sustainability, how we described it a few years ago. I think that is that is that is good, but also the focus if the did **the strongest attention point for hospitality is still the big footprint we have from traveling**, etc.

Maybe we should put the weight in hospitality on the sustainability aspect, and of course, governance, social responsibility, it's all very important and it should be part of it. But we shouldn't forget that. We have a business that most of the people that just struggle that there's no real necessity to travel. It's I mean, of course a lot of people think it's necessary to travel but it's an add on your life. You don't have a day to fly all over the world. And that I think that is of course if you look to the carbon dioxide and footprint of flying, the pollution, etc. Then I think that's a point of a strong point of attention.

**Madlen:**

Yeah, indeed. I was also wondering when we were talking about the investors that you're working with, did they perform some kind of screening criteria, screening process in the way of how you incorporated sustainability or the social aspects in some way or it was not the case?

**Interviewee:**

Yes, they did. But it is also, I mean, if it's, if it's not available, then for many investors, it's a chance or an opportunity to start working on it because at the end of the day, **ESG is also marketing tool**. That's a little bit cynic, but it's important to the market. I mean, your guests at the end of the day, want to stay in a response in a company that takes its responsibility in the broader sense. If you look in a due diligence perspective, from the investor perspective, then I think ESG is only a very limited part of the total investigations that they that they've done.

**Madlen:**

All right. All right. And in this sense, do you plan some further steps in terms of ESG? Have you discussed it with the board? Or maybe with the management?

**Interviewee:**

We're not actually we created our sustainability chapter where I mentioned the four items of the sustainable development goals with the main pillars of our sustainability plan where life is like, our people, the guests, happy guests, happy employees and sustainable profit. And therefore, you need to be sustainable in a broader sense on the for like more environmental aspects I mentioned including health etc. And **ESG is the next broader step it should be part of your total business structure**. I mean, it should not be something you should be focusing on all the way. All the time. It should be part of what you do. I mean, if like diversity is really a goal, I mean, you should be a diverse company. And if you're not you need to work on it. But at a certain moment, it should be just part of doing business on a responsible manner.

**Madlen:**

And in this sense, who is responsible for the integration of these factors that you've mentioned? Is it the board or is it throughout the entire organization?

**Interviewee:**



Well, we have a team. We have in every hotel, we have a like, it's called a hero, a **sustainability hero**. And that is also he or she is looking after to see all the decisions we make in detail or **manager's level**. They are challenged whether they fit or sustainability program.

**Madlen:**

All right. And in case it happens within one or two years that you're bound to start reporting on the ESG would you be willing to maybe enlarge on your in-house expertise or seek external advisory help suggests keep KPMG Deloitte, they offer **ESG Consultancy Services**? Would this be something that you'd be interested in in case you're pushed by the government and the regulations?

**Interviewee:**

Well, probably, if, if it should be, if it's pushed by regulations, maybe we will, because then it's also but then it's really a mandatory thing.

You need to tick the boxes because it's demanded by regulations. And that's, I mean, we want it to be in like an integral part of our business model. And then it's not a management thing. It's the way your culture is created. It should be part of why you want to work with **COMPANY NAME**, what are the values of a company and that is to do things in a responsible way. And yeah, and but then **if it's regulated, and that's also more like account like accounting principles, yeah. Then you just have to comply. You have ticked all the boxes and probably will need consultant from a larger consulting firm to help.** I think it's good that it's regulated, but it's a pity again, that **it causes a lot of additional reporting issues.**

**Madlen:**

Yeah, I also my in the literature, I discovered that a lot of hospitality organizations think that all these regulations are associated with more resources, more work more paper, so on the sense those regulations because for example, big companies such as Deloitte and KPMG, they offer ESG strategy, financial accounting related to ESG regulatory services and risk, these kinds of services. So that's why I was interested whether this is something that you might consider in the future.

**Interviewee:**

Yeah, maybe. But it's now more we're still working on the culture to have like happy employees and happy guests. **We not yet really approaching that it's a mandatory thing to comply to regulations.**

**Madlen:**

All right. All right. It's clear. And well, what do we believe to be the main challenges that the hospitality industry is facing in general that prevent it from actually accelerating at the ESG components and sustainability in general, is it the documentation and the extra resources it requires or is it maybe something else?

**Interviewee:**

**I don't see big challenges.** I think it's a natural way. How the company will develop.

And you see it in all different companies in one goes faster than the other. But if you want to be really sustainable, you have to have a really sustainable business model to create happy employees and guests and that's sounds a little bit like open-door cliché, but it's, I really believe that's totally true. So, everything you do from a ESG perspective, is also focused on creating happy stakeholders.

**Madlen:**



Yeah, yeah, I found that actually the way that the company integrates these factors or correlates with the stakeholder value is proven statistically. So indeed, that's something worth mentioning. I was also wondering because you've mentioned you have in house expertise, so was it hard to find these people because what I see is that a lot of people are lacking, like the supply of Sustainability Consultants and just in general people who are able to provide with this kind of advice the supply is really short. So, I was wondering, was it hard for you to select the right people?

**Interviewee:**

No, it was quite easy because we all know what needs to be done. And we all can ask the questions why we do things sometimes. To find the right answer is challenging. But just asking why we still use whatever a breakfast buffet we say with a lot of waste a while we still use plastic, water bottles, etc. It's discretions, people just take from home or from a family to the work so it's, it's just sort of like a common sense thing. I kind of need to combine it and within it's not too difficult.

**Madlen:**

Do you have something else that you'd like to mention in this respect, or?

**Interviewee:**

Yeah, well, I had yesterday I had a discussion on ESG. And there was a question. It was in a conference, and someone asked, okay, how are you going to do it? Everybody's going to travel and to fly again, etc. How you will manage that people will not fly as much as they used to do. But then I mean, we all remain traveling. We all will probably want to stay in hotels, but it has to do because what we now see in Amsterdam or Netherlands, is that the Asian guests are not there yet. The Americans are coming but not that much yet. So, but the hotels are filled up so and they the people who stay in Amsterdam or they come from countries nearby, and they probably make probably a lot of them come by playing but if you improve the infrastructure, and they all come by train, then you can have full you can have full hotels with people that travel in a responsible way. I mean, if European people go to the US, US to Europe, yeah. Then you have a lot of additional flight movements that are not necessary. Again, we all now then want to go to accept exotic places but maybe not like two times a year or every year. Yeah. That's true. That's true.

**Madlen:**

Well, the good thing is at least our industry is bouncing back. Good news for everyone. So, we'll see how we'll keep up with it. Well, those were my questions. Thank you once again, for your input. It's really, really helpful for me because it's really hard to find people to interview, even though it's for a short period of time. Thank you once again.

**Interviewee:**

Good luck with your thesis. Thank you for the conversation!

**Madlen:**

Thank you! Have a good day! Bye.





## 6.2. Interviewee 2: Hospitality Professional (Quota 1)

**Madlen Introduction:** *See above*

**Madlen:**

Now that I have shared how the regulations will impact the hospitality industry in Europe, to what extent were you aware that this is coming and it will impact your industry, your business?

**Interviewee:**

I think this is something that if you think about it, it's really it makes sense that it will come because sustainability is a big factor. Now *you can really see how it changes the whole industry in general. But I have not read it somewhere like I have not received this information written. But it makes sense that it will have a huge impact on the industry.*

**Madlen:**

All right. That's clear. And to what extent do you think that the wide industry is actually aware that ESG would have an impact on the way that they raise capital from banks or from investors?

**Interviewee:**

In my opinion, *maybe leaders or people who are working towards making their company more sustainable would definitely have an idea about this.* And I think it should be the goal of everybody to make your whole company aware of this, but in my personal experience, and or like in the company that I'm working in, *I don't think it has reached us yet. In general, the whole industry, perhaps 50 or 60% of the companies are working heavily towards making their companies a little bit more sustainable and preparing to go ahead of the trend and start with these reports that can be submitted later on.*

**Madlen:**

All right, and in your company. How do you address ESG?

**Interviewee:**

There are a few things that's for example, I'm working on they're working as a general manager assistant in one of the biggest hotel chains with properties in The Netherlands, Austria, Spain, Italy and France, and it's a big change. We are really working towards the social aspect of this. And on ecological sense. It's a little bit harder, of course, because hotels, as we all know, it's really hard to make these steps, but we make all these *reports monthly that taking into account how much water or electricity we have used, and we come up with plans on how we can reduce that.* For example, in all the hotels we don't really have ACs we have an air conditioning system which is a little bit different, which is very an ecological way. It's switches in the summer and in the winter, different modes so that you could not use as much energy as for example, in an air conditioned sense and something else that they're really working on is at least that's what they presented also now with a rebranding of the whole company that they want to go ahead of the trend because I know that *I think in two years or like a year or something, there's going to be extra tax if you want to sell plastic cups* or just to use them as a Getaway cup, and they have already prepared this reusable cup with a logo and a branding. It says okay, we want to go ahead of the trend and then be prepared for this. So of course, there are some things that they're working on but in a *ecological way, in a more sustainable way there's a lot of things that can be done better.*

**Madlen:**



All right. And who is responsible for implementing these sustainable procedures, is it you as the GM assistant or someone else?

**Interviewee:**

In general we have the hub, which is one of the **headquarters** and there's a **social and sustainable officer** or something in that sense that she's responsible. She has a small team of like six people that go across all the locations because they're like 15 locations in general, throughout Europe, and locally inside of the hotels. There's the general manager, of course, I'm also involved in that and the community managers which are like managers of the front office, the restaurant and all the different departments.

**Madlen:**

Alright, so how did it happen before this exchange of sustainable and social information, with the person who you just mentioned that is responsible for the social and sustainable policies. Did she come to you with some proposals, with goals and plans?

**Interviewee:**

Yes, we have this meeting, I think was in a quarter where we share topics around the sustainability and how, what has been implemented. And in the beginning, in my part of my onboarding was also explaining how to fill it. We use the "word favor". This is one **website where we put all the data of how much has been used throughout the month and so far throughout the year**. And for example, this is one of my tasks that I need to look into the changes into the numbers if there's a big difference, then I have to investigate what has been the reason for that. Most of the time is really logical. For example, we switch different temperatures, or we switch the mode, and then you can see okay, the cooling was down and then the heating goes up. And it makes sense, but in some cases, we're like, oh, this month, we use so much more water, what has happened and what can we do to reduce that? But there's also some people that you can reach out to that can help you with this. So, we I have, as I said, the social and sustainability director, she has a team and then each one is responsible for few hotels, and then if you have any questions, they also sometimes reach out to you, or you reach out to them.

**Madlen:**

However, this sustainable team for example, they haven't mentioned in this meeting something about the fact that you have to **soon report on this or to present any kind of report at the end of the year?**

**Interviewee:**

They haven't mentioned something like this. So far, no. It could be that they have discussed this, but **I personally have not received this information yet.**

**Madlen:**

All right. That's clear. Where do you think you miss capabilities or you miss knowledge or expertise to actually be able, let's say in a year to be able to create this report and present it if it gets mandatory?

**Interviewee:**

I think of course, a **bigger training or like an idea of how to fill in this report**, of course will be needed to, I think **a lot of people are missing the idea of or like the knowledge for different KPIs or like what exactly is the impact of each action that we're taking. So, explaining how everything goes together or how everything is linked to each other, I think that will definitely help**, and I think step by step how to fill it in. That's something if you have never done this report, of course, you need someone's help. But I think and I



imagined, that is not going to be very, very hard. So, if you receive it once that I think that should be enough to be able to execute it. But it will be also nice to have someone that you can reach out in case something really changes or like there are some adjustments that needs to be done and to have **someone with the expertise because most people or at least in our hotel, there is no one with really higher level or higher knowledge especially for sustainability**. So, I think that will definitely help.

**Madlen:**

All right. And have you used the services of consultancy companies so far in your hotel?

**Interviewee:**

Yes, because I for example, take care of the invoices as well and I have seen that we have worked with KPMG which I know is a consultancy company.

**Madlen:**

So, in general would you say that your company is **open to work with consulting companies** based on something specific that you cannot do yourself because you don't have the expertise?

**Interviewee:**

**Definitely yes**, I know right now that there we have people who are organizing the events inside of our hotel, so for our internal community, and I know that there's now an external company looking into all of the different hotels help coming up with a plan how to increase this because a lot of people say that the job is a little bit too overwhelming and then they're really looking now into ways to minimize their stress and then making it a little bit easier for them. So, I guess when they see that they cannot resolve it themselves from the **headquarters. They really are open to hire an external company to look into the problem**.

**Madlen:**

All right. That's clear. Do want to add something maybe regarding this topic?

**Interviewee:**

I think ESG and sustainability should be something that should be spoken more openly about and because in general **the hospitality is very hard to be a sustainable hotel**. And that's something that again, you **should invest a lot of money in**. But so far this in the company that I'm working in, I haven't really seen it yet. I know that they have the goals for it, but I haven't seen it in practice. I know there are a lot of things that can be changed and a lot of implementations that should be done in like in the sense of recycling, food waste. We have a lot of food waste, but that's some problems that I think all hotels are dealing with. But they is not that an easy implementation that can resolve this. **Everything comes with a really big financial fees that you need to pay or like investments that you need to make and that's a decision that normally takes a lot of time and then** you need to really look into what you can do in order to make it work for your own hotel. But it's definitely the step forward to the future because I think what we have observed especially with Gen Z and the Millennials, you can see that they're really valuing every company that has a big impact, positive impact on the sustainability and the whole planet in general. So that's something that the customers are really valuing and looking into the companies that decide to spend their money in.

**Madlen:**

Yeah, absolutely. Absolutely. And in your opinion are the reasons behind the hospitality industry not being that invested in sustainability yet?

**Interviewee:**



I think they try to invest more into the people, not the planet. And because if you think about it, the whole industry revolves around people and their needs and wants, but I think it's mainly the big investments that our domain and that is very hard to implement. Let's say it's so much easier not to recycle because lets you put everything in one bin. But if you think about the impact that this makes for the planet, it's huge, but it takes more time from your team to sort out the trash, then just throw it in one bin so that also goes to money, cost you time. You probably need to hire another person to be able to serve the food for the people and afterwards being able to recycle or like sort out everything. **I think it's really the financial reasons and then it's just easier not to do it.** But the impact that it makes it can have so many positive impacts not only on your company, but also on the people you work with. And in general, your customer could be happier that you're taking these actions towards making your company more sustainable.

**Madlen:**

Yeah, what I'm actually trying to achieve is to educate people in the industry that the fees that they would pay if they're not ESG compliant by when the regulations are actually really impacting the industry, which could be in two, three years. The fees are way more than what the current operational costs would be to sort out the trash for example. So, I'm really trying to show that like looking long term, the more feasible and the cheaper ways to actually start investing in ESG. In this respect, I have several ESG advisory services, which for example, companies like KPMG, like Deloitte offer so I'm curious to hear which ones are most needed, let's say in your property, given the capabilities you mentioned that you are missing and given the information I have provided you with concerning the three regulations. So ESG strategy, ESG financial accounting, ESG regulatory practices, meaning how to apply the regulations in practice, climate change strategy, ESG risk so to how to manage the risk that could come with not being compliant to ESG and last but not least Governance management.

**Interviewee:**

**The regulatory one is really interesting** because if you think about it, we have properties in Italy we have in Austria we have in the Netherlands and Spain. So, in each country is going to be something more or less different. So, **if you have an advisor that knows exactly how things work in this country that will definitely help to align everybody on the same page**, because in general, the whole company wants to have the same standards everywhere which makes of course sense.

And I think also about **the risks. I think that if we show or like showcase how important this is, and how valuable this will be for the whole company concerning the risks that might arise from our actions.** So, if you show this even only in the **headquarters, if you have the headquarters aligned and then knowing that this is something that they need to implement, they can easily spread it out throughout the different properties.**

**Madlen:**

Absolutely. That's clear. Well, I think those were my questions. Do you have something else that you would like to add or?

**Interviewee:**

No, I think that's all. Thank you.

**Madlen:**

All right. Thank you for the interview and all the insights. I'm going to stop the recording now.



### 6.3. Interviewee 3: Hospitality Professional (Quota 1)

**Madlen Introduction:** *See above*

**Madlen:**

So, me as a prospect to be an ESG advisor I'm looking for which capabilities is the industry missing currently, where I can help? This is my idea, and that's why I need to interview people working in the Netherlands occupying positions such as general managers and hotel managers in order to understand to what extent ESG is currently implemented and where you miss expertise.

**Interviewee:**

Okay, perfect. Well, shoot.

**Madlen:**

Alright. To what extent were you aware that these regulations are coming, and it will impact your business?

**Interviewee:**

I know for office buildings, there's a lot changing, for hotel other than of course, the normal requirements, the **normal sustainability**, it is part of the permits that you receive from the government. And in here in Amsterdam, it's called Nord.. whatever, it's part of the government. **The regulations aren't...In my view, not much is currently changing for hotels compared to a year ago, not that I am aware.** But for instance, office building needs to have an energy label as of the first of January. Hotels do not need that label just yet. I think they will eventually do but at the moment they don't. So particularly for hotels, **other than the things that are part of your license, and I'm actually audited quite heavily by the government on these points. Not much has changed.**

**Madlen:**

And do you think that... because I spoke to some people in the financial world and they think that soon, maybe the span of two to three years hotels as well would be obligated to start reporting officially. Do you have an idea about this? Where you're aware?

**Interviewee:**

**I mean, I agree, I agree that that will happen that definitely will happen because why would office buildings yes, and hotels not.** The only argument that you can place is that when you are in your hotel room, you're in a kind of home area, a private area. And when you're in an office building, you're not. To be honest, I don't see that happening. What I see is, is that that that **hotels will follow very soon or hotels with a certain size.** I mean, of course you have to differentiate between Bed and Breakfast, hostels, big box hotels so that that might become a little bit difficult. Because, you know, I mean, how much can an old, abandoned canal hotel can do the same obligation as in a brand-new hotel?

**Madlen:**

Yes, yes, absolutely. I agree. And from this perspective, that do you see how do you see the industry prepare to start reporting? I already see some big brands like Hyatt and Marriott and Hilton, they do have reporting on ESG, but I hear opinions that it is mainly to satisfy the stakeholders but when it comes to actual reporting and benchmarking its lacking. What is your perspective?

**Interviewee:**

Well, I mean, I do agree with you. I do it for the stakeholders, you know, I mean, of course, you know, let's be honest, money makes the world turn around very simple. That counts for hotels that counts for every business. If you don't make money, we are going bankrupt. *How do you make money, you get clients, how do you get clients, you go along by giving the right impression and the right message about being eco-friendly. And so, hotels need to go along with the demand from the clients and the demand from the client is green.* And so, is it out of their hearts? Is it out of business purposes? That's for everybody individually, I mean, will they do it because of business purposes. 100% sure, no doubt about it, including me. I mean, I do things because *my clients want me to do it and I do it.* Now, is it out of my heart or not? That's a personal choice that I make in life, but that really has nothing to do with the business.

**Madlen:**

Yes, I understand. And at this stage, where do you see your hotel lacking the capabilities to be fully compliant with the new regulations? If they get for example, mandatory today, where do you feel like you're lacking?

**Interviewee:**

In that sense you got a very good example. Our hotel is a brand-new hotel, *we have a heat and cold source on the ground, so we get our heat and cold from the ground, thermal heating, so we don't have any fossil fuel in the entire hotel.* The one of the most sustainable ways to heat and cool your building. Now, of course, it's a brand-new building so the windows are isolated. *It's all LED, censored lights that turn on and off, etc.* I have a brand-new building, so for the next five to 10 years, I'm quite comfortable in that aspect.

**Madlen:**

All right. And if for example, when you have to start providing these information and activities in a structured reports that comply with the EU directives would you be willing to seek outsourced help in terms of sustainability or ESG consulting?

**Interviewee:**

*Yes, but I think that that will be rather through a certificate like the green key, for instance, or you have companies that would assist you, following by certifying you.* So, that is for me that the way to go. You know, *I can ask the consultants to help me, now the consultants will give me a whole list of things I have to do, and very likely they can help me implementing it too.* But then, you want to show off as well with what you've done, you know, I mean, that's also a human being thing. When it comes to my property, I am following the **SMP global sustainability requirements, because this is what is requested from the headquarters** of the brand I am working for.

**Madlen:**

All right, so let me introduce you to some services which consultants currently offer in terms of ESG. If you have to report in line with the directives I mentioned earlier, which of these services would be of interest to you, given the fact that you mentioned you are willing to collaborate with advisors? Examples of services include ESG strategy, financial accounting related to ESG, ESG legislation, ESG risk assessment..?

**Interviewee:**



I mean risk assessment is important because, we want to avoid risk. So, if I would have to choose it would be a risk assessment to be aware of where's my risk, and how can I mitigate and change it.

**Madlen:**

Alright. And my last question is, in general, what do you think are the reasons of the hospitality industry lagging behind in terms of environmental social governance compared to some other industries?

**Interviewee:**

Perhaps it's funding. I mean, quite often, a hotel is in a building, and they don't own the building they are the operator. But that is not very well known. The public sees Melia in the building and think this is Melia, or they see Hilton The Hague, but Hilton is only the operator on behalf of the owners of the building. And now of course, Hilton can demand to a certain extent that certain adjustments are made but it also really depends on the wealth and the fundings from the owner. And especially now in the crisis that we are in, there's not much money to spend anymore from the owners and especially after the corona disaster that we had. So, are we really behind? Or are we just a big polluter because we get a lot of people in our hotel who travel and that's our business you know, I mean you know people travel by car by plane to our hotels, they have meetings in our hotels, and they travel back because they do business.

**Madlen:**

All right. All right. That's clear. Let me see if there was something else... I think I covered everything. Would you like to add something?

**Interviewee:**

No, I think it was all clear. It was a very nice conversation. I wish you all the best with the thesis and your job in Dubai.

**Madlen:**

Thank you! I wish you a lovely Friday. Bye!





## 6.4. Interviewee 4: Hospitality Professional (Quota 1)

**Madlen Introduction:** *See above*

**Madlen:**

My first question is, in your opinion, to what extent the industry is aware of the new of the way that environmental social governance and sustainability is actually changing the business landscape?

**Interviewee:**

Basically, in the Europe, mainly all the companies that are really committed with sustainability, actually are aware. However, it depends on profile of the company, though, if sustainability is at the core of the business, there are many others that are not really interested in ESG or they do but superficially, for them I don't think you are aware of these regulations.

**Madlen:**

All right. All right. And how do you see the industry lagging behind compared to other industries?

**Interviewee:**

In my opinion as a hotel owner of a small chain in The Netherlands, **I see only the big chains with international presence are aware**, and very much committed to ESG.

**Madlen:**

All right. And even for the big giants like Hilton and Marriott what do you think are the challenges that they're facing to developing competences to report on ESG?

**Interviewee:**

I would say actually, if we want to talk about the EU framework or the regulations or the I would say that definitely they will need to adapt, because it's true for certain aspects they have to improve, but generally speaking the big companies are actually doing a good job in reporting. **The major challenge for the big companies is to make sure that all properties are engaged. Because what you see is not cohesive approach from the single properties.**

**Madlen:**

I understand. I spoke to some people in the financial industry, and they expect in two to three years businesses, including the accommodation sector to be obligated to present the reports according to EU Regulations, which I have mentioned in the beginning of our conversation. So, as we also mentioned the challenges the industry faces, my question is, do you think that the sector is already seeking for help from advisors or they're working on it by themselves by developing a sustainability department?

**Interviewee:**

I would say that this relates to the size of the actual company, big ones that have sustainability as part of their core already have **sustainability corporate office**, which is the case of big chains, but looking at the **smaller scale ones, they definitely will need to outsource this task especially when it becomes regulated by law. So, my understanding hotels for sure will need consultancy especially independent smaller properties and small hotel chains.**

**Madlen:**

Alright. And in your opinion which ESG advisory services would be needed the most? Example of such, come from consultants such as Deloitte and KPMG, they offer ESG strategy development, ESG Reporting, ESG financial and advisory, Due diligence. Which of these do you think would be the most demanded especially when these regulations actually start to become applicable?

**Interviewee:**

I think the priority would be regulations, framework, criteria, and requirements related to the new directives. So very much into the law perspective because definitely every company will need like an analysis of what is the current situation. And they will need to be helped in what does this regulation say and then compare the existing measurements or the actions that they are implemented and need to be in place.

**Madlen:**

I understand. I understand. And how do you see the sustainability and ESG market develop?

**Interviewee:**

In my view that is something that has been increased recently with a higher demand for sustainability support. And I think that especially from the smaller companies or independent companies. But I believe that in general there is a great potential for consultants to tap in this market especially in EU.

**Madlen:**

That's, that's good news. That's good news. Would you like to maybe add something that I maybe haven't discussed?

**Interviewee:**

Well, I would like to highlight that consultants should also be able to engage the people in the company they are advising. Sustainability and ESG should be in the core, in the mission and the vision and consultants have to be able to display this message.

**Madlen:**

All right. Well, those were my questions. Thank you so much for meeting with me it was a pleasure.

**Interviewee:**

No problem anytime. I wish you the best for your project and for the future as well. Bye.



## 6.5. Interviewee 5: Finance Professional (Quota 2)

**Madlen Introduction:** See above

**Madlen:**

Why is ESG important for banks?

**Interviewee:**

ESG is a very important topic for banks, in our bank its applied from one to three years maybe actively and it's **very important because we consider that customers should apply with all applicable regulations** concerning the banking sector and the environmental social governance policies and **we require each customer to give evidence that they are compliant.**

**Madlen:**

Alright, which of the three components of ESG is actually the most important for banks or they're all equally important?

