

DiamondRock Hospitality



We have engaged with DiamondRock Hospitality (DRH) since 2022. In the US Hotel cluster, DRH is one of the few that takes ESG goals seriously. Goal of the engagement was to set a high bar with DRH versus its Hotel peers and improve the sector towards that level. With a scope 1-3 target of -50% in 2030 we successfully close the engagement.

Egbert Nijmeijer, Co-Head Real Assets

Engagement rationale

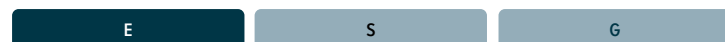
DiamondRock Hotels (DRH) is a medium-sized US Hotel owner and operator of >30 upper upscale hotels. It takes ESG targeting seriously which makes it the perfect bar-setter in the US hotel industry which is lagging in general.

Background

DRH did not have Environmental targets and neither does its US Hotel peers back in 2022 when we started the engagement. DRH, through its Corporate Responsibility report of 2023, now sets a 2030 carbon emission target of -50% versus base year 2019. It also set energy reduction, waste, water and biodiversity goals.

Theme for engagement

Environmental



Development

Positive

Milestone



Engagement objectives

Have DRH set carbon emission targets that can act as a bar for US hotel peers.

Engagement results

Since 2022 DRH has been working on setting measurable ESG targets in-line with the Paris agreement. For 2030 it now has set a scope 1-3 -50% carbon emission target versus base year 2019 which is externally verified. The management team continues to work on a 2050 target inline with the Paris agreement and the 1.5 degrees scenario. Management follows TCFD recommendations on climate risk, scores high on GRESB (86) and has 12.75% of management's bonus schemes set on ESG targets including its GRESB score.

Although not perfect, DRH's approach is way better than US Hotel average and serves as the bar for the other hotel REITs to aim for. That was exactly our goal, we close the engagement successfully and will aim for further sector-wide improvement of ESG targets for the US Hotel industry in future engagements.

Next steps

We close our engagement successfully with DRH being the bar-setter for the US Hotel industry. Further sector-wide engagements is aimed at improving the lagging US Hotel industry.



Company

DiamondRock Hospitality

Country

USA

Sector

Real Estate

Market cap

2bn USD

Materiality

Improving ESG efforts can lead a lower risk profile and multiple benefits for all stakeholders.

ESG Research

MSCI ESG Rating: BB
Sustainalytics: 14.8 (low risk)

Engagement initiated

Q1 2022

Latest update

Q1 2024

Kempen Fund

Kempen (Lux) Global Property Fund