**Interviewee:**

Oh, equally important. In our bank none of them prevails. They're all interconnected.

**Madlen:**

All right. Good to know.

All right, and you said that you're requesting this ESG data, in my research it's it shows that actually banks are having difficulties in getting this data because some companies are not yet that far into implementing it. So, do you agree with this? Is it hard to get this data from companies that you're financing?

**Interviewee:**

Yes, especially for some customers, those are the customers in the SME sector, **all smaller companies which are not under the requirements of SFDR. The companies with small number of employees, small turnover. There we have difficulties really to gather this data, but we try to make it informally.** Besides all the regulation requirements we have implemented in the bank, **some questionnaires, some ways to gather the information from them and we rely on the information they give to us.** It's not public. It's not provided in public reports. But it's something they gave it to us on their goodwill.

**Madlen:**

All right. All right. I understand. My other question is I spoke to some other financial experts, and they actually think that in one to two years' time all companies will be bound to report on ESG Do you agree with this, or you don't see it coming that soon?

**Interviewee:**

I agree with this, and it will come soon, but soon maybe they thought 2025 2026 maybe this will be in a period of three or four years from now and as far as I know, us regulations so it's envisaged to do there will be such regulation for smaller companies and SMEs.

**Madlen:**

I also saw that the corporate sustainability reporting directive is coming for small companies to report on ESG as well in 2023. So maybe there is going to be a development in there as well.

**Interviewee:**

Yes, just as a regulation, but we have to consider the period for complying with this.

**Madlen:**

Yeah, exactly. Well, my other question is how do the new regulations actually changed the way that you do business, the way that you provide funding? In a sense of for example, I saw that some banks are already giving lower interest rates, is this the case?

**Interviewee:**

Yes, this is part of the case. So, some banks really are giving lower interest rates and so also such other kinds of incentives to companies which are compliant, and which are moving further of those regulations. So, it's part of the social component of ESG.

**Madlen:**

All right

**Interviewee:**

The way of doing business has changed recently is that the requirements of these regulations are harder applied and much stricter. All the considering of the requirements. And in our bank, we have really strict applications of this regulations. We have such regulations in the coal sector in the defense sector, and in fact, some companies and some businesses are even forbidden to be financed then, we strictly observe them. Besides the ones that are forbidden to be financed, there are strict requirements for other companies in this sector.

**Madlen:**

Right. All right. And also, this goes for the risk assessment as well. It's impacted right?

**Interviewee:**

Yes, yes.

**Madlen:**

Alright, that's clear. Is there something maybe specific that you ask about ESG or it's just like, document with ticking boxes or how does it look like?

**Interviewee:**

No, it's, it's already **not a document with ticking boxes**. So, it was this way, a few years ago, maybe two, three years from now. But now we have **very concrete, comprehensive questionnaires and information** that has to be provided by the business side of the bank. These are the colleagues who work with the customers they have to require all relevant information concerning ESG for the companies that are under the requirements of the directive, called or other sustainability reports, annual reports and all kinds of official data, public data which is published, but for smaller companies this information which is as required, from the relationship manager to the customer, and if the customer wants the financing wants to proceed, with his relationship with the bank he shall give it. The customer has to provide information on the way he complies, hasn't had incidents with ESG issues so far.

**Madlen:**

All right. All right. That's clear. And in this sense, what, in your opinion, the most important ESG considerations that companies have to adopt. Is it for example, their ESG risk assessment or ESG accounting or something else related to the governance, what they have to do more in what do you want them to do more so they can help you out in your process as a bank?

**Interviewee:**

Simply and shortly, they have to do all, my activities are related to the risk assessment mainly the things that we consider most in the risk assessment are the implementation of policies, of ESG policies. So, these are the environmental policies, social policies, governance, and it is best when all these policies are published in the websites and the companies have the relevant declarations, which are made publicly. In different areas of the bank activities, they consider also, the accounting process, so the application of the requirements in the financing project process, and as far as I know, **they require all evidence for the ESG requirements and their fulfillment in the financial documentation.** Shortly, it's really, it affects so many activities of the bank.

**Madlen:**

Alright. What is really interesting that I found is that actually a lot of businesses are lacking to get in house expertise on ESG because it's a newly developed topic. So, the demand is high, but the supply is really short. So, in the sense are you helping these companies in providing the information? Because you said you have questionnaires for example, for the SME companies, but if for example, they don't have the expertise, is there a way that you can help them to come up with these factors somehow?

**Interviewee:**

Yes, so we are helping through clarifications of all these questionnaires of all they have to provide, and also a specific topic is that we have to reassure them to tell them that there will be no problem for them to provide this information that is confidential and nothing bad will happen to the company if they provide it because as a bank, we have this problem. They say that it's a trade secret. It's a commercial secret. We don't provide this in our work is also to reassure them that it will not affect them negatively. Also, **we tell them about consultants there are consulting agencies in this area and international ones and we direct them to search consultants which may help** or but it's already the desire of the company for sub services.

**Madlen:**

Alright. All right. Basically, I'm conducting my thesis for exactly this kind of company, and I am interested in what areas do you see that the businesses are lacking or not being able to integrate ESG? Where do you see the biggest gap overall?

**Interviewee:**

Again, I'd say that those are the **small companies, which are out of the scope of those new regulations and the company's proprietary and the smallest business, there it is difficult to comply and to understand that they have to comply** and we **have cases that they come to the bank with their request for financing the things come out that they are not compliant and don't have they don't have the desire even to do it, we have even lost clients for it.**

**Madlen:**

Okay, yes. I can understand it. I recently I had an interview with the CEO of one of the biggest hotel brands in the Netherlands even he didn't see this coming. He didn't know it will impact the cost of capital and everything. So, I find it really amazing how the hospitality industry is really lagging behind in this. Have you ever had to deal with the hospitality industry company meaning a hotel, restaurant, even airlines, these kinds of companies? You don't have to mention the name, I'm just curious what you saw.

**Interviewee:**

I have to be honest that no or very little because my activities are related to reputational risk and this is the risk of several areas several sectors, which are the coal sector, defense, nuclear energy, oil and gas are some critical sectors for the economy and companies engaged with hospitality, hotels, transport and so on are currently out of the



scope of the activity, unless there are some reputational risk issues or topics related to such companies. But really, we didn't have such until the moment right now.

**Madlen:**

Yeah, I guess they're just not there yet. So probably that's why haha...

**Interviewee:**

Yes, not there yet, it's a lagging sector, which is good from the other side haha...

**Madlen:**

Exactly. Based on my research, the hospitality sector is really high in energy expenditure, pollution, really bad performing socially speaking with, the labor shortage... So indeed, they have to speed up the process there. So, speaking of this sector, do you believe that it's important for hospitality businesses, do you think that they should also start thinking about really integrating ESG? And it's vital in general and that's the thing of the future?

**Interviewee:**

Yes, absolutely. I think so. And **I think that it will be one of the first sectors that we will be affected and that we will be required to implement all these requirements** because as you said, there are higher expenditures of energy, electricity and so on, carbon footprint and all, and really in the sector, the companies shall use such kind of services of consultants, firms in order to help them and support them in this process.

**Madlen:**

All right. Now that we mentioned consultancy firms. Do you have some sort of a shared agreement with this type of a consultancy company or is just that you recommend to businesses "Hey, there is this option of going there, they can help you further". How does it work?

**Interviewee:**

It works as we just recommend for the customers, so we don't have engagements or any kind of treaties. But **we recommend that if they want to be fully compliant, be supported in their process of implementing the ESG requirements, it's good to use such services and it will be helpful for them** but we as a bank, we have such engagements but for the ESG activity of the bank itself.

**Madlen:**

All right. All right. And another question because you said reputational risk, I indeed found a lot in the literature saying that ESG is correlated directly with the reputation of a company also with the stakeholder value and in general, so have you heard of a company that has been lagging or not complying to ESG and then it was hurt reputationally wise, did something like this happened already?

**Interviewee:**

**There were such cases with companies which had such issues, had incidents due to lack of policy, lack of practice in this area, and it has negatively affected their reputation. It has also negatively affected their relationship with banks, not just our bank but with others. And which led to termination of some relationships due to such kind of issues.**

**Madlen:**

All right. Well, those are my questions. Do you want to add something?

**Interviewee:**

I just want to say that it's a very important topic, very necessary which will develop in the years to come and will become a very good niche and business to develop.



**Madlen:**

Yeah, that's true. I agree completely. Thank you for allowing me to get your expertise!

**Interviewee:**

Thank you to, it was pleasant seeing that we have so much to talk about regardless of the different sectors we are operating in. I wish you luck with the thesis and keep me updated!





## 6.6. Interviewee 6: Finance Professional (Quota 2)

**Madlen Introduction:** *See above*

**Madlen:**

The first question that I have is: Why is ESG important for investors?

**Interviewee:**

For two reasons. First of all, let me think very well for that answer, all right. Well, let me start by saying that you have to define what you mean by investors because typically, we deviate between what we call retail investors and institutional investors.

In real life there are more righteous but basically you have retail, which is individuals who invest because for their direct pension fund for savings for I don't know, whatever the reason could be, and you have institutional investors and institutional investors are usually pension funds, insurance companies, sovereign wealth funds, so large institutions who invest capital which is not necessarily from them, like a pension fund invest the savings made by the participants of that pension fund. So, the people deciding on investments, they do that not for their own capital, but for the capital of the participants of the pension fund. Similarly, for insurance companies, whereas for retail investors, it's your own money. All right. All right. So, the drivers for why investors would like to invest in a sustainable way deviate between retail investors and institutional investors. So, for retail investors is much more driven by the sort of ambition to make sure that the solving well is done with your capital. Some investors feel very committed to support a sustainable economy. So, they make based upon that they make selections with which manager or which investment, they invest because they have a clear sustainability agenda. For institutional investors it's a combination. So many institutional investors are already quite advanced in terms of that they do more than what the regulations and laws require from them. But basically, it's much more driven by compliance to existing laws and regulations.

**Madlen:**

All right, all right. I understand. So, the finance disclosure regulation, for example, it's already into effect.

**Interviewee:**

Yes. What you see now and it's an interesting move, because up until now as for retail investors, basically if you didn't feel the sort of genuine urge to do something well with the money you save. Yeah, basically, you were just investing and maybe not aware of all kinds of sustainability issues. But now as of a sort of was August 2 **as part of the SFDR regulations, banks are required to ask their clients how sustainable they would like to have their investments.** And that forces retail investors to think about it, and obviously some will say, "not important. I just want to make loads of money, so please, not sustainable". For others. this moment will be a moment at which they really start thinking about the impacts their investments have both negative impacts, positive impact it could have. So hopefully that will trigger more retail investors to think about sustainability and to adjust their investments, preferences, so to speak.

**Madlen:**

Alright, I understand. That's clear.

**Interviewee:**

Our opinion by the way is that regulation should never be the driving force behind impact investing. You should really, I mean, they should be that you understand that it's important to do things different from what we do and that that we need to support



financially support those companies who have a clear impact agenda or sustaining sustainability, agenda or sustainability objectives or targets. That they'd like to meet.

**Madlen:**

Yeah, absolutely. Well, I think in this case, just the European Union had to do something to kind of push towards this direction. Which I would say maybe it already works because I see for example, that banks are already giving lower interest rates to companies implementing ESG factors. So, I see some progress in this direction. Well, how do you see in general businesses develop their ESG capabilities? Do you see a positive progress towards this direction or it's slow and hardly noticeable?

**Interviewee:**

No, I think in general, the trend is positive. You see the usual suspects more in the fossil fuel and oil industry who claim to be in transition to become a more sustainable company but where it's not really proven by growth of investments in that direction or increasing revenues from the direction whereas a lot of others really make good progress. Also, because for them there's an increasing pressure from the EU to comply with the laws and regulations. And I think and **that's something which we become more and more important in the coming years is that from capital providers point of view, both banks for providing debt and equity providers, they will be more demanding with respect to the company's sustainability agenda because either they would like to comply to their the regulations which apply to them**, so they're forced to or they really have a genuine mission to create a more sustainable world and **don't think that a lot of companies yet to realize that that it will become more difficult.**

**Madlen:**

Unfortunately, the interesting thing is that I had an interview with a CEO and I was surprised to see that he has no idea that this is actually coming.

**Interviewee:**

Yes, for a lot of reasons and as well as, particularly for the hospitality world there are a lot of hotels built in areas where as temperatures will rise more than three degrees they will be flooded. I mean, the whole coastal areas of Spain, Florida, East Coast of the US. They will have serious issues. Now I don't think that you can solve that by yourself by a hotel owner, but it **definitely needs to be on your agenda and sustainability both in terms of risk and risk are defined as climate risk for example, and as well as financial risk because what will happen if you own a hotel in the on the these areas, there will be a moment that an owner or any other insurance company will charge you higher fees because you are a bigger risk for them from a business model point of view. So apart from financing, it's also the risks are also in terms of other financial costs, like insurance costs, potentially could be operational costs like where you buy your food products and is the area in which you'd buy them or, or the logistics to get them to your hotel...A lot of reasons for hospitality management industry to absolutely have a focus on sustainability risks.**

**Madlen:**

Yes absolutely.

**Interviewee:**

And as mentioned sustainability risks, for me it's more than the risk of climate change. It's related to finance. Operations, it's got a lot of different areas affecting your business...

**Madlen:**

Yeah. And now that we are talking of areas, do you think that they because ESG environmental, social governance, do you think that so far, people are more focusing on the environmental part and the other two are equally important?

**Interviewee:**

Yeah, absolutely. I'm not a specialist, so it's difficult for me to say how well particularly hospitality industry how well, companies are focused on the social part. I know that in general, it also relates to labor laws in, and they differ in labor laws in the Netherlands or Sweden or different from Italy or the US or, or Argentina. So, we probably have a different view on social impact. But one of the other things which I think is underestimated, right now, but will definitely be more important than co2 emissions or climate. And that's biodiversity or the risk of further biodiversity loss. And within the biodiversity theme, there's also a climate thing. So, if you can imagine if you improve if you're able to improve biodiversity in a particular area, it automatically means that you will have more plants, more trees because that will help and if you have more plants and trees, you have more capacity to convert co2 into oxygen. I would say if we all focus on biodiversity and improving or protecting at least but preferably improving biodiversity, climate will follow. Right now, it's we focused on your climate and co2 emissions and we forget, biodiversity part and that's way more important and I have to admit it only for six months ago, I really fully understood the importance of and the importance of biodiversity and what will happen if trends continue as they as they are. And we might end up being happy because we reached our co2 targets, but we never looked back to see what happened with biodiversity.

**Madlen:**

That's true. That's true.

**Interviewee:**

So, I would say that we are focused way too much only on greenhouse gases. It's important but there are other things as well. It's probably not time to improve it and with regard to governance, I think it's difficult to say... We're not there yet, but with respect to governance, important steps have been taken already a few years ago. So, I what I see is that that part is way more advanced compared to the E and the S from ESG.

**Madlen:**

All right.

**Interviewee:**

Not there yet, but better at least from before. We're just starting.

**Madlen:**

Yeah. All right. I was wondering what type of ESG related information do you currently seek from businesses?

**Interviewee:**

Quite a lot. Quite a lot. Maybe it would be more helpful if I sent you a list. **Because we check the companies, we invest in on how much ESG criteria. It's really and it's really ESG it relates to the to the protection of labor, biodiversity, relates to greenhouse gas emissions. So, there's a lot of things we check,** and I think that we are probably the strictest with respect to the criteria companies need to comply with. We have a very ultimately a very strict universe in which we invest. If you start with 4000 listed companies, we ended up with that 120 meets our sustainability criteria.

**Madlen:**

So, you're investing in listed companies only?

**Interviewee:**

No, not only we, but we also invest in listed companies, and we invest in non-listed companies, debt products, loans. For example, we have a microfinance Fund, which provide loans to microfinance institutions, they can then lend to smaller entrepreneurs. So those are loan products. Similarly, we have a green project Fund, which provide project finance to renewable energy projects in the Netherlands and internationally. We have a biodiversity Fund, which we invest in, we just recently started that, so at a time for now we invest in underlying funds. So, funds for example, we provide them with capital, so it's an equity investment for us in a fund. And that fund provides finance, for example, to coffee farmers in Ecuador who have a process in which to protect or restore biodiversity or sustainable fish farming or other forms of forestry. So, we have a mix of listed and non-listed companies.

**Madlen:**

Alright, I'm asking because what I saw in my research is that for small companies that are not falling under the regulations that are developed by EU so far, it's really hard for investment funds and for banks to actually get or access some kind of ESG information. So, I was recently having an interview with the ESG risk assessor from one of the biggest banks in EU, and she told me that they have to help them actually, to get the information because those companies they just don't have it. So, what is your view on this on this issue?

**Interviewee:**

Yeah, **our selection process that we have three long term sustainable objectives, you want to be climate positive by 2030. We'd like to have biodiversity footprint positive, and we aim for a livable wage in the apparel industry. Shall we select investments who in one way or the other come to positively contribute to those three objectives, which already leaves quite a lot of investments because they don't comply and the next step is that we, we screen them based upon the investment criteria**, which I will send you and if they don't comply to all those criteria, and those criteria are not only related to impact, for example, we don't invest in particular solar panel producers because they use forced labor the Chinese mostly use forced labor and although solar is good, they need to meet all the criteria. However, there might be companies and those are typically the smaller ones. And I can imagine it's not listed. So, unless you probably have more, this kind of investment but also in the small and mid-cap companies. Those are companies who would like to become more sustainable, but not yet there. Don't know how or and what we do is we use engagement, for example with them, helping them we're not a consultant so we never tell them what to do, but at least we could tell them or the outcome of our analysis saying okay, "You're a very interesting company. We like to invest in the business, and we think your business helps a certain transition. But you need to improve on data of greenhouse gases or social data", so we don't invest in them yet. And that's called engagement, so we have regular contact with the management and ask for particular deadlines with respect to when they will be able to deliver those. And ultimately, the conclusion could be still you don't meet our criteria, so you're off the list, or they make progress, and they are able to provide and then we can invest.

**Madlen:**

Alright, all right. And in your experience and regarding cases of engagement that you have mentioned, do they go to ESG advisors or are they just work on, kind of by themselves with their in-house expertise?

**Interviewee:**

**They tend to use advisors**, there's a company which is called Sustainalytics...I'm not a fund manager nor a sustainable analyst. So, I don't know the exact details, but I think they don't do that by themselves. Because it's, I mean, for us, it's already difficult to get all the information on the on the underlying investment. So, for them, it's really difficult.



For example, co2 emissions you have I don't know how well you are educated in this field. But you have scope one, scope two and scope three emissions. Scope one is direct, if you have a factory, then that is scope one emissions, scope two emissions if you have a factory and you buy certain products as input for your process then the co2 production, so the co2 emissions for the production of the raw materials you need to consider. And then scope three, if I'm well informed is, what will be the co2 emissions of those people buying your product or using your product. Basically, the whole co2 or greenhouse gas emissions in the world should ultimately be allocated. So, it's extremely complex and the scope one is easy to measure because it's basically if you know, we have 25 cars for our service people then you know, okay, this is the scope two is a lot more difficult and more complex scope three is extremely difficult. **I can imagine for companies it's really a burden. So, you really need to build specific teams in order to track that and then you have water usage, waste usage or re-reuse of waste, there's a lot to measure and are and it's difficult to do by himself.** So, there are a lot of companies who provide their consultancy services or even in which you can outsource particular activity, so you don't have your own team measuring all those items, but you outsource it.

**Madlen:**

Yeah, yeah. I was also researching about the ESG advisory market, how is it developing... And I saw that there is a shortage in supply with the growing demand, not really matching currently...

**Interviewee:**

Yes, definitely! I think particularly in the hospitality industry, which is an important industry. It's an important industry but also sustainability is important for that industry. You can make a very good business model if you have someone who has both understanding of hospitality, business, and the sustainability agenda.

**Madlen:**

Yes, absolutely.

**Interviewee:**

And the business model, as I mentioned right at the start of our conversation, sometimes the eyes of people open if you talk about risk, and it's ultimately a risk, because up until that moment, they might have seen sustainability or something okay its trend...

**Madlen:**

Or a marketing campaign...

**Interviewee:**

Yes, for marketing or basically some say, "This is for-tree hugging people and not for me as a businessman", but this is really, this will be what it will be the focus or the next 10 20 30 years.

**Madlen:**

Yeah, absolutely. Also, in the next year 2023, the EU commission will be launching the corporate reporting directive, which will also bound SME companies to report so that's going to be an interesting development as well.

**Interviewee:**

Yeah, **they can't hide anymore, as you mentioned, you cannot hide because banks will ask for it, equity investors will ask, insurance companies will ask for it. Everyone.**

**Madlen:**



Absolutely. Well, we'll see how the business in the hospitality business will develop but so far, I don't see much progress in this direction based on my research so far. Another question that I have is where do you see that the businesses are struggling the most with incorporating the ESG factors? Where is the area or areas that you see that they're struggling the most in?

**Interviewee:**

The availability of reliable data. The most important one. So, it's basically regulations, I think are not that difficult, but it's, it's really where do I get my data and how reliable it is.

I think that's really the issue not only for companies but also for us as investors because apparently, they are if you have two different data providers, on one particular data point, they can provide different outcomes, which is strange.

But if you look at how on the longer horizon, how far we have come already, in a relatively short timeframe. I mean, we need to work much harder than that. But I mean, 25 years ago, it was really and what's 25 years is really nothing. 25 years ago, I mean, basically this this no one really aware of all the risk we were running. So now you really look the engines are starting and data will improve because there's a lot of companies who will jump on this because they see the market opportunity.

**Madlen:**

Yeah, absolutely. Absolutely. Also, my research showed positive correlation between the real estate valuation growing higher with incorporating the ESG factors. So, I think it definitely just impacts everything.

**Interviewee:**

It's interesting that in my former job, I was more involved into real estate. What I saw is that tenants more and more require particular sustainability labels from the landlord. So, you're out of business if you don't, if you're not able to offer a sustainable building to tenants and those are not only the governments who are the biggest tenant usually in the market, but also more corporates and smaller companies will require because also this is also input for their sustainability performance. So, if a company rents a particular very sustainable office building that helps in their climate and biodiversity footprint as well.

**Madlen:**

Yeah, absolutely. Absolutely. Nice to have this perspective as well. That's noted. About the hospitality industry, how do you see it differ from other industries?

**Interviewee:**

From our point of view, I don't think we have listed hotel businesses in our investment universe. However, we do have an allocation to eco-tourism in our biodiversity fund, we haven't yet found suitable projects. But that's definitely one of the focus points because we expect tourism to grow despite the fact that in average, it's it has a huge footprint. So, if you don't deny that tourism regrowth and they rather go to eco-friendly biodiversity friendly places and for now those are all like nice, small hotels in Costa Rica, but not really the bigger hotels, particularly the more business-like hotels. I mean, they don't go any further beyond the point that you have a sign showing that you can leave your towel on the ground or and that's basically it or maybe you have LED lights but there's so much more they can do. And the question probably they will have, is whether it will be from a business point of view interesting to do so, or if their guests are willing to pay premiums.

**Interviewee:**

Yeah. And I think there will be higher demand and I don't know when that will come, but I think there will be definitely a moment at which you need to pay more if it's not sustainable because the hotel has to pay higher insurance premiums, higher cost of capital.... So, they're either going out of business or they need to increase the prices...

**Madlen:**

Yes, well this somehow confirms the statement that the hospitality industry is lagging behind compared to other sectors...

**Interviewee:**

Oh yes, and maybe one remark to add. I think it all relates to the fact that they don't see any particular demand or a huge demand from their guests for a more sustainability.

**Madlen:**

That's right, even though now I see more and more people being invested in such considerations, even in the way how they get from A to B transportation wise. So, I see some progress especially from people around me and my school colleagues. We're talking more and more about sustainability and how important this is. So, I think that's a great thing to see...

**Interviewee:**

Yeah, yeah. And it's good to see that. Discussions are more about the opportunities. Basically, for a long time, it was seen as a sort of negative or a market niche. Now, the discussions move from that to more as an opportunity and in addition to that, as mentioned a few times right now that **not focusing on sustainability becomes an increasing risk in general for society, but also on a corporate level. You cannot allow yourself to deny.**

**Madlen:**

Yeah, not anymore. Not anymore, especially in in EU. I don't think that's a possibility anymore.

**Interviewee:**

No, you are right!

**Madlen:**

And I have one last question. So, I have some services that some advisory companies offer, I wanted to ask you which ones you think are most important for consideration: ESG strategy, Climate change strategy and risk, Governance management, ESG financial accounting and regulatory services and M&A ESG due diligence. Would you say some are more crucial than others from investors perspective?

**Interviewee:**

This is difficult to say, they are equally important...It depends on where you are as a company... **M&A is very important, especially since it takes risk into consideration** and I have mentioned how important ESG risk is...But then, **if the company is small scale, I would say focus should lay on ESG regulatory and strategy because this is the way to get going and comply.** At the same time, **I do believe it is more tangible to talk about risk, because you have to convince these people that it is not simply about climate activism but if you translate it to risk factors and relate it to financial consequences, then it will become more concrete.** **Risks are increasing, banks care, pensions funds care, investors care, so it is not a matter of agreeing how important ESG is, the environment is that now that institutions seek these questions...**





**Madlen:**

Absolutely. I understand. I was asking about this since I intend to see what services are requested the most, so that I can make the business plan for the company I am working for.

**Interviewee:**

Yes, in cases like this you have to think what companies you will serve, because for the Ritz the situation would be different than for a hotel group with 5 hotels in Germany for example.

**Madlen:**

Yes, I do agree! Those were my questions. Do you maybe have something to add or ask?

**Interviewee:**

No, no, I think it's very interesting... I think you are really spot on in regard to where you are focusing right now! Sustainability and ESG is the topic right now, but especially when you link it to your hospitality knowledge and the hotel business in general, this is really valuable!

**Madlen:**

Thank you very much! It was extremely helpful! I will keep you updated on the progress!

**Interviewee:**

Yes definitely! Thank you too! I would love to read your end product! Please do keep me updated! I wish you luck for the next couple of months and enjoy the summer vacation!



## 6.7. Interviewee 7: Finance professional (Quota 2)

### Madlen:

Officially to start, welcome and thank you for agreeing to meet with me. As discussed, after this interview, I will send you an informed consent form which gives me the permission to publish your words. You just have to sign it and return it back to me. So let me quickly introduce you to my research topic. I'm working for a Dutch consultancy company which is now consulting on valuation and stocks, but they want to enter the ESG advisory market. So, what I'm doing is I'm researching what banks and creditors what kind of information they already request from the corporate sector and especially the hospitality industry, so that I can tailor the services and see how I can develop this business project for the company. So why ESG? Well, as you are aware, the European Commission already have some regulations that have been developed basically the sustainable finance disclosure regulation, the corporate sustainability reporting directive, and the European taxonomy. So, they already make the participants in the financial market to report on their ESG compliance. And what happens is that they these financial institutions already request this data from the companies they are financing. So, I'm researching what exactly they request and how I can as I said, develop this project so I can deliver the services to the hospitality sector. Is everything clear so far?

### Interviewee:

Yes. How can the best way support what you're searching for?

### Madlen:

Firstly, how did the new regulations impact your business?

### Interviewee:

We managed to do very important preconditions for starting the financing business. We have an evaluating tool calculating the co2 footprint, which provides all the greenhouse information necessary for the report, which was derived from performing regulatory. We have the necessary preparations to start the eligibility rate. We have changed the strategy for the ESG components. We have also issued the mandatory report for 2020.

### Madlen:

Alright, this is clear. And how do you assess the businesses which seek finance from your bank on ESG?

### Interviewee:

We created a **questionnaire and an ESG rating tool**, which we contracted and have tested two datasets everything necessary for the tool to work. Because we have the issue of gathering information from the clients to assess their ESG profile, **this rating tool helps us to assess what is the strategy, how the client is performing on ESG in general and, at the end of the processing the tool displays the risk profile of the client. It takes into consideration the industry which the clients are in and the geographical location.**

### Madlen:

This questionnaire and tool that you mentioned, is it something is it tailored to the bank that you're working for?

### Interviewee:

Yes. I will send you a presentation which gives more information on these ratings.

**Madlen:**

Alright and how do you see companies performing on ESG so far?

**Interviewee:**

Well, this is very difficult to say. So far, I see **companies which are doing relatively well, others report based on their discretion, third ones do not do anything**, and we sometimes refuse financing. I noticed a decline on the ESG topic due to the geopolitical situation, but I also see the slow pick-up and it seems pretty favorable for the ESG topic to be high on the agenda. However, when it comes to reporting requirements, I think soon will be a priority because the governments are also pushing in this direction. I think in the next five years all companies must follow the ESG agenda.

And regarding the Taxonomy it really depends on your organizational data, the data structure, because to work and comply with the taxonomy, to be able to report they need to drill down to where exactly the product falls. Our organization we're supposed to cover only level one, the most general one, not the most detailed one.

**Madlen:**

Okay. Okay. Yeah, it depends on the industry. I saw the breakdown for industries and sectors.

**Interviewee:**

Exactly. From our business perspective, every deal has to be recorded, like be kept in the systems.

**Madlen:**

Yes, I understand. I was also wondering, given the fact that banks and investors in general have difficulties in accessing ESG information from smaller companies. Does the questionnaire that you mentioned considering these?

**Interviewee:**

Yes, we deal with SME sector as well. But **what I see is that smaller companies don't care at all. They have no clue**. And this is the role of the bank to support them in the process of the financing, sort of reporting on the financing. But also, here the **Sustainability advisors come, because they will be the intermediary on training the client on how to present the application**. Overall, big companies are prepared for this, small companies are not. So, in this **perspective, it's a marketing niche at the moment and I would say it's an open market**.

**Madlen:**

Yeah, absolutely. Do you think that soon all companies will be bound to report in some way? Because some people say yes, from two to five years even small companies would be required to provide this kind of information in a structured report. What is your opinion on this?

**Interviewee:**

**The companies that are on the market for sure have to report, all the financial institutions have statutory obligation to report on that. Small companies will have to soon, but again it depends on the scale**. Imagine a small bakery, they probably won't be obliged to.

**Madlen:**



It does make sense, yes. Okay, and what about hospitality sector, the accommodation sector because for example, in the industry that I'm working in we have a lot of food waste, and the social policies are not really well developed so from this perspective how would the regulations impact the sector?

**Interviewee:**

Most probably, I'm not an expert in this specific industry. But I believe as any other industrial company this sector has to comply.

**Madlen:**

Alright. Also, I have another question. It's related to me as an intermediary, as a consultant. Some companies like Deloitte and KPMG, the Big Four, they already provide consultancy services in terms of ESG. And they have many sub services, for example, ESG reporting, strategy development, implementation risk assessment, so which ones of these you think me as a consultant, I have to deliver?

**Interviewee:**

Be prepared for all of them. Of course, it will be dependent on the profile of the client you might have. Most likely, **they would need support in complying to the regulations and of course advise on obtaining financing. Others will have to first be advised on how to implement ESG overall.**

**Madlen:**

That's clear that's clear. Do want to add something?

**Interviewee:**

I don't think of anything further.

**Madlen:**

I think. Yes, I think we covered everything.

**Interviewee:**

Maybe one more think which I want to share, as of 2021 I see everyone became very eager to enter the green so called financing market, I am skeptical how they were able to organize their systems inside to create a product because for example, if I'm offering financing for a green product, I have the question, where is this money coming from? If me as a bank I am collecting all the money from let's say extraction, oil processing company. And I'm giving you this to buy something green, is it really a green product? And then the other problems come how I am collecting the data, how I am structuring the data, how I am posting the data, etc. It's very, very specific. And talking only from the point of a financial institution or not talking from the client perspective, but still these are points to be considered.

**Madlen:**

Interesting yes.

**Interviewee:**

Also, what we didn't talk about are the GRI the standards, which include categories such as gender quality, inclusion, age, all these components need to be reported as well. In order to report on them you have to collect to data. And, you know, for collecting, there is like a universe of topics to be defined.

**Madlen:**

Yes, I have the full set of the standards, but what I am in the process of understanding is the differences in relation to the measurement and benchmarking on these standards.



**Interviewee:**

Yes, I understand, well there are datasets, which can help here talking for companies such as Bloomberg, however what is indeed missing and unclear is what are the "safe levels" and the methodologies derived to measure. There is not a clear benchmark to decide how to interpret these values.

**Madlen:**

Yes. That's clear. Well, I think now we covered everything. Of course, if you want to add something, you can contact me anytime. Thank you so much for agreeing to meet with me.

**Interviewee:**

It was my pleasure. Good luck!



## 6.8. Interviewee 8: ESG Consultants (Quota 3)

**Madlen Introduction:** See above

**Madlen:**

I have six questions prepared, but that's a semi structured interview, so feel free to add or ask anything, at any time. My first question is, how are the ESG advisory companies and ESG advisors, how are they actually assisting the businesses with the integration of ESG?

**Interviewee:**

Well, I would say that they're different types of clients. But in our case in **COMPANY NAME**, we have three business lines, one is advisory, the other one is audit and the last one is outsourced accounting services. And let's say that mostly ESG or sustainability proposals can be sent to either audit clients, or advisory clients. Then you have two types of let's say... because the legal structure goes as following: If you have an audit client, mostly you can only provide assurance services or small consultations or gap analysis which are related to the quality of the audit you will do afterwards. For instance, let's say that now, the European action plan involves a couple of directives, you have the sustainable finance directive regulation, corporate social responsibility, the EU Taxonomy and so forth. So, let's say if we have an audit client, we can provide gap analysis to check and prepare them to actually launch and publish their sustainability report by 2025. So, we can provide that type of services. But this is the simplest one. You just see what they're lacking according to the regulation, there is nothing super wow. Then, if you don't have such agreements, and there's no conflict of interest with an audit company, a company auditing, let's say another type, it will be an advisory client. You can provide all types of services, it can be trainings, it can be apart from gap analysis full strategic planning and implementation. So ESG, I would say is mostly related to climate change risks, regulations, and maybe draft of ESG metrics which are, are material topics for the company, which are of importance for their future existence and resilience and sustainability in the future. So, I don't know if I answered your question because it's a bit broad.

**Madlen:**

Yes, it's clear. I have recently had interviews with a creditor and an investor, they both told me the importance of ESG risk assessment. So, is this something that you also do in the in the company that you're working for?

**Interviewee:**

Currently, we are still in the process of how to say finding clients to whom we can provide sustainability services. If, of course, maybe banks they have very good...how to say... they inherited best practices from their parent company. They have internal policies and structures that they just adapt to the particular market and is different, while we are looking for companies who seek help. From my observation, you have couple of ESG crucial topics one is ESG risk identification, or key risk topics. You have to see according to the business involved, what risk could arise and in which way it can affect the business. Then you have assessment after you identify the type of risk, you start delving more into the...how to say... there are a lot of heat maps, scoreboards. This is how you assess the risk, I would say. Lastly, you have scenario analysis because one climate risk or like ESG risk can affect the financial side of the business. Then you might assess through scenario analysis, only portfolio, one portfolio, or the whole business line. There are a couple of risk you have physical business risk, credit risk, counterparty risks, I mean, it's a bit unlimited when we speak about finance. But I would say you have to look into a more holistic way and the more detailed and the more embedded



sustainability and ESG risks are in every functional department, the better. But you have to assess that.

**Madlen:**

Right? Yeah, risk is a crucial topic when it comes to the hospitality industry... because what happens is that insurance companies are already charging higher fees as well as the operational costs throughout the whole supply chain are getting higher. So that's why I wanted to ask you about the risk factor.

**Interviewee:**

Maybe you could also provide some circular business advice... But thinking how to decarbonize the sector is one way, then I think it's very crucial to look at the social and governance side. Because green it's simpler. Maybe difficult to quantify, because I spoke to one manager from my company's the headquarters, he was a partner. He said if you ask me, what is the carbon footprint of our office, I cannot tell you, so yes, of course, if you can find environmental experts that can collaborate with you to calculate some greenhouse gas emissions to comply with the standards...

**Madlen:**

Yes. The social aspect as well because our industry is now understaffed everywhere in the world, especially after COVID. So, the social aspect is crucial as well. So, the other topic that I talked about with the creditor in the investor that I interviewed is the ESG reporting in general because a lot of companies they just don't know how to report, they know that these regulations are coming, especially the corporate sustainability reporting directive in 2023. But the majority struggles to understand how to report on it. So that's also another aspect that the company I work this project for can assist the businesses in this way.

**Interviewee:**

Well, you know that now, there are standards very similar to the IFRS one and if I'm not mistaken, it's the same IFRS foundation together with SASB and of course also the European Commission that are issuing ISRS standards. Have you heard them?

**Madlen:**

I am not sure.

**Interviewee:**

I even don't know what they stand for. But I will send you one bulletin, it's actually internal from my company. They provide information about imagine like, I don't know if you have studied accounting, but yeah, there are 40 standards maybe. So, they're doing the same but for non-financial information. You have biodiversity, minimum safeguards, social safeguards. So, they assist, and we assist companies to issue reports in the absolutely same way as they issue financial reports. There will be a standard for each industry, each topic, each of your E S or G. And the very detailed ones they're trying to touch on all topics in the CSRD.

**Madlen:**

Is this something developed by the company that you're working on or that's something that is developed by the European Commission?

**Interviewee:**

The EU Commission, it's a standard. I will send you afterwards to check the links for each.



**Madlen:**

Thank you so much. It's really helpful because actually my next question was about the non-financial information, because I am unsure what are the regulations at the moment for companies to review non-financial information? Is there an informed consent form that clients just have to sign? This is what happens with the banks now? Or is there something else that is needed in terms of licenses or?

**Interviewee:**

It depends on a lot. If we're talking about public disclosure in the financial statements or the annual statements. You have the local accounting Act, which says that if you're a public interest entity, which means you're either listed or you are financial service sector representative bank insurance company may be financial intermediary or REIT which is real estate investment fund, or trust. They do need to disclose non-financial declaration, in this non-financial declaration it says that each company publishes and discloses as much as it wants, but mostly its CSR topics or how the entity is helping the society through charity or some CSR activities. They do ask some questions regarding ecological and social factors that affect the business, but it's really basic. I mean, it's, but I only have my observations on the Bulgarian market because also this is my topic of interest. But what else do they have? How is digitalization going, employee satisfaction surveys, IT environment, because this is mainly for Public Interest entities of interest. Another thing I believe they have to publish, there's one in the sustainable finance regulation directive, it requires to show how remuneration of sea level management is linked to sustainability KPIs, so the more and greener you become and not just greener but also socially friendly, society friendly with good, transparent ethical governance structure, the better the bonuses and the remuneration should be also for the management.

**Madlen:**

I understand. Another thing I wanted to share; is I have recently had a talk with the CEO of one of the biggest hotel brands. He's been a CEO for over 20 years, and he shared that he didn't even know that he has to start reporting on ESG. This made me wonder, how is it possible that many companies are still not aware that this is coming and how many troubles they're going to have once they have to actually report on it...So, I think but in general people are not really aware...

**Interviewee:**

I agree with you, I also read that if they have to publish the first reports in 2025. There should be previous year as an indicator, so they have to do the whole analysis for 2024. I think they even postponed it further with one year so from 2026. But I'm not sure I have to check.

**Madlen:**

Yes, I read the same.

**Interviewee:**

Yes, for sure however **businesses will postpone these stuff... and they say, "Why are you bothering me with so many bureaucratic, administrative stupidities,** which only require more investment from my side and do not increase my revenue in any way?" Which is completely true. Is Hilton owned by one owner what is the ownership structure?

**Madlen:**

Yes exactly! About Hilton, there are many shareholders actually. It's publicly listed.

**Interviewee:**

Then they have to cater to so many stakeholders, not just shareholders, the stakeholders. I guess there are a lot of financial firms like intermediaries, etc. who have invested at least some part of their portfolio in Hilton. **They will be required; they will be**



even more heavily regulated by the European Commission than the hospitality sector.

And would push let's say Hilton or other hospitality companies to go greener to go more social, to go more ethical. But yes, I think a good start for your company is to focus first on ESG regulation, because this is something obligatory. It's very reactive behavior. It's not sexy, because you just help them comply with the law. It's nothing active or proactive, but the main business will come from there. Then there are some voluntary, companies that want to go further, which will be great.

**Madlen:**

This is a great advice. I think with the time passing it will get better and better. Because now already financial institutions are already requesting this data. So, if any business wants to get capital in any way in the future, the only way is that they have to be compliant with ESG. So, I'm trying to educate the whole industry on this ha-ha...

**Interviewee:**

I think that's an amazing mission. I'm also triggered by the same ambitions. And I even want to translate this in Bulgaria because I see that no one is thinking about it. So, there's a whole anti blue ocean market who's waiting for you have to help at some point, but the reality is more like "oh, you're a green natsy go back to the Netherlands and disturb them, **we're going to die from hunger before we comply** and become greener", but anyways...

**Madlen:**

I see, it's unfortunate. But on the good side, I did some research, the demand is getting higher and higher, and the supply is not... Also when I spoke to the banker, I got told that the bank is advising their clients to go to ESG consultants and then come back to the bank to get funding. So, I think this can grow into more partnerships in the future and can open some doors and opportunities for companies operating in EU.

**Interviewee:**

I think so as well. I hope so because it's such an important topic.

**Madlen:**

Yes indeed. Another question, which ESG related services are currently demanded the most?

**Interviewee:**

I would say **gap analysis related to regulations or what they have to do so that later they will comply.**

**Madlen:**

All right. All right. And how do you search for clients? Do you do a pitch, or you use reference letters or maybe something else?

**Interviewee:**

Well, we look at the portfolio we have currently we see to which client what we can propose, let's say we have very specialized in banks and insurance companies, they all have to comply with almost all directives actually, because they're big, because they're financial entities. So, we are trying to speak to them, their CEO or whatever, and say, "Okay, this will come, would be interested in us to assess what gaps we can find and then probably maybe provide some training for you to assist you partially on how to improve the situation so you can get ready for it".

**Madlen:**

Okay. Okay. So, you're just approaching them directly.

**Interviewee:**



Yes, current and potential clients. If potential I would say again, maybe you find an email or number of someone is responsible for sustainability or even for external relations, you provide one type of service offering list, imagine like a pitch deck. So, you have to say "we are this company, we are doing this. We have expertise, credentials, group level, we have done work for this and this...would you be interested in us providing something to you", but keep in mind a short pitch deck, not too long.

**Madlen:**

Yeah. Otherwise, the focus is going somewhere else. And because you said credentials, so what kind of, because I think on European level, it's kind of the same. Do you need some specific licenses to review this information.... but actually, you're working with financial institutions, so they have to report and disclose this information publicly anyways.

**Interviewee:**

We do but in terms of our credentials and what we have done as a group. Our company's office in UK is really advanced into Task Force on climate risks. They are really working on minimizing greenhouse gas emissions, decarbonizing businesses and not so much on the European regulations. They have this expertise in France. They're more focused on regulation. They have done a lot of non-financial reporting directly because apparently in Spain the CSRD in a broader version is obligatory for more entities than in the rest of Europe. So, they have developed a lot a lot of experience. They have to do it since 2014.

**Madlen:**

Okay, wow. I didn't know that's interesting.

**Interviewee:**

Yet we operate as one company even though we are different offices. The ownership is not intertwined. I mean, the French office which is headquarter is not owning us, but I can always go and ask someone from France or Spain for support or to make an agreement to work on an engagement together. So, you have to see what kind of expertise your company has, in order to prove "Okay, we have done these things".

**Madlen:**

Alright. And how many people are you working with in the ESG Consulting department?

**Interviewee:**

Yeah. Only with myself here ha-ha...

In France, it's more than hundred people. That's the biggest, they have a lot of people working on that. UK as well. Spain, they have 20 people... the teams in Western Europe are way more well developed. I think for our central Eastern European regions...Croatia is trying to do something. They hired one manager part time to deal with ESG and maybe one or two assistants to help her. But I would say in Eastern Europe, the topic is less prioritized, but not for long. Not for long.

**Madlen:**

Yes, I think so as well. So, now we touched on the topic of the ESG market. If I understood, you see development right? However, do you think it's coming from good intentions or because of the developing regulations?

**Interviewee:**

Well, I think you have different businesses, the big ones who have been traditional ones, since I don't know how many years or decades, care about it only because of regulations and because they want to survive and make more money. But I think there are some new businesses that are being born they're born sustainable. These businesses who have



different mission statements, it's very important when you look at sustainability to see the business model, what is the value proposition and how they formulate it. So, if the idea of the business is to create positive externalities, that will reach to people and to the environment. And this is in the center. It's the core value, but also mission they want to do. Okay...This is what I see. It's very difficult to transition. It's not impossible, you will be mostly motivated by external factors. So extrinsically motivated, those motivated intrinsically, not because of regulations, but because of mission these are the ones who will be Frontrunners.

**Madlen:**

Yeah, absolutely.

**Interviewee:**

The smaller I think, the more likely they are to be sustainable as well.

**Madlen:**

You mentioned "frontrunners", I do agree, because the literature also stresses on the relationship between the competitive advantage and integration of ESG. So, I think once people realize it, they would actually start being motivated by this as well, just to stay on the market because at some point they will just be out of the market, not getting funding from anywhere, not attracting stakeholders ...

**Interviewee:**

It's also a matter of survival, because if you rely on people or resources which are not unlimited, you treat them bad...they get depleted. At some point, *what happens with your business you cannot rely on some unlimited growth based on your current behavior, which it will end at some point. So, it's not only regulation or competition.* It's a lot about feasibility to continue to work in such way.

**Madlen:**

Definitely.

**Interviewee:**

People will run away.

**Madlen:**

Absolutely. Absolutely. And my last question is, what are the barriers for entering the ESG consultancy market?

**Interviewee:**

Okay, so that's very interesting as well because it depends what type of consulting company you are. Currently. There are some companies who are specialized in sustainability for 20 years. Then you're aware that these people they have been doing this for so long time. There's one company called "Benkshtat" from Austria, Austrian region. They have been working in Bulgaria for 15 years for instance, and they have been helping Metro, Vivacom, some very words multinationals to make some reports and not only but also strategies, supply chain, supply chain, I think for hospitality would be also interesting topic, the value chain. But now, if you have read the CSRD, it's interesting because it says even though this is something that has to be audited, we don't want to provide access of this type of opportunity to auditors, because maybe they're even not knowledgeable enough, which is horrible to read it indirectly. But I think the European Commission is super aware that audit companies and most auditors are extremely limited. So now, *you can even if you're not an audit company, you can do audit.*

*You can enter the market because it's allowed, which makes the market more diverse and more competitive.* Because if the European Commission said only auditors can audit



this, that would limit the whole market to 10 companies and big 4 for taking 95% of the market again. So, I would say for a small company, if you specialize in a topic, maybe start first with one or two things, focus on them and slowly after gaining experience and knowledge, expat, cross sectoral partnerships are extremely important. Even we have spoken about hiring or cooperating with companies and environmental experts or consultants so that they can make assessments, such as energy assessment, carbon footprint assessment. I mean, I have no idea how to do that.

**Madlen:**

Alright, this is interesting. You mentioned the BIG 4, is Deloitte operating in Bulgaria as well? Because I know they have developed a strong ESG expertise.

**Interviewee:**

Yes, but from what I know PwC is mostly focused on ESG and also the financial part and accounting one, but Deloitte, I have seen that they were looking for a circular business expert, who is an engineer and understands the lifecycle of some materials and deals with waste and water management. I mean, more engineering stuff. It seems that they are actually trying to go into the market from engineering part as well. Not just financial or business sustainability knowledge.

**Madlen:**

Interesting, because I did a competitive analysis to see the companies especially the ones operating here in the Dutch market. And EY was actually the leader, they're a little bit more advanced in terms of strategy development and reporting...

**Interviewee:**

Yes, they have it here as well, they are the biggest. For KPMG however, their reputation is not brilliant in Bulgaria. They do have clients. However, they're not really preferred.

**Madlen:**

Oh really? Okay, I was not aware. Back to the main topic, basically the way consulting works is: Let's say a business gets assessment from another party. Then based on this assessment, the ESG consultant is performing let's say a gap analysis and identification of risks and then this information goes to the audit company?

**Interviewee:**

Not really, I would say that the audit company goes to the client and says, if you want to do a gap analysis, we prepare a questionnaire related to, in our view risks, mostly binding to the industry in addition to what is written in all the standards that are now issued. So, we read the standards, we see what is compliant for hospitality management, you have to analyze, you have to think, you should say "okay ESG material risks for hospitality can be this and that...". Then you look into the documents what is written from regulatory part and our questionnaire, you make some kind of weighting, in order to make sense, to see up to what extent the company might be compliant or not, because very often, it's not just yes or no. There is an extent you have to that's the issue. It's not quantitative data, you don't see financials, you see qualitative data and practices. So, maybe it's not a bad idea to make some kind of identification of different stages where a hospitality company can be, let's say, inactive, reactive, active for proactive, set some standards and thresholds. This is what I've done. For the banks. I'm also trying to make some kind of tour instruments how to identify what they're missing and what they're not. And I think it could work very well. Even only based on public information. You can get a lot of data and insights. And then if you do an interview, to clarify what is missing, you can get the whole picture but all the regulations even now we're setting clear, what has to be checked and whatnot. And maybe I sound a bit like an auditor even though I've never been, but being surrounded by these people, I see that the best thing is to provide something that will be required and based on that, you can see what the ambitions are and build up.

**Madlen:**

Okay. Let me get this clear, so you as a consulting company are working with the auditors or is your client is having or hiring auditors and then they pass the information to you as their consultant. I'm just trying to understand the link.

**Interviewee:**

It's a bit complicated. I know. In general, if you have an audit client, you cannot advise them because it's conflict of interest. It's forbidden by law. It depends what kind of consulting you provide because even auditors can consult and say okay, we will make a gap analysis and then small training only because it's related to what we will audit afterwards, but not full strategy, or something bigger, or I don't know, integrating, incorporating some standards inside this is not allowed, but I know, it depends a lot on the revenues you have from the small assurance and trainings you do, compared to your audit fee, definitely though, it has to be maybe 70%. So, whatever you offer has to be negligible in order not to be too influential. Because imagine, okay, I'm advising our client to do this, this, and this, and then I'm auditing what he has done, but that's not independent.

**Madlen:**

Okay, now its clearer.

**Interviewee:**

So, usually you either advise one client only, or you do some small assurance things that are allowed in the directive to be done, which is... I'll give you another example.

Insurance companies, apart from audit, they have one risk management assurance that has to be provided it's called "agreed upon services solvency" so a whole directive and its prudential framework. It's saying the following: "The riskier an insurance company is, the more capital it has to block because if a crisis comes and something bad happens to the clients, a lot of damages come that the insurance company has to pay, then the whole economy is vulnerable to damages done to one big financial entity". Just the whole stability, the financial stability can be gone. Similar to the banking industry, they also have to block capital, the riskier assets in the most non-performing loans they give, then they have to block more capital and save money if the counterparty defaults. So, we as auditors, we are allowed to check the whole risk solvency documents and even help them comply, give them advice, and support them, how to reduce their risk.

**Madlen:**

Okay...

**Interviewee:**

Which is not just checking, but this is allowed by the regulation. You have to read what is allowed as an agreed upon procedure assurance. If it is prudential and related to regulations you can audit and provide service, if its small in fee, however if it's strategy or strategy implementation, this is pure advisory.

**Madlen:**

Okay so this depends on kind of services you're providing?

**Interviewee:**

Indeed, if it is related to regulation, it can be mixed approach, audit and advisory, if it's strategy and it's predominantly the fee comes from strategy you cannot do audit.

**Madlen:**



Okay. That's good to know. Because actually the three types of services that I came up with that we can start incorporating in the company that I am working for and our business model are: ESG regulatory and reporting, ESG risk management, and then the other area that I found that competitive competitors are really lacking skills in is ESG due diligence, because in the hospitality industry, a lot of companies are acquiring or investing in others especially after COVID. So, in my understanding now, those three services listed, since they're not about implementation of ESG, but more just assessment and helping with reporting, scanning. So, in this case, it could be mixed approach, audit and advisory?

**Interviewee:**

How is the due diligence not part of the risk management?

**Madlen:**

Well, yes it includes the risk factor indeed. However, what I saw is the potential of other companies, hospitality companies, acquiring or investing in others, and because M&A due diligence is crucial, but currently lacks focus on ESG... and the competition is not really advanced in due diligence with respect to ESG. So that's why I was also including it in my proposal for the company I work for.

**Interviewee:**

Very good idea, I mean, it is applied also as a financial or tax due diligence when a company wants to check what is the situation of maybe a subsidiary or another company wants to buy it. In terms of M&A, this is crucial, it will be absolutely obligatory in my opinion, I would say regulatory and prudential as you said, reporting. These can also be strategy because you can do the strategy on the disclosure side. You can do strategy on the risk side, to be honest, you can even just strategy on the marketing, HR side, on the operational sides, everything with the supply chain management, you can make it more circular. You can take each functional department and think about how it can be improved, how it can be made more sustainable. I definitely think start with law and the legal side...Yes, super boring. And it's difficult to read it and remember what they say so reread it, think about it, make some notes, see what exactly they want. See what they require. Oh, also, we didn't speak about the voluntary frameworks. The GRI. Have you checked the hospitality standard?

**Madlen:**

Alright, Alright. Yes, I checked their website, but I didn't go reviewing all the details...

**Interviewee:**

Basically, they support different industries making sustainability reports. And they are really detailed. Like one standard is maybe for one industry around 30-40 pages and they have two documents, at least when I was also doing the same thing as you do now, I downloaded it for all the industries and I checked their like 70 documents, each of them 40 pages. But if you're focusing only hospitality, it's doable. The CSRD says that not only the European Commission will get experts and they will start talking about and discussing what is good what is not enough to burden business too much. They say they will work with GRI, SASB and other OECD guidelines that they're trying to summarize everything into one but as they will not be ready soon. I think checking what the GRI seeing for hospitality would be very relevant for you. Because you will see how they measure everything.

**Madlen:**

Yes, this would be very useful...

**Interviewee:**

I will send everything to you.





**Madlen:**

Thank you so much.

**Interviewee:**

Let me show you something else. It is a bit confidential, but the interview is anonymous so it is fine.

**Madlen:**

Yes, it's completely anonymous.

**Interviewee:**

This is something I drafted long ago in November... I'm going to play it to you to see my approach and my idea of course, it's less specific...

**Madlen:**

Everything is helpful for me.

**Interviewee:**

No, I totally get your struggles. Ok look, so this is my ESG consulting approach that I have developed for the company I am working for. Firstly, for **audit and assurance, as I said, we were thinking on reporting and impact assessment. The reporting could be of CSRD, SFDR and NFRD. Then international frameworks**, I identify that these three would be the most voluntary frameworks on which even the new CSRD will be based. But if you're waiting for things to, I mean, it depends how urgent you want things to happen. Then, this is a topic you have products. What can be done is the **audit or the gap analysis, or impact assessment**. It's a bit different but you do due diligence as you said. **Internal operation impact over environment society human rights, vendors from upper value chain so all your suppliers and vendors, distributors to lower value chain, management of investments, loans portfolios**, you get the footprint also societal and nature. Then you make a report you can be value chain, impact assurance, or soak report is like industry report, **you get an energy expert, and he provides assessment and says okay, your carbon footprint is this, but this is only checking. Then, we go to the advisory. This is now a different story as I told you, here we want to raise market awareness, to position the company in the market and to put foot in the door for new projects. So, the products that can be provided could be European Framework training, so, all the regulations you train how they can comply, not just check and asses, you say "okay, first, you develop this internal policy, in this internal policy you have to say for yourself, I will do this for the people, this for the environment, this for the risks coming..."**. And lastly, system and resilience thinking. There's one institute called Impact Institute and actually an alumnus for global business and sustainability created a consulting only based on systemic thinking and making close loops diagrams. I don't know if you have done something like that.

**Madlen:**

I haven't, but I heard or read about this somewhere.

**Interviewee:**

Well, it's really holistic and complex. But imagine that you have one problem, and then you look at symptoms, then you look at root cause and then you see how each element interacts. And apparently that guy managed to sell consulting services based solely on this.

**Madlen:**

Wow. Sounds very interesting. It is hard to convince people to act on this respect...

**Interviewee:**



The storytelling elements, the presentation skills, they're really important in this because you can't convince someone without numbers. And here, it's not only about numbers. It's a different story.

However, back to the slides I am showing you. The next service offering is strategy. This is the most complex one, because you can take all the rest to bundle services together and say "okay, basic service, you do initial assessment and strategy gap analysis only". Then you say "okay, I can also do risk assessment and sustainability matrix". So, we will create your materiality matrix based on our assessment, then you have to make an action plan and roadmap, to do this, in one month you do that, in three months or one year you do this and you have to set targets" ... and setting target is also complex. There are so many new standards coming along...

**Interviewee:**

To be honest, when hospitality companies making a report or set strategy, they have to know what they aim to achieve. Not to be in line, only with the European regulation, but sustainability as a whole. You have to be to think globally about everything. So, these targets are actually not just something extra but part of the CSRD. So, in the regulation, if you check, they say that they will take them into account and try to incorporate them in the standard. So, this is important for especially road mapping and milestone identification. Then back to the slides, you can also do reporting and transformation. This is how more or less we wanted to divide it: reporting, strategy, implementation, and transformation. This is the end of the slides.

**Madlen:**

Thank you for showing me all this. This is so valuable for me to understand how a consulting company actually operates, especially since your ESG advisory firm comprises of you as the only employee. We are also a very small company, so we can relate and learn from each other. I wonder what approach would you recommend me to follow to attract clients?

**Interviewee:**

Starting with campaigns, making webinars, inviting clients to open doors, making brochures, making events about that, is a way to start attracting the clients. Gather topics which are material for them, Q&A discussions, assess the maturity of the business.

**Madlen:**

I will keep it in mind. Definitely. Thank you for all the information. It was really helpful and insightful.

**Interviewee:**

Thank you too, I'm really happy to exchange our views. Sometimes I think "okay, I'm the only crazy person caring about ESG ha-ha" ... Good luck and please keep me posted. Also, I am interested to read your thesis when you have it finished.

**Madlen:**

I will definitely send it to you! Thank you once again!



## 6.9. Interviewee 9: ESG Consultants (Quota 3)

**Madlen Introduction:** *See above*

**Madlen:**

All right, so my first question is how the ESG consultants are helping the companies in regard to ESG?

**Interviewee:**

Yeah, t's very diverse. This depends on a lot, when it comes to EU companies, of course there are different sectors with very different regulatory requirements for many of them. So, if you take for example, banks or financial institutions, they are under a lot of scrutiny and so, how they release the disclosures, also in terms of the climate focus, risk assessment, also green financing. So, there is a lot for the banks and financial institutions to focus on *being compliant with regulatory requirements*. But then you have for example, companies that have big environmental footprints. I think that's where you, for instance, companies in heavy industry. So, there *we need to help them in terms of measuring the carbon footprints* that is, for example, something very important they need to have also, it's not just carbon now, they also need to look at biodiversity. So, they need to think about what the overall environmental impact is. So that's another way we work with companies. If we go back to the carbon, there is going to be very expensive for companies to have high carbon emissions in the future. And the EU has introduced TPS and basically there is all of the heavy industries under there, all of the airlines are under, the many more sectors are there as well. And what basically that means is that *you have allowances that you can use up to a certain point, but after that you need to buy more allowances, and basically the price on these allowances is going up. It has been close to 100 euros but basically, it's gone from 25 euros plus to three years to about almost 90-something euros. So, that's one thing, the other thing that's happening for them is that the allowances that they used to get are going down to the price is going up and they're getting less allowances. So, it's impacting their profit and loss, P&L.* So basically, a big part of it, so we're helping them on how to reduce emissions because it's going to cost them a lot. And then also some companies which we're helping in terms of creating a long term decarbonization or net zero goal and we use for example, *science-based targets initiative. So, identifying the main source of emissions and how can they eliminate or reduce them so that they also work on business strategy.* So, helping companies change their methods of producing or the way of delivering service or going into a more circular business solution. So, that's another thing we're doing, just basically preparing them for you the sustainability way, that is becoming more and more stronger in at least in the EU. And then because of the EU regulations, another thing that's going to be coming very important is how does the company disclose information and *make them ready for the new disclosure requirements.* It will be coming in year 2025 under the corporate sustainability reporting directive, so there'll be a new standard called European sustainability reporting standards ISRS. We are preparing them as also *limited assurance will be mandatory. They need to have your auditor assured that the information is correct.* Today, it is mostly voluntary, but from to two and two a half year from now it's going to be mandatory. So that's a big change. We're preparing a lot of *ESG assurances as well bringing the level and quality of this information to a higher high level basically, so that auditors can come in and verify and assure the information.* So yeah, so I hope that gives you some insight. It's a very diverse sector.

**Madlen:**

It does. It does definitely. And have you dealt with the accommodation sector with the hospitality sector so far?

**Interviewee:**

Yes, we have worked with some hotel chains as well.

**Madlen:**

Which services were demanded the most by them?

**Interviewee:**

I think **they are still now looking into how they can attract sustainable tourists**. I think what we saw in during COVID was two things. Firstly, it's important that **people attach importance ESG as they want to see a sustainable transition by the hospitality sector**. Now they have a freedom again, they want to travel, but because the sustainability is higher on their agenda, they're more informed, informed consumers. They are more and more looking into; this does this hotel or does this service provider have a credible sustainability policy? Do they have relevant certifications? Does it have like green key or ISO standard? I think that's where I can see **the hospitality sector needs to step up in terms of its exposure and how can the hospitality sector need those who match those requirements**. I think for the hospitality sector, it's more focused on: are my building certified? Do we have like an environmental management system in place in the hotel? Are we limiting the use of electricity and hot water as much as we can? Are we reusing materials, are we taking out single use containers? Are we providing food that is locally produced, are we measuring our pickup on food footprint of our value chain, not just our own operations are taking responsibility for that? Are we paying our employees acceptable wages and protecting the rights, labor rights, so these kinds of things. I think that's where the hospitality sector needs to look at the beginning and then also what kind of, you know, infrastructure is in place in the hotel. Do you offer EV charging? Are you focused on public transportation? Do you offer your guests any particular services in that regard? Do you have like a focus on tour providers that are sustainable as well? All of this, I think adds up.

**Madlen:**

Yes, everything makes sense. In this regard, I also had a talk with some creditors and investors, and they say that they already request ESG data from the businesses that they are financing. But the problem is that these businesses don't have all data because they don't report on ESG yet. So, for them, this is the biggest issue that they face. So that's why I am wondering for how you're assisting them in this perspective.

**Interviewee:**

Yes, I think that the disclosure part is very important. And that's why the assurance aspect of the disclosure... because greenwashing is becoming very deeply relevant issue.

**Madlen:**

Yes, exactly. And one question regarding the assurance. I spoke to another consultancy firm they told me that the person that the company that is assuring cannot do audit, how does this work?

**Interviewee:**

I think it's the value of having the auditor doing the assurance because the auditor knows the company inside out. So, to have the auditor also to the ESG assurance makes perfect sense because that helps the company also lower costs and to have a better understanding of the company where it's coming from and such. So, so I don't I certainly don't agree with that.

**Madlen:**

Okay, okay.



**Interviewee:**

Maybe, just on that point. There was some discussion on this. I know, in the European context, weather auditors could do this work as well. And, and I think now the consensus is that yes, they should be able to do it and because also the companies, it's going to be so expensive for the companies. If they have an auditor for the financial reporting, then they need to have another party too doing the ESG assurance so it's a double cost and, and the companies don't want to bear those costs.

**Madlen:**

Yeah, and when it comes to assessing non-financial information, how does it work? Do they give like a consent form some kind of a permission or you have to request it in some other way?

**Interviewee:**

Basically, how it works, the auditor will carry out an ESG assurance based on a standard called ISAE 3000.

And it's a separate operation from the traditional assurance financial assurance. But so, you have the financial report is one thing and then the ESG statement is another one. And sometimes it's the same auditor who does it or assigns it or sometimes there are separate auditors within the same company doing it. So, it differs between companies. Basically, and it's important to note on the assurance side that there are two types. So, one is the limited assurance, which is basically you're scanning the information, it's it doesn't have the same kind of completeness as a financial audit. But then, and that's what the regulation says, you will have to start by doing limited assurance, but then, in the future, you will have to move into reasonable assurance and reasonable assurance is where you're getting closer to the financial audit, and that is more likely to be than in the years around 2027-2030.

**Madlen:**

Okay, okay. That's clear. Well, those are my questions. Do you wish to add something?

**Interviewee:**

No, I think it's all covered.

**Madlen:**

Thank you very much!

**Interviewee:**

Nice to meet. You can always send me a line if you need some clarification. Best of luck. It was a pleasure. Bye.

**Madlen:**

Thank you. Bye!



## 6.10. Interviewee 10: ESG Consultants (Quota 3)

**Madlen Introduction:** See above

**Madlen:**

My first question is, how are the ESG consultants assisting the businesses with ESG?

**Interviewee:**

So how we are doing it we are in projects like we call it "overall assistance" for companies like sustainability integration. We focus a lot on doing like materiality assessments. What is material what is important for companies. Based on that to make a strategy or a policy recommendation, define like goals and targets and how they should measure the progress. So that's on a strategic level. We also help with annual reporting, sustainability reports by measuring and documenting the initiatives, for example, how you present the result and what you're doing in that perspective. We have been doing some assurance. But what we do also is, we work a lot in the sustainable finance markets. So, we assess banks and, and companies to make a green bond framework, define what projects are green and social aspects, and then we do a deeper analysis on carbon footprints and circular economy. Yeah. Strategy, deeper analysis mainly on environment side and sustainable finance systems. Also, very important risk assessment as it is key to ESG, especially the financial perspective of the risk.

**Madlen:**

And when it comes to the European regulations, the European taxonomy, the sustainable finance disclosure regulation, CSRD, are they impacting the way that services related to ESG are being demanded from your company?

**Interviewee:**

Definitely something we advise on, but it's still evolving. It's both the SFDR and the taxonomy legislation. It will probably in this month or next month be on the agenda in the parliament. So, they're haven't been finalized into law. So, **companies are aware of something is coming but they don't understand what it is**. So, we just yesterday had a large meeting with a lot of people from industry showed up and we presented an analysis and the status of sustainability information. And we also talked about the legislation. I had also a seminar here internally at KPMG to discuss the new **CSDR regulation**, which comes a little bit later but it's very extensive for most companies that we assist, of course they have to be of a **certain size, but we usually have a lot of companies we work with of this size**. And that is **something that we see a lot of increase for the need in consulting and then assurance**.

**Madlen:**

And do they request more on the side of reporting like simply how to structure these reports, how to present them? Or is it also about integrating it into their decision making to the way that they do business?

**Interviewee:**

It's both, but I see **they think more about the report than integrating**, but this is something that **we have been pushing**, "you should integrate it to be able to have an effective report". Otherwise, you just carry forward indicators that are not measuring any progress on some implementation of policy that you have. So, you always have to integrate sustainability ideally first. Maybe you have the first report that's like a base status of how it was before it where it is now. It is a bit challenging. Usually how it happens, like reports are due around February, March, April, and they want to start the work in January. And the year has passed, so you cannot talk about implementation because you haven't at least done that effectively.

**Madlen:**

Yes. And from this perspective, are these companies that are in need for consulting, contacting you because they need to get financing or is it because of the demand from their stakeholders, or the wide public? Or is it mainly because of the regulations? Where does it originate from, this demand?

**Interviewee:**

Basically, all of the above. There are a lot of companies that are like **compliance oriented**. They want to comply and they're in business that is it's, it could be a huge a reputational risk, if they don't are not compliant in their annual accounts. So that is basically a huge push. Also, because **the investors and the banks putting this on the agenda**. So, we also see a lot of push there. Also, because **companies now cannot pay for loans, for example, so they have to be qualified they want to do that because they will get better loan rates**. And that is a financial benefit of doing the work and usually the benefit is larger than what the costs for them to have the consultant.

**Madlen:**

Absolutely. I have another question. So where have you helped the accommodation sector? The hospitality industry?

**Interviewee:**

We have. We're actually working with some chains today. What we're doing there is we are **calculating the greenhouse gas emissions**; we will also assist them in a workshop for the whole company on sustainability. Because **they want to get like Green Key certified**.

**Madlen:**

All right, all right. And when it comes to assurance and audit, can you tell me more about this? How does it work?

**Interviewee:**

Of course, so KPMG is the most recognized audit company, providing tangible services. I'm situated in the advisory, I am the head of sustainability team under the advisory part, but we have a huge role in providing a limited assurance from different aspects of sustainability information. But **the new legislation of course, will require companies to have limited assurance within a few years on the whole sustainability report**. We are establishing a sustainability core team with experts in those assurances. But **you will always need to have a person to lead the project and provide the final signature, but you will need experts to do the analysis, people who understand this type of information and the calculations**.

**Madlen:**

Alright. So basically, the audit and the assurance do they have to be independent of each other?

**Interviewee:**

The audit and the advisory. So, there is a risk of being... what's called.... You can't have a company to make the ESG report and then provide the assurance, it has to be on the other side of the table.

**Madlen:**

Okay.

**Interviewee:**

You either help the companies make a report or you provide them assurance.



**Madlen:**

Okay. I understand, it's clear. And when it comes to reviewing financial and non-financial information. How does it work? Because for me, it is not clear. Am I allowed to access this data? Do I have to somehow make the company give me permission, what's the regulatory part of this?

**Interviewee:**

It is an audit engagement. There are different requirements on audit companies for quality control and privacy matters. But it's one of the reasons why big companies are hired in this perspective to have a rigorous quality control process.

**Madlen:**

All right. All right. That's clear. And what do you think are the barriers for entering the ESG advisory market for a small company because you're a representative of a very huge company, one of the big four. But I was wondering, what would be the barriers for a small company?

**Interviewee:**

I founded a small advisory company before I was acquired by KPMG. We started five years ago. And we came quite large in the market quite fast was because we had an expert knowledge that was being sought. And of course, it's more people coming into the market with the current knowledge, but I have a PhD in sustainability. So, we had a lot of knowledge on how to approach the ESG and sustainability in general, which was something that companies hadn't really done. So, I think knowledge is key, and understanding how to basically help the companies in the way that they need to be. Of course, there's more competition from the, for example, the big for like McKinsey, there's a lot of big players, but there's also a lot of overhead there, so you could be entering with a lower margin.

**Madlen:**

And as a start of an ESG consulting business, where would you advise me to focus on, more on the regulatory or strategy side for example?

**Interviewee:**

Yeah, I think you should focus on your strengths, like your strengths are on the legal side. Then there's opportunity to focus on the legislation side. If you are more into business management, then the strategy will be more appropriate because the new legislation require a robust analytical strategy. If you're more like an engineering type of person, then analysis of carbon footprint, sustainable, circular economy, might make sense. It depends on like, if you're a small group of people working in a company, what are your strengths.

**Madlen:**

All right. All right. There are many, many sub services that can be offered. That's why I was wondering. And because, of course, my primary goal is to attract the hospitality businesses, the accommodation sector, but I've had some talks with some general managers in The Netherlands and what I noticed is that they're not really aware that soon they have to start reporting. So, would you advise me explain and attract these people to seek my services? What should my approach be?

**Interviewee:**

I think the strategy is to first understand the coming legislation, of course, depends on what market you're in. Having clear information on that, when it will be effective, what it means, what is needed to ensure that you can provide that assistance. That's key. And also, it depends on who you are talking to. If you're talking to a sustainability expert that is in the company or you're talking to the CEO or the CFO. You should talk from investor perspective, what they are looking for, talk about the rating agencies because



information might be available about the company how they report without them even know about.

**Madlen:**

Yes, I understand. According to some debt and equity providers which I had the opportunity to interview, some companies will soon be refused financing if they are not compliant on ESG, so showing them the financial cost of not doing it will be crucial.

**Interviewee:**

Yes, this is definitely a key thing. **It is a huge risk issue for most companies how the legislation will affect them.** On positive side, the mindset of people changes, they become more aware of sustainability.

**Madlen:**

Absolutely. Absolutely. Those were my questions. Do you want to add something?

**Interviewee:**

I think it was interesting to hear what you're doing for your thesis. It was nice meeting you and now we're also connected on LinkedIn. Have a nice Friday and enjoy your weekend!

**Madlen:**

Yes! Thank you so much! Bye!



## 6.11. Interviewee 11: ESG Consultants (Quota 3)

**Madlen Introduction:** *See above*

**Madlen:**

So, my first question is how do you assist the businesses with the ESG services that you provide?

**Interviewee:**

So, as you already mentioned, we have big legislations already coming up very soon. I am consulting on ESG, but with a focus on the real estate side. So, we have a lot of businesses if it's tenants or if it's real estate owners, so we have both parties, and they need to comply to legislations like SFDR, CSRD and the EU taxonomy overall. On the other hand, we have for example, right now, we work with a very big logistic company, and they want us to assess their whole portfolio which is 900 assets around Europe. To check how EU taxonomy aligned this portfolio is, and what which kind of properties they need to focus on. So, we actually **build dashboards, we collected all the data from all the countries, then we try to make a dashboard out of it to give the client an overview of what they have because those clients don't know and then advise them on which steps action should be taken, what kind of roadmaps they should build or plan to be EU taxonomy aligned and then of course for the reporting.** We are very much on the strategy and consultancy side. So reporting is not the main service simply because **there's so little awareness in the industry.** We do a lot of knowledge sessions. We do a lot of talking. So, we really tried to make the companies actually understand how urgent and important this is. And then we really started with **collecting data, data management.** And really just tried to build up basic knowledge and basic actions and reporting and everything comes up after.

**Madlen:**

Alright. And how do you how do you collect the data? Because based on my knowledge and the interviews I have conducted, data collection is an issue. So how does it work for you? How do you assess and collect?

**Interviewee:**

That's definitely an issue still, yes, it's difficult because **a lot of the data we need for those assessments are not written anywhere. So, what is helpful especially for the industry I'm working in, is that for buildings you need to make a technical due diligence.** So, you need to assess the building before some kind of transaction can happen. They collect a lot of data about the building and a lot of those things we can use for our ESG assessment as well. But still, it's right that **we also work very closely together with property management and with the facilitator so the person who owns the building to collect more data** and often we need then for those things, the help of third parties, so companies who actually go to the real estate, and actually make those measurements. So, this is still quite complex process which takes still a lot of time and a lot of people power.

**Madlen:**

Okay, and have you dealt with the accommodation sector?

**Interviewee:**

Well, actually we have a hotel department, and we talk to them on a regular basis. And hotel is difficult because the legislations of course go for everybody but the most pressure is now only on the offices. So, for **some reason, many hotel owners still feel like they are not that much under pressure than other industries.** So, they do not focus that much on waste management or other topics, important report topics, which would actually be very important also for hotels because they produce a lot of waste. But actually, I mean, we are happy that hotel owners are willing to change something but



actually the most pressing point right now is not are the ESG regulations, but more the very high increase energy prices. So still, the hotels.... that's also an issue which maybe it's important to mention. Most hotel owners don't own the property they're in and for EU taxonomy and those kinds of things, many variables are actually linked to the real estate. So, this is why also, I believe that those companies essentially are still very relaxed.

**Madlen:**

Because it's not impacting them directly?

**Interviewee:**

They think so it's I guess, and I'm actually not 100% sure why they're so relaxed, but I know that the main focus points still are the selling and buying prices. So, it's really still a lot about the money. And the value of hotels when it comes to selling and buying is already now linked to ESG measures. But I think not enough to make a real difference. So, there's still a lot of like greenwashing involved, I think, and not real measures.

**Madlen:**

Okay, okay. And from this perspective, because I also did some research on the real estate valuation and how ESG impacts it, do have something to say on this as well?

**Interviewee:**

Yeah, there are mixed feelings about if ESG has an impact on the actual value or not. Actually, the valuation department says "yes, it does". And then the capital markets department, which is the department who actually sells, and buys says, "No, there isn't". So actually, the experts on this field are really unaligned about it. If you ask me for my personal feeling about this is that ESG is a factor maybe not necessarily on paper, but already a lot of companies focus on for example, "we don't move into a building which is less than any energy level B or even A". So, they make those demands and therefore the person who sells desperately has a choice that maybe investing in those few changes to get this specific energy label. So maybe the valuation department on paper with those old school measurements would say like, yeah, maybe it makes a difference of 50,000. But actually, when the demand is decreasing, and it is further decreasing for buildings who do not apply to this, that will also change over time. We're not there yet though.

**Madlen:**

Okay, okay. I understand. And so, my other question is, how do you see the ESG market develop? Do you think that there is a potential for a small company to enter this market?

**Interviewee:**

I think a lot of things happen for the ESG consultancy right now. And especially in the Netherlands. And I just had today actually meeting with a company, which has, I think, 11 employees right now and they have a very **competitive data management tool**. So, software which we are thinking about collaborating with. So, those small players are very interesting, even for those big players in the industry for hundreds of years. So, I think those big companies should not scare people who want to open small companies for ESG consultancy because they're so big and because this topic is so new to them, they are not necessarily having an advantage to others. So, you do have the name, sure, but since it's a new field to everyone, this name does not necessarily help you. So therefore, I see this with assessments we have or competitions we have for certain clients. We don't necessarily have a huge advantage and therefore I think there's still a lot of market simply because they need to make be way more work on making more companies aware.

But still, I would advise to start now because I'm pretty sure in five or 10 years from today, the market will be quite saturated. Just by the rapid growth I'm seeing right now. That's my estimation.

**Madlen:**

Interesting. And from your perspective, what services would be demanded the most? Some companies like the Big Four they have services such as a ESG reporting, ESG strategy development, ESG Accounting and Advisory, Risk Assessment. So, from all these services, which ones or which one do you think would be worth to start with as a consultant?

**Interviewee:**

I think you have two very big parts. You have the planning, strategy part and you have the action, reporting part. I think those are the two big ones. The clients I had contact with so far often say that they are totally overwhelmed with those legislations, and they've totally lost the overview of what's happening. With that, I would conclude that the most need is in strategy advisory. I believe the reporting part is something which is also important, but it's kind of something they maybe can do themselves or other companies could do. When it comes to actually adapting, actually, making your plan is the understanding those different legislations but many companies do not take the time to understand them. Or think they're so complicated, that they're just giving up right away and trying to find the consultants. So, since this is the first step, and then the reporting only works when you understand what you're doing. I would start from the beginning. And I would start with explaining what's going on with helping them to understand what they need to do with helping them to develop actions, which really works tailor made for them. And then the reporting comes after and if they tried themselves, when they know what needs to be in there is probably the easier task than helping them with reporting without them knowing what needs to be in there.

**Madlen:**

Okay. So, assessing what the current situation is, developing a plan on where they have to get and then working further with them to be prepared for reporting. Makes sense. What do you think are the barriers for entering this market? If you think there are any.

**Interviewee:**

I think there are few. Well, first of all, the competition is rising very fast. Even though it is a very new topic in that scale. I mean, sustainability is not a new topic, but the consultancy is very new, but the growth is unpackable. So, I think the competition is definitely a barrier. And also, because it is so new, the research on those topics is also very much still in the beginning. I mean, the EU taxonomy is not even written complete. Right? So, we have to first start there. So, the social taxonomy missing completely, we hope to get this in two or three years earliest. Governance is still very weak. And even with the environmental taxonomy, they're not done, by far not. So therefore, it's really difficult because the consultancy industry needs to learn together with their clients. So, I simply think nobody really knows which makes advisory really difficult because if you do something for 20 years, it's really easy to say "Hey, I know what I'm doing. This is reliable." And this is something you can really trust in. If you say "Hey, I read this, and I think it's going to work out like that." It's way vaguer.

**Madlen:**

Yes, I understand.

**Interviewee:**

It is tricky, especially when it comes to trust and people willing to buy you advice.

**Madlen:**

Make sense. And if we make the scope a little bit tighter, and we talk about the hospitality industry, what do you think are the main challenges of it lagging behind?

**Interviewee:**

I think because the hotel industry had a really, really tough time the last few years. I believe they struggle. Obviously first huge struggle was COVID. They have a huge **problem with talent** since many years. And now of course, also those **gigantic energy prices** and such take their turn, right. Because hotel is not necessarily environment that turns off the lights at some point of the day. So therefore, there are a lot of things which **cost a lot of money. And the mindset ...since people still often think that ESG of sustainability is a trend which will be gone in five or 10 years.** They do not put it as a priority on their agenda because they say "Hey, we need proper staffing first, we need to reduce our energy costs, first". Unfortunately, they often don't make the link to sustainability, and we need to be sure that our rooms are full, because we have this huge property which needs to be paid for and the staff which needs to be paid for. And also, for example, also conference hotels with COVID and this hybrid work, they haven't really issue with those events and such will still not happen anymore. So, I think that's the main issue. **They don't see the urgency.**

**Madlen:**

Yes agree. What I also heard it from one general manager is that they associate ESG implementation and reporting with unnecessary costs, but they don't realize that the cost of not doing it on a long term would be two times higher, but that's why I'm coming to help ha-ha...

**Interviewee:**

That's definitely good point. That's also what I meant was being overwhelmed. Often, they seem to be in this shock situation today. Like okay, if I just don't move at all, maybe it just goes away. So yeah, that's definitely something I repeated a few times as well. But yes, it's something which **costs money. And in their old school business minds, what costs money and doesn't give direct outcome, they won't do.**

**Madlen:**

All right. Well, more or less those are my questions. Do you want to add something?

**Interviewee:**

No, I think you have a very, very interesting topic there. And I think to focus on this industry now and to develop this consultancy now is the absolute best time for it. And I think when you then even include this data part of it because the awareness comes first then comes to knowledge and then comes the data collection part. So, this is why also many companies are even figuring out if they partner with those data management companies. Because without that, especially on a nation but even international, level otherwise it gets really, really messy. So that's something which will be the next step in some way if you acquire a company, merge partner, whatever it is, but it will be on the long run the next step what you need to do if you want to stay competitive.

**Madlen:**

Absolutely.

**Interviewee:**

Yes, also the hotel management background will help a lot. Because there is almost no business as complex as a hotel with all those different departments and such. So, knowing how a hotel works, you can pretty much advise everybody.

**Madlen:**

I agree! All right. Well, this covers everything. Let me stop the transcribing.





## App. 7. Color coding

<u>Theme</u>	<u>Interview quotes</u>
1. Awareness of upcoming regulations	<ul style="list-style-type: none"> <li>• "I am aware that regulations are changing. But I'm not that aware already for the examples you mentioned and what the impact will be on the hospitality industry"</li> <li>• "If you look for what you said, like financial disclosing, etc, etc. But that's not something I'm already totally aware of.</li> <li>• not many companies already see it as a requirement..."</li> <li>• "I have not read it somewhere like I have not received this information written. But it makes sense that it will have a huge impact on the industry."</li> <li>• "I personally have not received this information yet..."</li> <li>• "The regulations aren't...In my view, not much is currently changing for hotels compared to a year ago, not that I am aware"</li> <li>• "I mean, I agree, I agree that that will happen that definitely will happen because why would office buildings yes, and hotels not... hotels will follow very soon or hotels with a certain size..."</li> <li>• "Basically, in the Europe, mainly all the companies that are really committed with sustainability, actually are aware. However, it depends on profile of the company, though, if sustainability is at the core of the business, there are many others that are not really interested in ESG or they do but superficially, for them I don't think you are aware of these regulations."</li> <li>• "I see only the big chains with international presence are aware..."</li> <li>• "...small companies, which are out of the scope of those new regulations and the company's proprietary and the smallest business, there it is difficult to comply and to understand that they have to comply"</li> <li>• "...don't think that a lot of companies yet to realize that that it will become more difficult..."</li> </ul>



	<ul style="list-style-type: none"> <li>• "...companies which are doing relatively well, others report based on their discretion, third ones do not do anything... what I see is that smaller companies don't care at all. They have no clue."</li> <li>• "...we're going to die from hunger before we comply..."</li> <li>• "...companies are aware of something is coming but they don't understand what it is..."</li> <li>• "...there's so little awareness in the industry..."</li> <li>• "...they are totally overwhelmed with those legislations, and they've totally lost the overview of what's happening.... many companies do not take the time to understand them. Or think they're so complicated, that they're just giving up right away..."</li> </ul>
2. ESG journey in the hospitality industry- current state	<ul style="list-style-type: none"> <li>• "We have from we started from a sustainability perspective, and we have the four pillars taken from the Sustainable Development Goals."</li> <li>• "Carbon dioxide reduction waste, food, and health. Health for both our guests and our employees. Food also to see okay, fair trades from seasonality. Waste also important to prevent spillage..."</li> <li>• "...the strongest attention point for hospitality is still the big footprint we have from traveling..."</li> <li>• "...We not yet really approaching that it's a mandatory thing to comply to regulations..."</li> <li>• "...I don't think it has reached us yet. In general, the whole industry, perhaps 50 or 60% of the companies are working heavily towards making their companies a little bit more sustainable..."</li> <li>• "...reports monthly that taking into account how much water or electricity we have used, and we come up with plans on how we can reduce that..."</li> <li>• "...Ecological way, in a more sustainable way there's a lot of things that can be done better..."</li> <li>• "...website where we put all the data of how much has been used throughout the month and so far throughout the year the hospitality is very hard to be a sustainable hotel..."</li> </ul>



	<ul style="list-style-type: none"> <li>• "...normal sustainability... other than the things that are part of your license, and I'm actually audited quite heavily by the government on these points. Not much has changed..."</li> <li>• "...How do you make money, you get clients, how do you get clients, you go along by giving the right impression and the right message about being eco-friendly. And so, hotels need to go along with the demand from the clients and the demand from the client is green..."</li> <li>• "...we have a heat and cold source on the ground, so we get our heat and cold from the ground, thermal heating, so we don't have any fossil fuel in the entire hotel.... all LED, censored lights that turn on and off..."</li> <li>• "...they are still now looking into how they can attract sustainable tourists.... people attach importance ESG as they want to see a sustainable transition by the hospitality sector.... the hospitality sector needs to step up in terms of its exposure and how can the hospitality sector need those who match those requirements..."</li> <li>• "...calculating the greenhouse gas emissions... they want to get like Green Key certified..."</li> <li>• "...don't see the urgency..."</li> <li>• "...some reason, many hotel owners still feel like they are not that much under pressure than other industries..."</li> <li>• "...businesses will postpone these stuff... and they say, "Why are you bothering me with so many bureaucratic, administrative stupidities..."</li> </ul>
3. ESG journey in the hospitality industry-looking forward	<ul style="list-style-type: none"> <li>• "...try to be a little bit ahead of what's happening on what is demanded by guests and clients and by other stakeholders, employees.... we're all aware that we need to have like an ESG chapter..."</li> <li>• "...ESG is a marketing tool..."</li> <li>• "ESG is the next broader step it should be part of your total business structure."</li> <li>• "I think that it will be one of the first sectors that we will be affected and that we will be required to implement all these requirements..."</li> <li>• "They will be required; they will be even more heavily regulated by the European Commission than the hospitality sector."</li> </ul>



#### 4. Challenges to integrate ESG in the hospitality industry

- "...it causes a lot of additional reporting issues."
- "I don't see big challenges."
- "...a lot of people are missing the idea of or like the knowledge for different KPIs or like what exactly is the impact of each action that we're taking. So, explaining how everything goes together or how everything is linked to each other, I think that will definitely help..."
- "...someone with the expertise because most people or at least in our hotel, there is no one with really higher level or higher knowledge especially for sustainability..."
- "...should invest a lot of money in..."
- "Everything comes with a really big financial fees that you need to pay or like investments that you need to make and that's a decision that normally takes a lot of time"
- "I think it's really the financial reasons and then it's just easier not to do it."
- "Perhaps it's funding... certain extent that certain adjustments are made but it also really depends on the wealth and the fundings from the owner. And especially now in the crisis that we are in, there's not much money to spend anymore from the owners..."
- "The major challenge for the big companies is to make sure that all properties are engaged. Because what you see is not cohesive approach from the single properties. "
- "I can imagine for companies it's really a burden. So, you really need to build specific teams in order to track that and then you have water usage, waste usage or re-reuse of waste, there's a lot to measure and it's difficult to do by himself..."
- "The availability of reliable data....it's basically regulations, I think are not that difficult, but it's, it's really where do I get my data and how reliable it is....I think that's really the issue not only for companies but also for us as investors because apparently, they are if you have two different data providers, on one particular data point, they can provide different outcomes, which is strange..."
- "...problem with talent...gigantic energy prices...cost a lot of money. And the mindset ...since people still often think that ESG of sustainability is a trend which will be gone in five or 10 years..."



	<ul style="list-style-type: none"> <li>• "... costs money. And in their old school business minds, what costs money and doesn't give direct outcome, they won't do."</li> </ul>
5. ESG impact on the business	<ul style="list-style-type: none"> <li>• "ESG is important for lenders. I mean, if you do more on ESG, and if you tick the box on several issues, you get a better rate or it's easier to get a loan."</li> <li>• "...you can really see how it changes the whole industry in general."</li> <li>• "I think in two years or like a year or something, there's going to be extra tax if you want to sell plastic cups..."</li> <li>• "...very important because we consider that customers should apply with all applicable regulations...we require each customer to give evidence that they are compliant."</li> <li>• "...banks really are giving lower interest rates and so also such other kinds of incentives to companies which are compliant, and which are moving further of those regulations...."</li> <li>• "...the requirements of these regulations are harder applied and much stricter. All the considering of the requirements."</li> <li>• "...if the customer wants the financing wants to proceed, with his relationship with the bank he shall give it. The customer has to provide information on the way he complies, hasn't had incidents with ESG issues so far."</li> <li>• "...they require all evidence for the ESG requirements and their fulfillment in the financial documentation..."</li> <li>• "...have cases that they come to the bank with their request for financing the things come out that they are not compliant and don't have they don't have the desire even to do it, we have even lost clients for it."</li> <li>• "There were such cases with companies which had such issues, had incidents due to lack of policy, lack of practice in this area, and it has negatively affected their reputation. It has also negatively affected their relationship with banks, not just our bank but with others. And which led to termination of some relationships due to such kind of issues..."</li> <li>• "...as part of the SFDR regulations, banks are required to ask their clients how sustainable they would like to have their investments..."</li> </ul>



- "... that's something which we become more and more important in the coming years is that from capital providers point of view, both banks for providing debt and equity providers, they will be more demanding with respect to the company's sustainability agenda because either they would like to comply to the regulations which apply to them..."
- "...definitely needs to be on your agenda and sustainability both in terms of risk and risk are defined as climate risk for example, and as well as financial risk because what will happen if you own a hotel in the on the these areas, there will be a moment that an owner or any other insurance company will charge you higher fees because you are a bigger risk for them from a business model point of view. So apart from financing, it's also the risks are also in terms of other financial costs, like insurance costs, potentially could be operational costs like where you buy your food products and is the area in which you'd buy them or, or the logistics to get them to your hotel..."
- "... they can't hide anymore, as you mentioned, you cannot hide because banks will ask for it, equity investors will ask, insurance companies will ask for it. Everyone."
- "I was more involved into real estate. What I saw is that tenants more and more require particular sustainability labels from the landlord. So, you're out of business if you don't..."
- "I think there will be higher demand and I don't know when that will come, but I think there will be definitely a moment at which you need to pay more if it's not sustainable because the hotel has to pay higher insurance premiums, higher cost of capital.... So, they're either going out of business or they need to increase the prices..."
- "...not focusing on sustainability becomes an increasing risk in general for society, but also on a corporate level. You cannot allow yourself to deny."
- "Risks are increasing, banks care, pensions funds care, investors care, so it is not a matter of agreeing how important ESG is, the environment is that now that institutions seek these questions..."
- "The companies that are on the market for sure have to report, all the financial institutions have statutory obligation to report on that. Small companies will have to soon, but again it depends on the scale..."
- "...what happens with your business you cannot rely on some unlimited growth based on your current behavior, which it will end at some point. So, it's not only regulation or competition..."
- "...you have allowances that you can use up to a certain point, but after that you need to buy more allowances, and basically the price on these allowances is going up. It has been close to 100 euros but basically, it's gone from 25 euros plus to three years to about almost 90-something euros. So, that's one thing, the other thing that's happening for them is that the allowances that they used to get are going down to the price is going up and they're getting less allowances. So, it's impacting their profit and loss, P&L."



	<ul style="list-style-type: none"> <li>• "...the compliance oriented. They want to comply and they're in business that is it's, it could be a huge a reputational risk, if they don't are not compliant in their annual accounts.... the investors and the banks putting this on the agenda.... companies now cannot pay for loans, for example, so they have to be qualified they want to do that because they will get better loan rates. And that is a financial benefit of doing the work and usually the benefit is larger than what the costs for them to have the consultant..."</li> <li>• "It is a huge risk issue for most companies how the legislation will affect them."</li> <li>• "...value of hotels when it comes to selling and buying is already now linked to ESG measures."</li> </ul>
<b>6. ESG Evaluation methods</b>	<ul style="list-style-type: none"> <li>• "...all smaller companies which are not under the requirements of SFDR. The companies with small number of employees, small turnover. There we have difficulties really to gather this data, but we try to make it informally.... some questionnaires, some ways to gather the information from them and we rely on the information they give to us..."</li> <li>• "...not a document with ticking boxes .... very concrete, comprehensive questionnaires and information..."</li> <li>• "Quite a lot. Quite a lot. Maybe it would be more helpful if I sent you a list. Because we check the companies, we invest in on how much ESG criteria. It's really and it's really ESG it relates to the to the protection of labor, biodiversity, relates to greenhouse gas emissions. So, there's a lot of things we check..."</li> <li>• "...our selection process that we have three long term sustainable objectives, you want to be climate positive by 2030. We'd like to have biodiversity footprint positive, and we aim for a livable wage in the apparel industry. Shall we select investments who in one way or the other come to positively contribute to those three objectives, which already leaves quite a lot of investments because they don't comply and the next step is that we, we screen them based upon the investment criteria..."</li> <li>• "We created a questionnaire and an ESG rating tool.... this rating tool helps us to assess what is the strategy, how the client is performing on ESG in general and, at the end of the processing the tool displays the risk profile of the client. It takes into consideration the industry which the clients are in and the geographical location. "</li> <li>• "...a lot of the data we need for those assessments are not written anywhere. So, what is helpful especially for the industry I'm working in, is that for buildings you need to make a technical due diligence... we also work very closely together with property management and with the facilitator so the person who owns the building to collect more data..."</li> </ul>





## 7. Interest in ESG Consulting

- "Well, probably, if, if it should be, if it's pushed by regulations, maybe we will (use ESG consultancy), because then it's also but then it's really a mandatory thing."
- "...if it's regulated, and that's also more like account like accounting principles, yeah. Then you just have to comply. You have ticked all the boxes and probably will need consultant from a larger consulting firm to help."
- "... bigger training or like an idea of how to fill in this report...headquarters. They really are open to hire an external company to look into the problem..."
- "The regulatory one is really interesting .... if you have an advisor that knows exactly how things work in this country that will definitely help to align everybody on the same page..."
- "... the risks. I think that if we show or like showcase how important this is, and how valuable this will be for the whole company concerning the risks that might arise from our actions."
- "Yes, but I think that that will be rather through a certificate like the green key, for instance, or you have companies that would assist you, following by certifying you... I can ask the consultants to help me, now the consultants will give me a whole list of things I have to do, and very likely they can help me implementing it too..."
- "I mean risk assessment is important because, we want to avoid risk. So, if I would have to choose it would be a risk assessment to be aware of where's my risk, and how can I mitigate and change it. "
- "... smaller scale ones, they definitely will need to outsource this task especially when it becomes regulated by law. So, my understanding hotels for sure will need consultancy especially independent smaller properties and small hotel chains."
- "...the priority would be regulations, framework, criteria, and requirements related to the new directives. So very much into the law perspective because definitely every company will need like an analysis of what is the current situation. And they will need to be helped in what does this regulation say and then compare the existing measurements or the actions that they are implemented and need to be in place. "
- "...highlight that consultants should also be able to engage the people in the company they are advising. Sustainability and ESG should be in the core, in the mission and the vision and consultants have to be able to display this message."
- "... we tell them about consultants there are consulting agencies in this area and international ones and we direct them to search consultants which may help.."



	<ul style="list-style-type: none"> <li>• "...we recommend that if they want to be fully compliant, be supported in their process of implementing the ESG requirements, it's good to use such services and it will be helpful for them..."</li> <li>• "They tend to use advisors..."</li> <li>• "M&amp;A is very important, especially since it takes risk into consideration...if the company is small scale, I would say focus should lay on ESG regulatory and strategy because this is the way to get going and comply....I do believe it is more tangible to talk about risk, because you have to convince these people that it is not simply about climate activism but if you translate it to risk factors and relate it to financial consequences, then it will become more concrete."</li> <li>• "Sustainability advisors come, because they will be the intermediary on training the client on how to present the application."</li> <li>• "...they would need support in complying to the regulations and of course advise on obtaining financing. Others will have to first be advised on how to implement ESG overall."</li> <li>• "...CSRD regulation... certain size, but we usually have a lot of companies we work with of this size...something that we see a lot of increase for the need in consulting and then assurance..."</li> <li>• "they think more about the report than integrating..."</li> <li>• "...different legislations but many companies do not take the time to understand them. Or think they're so complicated, that they're just giving up right away and trying to find the consultants..."</li> </ul>
8. Development of the ESG Consulting market	<ul style="list-style-type: none"> <li>• "In my view that is something that has been increased recently with a higher demand for sustainability support. And I think that especially from the smaller companies or independent companies. But I believe that in general there is a great potential for consultants to tap in this market especially in EU."</li> <li>• "...lot of companies who will jump on this because they see the market opportunity."</li> <li>• "...it's a marketing niche at the moment and I would say it's an open market."</li> <li>• "...you can even if you're not an audit company, you can do audit."</li> <li>• "You can enter the market because it's allowed, which makes the market more diverse and more competitive."</li> </ul>



	<ul style="list-style-type: none"> <li>• "...limited assurance will be mandatory. They need to have your auditor assured that the information is correct..."</li> <li>• "There was some discussion on this. I know, in the European context, weather auditors could do this work as well. And, and I think now the consensus is that yes, they should be able to do it and because also the companies, it's going to be so expensive for the companies. If they have an auditor for the financial reporting, then they need to have another party too doing the ESG assurance so it's a double cost and, and the companies don't want to bear those costs..."</li> <li>• "...the auditor will carry out an ESG assurance based on a standard called ISAE 3000."</li> <li>• "It is an audit engagement...different requirements on audit companies for quality control and privacy matters..."</li> <li>• "...those big companies should not scare people who want to open small companies for ESG consultancy because they're so big and because this topic is so new to them, they are not necessarily having an advantage to others."</li> <li>• "...lot of market simply because they need to make be way more work on making more companies aware...I would advise to start now because I'm pretty sure in five or 10 years from today, the market will be quite saturated."</li> <li>• "...the competition is rising very fast..."</li> <li>• "...it's really difficult because the consultancy industry needs to learn together with their clients. So, I simply think nobody really knows which makes advisory really difficult..."</li> </ul>
9. Range of ESG services offered on the Consultancy market	<ul style="list-style-type: none"> <li>• "...we have three business lines, one is advisory, the other one is audit and the last one is outsourced accounting services."</li> <li>• "If you have an audit client, mostly you can only provide assurance services or small consultations or gap analysis which are related to the quality of the audit you will do afterwards."</li> <li>• ".... it's important to note on the assurance side that there are two types. So, one is the limited assurance, which is basically you're scanning the information, it's it doesn't have the same kind of completeness as a financial audit. But then, and that's what the regulation says, you will have to start by doing limited assurance, but then, in the future, you will have to move into reasonable assurance and reasonable assurance is where you're getting closer to the financial audit, and that is more likely to be than in the years around 2027-2030."</li> <li>• "...the new legislation of course, will require companies to have limited assurance within a few years on the whole sustainability report...you will always need to have a person to lead the project and provide the final signature, but you will need experts to do the analysis, people who understand this type of information and the calculations. "</li> </ul>



- "The audit and the advisory. So, there is a risk of being... what's called.... You can't have a company to make the ESG report and then provide the assurance, it has to be on the other side of the table... You either help the companies make a report or you provide them assurance."
- "...if we have an audit client, we can provide gap analysis to check and prepare them to actually launch and publish their sustainability report by 2025...this is the simplest one. You just see what they're lacking according to the regulation....if you don't have such agreements, and there's no conflict of interest with an audit company, a company auditing, let's say another type, it will be an advisory client. You can provide all types of services, it can be trainings, it can be apart from gap analysis full strategic planning and implementation."
- "ESG risk identification, or key risk topics. You have to see according to the business involved, what risk could arise and in which way it can affect the business. Then you have assessment after you identify the type of risk, you start delving more into the...how to say... there are a lot of heat maps, scoreboards. This is how you assess the risk, I would say. Lastly, you have scenario analysis because one climate risk or like ESG risk can affect the financial side of the business. Then you might assess through scenario analysis, only portfolio, one portfolio, or the whole business line. There are a couple of risk you have physical business risk, credit risk, counterparty risks...I would say you have to look into a more holistic way and the more detailed and the more embedded sustainability and ESG risks are in every functional department, the better. But you have to assess that."
- "I think a good start for your company is to focus first on ESG regulation, because this is something obligatory. It's very reactive behavior. It's not sexy, because you just help them comply with the law. It's nothing active or proactive, but the main business will come from there."
- "...gap analysis related to regulations or what they have to do so that later they will comply."
- "I would say for a small company, if you specialize in a topic, maybe start first with one or two things, focus on them and slowly after gaining experience and knowledge, expat, cross sectoral partnerships are extremely important..."
- "I would say that the audit company goes to the client and says, if you want to do a gap analysis, we prepare a questionnaire related to, in our view risks, mostly binding to the industry in addition to what is written in all the standards that are now issued. So, we read the standards, we see what is compliant for hospitality management, you have to analyze, you have to think, you should say "okay ESG material risks for hospitality can be this and that...". Then you look into the documents what is written from regulatory part and our questionnaire, you make some kind of weighting, in order to make sense, to see up to what extent the company might be compliant or not.... There is an extent you have to that's the issue. It's not quantitative data, you don't see financials, you see qualitative data and



practices. So, maybe it's not a bad idea to make some kind of identification of different stages where a hospitality company can be, let's say, inactive, reactive, active for proactive, set some standards and thresholds. This is what I've done. For the banks. I'm also trying to make some kind of tour instruments how to identify what they're missing and what they're not. And I think it could work very well. Even only based on public information. You can get a lot of data and insights. And then if you do an interview, to clarify what is missing, you can get the whole picture but all the regulations even now we're setting clear, what has to be checked and whatnot...."

- "It's a bit complicated. In general, if you have an audit client, you cannot advise them because it's conflict of interest. It's forbidden by law. It depends what kind of consulting you provide because even auditors can consult and say okay, we will make a gap analysis and then small training only because it's related to what we will audit afterwards, but not full strategy, or something bigger, or I don't know, integrating, incorporating some standards inside this is not allowed, but I know, it depends a lot on the revenues you have from the small assurance and trainings you do, compared to your audit fee, definitely though, it has to be maybe 70%. So, whatever you offer has to be negligible in order not to be too influential. Because imagine, okay, I'm advising our client to do this, this, and this, and then I'm auditing what he has done, but that's not independent."
- "You either advise one client only, or you do some small assurance things that are allowed in the directive to be done... we as auditors, we are allowed to check the whole risk solvency documents and even help them comply, give them advice, and support them, how to reduce their risk. If it is prudential and related to regulations you can audit and provide service, if its small in fee, however if it's strategy or strategy implementation, this is pure advisory."
- "...if it is related to regulation, it can be mixed approach, audit and advisory, if it's strategy and it's predominantly the fee comes from strategy you cannot do audit."
- "M&A, this is crucial, it will be absolutely obligatory in my opinion, I would say regulatory and prudential as you said, reporting. These can also be strategy because you can do the strategy on the disclosure side. You can do strategy on the risk side, to be honest, you can even just strategy on the marketing, HR side... I definitely think start with law and the legal side."
- "...audit and assurance, as I said, we were thinking on reporting and impact assessment. The reporting could be of CSRD, SFDR and NFRD. Then international frameworks...."
- "...audit or the gap analysis, or impact assessment..."
- "Internal operation impact over environment society human rights, vendors from upper value chain so all your suppliers and vendors, distributors to lower value chain, management of investments, loans portfolios..."



- "...you get an energy expert, and he provides assessment and says okay, your carbon footprint is this, but this is only checking. Then, we go to the advisory. This is now a different story as I told you, here we want to raise market awareness, to position the company in the market and to put foot in the door for new projects. So, the products that can be provided could be European Framework training, so, all the regulations you train how they can comply, not just check and asses, you say "okay, first, you develop this internal policy, in this internal policy you have to say for yourself, I will do this for the people, this for the environment, this for the risks coming..."
- "The next service offering is strategy. This is the most complex one, because you can take all the rest to bundle services together and say "okay, basic service, you do initial assessment and strategy gap analysis only". Then you say "okay, I can also do risk assessment and sustainability matrix". So, we will create your materiality matrix based on our assessment, then you have to make an action plan and roadmap, to do this, in one month you do that, in three months or one year you do this, and you have to set targets" ... and setting target is also complex..."
- "...reporting, strategy, implementation, and transformation..."
- "...being compliant with regulatory requirements... make them ready for the new disclosure requirements."
- "...we need to help them in terms of measuring the carbon footprints... science-based targets initiative. So, identifying the main source of emissions and how can they eliminate or reduce them so that they also work on business strategy"
- ESG assurances as well bringing the level and quality of this information to a higher high level basically, so that auditors can come in and verify and assure the information..."
- "...we are in projects like we call it "overall assistance" for companies like sustainability integration. We focus a lot on doing like materiality assessments. What is material what is important for companies. Based on that to make a strategy or a policy recommendation, define like goals and targets and how they should measure the progress. So that's on a strategic level. We also help with annual reporting, sustainability reports by measuring and documenting the initiatives, for example, how you present the result and what you're doing in that perspective. We have been doing some assurance.... we assess banks and, and companies to make a green bond framework, define what projects are green and social aspects, and then we do a deeper analysis on carbon footprints and circular economy. .... risk assessment as it is key to ESG, especially the financial perspective of the risk."
- "...we have been pushing, "you should integrate it to be able to have an effective report". Otherwise, you just carry forward indicators that are not measuring any progress on some implementation of policy that you have. So, you always have to integrate sustainability ideally first. Maybe you have the first report that's like a base status of how it was before it where it is now. It is a bit challenging... And the year has passed, so you cannot talk about implementation because you haven't at least done that effectively..."



	<ul style="list-style-type: none"> <li>• "...build dashboards, we collected all the data from all the countries, then we try to make a dashboard out of it to give the client an overview of what they have because those clients don't know and then advise them on which steps action should be taken, what kind of roadmaps they should build or plan to be EU taxonomy aligned and then of course for the reporting.... collecting data, data management..."</li> <li>• "...have the planning, strategy part and you have the action, reporting part. I think those are the two big ones.... since this is the first step, and then the reporting only works when you understand what you're doing. I would start from the beginning. And I would start with explaining what's going on with helping them to understand what they need to do with helping them to develop actions, which really works tailor made for them. And then the reporting comes after..."</li> </ul>
10. <u>Entering the ESG Consulting market strategy</u>	<ul style="list-style-type: none"> <li>• <u>"...we are trying to speak to them, their CEO or whatever, and say, "Okay, this will come, would be interested in us to assess what gaps we can find and then probably maybe provide some training for you to assist you partially on how to improve the situation so you can get ready for it".</u></li> <li>• <u>"...would say again, maybe you find an email or number of someone is responsible for sustainability or even for external relations, you provide one type of service offering list, imagine like a pitch deck."</u></li> <li>• <u>"Starting with campaigns, making webinars, inviting clients to open doors, making brochures, making events about that, is a way to start attracting the clients. Gather topics which are material for them, Q&amp;A discussions, assess the maturity of the business. "</u></li> <li>• <u>"....big 4 like McKinsey, there's a lot of big players, but there's also a lot of overhead there, so you could be entering with a lower margin."</u></li> </ul>



## App. 8. Confidentiality Agreement



### **Declaration relating to confidentiality concerning research data in Launching Your CAREer (LYCar) programme**

The undersigned, Madlen Zheleva (hereinafter referred to as: the Student), residing in The Hague.

Conducting a (research)project for the company: Sassen Research and Consultancy (hereinafter referred to as: the Client), residing in: Amsterdam/The Hague.

Whereas:

- the Student shall, in the context of his or her LYCAR research, gain access to confidential information;
- the Client shall, where appropriate, demand a signed declaration relating to secrecy and confidentiality concerning the information provided in this context;
- this non-disclosure agreement shall, in the event of any discrepancies, take precedence over other contracts or agreements which have been or will be concluded or made between the Student and the Client;

Declares as follows:

1. The Student shall keep confidential any information which the Client or any other party involved in the LYCAR research provides under this contract, and shall not further disclose such information in any way, except insofar as the Student is obliged to disclose it by virtue of any legal requirement or irrevocable decision of a judge.
2. Information, as referred to under 1, refers to all information, including written, verbal, graphic and digital information, or information in any other form, which comes to the knowledge of the Student during the research period and which the Student knows, or can reasonably be expected to know, is of a confidential nature.
3. The Student shall not, without the prior written consent of the Client, disclose any confidential information to third parties or contribute to the publication of confidential information. The Student shall submit the thesis to the supervisor for approval from the Client in respect of confidential information, before making such information available to his examiner(s) at Hotelschool The Hague.
4. This non-disclosure agreement shall be in force for an indefinite period / The Student shall be bound to this obligation of secrecy for five (5) years after signing this declaration.  
CHOOSE IN CONSULTATION WITH CLIENT)

Thus declared and signed by:

Name: Madlen Zheleva

Date: 02 - 05 - 2022

Place: Hotelschool The Hague

Student number: 782009

Signature:

A handwritten signature in black ink, appearing to be 'MZ' or similar, written over a horizontal line.



## App. 9. Informed consent forms

### 9.1. Interviewee 1

#### Informed Consent Form

*ESG impact on the hospitality industry in EU*

I, the intended research participant, have read the information for this project. I was given the opportunity to ask additional questions. If I had any questions these have been answered to my satisfaction. I have had enough time to decide whether or not I wish to participate.

I understand that my participation is completely voluntary. I understand that I am free to withdraw at any time, without giving any reason.

I understand that some people have access to my personal details. These people have been mentioned (in the information etc.).

I consent to the use of my details, for the purposes that have been mentioned in the information/information letter.

I consent to my details being kept for further analysis (if applicable) for a maximum of 15 years after this research project has ended.

I hereby give my informed consent to take part in this research project.

Name of participant: Léon Dijkstra

Signature:

Date : 15 / 06 / 2022

I, the researcher, confirm that I have fully informed this participant about the above research project.

If any new information arises in the duration of the research project that could potentially influence the participant's consent, I will inform the research participant.

Name of researcher (or his/her representative): Madlen Zheleva

Signature:

Date: 15 / 06 / 2022



## 9.2. Interviewee 2

### Informed Consent Form

I, the intended research participant, have read the information for this project. I was given the opportunity to ask additional questions. If I had any questions these have been answered to my satisfaction. I have had enough time to decide whether or not I wish to participate.

I understand that my participation is completely voluntary. I understand that I am free to withdraw at any time, without giving any reason.

I understand that some people have access to my personal details. These people have been mentioned (in the information etc.).

I consent to the use of my details, for the purposes that have been mentioned in the information/information letter.

I consent to my details being kept for further analysis (if applicable) for a maximum of 15 years after this research project has ended.

I hereby give my informed consent to take part in this research project.

Name of participant: Lilia Slavova Stoykova

Signature:

Date : 23 / 06 / 2022

I, the researcher, confirm that I have fully informed this participant about the above research project.

If any new information arises in the duration of the research project that could potentially influence the participant's consent, I will inform the research participant.

Name of researcher (or his/her representative): Madlen Zheleva

Signature:

Date: 21 / 06 / 2022



### 9.3. Interviewee 3

#### Informed Consent Form

I, the intended research participant, have read the information for this project. I was given the opportunity to ask additional questions. If I had any questions these have been answered to my satisfaction. I have had enough time to decide whether or not I wish to participate.

I understand that my participation is completely voluntary. I understand that I am free to withdraw at any time, without giving any reason.

I understand that some people have access to my personal details. These people have been mentioned (in the information etc.).

I consent to the use of my details, for the purposes that have been mentioned in the information/information letter.

I consent to my details being kept for further analysis (if applicable) for a maximum of 15 years after this research project has ended.

I hereby give my informed consent to take part in this research project.

Name of participant: *Nick Bragman*

Signature: 

Date: 28 / 6 / 2022

I, the researcher, confirm that I have fully informed this participant about the above research project.

If any new information arises in the duration of the research project that could potentially influence the participant's consent, I will inform the research participant.

Name of researcher (or his/her representative): Madlen Zheleva

Signature: 

Date: 27 / 06 / 2022



## 9.4. Interviewee 4

### Informed Consent Form

I, the intended research participant, have read the information for this project. I was given the opportunity to ask additional questions. If I had any questions these have been answered to my satisfaction. I have had enough time to decide whether or not I wish to participate.

I understand that my participation is completely voluntary. I understand that I am free to withdraw at any time, without giving any reason.

I understand that some people have access to my personal details. These people have been mentioned (in the information etc.).

I consent to the use of my details, for the purposes that have been mentioned in the information/information letter.

I consent to my details being kept for further analysis (if applicable) for a maximum of 15 years after this research project has ended.

I hereby give my informed consent to take part in this research project.

Name of participant:

Signature:

Date:

14/07/22

I, the researcher, confirm that I have fully informed this participant about the above research project.

If any new information arises in the duration of the research project that could potentially influence the participant's consent, I will inform the research participant.

☒ Name of researcher (or his/her representative): Madlen Zheleva

Signature:

Date: 14/07/2022



## 9.5. Interviewee 5

### Informed Consent Form

I, the intended research participant, have read the information for this project. I was given the opportunity to ask additional questions. If I had any questions these have been answered to my satisfaction. I have had enough time to decide whether or not I wish to participate.

I understand that my participation is completely voluntary. I understand that I am free to withdraw at any time, without giving any reason.

I understand that some people have access to my personal details. These people have been mentioned (in the information etc.).

I consent to the use of my details, for the purposes that have been mentioned in the information/information letter.

I consent to my details being kept for further analysis (if applicable) for a maximum of 15 years after this research project has ended.

I hereby give my informed consent to take part in this research project.

Name of participant: Boyana Milanova

Signature:

Date: 10/10/2022

I, the researcher, confirm that I have fully informed this participant about the above research project.

If any new information arises in the duration of the research project that could potentially influence the participant's consent, I will inform the research participant.

Name of researcher (or his/her representative): Madlen Zheleva

Signature:

Date: 10 / 10 / 2022

Additional information has been provided by (if applicable):

Name: Boyana Milanova

Occupation: General Manager Intern

Signature:

Date: 10 / 10 / 2022



## 9.6. Interviewee 6

### Informed Consent Form

I, the intended research participant, have read the information for this project. I was given the opportunity to ask additional questions. If I had any questions these have been answered to my satisfaction. I have had enough time to decide whether or not I wish to participate.

I understand that my participation is completely voluntary. I understand that I am free to withdraw at any time, without giving any reason.

I understand that some people have access to my personal details. These people have been mentioned (in the information etc.).

I consent to the use of my details, for the purposes that have been mentioned in the information/information letter.

I consent to my details being kept for further analysis (if applicable) for a maximum of 15 years after this research project has ended.

I hereby give my informed consent to take part in this research project.

Name of participant: Roberto Rodríguez

Signature:

Date : 28 / 10 / 22

---

I, the researcher, confirm that I have fully informed this participant about the above research project.

If any new information arises in the duration of the research project that could potentially influence the participant's consent, I will inform the research participant.

Name of researcher (or his/her representative): Madlen Zheleva

Signature:

Date: 26 / 10 / 2022





## 9.7. Interviewee 7

### Informed Consent Form

I, the intended research participant, have read the information for this project. I was given the opportunity to ask additional questions. If I had any questions these have been answered to my satisfaction. I have had enough time to decide whether or not I wish to participate.

I understand that my participation is completely voluntary. I understand that I am free to withdraw at any time, without giving any reason.

I understand that some people have access to my personal details. These people have been mentioned (in the information etc.).

I consent to the use of my details, for the purposes that have been mentioned in the information/information letter.

I consent to my details being kept for further analysis (if applicable) for a maximum of 15 years after this research project has ended.

I hereby give my informed consent to take part in this research project.

Name of participant:

Signature: *Sjoerd Sybems*

Date : 28 / 10 / 22

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I, the researcher, confirm that I have fully informed this participant about the above research project.

If any new information arises in the duration of the research project that could potentially influence the participant's consent, I will inform the research participant.

---

Name of researcher (or his/her representative): Madlen Zheleva

Signature:

Date: 28 / 10 / 2022





## 9.8. Interviewee 8

### Informed Consent Form

I, the intended research participant, have read the information for this project. I was given the opportunity to ask additional questions. If I had any questions these have been answered to my satisfaction. I have had enough time to decide whether or not I wish to participate.

I understand that my participation is completely voluntary. I understand that I am free to withdraw at any time, without giving any reason.

I understand that some people have access to my personal details. These people have been mentioned (in the information etc.).

I consent to the use of my details, for the purposes that have been mentioned in the information/information letter.

I consent to my details being kept for further analysis (if applicable) for a maximum of 15 years after this research project has ended.

I hereby give my informed consent to take part in this research project.

Name of participant: *Emil Staromanov*

Signature: *Emil Staromanov*

Date: *28 / 10 / 2022*

---

I, the researcher, confirm that I have fully informed this participant about the above research project.

If any new information arises in the duration of the research project that could potentially influence the participant's consent, I will inform the research participant.

---

Name of researcher (or his/her representative): Madlen Zheleva

Signature: *Madlen Zheleva*

Date: 28 / 10 / 2022



## 9.9. Interviewee 9

### Informed Consent Form

I, the intended research participant, have read the information for this project. I was given the opportunity to ask additional questions. If I had any questions these have been answered to my satisfaction. I have had enough time to decide whether or not I wish to participate.

I understand that my participation is completely voluntary. I understand that I am free to withdraw at any time, without giving any reason.

I understand that some people have access to my personal details. These people have been mentioned (in the information etc.).

I consent to the use of my details, for the purposes that have been mentioned in the information/information letter.

I consent to my details being kept for further analysis (if applicable) for a maximum of 15 years after this research project has ended.

I hereby give my informed consent to take part in this research project.

Name of participant:

Signature: Sigurjónsson, Hafþór

Date : 28 / 10 / 22

I, the researcher, confirm that I have fully informed this participant about the above research project.

If any new information arises in the duration of the research project that could potentially influence the participant's consent, I will inform the research participant.

Name of researcher (or his/her representative): Madlen Zheleva

Signature:

Date: 28 / 10 / 2022



## 9.10. Interviewee 10

### Informed Consent Form

I, the intended research participant, have read the information for this project. I was given the opportunity to ask additional questions. If I had any questions these have been answered to my satisfaction. I have had enough time to decide whether or not I wish to participate.

I understand that my participation is completely voluntary. I understand that I am free to withdraw at any time, without giving any reason.

I understand that some people have access to my personal details. These people have been mentioned (in the information etc.).

I consent to the use of my details, for the purposes that have been mentioned in the information/information letter.

I consent to my details being kept for further analysis (if applicable) for a maximum of 15 years after this research project has ended.

I hereby give my informed consent to take part in this research project.

Name of participant: Gunnar Sveinn Magnusson

Signature:

Date : 28 / 10 / 22

I, the researcher, confirm that I have fully informed this participant about the above research project.

If any new information arises in the duration of the research project that could potentially influence the participant's consent, I will inform the research participant.

---

Name of researcher (or his/her representative): Madlen Zheleva

Signature:

Date: 28 / 10 / 2022



### 9.11. Interviewee 11

#### Informed Consent Form

I, the intended research participant, have read the information for this project. I was given the opportunity to ask additional questions. If I had any questions these have been answered to my satisfaction. I have had enough time to decide whether or not I wish to participate.

I understand that my participation is completely voluntary. I understand that I am free to withdraw at any time, without giving any reason.

I understand that some people have access to my personal details. These people have been mentioned (in the information etc.).

I consent to the use of my details, for the purposes that have been mentioned in the information/information letter.

I consent to my details being kept for further analysis (if applicable) for a maximum of 15 years after this research project has ended.

I hereby give my informed consent to take part in this research project.

Name of participant: Nora Dreßler

Signature:

Date: 28 / 10 / 2022

I, the researcher, confirm that I have fully informed this participant about the above research project.

If any new information arises in the duration of the research project that could potentially influence the participant's consent, I will inform the research participant.

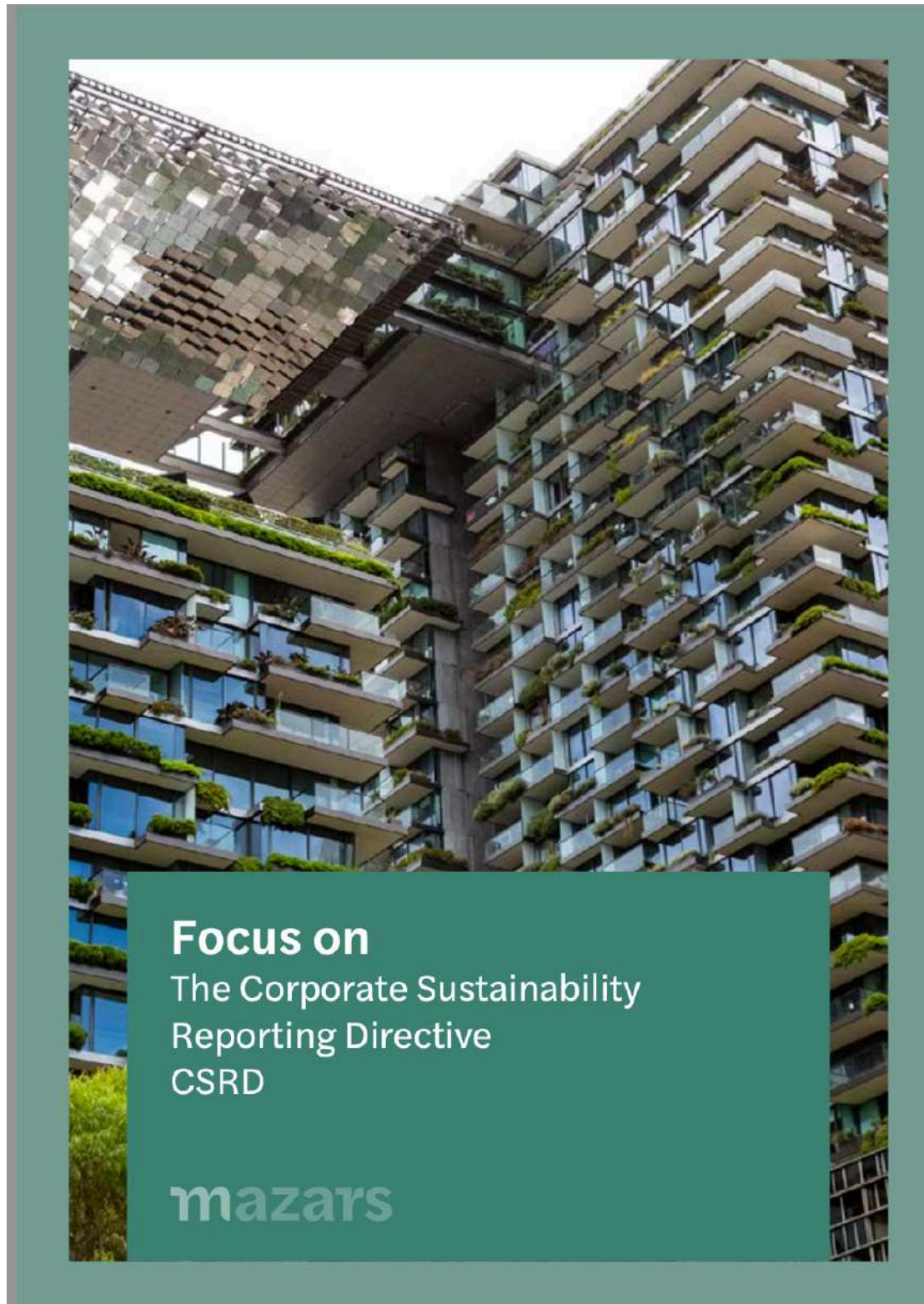
Name of researcher (or his/her representative): Madlen Zheleva

Signature:

Date: 28 / 10 / 2022

## App. 10. Marketing materials

### 10.1. Brochure for CSRD







## Focus on The Corporate Sustainability Reporting Directive - CSRD

### What are we talking about?

In April 2021, the European Commission adopted the draft Corporate Sustainability Reporting Directive, or CSRD, which significantly strengthens the current sustainability reporting requirements of the Non-Financial Reporting Directive (NFRD) and expands the scope of companies concerned.

In practice, the CSRD intends to adopt **prescriptive sustainability reporting standards** that will be mandatory for all companies outlined in the scope of the directive, with businesses outside of this scope also encouraged to meet these standards. In the same way that IFRS provides a strict framework for financial reporting, these future sustainability reporting standards will provide people rules on both what content information must be provided and how it should be provided.

### Why this new directive?

Enabling the dissemination of reliable, relevant and comparable sustainability information among all economic and financial players is the cornerstone of Europe's sustainable development ambitions. Indeed, there can be no significant progress in achieving these collective objectives if the underlying issues are not uniformly understood, managed and shared. However, the current framework defined by the NFRD has left considerable leeway for the implementation of reporting obligations. This has resulted in a great deal of diversity in the information available, which is both expensive to produce, and ultimately not very useful.

The CSRD therefore aims above all to define a **common, standardised language for sustainability reporting**, which must also be audited.

By making standards clearer, the directive will benefit all economic and financial players, and in particular companies themselves.

### Which companies are concerned?

The CSRD significantly increases the scope of companies concerned. Regardless of their legal status, this directive applies to the following companies:

- **All companies listed on a European market** (including non-European companies and SMEs, but excluding micro-enterprises with less than 10 employees)

- **All large unlisted companies**, defined as meeting two of the three following criteria: more than 250 employees, €20m balance sheet or €40m turnover

Unlisted SMEs will be encouraged to publish simplified information according to standards, proportionate to their needs and capacities.



## Focus on The Corporate Sustainability Reporting Directive - CSRD

### What information should be published?

The information to be published within the framework of the CSRD will be organised according to 3 categories and will cover the 3 "ESG" subjects (Environment, Social, Governance).



1 Paris Agreement 1.5°C warming trajectory

All these aspects will be detailed in future reporting standards.

### Where should the information be published?

The information must be provided **within the management report** (although it can be featured in a separate section) and must comply with an **imposed digital format**.

This digital format will be based on a tagging system compatible with the European Single Electronic Format (ESEF).

### What information should be audited?

The entire sustainability report and the information contained therein will be subject to **mandatory assurance**. This audit will be carried out with limited assurance, with the possibility of moving towards reasonable assurance in the medium term.

The audit will have to be carried out by the statutory auditor - or by an independent third party if the Member State chooses to leave this possibility open.

3 Mazars

### When will the CSRD come into force?

It is expected to come into force in January 2024. **The companies concerned will therefore have to publish their first CSRD report in 2024** with the information for the financial year 2023 based on the standards expected to be published in Q4 2022.

Focus on The Corporate Sustainability Reporting Directive CSRD

## Focus on The Corporate Sustainability Reporting Directive - CSRD

### What do you need to do to prepare?

If your organisation is already required to publish a sustainability report:



## Focus on The Corporate Sustainability Reporting Directive - CSRD

If your organisation has never published a sustainability report:



(Mazars, 2022)

## 10.2 Brochure for EU Taxonomy







## Focus on The European Taxonomy

### What are we talking about?

The "Taxonomy" regulation was adopted in June 2020 by the European Union and is a key element of the European plan to finance sustainable growth. The Taxonomy objective is to encourage economic players to identify their positioning in relation to the EU's sustainable transition trajectory, in order to enable financial players to prioritise the allocation of funding to projects and assets recognised as the most supportive of this trajectory.

To this end, the regulation creates a classification (Taxonomy) of economic activities according to their potential contributions to the EU's six environmental objectives (hence the common name of "green Taxonomy").

- Climate change mitigation
- Climate change adaptation
- Sustainable use and protection of water and marine resources
- Transition to a circular economy
- Pollution prevention and control
- Protection and restoration of biodiversity and ecosystems

The requirement then directs companies to identify the activities in their portfolio that meet specific technical criteria and indicate the share they represent in their overall activity.

Implementing the Taxonomy therefore requires:

- Analyzing the position of companies' activities in relation to the standard
- Publishing information on the process and results of this analysis.

### Who is concerned?

The scope of companies targeted by the Taxonomy is currently the same as that of the NFRD.

As a result, when the CSRD (Corporate Sustainability Reporting Directive) succeeds the NFRD in 2024, this scope will apply to the following:

- All companies listed on a European market (including non-European companies and SMEs, but excluding micro-enterprises with less than 10 employees)
- All large unlisted companies defined as meeting two of the three following criteria: more than 250 employees, €20m balance sheet or €40m turnover

Further information on the CSRD can be found in our CSRD brochure.



1. EU Regulation (2020/852) - the establishment of a framework to facilitate sustainable investment

2. EU publication - Renewed sustainable finance strategy and implementation of the action plan on financing sustainable growth

2. Mazars

## Focus on The European Taxonomy

### How does the Taxonomy work?

The Taxonomy is based on a three-step approach:

#### 01

##### Eligibility analysis

Activities explicitly listed in the Taxonomy are considered "eligible". There are currently about 60 such activities, spread across 13 macro-sectors chosen because they account for more than 90% of greenhouse gas emissions. This is where the biggest effort is needed to meet the EU's commitment to reduce its emissions by 55% by 2030 and to be carbon neutral by 2050. The eligibility analysis consists of comparing a company's activities to the description given by the Taxonomy of so-called "eligible activities". There is no room for improvement at this stage: it is purely an exercise of mapping activities.

#### 02

##### Alignment analysis

Eligible activities become "aligned" with the Taxonomy (and thus with the EU environmental objectives) when they meet 3 requirements:

- Contribute substantially to at least one of the 6 environmental objectives - this contribution is determined by environmental performance requirements defined on the basis of scientific technical criteria ("Technical Screening Criteria" or TSC) detailed by the standard, activity by activity.
- Do not cause significant harm to any of the other 5 environmental objectives. Again, harm is determined according to criteria set out in the standard.
- Respect the minimum guarantees of respect for human rights, governed by the guidelines of the OECD, the UN and the ILO.

At this stage, companies must review each of their eligible activities against a defined set of technical criteria, which requires access to granular information pertaining to environmental performance.

#### 03

##### Contribution analysis

Once the "aligned" activities have been identified, companies must calculate and publish the amount those aligned activities represent across the overall activity of the business, thus illustrating their degree of alignment with the EU transition path.

3. Eligible activities and alignment criteria are detailed in a so-called "Climate" delegated act

3. Mazars

Focus on the European Taxonomy

## Focus on The European Taxonomy

### What information should be published?

This degree of alignment with the European transition path is reflected in the publication of financial indicators that differ depending on whether a company is a financial or non-financial player.

For non-financial players, the 3 indicators required are:

#### 01

Share of turnover from aligned activities

#### 02

Share of CAPEX related to aligned activities

#### 03

Share of OPEX related to aligned activities

In connection with these indicators, companies must also indicate their methods for identifying eligible and aligned activities, the list of these activities, and describe their methods for calculating the indicators.

To justify the aligned CAPEX amounts, companies must present their transition investment plan, validated by the Board of Directors or its delegation, with the objective of extending the scope of the aligned activities over a 5-year period (or up to 10 years, with an exception that must be justified).

For financial players, the indicators are:

<b>Asset managers</b>	Weighted average of investments in Taxonomy-aligned activities as a proportion of total assets under management	
<b>Credit institutions</b>	Green Asset Ratio (GAR) = assets financing Taxonomy-aligned activities as a proportion of total assets covered	
<b>Investment companies</b>	<b>Own account</b>	Amount of assets associated with Taxonomy-eligible and Taxonomy-aligned activities as a percentage of total assets
	<b>Third party account</b>	Amount of revenues associated with Taxonomy-eligible and Taxonomy-aligned activities as a percentage of total revenues
<b>Insurance and reinsurance companies</b>	<b>Investments</b>	Weighted average of investments associated with Taxonomy-aligned activities
	<b>Insurance underwriting</b>	Percentage of non-life insurance (or reinsurance) revenues ("gross premiums written") corresponding to Taxonomy-aligned activities

4. The details of the calculations and the information to be provided are specified in a delegated act called "Article 18"

4. Mazars

Focus on the European Taxonomy

## Focus on The European Taxonomy

### When is it expected to come in effect?

The first provisions will come in effect on 1 January 2022, as expected by the "Climate" delegated act<sup>1</sup>



### Some practical examples...

	Subject to Taxonomy?	Eligible activities?
<b>SMEs in the construction sector (not in the NFRD scope)</b>	No	N/A
<b>Large companies in the construction sector (in the NFRD scope)</b>	Yes	Yes Construction is one of the eligible sectors for the Taxonomy. Companies must complete the entire Taxonomy exercise and publish the 3 indicators (turnover, CAPEX, OPEX) which will indicate the "aligned" proportion of their activities.
<b>Large companies in the hotel sector (in the NFRD scope)</b>	Yes	Not at first glance, however... - The hotel industry is not currently eligible for the Taxonomy. However, companies are still obliged to carry out the entire analysis, even if they ultimately publish indicators equal to zero. - In addition, certain CAPEX and OPEX may be eligible even if a company's business activities are not (e.g. investment to supply hotels with renewable energy).

5. Eligible activities and alignment criteria are detailed in a so-called "Climate" delegated act

5. Mazars

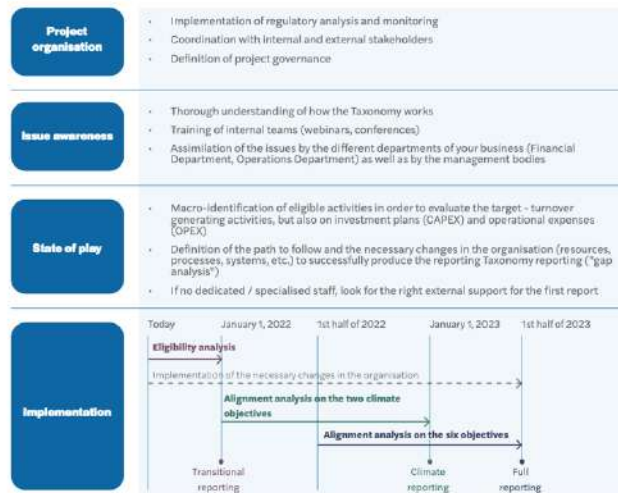
Focus on the European Taxonomy





## Focus on The European Taxonomy

What should I do now if my company falls within the scope of the regulation?



## Contact

**Maud Gaudry**, Global Co-Head of Sustainability, Mazars  
[maud.gaudry@mazars.fr](mailto:maud.gaudry@mazars.fr)

Mazars is an internationally integrated partnership, specialising in audit, accountancy, advisory, tax and legal services\*. Operating in over 90 countries and territories around the world, we draw on the expertise of more than 42,000 professionals – 26,000+ in Mazars' integrated partnership and 16,000+ via the Mazars North America Alliance – to assist clients of all sizes at every stage in their development.

\*Where permitted under applicable country laws.

[www.mazars.com](http://www.mazars.com)

**mazars**

(Mazars, 2022)

### 10.3. Brochure ESG Services



## Environmental, Social and Governance (ESG) services

mazars



## What is ESG?

**For organisations to succeed, ESG must be at the heart of their business model.**

ESG matters have become a 21st century issue that all businesses will need to address. The topic is broad and is likely to impact all aspects of business in the coming years from meeting legal obligations and controlling costs to attracting and retaining clients, staff and capital.

Sustainability related issues offer your organisation opportunities, that over time will improve corporate resilience, create economic value and contribute to a healthy ecosystem and strong community.

We also understand the challenges that can prevent Boards, Key Stakeholders and Trustees from taking the necessary actions to systematically implement the Environmental, Social and Governance (ESG) actions required to integrate sustainability into the core of your organisation.



Environmental, Social and Governance (ESG) services

Mazars 2

## ESG health check

**Businesses can no longer afford to ignore environmental, social and governance considerations.**



For clients that are considering or only just commencing their ESG journey, our ESG health check is an effective tool to assist in making that start.

### About the ESG health check

- Our ESG assessment is a 'health check' of the current status and a gap analysis of your business's minimum regulatory and societal requirements.
- The results of your online questionnaire will be compiled with high-level insights and benchmarked data to inform a personalised action plan formulated to address these gaps.
- We'll also refer you to the United Nations SDGs and guide you through which goals are best addressed by your business.

### Value

- You'll be rewarded with an 'ESG awareness' accreditation.
- The ESG Health check will provide you with a suggested path forward and specific actions that will enable you to plan your ESG path.

Environmental, Social and Governance (ESG) services

Mazars 9

## ESG strategy consulting services

**To be effective, your ESG strategy must be fully integrated into your business model.**

### ESG strategy formulation

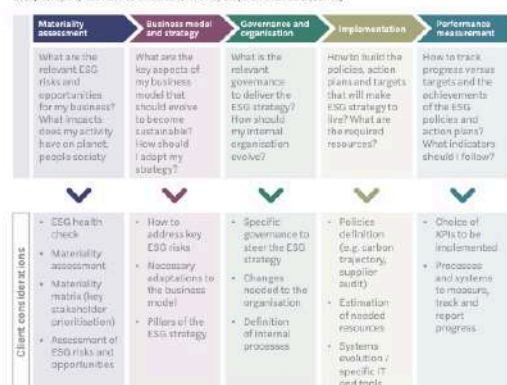
- An effective ESG strategy will be integrated into its wider business and will align all your objectives with the aim of creating long-term value for your organisation, your stakeholders and wider society, while sustaining and enhancing our natural resources for future generations.
- To be effective your ESG strategy must sit at the heart of your organisation and be fully integrated into your business model.

### How Mazars can help

- At Mazars we have the expertise to assist you to connect the dots and design an ESG based strategy that is tailored for your organisation while at the same time ensuring compliance to increased levels of regulation.
- Mazars will support you in understanding the complexities in the detail of the commitment to embedding ESG strategically into your organisation and our approach will follow five key steps:

### Key steps to sustainable business

Every company will have to undertake five key steps on their ESG journey



Environmental, Social and Governance (ESG) services

Mazars 5

Environmental, Social and Governance (ESG) services

Mazars 8





### How Mazars can help

We can help support you with your energy use and emissions reporting depending on your needs. We understand the complexities of the requirements whilst considering your wider business functions.

Specifically, we can help you with:

- **Scoping** – Understanding which entities and parts of your business fall within the requirements, including whether any exemptions are able to be applied.
- **Collection and measuring data** – Establishing the appropriate systems to collect and measure data, ranging from simplified approaches to building and developing management information systems linked to reporting systems.
- **Calculation of carbon emissions** – In accordance with the Greenhouse Gas Reporting Protocol – Corporate Standard and HM Government emission factors for greenhouse gas company reporting.
- **Reporting** – Drafting the energy use and emissions information for disclosure within your annual report.
- **Benchmarking** – Provide you with assurance that your energy use and emission information is appropriate for your business, comparing your information to benchmarked companies and best practice.

Environmental, Social and Governance (ESG) services



#### ESG assurance services

**"An engagement in which a practitioner expresses a conclusion designed to enhance the degree of confidence of the intended users other than the responsible party about the outcome of the evaluation or measurement of a subject matter against criteria."**

Assurance Standards Board (IAASB)

##### What are the benefits of providing assurance on ESG reporting

- To enhance the credibility of disclosures related to corporate responsibility and sustainability activities.
- To inform stakeholders of the progress made towards set objectives.
- To provide management and those charged with governance comfort over the quality of the information provided.

##### Demand for assurance of ESG reporting

Whilst external assurance remains voluntary in the UK, an increasing number of entities are providing independent assurance of their ESG disclosures.

This is driven by a growth in investor demands for greater transparency and a booming sustainable financing market (bonds, loans, facilities).

##### Assurance frequently focuses upon

- Integrated Reports, including environmental, social, governance (ESG) and economic disclosures.
- Sustainability or corporate responsibility reports, including performance disclosures, data, targets and KPIs relating to environmental, social, economic and governance topics.
- Adherence to principles as defined by external or internal standards or codes of conduct.
- Specific communications made to particular stakeholders or the board including ESG information such as KPIs, targets, performance against targets etc.
- Claims related to social and environmental outcomes of specific products or services.

At Mazars we have designed a specific methodology and tools to have implemented quality control processes enabling us to provide assurance in line with international standards.

Our assurance engagements are performed by a global team of professionals with expertise across a wide range of industry sectors.

Environmental, Social and Governance (ESG) services

Mazars 21

#### Supply chain risk

**Supply chain sustainability is increasingly recognised as a key generator of business value and an important element of strong corporate responsibility performance.**

Knowing and managing the economic, social and environmental risks of your supply chain is an essential measure of your organisation's performance.

##### Why supply chain risk is important

Organisations are exposed to a multitude of risks from their supply chains including breaches to intellectual property rights and company assets, compromising human rights or labour rights, risks to occupational health and safety and causing environmental damage.

These can cause substantial reputation or business risks to any organisation.

Our evaluation and support approach is pragmatic and collaborative leading to mutual benefits for your company and your suppliers.

##### How Mazars can help

- In order to effectively manage risks in the supply chain, Mazars can help you design a comprehensive approach to sustainable supply chain management including:
- Designing of global processes for supplier sustainability risk assessments, self-assessments and sustainability audits.

- Understanding your supply chain better.
- Defining a responsible purchasing policy consistent with your organisation's CSR issues.
- Mapping your CSR risks from your supply chain to develop a relevant action plan that is tailored to your challenges.
- Managing your responsible purchasing policy based on reliable and relevant performance indicators.
- Developing pragmatic tools to implement and drive your responsible purchasing policy (supplier audits, integration of sustainable development criteria in your consultations, buyer training, etc.).
- In addition we offer supply chain audits with specific focus on Social Responsibility, Human Rights, Environmental, Quality, Business Continuity, Anti-Bribery and Corruption, and many more.

Environmental, Social and Governance (ESG) services

Mazars 22

(Mazars, 2022)



## App. 11 ESG Events for 2023

### ICNHD 2024: International Conference on Natural Hazards and Disasters

04  
May  
2024

04-05 May 2024  
Amsterdam, Netherlands

### Euro-Global Climate Change Conference (EGCCC)

Sep  
2023

Sep 2023  
Paris, France

### IADC HSE & Sustainability Europe 2023 Conference & Exhibition

Sep  
2023

Sep 2023  
Amsterdam, Netherlands

### ICCMEE 2023: International Conference on Coastal, Marine Ecology and Environment

26  
Aug  
2023

26-27 August 2023  
Paris, France

### ICCEGG 2023: International Conference on Circular Economy and Green Growth

22  
Jun  
2023

22-23 June 2023  
Paris, France

### Energy & Sustainability Forum (ESF Europe 2023)

20  
Mar  
2023

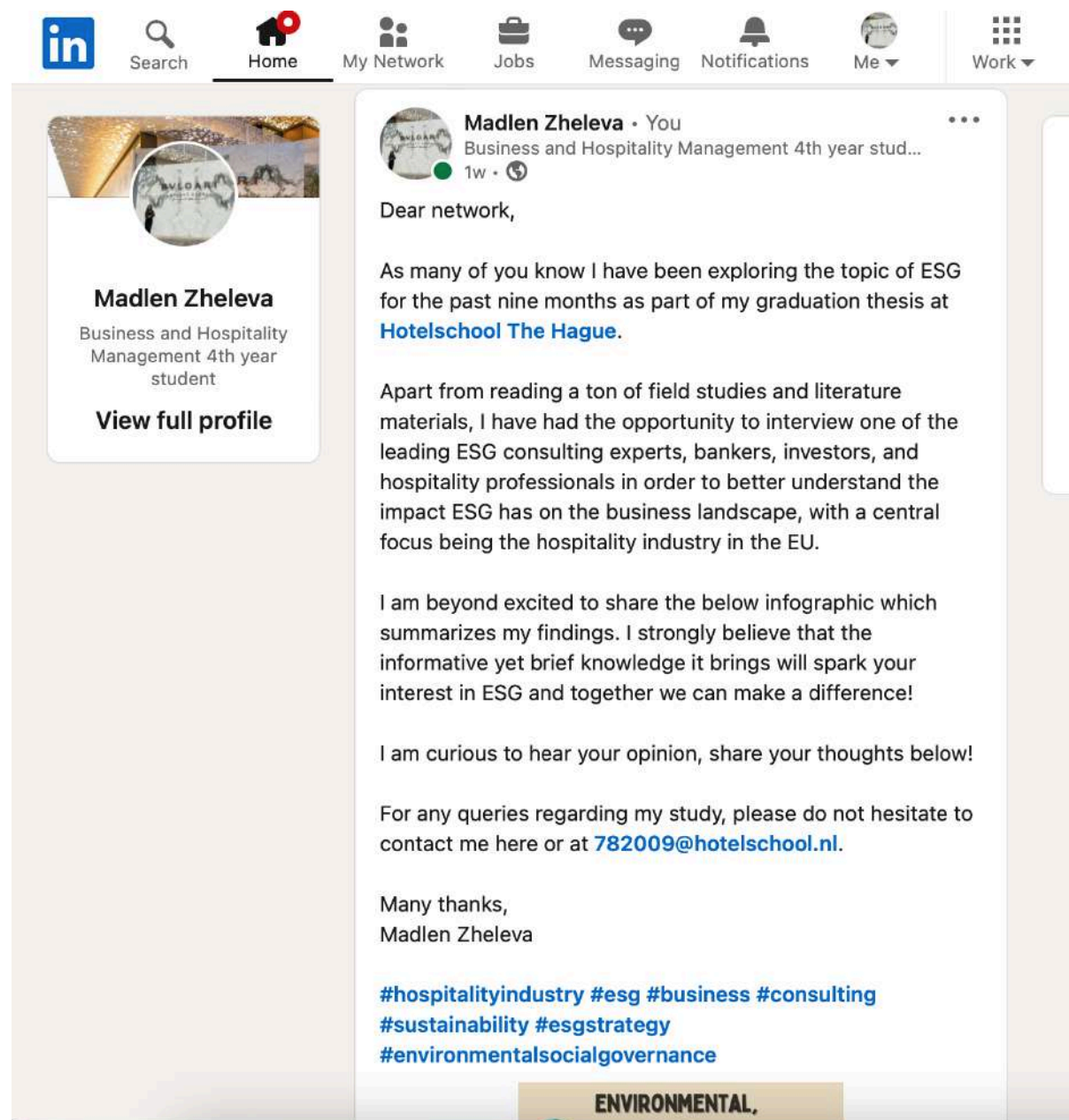
20-23 March 2023  
Amsterdam, Netherlands

(ConferenceLocate, 2022)



## App. 12 Dissemination

### 12.1. Infographic



(Zheleva, 2022)



# ENVIRONMENTAL, SOCIAL, GOVERNANCE: THE BUSINESS IMPACT

Driven by societal expectations and environmental concerns, the EU authorities realized the need for concrete actions and acted accordingly with the inclusion of mandatory requirements and taxes for the ESG-related concerns.

**FAQ**

**LAW**

ALL COMPANIES EITHER NOW OR OVER THE NEAR TERM NEED TO BE AWARE THAT THEIR BUSINESSES AND ACTIVITIES WILL BE LABELLED ACCORDING TO THEIR ESG PERFORMANCE

**THREE REGULATIONS:**  
SUSTAINABLE FINANCE DISCLOSURE  
EU TAXONOMY  
CORPORATE SUSTAINABILITY REPORTING DIRECTIVE

Financial and large companies must report their ESG performance, small companies shall report on a voluntary basis now, however financial institutions will anyhow request the relevant ESG data regardless of scope and scale of financed company, thus the development of all three regulations will impact every business directly and/or indirectly.

## IMPACT ON THE BUSINESS

ESG will shape the way business gets done and will dictate the profitability, development opportunities, stakeholder value, market value and a company's ability to raise capital.

**BANK**

"...IF THE CUSTOMER WANTS THE FINANCING, WANTS TO PROCEED, WITH HIS RELATIONSHIP WITH THE BANK HE SHALL PROVIDE INFORMATION ON THE WAY HE COMPLIES, HASN'T HAD INCIDENTS WITH ESG ISSUES SO FAR."

**ESG AND RISK**

"...not focusing on ESG becomes an increasing risk in general for society, but also on a corporate level. You cannot allow yourself to deny".

"FROM CAPITAL PROVIDERS POINT OF VIEW, BOTH BANKS FOR PROVIDING DEBT AND EQUITY PROVIDERS, WE WILL BE MORE DEMANDING WITH RESPECT TO THE COMPANY'S SUSTAINABILITY AGENDA"

"YOU CANNOT HIDE BECAUSE BANKS WILL ASK FOR IT, EQUITY INVESTORS WILL ASK, INSURANCE COMPANIES WILL ASK FOR IT. EVERYONE."

## ESG AND THE HOSPITALITY INDUSTRY

"THEY (HOSPITALITY BUSINESSES) WILL BE REQUIRED: THEY WILL BE EVEN MORE HEAVILY REGULATED BY THE EUROPEAN COMMISSION THAN THE HOSPITALITY SECTOR ITSELF"

Adhering to the ESG standards is regarded as financially necessary for the industry. Some hospitality businesses would be valued higher due to their ESG investment, with prospect of outlasting their non-ESG-compliant competitors.

"HOTELS FOR SURE WILL NEED CONSULTANCY TO BE SUPPORTED IN THEIR PROCESS OF IMPLEMENTING THE ESG REQUIREMENTS."

"THERE'S SO LITTLE AWARENESS IN THE HOSPITALITY INDUSTRY"

"ESG AND REGULATIONS... THAT'S NOT SOMETHING I'M ALREADY TOTALLY AWARE OF..."

REFERENCES (LIN AND FUK, 2021) (LUTJENDI ET AL., 2021), (YUANG, 2017), (SALSON, 2022), (NG, 2021), (FENG AND WU, 2021)  
ROUSIER AND ROUSIER, 2019





Post analytics

Madlen Zheleva posted this · 1w



Dear network,  
As many of you know I have been exploring the topic o ...show more

Discovery ?

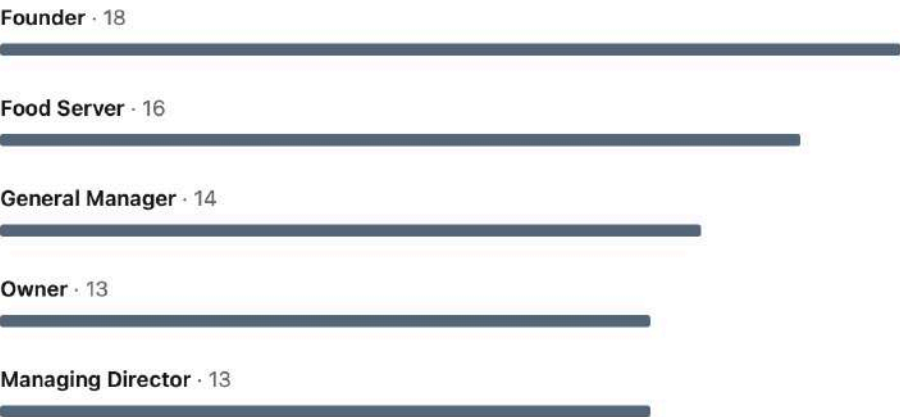
2,876  
Impressions

Engagements ?

Reactions	30 →
Comments	13 →
Reposts	2 →

Top demographics of people reached ?

Job titles ▾





## Top demographics of people reached ?

Locations ▾

The Randstad, Netherlands · 284



Sofia Metropolitan Area · 74



London Area, United Kingdom · 28



Berlin Metropolitan Area · 18



Greater Munich Metropolitan Area · 17



## Top demographics of people reached ?

Industries ▾

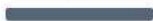
Hospitality · 401



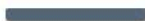
Banking · 95



Management Consulting · 62



Information Technology & Services · 59



Financial Services · 50





13

Comments

Analytics ▾

## People who commented

**Max Starkov** · 1st

Hospitality &amp; Online Travel Tech Consultant &amp; Strategist

**Harald Bindeus** · 2nd

Commercial Leader - Sales, Marketing &amp; Revenue Management

**Madlen Zheleva**

Business and Hospitality Management 4th year student

**Wilson Jn. Baptiste Aas, Bs, MS, MS** · 2nd

CEO at Gems-Global Enterprises Management Solutions, LLC

**Margriet Knol** · 1st

Tax intern focused on ESG development

**Alex Sassen Van Elsloo** · 1st

Sassen Research &amp; Consultancy

**Masha Musina** · 1st

Студент(ка) в уч. заведении Les Roches Marbella Global Hospitality

(Zheleva, 2022)

## 12.2. Blogpost Article

Environmental, Social and Governance

new blog post

by Madlen Zheleva

Despite the last century economic development, several trends have proven to be detrimental to communities, environments, businesses, and the overall economic prosperity (CISL, 2017). Given the concerns about global inequality, degraded ecosystems and depleted natural resources, a revolutionary path towards sustainable economic development was set (ibid.)

The path led to the adoption of three main regulations: the Corporate Sustainability Reporting Directive previously the Non-Financial Reporting Directive, the Sustainable Finance Disclosure Regulation and the EU Taxonomy Regulation, all aiming to ensure the effective protection of human rights and the environment (Kamann et al., 2022).

Vol No.1

According to the regulations, businesses must disclose sustainability risks, impact on the society and the environment as well as targets and progress towards more sustainable operations.

Soon, if a company intends on borrowing money, as part of the screening criteria, it will be asked to disclose the type of sustainable activities involved in the business (Alexis, 2022). Those companies ignoring ESG, will face reputational costs and potential flight of capital towards firms working on their ESG strategy (Alicia Karspeck, 2021). A company's ESG scoring will also affect the cost of borrowing, as banks already provide lower interest rates to companies operating in compliance with the ESG regulations (Celsia, 2022; Rebecca Zhang, 2021; Raimo et al., 2021). Notably, businesses scoring poorly on ESG might soon face difficulties to access capital completely, placing them at competitive disadvantage (Aboud and Diab, 2019).

hospitality industry

The ESG reporting will have a lasting impact on how business gets done, especially as the regulations respond to the deeper societal need for change (Poole and Sullivan, 2021). The increasing stakeholder expectations drives the need for ESG commitment (ibid.).

**need for change**

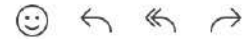
The hospitality sector, however, appears dormant in its ESG implementation journey, despite its global strategic position in addressing the ESG issues.

The growing pressure from financial institutions, investors and stakeholders led to noticeable demand for ESG advisory providers. Contrastingly, a supply shortage was indicated as the dearth of talent and expertise led to many ESG advisory firms acquiring others to boost the inhouse expertise and cope with the growing demand. The ESG consulting market is still in its evolving phase, presenting significant opportunity for market entrances.

HOTELSCHOOL THE HAGUE



Re: LYCAR Company Project Dissemination



✘ Strategic Marketing and Communic...

Monday, 5 December 2022, 12:06

To: ✘ Madlen Zheleva; Cc: ✘ Sassen, A Mr.; ✘ Heijblom, PJ, Mr. ✓

Good morning Madlen,

Thank you so much for your sending this over, indeed seems a very interesting topic!

I will go ahead and place it on the intranet and include it in the newsletter for Wednesday.

Have a great week ahead!

Best,

Anna Vallianatou

Marketing & Communication Specialist

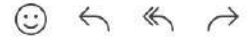
☎ +31 62 543 48 14







HTH Student News - 7 December



○ Newsletter HTH <newsletter@ho...

Wednesday, 7 December 2022, 16:05

To: Madlen Zheleva

05-12-2022

## Intern Learning & Development Team

For more information or to apply for this position reach out to [learning@hotelschool.nl](mailto:learning@hotelschool.nl)!

Read more...

05-12-2022

## LYCar thesis “ESG: Environmental, Social and Governance” by Madlen Zheleva

Read more about the importance of ESG implementation and reporting in the hospitality industry!

Read more...



AA
intra.hotelschool.nl

Hospitahty Business School

Search

> Students > Newsletter: students  
> LYCar thesis "ESG: Environmental, Social and Governance" by Madlen Zheleva

# LYCar thesis "ESG: Environmental, Social and Governance" by Madlen Zheleva

05-12-2022

Environmental, Social and Governance

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Vol No.1

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### hospitality industry

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**need for change**

The growing pressure from financial institutions, investors and stakeholders led to noticeable demand for ESG advisory providers. Contrastingly, a supply shortage was indicated as the dearth of talent and expertise led to many ESG advisory firms acquiring others to boost the inhouse expertise and cope with the growing demand. The ESG consulting market is still in its evolving phase, presenting significant opportunity for market entrances.

HOTELSCHOOL THE HAGUE

2





## App. 13. LYCAR Proposal Grading Rubric

### LYCar Proposal Grading Rubric

**U.1.1** (Version LYCar 2020; 16 February, 2021)

Student Name:	Madlen Zheleva	LYCar Coach:	Mr Heijblom
Student Number:	782009	Primary PLO:	3
Date Submitted:	27/08/2022	Secondary PLO(s):	9

*Note: All boxes with red border to be filled by student*

Preconditions (required for assessment)	Yes	No	Comments
<b>Checks content and completeness</b>			
<b>Executive Summary</b> is present, concise, can be read independently, contains information about process and content, focuses on results and outcomes	<input checked="" type="checkbox"/>	<input type="checkbox"/>	
<b>LYCar Proposal meets formal reporting criteria (according to e.g., LYCar Reading &amp; Writing Guide)</b>			
LYCar Proposal is written in English and is professional, including common basic components such as Intro, ToC, Conclusion etc.- see Reading & Writing Guide	<input checked="" type="checkbox"/>	<input type="checkbox"/>	
LYCar Proposal is max. <b>5.000 words</b> (counting after Table of Content, incl. text in tables) - visual proof of wordcount is included in Appendices.	<input checked="" type="checkbox"/>	<input type="checkbox"/>	
Harvard Referencing Style is used consistently, referencing to primary sources only, List of References is well presented	<input checked="" type="checkbox"/>	<input type="checkbox"/>	
<b>Check (technical) formalities and submissions</b>			
Ephorus upload	<input checked="" type="checkbox"/>	<input type="checkbox"/>	
LYCar Proposal incl. Appendices are uploaded in Osiris	<input checked="" type="checkbox"/>	<input type="checkbox"/>	
<b>Ethics and data management</b>			
Ethical, integrity and data management requirements	<input checked="" type="checkbox"/>	<input type="checkbox"/>	
<b>Entitled to assessment? (All yes above required):</b>	<input checked="" type="checkbox"/>		



**DD1: The student has demonstrated knowledge and understanding in a field of study that builds upon their general secondary education, and is typically at a level that is supported by advanced textbooks**

	Excellent	Pass	No Go
1.1 Use of literature and knowledge of the field	Student uses in-depth literature and knowledge of the field throughout the report. The report contains no mistakes and factual incorrectness.	Student uses in most cases literature and knowledge of the field in the report. The report contains some mistakes and factual incorrectness in a limited part of the report.	No sufficient or correct use of literature and knowledge of the field in the report. The report contains mistakes and factual incorrectness.
1.2 Intellectual depth and abstract thinking	Student takes all significant factors into account and looks from different perspectives, sees patterns, relates situations to concepts in order to solve larger problems. The reports show excellent thinking capacity of the student. New unique insights presented in the topic and depth of understanding displayed. Excellent linking between the elements and the underlying issues within the case situation.	Student takes different perspectives into account. The report shows intellectual depth (taking into account all significant factors and looking from different perspectives) in most parts of the report. Some patterns are clear. Some links have been made.	The report lacks intellectual depth (superficial and merely descriptive) in some parts of the report. Patterns are not sufficiently made clear.
Student Feedback:	Pass <input checked="" type="checkbox"/> Not Yet <input type="checkbox"/>	I believe I have used in-depth literature from different sources and industries to present a new overall look and perspective of the topic of ESG, which has not been studied in depth yet. I presented new unique insights, linking what has been known on the topic, to what experts from different fields forecast and personal elaboration on the topic.	
Assessor Feedback:	Pass <input checked="" type="checkbox"/> Not Yet <input type="checkbox"/>	Student uses sufficient relevant literature from the field of study.	

**DD2: The student can apply their knowledge and understanding in a manner that indicates a professional approach to their work or vocation, and has competences typically demonstrated through devising and sustaining feedback and solving problems within their field of study**

	Excellent	Pass	No Go
2.1 Application of theories/models to situations at hand	Student uses a range of theories/models appropriate to the problems in the case skilfully and able to add their own unique perspective and insight. They own the model(s).	Student mentions a range of theories/models appropriate to the problems in the case and applying some of them in the correct way.	Mentioning models and theories but not using them in a correct way.
2.2 Possible impact and meaning of own work - dissemination of research	Student plans evaluation of impact and meaning of own work in relation to business and industry with sound underpinning. Identification of all stakeholders and acts of dissemination. Plan on how to effectively disseminate knowledge through different channels fitted for a variety of audiences is also presented.	Student formulates criteria for evaluation. Student describes possible impact and meaning of own work. Identification of stakeholders and planning of dissemination through at least one valuable channel with an audience is presented.	Student fails to describe criteria how to evaluate impact. No identification of stakeholders or realistic plan on dissemination of knowledge through at least one valuable channel with an audience.
Student Feedback:	Pass <input checked="" type="checkbox"/> Not Yet <input type="checkbox"/>	Models are not applicable to the research study, however all framework available that. Link the various regulations has been presented in the report, after the explanation of the regulations in detail to help the reader understand how the regulations interconnect and relate to the study. Several acts of dissemination has been planned out with a scope to reach all identified stakeholders through different channels.	
Assessor Feedback:	Pass <input checked="" type="checkbox"/> Not Yet <input type="checkbox"/>	Project clearly for commissioner, looks relevant and applicable depends on the final results	



DD3: the student has the ability to devise data gathering events, gather and interpret relevant data (usually within their field of study) to inform judgements that include reflection on relevant social, scientific or ethical issues

	Excellent	Pass	No Go
3.1 The Design Based Research Process	Student sets the research process up in a systematic and well organised way. Student makes sense of a problem mess, analyses a (complex) problem and formulates feasible solutions by using a design-based research approach. Logical flow from Problem definition to Analysis to Solutions Design/methods are well chosen and motivated.	Student analyses the problem, and formulates possible solutions underpinned by literature using a design-based research approach. Methods motivated and mostly logically chosen	Insufficient problem analysis and methodology, research cycle not used.
3.2 Analysis and evaluation of data	Student plans analysis and evaluation of data/information well using appropriate (digital) tools and makes data-driven decisions. All statements are underpinned with facts and figures and/or referencing. The appropriate tools are used in all steps. Analysis is sufficiently complex with use of information from more than 2 different dimensions (practitioners, scientific literature, the organization and stakeholders).	Student plans analysis and evaluation of solutions clearly, with some flaws or unclearities. Some statements are underpinned with facts and figures and/or referencing, some lacking underpinning. Analysis is sufficiently complex using data from at least one dimension and sufficiently backed up with literature.	Plan of analysis and evaluation of solutions is not clear. Statements are mostly not underpinned with facts and figures and/or referencing; some are contradicting. No tools are used. Lacking or no analysis and not backed up with literature.
Student Feedback:	Pass <input checked="" type="checkbox"/> Not Yet <input type="checkbox"/>	The DBR cycle is applied throughout the report in a logical flow. Analysis is complex with various sources. Underpinning is consistent.	
Assessor Feedback:	Pass <input checked="" type="checkbox"/> Not Yet <input type="checkbox"/>	Very broad population, Sampling methods not well described... who and how will be selected? Methodology can be better described so that project can be repeated by others using same methods, sampling, timing etc.	

DD4: the student can communicate information, ideas, problems and solutions to both specialist and non-specialist audiences

	Excellent	Pass	No Go
4.1 Communication to audience making use of professional (business) English	Student divides information effectively in paragraphs/chapters. No noticeable errors in English usage and mechanics. Use of language enhances the argument and avoids abbreviations. Sentence structures are well varied, and voice and tone are highly suitable for the specific audience/s. Style and content complement each other into an appealing, high quality story. Highly skilful organisational strategy. The logical sequence of ideas increases the effectiveness of the argument and transitions between paragraphs strengthen the relationship between ideas. Sub-headings are employed effectively and the links between different sections are reinforced through linking expressions. Shows attention to detail in all parts of the report.	Student divides information in paragraphs/chapters. Errors in English usage and mechanics are present, but they rarely impede understanding. Use of language supports the argument. Sentence structures are varied, and voice and tone are generally appropriate for the intended audience/s. Generally, a clear organisational strategy. The sequence of ideas in most cases supports the argument and transitions between paragraphs clarify the relationship between ideas. The report is mainly comprehensively written and lacks some attention to detail in some parts of the report.	Distracting errors in English usage are present and they impede understanding. Use of language is basic, only somewhat clear and does not support the argument. Word choice is general and imprecise. Voice and tone are not always appropriate for the intended audience/s. Basic organisational strategy, with most ideas logically grouped. Transitions between paragraphs sometimes clarify the relationship among ideas. The report is not comprehensively written and lacks attention to detail in most parts of the report.
Student Feedback:	Pass <input checked="" type="checkbox"/> Not Yet <input type="checkbox"/>	The report is well structured and follows a logical structure. Headings and subheadings are clear and employed effectively. The report is detailed and organized.	
Assessor Feedback:	Pass <input checked="" type="checkbox"/> Not Yet <input type="checkbox"/>	Report is well and logically structured. Content wise difficult to understand for a non specialist of finance and European regulations. Think about the reader!	



DD5: the student has developed those learning skills necessary to continue to undertake further study with a high degree of autonomy

	Excellent	Pass	No Go
5.1 Plan on IQ development in PLO: Reflection on product(s)	Student has clear plans on what will be delivered and uses different relevant theory to underpin own work and reflect on it.	Student has a plan on what will be delivered and uses theory to underpin planned own work and reflect on it.	No clear deliverables mentioned and almost no theory to underpin own work and reflection.
5.2 Plan on AQ & EQ Self development	Student devises excellent ability to critically reflect on own developmental goals and demonstrates real growth mindset for life-long learning. Student proposes a demonstration of being able to self-direct, taking initiative in unpredictable situations. Student shows different metrics that can demonstrate development in terms of their EQ/AQ.	Student shows developmental goals and demonstrates growth mindset. There is a plan on how to reflect on values, attitudes and behaviour. Starting levels and desired end levels are described and measurements are provided.	Developmental goals are not concrete, there is no demonstration of growth mindset. Plan on how to reflect is vague and does not give enough substantiation to show growth.
5.3 Plan on EQ Social development	Student provides a plan on how to construct a multitude of proof that shows development as an Intercultural Hospitality Leader. Excellent ability to contribute to the global society/local community as a responsible citizen. Excellent analysis of diversity of people the student will deal with. Possible effective collaboration with all stakeholders in different cultural settings. Hospitality is key to the project or work the student does.	Student provides a plan on how to prove development as an Intercultural Hospitality Leader. Plan on how to contribute to the global society/local community as a responsible citizen. Proposing ideas on how to collaborate with different stakeholders in different cultural settings. Hospitality is a differentiator in the students' project or work.	No clear plan on development as an Intercultural Hospitality Leader. Plan on how to contribute to global society/local community is missing. Ideas proposed on collaboration or hospitality are not sufficient.
Student Feedback:	Pass <input checked="" type="checkbox"/> Not Yet <input type="checkbox"/>	I showed a plan on how to evaluate my IQ using literature, thus I can make sense of what professional products I can present later for LYCAR. EQ and AQ are elaborated, with critical reflection and SMART plan on how to improve. Next to this, a SMART goals have been listed to further develop and evaluate on my growth throughout LYCAR.	

Assessor Feedback:

Excellent ☐  
Pass ☒  
Not Yet ☐

Evaluation plan solid, can be judged with final product

## Overall Assessor Feedback

Well structured report. Written for commissioner but also for two independent assessors who might not have specific knowledge about this field.

## LYCar Proposal Outcome

- Pass ☒ All qualitative criteria awarded a "Pass". "P" registered in Osiris. Student can continue with LYCar execution.
- No Go ☐ One or more qualitative criteria graded as "Not Yet". "F" registered in Osiris. Student re-writes LYCar Proposal with incorporated feedback.
- Pre-Condition NY ☐ Pre-conditions not met. Student resubmits LYCar Proposal. No grade or feedback provided to the student.





## App. 14 Client Evaluation form



### *Evaluation Form Company Project/Research*

(EVALUATION FORM OF ALL CLIENTS AND ON ALL DELIVERABLES IS COMPULSORY, FORMAT IS NOT)

Name of student:	Madlen Zheleva	Student number:	782009
Name of company/organisation:	Sassen Research & Consultancy Company	Department:	Finance
Name of company tutor/research commissioner:	Mr. Sassen	Position of company tutor/commissioner (if applicable):	Company owner
Project and/or Deliverable: (please specify)	Entering ESG market		

During the first (unofficial) evaluation the set-up for the project and end deliverable(s) is discussed. For this final evaluation the project has been delivered by the student and is thus evaluated. This is taken into consideration for the final assessment of the student.



CATEGORY 1: EXPERTISE/KNOWLEDGE OF THE FIELD				
Rating	Excellent	Good	Room for improvement	Comments
	In-depth use of relevant literature and knowledge of the field. The deliverable shows excellent thinking capacity of the student (considering all significant factors and looking from all different perspectives).	Use of relevant literature and knowledge of the field. The deliverable shows mostly intellectual depth (considering significant factors and looking from different perspectives).	No or incorrect use of literature and knowledge of the field. The deliverable lacks intellectual depth.	Lots of work done. Great effort to get to the nitty gritty of things.

CATEGORY 2: KNOWLEDGE APPLICATION/SOLVING PROBLEMS				
Rating	Excellent	Good	Room for improvement	Comments
	The theories and models are skillfully applied and the student can translate this in a unique solution and implementation. The student can relate situations to concepts that results into a solution that adds great value to the company's overall strategy. The creative solution is/can be implemented and evaluated and is solving the problem.	The student uses theory, models, and shows understanding of the issues at hand. The solution is realistic and implementable for the company. The solution is/can be implemented and evaluated.	Mentioning theory and models, but not using them in the correct way. The student cannot convince of the possibilities to implement and evaluate. It is not solving the problem.	Report has a high density of relevant information. Excellent.



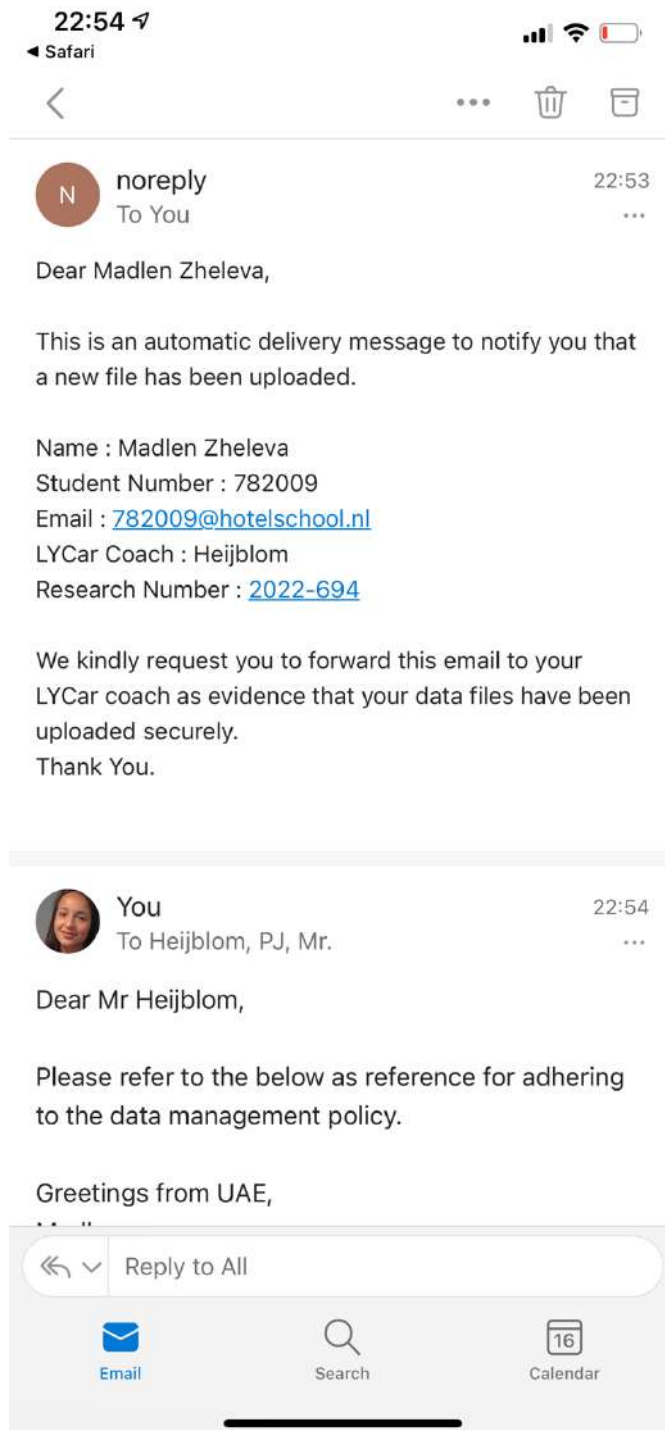
CATEGORY 3: INFORMED JUDGEMENTS				
Rating	Excellent	Good	Room for improvement	Comments
	The research process is done and explained in an excellent way. All statements, conclusions and recommendations are underpinned with the data collected by the students and/or referencing. The analysis is very substantial.	The research process is done and explained well. Most statements, conclusions and recommendations are underpinned with the data collected by the student and/or referencing. The analysis is substantial.	Weak problem analysis, research question not clear enough. Data collection and/or methodology is insufficient. Weak analysis, use of data from one dimension and not backed up.	The process is well explained. Due to the newness of ESG and competitiveness situation, some limitations do occur.
CATEGORY 4: COMMUNICATION AND SHARING KNOWLEDGE				
Rating	Excellent	Good	Room for improvement	Comments
	Excellent ability to communicate information, ideas, problems and solutions to all stakeholders involved. The deliverable adds great value to the main stakeholders. Initial and creative channels have been actively used to share outputs and knowledge.	Good ability to communicate information, ideas, problems and solutions to stakeholders. The deliverable adds value to the company. Existing channels have been used to share knowledge.	The deliverable could have been better delivered to the stakeholders. The deliverable could have added more value, if better delivered. No active communication of outputs and knowledge.	Very clear.
CATEGORY 5: INTERCULTURAL HOSPITALITY LEADERSHIP				
Rating	Excellent	Good	Room for improvement	Comments
	Student can lead the project by themselves. Student is self-critical towards improvement and takes feedback to heart. Student deals with a diversity of stakeholders in an intercultural competent way. Hospitality mindset is seen in project or work in a very distinct way.	Student can lead the project with little help. Student is critical towards improvement and listens to feedback. Student deals with different stakeholders. Hospitality mindset can be seen.	Tasks performed are described and not critically analyzed. Student is not too critical towards own learning and can listen better to feedback. Student does not know how to deal with differences in stakeholders. Hospitality can be improved.	Madlen was very pro-active and totally self steering. Great asset to have!
OVERALL COMMENTS:				
Great student with great attitude and drive. Too bad she prefers hotels over ESG consulting at my firm.				
STUDENTS' COMMENTS:				
Comments on evaluation:				
DATE & STUDENT'S SIGNATURE:			COMPANY SUPERVISOR'S/RESEARCH COMMISSIONER'S SIGNATURE:	
13.12.2022			13/12/2022	

THE COMPLETED FORMS (ON ALL DELIVERABLES AND PERFORMANCE) NEED TO BE EMAILED TO THE LYCAR COACH AND PUT IN THE APPENDICES OF THE CAREER PORTFOLIO





## App.15 Data Management Procedure





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# Proof of word count

The screenshot displays the Microsoft Word interface for a document titled "MadlenZheleva\_782009\_LYCAR\_CompanyProject\_2223B.docx". The ribbon includes tabs for Home, Insert, Draw, Design, Layout, References, Mailings, Review, View, Zotero, Grammarly, and Tell me. The View tab is active, showing options like Print Layout, Web Layout, Draft, Focus, Immersive Reader, Ruler, Gridlines, Navigation Pane, Zoom, One Page, Multiple Pages, Page Width, New Window, Arrange All, Split, Switch Windows, and Macros. The document content is a grid of 100 thumbnails, each representing a page. The bottom status bar indicates "Page 49 of 191", "10969 of 48433 words", "English (United Kingdom)", and a zoom level of 14%.

